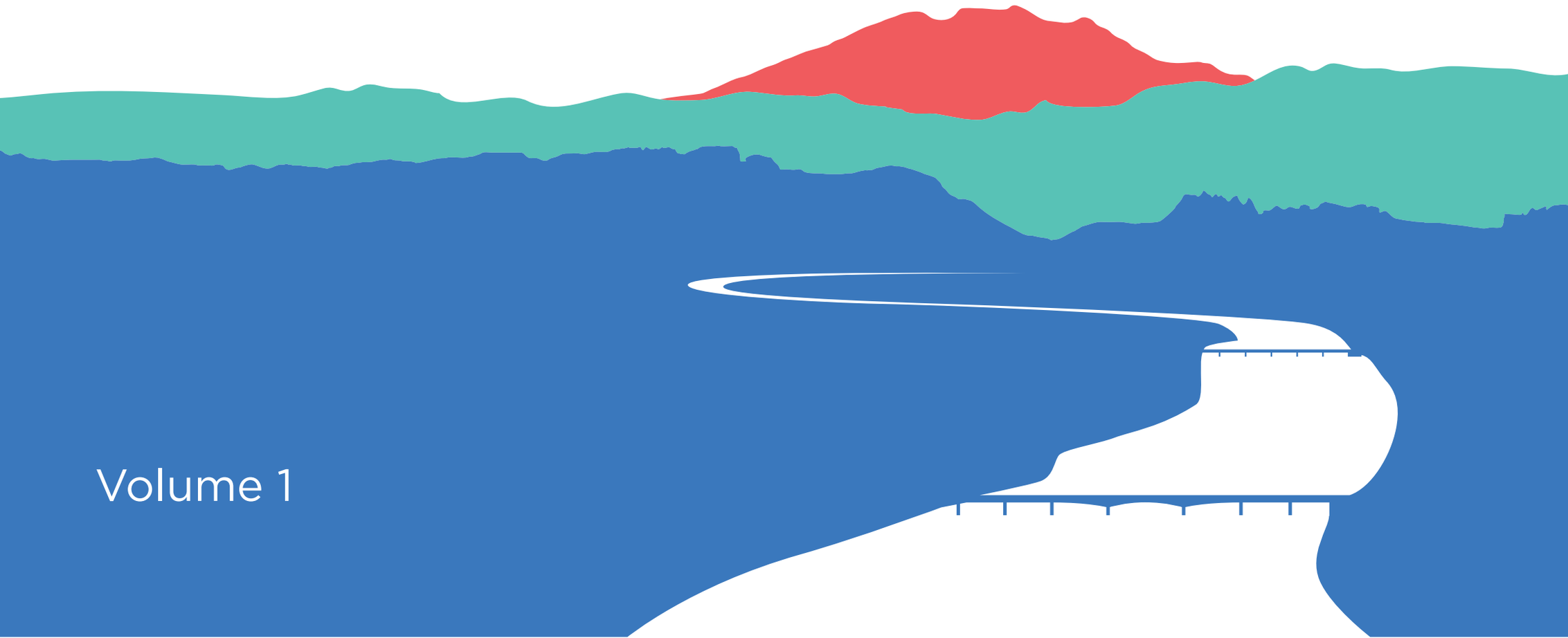
Whanganui District Council's

WHANGANUI DISTRICT COUNCIL
Te Kaunihera a Rohe o Whanganui

# Long Term Plan 2018—2028



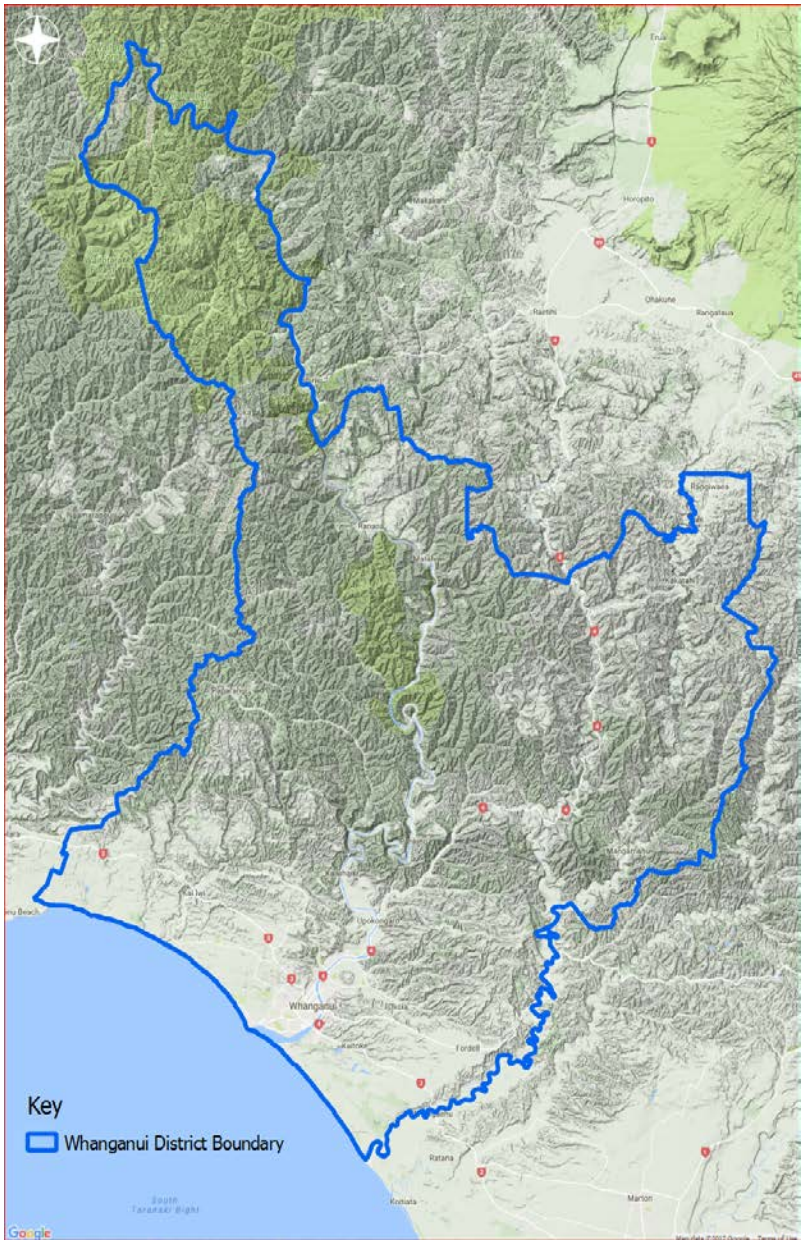
Volume 1

# Whanganui District Council

# Long Term Plan 2018-2028

| | | |
|---|---|---|
| Volume | 1 | Overview including community outcomes and detailed financial information |
| | 2 | Detailed Council activities – activity plans and performance framework |
| | 3 | Infrastructure Strategy |

Volume 1 of 3



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This plan (comprising three separate volumes as listed on the cover) was formally adopted by the Whanganui District Council on 28 June 2018 as its Long Term Plan for the 10-year period commencing on 1 July 2018.

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# Message from the Mayor

Tēnā koe

Thank you for taking the time to read through our Long Term Plan. This document is our road map for the next decade, it tells us where we aim to be, what we need to do and how much it will cost us. It signifies hundreds of hours of work, from our Council officers to our community, who took the time to make submissions. I appreciate every contribution and minute spent in making the Whanganui District the best it can be.

When Council officers set the scene for our long term planning we were faced with some big and uncomfortable issues. One is the influence of climate change on our infrastructure and another is the impact of forestry harvesting on our district's roads.

While we have introduced a new rate for exotic forestry properties, we have made a commitment to work alongside the forestry industry particularly to lobby central government for additional funding – especially as this issue is not unique to our Council.

Climate change has taught us that we must be prepared for more dramatic and frequent weather events. While the Council is working to be well prepared to deal with weather events, we also intend to spend $25 million over 30 years to increase the capacity of our stormwater network.

We often hear that rates in our district are high compared to other municipalities, and part of this is due to the base cost of running what the Council calls 'core business,' the majority of which is set out by central government legislation. The Local Government Act 2002, the Health Act 1956, the Building Act 2004, the Resource Management Act 1991, and the Dog Control Act 1996 among others. The Council is also tasked with ensuring our district's water supply is safe to drink and that wastewater is treated.

While we have to prioritise these matters, we have managed to provide a 4.5% rates increase for the coming financial year and an average rise of 2.4% over the next 10 years. This year's rate rise is the highest over the next decade. We continue to pay off debt, albeit the cost of building the wastewater treatment plant has meant a rise in current borrowings. All Councillors were conscious that any rise at all affects those on low and fixed incomes disproportionally.

Where we have chosen to invest money in areas other than 'core business' it is with the aim of creating a district that is a vibrant place that people want to visit, that businesses want to operate in, and people want to move to. Last year our district grew by 700 people. To me this is evidence of the hard work that began under the leadership of former Mayor Annette Main to change the reputation of Whanganui. I have continued this and have been a strong advocate for our district at all times. This growth in new residents assists in keeping rates manageable.

A decision of note was the Councillors choosing to endorse the Whanganui Port revitalisation. I am excited to see where this project will take us and it is great to see the mandate we have for this from residents, local businesses, Horizons Regional Council, and local Iwi. This will be a significant journey for our district, one we are doing together.

I am excited to see the progress we will make in this district over the next year as we take the first steps towards achieving our goals for the next decade.

Hamish McDouall
**Mayor**

# Message from the Chief Executive

Welcome to our long term plan for 2018-2028.

Preparing a long term plan is a requirement every three years for councils. We work through an extensive process of evidence-gathering, investigation and consultation to ensure our community is engaged and our Mayor and Councillors are well-informed, as this is their plan for the coming decade.

The next steps for Whanganui District Council will be shepherding through the prioritised projects and ensuring they are delivered on time and on budget. We have demonstrated that we are a Council that gets things done and we look forward to these projects which will strengthen Whanganui's infrastructure, community and economy.

An outstanding recent achievement has been the completion of a state-of-the-art wastewater treatment scheme which will meet the needs of our community now and into the future. A highly comprehensive trade waste financial model and separate bylaw has also been established which provides transparency and fairness to those connected to our wastewater network.

We will see a new road constructed with the extension of Fitzherbert Avenue to link Castlecliff and the Westbourne industrial zone to the city and State Highway 3. This will boost network efficiency and improve road safety, particularly around the schools in and about Totara Street.

A major redevelopment of the Sarjeant Gallery will ensure it becomes a sought-after destination for visitors who are already drawn to Whanganui's exceptional arts scene. The development stage will be exciting and I am particularly keen on the opportunity for a tourism art trail between Taranaki and Wellington, with Whanganui as a key stopping place on the route.

Another project which has prominence in this plan is the Port Revitalisation Project under the Manawatū-Whanganui Economic Action Plan 'Accelerate 25'. The Port Revitalisation Governance Group is making headway towards delivering a completed business case to central government by July 2018. There is huge community interest in this project which has the potential to be transformational for Whanganui.

Turning vision into reality requires a highly functional team and I am very proud of the people who work for Whanganui District Council. Along with my leadership team, I am focused on consolidating a lean and efficient Council, which prioritises needs, not wants. We have a deeply committed and engaged workforce and my priority for the coming year will be to consolidate and build on this strength in our organisation.

Kym Fell
**Chief Executive**

## To the reader:

## Independent auditor's report on Whanganui District Council's 2018-28 Long-Term Plan

I am the Auditor-General's appointed auditor for Whanganui District Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's long-term plan (the plan). Section 259C of the Act requires a report on disclosures made under certain regulations. We have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 28 June 2018.

## Opinion

In my opinion:

- the plan provides a reasonable basis for:
  - long-term, integrated decision-making and co-ordination of the Council's resources; and
  - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures on pages 83 to 86 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

## Basis of opinion

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

## Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

I am responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan's policy content.

## Independence

In carrying out our work, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and

- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

In addition to this report on the Council's consultation document and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed, and we have also carried out the following engagements for a subsidiary which are compatible with those independence requirements:

- an assurance engagement involving issuing of certificates pursuant to the Gas Distribution Information Disclosure Determination 2012 for the regulatory period ended 30 June 2017;

- an assurance engagement on the default price-quality path Compliance Statement prepared under the Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC 4 for the period ended 30 September 2017.

These assignments are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council or any of its subsidiaries.

Debbie Perera, Audit New Zealand
On behalf of the Auditor-General, Palmerston North, New Zealand

# Executive summary

## Introduction

The Local Government Act requires Council to review its activities and services every three years and set out what it plans to do, how it will be done, and how it will be paid for, for the coming decade. This information is all drawn together into one document, the Long Term Plan 2018-2028 (Long Term Plan). The last Long Term Plan was adopted in 2015. In-between the Long Term Plans, Council reviews the work programme and considers any changes necessary, and publishes an Annual Plan. The Annual Plan highlights any changes or variances from the Long Term Plan for the coming year.

Council reports on its progress against its plans in the Annual Report. This lets the community know whether the Council did what it said it would and shows Council's financial performance against its budget.

Before any of these plans are adopted Council consults with the community. The consultation undertaken for this Long Term Plan is outlined on page 30.

## What is the Long Term Plan?

This Long Term Plan:

- Describes the Council's Leading Edge vision for Whanganui
- Outlines the role Council will play in working towards achieving that vision
- Identifies some of the key challenges facing the Council over the next 10 years
- Provides an overview of each activity the Council will carry out and the services it will provide for the next 10 years, and how Council's performance will be measured
- Determines how much the work Council does will cost, and how it will be funded.

## What's in the Plan?

The Long Term Plan consists of three volumes.

**Volume 1** contains an overview of the current situation and presents the major issues facing Whanganui over the next 10 years. It includes a funding impact statement which shows how the rates will be set for 2018/19 to 2027/28 and includes the financial strategy and our financial statements.

**Volume 2** presents all the detailed information for each of Council's groups of activities. This volume includes key issues, assumptions and risks for each activity, along with Community Outcomes, levels of service and performance measures. It also contains operational and capital expenditure and funding implications.

**Volume 3** presents our 30 year Infrastructure Strategy.

# Executive summary

## Leading edge strategy

The Leading Edge Strategy acts as Council's overarching strategic document. It's an umbrella document which sets the vision for the district and outlines high level aspirational objectives supported by a series of actions. It feeds directly into the Long-Term Plan and is intended to focus Council on its key strategic commitments.

The Leading Edge Strategy can be found on the Council website under 'Publications'. Key elements of the strategy are detailed on page 36.

