Contents

Mt Hutt
Ashburton District Council

Part 7

FINANCIAL POLICIES AND DISCLOSURES

Significant Forecasting Assumptions

THE LONG-TERM PLAN (LTP) 2018-28 AND ITS SUPPORTING DOCUMENTS ARE BASED ON FORECASTING ASSUMPTIONS FOR PROJECTED CHANGES IN THE DISTRICT.

Schedule 10 of the LGA (2002) requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in long-term plans.

In making these assumptions, there is a degree of uncertainty included in the planning. Where there is a high level of uncertainty, the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty is determined by reference to the likelihood of occurrence and the financial materiality. This means there will be a variation in the levels of reliability in the forecasting for the Long-Term Plan. This section presents the key assumptions with the level of risk and the possible effect of the uncertainty.

The financial information has been prepared on the basis of best estimate assumptions as to future events the Council expects to take place and recent economic shifts and conditions in the New Zealand economy and internationally.

The basis of the forecast cost indices comes from independent industry advice from Business and Economic Research Limited (BERL). This organisation specifically forecasts for price level change indices adjustors for local authorities to use in budget processes consistent with the LTP.

The BERL cost indices have been used for both operating and capital budgets as appropriate. These indices are based on a medium term view and may differ on a particular year.

Other assumptions have been based on information obtained from Statistics New Zealand, Infometrics, and Market Economics Ltd.

Summary of Assumptions

Assumption		Confidence Level	Risk	Consequence
GENERAL ASSUMPTIONS				
1	Population Change	Medium	Low	Minor
2	Household Change	Medium	Low	Minor
3	Demographic Change	High	Medium	Minor
4	Technological Advancements	High	Medium	Moderate
5	Legislative and Political Changes	High	Medium - High	Moderate - Major
6	Climate Change/Natural Hazards Disaster Events	Medium	Medium - High	Major
7	Forestry and Emissions Trading Scheme	Medium	Low - Medium	Minor
8	CCOs and Shareholdings	Medium - High	Low	Minor
9	Resource Consents	High	Low	Moderate
10	Service Levels	Medium	Medium - High	Minor
11	Availability of Contractors and Materials	Medium	Medium - High	Moderate
12	Strategic Assets	High	Low	Moderate
13	Development Contributions	Medium	Low	Minor - Moderate
FINANCIAL ASSUMPTIONS				
1	Inflation	High	Low	Moderate
2	Depreciation rates on planned asset acquisitions	High	Medium	Minor
3	External Borrowing	High	Low	Minor
4	New Zealand Transport Agency Subsidy Level	Low - Medium	Medium - High	Moderate - Major
5	Ashburton Second Urban Bridge Funding	Low	High	Moderate - Major
6	Loan Funding and Interest Rates	High	Medium	Minor - Moderate
7	Useful Lives of Assets	High	Medium	Moderate - Major
8	Funding of Asset Replacement	High	Low	Moderate - Major
9	Asset Revaluation	High	Low	Minor
10	Dividend Income	High	Medium	Moderate
11	Revenue from Freehold Forestry Land Sales	High	Low	Minor
12	Revenue from Residential Property Development	High	Low - Medium	Minor
13	Revenue from Ashburton Business Estate Development	High	Medium	Minor

General Assumptions

1. Population Change

Assumption

Long-term population projections have been developed based on consideration of historic trends, Statistics NZ projections (to 2043), drivers of growth and constraining factors. These projections are used to inform decision making and planning, particularly for long-term asset management. These figures are based entirely on Statistics NZ Census area units which are different from Council's rating areas.

Council has adopted a medium population projection for the district, with an expected 30% increase to 2043 (urban increase of 19%, rural increase of 45%), with the largest population increase projected for the Hinds area (most likely Lake Hood).

RATING INFORMATION	2013	2023	2033	2043
Ashburton Urban	19200	20880	21900	22830
Methven	1770	1970	2090	2170
Rakaia	1150	1250	1280	1290
Rural	10190	12200	13900	15610
District	32300	36300	39200	41900

Confidence Level

Medium

Consequence of Variation of Assumption

Any significant or sustained decline in population growth will affect the ability to set rates at an affordable level. Conversely, any significant or sustained increase above the projections could impact Council's service delivery levels.

Risk

Population change across the district occurs at a higher or lower rate than expected

Risk Level

Low

Approach to Mitigation of Risk

Council obtains robust data from Statistics NZ and Infometrics and monitors population growth regularly, making adjustments to service delivery or rates through annual plans if necessary. Any additional infrastructure due to growth can be funded through development contributions, but costs over these amounts would have to be funded by debt.

<table>
<tr><td rowspan="4">2. Household Change (incl Residential Growth)</td><td>Assumption
Statistics NZ releases data on household projections to 2038. Council is following the medium projection stream.
The average household size for Ashburton District is 2.5. In 2013 there were 12,900 total households. This is projected to increase to 16,200 by 2038 (an increase of 26% or 3,300 households).
One-person households are projected to increase by 42% (or 1,300) to 4,400 by 2038 (from the 2013 level of 3,100).
The highest increase is projected to be in family households with an increase of 22% (or 2,000 family households) rising from 9,300 to 11,300 by 2038.</td><td>Confidence Level
Medium</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption
A slower rate of household growth may mean some activities have overinvested in infrastructure (having too much capacity too soon)</td></tr>
<tr><td>Risk
Household change across the district occurs at a higher or lower rate than expected</td><td>Risk Level
Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
Council will continue its monitoring of household change in the district. Existing infrastructure is being managed to address specific growth factors associated with an activity (i.e. traffic demand or wastewater connections) which may be generated from an increase in the number of households. Additional infrastructure due to growth can be funded through development contributions.</td></tr>
</table>

<table>
<tr><td rowspan="5">3. Demographic Change</td><td>Assumption

Ashburton District is experiencing growth in its older population with the projected rates to increase by 77% in the 65+ age group from 5,300 in 2013 to 9,400 people by 2043. This is projected to be split evenly between urban and rural areas. There are also projected increases of 22% in the 0-14 age group, and 30% in the 15-39 age group for that same time period.

The ethnic diversity of the district continues to grow, with a projected increase to 2038 of 110% of Maori (an additional 2,730 people), 139% of Asians (1,940 additional people), and 147% of Pasifika (an additional 1,700 people). Europeans will still be the largest ethnic group, but the total percentage of total population will change from 89% in 2013 to 82% in 2038.

The biggest difference in the ethnic minorities is the median age being much lower than Europeans, meaning the ethnic minorities are much younger and will make up a larger percentage of the working age population and have increased birth rates. Asian migrants make up the highest projected increase in population through migration, with European migration projected to fall into negative figures by 2038.

Ashburton District has also seen an increase in the number of citizenship ceremony's from 45 people in 2010 to 237 in 2017.</td><td>Confidence Level

Medium</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

Customer demand will exceed what Council can deliver for information, service delivery and put increased pressure on Council to introduce new technologies which will likely drive up costs and rates.</td></tr>
<tr><td>Risk

Demographic changes across the district occur at a higher or lower rate than expected</td><td>Risk Level

Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Forecast demographic changes for an aging population have been projected for Canterbury have been projected for a number of years. Ashburton District's population is aging but not at the same pace as the rest of Canterbury. The effects of the changing demographics will be accommodated for by adapting or redirecting activity provision to meet needs where possible within reasonable costs.</td></tr>
</table>

<table>
<tr><td rowspan="8">4. Technological Advancement (incl 4th industrial revolution, disruptive technology, social media)</td><td>Assumption

Technology is advancing in the digital age, bringing change at an exponential rate which impacts on service delivery and information gathering and management. The fourth industrial revolution will fundamentally transform our society, economy, and ways of doing business.

An example of the frenetic pace of technological change is the average household uses as much internet data that all of New Zealand used in 1998[1]. In the late 1980s, less than 1% of the world’s technologically stored information was in digital format, while it was 94% in 2007. With more than 99% digitization occurred by 2014, information is now overtaking infrastructure as one of the largest assets councils own. Technology is advancing in areas such as transportation (electric/driverless vehicles), monitoring equipment (drones, sensors) and Artificial Intelligence which will continue to impact on Council business in future.

With the growth in the use of social media, combined with the digitization and increase of multi-use devices, people have more access to information and technology. This results in increased demands for transparency and accountability on councils to fully engage the community in democratic processes. The downside of the increased access to social media is the speed at which misinformation, media manipulation, and distortion of public opinion through “alternative facts” can occur, creating new challenges for local authorities.

Business model disruption is one of the main issues for councils currently and is the main cause of retail decline for retail shops.

The move towards blockchain[2] technology and digital currency (i.e. Bitcoin) may impact on the commercial transactions of Council and the ability to charge for some services like information that can be accessed for free.</td><td>Confidence Level

High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

Customer demand will exceed what Council can deliver for information, service delivery and put increased pressure on Council to introduce new technologies which will likely drive up costs and rates.</td></tr>
<tr><td>Risk

Technology advances faster than Council can adapt</td><td>Risk Level

Medium</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Monitoring technology changes through involvement with ALGIM and liaising with other councils will assist ADC to keep current as much as it can within its means. As new technology becomes more mainstream, costs go down. Council introduces new technology platforms (apps, handheld devices, online processes, and increased use of social media for community engagement) as part of its core work programs.

Additional resource has been allocated in this LTP to enhance the Information Systems team within ADC to address the need to keep pace with new technology.

Council has adopted an Information Strategy and is in the process of implementation. This includes the formation of the IS Steering Group. Effectus Ltd. has been retained to provide ongoing industry advice.</td></tr>
</table>

1 McCrindle Research, 2017.
2 Blockchain technology is a continuously growing list of records, linked using secure communication – a digital ledger that is recorded chronologically and publicly (Dictionary.com)

	Assumption	Confidence Level
5. Legislative and Political Changes	Council will be performing in an increasingly volatile and uncertain geo-political and economic environment, coupled with rising citizen activism and demands from residents and ratepayers for more transparency and openness. Conversely, there is also political unrest with an environment of deteriorating rule of law and declining respect for basic civil rights. This makes the work of local authorities increasingly challenging at a time when the pressure is on to keep rates affordable. Local Government NZ commissioned Simpson Grierson to review the disparities between the RMA, LGA and LTMA. The overriding conclusion is councils have to work with outdated and ill-suited legislation and the recommendation was for more work to be done at central government level to address the disparities between these different Acts. Devolution of responsibility from central to local government is expected to continue, along with significant reform in the resource management space. Early indications from the new government are that the proposed local government reforms from the previous government are not expected to result in any forced amalgamation of Council with other territorial authorities, but the compulsory establishment of CCOs are still an unknown. This Long-Term Plan has been prepared based on the assumption that during this ten year cycle, Council will retain the ownership and delivery of services for roading, water services, and regulatory services as per the current LGA02. RMA changes will limit Council's ability to charge financial contributions for reserves and open spaces from 2021 and Council will need to plan for this change. Earthquake-prone building legislation changes has stipulated the timeframes that building owners throughout the district need to comply with to remediate any EQ-prone buildings. With the Representation Review process underway at the time of the development of this LTP, it is possible that the Council structure may change to decrease the number of elected members for the 2019 local body elections. In light of the Havelock North determination (Dec 2017), the potential legislative changes to abolish ground water security status is a factor that will impact on Council's water supply operations. The National Policy Statement for Freshwater Management (2014) has implications for our district's rivers as we await the new government's regional targets to be set for swimmibility measures. Currently Ashburton's rivers usually show reasonable levels of E.coli that are below the national limits for swimmibility; however, with the drive to consider the *average* E.coli readings for the country, this forces districts such as Ashburton to over-compensate for the poor levels of E.coli found in urban areas such as Christchurch, Wellington, Hamilton and Auckland and to meet stricter targets. This comes at a cost to Council. The Government has also announced an intention to review the three waters activity to determine how to improve the management of drinking water, wastewater and stormwater. This may result in a change to the delivery model of these services and by whom in future.	High

<table>
<tr><td rowspan="3">5. Legislative and Political Changes</td><td colspan="2">Consequence of Variation of Assumption
Most legislative changes are signalled with enough time for planning, if urgent legislation is passed then it could impact Council’s ability to implement these changes and its service delivery. This includes legislation around water supply in light of the Havelock North determination, particularly for ground water security status.</td></tr>
<tr><td>Risk
Legislation changes under urgency in Parliament that Council must implement immediately (including drinking water supply changes).
New NPS regional water abstraction targets are set for river swimmibility.</td><td>Risk Level
Medium - High</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
Changes to any statute involving local government will have an impact on some of the Council’s functions and expenditure at different times. The Council will continue to monitor the nature of proposed change and degree of likely impact on the Council’s functions to inform any alteration needed.
The Council will continue to participate in the planning, development, revision, implementation, monitoring and reporting related to regional strategies and policies and to represent the district’s interests and contribution to the region.
The RMA changes impacts will be reviewed in year two to plan for the change in revenue for the next LTP 2021-2031.
Council has resourced its building team to enforce the EQP legislation, and is assessing and reviewing its own assets to comply with EQP building requirements.
The Council will submit on legislation where appropriate to encourage reduced or improved impacts on Council operations and value for money for ratepayers.
Where legislation requires review of Council processes or staffing, the Council will seek to achieve the most efficient and cost effective way forward.
Where legislation requires Councils to provide additional services or increased levels of service, this may require cost recovery through increases to rates or user fees.
Any changes in political structure will occur via the representation review processes or through formal processes driven either by the community, Council or central government.
The regional water abstraction targets for Ashburton District’s rivers have not only been met, but have been exceeded by Council.
Council currently addresses drinking water quality through online monitoring of key water quality parameters. In some schemes in the district such as the Methven Gallery, Council ensures protozoan compliance with chlorination and UV filters, thus reducing the reliance on ground water security status. However, Council has planned for water supply infrastructure upgrades to the Ashburton District’s water supply schemes that still rely upon ground water security status. Most of the improvements/upgrades are scheduled for years 1-3 in the LTP.</td></tr>
</table>

6. Climate Change/ Natural Hazard Disaster Events	**Assumption** Climate change will impact on Council's operations and will require an appropriate response to adapt and prepare for potential impacts. The predicted national changes such as increased temperatures, increased sea level, increased heavy rainfall and storm events will impact on different parts of the community in various ways. The increased drought conditions being experienced throughout Canterbury may see further land-use changes and pressures on water supply services; conversely, the increased frequency of flooding events puts pressure on stormwater and land drainage services. On the basis of Ministry for the Environment guidelines, we have assumed a base value sea-level rise of 0.5m relative to the 1980-1999 average. GNS put the probability of the Alpine Fault rupturing in the next 50 years at around 30%. Serious natural hazard events, such as a civil defence emergency in the case of the breach of the Alpine Fault, are events that can strike without warning and the assumption is there will be no significant event in the ten-year term of this Long-Term Plan.	**Confidence Level** Medium
	Consequence of Variation of Assumption Potentially the effects of climate change, such as natural hazard events, occur more frequently and more severely than projected in the short term.	
	Risk Natural hazard events (including flooding, erosion and drought) will increase over time.	**Risk Level** Medium-High
	Approach to Mitigation of Risk Council's infrastructure planning takes into account the need to sustain extreme weather events and sea level rise. The CDEM planning for community resilience is focusing on community response plans throughout the district. There are less risks to Council's assets due to sea level rise as few structures are located along the coast, and there are very small communities located in hut settlements with evacuation plans in case of flooding. The District Plan takes into account any increased coastal hazards and other location specific climate hazards and extremes. This includes changing some infrastructure mechanisms such as the size of culverts in flood-prone areas. Council is also monitoring the geological science updates provided by GNS, such as Project AF8, which is a risk scenario-based earthquake response planning project focused on the Alpine Fault. Council is a member of the Local Authority Protection Programme Disaster Fund Trust (LAPP) and has a variety of insurance cover which would cover emergency works. Council also has a Disaster Relief Fund for the replacement of infrastructural assets excluding roading in the event of a natural disaster. Central government has a role in disaster recovery after a natural disaster.	

<table>
<tr><td rowspan="8">7. Forestry and the Emissions Trading Scheme (FETS)</td><td>Assumption

Council's forestry assets have produced some significant income from the sale of carbon credits. After some smaller sales when the carbon market was first launched the Council sold 92,000 units for $18/unit which netted $1.656M of income. Council will continue to sell credits to its best advantage and when returns are acceptable while managing harvesting liabilities. Net income from the forestry activity is used to offset rates.

For forests planted prior 1990, the Council has an allocation of 85,560 NZU's all of which have now been sold.

The Council has also earned carbon credits for forests planted after 1989 which are registered in the ETS. The Council registered 165 hectares of post 1989 forests in the ETS which has been reduced to 39 hectares following the sale of the Cavendish Farm Forest. The sale of the Cavendish Farm has reduced the Council's ability to earn further carbon credits but it has also reduced the Council's future liabilities.

Following the ban on Eastern European Units from the New Zealand ETS scheme, removal of the 1 for 2 liability for emitters and a Labour government the price for NZUs has risen over the last 2 years by more than $10/unit. The price of NZUs is effectively capped below $25/unit with the ability to meet liabilities with a payment of $25/tonne. If this cap is removed the carbon price could go even higher.

The market for carbon credits has been volatile with the price drop in 2012 and recovery since then. Most recently the carbon price seems more settled around the $20/tonne mark. The Council has a further 24539 NZUs currently worth over $500K.

With regard to future liabilities the level of risk depends on how Council chooses to sell its credits and the level of forestry land sales.

As NZ has signed the Paris Agreement to commit to reduce greenhouse gas emissions (GGE), the implementation to reach the target of reducing the GGE by 30% commences in 2021. This may result in Council having to invest more in forestry, but not necessarily by the ways and means of having to plant more trees or retain forestry land as Council could consider investing in North Island forests.</td><td>Confidence Level

Medium</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

Less forestry means less carbon credits for sale, which would reduce Council's income potential from the sale of NZUs.

Volatile market rates on the NZU sales could reduce Council's income potential as well. A higher carbon price will either reduce the value of the forestry land being sold or reduce the number of future sales.</td></tr>
<tr><td>Risk

Physical risks such as fire and wind damage could affect the Council's plantations which could mean the Council faces unexpected liabilities.

Volatile market prices could impact on Council's rate of return on NZUs.</td><td>Risk Level

Low - Medium</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Revenue from carbon credits in the current market would be significant and has therefore been budgeted.

Council can choose to sell only its 'safe' level of carbon where carbon credits are retained and future tree growth and replanting will cover liabilities. Council can also structure sales of land to include the carbon liability amount.

These risks can be managed by adjusting how plantations are harvested, having plantations in varied locations and/or through initiating new planting.</td></tr>
</table>

<table>
<tr><td rowspan="4">8. CCOs and Shareholdings</td><td>Assumption

Council currently has a number of Council Controlled Organisations (CCOs), including (but not limited to) Ashburton Contracting Ltd., Ashburton Stadium Complex Trust, Transwaste Canterbury and Experience Mid Canterbury. Council also has shareholdings in a number of entities including (but not limited to) Eastfields Investments Ltd, Electricity Ashburton, and the Rangitata Diversion Race. The assumption is Council will retain the majority of these CCOs and existing shareholdings, subject to its periodic assessment of returns to ensure they outweigh the risks inherent with investing in these activities in accordance with the LGA. The exception to this is the Ashburton Stadium Complex Trust, which is likely to be wound up within Year One. There is no expectation that additional CCOs will be established for the term of this LTP.</td><td>Confidence Level

Medium-High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

The establishment of new CCOs to provide core services will impact Council and increase costs of setting these up, will change the delegations of service provision, and the organisational structure for those current internal teams providing the services to the external entity.</td></tr>
<tr><td>Risk

If the new government passes a revision of the proposed local government reforms from the previous government, the new legislation may enable the government to establish CCOs or force councils to have joint ventures for some core services such as water and transportation. Early indications are this is not likely, but it is still a remote possibility.</td><td>Risk Level

Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Council has made submissions to the proposed central government legislation changes to the LGA and is carefully monitoring the progress of the Bill through Parliament under the new government. It is expected there would be sufficient lead-in time to enable the implementation of these legislative changes should they occur.

Council receives Board reports on a quarterly basis of the CCOs and annual reports from shareholding entities to monitor its investments.

LGA Amendment Act requires councils to review these arrangements periodically under Section 14(fa)(i & ii); this is scheduled to occur in Year Four of this LTP under the Economic Development activity.</td></tr>
</table>

9. Resource Consents	**Assumption** New resource consents will be obtained with appropriate conditions and expiring resource consents will be renewed with similar conditions during the period of the Long-Term Plan. Resource consents due for renewal can be found within the relevant Activity Management Plan for individual activities. There are no major resource consent renewals during the period of this Long-Term Plan.	**Confidence Level** High
	Consequence of Variation of Assumption The non-granting or non-renewal of a major resource consent for a Council activity would have significant impacts on costs and the ability to provide that activity. A major non-renewal may mean an entirely new approach to the activity would be required. Non-granting of resource consents may delay project benefits.	
	Risk A resource consent is not obtained or renewed or conditions imposed are unacceptable.	**Risk Level** Low
	Approach to Mitigation of Risk Appropriate planning for resource consent applications/renewals should ensure that they are obtained. Existing monitoring of compliance with existing resource consent conditions will provide a record of compliance for future processes. The renewal of consents is dependent upon the legislative and environmental standards and expectations that exist at that time.	