## Financial strategy

Our Financial Strategy describes how we plan to finance our services and activities in a way that is sustainable over the long term. Its purpose is to ensure Council manages financial decisions carefully when it chooses which services to provide. Our expenditure and funding plans must be sustainable so that we have the capacity and resources to deliver affordable services to residents and ratepayers in the medium to long term.

More information on the key points of the Financial Strategy can be found on page 16 of the Executive Summary. The full Financial Strategy is on page 102 of this volume.

## 30-Year infrastructure strategy

Infrastructure provides a foundation for building strong and resilient communities. Our Infrastructure Strategy describes our existing infrastructure, identifies significant issues that might impact on this and outlines the Council's approach to managing infrastructure assets over the next 30 years.

Our infrastructure portfolio comprises of assets estimated at over $1.6 billion. Although this infrastructure supports the safety, health, convenience, connectivity and enjoyment of residents and visitors, it also means that the Council needs to be aware of, and respond to, issues such as growth demands, the impact of climate change, ongoing asset maintenance and renewal, increasing legislative requirements and changing levels of service expectations from the community. These issues all have an impact on rates and service delivery – with affordability an ongoing concern for a district of Whanganui's size and socio-economic make-up.

The full 30-Year Infrastructure Strategy is in Volume 3 of the Long Term Plan 2018-2028.

# Executive summary

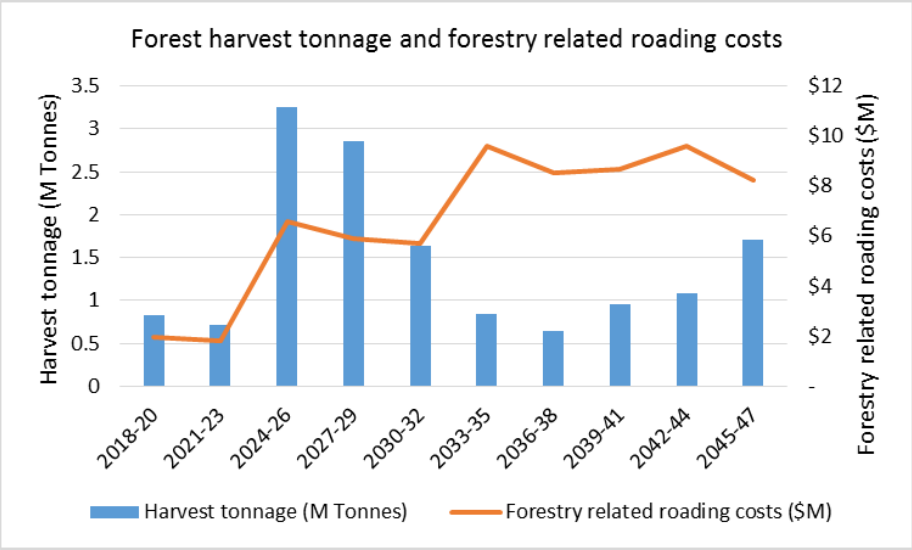
## Key issues

There are a number of key issues we are focussing on in the next 10 years.

### Paying for the impact of forestry harvesting on our roads

High volumes of harvestable timber are about to reach maturity in the Whanganui District. The highest harvest volumes are expected in 2024 – 2029 when over half of our timber trees will be ready for cutting.

Transportation of this timber is expected to have a big impact on roads in our district, with road pavement renewals caused by forestry damage estimated to cost around $12.2M over the next ten years. The major costs are expected to affect us after 2024.




We are assuming that we will receive our standard 61% subsidy rate for these works. This will still leave $4.8M for the Council to fund over the next ten years, with about $1.5M of this required between years one and six of this Long Term Plan and the remaining $3.3M between years seven and ten.

90% of the forecast forestry related roading costs in years one to six are expected to be created by forestry properties located within the Whanganui District, at an average cost of $225,000 per year. We looked at the best way to fund these extra costs. (The remaining 10% of the forecast forestry related roading costs are expected to be caused by forestry properties located outside of our district but transported across our roading network).

Our current Roads and Footpaths Rate is based on capital value. The low capital values per hectare for exotic forestry (plantation forestry) properties mean that they currently contribute much less towards our roads than similar sized dairy, pastoral or horticultural properties. Total roading rates from exotic forestry properties amounted to $90,000 in 2017/18.

The valuations and roading rates for farming land uses are as follows:

| Land use | Capital value per hectare | Roading rates per hectare |
|---|---|---|
| Exotic forestry | $2,600 | $4 |
| Average other farming land uses | $8,800 | $15 |

The low roading rates paid by forestry properties made sense during the growing period as forestry properties placed lower demands on the

# Executive summary

roading network. However road usage by these properties is changing as the forests are harvested and the Council's costs are increasing as a result.

Our preferred option for consultation was to introduce a new targeted roading rate to exotic forestry (plantation forestry) property owners from 2018/19 to help make the funding fairer. This new targeted rate would collect $135,000 per annum, be based on capital value, and be in addition to the existing Roads and Footpaths Rate. This would mean that exotic forestry properties would pay about 2.5 times their current contribution to roading.

Council received a number of submissions from those involved in the forestry industry opposing the introduction of the rate, however our analysis of submissions showed that 55% of those who submitted either strongly agreed or agreed with supported the preferred approach, while 21% disagreed or strongly disagreed.

Council decided to proceed with the preferred approach of implementing a targeted rate to collect $135,000 per annum from forestry exotic properties. It also resolved to work with the forestry industry to lobby central Government for additional funding streams to offset the impact of forestry harvesting on district roads, and also to work together with the forestry industry to manage their impacts on the district's roading network to minimise costs to be borne by ratepayers.

## Revitalisation of our port

The government provided $500,000 for a business case which should be completed by late August/September 2018. Developing the business case involves comprehensive engagement with businesses wishing to develop in the port area, formation of consultation groups, public meetings and a master-planning process. More recently, on 23 February 2018 the Government announced that the Provisional Growth Fund (PGF) will invest more than $6M towards revitalisation of the Whanganui Port and upgrade of the town's rail line. Subject to the business case, the Government will support works to the port to the level of $3M.

The business case and master plan should demonstrate that investment in the port will attract private investment in business ventures and has both economic and community benefits, and that it is approved by the government and the Council. The Council has provided for a contribution in the LTP. Subject to the final business case, it is envisaged that the money will be used for a number of activities including: removal of derelict land-based structures, upgrading wharf structures, providing vessel launch and retrieve facilities for commercial vessels and developing land and water based recreational facilities.

The Council's capital expenditure is budgeted at $0.5M for Year One, $2.7M for Year Two, $0.6M for Year Three, and $3.1M for Year Five – there is no capital expenditure for the Port in Year 4. Council's capital expenditure will be loan funded. The investments for Years One to Three are for port-related structures and in Year Five for community facilities. It is important to note that the amounts and time frames of the proposed investment included in the Long Term Plan are provisional at this stage and may alter in the process of finalising the Business Case and obtaining government and Council approval for the programme.

# Executive summary

### Our stormwater network

We provide stormwater collection and disposal to protect the health and safety of our community, including land and property. We provide an urban stormwater network which includes a piped stormwater system and a network of open waterways.

Some parts of our district are more prone to experiencing poor stormwater drainage and may be exposed to more frequent flooding events than others.

We recently completed a detailed stormwater modelling study to assess the drainage capacity (performance) of the urban stormwater network. The way the stormwater network is currently performing is significantly below acceptable standards. In addition the impacts of anticipated climate change are likely to cause further deterioration to the capacity of the stormwater network over the next 50 years – causing even worse stormwater drainage, and more frequent flooding.

Previously, we made no provision for upgrading the stormwater network to improve its performance, or to prepare for the potential long term effect of climate change on the network.

We are allocating $25M over 30 years to invest in priority areas first ($500k per year for years 1-10 of this Long Term Plan, with the balance over the remaining 20 years). This approach will address the highest risk to residential properties and improve the overall performance of the stormwater system. The areas with the most dwellings located in a potential flood zone have been assigned the highest priority, in descending order. Using this method, the first three priority areas are:

1. Central City area (Halswell St, London St, Harrison St)
2. Springvale, College Estate and Cemetery area
3. Aramoho-West (Brunswick Rd, Kaikokopu Stream, Tangingongoro Stream) area

The rest of the network, including Whanganui East, Putiki, Gonville and Aramoho-East, will be upgraded over a much longer period.

## Other issues

We also have a range of other initiatives, work programmes and changes planned for the next 10 years.

### Whanganui Regional Museum

We are increasing our funding to the Whanganui Regional Museum from $800,000 to $850,000 for the 2018/19 year, and then to $900,000 thereafter. The funding increase is to enable the museum to undertake promotional activity to capitalise on its re-opening in 2018; to improve the care of its nationally-important collections; and to enhance its exhibition and events programmes for the benefit of the community.

### Whanganui Resource Recovery Centre Trust

We have allocated an additional $25,000 per year to the Whanganui Resource Recovery Centre taking its total funding to $175,000 per year. This increase will enable the centre to introduce a kiosk reception booth to handle all traffic to the rear of the centre and manage the centre's increasingly popular user-pays services. This will improve customer service and address health and safety concerns.

# Executive summary

## Library hubs

Over the next four years, we will establish four self-service suburban library hubs in partnership with existing facilities which will enable us to deliver a service locally in a cost-effective manner. Each hub will carry a selection of the best and most popular works from the library collection and provide free wi-fi. Library members will be able to check out and return items using a self-issue machine and an auto-return bookcase (like the machines in use at the Davis Library). Staff of the partner facility will provide oversight of the library hub, and stock will be updated, refreshed and returned by the library vans.

Each hub will cost $50,000 to set up and the operating costs will be met from the library's existing budget. The first hub will be established in Castlecliff during 2018/19. Further hubs will be established over the years 2019/20 to 2021/22 and we are considering establishing hubs in Whanganui East, Aramoho and Springvale. The exact locations have yet to be determined.

## Heritage incentive funding

Heritage buildings are vitally important to the Whanganui community, for social, cultural and economic reasons. Heritage buildings are at risk of becoming cases of 'demolition by neglect' by virtue of the earthquake-prone regulations.

Council has allocated $100,000 per year for a heritage grants scheme to assist building owners to comply with heritage preservation initiatives which may also provide an incentive to undertake earthquake strengthening work at the same time.

## Sport and recreation strategy

We have allocated $100,000 per year towards the implementation of our Sport and Recreation Strategy. In 2018/19 we will continue development discussions with sporting codes to support better and more efficient utilisation of Whanganui's sport and recreation facilities (both Council and non-Council-owned).

Engagement will continue with national partners such as Sport NZ, High Performance NZ and national and regional sporting bodies to promote Whanganui as a destination for events.

## Dog pound

We have allocated $550,000 in Year 1 to complete construction of a new and compliant dog pound on Airport Road. We already had $450,000 in the budget for the 2017/18 year, taking the total funding to $1M. The existing pound has served the city well however can longer be maintained to a level that provides an appropriate environment for the housing of dogs on a temporary basis. Nor can it be engineered to meet the current minimum compliance specifications. The new pound, which is in a more appropriate location, will provide a safer environment for the animals and for the officers who are responsible for the welfare of impounded dogs.

## Regional facilities

We have allocated $50,000 per year as a contribution towards a Regional Facilities fund. This fund recognises the benefit certain localised facilities, such as Whanganui's cycling velodrome, provide to the wider Manawatu-Whanganui region. Cost efficiencies can be gained through having one high quality facility for the region rather than attempting to duplicate facilities in a number of different centres.

# Executive summary

## Wakefield Street Bridge

On the basis of detailed inspections, we will need to close the Wakefield Street Bridge to vehicle traffic very soon.

The cost of replacing the Wakefield Street Bridge is $1.9M. We have applied for funding from the New Zealand Transport Agency (NZTA), and are awaiting the results. For this plan we have included the $1.9M cost in our budgets and we have assumed we will receive NZTA subsidy at 61%, leaving $741,000 to be loan funded by Council. Replacement will only go ahead if NZTA funding is approved. This will come back to Council once we receive the result of our funding application from NZTA – expected in September 2018.

## Dublin Street Bridge

The Dublin Street Bridge is reaching the end of its life and the Council needs to decide in the next ten years whether or not to renew it. If it is going to be renewed, a further decision will need to be made about the timing of the project.

The estimated cost of replacing the Dublin Street Bridge is $33.3M. Council's share is dependent on funding received from NZTA.

## Wikitoria Culvert

We are planning to upgrade the Wikitoria Road culvert, subject to NZTA approval of funding. The culvert provides route security to the Whanganui Airport against the effects of flooding, which have occurred due to improvements on the State Highway.

We have included this project in 2018/19 and have applied for funding from NZTA. We are awaiting the results. Replacement will only proceed if funding is approved. This will come back to Council once we receive the result of our funding application from the NZTA – expected in September 2018.

## Lower river control

In 2010 the Whanganui District Council purchased back the port business at the Castlecliff Port and also took over control of the lower Whanganui River control structures. Like the port, the structures were and largely still are, suffering from many decades of deferred maintenance. The lower river control structures hold the river in its current alignment downstream of the Cobham Bridge and include the North and South Moles, but exclude port structures such as the Basin Wall.

Horizons is mandated to undertake flood management and erosion control in the region and agreement has been reached, subject to this Council and Horizons LTP processes that Horizons will take over the ownership and management of the control structures. The agreement also provides for this Council to meet 25% of the costs associated with the North and South Moles for ten years. Other than port structures, the other exclusion from the agreement between the two Councils concerns activities on the structures such as fishing platforms, roads and other amenities which are owned and maintained by this Council.

Prior to the 2017 general election, the Labour Party offered $3M to repair the Moles and this Council and Horizons are collaboratively preparing a case to be lodged with the government by mid-2018 seeking a government contribution towards the costs to repair the river control structures. A government contribution will enable both councils to speed up the timing of the repair work and give higher priority to aesthetic issues compared to the austere approach provided for in the LTPs.

# Executive summary

Preparation of the application to the government will not only involve design and estimating work, but also a Memorandum of Understanding between Te Awa Tupua, Tupoho, Horizons and Whanganui District Council.

### Kerbside recycling

We are investigating the introduction of a rates funded kerbside rubbish, mixed recycling and organic (garden and/or food) collection service for urban households by the 2020/21 financial year, to enable and encourage all residents to recycle more and send less waste to landfill.

A Council-managed kerbside collection service would provide recycling bins to all households making it easy for everyone to recycle and help to reduce the thousands of tonnes of waste that currently gets sent to landfill.