<table>
<tr><td rowspan="4">10. Service Levels</td><td>Assumption
Council's assumption for the term of this LTP is that the levels of service do not significantly change.
Where there are increased community expectations or demand or a need to vary level of service across the district, there may be changes to levels of service. Government legislation may also impose significant new service levels on the Council, particularly if the NPS for Freshwater Management sets new regional targets that Council has to meet for the rivers in Ashburton District.</td><td>Confidence Level
Medium</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption
Increased or improved service levels inevitably require additional cost and/or resources to provide them.</td></tr>
<tr><td>Risk
Significantly enhanced service levels are demanded by the community or imposed by the government on councils in one or more area of activity</td><td>Risk Level
Medium - High</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
The Council regularly monitors existing service provision within its operation on a day to day basis and through activity management planning. Minor changes may be made to service levels where budget, contracts and resources allow. These will generally occur within existing budgets.
Major changes in service levels will be confirmed with the community via consultation. These will generally require increases to fees or rates, depending on how the service involved is funded.</td></tr>
</table>

<table>
<tr><td rowspan="4">11. Availability of Contractors, Adequate Staffing, and Other Resources</td><td>Assumption
The asset planning for this LTP is based on the assumption that contractors and materials will be available to undertake the work required to agreed standards, deadlines and cost.
Staff recruitment and retention to get the best candidates with suitable skills and qualifications will continue.</td><td>Confidence Level
Medium</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption
Might increase cost and/or delay projects</td></tr>
<tr><td>Risk
Projects could be delayed if there is a shortage of contractors, Council staff, or resources. Additionally, if contractors do not deliver to agreed standards, cost and timeframes, project completion times could be extended and deadlines missed.</td><td>Risk Level
Medium – High</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
Council’s procurement policy aims to protect Council when contracting for major projects through a robust tendering process. Where possible, Council aims to spread projects amongst different providers and ensures robust contracts are in place.
Recruitment, retention and remuneration are core priorities for People & Capability to ensure Council is well resourced to maintain the levels of service to meet the needs of the community. Annual performance reviews and salary benchmarking through Strategic Pay ensures Council remains competitive in the employment market to help retain staff.</td></tr>
</table>

12. Strategic Assets	**Assumption** Council has a number of strategic assets including land parcels, buildings, and infrastructure assets. It is assumed that Council will remain involved in all activities involving strategic assets and continue to own and control all its strategic assets.	**Confidence Level** High
	Consequence of Variation of Assumption Changes in control or ownership of strategic assets will likely affect the level of service provided to the community.	
	Risk Changes in control or ownership of strategic assets are required.	**Risk Level** Low
	Approach to Mitigation of Risk Changes in control or ownership of strategic assets must occur as part of an LTP development or amendment, with a full Special Consultative Procedure process required.	
13. Development Contributions	**Assumption** Development contributions have been budgeted based on medium population growth projections.	**Confidence Level** High
	Consequence of Variation of Assumption Higher growth rates could create the need for additional infrastructure or bringing capital projects forward. Lower growth rates could result in under-utilised facilities or the need to delay some capital projects.	
	Risk Growth is higher or lower than projected.	**Risk Level** Low
	Approach to Mitigation of Risk Given past demand, growth for infrastructure it is considered the estimated revenue from development contributions is realistic. Most infrastructure projects are able to be adjusted in terms of scale and timing if required, as the percentage of project funding from DCs is relatively small.	

Financial Assumptions

	Assumption	Confidence Level
1. Price Level Changes / Inflation	For the first year of the Long-Term Plan (2018/19), all financial statements have been prepared using 2018 dollars. Price level adjustments for inflation have been included in all financial statements for the following nine years of the Long-Term Plan. Price level adjustments for the years 2019/2020 onwards have been derived from forecasts prepared for Local Government New Zealand by Business and Economic Research Limited (BERL) and deal primarily with areas of expenditure local authorities are exposed to through their business. The capital inflation rate used by Council is a LGCI (Local Government Cost Index) capex category. The operational inflation rates used by Council is a mixture of staff and LGCI (Local Government Cost Index) opex. Inflation rates used in the prospective statement of financial position and cashflow are a mixture of GCI earthmoving and site, PPI inputs – water, sewer, drainage and waste, PPI inputs – arts and recreation	High

YEAR ENDING	CAPEX LGCI	STAFF	PRIVATE SECTOR WAGES	OPEX LGCI	CGI – EARTHMOVING AND SITE	PPI – ARTS AND RECREATION	PPI – WATER, SEWER, DRAINAGE AND WASTE
June 15	2.3	2.0	1.8	2.0	3.2	0.5	3.0
June 16	1.5	1.8	1.7	1.3	1.8	1.3	3.3
June 17	1.5	1.9	1.6	1.5	1.8	1.8	1.1
June 18	1.8	1.6	1.5	1.8	1.9	1.5	2.3
June 19	2.0	1.6	1.9	2.0	2.0	1.3	3.0
June 20	2.2	1.6	1.9	2.2	2.3	1.9	2.8
June 21	2.2	1.7	1.8	2.2	2.4	1.9	2.4
June 22	2.2	1.8	1.6	2.2	2.4	1.9	2.5
June 23	2.3	1.8	1.7	2.3	2.5	2.0	2.6
June 24	2.4	1.9	1.8	2.3	2.6	2.0	2.7
June 25	2.4	1.9	1.8	2.4	2.7	2.1	2.8
June 26	2.5	2.0	1.9	2.5	2.8	2.1	2.9
June 27	2.6	2.0	1.9	2.5	2.9	2.1	3.0
June 28	2.7	2.1	2.0	2.6	3.1	2.2	3.2

Note: For some expenditure types (where an activity includes significant components of more than one of the above descriptors) a combination of the above inflation rates in each year has been used.

Table continues on following page...

<table>
<tr><td rowspan="3">1. Price Level Changes / Inflation</td><td colspan="2">Consequence of Variation of Assumption
If costs vary greatly from what is projected, a higher or lower rate requirement will be needed.</td></tr>
<tr><td>Risk
Costs may increase at a rate different to that forecast.</td><td>Risk Level
Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
Council relies on the BERL price indicators which is the standard for local government.</td></tr>
<tr><td rowspan="4">2. Depreciation rates on planned asset acquisitions</td><td>Assumption
It has been assumed that the estimates for the useful lives and associated depreciation rates for the major classes of assets are correct.
Please see the Statement of Accounting Policy for more information.</td><td>Confidence Level
High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption
Assets depreciate faster than project which will result in Council having to loan fund for cyclic renewals or asset replacement earlier than projected which may result in more debt incurred. If Council opts not to loan fund the renewals or replacement, then rates could rise dramatically.</td></tr>
<tr><td>Risk
The estimates are incorrect and the assets useful life are longer or shorter than anticipated.</td><td>Risk Level
Medium</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
Council will be required to replace or renew the asset earlier or later than anticipated. Replacement may incur costs earlier or later than budgeted which will result on a loss of disposal which will need to be written off.</td></tr>
<tr><td rowspan="4">3. External Borrowing</td><td>Assumption
Council can renew its current borrowing and access additional funding in the future.</td><td>Confidence Level
High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption
Council reaches its debt limit and cannot borrow any additional funding, resulting in either project delays or reduced levels of service.</td></tr>
<tr><td>Risk
Council may not be able to borrow to meet its requirements.</td><td>Risk Level
Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk
Council is well below its debt limit as it has had a policy of not borrowing for cyclic renewals or operating costs. However, this LTP there is borrowing for cyclic renewals for roading, but Council will still be well within its debt limit. Council has bank loan facilities in place that are renewed two-yearly and Council is able to borrow through the wholesale market and the Local Government Funding Agency.</td></tr>
</table>

<table>
<tr><td rowspan="6">4. New Zealand Transport Agency Subsidy Level – Our Roading Network</td><td>Assumption

The Financial Assistance Rate (FAR) received by the Council from the New Zealand Transport Agency for qualifying road works was reviewed in 2015 resulting in a positive adjustment to the FAR for this Council. The Government funding contribution is projected at 51% for the 10 year LTP period. There is a projected increase in spending in roading for this LTP of an additional $3m per annum and it is assumed NZTA will provide its 51% contribution for this increased work. Council will not know for certain until after the LTP is adopted due to the different timeframe for the NZTA budget process to the local government budgeting process. Council has assumed it will receive over $4million of NZTA funding (over the duration of the LTP) from footpath maintenance based on a recent announcement from NZTA.</td><td>Confidence Level

Medium-High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

NZTA may not provide the additional funding required to complete the work projected, or will reduce the FAR contribution level to be less than the 51% the LTP is based on. This can result in a lower level of service or delay in the work programme, and may result in deterioration of the district’s roading and footpath network.</td></tr>
<tr><td>Risk

The NZTA subsidy rate changes over the life of the Long-Term Plan 2018-28. NZTA do not approve additional funding.</td><td>Risk Level

Medium</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

There has been no indication the FAR will be reviewed in the coming 10 years. Council has planned on internal borrowing from its reserves to partially fund cyclic renewals in the roading programme. This amount could be increased if NZTA decline to increase its funding, or reduces its FAR contribution percentage. Alternatively, Council could adjust the projected work programme to put in a lower level of service or delay projects. Given roading is identified as the number one issue in the community, it is unlikely that Council will reduce its level of service, but may make rates adjustments to fund for higher levels of service.</td></tr>
<tr><td rowspan="4">5. Ashburton Second Urban Bridge - New Zealand Transport Agency Subsidy Level and Provincial Growth Fund (MBIE)</td><td>Assumption

Council has included the Second Urban Bridge to commence in Year 7, based on the assumption that Council will contribute 20% of the costs with the remaining 80% to be sourced from the New Zealand Transport Agency, whose current Financial Assistance Rate is projected at 51% for the 10 year LTP period and the recently implemented Provincial Growth Fund, administered by MBIE. If this funding does not eventuate, Council will reconsider loan funding or rating to complete the project.</td><td>Confidence Level

Low</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

NZTA may not provide the additional funding required to complete the work projected, or will reduce the FAR contribution level to be less than the 51% the LTP is based on, or Council may be unsuccessful in its application to the Provincial Growth Fund. Either of these outcomes could result in a lower level of service or delay in the work programme, and may result in deterioration of the district’s roading network.</td></tr>
<tr><td>Risk

NZTA do not approve funding anything over and above the current FAR rate of 51% towards the Second Urban Bridge and/or Council is not successful in securing funding from the Provincial Growth Fund.</td><td>Risk Level

High</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

There has been no indication from NZTA the FAR will differ for the Second Urban Bridge project than the standard 51% for roading and while early conversations indicate that the project could be eligible for the PGF this has not been approved at this stage. If this funding is not achieved, Council can loan fund the balance of the cost from within its existing debt limits. Council can revisit this project in the next LTP 2021-31 if there is new information about the NZTA funding, Provincial Growth Fund or support for the Second Urban Bridge.</td></tr>
</table>

<table>
<tr><td rowspan="4">6. Loan Funding and Interest Rates</td><td>Assumption

Council uses internal and external loan funding to pay for most capital expenditure. The level of internal borrowing as a ratio of total borrowing, will depend on cash reserves available, and any risk management approaches considered prudent at the time of raising loans. The term of loans raised for most capital expenditure is assumed to be 25 years. The interest rate on all loans over the coming ten years has been assumed to be 4.0%, in the middle of the forecast range. The interest rate received on cash investments is assumed to 4.0% over the ten years as Council's fixed rate investments mature and are reinvested.</td><td>Confidence Level

High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

Increased rates will to some extent be offset by increased returns from interest-bearing investments. An additional 1% to interest rates for external borrowing would increase the cost of capital by $10,000 per year, per $1 million of loans. If Council's entire external debt was affected in this way it would add $500 - $600,000 in cost each year. Increased revenue from cash investments will help offset any increase in cost.</td></tr>
<tr><td>Risk

Interest rates may increase significantly which increase Council's costs and rate requirement.</td><td>Risk Level

Medium</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Council's Treasury Policy contains interest rate risk management tools that will minimise, as far as possible, any adverse interest rate movements. A significant level of Council loans are by way of internal borrowing, Council has the ability to manage risk associated with interest loans and repayments of this type. External borrowing is generally able to be managed in ways that maintain the preferred length of the borrowing term i.e. 25 years.</td></tr>
<tr><td rowspan="4">7. Useful Life of Assets</td><td>Assumption

Our asset data is reliable and complete to support sound planning and decision-making and assets do not require replacement significantly before, or after, they are forecast.</td><td>Confidence Level

High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

The qualified asset valuers miscalculate the useful life of key assets, resulting in a need to renew or replace the asset faster than the depreciation funding allows for. Council may have to increase its borrowings or rates to renew or replace the asset.</td></tr>
<tr><td>Risk

Asset useful life assumptions are incorrect, leading to either asset failure or premature asset replacement.</td><td>Risk Level

Medium</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Ongoing assessment of the quality of assets means this information is updated regularly and work programmes adjusted to minimise the chance of asset failure. Council has developed an Infrastructure Strategy detailing the level of investment needed to replace, renew or upgrade existing assets over the next 30 years.</td></tr>
</table>

<table>
<tr><td rowspan="4">8. Funding of Asset Replacement</td><td>Assumption

The Council has, over the term of the Long-Term Plan, set revenue levels sufficient to fully fund depreciation of its assets, unless stated otherwise. Funding the replacement of any individual asset will be from the following sources in order of priority:

▪ Prior year credit balances (for an activity funded from targeted rates this effectively represents unspent funds derived from funding depreciation – each account balance receives interest).

▪ Current year’s operating surplus, including any cash arising from the funding of depreciation.

▪ Loan funding the balance of the expenditure, with the loan term being the shorter of either 25 years (as described above) or the expected life of the asset.

Depreciation is calculated based on the expected life of assets. This has been determined at the ‘major’ asset level rather than on a more detailed basis. For further information, please refer to the Statement of Accounting Policies, Revenue and Financing policy, Financial Strategy and the 30 year Infrastructure Strategy.</td><td>Confidence Level

High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

If the depreciation calculations are insufficient to cover the costs of renewing or replacing the asset, it could lead to a higher rating requirement or additional loan funding to cover the costs.</td></tr>
<tr><td>Risk

Asset replacement funding is either insufficient to cover the costs or excessive.</td><td>Risk Level

Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Work programmes and budgets are adjusted on an annual basis to reflect asset information.

Council has developed an Infrastructure Strategy detailing the level of investment needed to replace, renew or upgrade existing assets over the next 30 years.</td></tr>
</table>

9. Asset Revaluation	**Assumption** The annual revaluation is assumed to be that of the local government price index derived from the BERL local government price adjusters.	**Confidence Level** High
	Consequence of Variation of Assumption Variations in depreciation funding available or BERL local government adjusters project a LGPI too low or too high.	
	Risk Asset values vary from those forecast	**Risk Level** Low
	Approach to Mitigation of Risk No specific intervention required.	
10. Dividend Income	**Assumption** Council has a number of strategic assets including land parcels, buildings, and infrastructure assets. It is assumed that Council will remain involved in all activities involving strategic assets and continue to own and control all its strategic assets.	**Confidence Level** High
	Consequence of Variation of Assumption If income differs, this will affect the level of contribution able to offset the rate requirement.	
	Risk Income from dividends may differ from what was projected due to fluctuating market prices or decline in dividends.	**Risk Level** Medium
	Approach to Mitigation of Risk Any increase in the rate requirement due to reduced dividend levels is unlikely to be substantial, and if the shortfall is significant Council would review its expenditure levels. Dividend income forecasts can be restated every year through the Annual Plan.	

11. Revenue from Freehold Forestry Land Sales	**Assumption** To get the best return on investment, Council has changed the focus for the forestry portfolio and is in the process of disposing of forestry land where this will produce greater returns to Council.	**Confidence Level** High
	Consequence of Variation of Assumption If market prices for land fall or the Council fails to sell enough of its forestry land, there will be less revenue available to offset rates.	
	Risk The market price for land may vary from the assumed rate. There may not be the level of interest in the land as assumed.	**Risk Level** Low
	Approach to Mitigation of Risk Council has not budgeted for the use of these funds.	
12. Revenue from Residential Property Development	**Assumption** The Property activity budget includes revenue from the sale of sections from Council's Geoff Geering Drive subdivision and from other residential sections. It has been assumed that 29 sections will be sold in the second Geoff Geering Drive development from 2018/19 to 2022/23.	**Confidence Level** High
	Consequence of Variation of Assumption Council may not sell its projected land parcels and will not receive the revenue projected. If land values decline Council may receive less revenue than projected to offset rates.	
	Risk Sections may not sell in the years budgeted.	**Risk Level** Low - Medium
	Approach to Mitigation of Risk Any change to the level of sales will not have significant impact on Council revenue..	

13. Revenue from Ashburton Business Estate Development	**Assumption** The Property activity budget includes revenue from the sale of sections from Council's Ashburton Business Estate. It has been assumed sales will be $3 million per year for each of the coming ten years.	**Confidence Level** High
	Consequence of Variation of Assumption The cost of each $1 million of unsold land would carry an estimated $40,000 of interest cost. If revenue is below this level over time Council may need to rate for the cost of capital.	
	Risk Sections may not sell in the years budgeted.	**Risk Level** Medium
	Approach to Mitigation of Risk Sales revenue of approximately $2.5 million per year is required to fund operating cost and debt on this development. Sales of other Council land assets could be used to fund the debt if required.	

Treasury Management Policy

The Treasury Management Policy includes the Investment Policy and the Liability Management Policy. This policy details the specific policies and procedures in respect of all treasury activity to be undertaken by Ashburton District Council. The formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed. Council is required to have a Liability Management Policy and an Investment Policy. The policies set out procedures and guidelines to be used to safeguard Council's investments, maximise returns and minimise its risks, both in investing and its borrowing liability.

Part I

- **Investment Policy**
  The Investment Policy sets out the objectives of Council's investing activities. The actions required in order to obtain each objective are detailed on an objective by objective basis.
- **Liability Management Policy**
  The Liability Management Policy sets out the objectives of Council's borrowing activities (external and internal). The actions required in order to obtain each objective are detailed on an objective by objective basis.

Part II – Operations:

This section details the day-to-day administration of investments and borrowing of Council, including the controls and procedures used to ensure a clear audit trail of treasury activity and the reporting required of the Finance Manager to Council.

Appendices

Appendix I – Authorised investment criteria for short term funds and long term funds.

Appendix II – Authorised interest rate risk management instruments.

Appendix III – Financial market investment instruments.

Part I — Investment Policy

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Investments and associated risks are monitored and managed, and regularly reported to Council. Council has considerable investments in the following areas:

- Cash and cash equivalents
- Investment property
- Forestry
- Shares
- Other financial assets (i.e. bonds).

These assets form a large part of the total assets of Council, and provide significant income which can be used to offset rates. It is therefore critical that policies are in place that firstly, ensure the risk of capital loss is minimised, and secondly, ensure the maximum return is achieved while minimising risk. This policy sets out how this will be achieved.

Introduction

Council recognises that as a responsible public authority all investments held should be low risk. Council also recognises that low risk investments generally mean lower returns. Council can internally borrow from reserve funds in the first instances to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

Council has an investment portfolio which may include:

- Bank deposits
- Local authority bonds
- Corporate bonds
- New Zealand Registered Bank bonds
- Bonds issued by Financial Organisations ("Financials").
- State Owned Enterprise bonds

- Shares
- Forestry
- Property.

This combination of investments supports Council's desire to minimise risk while maintaining options for choice of investment to be based on less commercial criteria. An example of this is ownership of elderly persons housing, which is held for the purposes of providing a social benefit to the community. Council's investments in equities have arisen as a result of local authorities on a nation-wide basis trying to gain from bulk purchasing (i.e. Civic Financial Services Ltd), or for strategic purposes such as the equity investment in Transwaste Canterbury Ltd.

For the purpose of managing Council's investments it is necessary to consider them as belonging to four separate categories:

- Working capital
- Investment funds
- Property I (intended to gain a market return, including forestry)
- Property II (intended for community use or held for strategic purposes and for which gaining a market return is not the highest priority).

Policy Objectives

The objectives of Council's Investment Policy are to ensure that:

1. Council's funds are safeguarded and investments and borrowings selected are not detrimental to other areas of the Council's operations. This requires that guidelines are established to define the investment and borrowing risks acceptable to Council.
2. Council's investment and borrowing activities satisfy the legislation controlling Council's ability to invest and borrow, and the prudent person concept as per the Trustee Amendment Act 1988.
3. Council's investments, both in financial instruments and physical assets, are managed so as to maximise the return, given the maturity profile chosen and within acceptable risk constraints.
4. Additions and disposals of investments are controlled to achieve the greatest benefit for Council while minimising risk.
5. The use of income and gains made by investments is regulated.
6. Council is adequately informed of investments by way of regular reporting.
7. Existing investments held by Council, that do not meet the criteria contained elsewhere in this document, are reviewed individually and are either disposed of or some justification made in writing for their retention and that they be reviewed on a regular basis.
8. Accurate and timely information is produced to maintain appropriate control, exposure monitoring and performance measurement in relation to investment activity.

Policy Implementation

Safeguarding Council's investments and other interests

In order to safeguard Council's interests it is necessary for two criteria to be achieved:

1. The possibility of Council suffering financial loss due to *natural disaster and deterioration*, *interest rate risk* and/or *credit risk* must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.
2. Controls and procedures are implemented to ensure that Council officers are adhering to the policy requirements.

Minimisation of interest rate risk, credit risk and the maintenance of liquidity

Natural disaster and deterioration

The value of Council-owned buildings must be protected by adequate insurance being held against loss by fire and natural disaster and must be maintained as per the relevant asset management plan.

Forestry plantations are to be insured against fire and are to be maintained as per the Forestry Activity Management Plan.

Interest rate risk

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Both debt and investments are subject to this risk. It is necessary to select the term of investments or debt depending on the volatility of the particular market as the longer the term of the transaction, the greater the effect of any movement in the interest rate.

The use of risk management products as detailed in Appendix II of this policy should be considered when any sizeable, long term investment is made. Professional advice should be sought when using these products.

Credit risk

The risk of default by the other party to an investment is best minimised by combining the careful selection of investments which conform to a minimum credit rating and by diversifying the investment portfolio.

As Council is effectively a trustee for public money it must act conservatively, only investments authorised in Appendix I are to be entered into. Investments outside these provisions must only be undertaken with the express consent of Council and subject to criteria specified in this policy.

Diversification of the investment portfolio ensures that only a limited sum is invested in any risk bearing instrument from a single issuer or with a single class of issuer. The lower the credit risk of the issuer or class of issuer, the larger the proportion of funds that may be invested with that issuer or class of issuer.

Council has set limitations on investing with a single issuer or class of issuers for working capital and investment funds. Investment in shares for investment, other than through an equity managed fund are not permitted. This is due to the high risk nature of the share market and the potential for the loss of principal which is less likely to occur through other financial instruments.