Further investigations will take place prior to the introduction of any kerbside recycling service.

## Financial strategy – the big picture

An important part of our work leading up to this Long Term Plan has been the development of our Financial Strategy. The Financial Strategy describes how we plan to finance our services in a sustainable way over the long term. Its purpose is to ensure the Council manages financial decisions carefully when it chooses which services to provide. Our expenditure and funding plans must be sustainable so that we have the capacity and resources to deliver affordable services to residents and ratepayers in the medium to long term.

In simple terms, we must live within our means, ensuring that current ratepayers are paying the reasonable costs of the services they are consuming. Our financial strategy is designed to give you an understanding of both current and future financial positions. It also outlines the main factors that affect demand for Council's services and their costs, as well as the financial challenges and risks we face and how these risks will be addressed.

Major infrastructure work over the past 30 years, including separation of the stormwater and wastewater systems, improved water supply and construction of the wastewater treatment plant has provided our community with assets that will serve many decades into the future. These projects have, however, had a significant impact on the amount of debt that the Council carries. This has been combined with rates rises in the past that have not always kept pace with the ever-growing list of services delivered by the Council.

In planning for the future we have considered the likely impact of climate change on our assets, particularly in roading and stormwater. Our population is expected to grow modestly over the next ten years followed by a levelling off and subsequent decline. We have an ageing community

# Executive summary

with a large and increasing proportion on fixed incomes, and our community is less wealthy than other places in New Zealand.

For these reasons, the aim of our financial strategy is for the Council to be an affordable and financially sustainable organisation while at the same time delivering good quality services and promoting growth within the district. This can be summarised as living within our means while still contributing to Whanganui being a great place to live.

We are focused on:

- managing our finances prudently and sustainably
- keeping rates at affordable levels
- reducing debt with corresponding reductions in interest costs
- improving our financial resilience
- looking for efficiencies in the way we do business
- changing the way we manage our assets to get better value for money and reduce risk to our critical assets
- investigating and pursuing non-rates revenue streams
- encouraging sustainable growth

You can read our full Financial Strategy on page 102.

## Our key financial limits

To ensure we are sustainable we have set the following limits:

| | |
|---|---|
| Net debt | Less than 200% of total revenue |
| Rates* revenue | No more than 75% of total revenue |
| Rates* increases | No more than Local Government inflation rate plus 3% in 2018/19, and the Local Government inflation rate plus 2% in all other years (after accounting for growth) |

**Rates exclude water by meter, trade waste targeted rates and penalties*

## Our key financial assumptions

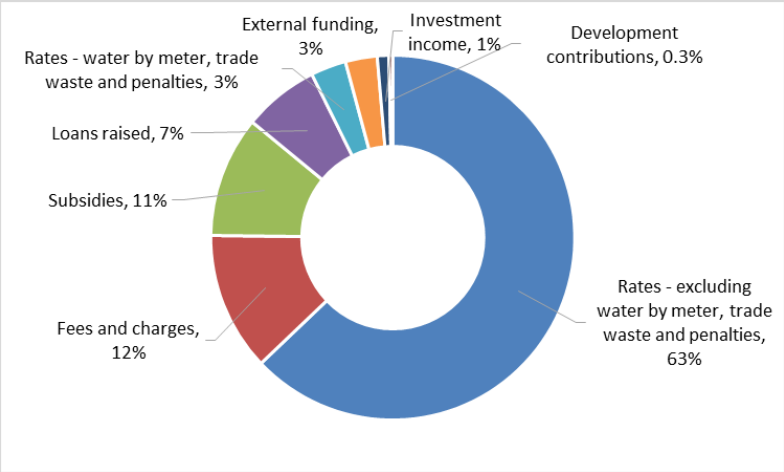
Our financial forecasts are underpinned by the following key assumptions:

| | |
|---|---|
| Inflation | We have used the BERL forecasts of price level changes to inflation adjust costs in future years of this plan. The forecast average increase in the Local Government Cost Index over the life of the plan is 2.3%. |
| Interest rates | We have assumed interest at 5.5% over the period of this plan. |
| Sale of forestry investment | We are assuming that the sale of Council's forestry investment will be approved by the Overseas Investment Office and will proceed by 30 June 2018. The proceeds of the sale will be used to repay debt in the Wastewater activity. |

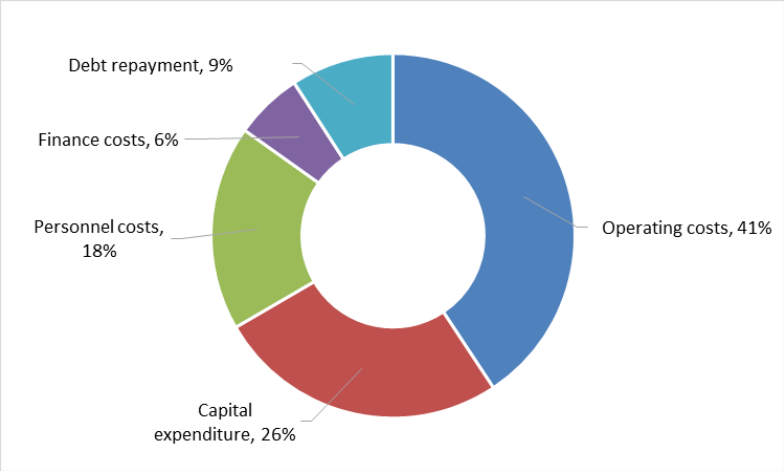
A full list of forecasting assumptions can be found on page 48 of this document.

# Executive summary

## Where the Council gets its money




## Where the Council spends its money




## Operating our services

Whanganui District Council needs about $93M per annum on average to fund its services. 65 – 75% of our funding comes from rates. Other funding comes from user fees and charges, subsidies, investment income, development contributions, external funding such as donations and grants, and capital funding sources like loans and special funds.

We plan to spend $67M on average over the ten years of this plan on operating our services (the remaining income is spent on capital and loan repayments). Our operations will be mainly business as usual over the course of the plan. Even business as usual costs more each year because prices for items such as labour and materials increase. Inflation is included in our future years' forecast expenditure. We use the Local Government Cost Index (LGCI) to adjust future costs because it is relevant to the types of goods and services that councils purchase, such as pipes and roading.

The main changes that will impact operating costs over the period of the Long Term Plan are:

- The operation of the new wastewater treatment plant from 2018/19.
- The requirement for Council to fund the port operation due to the returns of the Harbour Endowment being insufficient to meet the needs of the port from 2018/19.

# Executive summary

## Capital projects

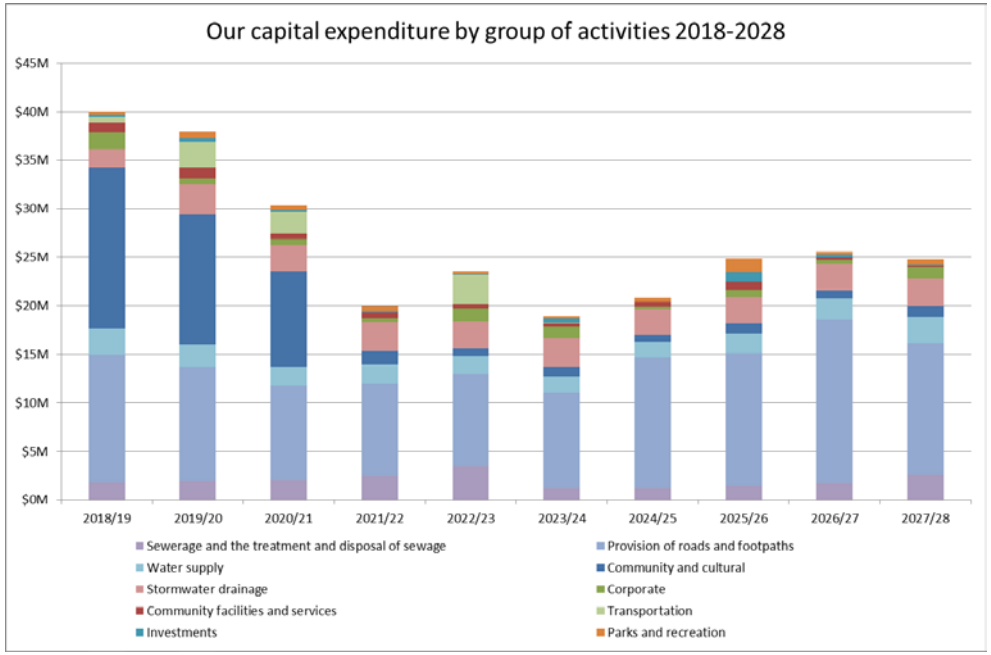
We plan to spend $27M per annum on average over the ten years of the plan on capital expenditure. Capital expenditure for the ten years 2018/19 – 2027/28 is summarised as follows:

| Capital expenditure type | $M |
|---|---|
| Replacing existing assets | 168.0 |
| Levels of service increases | 88.4 |
| Growth | 10.4 |
| **Total** | **266.8** |

Years one to three of the plan have higher capital expenditure due to the Sarjeant Gallery redevelopment. The majority of the cost of this project will be funded from external income such as funding from Central Government, trusts, corporate sponsors and private philanthropic donations.

The Council has made significant investments in infrastructure in the past 30 years. Our focus for the next ten years is on essential infrastructure and investing in capital that supports growth. Our major capital projects are outlined in the Infrastructure Strategy section of this document.

We plan to spend about $10M on infrastructure related to growth in the next ten years to address expected demand and meet the needs of the National Policy Statement for Urban Development Capacity 2016. This spending is for the growth areas identified in the Springvale West and Otamatea Structure Plans. The cost for this infrastructure will be funded by debt. We have recently adopted a development contributions policy that will allow us to recover a significant portion of these costs from developers who will benefit when the land is developed.



# Executive summary

## Managing our debt

The Council uses debt to help pay for long term assets. Borrowing smooths the impact on rates for one-off capital projects. It also spreads the cost of the asset over time so that the generations that have use of the asset also contribute to paying for it. Debt is repaid by other funding sources such as rates, fees and charges and development contributions.

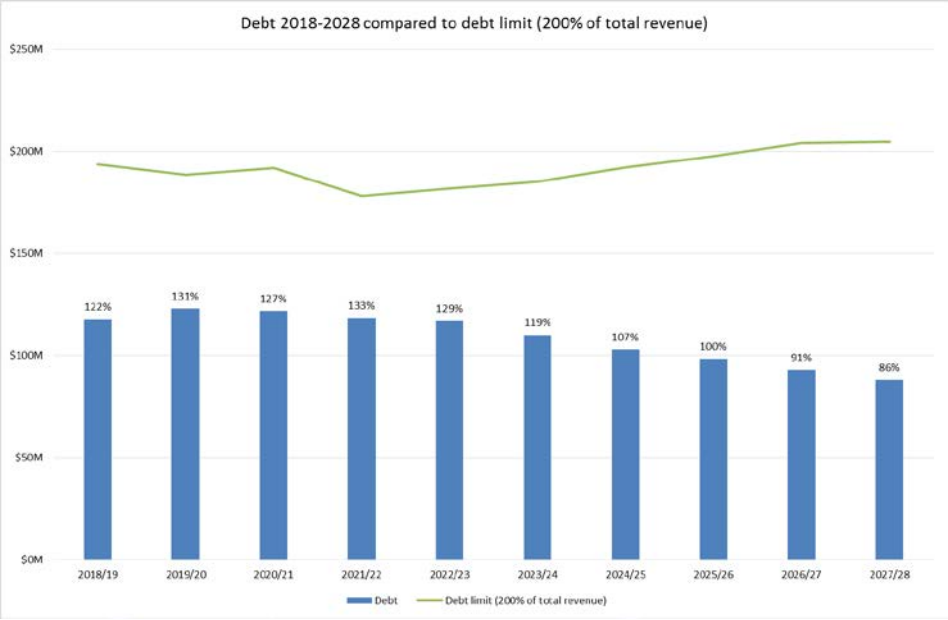
Major infrastructure work over the past 30 years, including the separation of the stormwater and wastewater systems, improved water supply and the wastewater treatment plant, has provided our community with assets that will serve for many decades into the future.

With the completion of the construction of the wastewater treatment plant in early 2018, the focus of the ten-year period of this Long Term Plan is on delivering core infrastructure projects that support growth, maintaining and improving our critical assets, and repaying debt.

We expect to have debt of $112M at 30 June 2018. We will loan fund $70M of capital projects over the ten year period of this plan, but we have planned to repay $94M of debt over the same period. Our debt is expected to be $87M at 30 June 2028.

Our districts debt level will go from 122% of total revenue in 2018/19, to 86% of our total revenue by 2027/28. This is well within our debt limit of 200% of total revenue.

The reduction in debt is assisted by the Debt Retirement Rate, introduced in 2012, that will be continued through the life of the plan. We also consulted on continuing the Storm Damage Rate as the Roading Resilience Rate for the term of this plan to improve financial resilience in the roading activity. The community generally supported this proposal and it has been incorporated into our Long Term Plan 2018-2028. These tools are important to help spread the roading cost burden more fairly and affordably across all ratepayers to improve our financial resilience in roading which is important should we face unexpected costs due to damage from weather events.

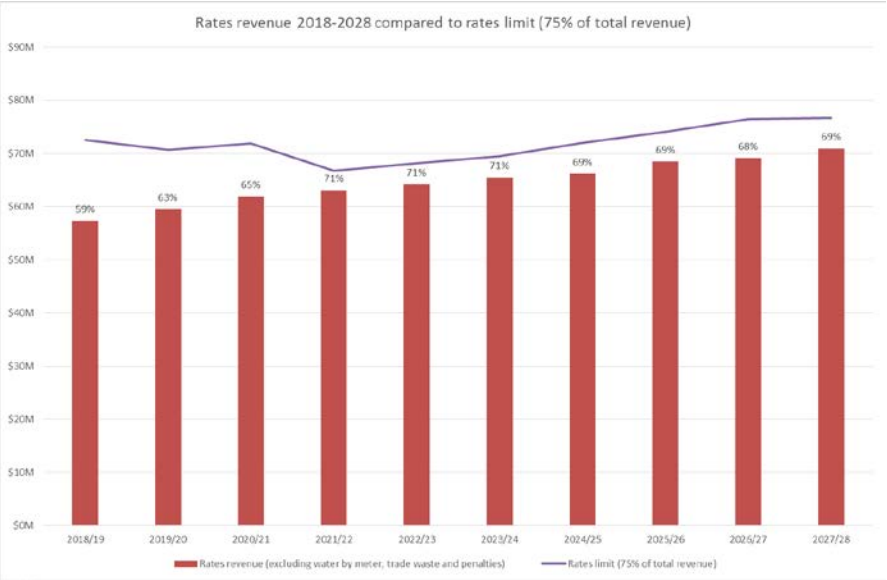


# Executive summary

## Keeping rates affordable

Your rates continue to make Whanganui one of the best places to live in New Zealand. They enable us to meet the needs of our community and provide services for our collective benefit – things that we could not effectively charge for otherwise. This might be because they are publicly available but difficult to charge for (things like parks, roads and street lights) or because the full charge would be too expensive for most people to afford (for example, swimming pools, libraries and art gallery).