Controls and Procedures for Investing

Council acknowledges it is important to clearly document internal control and procedures for investing. These procedures ensure the risk of error and loss to Council are minimised. See Part II of this policy for details of these controls and procedures.

Meeting Legislative Requirements

Council's investment and borrowing must meet all relevant legislative requirements. Most legislation concerning borrowing and investment activities of local authorities is specific and allows little room for subjective decision making. It is essential Council does not contravene any such legislation.

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk but leaves Treasury with only one, very broad, guideline. Ratepayers, in their own capacity, can make decisions on investing in high risk investments but they do not expect Council to get involved in such dealings. Council is a custodian of public money not an organisation whose function is dealing in investment management.

Council officers and elected representatives have a duty to ensure that investment funds are protected and that debt and investments are of an acceptable credit risk defined by this policy.

Managing Investments

Maximising Return

In order for returns on investments to be maximised it is necessary for attention to be paid to several areas:

1. What types of investments should Council be involved in?
   - Should investments be long or short-term?
   - Should investments consist of assets or financial instruments?
   - When are "community projects" a suitable investment?
2. Does the return on these investments match or better Council's required rate of return?
   - Should there be different rates for different types of investment?
   - How should Council's required rate of return be set?

Council acknowledges that any increases in return are likely to bring increased risk. As Council must invest conservatively, the maximisation of returns has a relatively low ceiling.

Determining the type of investments Council should be involved in:

a. Duration of investments

As the achievement of prior objectives requires that Council's portfolio be diversified in terms of duration it is necessary to maintain a mix of both short and long-term investments, with regard given to whether funds invested are part of the working capital or the investment fund.

The duration of the long-term funds portfolio shall be controlled by referencing its duration against an appropriate external benchmark. Council is able to vary the duration of the portfolio by no more than 25% either side of the benchmark portfolio's duration. Compliance with the duration control is not required if the nominal value of the long term funds portfolio is less than $15 million over a rolling 12 month period.

b. Type of Investment

Investment risk needs to be minimised. This is achieved, in the case of financial market investments, by restricting investments through a combination of credit criteria and limiting investment in any issuer class and in any one individual issuer.

It must also be noted that a variety of legislation applies to the purchase, sale and use of property by local authorities including:

- Local Government Act 2002
- Public Works Act 1981
- Public Bodies Leases Act 1969
- Reserves Act 1977
- Residential Tenancy Act 1986
- Resource Management Act 1991.

Investments in property fall into three classes:

(i) Leased property

The types of assets Council invests in on a commercial basis currently include residential property, commercial property and farm land as well as a large number of commercial and residential properties which are leased via "Glasgow leases".

At present the return on these investments is mixed. Glasgow lease properties have typically provided low returns (as little as 2% on some properties). Part of the reason for this is the restrictions faced by local authorities in leasing land. These restrictions mean Council may find it difficult to divest itself of these assets.

No further Glasgow leases are to be entered into and Council may seek professional advice before purchasing any more land for other investment purposes.

(ii) Forestry

Investment in forestry has been the subject of investment planning within Council and adheres to this investment plan.

The key points of this are as follows:

- profit is to be maximised while minimising risks through management of the tree crop and selection of low risk land for plantings
- benefits of any new forestry projects to be measured using the "internal rate of return" method where the target rate of return = 10 year govt. bonds - inflation + risk.

(iii) Non-commercial properties

Council holds buildings (such as the Ashburton Art Gallery and Heritage Centre premises) for non-commercial purposes and as such does not seek a market return on them nor adequate provision for their eventual replacement. It also holds a number of units let to elderly persons in the district at a concessionary rate. Council has identified properties it holds for non-commercial purposes and a schedule of these is available.

c. Investments in community projects

From time to time groups within the community request loans, advances or guarantees for projects that will benefit the community. As these investments are with organisations Council would not normally invest with Council needs to debate the suitability of any loan application. During this process councillors should pay particular regard to the ability of the applicant to service the debt and repay principal. Council is responsible for authorising any such loans, advances or guarantees.

d. Share Investments

Council believes it may be appropriate to have limited investment in equity (shares) when investing for strategic or social reasons. Equity investments for strategic or social reasons will be approved by Council on a case by case basis.

Return on Investments

Categories of investment

As different investments made by Council serve different purposes it is necessary for the return from these investments to be judged using appropriate criteria. For the purpose of assessing the return received from investments, the following categories of investment are to be assessed separately:

- Working capital
- Investment (long term) funds
- Property I (intended to gain a market return including forestry)
- Property II (intended for community use and not aimed at gaining a market return).

Required return on investment

Generally the term of any investment has a large effect on the rate of return received, with long term investments normally gaining a higher return than short term investments other than those in the interest rate markets where yield fluctuations can be pronounced. Given this, each category of investment is to be subject to a different required rate of return.

Working Capital

As the bulk of funds invested as working capital is in the form of deposits with registered banks, the required rate of return for working capital is the movement in the industry standard short-term rate indices or other indices that are appropriate. The nominal value of this fund is to be determined by the Finance Manager, taking into account the working capital requirements of Council. Short-term funds are defined as investments which at the time of purchase have a maturity date of less than six months.

Performance of the working capital (short-term) funds

The performance of the short-term funds portfolio shall be compared on a quarterly basis against the average of the call rate and the 30, 60, 90 and 180 day bank rates for the preceding quarter. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average is less than $10 million for the relevant quarter.

Investment (long-term) funds

Long-term funds are defined as those which at the time of purchase have a maturity date of more than six months. The nominal value of long-term funds is determined by the Finance Manager taking into account the amount of funds required for working capital purposes. Due to the large choice of investments available and the variations in their duration, the required rate of return on investments is measured against appropriate external benchmarks.

Performance of the investment funds

The performance of the long-term funds portfolio shall be compared against an external benchmark such as one of the NZX's portfolios or a benchmark portfolio constructed for Council. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average less than $15 million for the relevant quarter.

Investments in long-term funds must comply with the criteria listed in Appendix I.

Property I: Ideally property should perform as well as a long-term financial investment i.e. it should be required to have a net return equal to the 10 year government bond rate - inflation + risk to reflect the long term nature. The benefits received from property should be assessed using the "internal rate of return" method as this allows some estimation of capital gains to be included. This should be used as a benchmark to determine which properties should be disposed of (if possible), and which should be retained.

Property II: As these properties are acquired for specific purposes the required return will be set in each case by Council at the time the property is acquired or transferred to its non-commercial use and reviewed every three years. During this process it should first be established that the property is either required for the intended purpose or, that it is being used for some other non-commercial purpose. Secondly the return required from the use of the property should be re-established. Properties already existing in this category should be brought within this review process.

Local Government Funding Agency

Despite anything earlier in this Investment Policy the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council

Because of this dual objective, the council may invest in LGFA shares on the basis that the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required, in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

Liability Management Policy

The Liability Management Policy focuses on borrowing (external and internal) as this is the most significant component of Council's liabilities and exposes Council to the most significant risks. Council raises debt to finance longer term asset creation and renewal. This policy details how Council will raise debt funding, and minimise the cost of debt.

Liabilities

Council is faced with two types of liability, short-term (current) liabilities and long-term liabilities (debt). Current liabilities are those obligations that generally arise from day to day operations (such as trade creditors), and that would normally be expected to be paid (settled) within a twelve month period. These liabilities are planned for, and met, from Council's working capital cash flow management. This policy is more focused on the long term liabilities (loans) which have arisen as a result of purchasing or constructing assets.

This policy sets out the types of debt instruments that are appropriate and sets out policies to minimise the interest risks to Council from borrowings.

Internal borrowing/ investing

This policy explicitly allows for internal borrowing against the investment pool Council maintains. This may be in lieu of external borrowing or may be used together with external fund raising. The policy sets out matters that need to be considered when borrowing either internally or externally.

Policy objectives

The objectives of the Liability Management Policy are to ensure that:

1. Council's borrowings are not detrimental to other areas of the Council's operations. This requires that guidelines are established to define the borrowing risks acceptable to Council.
2. Borrowing activities satisfy the legislation controlling Council's ability to borrow, and the prudent person concept as per the Trustee Amendment Act 1988.
3. Borrowing is managed so as to minimise total borrowing costs given the maturity profile chosen and within acceptable risk constraints.
4. Council is adequately informed of borrowing, by way of regular reporting.
5. Existing debt held by Council, that does not meet the criteria contained elsewhere in this document, is reviewed individually and is either disposed of or some justification made in writing for its retention and that it be reviewed on a regular basis.
6. Council is able to meet its borrowing obligations in an orderly manner as and when they fall due, in both the short and long-term, through appropriate liquidity and funding risk management.
7. Appropriate funding facilities are arranged, ensuring these are at market related margins utilising bank debt facilities and /or capital markets as appropriate.
8. Lender relationships are maintained and Council's general borrowing profile in the capital markets, enable Council to fund itself appropriately at all times.
9. Accurate and timely information is produced to maintain appropriate control, exposure monitoring and performance measurement in relation to the liability management process.

Policy implementation

Safeguarding Council's investments and other interests

In order to safeguard Council's interests it is necessary for two criteria to be achieved:

1. The possibility of Council suffering financial loss due to *natural disaster and deterioration*, *interest rate risk* and/or *credit risk* must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.
2. Controls and procedures are implemented to ensure that Council officers are adhering to the policy requirements.

Minimising interest rate risk, credit risk and the maintenance of liquidity

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Debt is subject to this risk. It is necessary to select the term of debt depending on the volatility of the particular market as the longer the term of the transaction the greater the effect of any movement in the interest rate.

The use of risk management products as detailed in Appendix II of this policy should be considered when large debts are being structured. Professional advice should be sought when using these products.

Meeting Legislative Requirements

Council's debt management must meet all relevant legislative requirements.

Much legislation concerning debt activities of local authorities is specific and allows little room for subjective decision making. It is essential that Council does not contravene any such legislation.

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk but it leaves Treasury with only one, very broad, guideline. Ratepayers, in their own capacity, can make decisions on borrowings but may have different concerns regarding the types of debt Council takes on. Council is not an organisation whose function primarily is dealing in liability management.

Council officers and elected members have a duty to ensure that borrowings are undertaken as per the criteria set out in this policy.

Controls and Procedures for Borrowing

Internal controls and procedures for borrowing are to be clearly documented. These need to ensure the risk of error and loss to Council are minimised. These procedures are detailed in Part II of this policy.

Management of borrowing

In entering into a borrowing transaction sufficient inquiries should be made to enable the selection of the transaction with the lowest total costs of those currently available. These costs include internal administrative costs, managerial resources, interest expense, advisory fees and the transaction costs specific to that form of debt.

At various times it may be possible to refinance a debt in such a way as to reduce the total costs of the transaction. Any such refinancing must take into account the additional costs of refinancing and how the new transaction fits within the context of other sections of this policy.

Council will maintain an overdraft facility of at least $500,000 for day to day cash management purposes.

Council will consider both “interest only” and “principle and interest” repayment loans at the time of raising a loan. If “interest only” loans are raised a funding reserve will be set up to accumulate funds until principle repayments are required as per the applicable loan agreement.

Where possible, Council will secure borrowing against rates revenue in order to gain lower borrowing costs. Physical assets will only be pledged where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance
- Council considers a pledge of physical assets to be more appropriate than a pledge of rates

Debt instruments

The following funding instruments and methods may be used to raise external debt:

- Committed bank facilities
- Uncommitted bank facilities
- Commercial Paper
- Local Authority Bonds which include Fixed Rate Bonds and Floating Rate Notes.
- Local Government Funding Agency debt.

Long-term debt limits

Debt should be maintained within the following limits:

- Net interest costs to be less than 20% of total revenue
- Net interest costs to be less than 25% of total rates revenue
- Net debt shall not exceed 175% of total revenue.

Refer to the Financial Strategy section of the Long Term Plan 2018-28 for more information on Council’s debt limits.

Fixed rate hedging percentages

TERM	MINIMUM FIXED RATE AMOUNT	MAXIMUM FIXED RATE AMOUNT
0-2 years	50%	100%
2-5 years	25%	80%
5-10 years	0%	60%

Fixed rate hedging in excess of 10 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

The fixed rate hedging percentages shall apply to the core debt of Council as detailed in the Long Term Plan/ Annual Plan or as otherwise amended by the Finance Manager. However, if core debt is less than $25 million interest rate hedging is at the discretion of the Finance Manager.

Debt repayment

Council will make provision for the repayment of debt over the life of the asset for which the loan has been raised. This will be either by making regular loan repayments or provision of sinking funds to be used to extinguish debt at a future time.

Authorised interest rate risk management instruments: The Finance Manager may use the following interest rate risk management instruments to manage the core debt of Council.

- Forward rate agreements
- Interest rate swaps
- Forward start interest rate swaps
- Swaptions (options on swaps)
- Interest rate options
- Interest rate collar type structures but only in a ratio of 1:1

It is recognised that the issuance of Fixed Rate Bonds is an acceptable method of achieving compliance with the fixed rate hedging percentages.

Definitions of the above instruments are contained in Appendix II.

Management of funding and liquidity risk: Council must ensure that it has sufficient funds available to meet its obligations as they fall due. Liquidity is improved by maintaining a diversified portfolio of debt and investment with varying degrees of liquidity and maturity dates. This is necessary to allow Council to access funds before maturity should the need arise and to prevent large amounts of debt falling due at the same time.

To avoid a concentration of debt maturity dates, where practicable no more than 50% of total debt can be refinanced in any rolling 12 month period.

Council must maintain committed funding lines of not less than 110% of projected core debt. Core debt is defined as that contained in the Long Term Plan/ Annual Plan or as otherwise determined by the Finance Manager.

Internal borrowing

Internal borrowing against the investment pool Council maintains may be used in lieu of external borrowing. This policy applies whether the loans are internal or external and is governed by the policy covering Council investments in the document.

Local Government Funding Agency

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it consider necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- Subscribe for shares and uncalled capital in the LGFA
- Secure its borrowing from the LGFA and the performance of other obligations to the LGHFA or its creditors with a charge over the Council's rates and rates revenue.

Part II — Operations

This section details procedures and controls to be used by Treasury in order to provide a clear audit trail as to movements in the investments and borrowings undertaken by Council.

2.1 Duties and responsibilities

Duties and responsibilities under this policy are:

Full Council

- Approve the Treasury Management Policy including any amendments proposed by the Finance & Business Support committee
- Approve any hedging outside the parameters of the Treasury Management Policy
- Approve use of any risk management products not authorised by Treasury Management Policy
- Monitor Treasury performance through receipt of appropriate reporting.
- Approve overall borrowing limits on an annual basis through the Long-Term Plan/ Annual Plan process.

Finance & Business Support committee

- Review the Treasury Management Policy every three years or on an “as required’ basis and submit any recommended changes to Council for approval.
- Monitor and review the ongoing Treasury performance of Council and compliance with the Treasury Management Policy parameters through receipt of regular reporting.
- Approve any new borrowing facilities recommended by the Finance Manager within overall borrowing limits approved by Council.

Chief Executive/Group Manager: Business Support

- In the absence of the Finance Manager, undertake all his/her duties as detailed in the Treasury Management Policy or delegate the duties as appropriate.

Finance Manager

- Make decisions in respect to treasury management within the parameters of this policy.
- Report to the Finance & Business Support committee on overall treasury activity on a regular basis.
- Manage the bank lender and capital market relationships, providing financial information to lenders and negotiate new/amended borrowing facilities or methods for approval by the Finance and Business Support committee within Council approved limits.
- Execute treasury transactions in the absence of the accountant.

Financial Accountant

- Execute treasury transactions
- Assist the Finance Manager in the preparation of reports to the Finance and Business Support committee
- Check external confirmations against internal records.

2.2 Controls and procedures

Daily Operations

Before investment decisions can be made, the Finance Manager should be aware of Council’s immediate and short term cash flow requirements, taking account of:

- regular identifiable payments, e.g. PAYE and other taxes, loan repayments, payroll expenditure, regional council levies
- regular identifiable revenue, e.g. rates, subsidies, interest receipts, annual fees and charges, and debtor and creditor cashflows

Some significant payments will not be identifiable until a few days prior to payment and therefore the Finance Manager needs to leave sufficient liquidity in Council’s investment policy to allow for these. Working capital is to be a ratio of 2:1 against current liabilities. Close liaison with other Council departments is essential for stringent cash flow management.

Account must be taken on a regular basis of both working capital and investment funds to allow investment decisions to be made. Working capital funds need to be assessed more frequently than investment funds to allow Council to meet its financial commitments. Loan funds and sinking funds are of a more controlled nature, and management of these funds therefore also requires less frequent attention than the working capital fund.

When making investments documentation must have the signature of the Finance Manager *and* any one of the Accountant, Accounts Officer, or Group Manager – Business Support. For investments made by direct debit, coding from the bank statement must be performed by either the Accounts Officer or Accounts Clerk in order to ensure that the person responsible for the initiation of the transaction is not involved in recording it.

To assist with daily operations the Finance Manager should have a good working relationship with Council's bank representative and also with Council's financial advisor. This will enable the Finance Manager to better evaluate investment opportunities.

Portfolio management

The Finance Manager needs to be aware of investment maturities in each portfolio for three reasons:

- To be aware of interest payment dates
- To ensure investments are actioned on maturity
- To determine whether maturing investments are required to meet cash outflows or are available for reinvestment

Each investment should be separately itemised along with the following details:

- Type of security and issuer
- Interest rate
- Commencement date
- Maturity date
- Type and amount of funds invested, e.g. Working capital or long-term funds
- Supporting documentation to evidence the transaction.

To assist this process, each investment should be numbered. A control account should be used, setting out the types of security and also the types of funds. This will provide a basis for a monthly reconciliation to the ledger and simplify the categorisation of investments held. Upon sale or maturity of each investment, details of the course of action taken should be noted, and where full or partial reinvestment is made, all details should be recorded on the maturing investment. A clear audit trail should be maintained, setting out in chronological order the various investments (by fund type) showing investment reference, amount and security type.

Matching maturities to cash flow requirements is an important part of portfolio management and the Finance Manager must be able to obtain funds when required. Working capital investments would typically be placed on deposit from call to 90 days. In managing the portfolio the Finance Manager will need to continually monitor changes in market conditions. Timely reaction to changes in the market is an essential part of effective funds management.

Informed Decision Making: Two of the key factors in making sound investment decisions are having adequate information with respect to: the financial market; and the funding requirements and objectives of Council. It is important for staff involved in fund management to continually monitor financial markets. This can be done in a number of ways, including:

- Daily contact with financial institutions;
- Reviewing various publications ranging from the business section in the local paper, a metropolitan paper and the National Business Review, etc.
- Monitoring political statements and events in parliament,
- Reviewing Council reports and daily contact with senior staff,
- Maintaining a close working relationship with Council's financial advisors.

2.3 Reporting

To ensure the Treasury Management Policy is being adhered to, the Finance Manager must keep abreast of significant changes in the market which could lead to an alteration in policy, strategy or the nature of investments or liabilities held. The Finance Manager is ultimately responsible to Council to ensure the policies are adhered to and should report to either Council or the Chairman of the Finance & Business Support Committee on a regular basis providing relevant details of the portfolio excluding property.

A monthly summary report should be prepared by the Finance Manager outlining:

- term of investments
- interest rates
- movements in portfolio
- any other appropriate measures contained in this policy.

Annually the Commercial Manager and District Forester will submit a report to the Finance and Business Support committee detailing:

- investments held
- the rate of return received by investments
- confirming adequate insurances are held where appropriate
- movements in portfolio
- maintenance of assets has been carried out as per the relevant asset plan
- revaluations have been carried out where applicable.

Appendix I

Authorised investment criteria for short term funds and long term funds

AUTHORISED ASSET CLASSES	OVERALL PORTFOLIO LIMIT AS A PERCENTAGE OF THE TOTAL PORTFOLIO	APPROVED FINANCIAL MARKET INVESTMENT INSTRUMENTS (MUST BE DENOMINATED IN NZ DOLLARS)	CREDIT RATING CRITERIA – STANDARD AND POOR'S (OR MOODY'S OR FITCH EQUIVALENTS)	LIMIT FOR EACH ISSUER SUBJECT TO OVERALL PORTFOLIO LIMIT FOR ISSUER CLASS
New Zealand Government	100%	Government Stock Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Local Authorities where rates are used as security	60%	Commercial Paper Bonds/MTNs/FRNs	Not Applicable	$2.0 million $2.0 million
New Zealand Registered Banks	100%	Call/Deposits/Bank Bills/ Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	$15.0 million per bank $1.0 million $2.0 million $3.0 million $4.0 million
State Owned Enterprises	70%	Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

Table continues on following page...

Corporates	60%	Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long termS&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA -or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Financials	30%	Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

The combined holdings of corporates and financials shall not exceed 70% of the portfolio

The combined holdings of entities rated BBB and/or BBB+ shall not exceed 25% of the portfolio

Appendix II

Authorised interest rate risk management instruments

1. Forward rate agreement

An agreement between Council and a counterparty (usually a bank) protecting Council against a future adverse interest rate movement. Council and the counterparty agree to a notional future principal amount, the future interest rate, the date and the benchmark rate, which is listed on BKBM contained in the Reuters system.

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period. A forward rate agreement (FRA) typically applies to a 3 month period, starting at some point within the next 12 months.

2. Interest rate swap

An interest rate swap is an agreement between the Council and a counterparty (usually a bank) protecting Council against a future interest rate movement. Council pays a fixed interest rate and receives a floating interest rate. The parties agree to a notional principal amount, the future interest rate, the settlement dates and the benchmark floating rate, which is listed on BKBM contained on the Reuters system.

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal for an agreed period. Floating rate sets are typically every 1 or 3 months over the life of the swap.

3. Forward start interest rate swap

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period, commencing at a future point in time. All other conditions are as with an interest rate swap.

4. Options on a swap – “swaption”

Objective

To provide Council with the right, but not the obligation, to enter into a fixed rate swap at a future point in time on an agreed principal amount for an agreed period. A swaption is an option on a swap and typically requires a premium to be paid.

5. Interest rate options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right, but not the obligation to borrow (described as a cap) or invest (described as a floor) at a future date. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark floating rate which is listed on BKBM contained on the Reuters system.