The Council will collect around 60 – 70% of its annual income from rates (excluding water by meter, trade waste targeted rates and penalties) over the next ten years.




The rates increases forecast in this plan are as follows:

| | 2018/ 2019 | 2019/ 2020 | 2020/ 2021 | 2021/ 2022 | 2022/ 2023 | 2023/ 2024 | 2024/ 2025 | 2025/ 2026 | 2026/ 2027 | 2027/ 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proposed rates limits | 5.0% | 4.2% | 4.2% | 4.2% | 4.3% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% |
| Rates increase (net of growth)** | 4.5% | 3.5% | 3.6% | 1.5% | 1.6% | 1.6% | 0.7% | 3.2% | 0.7% | 2.3% |
| Rates as percentage of total revenue | 59% | 63% | 64% | 70% | 70% | 70% | 68% | 69% | 67% | 69% |

*** There is assumed growth in the rating database of $200k per annum.*

Rates are forecast to increase by an average of 2.4% annually (including inflation). We meet our rates limits in all years of this plan.

We expected in the 10-Year Plan 2015-2025 that the 2018/19 year would have a higher rates increase than normal with the new wastewater treatment plant becoming operational, enabling us to treat our wastewater effectively before it is discharged to sea.

We are mindful that the community has limited ability to pay for services and we need to offer value for money. Further information on rates and the services they fund is contained on page 29.

Our full suite of rates and our rationale for charging them can be found in our:

- Revenue and Financing Policy on page 87.
- Funding Impact Statement – Rates Information on page 62.

## Other revenue

With a financial strategy focused on reducing debt and keeping rates affordable, we will continue to look at ways to increase the Council's income from sources other than rates. We forecast collecting around 25-35% of our income from sources other than rates over the next ten years.

# Executive summary

**Fees and charges**
We charge fees to recover all or some of the costs of our services where there is a private benefit to a specific user, in line with our Revenue and Financing Policy. We will continue to review our fees and charges annually. Our fees and charges are available on our website at www.whanganui.govt.nz.

**Subsidies and grants**
We receive a range of subsidies from central government and these are an important component of our non-rates income. Roading subsidies from the New Zealand Transport Agency (NZTA) are by far the biggest single subsidy source at an average of $9.7M per annum over the ten year Long Term Plan period. After a number of years of reductions, our base NZTA financial assistance rate (FAR) has levelled off at 61% and is expected to remain at this level.

We have also forecast external income of $29M in years one to three of this plan in the form of funding for the redevelopment of the Sarjeant Gallery. This includes funding from central government, trusts, corporate sponsors and private philanthropic donations.

**Investment income**
Income from our investment portfolio is an important component of our non-rates income that helps to reduce the burden on our ratepayers and/or repay debt. Whanganui District Council Holdings Ltd (WDCHL) is the Council's investment arm. It oversees investment activities that aim to enhance the development of our district and provide an acceptable financial return to the community. For this Long Term Plan we have budgeted $1M per annum in dividends and loan repayments from WDCHL's investment in GasNet.

**Development contributions**
Development contributions allow councils to recover their growth-related capital expenditure from developers who will benefit. Whanganui District Council has adopted a new policy for collecting development contributions, which will come into effect from 1 July 2018. These will be targeted at the urban expansion areas identified in both the Otamatea West and Springvale Structure plans. We are forecasting income of $3.5M from development contributions over the period of this Long Term Plan.

**Asset sales**
We continue to investigate selling our surplus assets. Asset sales are an important potential source of funds to help us achieve our debt repayment strategy, but we are mindful that this is an issue people can feel very strongly about.

We consulted on the sale of forestry investment in our last 10-Year Plan 2015-2025 and the community generally supported the sale. The forestry investment was conditionally sold by tender, with the sale subject to Overseas Investment Office approval. The Council awaits the final decision of the Overseas Investment Office. We have assumed in this plan that the sale will proceed before 30 June 2018 and the sale proceeds will be applied to reducing debt in the Wastewater activity. If the sale does not proceed by 30 June 2018, Council's opening debt position for 2018/19 will be $11.7M higher than forecast in this plan. This will have a minor impact on interest paid by Council, depending on how long the sale is delayed.

We have not included any forecast income from asset sales over the next ten years into our plan, with the exception of the sale of the library bus which is being replaced with alternatives. Any significant assets proposed for sale will be subject to community consultation at the time.

# Executive summary

## Balanced budget

We have a 'balanced budget' requirement – that means we must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. This Plan has budgeted to achieve that. In addition, we are planning to repay debt in eight of the ten years included in this plan.

## Who pays – and how do we make the system fairer?

We are continually reviewing our funding structure to ensure it works for our community. This year we consulted on five changes to our rating structure and three changes to our Revenue and Financing Policy (some issues spanned both). Following consultation all of the proposed changes were adopted by Council in adopting the Long Term Plan 2018-2028 and Revenue and Financing Policy. The changes were as follows:

**Wastewater and trade waste**

A new funding structure for the Wastewater activity is in place from 2018/19 with the new Whanganui urban wastewater treatment plant to be operational.

The city wastewater rate (otherwise known as the "pan tax") remains the fairest way to charge all properties connected to the system for the availability of the wastewater network and discharges of a domestic nature. There is no practical way to measure these discharges.

Trade wastes are wastewater discharges of a non-domestic nature and include tankered waste discharges to the Council's wastewater system. Trade wastes incur additional costs to the Council to convey, treat and discharge.

We have assessed that the fairest way of allocating costs between municipal and trade waste users is to take a marginal cost approach. This means that businesses who discharge trade wastes pay for the additional costs over and above the cost of conveying, treating and disposing of discharges of a municipal nature. Under this approach municipal users are no better or worse off than they would be if the trade waste businesses did not discharge their waste to the Council's wastewater system.

We have not previously charged for tankered waste discharges to the Council's city wastewater system, but we propose to introduce fees and charges from 2018/19 to reflect the costs involved in conveying, treating and disposing of the effluent they discharge.

We have also changed the funding structure for major trade waste users (that is, those that discharge over 100m3/day) from 2018/19. We want to retain these businesses in Whanganui as they have a significant positive impact on the local economy and employment, but we also need to ensure they pay their fair share.

Major trade waste businesses will pay for the additional capital cost we have incurred to upsize the Whanganui urban wastewater treatment plant to cater for their discharges. Targeted rates will be set on each of the major trade waste businesses' properties, based on repayment of their share of the capital cost over a 25 year period. These businesses will also pay for the cost of conveying, treating and disposing of the trade waste they discharge to our wastewater system.

Targeted rates will fund fixed operating costs such as staff, while the variable operating costs such as electricity, gas and sludge chemicals will

# Executive summary

be funded via fees and charges based on the actual quantity and quality of effluent discharged by each business.

Whanganui District Council is expecting to sell its forestry investment portfolio (excluding Waitahinga and Nukumaru) by 30 June 2018. It has also recently sold some of its carbon credits. The Council has decided to apply the net proceeds of these asset sales to the wastewater activity to keep the Whanganui city wastewater system affordable for those connected to it.

We will investigate businesses discharging under 100m3/day to see whether any are discharging trade waste. We may implement volumetric fees and charges for these discharges in Year Two of this Long Term Plan if it is identified that these businesses are discharging trade waste over and above what they pay for in their city wastewater rate or "pan tax".

Further information on the rationale behind the proposed funding of the wastewater activity is contained in the Revenue and Financing Policy and the supporting Funding Needs Analysis for Wastewater. These documents are available on the Council's website at www.whanganui.govt.nz/policies.

The targeted rates for the Wastewater activity, including trade wastes, are detailed in the Funding Impact Statement – Rates Information section of this document on page 62. The fees and charges for Wastewater, including those for trade waste and tankered waste discharges, can be found on our website at www.whanganui.govt.nz.

**Forestry harvest impacts on the roading network**

As discussed earlier in the Key issues section of this Executive Summary, we will implement a new targeted roading rate to exotic forestry (plantation forestry) properties from 2018/19 to help make the funding of roading fairer. This new targeted rate will collect $135,000 per annum, be based on capital value, and be in addition to the existing Roads and Footpaths Rate. This will mean that exotic forestry properties will pay 2.5 times their current contribution to roading.

**Resilient roading**

The Whanganui District has a significant hinterland serviced by a roading network which is vulnerable to weather events. In 2016/17 we introduced a new rate (the Storm Damage Rate) to fund the repair of damage caused to our infrastructure in the June 2015 weather event. This rate was intended to be in place for a five year period. The majority of costs to be funded by the rate were for roading, with a smaller portion allocated to our wastewater and stormwater systems.

Reinstatement works resulting from the June 2015 weather event are now complete and costs were lower than expected, but we have significant debt in our roading activity which is not being effectively addressed. We also expect climate change to increase the vulnerability of our roading network into the future and this will result in additional costs.

The roading debt has risen due to increasing costs and decreasing subsidies from NZTA. This has meant that the Council has had to balance using borrowing and rates to fund the increasing shortfall.

The current rating structure for roading has 32% of the total rates requirement contributed by farming ratepayers, 36% from commercial ratepayers and 32% from residential ratepayers. As there are a small number of ratepayers in the farming and commercial categories, increasing rates to repay debt imposes a significant burden on these ratepayers. Our efforts to keep rates affordable have meant that the Council has not been

# Executive summary

able to sustainably manage the ongoing costs of roading - resulting in an increasing debt balance.

To address this issue we will continue the Storm Damage Rate over the period of this Long Term Plan as the Roading Resilience Rate. The rate will continue to be set on a per SUIP basis, with farming properties paying $5 more than residential and commercial properties given that most weather-related damage occurs on rural roads.

The rate will secure additional funding for roading from residential ratepayers and will ease the burden on farming and commercial ratepayers. This will enable us to ensure that our roading activity is sustainable and resilient into the future.

**Funding the Animal management activity**
We received feedback via submissions to the 2017/18 Annual Plan that the rating allocation for Animal Management was not fair and reasonable when considering who creates the need for the activity and benefits from it.

Animal Management was partially rate funded from the general rate on a "CV2" rating allocation. This meant that rate funding for the activity had been split in proportion to the capital values of the groups, with commercial properties being attributed 200% of their capital value. This was because in past times all of the Council's regulatory activities were funded as one combined activity rather than individually. Most other general rate funded activities are allocated to ratepayer groups based on the number of ratepayer units in each group.

We agreed that the standard general rate unit basis was a better fit for the funding of this activity because dog owners (generally from residential and farming properties) benefit most and create the need for this activity. We consulted on this change and, following the hearing of submissions, the approach and was adopted by Council.

The rating allocation for this activity has been altered from CV2 to the standard general rate unit basis from 2018/19. This will increase the proportion of the activity funded by residential properties and reduce the proportion of funding from commercial and farming properties.

| | General rate basis | Commercial | Farming | Residential |
|---|---|---|---|---|
| Animal management | Unit | 8.5% | 8.0% | 83.5% |

**Funding the Port and river activity**
The Council manages the commercial port for shallow draft coastal vessels, commercial vessels and pleasure boats and maintains a safe and navigable river bar harbour. This activity has historically been fully funded by returns from the Harbour Endowment investment property portfolio and has required no rate funding input.

The Harbour Endowment faces significant challenges with the suitability of its properties and declining rental returns. This means it is unable to continue to fully fund the operation of the sea port. While we will continue to try and improve returns from the portfolio, general rate funding will be required to fund the shortfall.

The River control sub-activity, formerly part of the Waterways and natural drainage activity, manages structures to confine the coastal portion of the Whanganui River to its existing confinement. It has been funded from the

# Executive summary

general rate on a CVU basis; that is, by commercial and residential properties only based on their share of capital value.

We consulted on a proposal to move the river control activity from waterways and natural drainage to a new activity named sea port and river control, as these two activities have a better fit and are managed together in practice.

We also consulted on a proposal to rate fund the new sea port and river control activity from the general rate based on the standard unit based rating allocation. This would see all ratepayers fund this activity, because we believe there is a public benefit in having the port available and in controlling the way in which the river meets the sea.

Following submissions, Council decided to continue with the proposed general rate approach. The general rate funding allocations is as follows from 2018/19:

| | General rate basis | Commercial | Farming | Residential |
|---|---|---|---|---|
| Port and river | Unit | 8.5% | 8.0% | 83.5% |

**Funding the district's growth**
We have included $10.4M of capital expenditure for growth in this Long Term Plan 2018-2028 to address anticipated demand and meet the needs of the National Policy Statement on Urban Development Capacity 2016.

We believe this capital expenditure should be funded by those who create the need and benefit from it. We consulted on a Proposed Development Contributions Policy in late 2017. This was adopted in March 2018 to be operational from 1 July 2018.

We consulted on a change to our Revenue and Financing Policy alongside our consultation for the Long Term Plan 2018-2028 to reflect this new capital expenditure funding source, and to signal the removal of financial contributions as a funding source.

Development contributions income of $3.5M is included over the ten-year period of this plan.

**Further information**
You can read the full Revenue and Financing Policy on page 87. Our Funding Impact Statement – Rates Information is on page 62. Our fees and charges are available on our website at www.whanganui.govt.nz.

## What does this mean for my rates in 2018/19?

Rates will increase by 4.5% on average in 2018/19.

The following table provides indicative rates increases for the average Residential, Commercial, Farming, Lifestyle and Exotic Forestry properties for 2018/19.