Objective

To provide Council with worst case cover on its interest rate cost on an agreed principal amount for an agreed period. As for an interest rate swap, rate sets are typically at each 1 or 3 month date for the life of the option. A premium is payable for entering into an interest rate option.

6. Interest rate collar

The combined purchase (or sale) of a cap or a floor with the sale (or purchase) of another floor or cap.

Objective

To provide Council with certainty to its interest rate cost on an agreed principal amount for an agreed period, but at the same time to avoid the need to pay an upfront premium.

Appendix III

Financial market investment instruments

1. Introduction

This section provides a brief introduction to a number of financial market instruments. It covers such aspects as the security, liquidity, pricing, payment and delivery of these instruments.

Instrument characteristics

1.1 Expected return

Government stock is a risk free investment and as such regarded as the benchmark from which the pricing of other investments is determined. For an investment with a higher risk than government stock to be acceptable the return must be proportionately higher.

Although greater returns may be achieved by investing in higher yielding stocks, e.g. in company debentures rather than government stock, the Finance Manager must be satisfied the higher yield represents the extra margin generally required to compensate the investor for increased risk.

1.2 Duration

The duration of investments can vary from a one day term, such as call deposits, to a long term (e.g. 10 years). Ideally, the duration of the investment selected should be determined with reference to the planned expenditure of Council, i.e. investment maturities should closely match expected cash outflows. Duration is not a major concern if the investment is particularly liquid.

If we assume a case where a cash outflow will occur in one year from date of deposit and investment opportunities are considered to be significantly better for a two year term then the decision may be to:

(i) Invest for one year to match cash outflow, or

(ii) Invest for at least 2 years, optimising return on investment, while ensuring the investment has liquidity characteristics which will allow its sale when required.

Note that a risk of adverse interest rate movements exists and must be recognised by the Finance Manager in the context of the overall management of the portfolio.

1.3 Liquidity

Liquidity is provided where there are sufficient buyers for an investment instrument whenever there are sellers. Lack of liquidity may force the seller to discount the price below its current market value. The liquidity of an instrument is affected by characteristics such as the creditworthiness of the issuer and the volume of supply.

If Council has sufficient funds to allow a portion of the investment to be unavailable until maturity, then investments with low liquidity characteristics coupled with low default risk often represent an excellent opportunity to maximise return on investment.

Effective funds management will result in a need to liquidate investments only in unpredictable circumstances. As liquidity is important to interest rate risk management it should be considered before expected return in investment decisions.

Types of financial market investment instruments

Treasury Bills ("T. bills")

T. bills have, until recently, been used by the RBNZ to manage primary liquidity in this country. They were issued for the government, when required by the RBNZ, to reduce interest rate volatility and assist with the management of markets affected by interest rate movements. The use of T. bills has now ceased and been replaced by Reserve Bank Bills. T. bills are still available in the market place for short term investment with maturities commonly ranging from 21 days to 180 days.

The issue of T. bills is at the discretion/instruction of the Debt Management Office of Treasury. This enables the Government to borrow in the same fashion as a private company on the short-term market.

The issuer and registrar of T. bills is the RBNZ. A T. bill is government guaranteed and as such is risk free. The liquidity is good, although it was marginally reduced when replaced by the R.B. bill as the tool for primary liquidity. However T. bills can be bought and sold through any bank, broker or merchant bank. These characteristics make the T. bill a good investment for Council in terms of minimising risk.

Pricing of a T. bill is by the standard discounting formula. Payment is by direct credit to an account nominated by the seller. As a registered document the T. bill is transferred into the investor's name at the registry (RBNZ) and a 'statement' of the position held is then mailed to the investor. This statement substitutes for the certificates used for the other securities. When a T. bill is sold, the investor must arrange to have a transfer delivered to the registry on the date of settlement, instructing that the T. bill be placed into the buyer's name. Payment would simultaneously be made to the Council by that buyer.

Upon maturity of a T. bill no delivery of title is required unless a 'Certificate of Title' has been issued. The registry (RBNZ) will automatically make a payment to the registered holder of the maturing bill. In the past T. bills have traded at yields below comparable bank bill yields. However, since T. bills ceased to be used as a tool for primary liquidity their yields have risen to levels similar to bank bills.

NZ Government inflation indexed bonds

These bonds are particularly appropriate to preserve the value of capital over the long term. They are issued vary rarely and have a duration of about 20 years. Every quarter the principal sum is adjusted for movements in the CPI. Generally the index adjustments are lagged. The index adjustment will be the average percentage change of two quarters ending in the quarter two periods prior to that in which the interest payment and principal adjustment date occurs, e.g. a February 2015 principal adjustment is based on the average movement in the CPI over the two quarters ending September 2014. These bonds are tradable, allowing the investor access to their funds before maturity.

Bank bills

Bank bills may be purchased at a fixed interest rate for a given term, generally ranging between 21 days and 95 days, however, terms are negotiated up to 180 days. Bank bills can be issued by any bank registered with the Reserve Bank of New Zealand (“RBNZ”) when approached by a borrower. There are always two parties involved when Bank Bills are drawn down with both being named on the bill. The secondary market for bank bills is the most liquid market for short term securities in New Zealand.

Any bank, broker or merchant bank can act as the buying or selling agent for a bank bill, however, professional investors discriminate between the bills issued by the original four trading banks, and those issued by any other registered bank. Bills issued by ANZ, BNZ, Westpac and the National Bank are more liquid than those from the other registered banks. Security is provided by the issuing bank which accepts and endorses the bills. The drawer is the institution or client wishing to borrow funds from the bank. The acceptor of the bill is the issuing bank.

A bank bill is sold at a discount with the face value payable by the borrower at maturity. All money market investments are priced by determining the present value of the cash flows which are being purchased by the investor.

The face value of the bill is discounted at the market interest rate for the term remaining until maturity of the bill, i.e:

- $1,000,000 discounted at 13.75% for 90 days = $967,207.68, OR
- $967,207.68 invested at 13.75% for 90 days = $1,000,000

Delivery is usually arranged by one of two methods:

- physical delivery to the purchaser
- retention of the instrument in safe custody on behalf of the purchaser at the bank where the purchase was made.

A bank bill is a bearer document. Confirmation is by contract note detailing all conditions and terms of the bill. Physical delivery places a security risk on the investor’s ability to safely retain such documents inhouse but is generally not required where the bank holding the bill is the issuer. Where an agent, other than the acceptor, is holding the instrument on behalf of the investor, the investor is exposed to the risk that no such instrument is being held. Thus the purchaser must be absolutely satisfied with the integrity of the agent or, alternatively, take delivery of the instrument and ensure it is held in safe custody. Recent corporate failure has heightened the awareness of the necessity to obtain and have control over all documents.

Payment is usually made by direct credit to the seller’s nominated bank account prior to 4.30 p.m. on the date of settlement. In the case where the bank from which the bank bill is purchased holds the Council’s current account, the bank may offer to debit the Council’s account for payment. Alternative arrangements can be made for payment if negotiated with the selling party at the time of the transaction.

Maturing bills are repayable on the maturity date specified on the bill. Repayment is credited to a nominated bank account. This will be done automatically by the party holding the bill. However, if the bill is being held in the Council’s office it must be delivered to the issuing bank for repayment.

Registered certificate of deposit (“RCD”)

RCD’s are issued in a similar way to bank bills, enabling the investor to accept a fixed interest rate for a term ranging from 21 to 95 days. They are issued by a bank to raise funds in its own name and bear no reference to any borrower/drawer. Security is offered by the issuing bank which endorses the RCD. An active secondary market exists as the issuing bank will often repurchase its own RCD’s ensuring that there is adequate liquidity.

Internal investing

Council may also use the investment funds to finance internal borrowings. The interest and principal would be charged to the Council activity undertaking the borrowing. Matters to be considered are:

- Market loan rates v investment pool rates
- Liquidity of investment pool, i.e. are funds available to use to finance borrowings
- The desired maturity profile for the debt and the investment
- Minimum levels of investment funds required to be held

The aim of internal investing is to provide a win-win situation for the investment pool and the borrowing activity. Internal investment must leave the investment pool in no worse a position then if external investments had taken place. As these investments are repaid via rates, they are considered a low risk investment.

Deposits

Deposits are the simplest form of short term money market investment.

To achieve a competitive rate of return interest rate quotes can be obtained by telephone. The investor will then accept the best offer taking account of the rate and the security of the offering institution. The selected institution is then notified and the monies banked to its account. A certificate or note of acceptance is provided confirming the transaction following settlement.

Generally specific security is not offered however, if a specified security is offered this usually becomes the sole security for the investment. In such a case the security instrument should be delivered to the investor. An example would be where an ANZ bank bill is offered as security for a deposit to an organisation which did not itself have a satisfactory credit rating. The credit risk then becomes that of the ANZ bank, not the borrowing organisation as in the event of default by the borrower the bill would be sold to realise the investment funds.

Interest is payable on the amount deposited and a deposit may either be repaid or renegotiated in part or in full upon the maturity date agreed to at inception. If a deposit has been secured, by delivery of some form of security that security must be returned to the party from whom repayment is sought. Repayment will, in most cases, be made to a bank account nominated by Council.

Stocks/Bonds ("Stocks")

In New Zealand, the terms stocks and bonds are used interchangeably. For the purpose of simplicity in this report we have used the more common term 'stocks'. Stocks are issued by a wide variety of organisations, including the government, to raise long term debt at a fixed interest rate.

Typically the shortest term offered is 2 years and, while commonly the longest term is not more than 10 - 12 years, it can be as long as the issuer requires. Generally stocks are registered investments and knowledge of the registry system will enable swift and efficient transfer of ownership. Bearer stocks are rare.

Commercial Paper

Commercial Paper is a short term bearer security issued at a discount by a borrower who promises to repay the face value of the note to the bearer when the note reaches maturity. Because the only name appearing on CP belongs to the issuer, these securities are sometimes referred to as "one name Paper".

The pricing and marketability of CP is primarily determined by the credit worthiness of the issuer, since it is the issuer who promises to directly repay the bearer of the CP upon maturity. CP is usually issued via an open market tender or dealer system where appointed dealers bid competitively for the CP. An issuer will usually advise the market of its intention to tender CP on a "same day" basis i.e. the market is usually given a few hours notice. A fixed amount is normally offered for tender, with successful bidders being allocated the notes according to the lowest yields bid.

CP may be issued with a term to maturity ranging from 7 to 365 days though maturities of more than one year can and have been arranged the majority of the CP issued in the New Zealand market are for terms of 30, 60 or 90 days. Similar to bank bills, the market price is determined as a discount on the face value of the note using the following formula:

Market price = FV/(1+(Y/100)*(n/365)

Where: FV = face value

Y = yield to maturity

n = number of days to maturity

Investors price P. Notes at a margin over bank bills for a similar maturity. The basis point margin over bank bill bid rate (BBBR) will reflect an investor's assessment of the credit risk of the particular issuer and the paper's marketability or liquidity.

Debentures

Debentures are a form of debt security issued by organisations pursuant to a trust deed. Until 1986 debenture issues were quite common in both the wholesale and retail markets. Debentures are now common only in the retail investor market.

Liquidity is low for debentures. Corporate borrowers have moved from issuing debentures, as was common in the early 1980's, to the use of P. notes or stock issues. This has reduced the volume of debentures available for financial market trading and thus their liquidity. A lack of homogeneity in maturity and interest payment dates also restricts the liquidity of the debenture market.

Security on debentures must be assessed carefully as consideration must be given to the security of the issuing organisation and to the ranking of the debenture. In a very similar fashion to the way mortgages may be registered as first or second, debentures may be first ranking or second ranking.

Debentures are priced on a yield to maturity in a similar fashion to other debt securities, such as stocks and money market investments.

Interest payment dates also vary more on debentures than on the instruments previously described. Several companies chose to debentures with semiannual interest payments however, others issuing them with quarterly interest payments and in some cases compounding interest facilities.

Registration of debentures is often kept by the issuing company; however, it is not uncommon for a registry service to be employed. Certificates are issued to the investors and must be stored securely as return of this document is required before repayment will be made on maturity. If the certificate is lost a legal indemnity must be signed acknowledging responsibility for the loss before another will be issued.

Mortgages - Council as Mortgagor

Commercial or residential mortgages may be issued at the request of the Council. While it is not advisable for the Council to invest in mortgage secured loans as a commercial investment, there may be times when social objectives will override commercial objectives. If such a mortgage investment is made the funds offered should not exceed 65% of an independent registered valuation obtained by Council. The mortgage security should in every case be a first mortgage security. Due consideration must be given to the borrower's ability to repay over the term of the loan. In making this assessment Council may require independent professional advice. Repayments of capital and interest should, in all cases, be made by regular automatic payments to Council's account on predetermined dates.

Equities/Registered Mortgages

Investment in equities (shares) and registered mortgages may be made by council and would need direct Council approval. Should Council wish to invest directly in equities/registered mortgages it should take professional advice.

Statement of Accounting Policies

Reporting Entity and Statutory Base

The Ashburton District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 and qualifies as a public benefit entity (PBE) under the New Zealand equivalents to the International Public Sector Accounting Standards (IPSAS).

The group consists of the Ashburton District Council and its wholly owned subsidiaries Ashburton Contracting Limited (Council controlled trading organisation) and Experience Mid Canterbury (Council controlled organisation) and its in-substance subsidiaries the Ashburton Community Water Trust and the Ashburton Stadium Complex Trust. Its 20% equity share of its associate Rangitata Diversion Race Management Limited is equity accounted, and its 33% equity share of its associate Eastfield Investments Limited are equity accounted. All Ashburton District Council subsidiaries and associates are incorporated and domiciled in New Zealand.

All Ashburton District Council subsidiaries and the Rangitata Diversion Race Management Limited are incorporates and domiciled in New Zealand.

The primary objective of the Council and group is to provide goods and services for the community or social benefit rather than making a financial return.

The Council is not required to produce its long term plan with group consolidated figures and therefore this plan covers the Council only activity and excludes the wholly owned subsidiaries, in-substance subsidiaries and the associate.

The prospective financial statements comply with Tier 1 PBE Standards, (including PBE FRS 42 – Prospective Financial Statements).

The prospective financial statements were authorised for issue by Council on 28 June 2018.

Basis of Preparation and Statement of Compliance

The prospective financial statements of the Ashburton District Council have been prepared as the going concern basis, and in accordance with the requirements of the Local Government Act 2002 (LGA), which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (GAAP).

They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable financial reporting standards as appropriate for New Zealand public benefit entities.

The prospective financial statements of the Ashburton District Council have been prepared in accordance with Tier 1 PBE accounting standards.

It is audited under section 84 of the Local Government Act 2002.

Consolidation

The Council has not consolidated the prospective financial statements to include the Council's subsidiaries Ashburton Contracting Limited and Experience Mid Canterbury.

Subsidiaries

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

Council's subsidiaries are accounted for by applying the purchase method, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intra group balances, transactions, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the surplus or deficit from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

Associates

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

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

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

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

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

Functional and Presentation Currency

The functional currency of Ashburton District Council is New Zealand dollars and accordingly the financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ('000).

Measurement Base

The General Accepted Accounting Principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis modified by the valuation of certain assets have been followed.

The prospective financial statements have been prepared on a historical cost basis, modified by the revaluation of investment property, certain infrastructural assets, investments, biological assets and financial instruments (including derivative instruments).

Purpose of prospective financial statements

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

The actual results achieved for any given financial year are likely to vary from the information presented and may vary materially depending upon the circumstances that arise during the period. The prospective financial information is prepared in accordance with Section 95 of the Local Government Act 2002. The information may not be suitable for use in any other capacity.

Joint Ventures

A joint venture is a contractual arrangement whereby the Council and other parties undertake an economic activity that is subject to joint control.

The Council has a 29% interest in the Eastfield Investments Limited. This is a joint venture of landowners from within the Ashburton CBD to enable a comprehensive co-ordinated redevelopment of the inner CBD as a result of the demolition of a number of properties that had been earthquake damaged.

Goods and Service Tax (GST)

These financial statements have been prepared exclusive of GST, except for receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable surplus for the year. Council is not liable as a separate entity to income tax on any of its activities.

Taxable surplus differs from net surplus as reported in the Statement of Comprehensive Revenue and Expense because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Council's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the Statement of Financial Position liability method. The amount of any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the Statement of Financial Position date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax surplus nor the accounting surplus.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Council is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

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

Deferred tax is charged or credited in the Statement of Comprehensive Revenue and Expense, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

Exchange and non-exchange transactions

An exchange transaction is one in which the Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transactions are where the Council receives value from another entity without giving approximately equal value in exchange.

Revenue Recognition

Revenue is measured at fair value.

Revenue is comprised of exchange and non-exchange transactions. Exchange transaction revenue arises when one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange.

Non-exchange transaction revenue arises from transactions without an apparent exchange of approximately equal value. Non-exchange revenue includes rates, grants and subsidies and fees and user charges derived from activities that are partially funded by rates. Revenue relating to non-exchange transactions is recognised as conditions, if any exist, are satisfied.

Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer which is usually when the goods are delivered and title has passed. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods or services.

Rates revenue is recognised by the Council as revenue at the start of the financial year to which the rates resolution relates.

Water billing is recognised based on the volumes delivered.

Dividends are recognised, net of imputation credits, as revenue when the shareholders' rights to receive payment have been established.

Levies, fees and charges are recognised when assessments are issued.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Lease incentives granted are recognised as part of the total rental revenue. Rental revenue from investment and other property is recognised in the surplus or deficit on a straight-line basis over the term of the lease.

Government grants are recognised as revenue to the extent of eligibility for grants established by the grantor agency, or when the appropriate claims have been lodged. New Zealand Transport Agency roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests and assets vested in the Council, with or without restrictions are recognised as revenue when control over the assets is obtained and conditions are satisfied.

Development contributions and financial contributions are recognised as revenue when Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise development contributions and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Grant Expenditure

Non-discretionary grants are those grants 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 and approved.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and successful applicant has been notified of Council's decision.

Provisions

A provision is recognised 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 an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be mad of the amount of the obligation.

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

Equity

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

The components of equity are:

- Ratepayers equity
- Accumulated operating reserve
- Revaluation reserves
- Special funds and reserves

Special Funds and Reserves

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

Restricted reserves and special funds are those reserves and funds subject to specific terms 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.

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

Cash and Cash Equivalents

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

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

Accounts Receivable and Loans

Accounts receivable include rates and water charges and are recorded at their amortised cost using the effective interest rate method which approximates their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for doubtful debts in respect of rates receivables.

Trade receivables are stated at their amortised cost using the effective interest rate method which approximates their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially measured at fair value, including transaction costs. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. At subsequent reporting dates, they are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

An impairment loss is recognised in the surplus /deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans to community organisations made 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 financial instrument. The loans are subsequently measured at amortised cost using the effective interest rate method.

The difference between the face value and present value of the expected cash flows of the loan is recognised in the surplus or deficit as a grant.

Inventories

Council inventories are valued at the lower of cost and current replacement cost, less any provision against damaged or old items, with the exception of property inventory which are recorded at the lower of cost and net realisable value.

Property is classified as inventory when it is held for sale in the ordinary course of business, or that is in the process of construction or development for such a sale.

Stocks and Bonds

Stocks and bonds are classified as available-for-sale financial assets. Although they include terms greater than one year, they are readily tradable and are not intended to be held necessarily to maturity. They are revalued each year in the Council's parent financial statements at fair value using market values supplied by an independent advisor. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the surplus or deficit for the period.

Investments

The Council's investments in its subsidiaries are carried at cost less any allowance for impairment loss in the Council's own "parent entity" financial statements.

Property, Plant and Equipment

Property, plant and equipment consist of:

Operational assets – these include land, buildings, landfill post-closure, library books, plant and equipment, and motor vehicles.

Operational property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Restricted assets – are mainly parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure Assets are stated at their revalued amounts. The revalued amounts are their fair values at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost, except for vested assets (see 'Vested Assets'). Certain infrastructure assets and land have been vested in the Council as part of the subdivision consent process.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Revaluation increments and decrements are credited or debited to the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus/deficit. Any subsequent increase on revaluation that offsets a previous decrease in value is recognised first in the Other Comprehensive Revenue up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to Ratepayer's Equity.

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

Work in progress has been stated at the lower of cost and net realisable value. Cost comprises direct material and direct labour together with production overheads.

Council land is recorded at cost and there is currently no intention to revalue these assets.

Property held for service delivery objectives rather than to earn rental or for capital appreciation is included within property, plant and equipment. Examples of this are property held for strategic purposes and property held to provide a social service, including those which generate cash inflows where the rental revenue is incidental to the purpose of holding the property, i.e. Council's elderly housing units.

Gains and losses on disposal 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/deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of these assets are transferred to accumulated funds.

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

The costs of day to day servicing of property, plant and equipment are recognised in the surplus/deficit as they are incurred.

Buildings

Council buildings are recorded at cost less accumulated depreciation and any accumulated impairment losses. There is currently no intention to revalue these assets.

Vested Assets

Vested assets are recognised at the cost to the developer, except for land, which is valued at fair value, at the time of transfer to the Council. This is then treated as the cost of the land to Council. These assets, other than land, are also subject to depreciation and subsequent revaluation. The vested reserve land has been initially recognised at the most recent appropriate certified government valuation.

Biological Assets – Forestry

In accordance with PBE IPSAS 27, all forests have been valued at 'fair value' less estimated point of sale costs which exclude transportation costs required to get the logs to market. Fair value valuations are based on: plantation age, species, silviculture, type, site, productivity rotation length, expected yields at maturity, expected royalties and discount rate.

Using this information – which is collected from a variety of sources, (including Council's own records and data prepared by the Ministry of Agriculture and Forestry) valuations are calculated for each plantation.

Council has a policy to revalue its forests annually. These have been peer reviewed by PS Olsen Ltd, NZ Institute of Forestry registered consultants. Any increase or decrease in the valuation is reflected in the surplus or deficit.

Forestry Carbon Credits: Carbon credits are initially recognised at cost, or fair value, if the cost is at a nominal amount. After initial recognition, all carbon credits are assessed annually for impairment.

Investment Properties

Investment properties are properties which are held either to earn rental revenue or for capital appreciation or for both.

Investment properties are stated at fair value at balance date. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. No deduction is taken for disposal costs.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

The valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit worthiness; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate, counter notices have been validly served within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the surplus or deficit.

Rental revenue from investment property is accounted for as described in the Revenue Recognition accounting policy.

When a revalued item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to rate-payers equity. Any loss arising in this manner is recognised immediately in the surplus or deficit.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease revenue is accounted for as described in the Revenue Recognition accounting policy.

Infrastructure Assets

These are the fixed utility systems that provide a continuing service to the community and are not generally regarded as tradeable. They include roads and bridges, water and sewerage services, stormwater systems and parks and reserves. These infrastructural assets are revalued annually, except for land under roads which have not been revalued.

Roading, Footpaths, Wastewater, Stormwater, Stockwater (excluding races), Water Supply, Parks, and Solid Waste assets existing as at 30 June 2017 were revalued on a depreciated replacement cost basis by Council staff and peer reviewed by Opus, independent registered valuers.

The assets were valued using depreciated replacement cost. This required determination of quantities of assets optimised to relate to those required for current service delivery, foreseeable demand, unit rates that reflect replacement with modern engineering equivalent assets, recent contract rates for work in the district, effective lives that take account of local influences and depreciation that defines current value given a definable remaining life.

Land under roads were valued by Quotable Value NZ Limited, independent registered valuers, as at 30 June 2002 and were based on sales of comparable properties. The values relate to an average "unimproved value" calculation in the rural areas of the district, and in the urban areas it is land with no roads, sewers or water supply. Land under roads has not been subsequently revalued and is now carried at deemed cost.

Intangible Assets

Computer software: Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to ten years). Subsequent expenditure on capitalised computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

Costs incurred in acquiring operating system computer software essential to the operation of an item of Property, Plant and Equipment are included with the item of Property, Plant and Equipment and are not classified as an Intangible Asset. Consistent with PBE IPSAS 31.

Other Intangible Assets: An internally-generated intangible asset arising from the Council's development of its research findings is recognised only if all of the following conditions are met:

- An asset is created that can be identified such as new processes;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Council are stated at cost less accumulated amortisation and impairment losses and are amortised on a straight line basis over their useful lives.

Subsequent Expenditure: Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation: Amortisation is charged to the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and other intangible assets with an indefinite useful life are systematically tested for impairment at each balance date.

Critical judgements, estimates and assumptions in applying Council's accounting policies

The preparation of financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, and variations may be material.

The estimates and assumptions that have a significant risk of causing material adjustment to the carry amount of assets and liabilities within the next financial year are as follows:

Infrastructural Assets: There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations over the Group's infrastructure assets. These include estimates of road pavement component depth, useful and remaining useful lives, estimates of condition of assets (especially underground assets), and assumptions as to the continuation of existing demand patterns and the lack of any major natural weather event that could give rise to significant asset damage and impairment. Assumptions as to actual physical conditions of the asset is minimised by physical inspections and condition modelling.

Classification of Property: The council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

The Council and management of the Ashburton District Council accept responsibility for the preparation of their prospective financial statements, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Depreciation

Land, paintings and works of art are not depreciated.

Depreciation has been provided on a straight line basis on all other property, plant and equipment at rates which will write off the cost (or valuation) to their estimated residual values over their useful lives.

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

Buildings – major	2.0% S.L	
Buildings – minor	4.0% S.L	
Heavy plant and machinery	5.0% S.L – 13.0% S.L	
Light plant and machinery	6.67% S.L – 25.0% S.L	
Office equipment	10.0% S.L – 36.0% S.L	
Fixtures and fittings	10.0% S.L	
Motor vehicles	7.0% S.L – 13.0% S.L	
Computer equipment	25.0% S.L – 33.0% S.L	
Library books	6.67% S.L	(Adult nonfiction)
	10.0% S.L	(All other books)

Infrastructural assets are depreciated on a straight line basis at rates that will write off their cost, less any estimated residual value, over their expected useful life.

The depreciation rates of other classes of assets are:

Roading and footpaths	Bridges	80 – 150 years
	Culverts	100 years
	Pavement surface	9 – 100 years
	Pavement formation	Not depreciated
	Pavement layers	10 – 100 years
	Footpaths	25 – 75 years
	Street lights	20 – 40 years
	Kerb and channel	75 years
	Traffic signals	12 – 55 years
	Berms	Not depreciated
	Signs	13 years
	Barriers and rails	13 – 30 years
Water reticulation	Pipes	60 – 80 years
	Valves, hydrants	25 years
	Pump stations	10 – 80 years
	Tanks	25 – 60 years
Stockwater	Races	Not depreciated
	Structures	60 years
Sewerage reticulation	Pipes	60 – 100 years
	Laterals	100 years
	Manholes	60 years
	Treatment plant	10 – 100 years
Stormwater systems	Pipes	60 – 80 years
	Manholes	60 years
	Structures	20 – 50 years
Solid waste	Litter bins	10 years
Domains and cemeteries	Playground equipment	10 – 50 years
	Furniture	10 – 30 years
	Structures	10 – 200 years
	Fences	10 – 30 years
	Signs and lighting	10 – 25 years
	Irrigation	8 – 25 years
	Roading	20 – 80 years
	Trees and gardens	Not depreciated

Non-current Assets Held for Resale

Non-current assets classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets (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.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Impairment of property, plant and equipment, and intangible assets

Intangible assets subsequently measured at cost that have an infinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and Intangible assets subsequently measured at cost that have an 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.

If an assets carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus/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, 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 the expected future cash flows.

Employee Entitlements

Provision is made for annual leave, long service leave, sick leave and retiring gratuities.

The retiring gratuity liability and long service leave are assessed on an actuarial basis using future rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Liabilities for accumulating short-term compensated absences (e.g., annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance date, to the extent that the Council anticipate it will be used by staff to cover those future absences.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the financial performance statement when they are due.

Landfill Post-closure Costs

The Council has a legal obligation to provide ongoing maintenance and monitoring services at its closed landfill sites.

To provide for the estimated costs of aftercare, an estimate is done of future annual costs and is then subject to a net present value calculation.

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

Borrowings

Borrowings are initially recorded at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.

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

Trade Payables

Trade payables are stated at their amortised cost which approximates their nominal value given their short term nature.

Leases

Finance leases: Leases which effectively transfer to the lessee substantially all of the risks and benefits incident to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. Lease payments are apportioned between finance charges and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the surplus or deficit. The leased assets are depreciated over the period the Council is expected to benefit from their use.

The Council currently have no finance leases on their books.

Operating leases: Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight line basis.

Financial Instruments

The Council is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, Local Authority stocks and bonds, trade and other receivables, bank overdraft facility, trade and other payables and borrowing. All of these are recognised in the Statement of Financial Position.

Revenue and Expenditure in relation to all financial instruments are recognised in the surplus or deficit. All financial instruments are recognised in the Statement of Financial Position at their fair value when the Council becomes a party to the contractual provisions of the instrument.

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council uses derivative financial instruments, primarily interest rate swaps, to reduce its risks associated with interest rate movements. The significant interest rate risk arises from bank loans. The Council's policy is to convert a proportion of its fixed rate debt to floating rates.

The use of financial derivatives is governed by the Council's policies approved by the Council, which provide written principles on the use of financial derivatives consistent with the Council's risk management strategy.

The Council does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Statement of Cash Flows

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. Agency transactions are not recognised as receipts and payments in the Statement of Cash Flows given that they are not payments and receipts of the Council.

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

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

Summary Cost of Services

The Summary Cost of Services as provided in the Statement of Service Performance report is the net cost of service for significant activities of the Council, and are represented by the costs of providing the service less all directly related revenue that can be allocated to these activities.

Overhead Allocation

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

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

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

Cost drivers for allocation of indirect costs: The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

Internal charges: Are eliminated at the Council level.

Prospective Statement of Comprehensive Revenue and Expense

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Revenue											
Rates	33,803	35,328	37,334	39,190	39,327	40,738	41,559	42,433	43,328	44,115	44,678
Fees and charges	7,609	8,170	8,377	8,620	9,058	9,288	9,494	9,709	10,231	10,457	10,693
Development and financial contributions	1,359	1,342	1,370	1,399	2,761	2,548	1,490	1,522	1,556	1,589	1,624
Subsidies and grants	5,633	7,831	7,962	8,171	10,316	10,507	8,532	8,675	19,468	19,809	8,617
Finance income	905	1,280	1,360	1,360	1,200	1,200	1,400	1,720	2,000	2,320	2,600
Other revenue	11,900	15,204	11,757	12,990	11,413	12,415	13,228	10,602	14,844	14,011	14,509
Gain in fair value of investment properties	826	769	902	962	986	1,051	1,121	884	902	920	939
Gain in fair value of forestry	119	0	91	0	84	3	90	0	0	0	75
Total revenue	**62,154**	**69,924**	**69,151**	**72,693**	**75,145**	**77,751**	**76,915**	**75,546**	**92,329**	**93,222**	**83,736**
Expenses											
Personnel costs	13,844	14,878	15,312	15,613	15,953	16,284	16,630	16,991	17,368	17,759	18,165
Depreciation and amortisation	13,895	15,066	15,646	16,191	16,740	17,650	18,083	18,573	19,073	19,541	20,046
Finance costs	1,969	1,989	2,248	2,461	2,937	3,000	3,188	3,163	3,302	3,253	3,307
Other expenses	24,018	25,948	26,429	27,094	27,542	28,448	28,479	29,117	29,911	30,463	31,205
Loss in fair value of forestry	0	96	0	451	0	0	0	239	657	275	0
Total expenses	**53,726**	**57,976**	**59,636**	**61,810**	**63,172**	**65,382**	**66,380**	**68,083**	**70,311**	**71,292**	**72,723**
Surplus/(deficit) before taxation	**8,428**	**11,948**	**9,515**	**10,883**	**11,973**	**12,369**	**10,534**	**7,464**	**22,018**	**21,930**	**11,013**
Income tax	0	0	0	0	0	0	0	0	0	0	0
Surplus/(deficit) after taxation	**8,428**	**11,948**	**9,515**	**10,883**	**11,973**	**12,369**	**10,534**	**7,464**	**22,018**	**21,930**	**11,013**

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Other comprehensive revenue											
Gain/(loss) on infrastructure revaluation	13,241	16,789	16,545	14,906	16,283	17,537	19,034	20,462	21,924	23,866	26,705
Total other comprehensive revenue	**13,241**	**16,789**	**16,545**	**14,906**	**16,283**	**17,537**	**19,034**	**20,462**	**21,924**	**23,866**	**26,705**
Total comprehensive revenue and expense	**21,669**	**28,737**	**26,060**	**25,788**	**28,257**	**29,906**	**29,568**	**27,926**	**43,942**	**45,796**	**37,718**

Prospective Statement of changes in the net assets/equity

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Equity at the beginning of the year [1]	713,340	753,518	782,255	808,315	834,103	862,360	892,266	921,834	949,760	993,703	1,039,498
Total comprehensive revenue and expense	**21,669**	**28,737**	**26,060**	**25,788**	**28,257**	**29,906**	**29,568**	**27,926**	**43,942**	**45,796**	**37,718**
Balance at 30 June	**735,009**	**782,255**	**808,315**	**834,103**	**862,360**	**892,266**	**921,834**	**949,760**	**993,703**	**1,039,498**	**1,077,216**

1 Due to reforecasting since the Annual Plan 2017/18 was produced, the opening balances at 1 July 2018 differs from the closing balance at 30 June 2018.

Prospective Statement of Financial Position

As at 30 June

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Equity											
Ratepayer equity	465,807	475,131	482,827	491,216	505,234	514,898	522,328	527,266	544,667	565,266	571,579
Other reserves	269,202	307,124	325,488	342,887	357,126	377,368	399,506	422,494	449,036	474,233	505,638
Total equity	**735,009**	**782,255**	**808,315**	**834,103**	**862,360**	**892,266**	**921,834**	**949,760**	**993,703**	**1,039,498**	**1,077,216**
Current liabilities											
Trade and other payables	7,508	8,026	8,386	9,092	9,499	8,651	8,242	8,586	9,005	9,236	8,731
Employee benefit liabilities	1,436	1,781	1,833	1,869	1,910	1,949	1,991	2,034	2,079	2,126	2,175
Borrowings	10,000	4,000	3,097	3,697	3,907	4,251	4,371	4,183	3,621	3,864	3,864
Landfill closure liability	15	15	15	15	15	15	15	15	15	15	15
Total current liabilities	**18,959**	**13,822**	**13,331**	**14,672**	**15,330**	**14,867**	**14,619**	**14,818**	**14,720**	**15,241**	**14,784**
Non-current liabilities											
Borrowings	47,401	49,732	57,234	68,537	69,890	74,249	73,477	77,180	76,559	77,695	77,081
Derivative financial instruments	0	536	536	536	536	536	536	536	536	536	536
Employee benefit liabilities	546	493	507	517	529	540	551	563	576	589	602
Landfill closure liability	149	134	119	104	89	74	59	44	29	14	0
Total non-current liabilities	**48,096**	**50,895**	**58,396**	**69,695**	**71,044**	**75,398**	**74,624**	**78,323**	**77,699**	**78,833**	**78,219**
Total liabilities	**67,055**	**64,717**	**71,727**	**84,367**	**86,374**	**90,265**	**89,243**	**93,141**	**92,420**	**94,074**	**93,003**
TOTAL EQUITY AND LIABILITIES	**802,064**	**846,972**	**880,042**	**918,470**	**948,734**	**982,531**	**1,011,077**	**1,042,901**	**1,086,122**	**1,133,572**	**1,170,219**

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Assets											
Current assets											
Cash and cash equivalents	9,409	14,053	13,064	7,382	2,666	6,457	13,665	18,777	24,346	27,415	34,464
Other financial assets - term deposits > 90 days	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Trade and other receivables	5,153	4,224	4,015	4,220	3,943	4,595	4,453	4,294	5,689	5,703	4,826
Receivables from non-exchange transactions	0	0	0	0	0	0	0	0	0	0	0
Local Authority stocks and bonds	6,272	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642
Inventories	120	100	102	102	102	102	102	102	102	103	103
Property inventory	288	404	404	404	468	200	200	200	200	200	200
Total current assets	**31,242**	**34,423**	**33,227**	**27,750**	**22,820**	**26,997**	**34,062**	**39,015**	**45,979**	**49,063**	**55,235**
Non-current assets											
Trade and other receivables	18	4	4	4	4	4	4	4	4	4	4
Investment in CCOs and similar entities	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595
Investment in associate	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795
Other financial assets	775	935	935	935	935	935	935	935	935	935	935
Property inventory	2,164	2,558	2,154	1,750	4,160	3,960	3,760	3,560	3,360	7,430	7,230
Investment properties	35,244	39,200	40,101	41,064	42,049	43,100	44,221	45,105	46,008	46,928	47,866
Biological assets - forestry	5,063	4,774	4,865	4,414	4,498	4,502	4,592	4,353	3,696	3,421	3,496
Intangible assets - software	1,062	711	732	796	701	604	756	654	551	446	338
Property, plant and equipment	720,106	757,977	791,633	835,367	867,176	896,039	916,358	942,884	979,199	1,018,957	1,048,725
Total non-current assets	**770,822**	**812,549**	**846,815**	**890,720**	**925,914**	**955,535**	**977,015**	**1,003,886**	**1,040,143**	**1,084,510**	**1,114,985**
TOTAL ASSETS	**802,064**	**846,972**	**880,042**	**918,470**	**948,734**	**982,531**	**1,011,077**	**1,042,901**	**1,086,122**	**1,133,572**	**1,170,219**

Prospective Statement of cash flows

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Cash flows from operating activities											
Receipts from customers	53,149	58,014	60,028	62,472	66,593	67,897	68,083	68,013	79,409	81,751	71,997
Interest revenue	905	1,280	1,360	1,360	1,200	1,200	1,400	1,720	2,000	2,320	2,600
Dividends received	905	950	971	992	1,013	1,035	1,056	1,079	1,103	1,127	1,151
Sale of Ashburton Business Estate	3,000	2,644	2,702	2,760	2,818	3,267	3,336	3,408	3,483	3,558	3,636
Sale of Geoff Geering Drive subdivision	1,260	659	673	688	700	715	0	0	0	0	0
Sale of Lake Hood subdivision	300	0	0	0	0	0	0	0	0	0	0
Payments to suppliers and employees	(36,973)	(39,583)	(40,928)	(41,566)	(45,524)	(45,077)	(45,281)	(45,524)	(46,618)	(52,016)	(49,627)
Interest expense	(1,969)	(1,989)	(2,248)	(2,461)	(2,937)	(3,000)	(3,188)	(3,163)	(3,302)	(3,253)	(3,307)
Income Tax	0	0	0	0	0	0	0	0	0	0	0
Net cash flows from operating activities	20,577	21,976	22,558	24,245	23,863	26,038	25,407	25,533	36,075	33,486	26,451
Cash flows from investing activities											
Sale of investments	0	0	0	0	0	0	0	0	0	0	0
Sale of property, plant and equipment	296	200	200	200	200	1,101	2,363	200	200	200	200
Purchase of investments	0	0	0	0	0	0	0	0	0	0	0
Purchase of property, plant and equipment	(24,759)	(24,779)	(30,192)	(41,832)	(30,300)	(28,007)	(19,617)	(24,089)	(29,477)	(31,949)	(18,939)
Purchase of intangible assets	(936)	(145)	(153)	(198)	(43)	(44)	(295)	(45)	(46)	(47)	(48)
Net cash flows from investing activities	(25,399)	(24,724)	(30,146)	(41,830)	(30,142)	(26,949)	(17,548)	(23,935)	(29,324)	(31,796)	(18,787)

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Cash flows from financing activities											
Loans raised	8,078	7,484	9,372	15,000	5,260	8,610	3,600	7,885	3,000	5,000	3,250
Loan repayments	(659)	(2,485)	(2,773)	(3,097)	(3,697)	(3,907)	(4,251)	(4,371)	(4,183)	(3,621)	(3,864)
Net cash flows from financing activities	7,419	4,999	6,599	11,903	1,563	4,703	(651)	3,514	(1,183)	1,379	(614)
Net increase/(decrease) in cash held	**2,597**	**2,250**	**(989)**	**(5,682)**	**(4,716)**	**3,792**	**7,207**	**5,112**	**5,569**	**3,069**	**7,049**
Opening cash resources	6,812	11,802	14,053	13,064	7,382	2,666	6,457	13,665	18,777	24,346	27,415
Closing cash resources	**9,409**	**14,053**	**13,064**	**7,382**	**2,666**	**6,457**	**13,665**	**18,777**	**24,346**	**27,415**	**34,464**

Funding impact statement

THE PURPOSE OF THE FUNDING IMPACT STATEMENT IS TO SHOW THE REVENUE AND FINANCING MECHANISMS THAT COUNCIL USES TO COVER ITS ESTIMATED EXPENSES.

The funding and rating mechanisms used by Council are contained in the Revenue and Financing Policy. The total of the revenue sources expected are shown in the Prospective Statement of Comprehensive Revenue and Expense and information is also shown in each significant activity. Council proposes to apply the same funding and rating principles to each year of the Long Term Plan.

The Funding Impact Statement is required under the Local Government Act 2002 and conform to the Local Government (Financial reporting) regulations 2014. The Funding Impact Statement has been prepared in accordance with Part 1, Clause 15 of Schedule 10 of the Local Government Act, 2002. Funding Impact Statements for each group of activities can be found in the relevant activity section of the Long Term Plan.

Council will use a mix of several sources to meet operating expenses, with major sources being general rates, dividends, and fees and charges. Revenue from targeted rates is applied to specific activities.