The actual changes in the rates you will pay depends on the type of property you own, its value, land size, and what services your property has (for example, whether you are connected to the wastewater system).

| | Average land value | Average capital value | Average 2018/19 rates | $ increase | % increase |
|---|---|---|---|---|---|
| Residential | $68,000 | $212,000 | $2,649 | $137 | 5.5% |

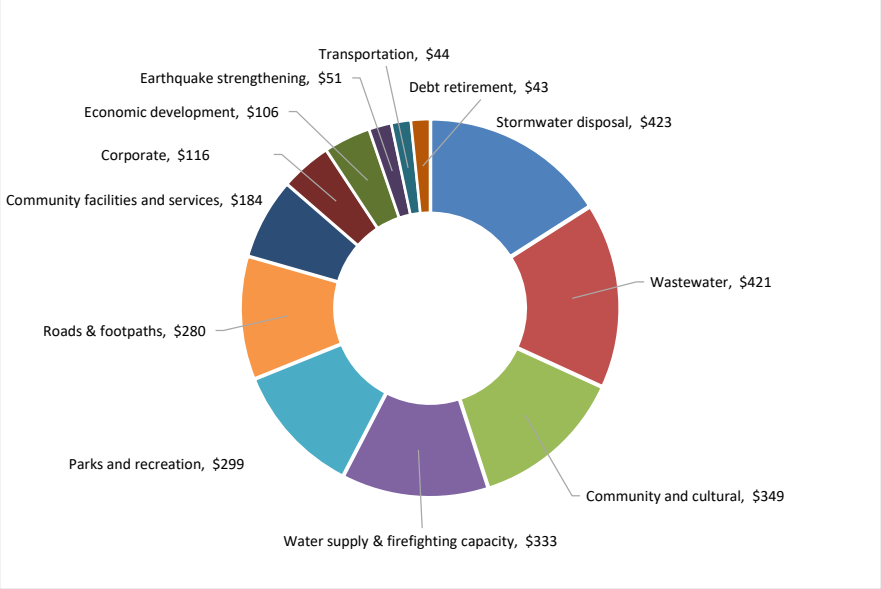
# Executive summary

| | | | | | |
|---|---|---|---|---|---|
| Lifestyle | $183,000 | $363,000 | $2,120 | $73 | 3.5% |
| Farming | $1,092,000 | $1,351,000 | $4,809 | $41 | 0.9% |
| Exotic forestry | $243,000 | $261,000 | $1,868 | $670 | 55.9% |
| Commercial | $202,000 | $1,013,000 | $9,645 | $79 | 0.8% |

Rates for a number of example properties are contained in the Funding Impact Statement on page 75 of this document.

The graph below shows the services we provide with your rates and how much of the average residential rate of $2,649 goes toward each of these services.

**How the average Whanganui residential rate of $2,649 is spent**




The average residential rate for 2018/19 equates to $51/week. To put this in context, the average weekly expenditure on various household services is:

| Household service | Amount per week |
|---|---|
| Communications (mobile, landline and wi-fi) | $34 |
| Electricity | $39 |
| Whanganui District Council rates | $51 |
| Transport | $167 |

# Prospective cost of service statement

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | | | | |
| Rates - excluding metered water, trade waste and penalties | 54,595 | 57,275 | 59,498 | 61,850 | 63,007 | 64,189 | 65,416 | 66,098 | 68,412 | 69,090 | 70,878 |
| Rates - metered water, trade waste and penalties | 3,253 | 2,958 | 3,058 | 3,158 | 3,158 | 3,157 | 3,157 | 3,158 | 3,158 | 3,157 | 3,158 |
| Subsidies | 9,319 | 11,437 | 10,535 | 9,311 | 9,416 | 9,399 | 9,604 | 12,045 | 12,177 | 14,117 | 12,398 |
| User fees and other income | 12,877 | 24,993 | 21,073 | 21,459 | 13,365 | 14,046 | 14,290 | 14,615 | 14,930 | 15,470 | 15,744 |
| **Total income** | **80,044** | **96,663** | **94,164** | **95,778** | **88,946** | **90,791** | **92,467** | **95,916** | **98,677** | **101,834** | **102,178** |
| **Capital funding** | | | | | | | | | | | |
| Transfer from/(to) special funds | (190) | 35 | 490 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| New loans | 39,318 | 12,663 | 13,651 | 7,579 | 5,937 | 8,185 | 2,969 | 2,938 | 5,078 | 4,682 | 5,416 |
| Loans repaid | (8,836) | (7,793) | (8,405) | (8,928) | (9,199) | (9,604) | (9,789) | (9,988) | (9,621) | (10,093) | (10,235) |
| Gross proceeds from asset sales | 0 | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital funding** | **30,292** | **4,955** | **5,736** | **(1,269)** | **(3,182)** | **(1,339)** | **(6,740)** | **(6,970)** | **(4,463)** | **(5,331)** | **(4,739)** |
| **Total funding** | **110,336** | **101,618** | **99,900** | **94,509** | **85,764** | **89,452** | **85,727** | **88,946** | **94,214** | **96,503** | **97,439** |
| **Costs** | | | | | | | | | | | |
| Operating costs | 33,288 | 38,726 | 38,431 | 39,764 | 41,244 | 40,999 | 41,546 | 42,773 | 43,739 | 45,010 | 46,371 |
| Salaries and wages | 15,909 | 16,738 | 17,066 | 17,749 | 17,979 | 18,393 | 18,854 | 19,307 | 19,854 | 20,370 | 20,920 |
| Debt servicing | 6,121 | 6,100 | 6,449 | 6,652 | 6,585 | 6,519 | 6,355 | 6,031 | 5,779 | 5,578 | 5,376 |
| **Total activity costs** | **55,318** | **61,564** | **61,946** | **64,165** | **65,808** | **65,911** | **66,755** | **68,111** | **69,372** | **70,958** | **72,667** |
| **Capital expenditure** | | | | | | | | | | | |
| -to meet additional demand | 0 | 910 | 1,845 | 940 | 2,071 | 1,731 | 643 | 286 | 868 | 817 | 309 |
| -to improve the level of service | 36,272 | 22,514 | 18,448 | 13,796 | 4,086 | 6,808 | 3,774 | 4,053 | 4,560 | 6,082 | 4,235 |
| -to replace existing assets | 18,746 | 16,630 | 17,661 | 15,607 | 13,798 | 15,002 | 14,555 | 16,496 | 19,414 | 18,646 | 20,228 |
| **Total capital expenditure** | **55,018** | **40,054** | **37,954** | **30,343** | **19,955** | **23,541** | **18,972** | **20,835** | **24,842** | **25,545** | **24,772** |
| **Total funding requirement** | **110,336** | **101,618** | **99,900** | **94,509** | **85,764** | **89,452** | **85,727** | **88,946** | **94,214** | **96,503** | **97,439** |
| Rates increase (to existing ratepayers)* | 2.0% | 4.5% | 3.5% | 3.6% | 1.5% | 1.6% | 1.6% | 0.7% | 3.2% | 0.7% | 2.3% |
| Debt balance** | 126,541 | 116,372 | 121,618 | 120,269 | 117,007 | 115,588 | 108,768 | 101,718 | 97,175 | 91,764 | 86,945 |

*Rates increase percentage is shown net of assumed growth in the rating database of $200,000 per annum

**Opening loans for 2018/19 have been restated from the 2017/18 Annual Plan to incorporate subsequest information

Reconciling the Prospective cost of service statement to Statement of comprehensive revenue and expense

The purpose of the "Prospective cost of service statement" (COSS) is to show how much Wanganui District Council spends and how that spending is funded.

This statement differs from the "Prospective statement of comprehensive revenue and expense" (SCRE) in that it includes capital expenditure and excludes non cash items, that are not funded.

Total revenue in the COSS excludes Gains from the revaluation of investment properties.

Total expenditure in the COSS does not include depreciation, but does include capital expenditure and loan/reserve funding.

# Rates required by activity for 2018/19

| Activity | Revenue ($000) | Operating costs ($000) | Personnel costs ($000) | Finance costs ($000) | Capital expenditure ($000) | Capital funding ($000) | Rates requirement1 ($000) | 2017/18 Rates requirement1 ($000) | Full time equivalent staff2 | Forecast Loans at 30 June 2019 ($000) |
|---|---|---|---|---|---|---|---|---|---|---|
| Water supply | (1,536) | 3,448 | 411 | 781 | 2,684 | (111) | 5,677 | 5,007 | 5.8 | 14,094 |
| **Water supply** | **(1,536)** | **3,448** | **411** | **781** | **2,684** | **(111)** | **5,677** | **5,007** | **5.8** | **14,094** |
| Stormwater | (14) | 1,142 | 201 | 1,897 | 1,826 | 631 | 5,683 | 5,390 | 2.8 | 33,971 |
| Waterways and natural drainage | () | 337 | 30 | 4 | 70 | 0 | 440 | 201 | 0.2 | 77 |
| **Stormwater drainage** | **(14)** | **1,479** | **231** | **1,902** | **1,896** | **631** | **6,123** | **5,591** | **2.9** | **34,048** |
| Wastewater | (3,154) | 6,169 | 1,007 | 1,415 | 1,855 | (167) | 7,125 | 6,460 | 12.8 | 30,279 |
| **Sewerage and the treatment and disposal of sewage** | **(3,154)** | **6,169** | **1,007** | **1,415** | **1,855** | **(167)** | **7,125** | **6,460** | **12.8** | **30,279** |
| Footpaths and berms | (21) | 940 | 33 | (8) | 341 | 0 | 1,285 | 1,297 | 0.3 | (149) |
| Roading | (11,597) | 7,089 | 417 | 534 | 12,783 | (1,241) | 7,986 | 7,380 | 4.3 | 9,809 |
| **Provision of roads and footpaths** | **(11,618)** | **8,029** | **450** | **526** | **13,124** | **(1,241)** | **9,271** | **8,677** | **4.6** | **9,660** |
| Parks and reserves | (428) | 4,581 | 823 | 155 | 217 | 250 | 5,598 | 5,514 | 15.8 | 2,654 |
| Cooks Gardens | (131) | 453 | 161 | 55 | 5 | 50 | 593 | 704 | 2.4 | 1,507 |
| Swimming pools | 0 | 1,095 | 27 | 151 | 176 | 280 | 1,728 | 1,822 | 0.4 | 2,567 |
| **Parks and recreation** | **(559)** | **6,128** | **1,012** | **360** | **398** | **580** | **7,919** | **8,040** | **18.6** | **6,728** |
| Community development | (443) | 1,527 | 644 | 14 | 0 | 20 | 1,763 | 1,276 | 8.1 | 248 |
| Libraries | (358) | 766 | 1,369 | 64 | 719 | (66) | 2,494 | 2,422 | 23.9 | 1,157 |
| Sarjeant Gallery | (12,733) | 1,151 | 815 | 80 | 12,500 | 100 | 1,913 | 1,814 | 11.2 | 1,384 |
| Royal Wanganui Opera House | (51) | 338 | 163 | 38 | 142 | (150) | 480 | 514 | 2.5 | 754 |
| War Memorial Centre | (68) | 421 | 162 | 93 | 1,413 | (1,438) | 583 | 540 | 2.5 | 2,398 |
| Whanganui Regional Museum | (35) | 962 | 9 | 34 | 62 | 0 | 1,030 | 953 | 0.1 | 606 |
| Earthquake strengthening | 0 | 0 | 0 | 281 | 1,725 | (1,035) | 971 | 823 | 0.0 | 5,575 |
| **Community and cultural** | **(13,688)** | **5,165** | **3,161** | **604** | **16,561** | **(2,569)** | **9,235** | **8,342** | **48.2** | **12,123** |
| Whanganui & Partners - Tourism & visitor services | (83) | 279 | 264 | 0 | 0 | 0 | 459 | 363 | 5.4 | 0 |
| Whanganui & Partners - Economic development | 0 | 1,674 | 691 | (8) | 0 | 0 | 2,358 | 2,414 | 8.0 | (136) |
| **Economic development** | **(83)** | **1,953** | **955** | **(8)** | **0** | **0** | **2,817** | **2,777** | **13.4** | **(136)** |
| Cemeteries | (505) | 711 | 17 | 46 | 3 | (51) | 222 | 180 | 0.3 | 859 |
| CBD maintenance | (2) | 931 | 6 | 5 | 160 | (93) | 1,008 | 977 | 0.1 | 144 |
| Waste minimisation | (170) | 681 | 0 | 94 | 0 | 170 | 774 | 811 | 0.0 | 1,599 |
| Pensioner housing | (1,546) | 1,416 | 98 | 105 | 60 | (132) | 0 | 0 | 1.6 | 1,947 |
| Community buildings and rural halls | (16) | 245 | 19 | () | 54 | (135) | 166 | 134 | 0.2 | 59 |
| Emergency management | 0 | 229 | 174 | 7 | 54 | 30 | 494 | 612 | 2.0 | 116 |
| Environmental policy | 0 | 361 | 271 | 3 | 0 | 90 | 724 | 722 | 3.4 | 0 |
| Building control | (1,215) | 594 | 834 | 8 | 25 | 100 | 346 | 693 | 12.6 | 100 |
| Resource management | (225) | 155 | 366 | 0 | 0 | 0 | 296 | 326 | 5.2 | 0 |
| Environmental health | (247) | 437 | 339 | 1 | 50 | (35) | 545 | 577 | 4.6 | 35 |
| Parking | (930) | 570 | 219 | | 0 | 45 | (95) | 42 | 4.4 | 7 |
| Animal control | (557) | 483 | 296 | 36 | 580 | (450) | 388 | 439 | 4.2 | 881 |
| **Community facilities and services** | **(5,414)** | **6,813** | **2,639** | **306** | **986** | **(461)** | **4,869** | **5,513** | **38.4** | **5,747** |
| Airport | (225) | 294 | 116 | 65 | 124 | 10 | 384 | 331 | 3.8 | 1,157 |
| Port & River | 0 | 576 | 0 | 105 | 500 | (483) | 697 | 723 | 0.0 | 2,126 |
| Durie Hill elevator | (55) | 139 | 7 | 3 | 6 | (9) | 91 | 88 | 0.1 | 50 |
| **Transportation** | **(280)** | **1,009** | **123** | **172** | **630** | **(482)** | **1,172** | **1,142** | **3.9** | **3,333** |
| City Endowment property portfolio | (567) | 459 | 131 | (2) | 5 | (130) | (105) | (159) | 1.6 | (8) |
| Harbour Endowment property portfolio | (1,339) | 1,063 | 157 | 18 | 151 | (50) | 0 | 0 | 2.1 | 350 |
| Investments | (376) | 399 | 3 | 125 | 0 | 0 | 152 | 191 | 0.1 | 2,150 |
| **Investments** | **(2,282)** | **1,921** | **291** | **141** | **156** | **(180)** | **47** | **33** | **3.7** | **2,493** |
| Governance and democracy | (15) | 1,481 | 670 | 35 | 44 | 85 | 2,300 | 2,214 | 8.1 | 580 |
| Corporate management | (627) | (5,586) | 5,454 | (175) | 519 | 414 | 0 | 0 | 70.6 | 969 |
| Community and operational property | (120) | 717 | 335 | 40 | 1,202 | (1,455) | 719 | 800 | 3.8 | 1,455 |
| **Corporate** | **(761)** | **(3,388)** | **6,458** | **(99)** | **1,765** | **(956)** | **3,019** | **3,014** | **82.4** | **3,004** |
| Expected Carry overs | | | | | | | | | | (5,000) |
| **Total** | **(39,388)** | **38,726** | **16,738** | **6,100** | **40,054** | **(4,955)** | **57,275** | **54,595** | **234.6** | **116,372** |

1Rates excluding metered water, trade waste and penalties
2In 2017/18 there were 228.1 Full time equivalent staff

# Consultation

## The process

The formal consultation period on the Proposed Long Term Plan 2018-2028 ran from 19 March to 19 April 2018. A broad range of methods were used to engage people in the process and to gather their feedback on what was being proposed.