This section includes:

- Council's Funding Impact Statement and reconciliation to the Statement of Comprehensive Revenue and Expense
- Rating Policy and Schedule of Rates

Prospective Funding Impact statement - Council Summary

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Operating Funding											
Sources of operating funding											
General rate, UAGC*, rates penalties	12,658	13,334	14,008	14,183	14,716	15,548	15,330	15,713	15,913	15,984	16,288
Targeted rates	21,146	21,994	23,326	25,006	24,612	25,190	26,229	26,720	27,415	28,131	28,390
Subsidies and grants for operating purposes	2,148	2,084	2,000	2,094	2,574	2,649	2,653	2,879	2,898	2,904	3,076
Fees and charges	7,609	8,170	8,377	8,620	9,058	9,288	9,494	9,709	10,231	10,457	10,693
Interest and dividends from investments	1,810	2,230	2,332	2,354	2,216	2,239	2,462	2,805	3,110	3,455	3,761
Local authorities fuel tax, fines, infringement fees and other receipts	9,305	8,491	8,153	8,745	8,372	9,450	10,202	8,922	9,703	9,353	9,143
Total sources of operating funding	**54,675**	**56,304**	**58,195**	**61,004**	**61,547**	**64,364**	**66,368**	**66,748**	**69,271**	**70,284**	**71,351**
Applications of operating funding											
Payments to staff and suppliers	28,480	30,542	31,136	31,806	32,412	33,356	33,461	34,100	35,187	35,764	36,647
Finance costs	1,969	1,989	2,248	2,461	2,937	3,000	3,188	3,163	3,302	3,253	3,307
Other operating funding applications	10,106	10,284	10,606	10,901	11,082	11,376	11,649	12,008	12,092	12,458	12,722
Total applications of operating funding	**40,555**	**42,815**	**43,990**	**45,168**	**46,432**	**47,732**	**48,298**	**49,271**	**50,581**	**51,475**	**52,676**
Surplus/(deficit) of operating funding	14,120	13,489	14,205	15,836	15,116	16,632	18,071	17,477	18,690	18,809	18,675

* Uniform Annual General Charges

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Capital Funding											
Sources of capital funding											
Subsidies and grants for capital expenditure	3,485	5,747	5,962	6,077	7,742	7,858	5,879	5,796	16,570	16,905	5,541
Development and financial contributions	1,359	1,342	1,370	1,399	2,761	2,548	1,490	1,522	1,556	1,589	1,624
Increase/(decrease) in debt	7,390	2,936	4,590	9,904	(425)	2,739	(2,593)	1,592	(3,046)	(301)	(1,975)
Gross proceeds from sale of assets	195	240	205	209	213	1,762	4,267	227	232	237	291
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	**12,428**	**10,265**	**12,126**	**17,589**	**10,291**	**14,908**	**9,043**	**9,138**	**15,313**	**18,431**	5,481
Application of capital funding											
Capital expenditure											
- to meet additional demand	1,750	1,108	1,158	2,402	146	2,837	612	0	0	53	1,133
- to improve the level of service	12,144	9,735	15,535	22,791	19,104	11,166	4,761	9,850	15,021	21,340	2,331
- to replace existing assets	11,802	12,988	13,109	16,305	13,506	13,476	14,088	13,824	14,032	14,392	15,032
Increase/(decrease) in reserves	853	(78)	(3,470)	(8,075)	(7,350)	4,062	7,654	2,941	4,950	1,455	5,661
Increase/(decrease) in investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	**26,549**	**23,754**	**26,332**	**33,424**	**25,406**	**31,540**	**27,113**	**26,615**	**34,002**	**37,240**	**24,155**
Surplus/(deficit) of capital funding	(14,120)	(13,489)	(14,205)	(15,835)	(15,116)	(16,633)	(18,070)	(17,477)	(18,690)	(18,809)	(18,675)
Funding Balance	0	0	0	0	0	0	0	0	0	0	0

Reconciliation of Statement of Comprehensive Revenue and Expense to Council Funding Impact Statement

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Total sources of operating funding	**54,675**	**56,304**	**58,195**	**61,004**	**61,547**	**64,364**	**66,368**	**66,748**	**69,271**	**70,284**	**71,351**
plus capital funding sources treated as revenue											
Subsidies and grants for capital expenditure	3,485	5,747	5,962	6,077	7,742	7,858	5,879	5,796	16,570	16,905	5,541
Development and/or financial contributions	1,359	1,342	1,370	1,399	2,761	2,548	1,490	1,522	1,556	1,589	1,624
plus income not treated as funding sources											
Vested assets	1,690	5,763	2,633	3,253	2,028	1,930	1,970	601	4,037	3,531	4,215
Gain in fair value of investment properties	826	769	902	962	986	1,051	1,121	884	902	920	939
Gain in fair value of forestry	119	0	91	0	84	3	90	0	0	0	75
Total revenue	**62,154**	**69,924**	**69,152**	**72,695**	**75,148**	**77,755**	**76,919**	**75,552**	**92,336**	**93,230**	**83,745**
Total applications of operating funding	**40,555**	**42,815**	**43,990**	**45,168**	**46,432**	**47,732**	**48,298**	**49,271**	**50,581**	**51,475**	**52,676**
plus expenses not treated as funding applications											
Depreciation	13,098	15,066	15,646	16,191	16,740	17,650	18,083	18,573	19,073	19,541	20,046
Loss in fair value of forestry	0	96	0	451	0	0	0	239	657	275	0
Unwind derivative financial instrument	73	0	0	0	0	0	0	0	0	0	0
less funding applications not treated as expenses											
Income tax	0	0	0	0	0	0	0	0	0	0	0
Total expenditure	**53,726**	**57,976**	**59,636**	**61,810**	**63,172**	**65,382**	**66,381**	**68,083**	**70,311**	**71,292**	**72,722**
Surplus/(deficit) before tax	8,428	11,948	9,516	10,885	11,977	12,373	10,538	7,470	22,025	21,938	11,023

Rating Policy and Schedule of Rates

(All amounts are GST inclusive and inflation adjusted)

Definitions

In the following policy:

Connected means the rating unit is physically connected to the Council's supply scheme.

Serviceable means the rating unit is not connected but is able and / or entitled to be connected to the Council's supply scheme.

Separately used or inhabited part of a rating unit means any portion of a rating unit used or inhabited by any person, other than the ratepayer or member of the ratepayer's household, having a right to use or inhabit that portion by virtue of a tenancy, lease, license or other agreement.

Separate rateable unit means where targeted rates and / or uniform annual general charge is to be levied on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Business rating unit includes a building or part of a building that is, or is intended to be, separately tenanted, leased or subleased for commercial purposes.
- Residential rating unit includes a building or part of a building that is, of is intended to be, or is able to be used as, as independent residence by any person(s) other than the ratepayer or member of the ratepayer's household, including apartments, flats, semi-detached or detached houses, units, town houses and baches.

Business means those rating units where there are any or all of the following:

- Business operations are carried out on the property
- Purpose-built buildings or modified premises for the purpose of carrying out business
- Resource consents relating to business activity
- Advertising business services on the property, or through media identifying the property as a place of business
- Property has a traffic flow greater than would be expected from a residential residence.

Ashburton CBD (Inner) means all properties used for business purposes within, or adjoining East Street, Havelock Street, Cass Street and Moore Street (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council.)

Ashburton Business means all properties within the urban area of Ashburton (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) used for business purposes.

Ashburton Residential means all properties within the urban area of Ashburton (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) which are not categorised as Ashburton Business.

Methven Business means all properties within the urban area of Methven(as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) used for business purposes.

Methven Residential means all properties within the urban area of Methven (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) which are not categorised as Ashburton Business.

Rakaia Business means all properties within the urban area of Rakaia(as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) used for business purposes.

Rakaia Residential means all properties within the urban area of Rakaia (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) which are not categorised as Ashburton Business.

Rural means properties that are not defined as part of the above rating areas.

Group Water means the water supplies that have been grouped together for the purpose of rating each connected or serviceable property equally.

Note: The rationale determining how the rate is applied to various rating groups is contained in the Council's Revenue and Financing Policy.

Rates charges and examples

The Long Term Plan proposes a number of rate increases in both the general and targeted rates. The average annual rates increase over the 10 years covered by the Long Term Plan is as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
RATE INCREASE %	4.5	5.7	5.0	0.4	3.6	2.0	2.1	2.1	1.8	1.3

Approximately 61% of Council's total expenditure is funded by rates. The remainder of the expenditure is funded from other sources including government grants, user-pay charges, Council investment income and community funds. Property development contributions also provide funds for new reserves, road and footpaths, water and wastewater assets.

The following examples show how the adopted changes will affect properties in different areas. The examples show the rate charges for 2018/19 (year 1) as well as giving actual rates for the previous year.

In the following examples the variables are used to demonstrate the potential impacts on rateable properties in different locations:

- Methven-Springfield, Montalto, Lyndhurst and Barrhill water supply rates are not included and are additional to the rates identified.
- Lake Clearwater and Rangitata Huts rubbish collection rates are not included and are additional to the rates identified.
- Water metered charges are not included and are additional to the rates identified.
- Stockwater rates are not included and are additional to the rates identified.
- Wastewater pan charges are not included and are additional to the rates identified.

Ashburton – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**292,000**	**292,000**
General Rate	102.30	97.40
UAGC	509.80	550.80
Roading Rate	129.60	140.90
Ashburton Residential Amenity Rate	90.70	0.00
Ashburton Urban Amenity Rate	124.80	225.20
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	192.60	216.40
	1,978.20	**2,105.40**

Ashburton – commercial

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**1,149,000**	**1,149,000**
General Rate	402.50	383.10
UAGC	509.80	550.80
Roading Rate	510.10	554.30
Ashburton Business Amenity Rate	1855.70	582.30
Ashburton Urban Amenity Rate	491.00	886.00
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	192.60	216.40
	4,790.10	**4,047.70**

Ashburton – commercial (Inner CBD)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**1,149,000**	**1,149,000**
General Rate	402.50	383.10
UAGC	509.80	550.80
Roading Rate	510.10	554.30
Ashburton Business Amenity Rate	1855.70	582.30
Ashburton Urban Amenity Rate	491.00	886.00
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	385.20	432.70
Ashburton CBD (Inner) Footpath Cleaning Rate	188.10	182.40
	5,170.80	**4,446.50**

Lake Hood – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**640,200**	**640,200**
General Rate	224.30	213.50
UAGC	509.80	550.80
Roading Rate	284.20	308.90
Rural Amenity Rate	7.90	0.00
Ashburton Urban Amenity Rate	0.00	246.80
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	160.80	216.40
	2,015.40	**2,411.10**

Methven – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**293,000**	**293,000**
General Rate	102.64	97.70
UAGC	509.80	550.80
Roading Rate	130.10	141.40
Methven Residential Amenity Rate	121.40	0.00
Methven Amenity Rate	51.20	168.90
Methven Community Board Rate	19.70	14.50
Methven Community Board UAC Rate	27.00	59.40
Methven Community Pool Rate	16.20	0.00
Mt Hutt Memorial Hall Rate	20.40	20.10
Methven Water Supply Rate	265.10	0.00
Group Water Supply Rate	208.40	416.70
Methven Wastewater Rate	286.90	265.30
District Refuse Collection Rate	192.60	216.40
	1,951.30	**1,951.10**

Methven – commercial

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**861,750**	**861,750**
General Rate	301.90	287.40
UAGC	509.80	550.80
Roading Rate	382.60	415.70
Methven Business Amenity Rate	1,573.20	440.40
Methven Amenity Rate	150.60	496.80
Methven Community Board Rate	57.80	42.70
Methven Community Board UAC Rate	27.00	59.40
Methven Community Pool Rate	16.20	0.0
Mt Hutt Memorial Hall Rate	60.00	59.20
Methven Water Supply Rate	265.10	0.0
Group Water Supply Rate	208.40	416.70
Methven Wastewater Rate	286.90	265.30
District Refuse Collection Rate	192.60	216.40
	4,032.00	**3,250.60**

Rakaia – residential (lump sum paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**295,000**	**295,000**
General Rate	103.30	98.40
UAGC	509.80	550.80
Roading Rate	131.00	142.30
Rakaia Amenity Rate	247.20	138.70
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
District Refuse Collection Rate	192.60	216.40
	1,938.10	**1915.80**

Rakaia – residential (lump sum not paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**295,000**	**295,000**
General Rate	103.30	98.40
UAGC	509.80	550.80
Roading Rate	131.00	142.30
Rakaia Amenity Rate	247.20	138.70
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
Rakaia Wastewater Loan Rate	202.60	192.70
District Refuse Collection Rate	192.60	216.40
	2,140.70	**2,108.40**

Rakaia – commercial (lump sum paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**861,750**	**861,750**
General Rate	301.90	287.40
UAGC	509.80	550.80
Roading Rate	382.60	415.70
Rakaia Business Amenity Rate	758.60	470.90
Rakaia Amenity Rate	722.10	405.20
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
District Refuse Collection Rate	192.60	216.40
	3,621.90	**3,115.60**

Rakaia – commercial (lump sum not paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**861,750**	**861,750**
General Rate	301.90	287.40
UAGC	509.80	550.80
Roading Rate	382.60	415.70
Rakaia Business Amenity Rate	758.60	470.90
Rakaia Amenity Rate	722.10	405.20
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
Rakaia Wastewater Loan Rate	202.50	192.70
District Refuse Collection Rate	192.60	216.40
	3,824.40	**3,308.20**

Chertsey – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Chertsey Water Supply Rate	192.60	216.40
Group Water Supply Rate	258.30	0.00
District Refuse Collection Rate	208.40	416.70
	1,356.90	**1,376.00**

Fairton – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**267,720**	**267,720**
General Rate	93.80	89.30
UAGC	509.80	550.80
Roading Rate	118.90	129.20
Rural Amenity Rate	3.30	2.50
Fairton Water Supply Rate	409.40	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	160.80	216.40
	1,504.40	**1,404.80**

Hakatere – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**174,600**	**174,600**
General Rate	61.20	58.20
UAGC	509.80	550.80
Roading Rate	77.50	84.20
Rural Amenity Rate	2.20	1.60
Hakatere Water Supply Rate	341.30	0.00
Group Water Supply Rate	208.40	416.70
	1,200.30	**1,111.60**

Hinds – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Hinds Amenity Rate	13.70	13.90
Hinds Water Supply Rate	240.20	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	192.60	216.40
	1,352.40	**1,389.90**

Mayfield – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Mayfield Water Supply Rate	667.00	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	192.60	216.40
	1,765.60	**1,376.00**

Mt Somers – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Mt Somers Water Supply Rate	597.00	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	192.60	216.40
	1,695.60	**1,376.00**

Dromore – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**9,044,000**	**9,044,000**
General Rate	3,168.30	3,015.80
UAGC	509.80	550.80
Roading Rate	4,015.40	4,363.20
Rural Amenity Rate	112.00	85.10
Dromore Water Supply Rate	2,638.50	0.00
Group Water Supply Rate	0.00	416.70
	10,444.00	**8,431.60**

Rural

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**9,044,000**	**9,044,000**
General Rate	3,168.30	3,015.80
UAGC	509.80	550.80
Roading Rate	4,015.40	4,363.20
Rural Amenity Rate	112.00	85.10
	7,805.50	**8,014.90**

Uniform Annual General Charge

Council intends to set a uniform annual general charge on each separately used or inhabited part of a rating unit in the district as follows:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$509.80	**UAGC**	$550.80	$579.40	$590.90	$596.70	$616.60	$623.10	$628.70	$637.80	$636.60	$646.30
$8,524,435	**Estimated revenue**	$9,528,681	$10,096,353	$10,369,312	$10,545,082	$10,972,478	$11,166,071	$11,342,655	$11,586,913	$11,643,167	$11,901,427

The Uniform Annual General Charge (UAGC) funds wholly or in part, the following activities of Council:

Recreation facilities
Community development
Arts and culture
Community grants
Civil defence
Public conveniences
Democracy and governance
Environmental health
Library

General Rate

Council intends to set a uniform general rate on the capital value of each separately used or inhabited part of a rating unit in the district as follows:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000350	**Rate in the $**	0.000333	0.000325	0.000302	0.000307	0.000316	0.000281	0.000279	0.000266	0.000255	0.000248
$5,834,087	**Estimated revenue**	$5,596,274	$5,798,891	$5,723,019	$6,154,958	$6,680,237	$6,231,557	$6,489,269	$6,470,187	$6,489,914	$6,575,517

The general rate will be used to fund either wholly or in part, the following activities of Council:

Community development
Civil defence
Democracy and governance
Environmental services
Forestry
Commercial property
Footpaths
Solid waste management
Solid waste collection
Parks and reserves
Business development
District promotion
Reserves and camping grounds
Stormwater
Stockwater
Cemeteries
Water zone committee
Memorial halls
Reserve boards

Targeted Rates

Roads

Council intends to set a targeted rate to fund road services. The targeted rate will be on the capital value of each separately used or inhabited part of a rating unit in the district as follows:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000444	**Rate in the $**	0.000482	0.000502	0.000580	0.000503	0.000514	0.000564	0.000562	0.000570	0.000605	0.000590
$7,393,923	**Estimated revenue**	$8,096,404	$8,421,586	$9,737,813	$8,433,103	$8,625,059	$9,464,912	$9,429,650	$9,570,502	$10,160,555	$9,893,943

Drinking Water

Water Supplies

Council intends to set a targeted rate for water supplies as a group water rate. These rates are based on a fixed amount per separately used or inhabited part of a rating unit for each area to which the services is provided as listed below.

- Ashburton urban
- Lake Hood
- Methven
- Rakaia
- Chertsey
- Fairton
- Hakatere
- Hinds
- Mayfield
- Mt Somers
- Dromore

Rating units outside the defined water supply areas listed above, but which are nonetheless connected to a water supply scheme servicing a particular water supply area, will be charged the connected rate for that water supply area.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Group										
$199.70	Connected	$416.70	$448.80	$460.30	$461.10	$463.80	$472.90	$477.20	$493.20	$491.90	$508.50
$99.90	Serviceable	$208.40	$224.40	$230.20	$230.60	$231.90	$236.50	$238.60	$246.60	$246.00	$254.30
	Ashburton										
$167.40	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$83.70	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Methven										
$306.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$153.50	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Rakaia										
$153.10	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$76.60	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Chertsey										
$262.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$131.50	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Fairton										
$409.10	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$204.60	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Hakatere										
$354.70	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$177.40	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Hinds										
$253.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$127.00	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Mayfield										
$748.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$374.50	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Mt Somers										
$579.50	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$289.80	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Dromore										
$2,424.80	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$1,121.40	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$4,376,794	**Estimated revenue**	$4,664,107	$5,049,532	$5,205,951	$5,242,574	$5,301,346	$5,433,086	$5,510,757	$5,724,822	$5,739,980	$5,963,662

Water Meters – Extraordinary and Non-residential Supply

Council intends to set additional targeted rates for water supplies on:

1. Rating units which fall outside a defined water supply area, but which are nonetheless connected to a water supply scheme servicing a water supply area (except Methven-Springfield, Montalto, Lyndhurst and Barrhill); or
2. Rating units which are used for non-residential purposes and which are connected to a water supply scheme in a water supply area (except Methven-Springfield, Montalto, Lyndhurst and Barrhill).

The rates will be a fixed amount per 1,000 litres of water in excess of 90 cubic metres consumed in the quarterly periods during each year. The quarterly periods are 1 July to 30 September, 1 October to 31 December, 1 January to 31 March, and 1 April to 30 June.

The rate is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$0.96	**Rate per 1,000 litres**	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96
$302,450	**Estimated revenue**	$327,578	$334,312	$341,046	$347,780	$354,820	$361,860	$369,206	$376,859	$384,511	$392,470

Methven-Springfield Water Supply

Council intends to set targeted rate for the Methven-Springfield water supply. The basis of the Methven-Springfield water supply rate will be a combination of a fixed amount on all rating units connected to the Methven-Springfield water supply scheme, plus a rate per additional unit of water in excess of 12 units. A unit equals 1,000 litres. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$1,409.50	**Rate per connection (12 units)**	$2,136.90	$2,168.40	$2,202.50	$2,231.70	$2,265.10	$2,301.20	$2,341.00	$2,372.60	$2,409.20	$2,443.60
$117.50	**Rate per additional unit**	$178.10	$180.70	$183.50	$186.00	$188.80	$191.80	$195.10	$197.70	$200.80	$203.60
$163,211	**Estimated revenue**	$241,610	$245,162	$249,026	$252,320	$256,104	$260,177	$264,676	$268,249	$272,397	$276,279

Montalto Water Supply

Council intends to set targeted rate for the Montalto water supply. The basis of the Montalto water supply rate will be a combination of a fixed amount on per rating unit in the Montalto water supply scheme area, plus a differential rate based on hectares of land. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$863.40	**Rate per rating unit**	$1,025.50	$1,157.70	$995.40	$996.70	$999.40	$1,002.80	$1,006.10	$1,008.00	$1,012.40	$1,015.70
$25.40	**Rate per hectare**	$32.30	$37.20	$32.70	$32.80	$32.90	$33.00	$33.10	$33.10	$33.30	$33.40
$161,566	**Estimated revenue**	$198,911	$228,342	$200,266	$200,534	$201,069	$201,759	$202,430	$202,814	$203,708	$204,376

Lyndhurst Water Supply

Council intends to set targeted rate for the Lyndhurst water supply. The basis of the Lyndhurst water supply rate will be a fixed amount on all rating units connected to the Lyndhurst water supply scheme. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$228.00	**Rate per rating unit**	$200.20	$194.90	$190.00	$185.20	$180.00	$175.00	$170.30	$165.00	$160.00	$155.30
$27,132	**Estimated revenue**	$23,820	$23,199	$22,611	$22,041	$21,416	$20,828	$20,262	$19,633	$19,045	$18,479

Barrhill Water Supply

Council intends to set targeted rate for the Barrhill Village water supply. The basis of the Barrhill Village water supply rate will be fixed amount on all rating units within the scheme boundary. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$607.90	**Rate per rating unit**	$508.20	$495.70	$483.80	$472.30	$459.60	$447.80	$436.40	$423.60	$411.8	$400.50
$8,511	**Estimated revenue**	$6,607	$6,443	$6,289	$6,140	$5,975	$5,821	$5,673	$5,507	$5,353	$5,206

Total Water Supply Estimated Revenue

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$5,039,665	**Estimated revenue**	$5,462,632	$5,886,989	$6,025,189	$6,071,388	$6,140,731	$6,283,532	$6,373,005	$6,597,884	$6,624,994	$6,860,472

Stockwater

Council intends to set a targeted rate for the general stockwater scheme. The rate on each rating unit within the general stockwater scheme will be determined in accordance with the factors listed below:

a. The total length of any stockwater races, aquaducts or water channels that pass through, along, or adjacent to, or abuts that rating unit of such occupier or owner, and
b. Each pond service, pipe service, ram service, pump service, water wheel or windmill, and
c. Each dip service or extension pump service using water for the Council's stockwater race system.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$83.40	**a) charge where length ≤ 161 metres**	$87.60	$89.80	$92.60	$94.50	$96.60	$98.60	$100.90	$103.90	$104.70	$107.00
$0.52	**a) charge per metre where length > 161 metres**	$0.54	$0.56	$0.58	$0.59	$0.60	$0.61	$0.63	$0.65	$0.65	$0.66
$103.70	**b) each**	$108.90	$111.50	$115.10	$117.40	$120.00	$122.40	$125.30	$129.00	$130.10	$132.90
$51.80	**c) each**	$54.40	$55.80	$57.50	$58.70	$60.00	$61.20	$62.70	$64.50	$65.10	$66.40
$1,008,081	**Estimated revenue**	$982,877	$1,006,527	$1,038,618	$1,060,194	$1,083,111	$1,105,264	$1,131,284	$1,164,794	$1,174,515	$1,199,558

Wastewater Disposal

Residential Wastewater Disposal

Council intends to set targeted rates for wastewater disposal on the basis of a fixed amount per separately used or inhabited part of a rating unit in the Ashburton urban area, Methven and Rakaia townships, and a further loan rate in the Rakaia township. These rates will be set on a differential basis based on location and based on the availability of the service (the categories are "connected" and "serviceable").

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Ashburton										
$458.10	Connected	$458.10	$498.60	$524.00	$570.80	$577.50	$581.30	$584.50	$589.00	$593.00	$597.40
$229.10	Serviceable	$229.10	$249.30	$262.00	$285.40	$288.80	$290.70	$292.30	$294.50	$296.50	$298.70
$3,882,865	**Estimated revenue**	$3,957,134	$4,327,168	$4,568,323	$4,999,685	$5,081,505	$5,138,873	$5,190,069	$5,254,174	$5,313,499	$5,376,933
	Methven										
$286.90	Connected	$265.30	$273.90	$285.90	$303.70	$306.20	$291.90	$317.20	$318.00	$308.90	$348.90
$143.40	Serviceable	$132.70	$137.00	$143.00	$151.90	$153.10	$146.00	$158.60	$159.00	$154.50	$174.50
$284,429	**Estimated revenue**	$270,794	$281,678	$296,147	$316,948	$321,895	$309,113	$338,319	$341,517	$334,088	$380,015
	Rakaia										
$395.30	Connected	$352.50	$357.20	$369.00	$370.30	$377.60	$382.30	$384.80	$451.30	$475.10	$475.00
$197.70	Serviceable	$176.30	$178.60	$184.50	$185.20	$188.80	$191.20	$192.40	$225.70	$237.60	$237.50
$229,282	**Estimated revenue**	$208,495	$212,100	$220,038	$221,684	$219,579	$230,679	$233,139	$274,481	$290,103	$291,186
	Rakaia Loan										
$202.50	Connected	$192.70	$186.70	$180.70	$174.70	$168.80	$162.80	$156.80	$41.40	$0.00	$0.00
$101.30	Serviceable	$96.40	$93.40	$90.40	$87.40	$84.40	$81.40	$78.40	$20.20	$0.00	$0.00
$70,791	**Estimated revenue**	$68,006	$65,898	$63,791	$61,684	$59,576	$57,468	$55,361	$14,618	$0	$0

Non-residential Wastewater Disposal

In addition to the targeted rates intended to be set above. Council intends to set three additional targeted rates for wastewater disposal on connected rating units within the Ashburton urban area, Methven and Rakaia. These charges will be set differentially based on location and the number of urinals/pans in excess of three in each rating unit, as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$152.70	**Ashburton**	$152.70	$166.20	$174.70	$190.30	$192.50	$193.80	$194.80	$193.30	$197.70	$199.10
$95.60	**Methven**	$88.40	$91.30	$95.30	$101.20	$102.10	$97.30	$105.70	$106.00	$103.00	$116.30
$131.80	**Rakaia**	$117.50	$119.10	$123.00	$123.40	$125.90	$127.40	$128.30	$150.40	$158.40	$158.30
$245,000	**Estimated revenue**	$250,648	$270,645	$284,168	$308,216	$311,632	$311,599	$316,297	$319,271	$320,074	$327,217

Total Wastewater Disposal Estimated Revenue

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$4,712,365	**Estimated revenue**	$4,755,076	$5,157,503	$5,432,465	$5,908,216	$6,001,541	$6,047,730	$6,133,185	$6,204,059	$6,257,763	$6,375,350

Solid Waste Collection

Council intends to set targeted rates for waste collection on the basis of a fixed amount per separately used or inhabited part of a rating unit for each area to which the service is provided as listed below.

- Ashburton Urban
- Methven
- Hinds
- Mt Somers
- Lake Clearwater
- Ashburton District Extended (service provided from 1 September 2017)
- Ashburton CBD (inner)
- Rakaia
- Chertsey
- Mayfield
- Rangitata Huts

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$192.60	**Ashburton urban**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$385.20	**Ashburton CBD**	$432.80	$444.80	$459.20	$472.80	$490.60	$497.20	$507.40	$521.60	$531.40	$542.00
$192.60	**Methven**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Rakaia**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Chertsey**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Hinds**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Mt Somers**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Mayfield**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$32.10	**Lake Clearwater**	$32.10	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00
$66.40	**Rangitata Huts**	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40
$160.80	**Ashburton District Extended**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$2,127,668	**Estimated revenue**	$2,474,125	$2,555,446	$2,650,274	$2,741,201	$2,858,577	$2,909,935	$2,983,399	$3,081,194	$3,154,395	$3,232,373

Amenity Services

Ashburton CBD (Inner) Footpath Cleaning Rate

Council intends to set a targeted rate for footpath services on the capital value of each business rating unit in the Ashburton CBD (inner) rating area as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000164	**Rate in the $**	0.000159	0.000151	0.000144	0.000137	0.000131	0.000126	0.000121	0.000119	0.000117	0.000113
$17,250	**Estimated revenue**	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00

Ashburton Urban Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each rating unit in the Ashburton urban area as listed below. This amenity rate covers stormwater services, footpaths and parks and open spaces costs. Council has introduced this rate over 2 years for Lake Hood properties, meaning a 50% application of the rate in year 1 and 100% in year 2.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000427	**Rate in the $**	0.000771	0.000767	0.000760	0.000775	0.000778	0.000759	0.000802	0.000821	0.000802	0.000792
$1,374,351	**Estimated revenue**	$2,561,480	$2,734,269	$2,858,187	$3,063,692	$3,226,236	$3,293,670	$3,635,988	$3,876,468	$3,945,197	$4,045,399

Ashburton Business Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each business rating unit in the Ashburton urban area as listed below. This rate is for district promotion and public conveniences. Council has introduced this rate over 2 years for Lake Hood properties, meaning a 50% application of the rate in year 1 and 100% in year 2.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.001615	**Rate in the $**	0.000507	0.000478	0.000456	0.000435	0.000415	0.000398	0.000383	0.000368	0.000355	0.000342
1064563	**Estimated revenue**	$332,813	$333,976	$336,653	$339,085	$340,400	$342,881	$345,538	$346,558	$349,026	$350,352

Ashburton Residential Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each residential rating unit in the Ashburton urban area as listed below. This rate is for footpaths and parks and open spaces. From 2018/2019 this rate is combined with the Ashburton urban amenity rate.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000311	**Rate in the $**	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
$794,348	**Estimated revenue**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Methven Business Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each business rating unit in the Methven township as listed below. The rate is for public conveniences and district promotion.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.001826	**Rate in the $**	0.000511	0.000499	0.000489	0.000480	0.000470	0.000462	0.000454	0.000445	0.000438	0.000430
$147,487	**Estimated revenue**	$42,871	$43,019	$43,361	$43,670	$43,837	$44,153	$44,491	$44,619	$44,933	$45,100

Methven Residential Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each residential rating unit in the Methven township as listed below. This rate is for footpaths and parks and open spaces. From 2018/2019 this rate is combined with the Methven urban amenity rate.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000414	**Rate in the $**	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
$131,097	**Estimated revenue**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Methven Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each residential rating unit in the Methven township as listed below. This rate is for stormwater services, footpaths, parks and open spaces and reserve boards.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000175	**Rate in the $**	0.000576	0.000585	0.000523	0.000502	0.000478	0.000467	0.000465	0.000435	0.000422	0.000408
$69,727	**Estimated revenue**	$233,646	$248,817	$233,049	$234,304	$232,728	$237,014	$245,430	$238,320	$239,635	$240,230

Rakaia Business Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each business rating unit in the Rakaia township as listed below. This rate is for public conveniences and district promotion.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000880	**Rate in the $**	0.000546	0.000528	0.000514	0.000499	0.000485	0.000472	0.000461	0.000448	0.000438	0.000427
$24,059	**Estimated revenue**	$14,992	$15,039	$15,149	$15,246	$15,296	$15,396	$15,501	$15,536	$15,634	$15,681

Rakaia Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each rating unit in the Rakaia township as listed below. This rate is for stormwater services, parks and open space, reserve boards and footpaths.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000838	**Rate in the $**	0.000470	0.000607	0.000442	0.000475	0.000447	0.000462	0.000445	0.000418	0.000368	0.000361
$156,569	**Estimated revenue**	$89,329	$121,936	$93,677	$105,815	$104,637	$113,219	$113,948	$111,456	$102,314	$104,180

Hinds Stormwater Rate

Council intends to set a targeted rate for stormwater services on the capital value of each rating unit in the Hinds township as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000059	**Rate in the $**	0.000060	0.000058	0.000057	0.000052	0.000052	0.000053	0.000052	0.000052	0.000052	0.000052
$2,084	**Estimated revenue**	$2,207	$2,220	$2,253	$2,117	$2,165	$2,248	$2,267	$2,369	$2,404	$2,479

Rural Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each rating unit in the rural area as listed below. This rate is for footpaths and parks and open space.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000012	**Rate in the $**	0.000009	0.000013	0.000011	0.000010	0.000010	0.000010	0.000008	0.000007	0.000007	0.000007
$153,028	**Estimated revenue**	$115,757	$167,055	$157,993	$152,159	$156,310	$166,060	$131,632	$128,581	$131,166	$133,499

Total Amenity Services Estimated Revenue

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$3,934,563	**Estimated revenue**	$3,393,094	$3,666,331	$3,740,321	$3,956,087	$4,121,609	$4,214,641	$4,534,794	$4,763,908	$4,830,308	$4,936,921

Methven Community Pool Rate

Council intends to set a targeted rate to partially fund the Methven Community Pool. The rate will be a fixed amount per separately used or inhabited part of a rating unit in the Methven township as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$16.20	**Rate**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$17,078	**Estimated revenue**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Methven Community Board Rate

Council intends to set two targeted rates to fund the Methven Community Board.

The first targeted rate will be on the capital value of each rating unit in the Methven township and is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000067	**Rate in the $**	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
$27,681	**Estimated revenue**	$20,703	$0	$0	$0	$0	$0	$0	$0	$0	$0

The second targeted rate will be a fixed amount per rating unit in the Methven township and is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$27.00	**Rate**	$59.40	$79.40	$80.60	$80.20	$83.10	$83.60	$85.90	$87.10	$88.70	$89.30
$27,681	**Estimated revenue**	$62,108	$83,626	$85,554	$85,707	$89,453	$90,641	$93,792	$95,792	$98,163	$99,539

Mt Hutt Memorial Hall Methven Rate

Council intends to set a targeted rate to partially fund the Mt Hutt Memorial Hall Methven on the capital value of each rating unit in Methven township and is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000070	**Rate in the $**	0.000069	0.000065	0.000063	0.000060	0.000057	0.000055	0.000053	0.000051	0.000049	0.000048
$28,750	**Estimated revenue**	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750

Due Dates for 2018/19

Ashburton District Council's rates are payable in four instalments, due on:

Instalment 1 20 August 2018

Instalment 2 20 November 2018

Instalment 3 20 February 2019

Instalment 4 20 May 2019

Where the 20th of a month in which rates are due does no fall on a working day, rate payments will be accepted without penalty up to and including the first working day after the 20th of that month.

Ashburton District Council's water by meter charges are due on:

Quarterly Period	Reading Dates Completed	Invoice Due
1 July 2018 to 30 September 2018	15 October 2018	20 November 2018
1 October 2018 to 31 December 2018	15 January 2019	20 February 2019
1 January 2019 to 31 March 2019	15 April 2019	20 May 2019
1 April 2019 to 30 June 2019	15 July 2019	20 August 2019

Rates Penalties

In accordance with s57 and s58 of the Local Government (Rating) Act 2002, a 10% penalty will be added to instalment balances remaining unpaid as at the following dates:

- 21 August 2018
- 21 November 2018
- 21 February 2019
- 21 May 2019

In addition, unpaid rates and charges levied prior to 30 June 2018 will attract a further 10% penalty if still unpaid as at 31 August 2018.

Reserve Funds

Summary of Reserve Funds

The Council maintains reserve funds as a sub-part of its equity. The following presents a summary of total reserve fund movements from 1 July 2018 to 30 June 2028 and is followed by a breakdown into operating reserves, special funds and bequest funds. A brief explanation is provided of the funds under each type and a table giving the opening balance at 1 July 2018, consolidated movements for the period of the LTP and closing balances at 30 June 2028.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Separate reserves	47,284	376,785	(384,770)	39,299
Special funds	6,960	19,178	(12,122)	14,016
Trust and bequest funds	23	7	0	30
Total Reserve Funds	**54,267**	**395,970**	**(396,892)**	**53,345**

Operating Reserve Funds

These are reserve balances where activities are funded either by targeted rates or a combination of targeted rates and general rates. They hold a surplus of deficit balance from year to year, and the fund is only held for that specific activity. For example each water supply activity has its own reserve balance.

The following tables detail the budgeted movement from 1 July 2018 to 30 June 2028 are included in the summary of reserve funds table above.

Drinking water reserves

Each drinking water scheme retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the scheme. Each individual reserve balance is only available for use by that scheme. All drinking water reserves are part of the drinking water activity.

Supply	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	596	42,663	(43,255)	5
Methven	(295)	7,829	(7,511)	22
Rakaia	545	2,786	(2,176)	1,155
Fairton	53	716	(608)	161
Hakatere	43	729	(661)	110
Hinds	53	1,299	(1,198)	155
Mayfield	(2)	1,330	(1,164)	163
Chertsey	56	663	(578)	141
Methven/Springfield	74	2,313	(2,246)	142
Montalto	136	1,994	(1,207)	924
Mt Somers	19	1,253	(1,037)	235
Dromore	51	1,031	(875)	207
Lyndhurst water	0	186	(186)	0
Barrhill	0	52	(52)	(0)
	1,327	**65,032**	**(62,940)**	**3,419**

Wastewater reserves

Each wastewater scheme retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the scheme. Each individual reserve balance is only available for use by that scheme. All wastewater reserves are part of the wastewater activity.

Scheme	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	2,332	76,088	(78,322)	99
Methven	221	3,322	(3,561)	(18)
Rakaia	148	2,955	(2,227)	876
	2,700	**82,365**	**(84,109)**	**957**

Stormwater reserves

Each stormwater area (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each targeted rated area. Each individual reserve balance is only available for use by that rating area. All stormwater reserves are part of the stormwater activity.

Rating area	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	505	31,972	(32,419)	58
Methven	105	633	(475)	263
Rakaia	116	196	(115)	197
Hinds	14	28	(27)	15
Rural	8	4	0	12
	748	**32,833**	**(33,036)**	**545**

Footpath reserves

Each footpath area (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each targeted rated area. Each individual reserve balance is only available for use by that rating area. All footpath reserves are part of the transportation activity.

Rating area	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	1,318	11,964	(12,530)	752
Methven	79	1,728	(1,778)	29
Rakaia	49	740	(740)	49
Rural	(7)	1,179	(1,179)	(7)
	1,440	**15,612**	**(16,228)**	**824**

Memorial hall reserves

Each memorial hall retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each memorial hall. Each individual reserve balance is only available for use by that memorial hall. All memorial hall reserves are part of the recreation and community services activity.

Location	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Laghmor/Westerfield	32	17	(16)	33
Mayfield	18	69	(117)	(31)
Mt Hutt	(33)	1,388	(1,376)	(21)
Rakaia	(5)	99	(50)	44
Tinwald	(12)	105	(118)	(25)
	(0)	**1,677**	**(1,676)**	**0**

Reserve board reserves

Each reserve board retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each reserve board. Each individual reserve balance is only available for use by that reserve board. All reserve board reserves are part of the recreation and community services activity.

Location	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Alford Forest	6	54	(39)	21
Chertsey	10	9	(15)	4
Dorie	3	15	(11)	7
Ealing	20	30	(7)	43
Ashburton Forks	2	40	(38)	4
Highbank	16	9	(12)	13
Hinds	(19)	148	(220)	(92)
Lynnford	(3)	2	(5)	(6)
Maronon	8	27	(7)	28
Mayfield	(5)	174	(131)	38
Methven	8	209	(251)	(35)
Mt Somers	(16)	653	(872)	(235)
Pendarves	0	5	(3)	2
Rakaia	90	214	(277)	28
Ruapuna	(4)	83	(141)	(62)
Seafield	(6)	3	(21)	(23)
Tinwald	394	5,594	(4,285)	1,703
	504	**7,268**	**(6,335)**	**1,438**

Parks and beautification reserves

Each beautification area (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each targeted rated area. Each individual reserve balance is only available for use by that rating area. All parks and beautification reserves are part of the parks and open spaces activity.

Beautification area	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton domain and gardens	(581)	8,961	(8,882)	(502)
Baring Square East	22	676	(627)	70
Baring Square West	73	584	(542)	115
Ashburton town centre	556	5,623	(5,358)	821
Methven	44	1,694	(1,547)	192
Rakaia	(56)	1,267	(1,227)	(16)
Urban	(85)	7,147	(6,992)	70
Rural	163	1,295	(1,009)	449
State Highway 1	111	681	(681)	111
Neighbourhood grounds	(147)	1,967	(1,688)	131
Ashburton domain sportgrounds	(22)	1,796	(1,231)	543
Other sports fields	(97)	7,583	(7,525)	(39)
Ashburton Business Estate	(25)	1,552	(1,552)	(25)
	(44)	**40,825**	**(38,861)**	**1,920**

Other operating reserves

Operating reserves also include the following:

- Refuse collection reserve – retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the service. The reserve balance is only available for refuse collection expenditure. The refuse collection reserve is part of the rubbish and recycling activity.
- Stockwater reserve – stockwater (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the targeted rating area. The reserve balance is only available for stockwater rating area. The stockwater reserve is part of the stockwater activity.
- Forestry reserve – the net surplus from Council's forestry operations are held in this reserve. Each year a transfer from this reserve is available to be made to offset the general rate and uniform annual general charge. The forestry reserve is part of the economic development activity.
- Dividends reserve – is made up of two parts, the proceeds from the sale of the Council's Lyttelton Port Company Ltd shareholding and dividends from the Council's shareholding are held in this reserve. The balance is not restricted in its use and can be used for purposes approved by Council. The reserve is part of the miscellaneous activity.
- Property reserve – the proceeds from any property sales is held and utilised to fund property purchases and development. The property reserve is part of the economic development activity.
- Youth council reserve – the Council provides funds to support the activities of the youth council. These funds are retained in a separate reserve, the balance of which is only available for this activity. The youth council reserve is part of the community governance and decision making activity.
- Parking reserve – Council's parking enforcement activity retains its own surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the activity. The balance is able to be used for the provision of parking facilities and other purposes. The parking reserve is part of the environmental services activity.
- Festive lighting reserve – this reserve is funded from rates and contributions. The reserve retains its own surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the activity. The balance is only available for use by that activity. The festive lighting reserve is part of the parks and open spaces activity.
- Animal control reserve – Council's animal control enforcement activity retains its own surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the activity. The balance is only available for use by that activity. The animal control reserve is part of the environmental services activity.
- Elderly persons housing reserve – Council provides elderly persons units for rent. The activity is required to be self-funding with no rate input. The annual surplus or deficit (including capital income and expenditure) is retained in this reserve. The balance can only be used for this activity. The elderly persons housing reserve is part of the recreation and community services activity.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Refuse collection	286	25,188	(25,451)	23
Stockwater	(178)	10,917	(10,611)	128
Forestry	4,415	6,727	(5,515)	5,627
Dividend account	11,307	0	0	11,307
Property	21,708	72,608	(83,340)	10,976
Youth council	25	535	(535)	25
Parking	2,486	3,598	(3,394)	2,690
Festive lighting	(6)	481	(470)	5
Animal control	(121)	4,708	(4,708)	(121)
Elderly persons housing	687	6,411	(7,561)	(463)
	40,609	**131,172**	**(141,584)**	**30,197**

Special Funds

Special funds have been set up for specific purposes. Their use is restricted to the purpose for which they were set up. They retain their surplus of deficit but are used to meet the costs that comply with their purpose. Many of these funds were inherited form Ashburton County and Ashburton Borough Councils' at the time of amalgamation in 1989. These funds are included in the miscellaneous activity.

Special funds include the following reserves:

- Roading reserves – to meet the costs of maintaining roads in the District.
- Town centre beautification reserves – to meet development costs incurred in the upgrade of the Ashburton town centre.
- Access trust reserve – this fund was set up with money received from government employment assistance in past years and is used to fund projects that are similar in purpose to those Access programmes of the past.
- Reserve contributions reserve – this reserve is funded from financial contributions levied on subdivisions under the Resource Management Act. Its use is governed by the Act.
- Heritage grant funding reserve – this reserve holds any unspent annual heritage grants funding. It is used when the annual heritage grants accepted exceed the budgeted amount.
- Biodiversity grant funding reserve - this reserve holds any unspent annual biodiversity grants funding. It is used when the annual biodiversity grants accepted exceed the budgeted amount.
- Plant renewal reserve – purchases of new vehicles and equipment are made from this reserve. It is funded through depreciation charges on those items.
- Disaster insurance reserve – Council retains a cash reserve as part of its insurance provisions. This reserve along with its normal insurances and LAPP (Local Authority Protection Programme Disaster Fund) insurance should ensure that the Government meets its contribution towards any major disaster. This funds meets the annual costs of Council's membership of LAPP.
- Community facilities development contributions reserve – community infrastructure development contributions are reflected in this account and are applied when required for the purpose the contribution was initially taken.

The following table details the budgeted movement from 1 July 2018 to 30 June 2028 and is included in the summary of reserves funds table above.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Roading bridges	166	57	0	223
Biodiversity grant funding	52	15	0	68
Town centre beautification	215	36	(118)	133
Access Trust	39	11	0	50
Reserve contributions	3,369	5,980	(923)	8,425
Heritage grant funding	52	15	0	67
Plant renewal	498	7,191	(5,656)	2,033
Disaster insurance	2,420	1,054	(650)	2,824
Capital services	149	4,817	(4,774)	193
	6,960	**19,178**	**(12,122)**	**14,016**

Trust and Bequest Funds

These funds are subject to specific conditions accepted as binding by the Council, such as bequests or operations in trust under specific Acts, and which may not be revised by the Council without reference to the courts or a third party. Transfers from these reserves may only be made for certain specified purposes or when certain specific conditions are met.

- John Grigg statue trust fund – the trust fund is for a bequest to Council to maintain the John Grigg statue in Baring Square East and educational grants.

The following table details the budgeted movement from 1 July 2018 to 30 June 2028 and is included in the summary of reserves funds table above.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
John Grigg statue trust fund	23	7	0	30
	23	**7**	**0**	**30**

Financial Regulations Benchmarks

Long Term Plan disclosure statement for period commencing 1 July 2018.

What is the purpose of this statement?