Approximately 500 copies of the consultation document were distributed. These were available online, at libraries, the Splash Centre, cafes, at Council reception and on request.

### World cafes

Two world café events were held throughout the formal consultation period, the first held at Red Eye Café on 26 March 2018 and the second on 16 April 2018 at the Columbus Café at Mitre 10.

A world café is a simple, effective, and flexible format for hosting large group dialogue. It provides participants the opportunity to discuss key issues in small groups, then sharing their insights at the end of the event.

Each world café event was attended by councillors and were well received by attendees with over 20 attending the last event.

### Market stall

Council officers also manned a stall at the River Traders Market on Saturday 7 April 2018. Many copies of the consultation document were handed out along with copies of the submission form. All councillors were invited to attend and some were present providing an opportunity for the public to address concerns and ask questions directly.

### Workshops

A workshop on the proposed LTP 2018-2028 was held with the Rural Community Board (10 April 2018) providing the opportunity to discuss the consultation document, ask questions and discuss which of the key issues and proposals they wanted to submit on. The Board elected to submit online using the submission form and orally present additional information at the hearings.

### Iwi

Tamaupoko and Tupoho were met with individually over the period of developing the proposed LTP 2018-2028. WMRTO and Te Ao Hou Marae were also engaged and encouraged to submit to Council through the formal submission process.

### Forums

The Positive Ageing Forum held on 21 March 2018 promoted the proposed LTP 2018-2028, outlined some of the key issues and the processes for making a submission.

### Virtual Ward

For the first time this year officers introduced a virtual ward. This event was hosted through the Council's Facebook page, and invited people to ask questions for real time responses from councillors. The event was promoted through Facebook but unfortunately there were limited people that engaged with us on this event.

### Advertising

The proposed LTP 2018-2028 and information on how to make a submission was advertised online through Facebook, on the Council's website, Community Link in the Midweek newspaper, and in the Chronicle and River City Press newspaper. Copies of the consultation document were

# Consultation

also placed at key locations such as council facilities, cafes and doctor's offices.

This year there were radio advertisements and videos of councillors posted to Facebook, talking about some of the key issues and encouraging people to submit to Council.

All submissions have been provided to elected members, and made available to the public through the Council website. Each submitter will be advised of the Council's decision on the points made in their submission after the final Long Term Plan 2018-2028 is adopted.

Submitters were asked how they found out about the proposed LTP 2018-2028 consultation. Word of mouth and the newspaper were the most common methods, followed by Council's website and River City Press.

## The results

A total of 121 submissions were received, with 52 presenting their submission in person to the Council.

Over 60% (75) of submissions received were on the Council submission form.

## Council's response to submissions

Many submitters focused on the key issues outlined in Consultation Document. The preferred options that were outlined in the Consultation Document were confirmed by Elected Members and are highlighted in the executive summary on pages 11 to 16, and in our Groups of Activity sections in Volume 2 of this document.

Submissions identified other areas of interest and topics.

An amendment raised through the submission process included increasing the Community Development budget by $80,000 to allow for potential funding requests to be further investigated.

Some submitters asked the Council to support new initiatives which were not identified in the Consultation Document. In many cases they were referred through to an appropriate committee, including:

- Consideration of climate change
- Discussion around the traffic flow in the CBD
- Discussions on the offer for two councilors to join the Restorative City Advisory Group
- Requests for additional signage

# Our District – past, present and future

## Our district

We sit on the south-west coast of the North Island facing the Tasman Sea, south of Taranaki and Ruapehu regions, and north of Manawatu.

This area is known for Maori culture, heritage, and Whanganui National Park and river activities as a result of our position on the banks of the Whanganui River.

Whanganui District Council resulted from the 1989 amalgamation of Wanganui County Council, most of Waitotara County Council, a small part of Stratford County Council and Wanganui City Council.

The district has an area of 2,373km². Apart from the main urban area, there are small rural settlements at Kai Iwi, Mowhanau, Fordell, Upokongaro, Maxwell and Mangamahu. Marae based settlements are at Kaiwhaiki, Pungarehu, Parikino, Atene, Koriniti, Matahiwi, Ranana and Jerusalem. All but some 4,600 people in the Whanganui District live in the city itself.

## Our history

Our region is the third oldest settlement in New Zealand. Its original discovery is attributed to Kupe, New Zealand's legendary discoverer. Tamatea, Captain of the Takitimu Canoe, fully explored the region and soon after, attracted by the Whanganui River, Maori settlers came to the region.

The Whanganui River became an important trade and travel route for settled Maori tribes. They built fishing villages on the banks of the Whanganui tidal estuary and permanent pa sites further up the river.
European involvement did not occur until 1831 when the first Europeans landed at the mouth of the river. Formal European settlement began in 1841, the borough of Wanganui was formed in 1872 and city status was gained in 1924. The 79 day occupation of Moutoa Gardens, in protest about disputed land ownership, occurred in 1995.

## Our people

At the 2013 Census, the district had a usually resident population of 42,153 on census night (a decrease of 486 people from 2006). However, the estimated population count of the Whanganui District as of 30 June 2016 is 43,800. This more recent figure is the estimated resident population released by Statistics New Zealand and takes into account births, deaths and internal and overseas migration.

The table below shows how our estimated resident population has changed since 1991. The population of the district is expected to grow to a peak of approximately 45,000 by 2028-2033 and drop to 44,100 by 2043.

*Population estimates (30 June)*

| | |
|---|---|
| 1991 | 44,700 |
| 1996 | 46,000 |
| 2001 | 44,400 |
| 2006 | 43,800 |
| 2013 | 43,500 |
| 2014 | 43,400 |
| 2015 | 43,600 |
| 2016 | 43,800 |
| 2017 | 44,500 |

*Note: since preparing the substantive part of this document the 2017 population estimates have been released which show levels of population growth unprecedented in recent times. It is considered too soon to adjust the long-term projection but we will continue to monitor and adjust our*

# Our District – past, present and future

*planning accordingly. Fluctuations are able to be accommodated in the near term.*

Whanganui is home to the 18th largest Māori population out of 67 districts in New Zealand. In general, when comparing the Whanganui District to the rest of New Zealand, we have more people who identify as European (77%), more people who identify as Māori (21.7%) and fewer people who identify as Pacific Peoples (2.6%).

Historical data shows an average of 67 new dwellings per year since 1980, even in years when the population decreased. In the past five years we have seen around 60-65 new dwelling consents per year but this jumped to more than 120 in 2016/17. There were 17,391 occupied private dwellings in 2013 – an increase of 342 on 2006.

The 2013 Census revealed that there were 11,127 families in Whanganui. The distribution of family types here differed from the rest of the country, with fewer couples with children and more one-parent families.

Our population, along with the rest of New Zealand and other OECD countries, is also ageing. The major differences between the age structure of the Whanganui District and the rest of New Zealand are:

- A larger percentage of 'Seniors (70 to 84)' – 11% compared to 8%.
- A smaller percentage of 'Young workforce (25 to 34)' – 9.5% compared to 12.1%.
- A smaller percentage of 'Tertiary education and independence (18 to 24)' – 7.4% compared to 9.6%.
- A smaller percentage of 'Parents and homebuilders (35 to 49)' – 18.4% compared to 20.6%.

It is expected that between 2013 and 2028 there will be a 5.7% decrease in population under the working age, a 31.2% increase in those of retirement age and a 6.2% decrease in people of working age. In essence, we will have fewer children and working adults and more senior citizens.

Overall, we also had lower personal incomes in Whanganui in 2013 than the rest of New Zealand - $23,500 as a median income compared with $28,500 nationally. This results in Whanganui residents being over-represented in the income bands below $40,000 and underrepresented in bands above $40,000. The median income for families was also significantly lower in Whanganui at $43,800 compared to the national average of $72,700.

## Our environment

The District has a land area of 2,373 km$^2$, the majority of which is hill country, with deeply incised rivers and narrow valleys. The coastal lowland areas are marine terraces separated by old sea cliffs, resulting from a series of uplifts. Rivers and streams have cut deep valleys into these surfaces. A belt of sand dunes lies along the coast and in places, fossil dunes extend up to seven kilometres inland, overlying parts of the marine terraces and blocking streams to form a chain of small shallow lakes. Northwest of the city, a 45 metre high cliff extends along the coast fronted by a wide sandy beach.

Coastal, terrace and river valley landscapes are largely rural in character, dominated by mainly pastoral farming. Further inland, especially to the northwest, there is a much greater proportion of scrub and forest cover.

The Whanganui and Whangaehu Rivers and their main tributaries flow in a general southerly direction. A large portion of the District is within the Whanganui National Park. The park is administered by the Department of

# Our District – past, present and future

Conservation and comprises a main core area, with smaller outliers to the north and south, covering a total area of 74,231 hectares. The Whanganui River is the second largest river in the North Island and the longest navigable waterway in the country, covering 290 kilometres from the heights of Mount Tongariro to Whanganui's coast and the Tasman Sea.

## Our climate

We are noted for our temperate climate, but Whanganui's position on the coast, alongside a river and with a catchment comprising steep hill country underlain by soft rock means that a large number of weather-related events have been, and will continue to be, experienced.

The Ministry for the Environment publication entitled "Climate Change and Long Term Council Community Planning" includes a number of predictions about New Zealand's future climate:

- Temperatures will rise on average by 1°C by 2040 and 2°C by 2090
- Rainfall will increase in western areas by up to 5% by 2040 and 10% by 2090. There will be increased seasonality in the rainfall distribution patterns
- Sea levels will rise
- Frosts will decrease
- There will be an increased frequency of high temperatures
- There will be an increase in the frequency of extreme daily rainfalls
- Possible increase in strong winds
- Increases in the severity and frequency of extreme weather events.

## Our economy

Manufacturing was the largest industry in 2017, accounting for 12% of total GDP. Health Care and Social Assistance made the largest contribution to overall growth in Whanganui between 2016 and 2017. The industry grew by 4.6% over the year and contributed 0.5% to the district's total growth of 2.4%.

Among broad industries, Health Care and Social Assistance was the largest employer in Whanganui in 2017, accounting for 16.1% of total employment.

The second largest employer was manufacturing (13.7%) followed by Retail Trade (10.1%).

A total of 3897 business units were recorded in Whanganui in 2017 down -1.8% from a year earlier. The number of business units in New Zealand Increased by 2.1% over the same period. (Analysis by Infometrics March 2017).

Analysis of the five year age groups of the Whanganui District in 2017 compared to the New Zealand shows that there was a similar proportion of people in the younger age groups (under 15) and a higher proportion of people in the older age groups (65+).

Overall, 20.3% of the population was aged between 0 and 14, and 20.5% were aged 65 years and over, compared with 20.4% and 14.3% respectively for the New Zealand (id. Population Experts 2013-2017 Census and Forecast Data).

# Our District – past, present and future

## Rural sector

Wanganui's economy has an agricultural base, mainly sheep, beef and dairy, and has a strong primary processing sector. Wanganui's economic footprint extends well beyond our district boundary, with products and services flowing to and from Whanganui into neighbouring districts and townships.

In 2017 the agriculture, forestry and fishing sectors were responsible for 6.1% of employment, 8.6% of GDP and 17.8% of business units in the Whanganui District. (Analysis by Infometrics March 2017).

# Whanganui: Leading Edge

The Leading Edge Strategy acts as Council's overarching strategic document. It's an umbrella document which sets the vision for the district and outlines high level aspirational objectives supported by a series of actions. It feeds directly into the Long-Term Plan and is intended to focus Council on its key strategic commitments.

The strategy takes a district wide focus and is not solely the responsibility of Council. As a result, in order for it to be successful a collaborative approach is required. While the strategy focuses on Council's role, it also highlights the need to partner with others in the district.

The Leading Edge Strategy can be found on the Council website under 'Publications'. Key elements of the strategy are detailed below.

## Vision

To be an energised, united and thriving district offering abundant opportunities for everyone.

**Vision summary:** We want to be confident leaders and influential trailblazers. We are comfortable with being a 'bit different' and not following the pack because this sets the scene for the types of innovative approaches that we will continue to front-foot. This strategy is about Whanganui being seen as positive and exciting – a community that is united, connected, creative, environmentally rich and economically prosperous.

## Strategic pillars

### COMMUNITY

***A deeply united community***

**Strategic intention:** We are a place resounding with community spirit and there is an underlying essence that underpins what it means to be from or in Whanganui. We support each other, work in partnership, are resilient and can handle challenges. We keep talking to each other and are pulling in the same direction. We know where we are heading but celebrate and champion diversity. Our roots run deep.

**Goal:** Working in partnership – shaping a district that celebrates and champions its cultural and social diversity as well as its community spirit.

**Key elements – this section covers our intentions in relation to:**

- Planning and working together with Iwi in mutually appropriate ways.
- Partnership approaches.
- Meeting our obligations arising from the Te Awa Tupua (Whanganui River Claims Settlement) Act 2017/
- Securing our district's health, safety, belonging and wellbeing.
- Celebrating and championing diversity.
- Strong, positive and empowering leadership.
- Transparency and accountability.
- Providing sport and recreation facilities and opportunities.

# Whanganui: Leading Edge

## CONNECTIVITY
***Connected***

**Strategic intention:** We are outward-looking and constantly seek to expand and enhance our world view – positioning ourselves and raising our image regionally, nationally and internationally. We make sustainable connections – through our network infrastructure, digital capacity, expansive ideas and external relationships. We are accessible, linked in and known for it.

**Goal:** A dynamic, broadly connected district that is accessible, linked in and known for it.

**Key elements – this section covers our intentions in relation to:**

- Harnessing the connectivity opportunities provided by technology.
- Transport accessibility.
- Improving our image and reputation.
- Working together as a region.
- Achieving key benchmark standards.
- Continuous improvement and education.
- International relationships.