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

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

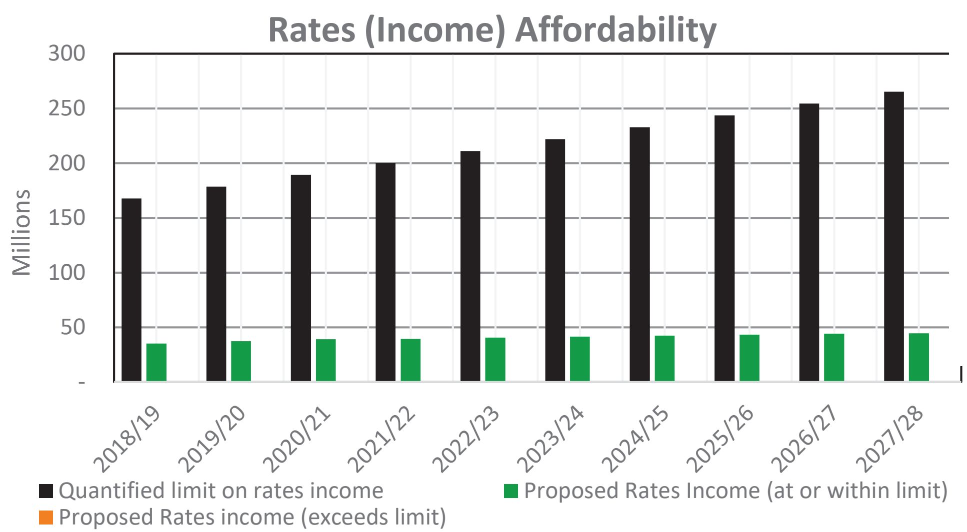
Rates affordability benchmark

The Council meets the rates affordability benchmark if –

- Its planned rates income equals or is less than each quantified limit on rates; and
- Its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

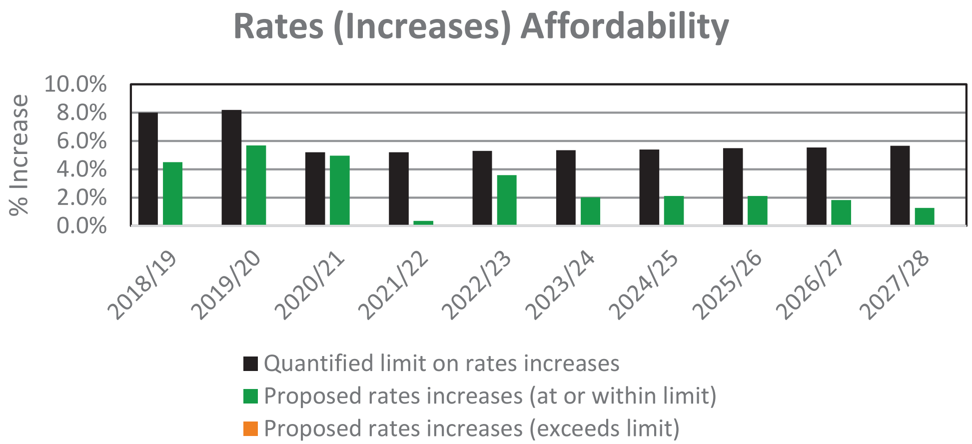
The following graph compares the Council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is actual rates income (excluding GST) will not be greater than 1% of the total capital value of the district.



Rates (increases) affordability

The following graph compares Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy. The quantified limit is an increase no greater than:

- 2018/19 and 2019/20 6% plus the LGCI
- 2020/21 to 2027/28 3% plus the LGCI

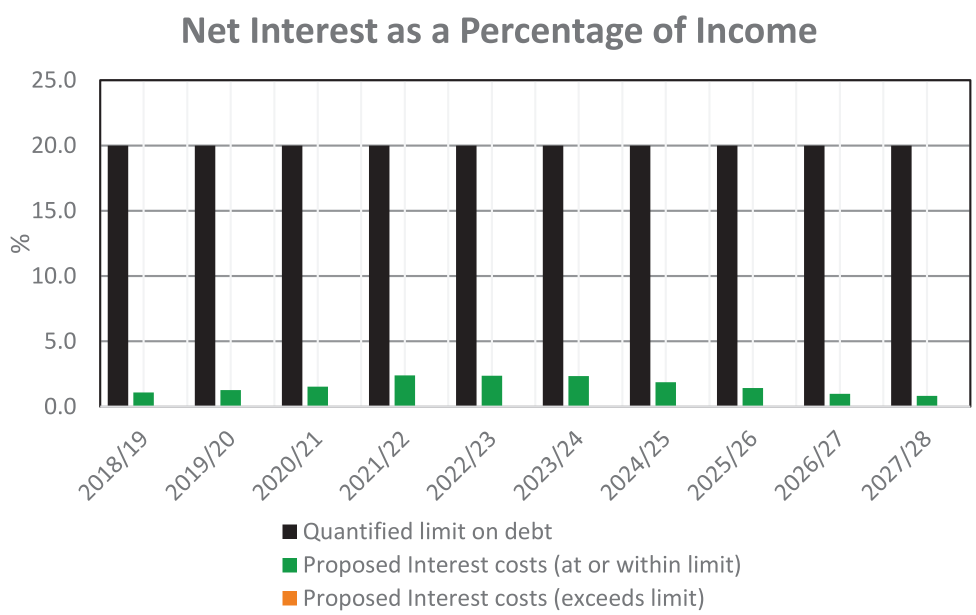


Debt affordability benchmark

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

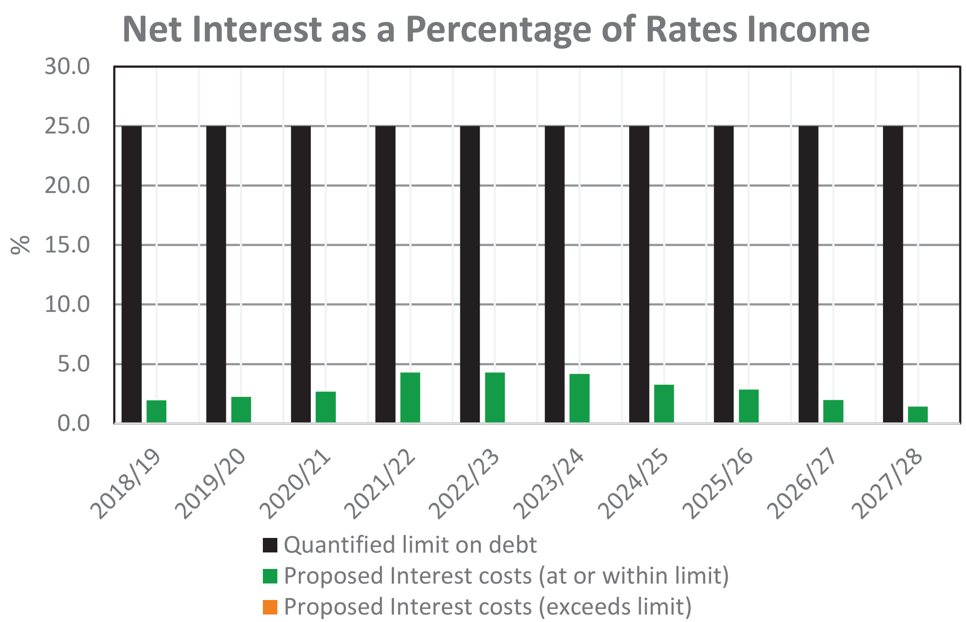
Net interest as a percentage of income

The following graph compares the Council's actual borrowing with a quantified limit of borrowing outlined in the financial strategy. The quantified limit is net interest payments to service external debt are to be less than 20% of total revenue.



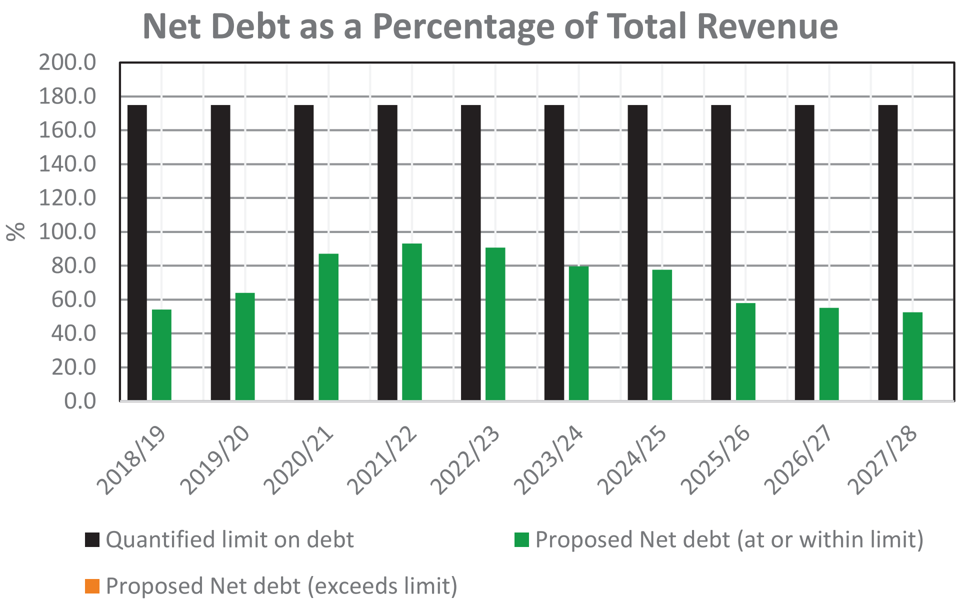
Net interest as a percentage of rates income

The following graph compares the Council's actual borrowing with a quantified limit of borrowing outlined in the financial strategy. The quantified limit is net interest payments to service external debt are to be less than 25% of total rates revenue.



Net debt as a percentage of total revenue

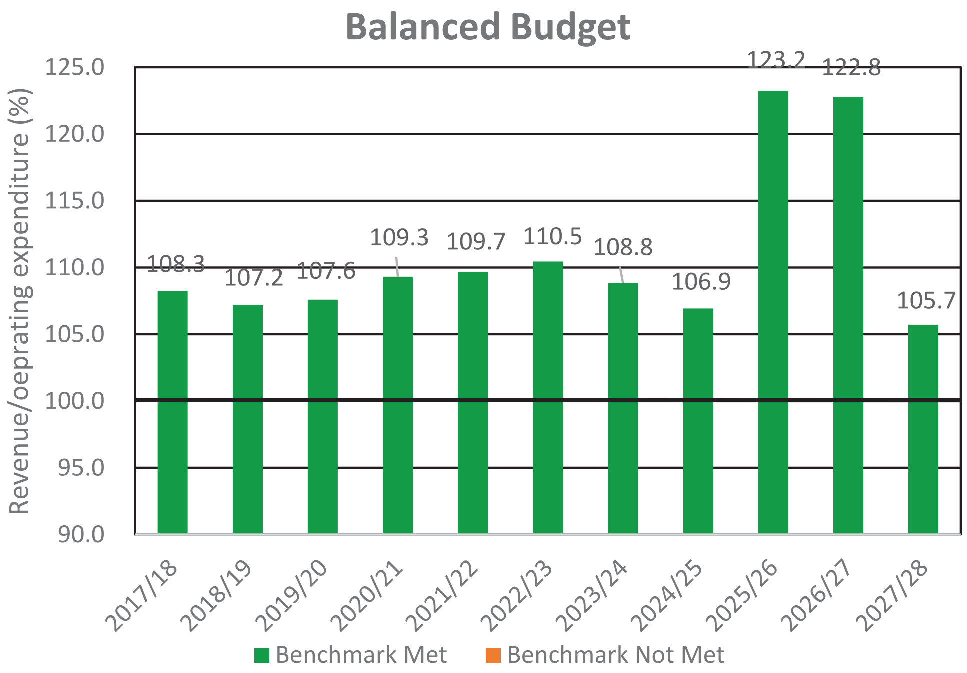
The following graph compares the Council's actual borrowing with a quantified limit of borrowing outlined in the financial strategy. The quantified limit is net debt shall not exceed 175% of total revenue.



Balanced budget benchmark

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

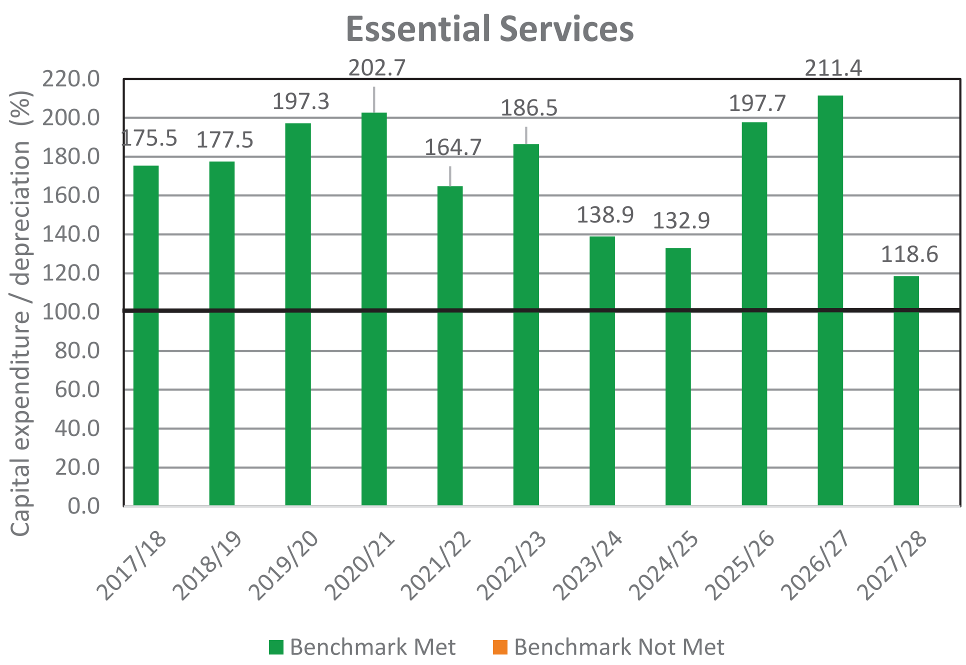
The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

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

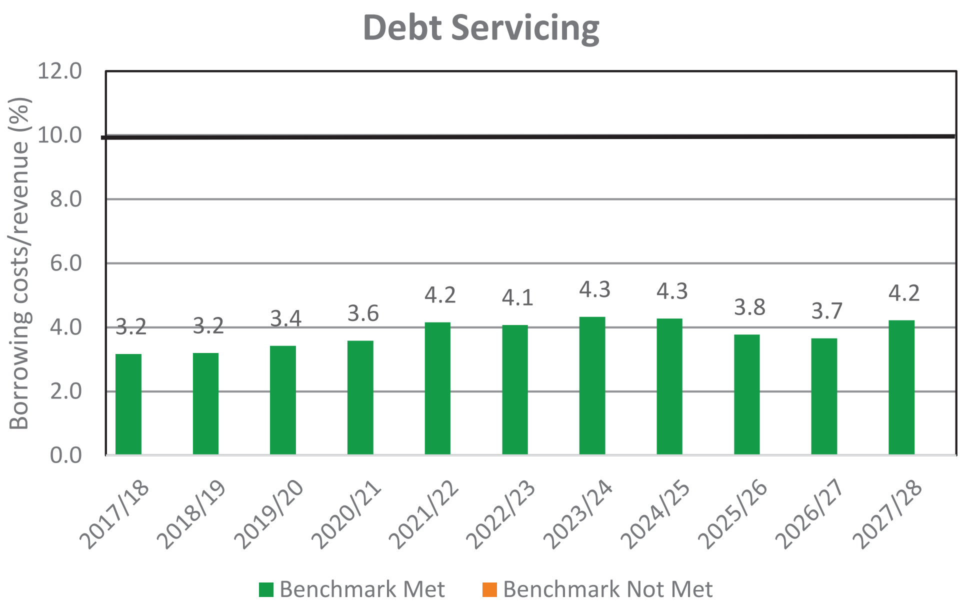
The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

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

Because Statistics New Zealand projects the Council's population will not grow as fast as the national population growth rate, it means the debt servicing benchmark is met if the Council's borrowing costs for the year are less than or equal to 10% of its revenue.



Council-Controlled Organisations

Council has established Council-Controlled Organisations (CCO) to fulfil specific objectives. A CCO is an organisation (whether trading or not) where one or more local authorities:

- own or control, directly or indirectly, more than 50 percent of the voting rights, or
- have the right to appoint 50 percent or more of the governors.

A Council-Controlled *Trading* Organisation (CCTO) is a CCO that operates a trading undertaking for the purpose of making a profit. Each CCO must annually complete a Statement of Intent that sets out activities and objectives of the CCO, provides opportunity for shareholders to influence the CCO's direction and provides a basis for the accountability of the CCO. The appointment of directors on these organisations is governed by Council's Appointment and Remuneration of Directors of Council Organisations Policy.

The Appointment and Remuneration of Directors Policy and the full Statement of Intents for Council's major CCOs are available for inspection from Council.

Ashburton Contracting Limited (ACL)

(Based on the 2018/19 Statement of Intent) ACL is a civil and roading contracting company.

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCTO	Council owns 100% of the company.	To provide general civil contracting work, primarily for New Zealand Transport Agency, local authorities and private customers. ACL has expertise in construction and maintenance of: ▪ Roads ▪ Footpaths ▪ Water ▪ Stormwater ▪ Wastewater ▪ Concrete production ▪ Plant equipment hire.	▪ To ensure local capacity and capability to undertake civil works, particularly focused on infrastructure. ▪ To promote competition in the district for civil construction and maintenance activities. ▪ To form part of a balanced portfolio of Council investments. ▪ To provide a commercial rate of return on the Council's investment.	▪ Budgeted profit before tax for ACL Parent is achieved. ▪ The annual rate of return on ACL Parent average shareholder's funds will be a target of 12% before tax based on the rolling average of the last 5 years (excluding any subvention payments and the before tax profit or loss relating to the Lake Hood Extension Project). ▪ Standards required within the Document Review Certificate (in accordance with NZTA requirements) and ISO 9001 certification are maintained. ▪ Compliance with the Resource Management Act 1991. ▪ Business management procedures and practices meet with the requirements of the Auditor resulting in an unqualified audit report of its annual financial statements. ▪ Maintenance of current accreditation with the Accident Compensation Commission Work Safety Management Plan Tertiary Qualified (expires 31 December 2018) and striving to reduce the lost time injury frequency rate year upon year. ▪ Achieving annual budgeted external revenue.

Ashburton Stadium Complex Trust ('the Trust')

The Trust was established by Council in 2007, initially with responsibility for undertaking community fundraising for the Electricity Ashburton Networks Centre (EANC).

(Based on the 2018/19 Statement of Intent)

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCO	Registered Charitable Trust. Council is the settlor under the Deed of Trust. Council has the ability to appoint trustees to this organisation.	▪ To research and determine the sporting and other facilities to be included in any stadium/pool complex for Ashburton ▪ To raise by any means available the funds to achieve the provision of such facilities; ▪ To acquire and develop such facilities; ▪ Determine the ownership and operation of the above facilities; ▪ to appoint a Board of management (or reform itself) to manage and operate the above facilities; ▪ All things which are incidental or conducive to the attainment of the charitable objects and purpose described.	▪ To ensure community participation in decision-making regarding the EA Networks Centre (EANC).	Performance shall be assessed against the following targets: ▪ Evidence of action liaison with stakeholders. ▪ Successful application for grant funding. ▪ Financial performance against budget compared with target and assessed against-the previous year. ▪ To meet the reporting requirements to Local Authorities, the regional council and external funding agencies. ▪ Preparing the annual report for Local Authorities and external funding agencies.

Experience Mid Canterbury (EMC)

(Based on the 2018/19 Statement of Intent)

EMC is Ashburton District's official tourism organisation, responsible for marketing our district both locally and internationally. EMC facilitates and enhances the promotion of tourism events, products and services.

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCO	Council owns 100%	To lead, coordinate and promote the Mid Canterbury visitor industry through: ▪ **Leadership –** coordinating visitor marketing and tourism development activities of the private sector, local government and promotional sector. ▪ **Marketing** – maintaining a targeted domestic marketing programme and, internationally, marketing Mid Canterbury as a visitor destination. ▪ **Encouraging, enhancing, delivering** – supporting the development of tourism attractions, maintaining strong relationships with key stakeholders and advocating on behalf of the industry.	▪ To work with local and non-local visitor industry suppliers to market the district as a visitor destination, and to be accountable through an effective, public accountability structure.	▪ Ashburton District has a higher Regional Tourism Estimates (RTE) rolling average compared to the previous year ▪ Increase the number of tourism partners compared to the previous year ▪ Measure the level of joint venture marketing contribution by the sector to activity undertaken by EMC and report on this.

Transwaste Canterbury Limited

Transwaste was incorporated on 31 March 1999 with the principal purposes of selecting, consenting, developing, owning and operating a non-hazardous regional landfill in Canterbury.

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCTO	Council owns approximately 3% of the company. Other shareholders are: Canterbury Waste Services Limited (50%), Christchurch City Council, and Selwyn, Hurunui and Waimakariri District Councils.	Transwaste is responsible for developing and operating a non-hazardous regional landfill, to at least the standard determined by regulatory authorities. Transwaste enters into contractual arrangements to ensure provision of a haulage fleet for hauling solid waste. This must be done economically and efficiently, and in compliance with relevant consents. Transwaste will, in due course, invest in alternatives to landfilling for solid waste disposal, should these alternatives be more environmentally sustainable and cost-effective.	Provide an environmentally friendly sustainable facility for the disposal of residual solid waste. All residual waste from Council's waste collection services is transported to Kate Valley for disposal. To form part of a balanced portfolio of Council investments.	▪ Greater than 90% of landfill gas captured at Kate Valley in accordance with the regulations to the Climate Change Response Act 2002. ▪ No transfer station is unable to receive waste during its normal operating hours due to Transwaste's failure to supply containers. ▪ Kate Valley landfill is available to waste transporters for more than 99% of normal annual transport access hours. ▪ Total recordable injury frequency rate for the last 12 months is maintained for improved (actual for 2014 was zero).