## CREATIVITY
***Innovative and creative***

**Strategic intention:** We are innovative, entrepreneurial, go-getters – we actively attract industry, support start-ups and are a lightning rod for ideas and creativity. Our arts community and heritage sets us apart – giving us soul and heart. We are sharp economic operators and hum with cultural personality.

**Goal:** A knowledge economy driven by innovation and humming with cultural personality.

**Key elements – this section covers our intentions in relation to:**

- Protecting and promoting our culture and heritage.
- Innovation and productivity – including in relation to business and entrepreneurial opportunities.
- Sustaining and nurturing our arts reputation.
- Developing a dynamic knowledge economy and workforce.
- Attracting talent and creativity.
- Events.
- Making the downtown area more vibrant.

## ENVIRONMENT
***Safeguarding our place***

**Strategic intention:** We draw strength from our rich tapestry of rivers which sustain and shape us. We are a district with beautiful integrated design, bountiful and valued natural resources and a sense of life and vitality. It feels positive here and there is a lot going on. Our wealth is abundant and we take a broad view of what this means. We play on our strengths and make our own opportunities – trumpeting our unique identity through placemaking that flows from the mountain to the river to the sea. We are eco-rich, showcase and safeguard our heritage and always keep an eye on the future.

# Whanganui: Leading Edge

**Goal:** A district that safeguards its natural resources and provides an environment with a sense of place, identity and vitality.

**Key elements – this section covers our intentions in relation to:**

- Capitalising and building on the value of our coastal location.
- Preserving our heritage.
- Urban design, placemaking and landscape approaches.
- Our identity and community pride.
- Maximising our rural assets and identifying opportunities for sustainable growth.
- Preserving and conserving our natural resources.
- Sustainability and 'green' solutions.
- Asset management and our infrastructural network.
- Growth of the district.
- Increasing our resilience to climate change.

**ECONOMY**
***Works for everyone***

**Strategic intention:** We provide boundless opportunities and are truly a place of choice for all. We are thriving and loaded with jobs, development and lifestyle appeal meaning that anyone can and will want to call us home. We are welcoming, empowering and enabling – supporting everyone to flourish.

**Goal:** An easy-living place of choice for all – flourishing with employment and development opportunities.

**Key elements – this section covers our intentions in relation to:**

- Making sure that our services and facilities reflect the diverse and changing needs of our community.
- Facilitating economic development initiatives through partnership approaches.
- Investing in our young people through training, education and employment opportunities.
- Population attraction and retention.
- Retaining key health and social infrastructure.
- Enhancing our lifestyle advantages.

## Council's contribution to the Leading Edge Strategy and achievement of our vision

During consultation with our community in 2014 some clear themes emerged for the kind of place we should aim to become. An internal review of this strategy in 2017 ensured ongoing alignment with the organisation's action plans and revealed that we are still well placed to build on our intentions to become more united, connected, innovative, creative, environmentally rich and economically prosperous.

These aims will be supported by the key projects we have planned over the next 10 years. At the heart of this vision is a commitment to working together to ensure that our district truly works for everyone.

The following projects and initiatives will contribute towards our Leading Edge commitments, while also delivering on our Community Outcome strands.

# Whanganui: Leading Edge

## Some key projects and their relationship to our Leading Edge vision

| Community outcomes | Project |
|---|---|
| A deeply united community | Effective engagement with hapu and iwi<br>Earthquake strengthening<br>Implementation of Sport and Recreation Strategy<br>Welcoming Communities Programme<br>Consideration of health ethos in policy development |
| Connected | Upokongaro shared pathway |
| Innovative and creative | Sarjeant Gallery<br>Library hubs<br>Whanganui & Partners work - economic development initiatives |
| Safeguarding our place | Castlecliff rejuvenation efforts<br>Coastal plan<br>Town centre revitalisation |
| Works for everyone | Dog pound<br>Port revitalisation project<br>Completion of the new wastewater treatment plant<br>Implementing our International Relations Strategy |

## Purpose statement

Our purpose statement communicates the Council's role as kaitiaki (guardian) and trumpets the Awa as our seed for settlement and the shaper of our existence. It also reflects the Council's interests in sustaining wellbeing through the performance of regulatory functions, highlights the 'big three' drawcards that will attract people to Whanganui (education, lifestyle, commerce) and encourages retention of our key points of difference. It applies a dual focus to the things we *are* good at and the things we *can* be good at. It is also concerned with what we are currently doing rather than where we want to be (which is the role of the vision statement).

| PURPOSE STATEMENT |
|---|
| **SUSTAINING** *the safety and welfare of our community.*<br><br>**SUPPORTING** *richness and opportunity through education, lifestyle and commerce.*<br><br>**PRESERVING** *our exceptional heritage and infrastructure.*<br><br>**PROTECTING** *our environment and awa.* |

## Mission

To partner with the community to create a flourishing and leading edge district that truly works for everyone.

# Council controlled organisations

Section 6 of the Local Government Act 2002 (the Act) defines a council controlled organisation (CCO) and Schedule 10 of the Act requires the following disclosures to be made in relation to each CCO.

## Wanganui District Council Holdings Limited

Wanganui District Council Holdings Limited (WDCHL or the Company) was formed in March 2002 to provide a commercial overview of the Council's investment portfolio. The Company is 100% owned by Wanganui District Council (the Council). WDCHL owns 100% of the shares in GasNet Limited and 100% of the shares in New Zealand Commercial Pilot Academy Limited. The Company provides a monitoring service to Council for the following activities:

- Whanganui District Councils' Forestry Joint Committee
- Whanganui Airport Joint Venture (WAJV)
- GasNet Limited
- New Zealand International Commercial Pilot Academy Limited
- Inland Port/Sea Port

### Key performance targets

WDCHL's intended performance targets for the planned period are:

- To meet the dividend expectations of its shareholder while still maintaining sufficient cashflows to meet its own working capital needs.
- To facilitate its subsidiary Companies to achieve the performance targets identified in its Statement of Intent.

### Company objectives

The Board intends to operate as a successful business in relation to its investments and to the monitoring roles assigned to it under contract by the Council.

The Company aims to improve the long-term value and financial return that Council receives from its trading undertakings:

- Optimising financial and physical resources through close scrutiny of potential areas of inefficiency, waste or under–utilisation of capital.
- Providing prudent management of investments and timely, constructive professional advice regarding its position as shareholder in GasNet Ltd, NZ International Commercial Pilot Academy Ltd, and any other subsidiary companies or undertakings.
- Meeting the expectations of Council for quality, competitively priced strategic planning advice on investments and trading undertakings.
- Reviewing and advising on the strategies and plans of any subsidiary company, business unit or asset as requested by Council.
- Being a good corporate citizen and exercising the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainable and profitable business.

### Nature and scope of activities to be undertaken by the Company

The Company's business will primarily be to hold shares in GasNet Ltd and other subsidiaries or undertakings transferred to the Company, to provide strategic planning advice to Council when required and to undertake such

# Council controlled organisations

other matters as shall be determined by the Board, in conjunction with the Council.

GasNet Limited is not a CCO according to section 6 of the Act as it is an energy company.

## Wanganui Airport Joint Venture (WAJV)

The Joint Venture Airport is a 50/50 joint venture between Wanganui District Council and the Crown. It has been operating the Wanganui Airport since the late 1950s. Part of the financial information is included within the main financial statements of the Council. Under the Act, WAJV is classified as a CCO.

### WAJV objectives

WAJV's primary objectives are to:

- Provide high quality facilities and service commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations in line with the size of Wanganui Airport.
- Operate the airport in a sound and business-like manner.
- Improve the long-term value and financial performance of the airport while improving the economic value of the airport to Wanganui.

### Nature and scope of activities

- The airport provides takeoff, landing, ground handling and passenger terminal facilities for scheduled airline services.
- It also provides a base for commercial, training and recreational aviation activity.
- The ongoing development of aviation and associated services and infrastructure is subsequently intended to support activity, business and employment.

### Key performance targets

The Board's forecast performance targets for the next three years are:

- Reduction of the current loss position to 'break even' or to a level acceptable to the partners in light of the CCO's economic value to Wanganui.
- Compliance with all aspects of Part 139 of the Civil Aviation Rules with a minimum of one requirement per inspection.
- Delivery of an activity plan and subsequent achievement of the individual targets outlined within that plan.

## New Zealand International Commercial Pilot Academy Limited (NZICPA)

NZICPA's parent entity is Whanganui District Council Holdings Limited, a Council Controlled Organisation of Whanganui District Council. Therefore the company is a Council Controlled Organisation as defined by section 6 of the Local Government Act 2002.

### NZICPA objectives

NZICPA's primary objectives are to:

- Provide high quality flight training commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to aviation operations in line with the size of the Company.
- Improve the long term value and financial performance of the Company.

# Council controlled organisations

- Being a good corporate citizen and exercising the appropriate level of social responsibility toward the community and the environment, consistent with the conduct of a sustainable and profitable business.

### Nature and scope of activities

The Company's business will primarily be to provide flight instruction to both national and international students and to undertake such other matters as shall be determined by the Board, in conjunction with Whanganui District Council Holdings Limited.

### Key performance targets

The Board's forecast key performance targets are:

| | 2017-2018 | 2018-2019 |
|---|---|---|
| | | |
| EBITDA | $75,000 | $100,000 |
| Return % | 15% | 15% |

To maintain CAA accreditation part 135 General Aviation Air Operator Certificate and part 141 Aviation Training Organization Certificate.
To maintain NZQA approval to deliver the following qualifications:

- New Zealand Diploma in Aviation (Aeroplane)(General Aviation)(level 5)
- New Zealand Diploma in Aviation (Aeroplane)(Flight Instruction)(level 6)
- New Zealand Diploma in Aviation (Aeroplane)(Airline Preparation)(level 6)
- Single or Multi Engine Instrument Rating
- Private Pilot License (Aeroplane)

To make sure that NZICPA maintains its registration on NZQA list of Code approved education providers for the Pastoral Care of international students.

## Council policies and objectives relating to CCOs

Council does not have any significant policies in regard to ownership and control of the organisations. Council has a policy on the appointment and remuneration of directors, which is available on request.

# Building community with iwi

Council works with Māori to build community, in a mutually appropriate way. This approach is especially important in infrastructure planning, environmental management and development. Council's policy direction and planning processes take into account effective engagement with hapū and iwi entities - as well as marae and whanau as required.

## The Treaty of Waitangi

Council has obligations under the Treaty of Waitangi principles:

- partnership
- participation
- protection

The Treaty is incorporated in the statutory scheme administered by Council: this includes the Local Government Act 2002 and the Resource Management Act 1991, in particular.

Council recognises that mana sourced in whakapapa continues since time immemorial in Whanganui District: "since the fires of Paerangi were lit". Customary rights and responsibilities were not extinguished by the Treaty. The entities with whom Council is bound to acknowledge and work with range from papatupu marae and hapū, to statutory rūnanga and iwi organisations. The constituents of all these entities have a shared whakapapa and will advise Council at all times about matters of shared and sometimes exclusive responsibilities under te tino rangatiratanga.

Engagement between the Crown and iwi, especially within the settlement process, has provided a statutory platform for iwi authorities. The latter are a point of direct engagement between the mana whenua and local and central government. Council appreciates the various and interlocking aspects of Māori organisation and identity, in order to facilitate all parties to contribute to the community as a whole, and Māori in particular.

## Te Awa Tupua (Whanganui River Claims Settlement) Act 2017

The settlement of the River claim between the Crown and Whanganui iwi provides direction for Council to meet its responsibilities to the River, the land and the people.

Ngā Tangata Tiaki o Whanganui, was set up under a trust deed in 2014; and, established as an iwi authority under the Te Awa Tupua Act 2017, for the purposes of the Resource Management Act 1991.

Council is one of four local authorities charged with responsibilities within the Region to make appointments to Te Kōpuka. The Act provides for Te Kōpuka, to be a strategy group. It is a permanent joint committee for administrative purposes.

The Act provides for partnership to encompass customary rights and responsibilities as well as good practice within Council's jurisdiction.

## Whanganui Land Settlement Negotiation Trust

On 25 July 2017 the Crown and the Whanganui Land Settlement Negotiation Trust (WLSNT) signed matters for agreement in relation to the comprehensive settlement of all historical Treaty of Waitangi claims. The agreement lists a series of objectives, including the Crown's acknowledgement that, where appropriate, any breaches of the economic, social, cultural and political wellbeing of the claimants will be recognised. It also states that the settlement will provide a platform to assist the development of an economic base. This will have an economic impact on our community, alongside other positive outcomes that will enrich the community socially and culturally. This is reflected in the WLSNT's vision: "*Whanganui will be a positive and responsible tribal nation with the capability to act and live as a tribe that is vibrant, strong, robust and prosperous culturally, socially, environmentally and economically.*"

## Current activity

*Relationship development*

The Local Government Act 2002 provides for Māori to participate in the decision making processes; and, for Council to contribute to capacity building for that to be effective.

Council has an ad hoc, issue focused, working relationship with claimants, and with post settlement governance entities. At the same time, to maintain consistency to work together, regular meetings are scheduled throughout the year with iwi and hapū groups.

# Building community with iwi

It is a requirement of good faith that iwi are informed at the concept stage of any policy or major infrastructure development. This will be done in a way that is equivalent, transparent and robust.

In the final outcome there will be up to 9 post settlement governance entities emerging from the settlement processes under the Office of Treaty Settlements.

Current relationship activity is with

- Te Rūnanga o Ngā Wairiki Ngāti Apa
- Te Kaahui o Rauru
- Whanganui Land Settlement Negotiation Trust
- Te Rūnanga o Tamaupoko
- Tamaupoko Charitable Trust
- Paraweka Marae Trust
- Te Rūnanga o Tupoho
- Te Ao Hou Marae
- Whakawhanake
- Whanganui Maori Regional Tourism Organisation
- Ngā Tāngata Tiaki

Te Rūnanga o Tūpoho is the tikanga mandated Iwi authority within the Tupuna Rohe o Tūpoho. This is recognised by Council distinct from other entities who engage with Council.

*Formal relationship documents*

In June 2017 Council entered into the Te Matapihi ki Tangaroa Accord alongside Te Rūnanga o Ngā Wairiki Ngāti Apa, Te Kāhui o Rauru, Te Rūnanga o Tupoho and Ngā Tāngata Tiaki o Whanganui. "Te Matapihi ki Tangaroa" literally means "the window to the ocean" and refers to the area towards the Whanganui River mouth. This partnership represents a shared commitment between Iwi and the Council in protecting the marine environment and contains a number of objectives. In terms of infrastructure provision, the effective operation, management and monitoring of the new Wastewater Treatment Plant is a critical and shared concern.

A memorandum of understanding is in discussion between Te Awa Tupua, Tupoho, Horizons Regional Council and Whanganui District Council. The purpose is to work collaboratively in managing the alignment of the River between Cobham Bridge and the sea; determine responsibilities for the different components of the River and port management infrastructure and to make provision for operating costs.

Council is part of an inter-council working group [Taranaki Regional Council, South Taranaki District Council, Horizons Regional Council, Whanganui District Council] for the purpose have one relationship document together with Ngaa Rauru Kiitahi. It is based on the model of Te Mana Whakahono a Rohe, pursuant to the recent amendment to the Resource Management Act 1991.

*Iwi participation activities*

- The Pākaitore Historic Reserve Board administers Pākaitore (Moutoa Gardens). The members are appointed by iwi, the Council and the Crown.
- Whanganui Resource Recovery Centre – Council has a partnership with Tupoho Whanau Trust and Sustainable Whanganui in the operation of the Centre.
- Iwi members participate on the Sarjeant Gallery Trust
- Iwi members participate on the Board of the Whanganui Regional Museum
- Te Manu Atatu – the Whanganui Māori business network
- Whanganui And Partners Board includes an iwi participant
- Accelerate 25 includes 3 iwi members: two of whom are global leaders in innovative enterprise and agri-business
- Whanganui Holdings Limited: includes an iwi appointment to the Board.

# Building community with iwi

## Opportunities

"*Whanganui will be a positive and responsible tribal nation with the capability to act and live as a tribe that is vibrant, strong, robust and prosperous culturally, socially, environmentally and economically."*[1]

*Economic development*

There is an expectation by iwi in particular that regional economic development strategies will incorporate:

- The aspirations of Māori
- The inclusion of iwi – both as co-governors, as well as partners and participants
- Identification of any synergies with local Māori land incorporations and their partnerships
- Opportunities to work with the Regional and national Māori economy with international links

These relate, in particular, to property management, infrastructure development activities of Council. And, to Council's investment, marketing and business development strategies going forward.

Partnerships with Māori tourism, and events will be explored to be further enhanced to be a greater point of difference with Whanganui as a destination.

Current activity is the development of the iwi narrative from the Mountain to the Sea: led and undertaken by iwi within the domain of enclosed wānanga to ensure the integrity of the information. When this is completed an appropriate version will be available to inform and add primary substance to a Whanganui Story. The iwi narrative is under the jurisdiction of Te Tino Rangatiratanga.

Arts and culture, including Te Aranga urban design principles, and the public art strategies will be informed by the iwi narrative to integrate them. An outcome of this will be a city scape that incorporates mana whenua. This will provide opportunities also to manifest the history and identity that is sometimes exclusive and sometimes shared. Whanganui will then be distinguished with a point of difference on which to build wider relationships for a prosperous and vibrant community.

*Hapū community planning*

Council encourages the development of hapū community plans. Where objectives align with the 10 Year Plan, partnership and participation opportunities will be identified. This may refer to infrastructure planning: roading, water issues, connectivity, housing projects – or economic development and cultural activities. This may also invoke inter-sectoral collaboration with funders, Te Puni Kōkiri, Regional and adjacent district councils, and the Māori Land Court.

It is intended that Council will engage with two hapū/marae led development planning projects a year.

*Marae development*

Marae and hapū communities are the repository of culture, customary practice, and mātauranga Māori. Their significance is sourced deep in whakapapa: and, in that regard, they are a taonga in the national interest. It is appropriate that Council partners with the funding sector to contribute to the maintenance and development of marae. Marae are under the jurisdiction of Te Tino Rangatiratanga, yet provide a unique public function to benefit the whole community through hospitality, education, whanaungatanga and community work. Marae are also a resource for emergency management support services.

Council will work with iwi entities and relevant public sector agencies to contribute to hapū and marae development. This will be done with a marae-hapū led approach.

*Papakāinga*

Council encourages the development of papakāinga development in the District. A papakāinga development guide is being produced to outline the process for applicants. Policy will be included in the District Plan to

[1] Op. cit: Statement by the Whanganui Lands Settlement Negotiation Trust

# Building community with iwi

harmonise the realities of customary practice with the Resource Management Act 1991. This also relates to the administration of the Ture Whenua Act 1993 by the Māori Land Court. Te Puni Kōkiri is currently charged to allocate funding for marae and papakainga development projects to Māori land trusts; and to work with Kiwi Bank in the application process for Kāinga whenua loans. Projects approved for funding by Te Puni Kōkiri will be key account managed by Council to assist their passage through the consents process to be efficient and cost effective for all parties.

*Wāhi tapu*

Council has a responsibility to assist culturally appropriate protection and acknowledgement of sites of significance, and wāhi tapu. A nomination and registration process under the District Plan can be developed with iwi to take into account hapū based kaitiakitanga; as well as the interests of private property where that is relevant and requires solutions. This item will require effective engagement with hapū; as well as key public sector agencies, for example, Heritage New Zealand and the New Zealand Archaeological Association.

*Responsiveness to Māori framework*

A responsiveness framework will be developed to align with and inform the strategic direction of Council. It will include information about activities to be scheduled for delivery. These will sit across the operations and services delivered by Council. It will be reviewed annually, and workshopped and discussed at a hui a iwi each annual planning cycle. This process will enhance Council's capacity to meet the aspirations and expectations of hapū in a mutually appropriate way.

*Cultural development programme for the organisation*

A programme will be developed to include, te reo and tikanga, and cultural activities. A schedule of key people in the Māori economy, the arts and social sectors will present to the leadership group of Council intermittently 3 or 4 times a year. The purposes of this is to inform both governance and management of the diverse realities of Māori, and the scale and depth of the Māori economy, nationally and internationally in particular.

*Māori language policy for Council*

Māori is an official language of New Zealand. It has the status of a taonga under Article II of the Treaty of Waitangi. Council has a fiduciary duty to participate in the retrieval, acquisition and maintenance of te reo Maori.

The Crown produced the Māori Language Strategy in 2014. The principles of the Strategy align with the aspirations of Māori, and Council's objectives to engage effectively with hapū and iwi in the District, thus:

i. *Whakamana whānau, whakapiki hapū, iwi:* strengthening the focus on whānau Māori hapū and iwi;
ii. *Kia tu rangatira i te ao Māori:* strengthening iwi and Māori leadership;
iii. *Mahi to tika:* supporting effective, efficient and co-ordinated government.

These principles will be incorporated into a Te Reo Policy for Council. Policy advice and evaluation will be provided by Te Taura Whiri i te Reo Māori and Te Puni Kōkiri. The policy will be developed with iwi.

# Prospective financial information

Assumptions
Capital expenditure - to improve the level of service
Capital expenditure - to replace existing assets
Funding impact statement
Prospective statement of comprehensive revenue and expense
Prospective statement of financial position
Prospective cash flow statement
Prospective statement of changes in net assets/equity
Prospective statement of reserve funds
Notes to the financial statements

# Assumptions

## Significant forecasting assumptions and risks

Schedule 10, section 17, of the Local Government Act 2002 (the Act) requires that Council identifies the significant forecasting assumptions (assumptions) and risks underlying the financial estimates in its Long Term Plan. Where there is a high level of uncertainty surrounding the assumptions, Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects of the uncertainty on the financial estimates provided.

Council has made a number of assumptions in preparing this 2018-2028 Long Term Plan. These assumptions are necessary as the planning term covers 10 years and the assumptions ensure that all estimates and forecasts are made on the same basis.

The prospective financial information contained in this 2018-2028 Long Term Plan is underpinned by the assumptions that the Council reasonably expected to occur as at 30 June 2018. The assumptions are made on the basis that there is an average of 20,947 ratepayers in the district.

Actual results are likely to vary from the information presented and these variations may be material. This financial information should not be used for any other purpose.

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| **Population growth** – The population of the district is expected to grow to a peak of approximately 45,000 by 2028-2033 and drop to 44,100 by 2043.<br><br>Dwelling growth is expected to be around 117 dwellings per year from 2018-2028 peaking in year 2033, and then dropping to 60 per year from 2028-2038 – with no new dwellings thereafter.<br><br>The average occupancy per household is expected to drop from 2.37 to 2.28 by 2028 and to 2.25 by 2043. | That population growth is lower than projected.<br><br>That population growth is higher than projected. | Medium<br><br>Medium | Low<br><br>Medium | Population growth can be affected by a number of factors, including net migration, births, deaths and the trend for people to live in smaller family groupings.<br><br>A decline in population could result in a reduction in the number of rateable properties and affect our ability to set rates at a level that is affordable to the community.<br><br>Significantly higher population growth could require the extension of infrastructure into increasingly difficult and costly subdivisions, with cost increases being funded out of debt. |
| **Resource consents** – Conditions of resource consents held by Council will not be altered significantly. | Work is not performed in accordance with the conditions of the consent.<br><br>Conditions of Council held resource consents are reviewed and altered. | Medium<br><br>Low | Medium<br><br>Medium | Breaches of resource consent conditions may result in increased costs and/or legal action taken against Council; however, the specific extent of any breaches or legal actions cannot be accurately quantified prior to their occurrence. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| **Inflation** – The financial information is based on the following adjustments for inflation. Council has used the BERL forecasts of price level changes to calculate a weighted average inflation rate for each year of the plan. Where expenditure is subject to inflation, the following rates have been applied:<br>2018/19 0%<br>2019/20 2.2%<br>2020/21 2.2%<br>2021/22 2.2%<br>2022/23 2.3%<br>2023/24 2.3%<br>2024/25 2.4%<br>2025/26 2.5%<br>2026/27 2.6%<br>2027/28 2.7% | That actual inflation will be significantly different from the assumed inflation. | Low<br>(Years 1-3)<br>Medium<br>(Years 4-10) | Low<br>(Years 1-3)<br>Medium<br>(Years 4-10) | Inflation is affected by external economic factors.<br><br>Council's costs and the income required to fund those costs will increase by Council's average rate of inflation.<br><br>While individual cost indices will at times vary from what has been included in this plan, the Council has relied on the Reserve Bank use of monetary controls to keep inflation within the 1 to 3% range.<br><br>Where the actual inflation differs from the assumed inflation the cost of the activity will differ. Lower inflation may result in Council reducing the funding. Higher inflation may increase the funding. |
| **Interest** – Interest paid on term debt is calculated at an average rate of 5.5% per annum. | That interest rates will change from those used in the calculations over the period of the Long Term Plan. | Medium | Medium | Interest rates on borrowed funds are largely influenced by factors external to the New Zealand economy.<br><br>Council mitigates interest rate uncertainty through the use of interest rate swaps and other derivatives. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| | | | | Based on Council projected debt levels, interest costs will increase or decrease annually by $1.2M in year one of the plan to $880,000 in year 10 of the plan for every 1% movement in interest rates. A significant change in interest rates could affect the amount of funds available to Council. |
| **Interest rate risk management** – Council continues to manage interest rate risk with a neutral effect by effectively fixing a large portion of its debt portfolio. | Interest rates move in a downward direction with Council unable to take full advantage of this movement. | Medium | Low | As Council's policy is to effectively fix its interest rate on a large portion of its debt portfolio, a movement in interest rates would have a minimal impact in interest costs or savings. |
| **Raising debt** – Council can raise debt at any time. | That Council cannot raise debt as and when required. | Medium | Medium | Council funds debt from bank credit lines and from issuing local authority stock, either through private placement or through the New Zealand Local Government Funding Agency. Market conditions may impact on lenders' ability to continue to fund Council debt.<br><br>New Zealand local authority stock market is dominated by a small number of significant purchasers. Overseas markets are prone to fluctuations in demand for investment in a given Country's securities. Market conditions may result in purchasers of local authority stock withdrawing from the market for a period. This means that in the short term Council may have to use cash reserves or investments in place of debt. In the medium term Council may have to delay/suspend |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| | | | | current projects. In the long term additional funding sources would have to be found or the Council budget would have to be reduced to what could be funded from current revenues.<br><br>The effect on projects would depend on the value involved and the extent to which Council could not fund from internal sources. |
| **New Zealand Transport Agency (NZTA)** requirements and specifications for the grant of subsidised work will not alter, and that all work in the submitted programme to NZTA will be approved.<br><br>The NZTA subsidy rate Council has used in the Long Term Plan is 61%. | Changes in subsidy rate and in criteria for inclusion in subsidised works programme.<br>Not all work in the programme submitted to NZTA will be approved resulting in that work not proceeding. | Medium | Medium | NZTA funding priorities may change as a result of the Land Transport Management Act 2003 and its focus on delivering the key outcomes of integration, safety, sustainability and value for money. Variations in subsidy are possible through implementation of the New Zealand Transport Strategy and Government Policy Statement on NZTA funding.<br><br>A 1% decrease in subsidy will increase Council's cost by $149,000 to $228,000 per year or $7.11 to $10.88 per ratepayer based on 20,947 ratepayers. Alternatively there may be a reduction in service. |
| **Whanganui District Council Holdings Limited dividends**<br><br>Council is forecasting to receive $1M for each year of this Plan by way of $800k in dividends and $200k in loan repayments. | That Council will not achieve the forecast rates of return. | Medium | Medium | Whanganui District Council Holdings Limited dividends and loan repayments are derived from Wanganui Gas Limited, which is subject to market fluctuations. The projected returns are based on information provided by the Chairman of Whanganui District Council Holdings Limited. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| | | | | For every $100,000 of debt repayment interest cost savings is $5,500. For every $100,000 of additional income gained or shortfall in proposed income, the impact on ratepayers is a $4.77 gain or loss respectively based on 20,947 ratepayers. |
| **Funding sources** – Council has assumed it will receive certain levels of user charges and grants, in addition to loan funding, as sources of funds for future replacement of significant assets. | That some loan funding, user charges and grants may not be achievable. | Low | Low | Levels of charges and grants have been set at previously achieved levels. Some user charges and grants under budget will be likely to be offset by some user charges and grants over budget.<br><br>User charges and grants have generally been increased by the assumed rate of inflation over the 10 year period of the plan.<br><br>Some price increases may affect the demand for services and adversely impact on Council forecast user charge income.<br><br>Council has secured loan facilities in addition to a strong credit rating from an international credit rating agency. It is unlikely that it will be unable to source loan funding for future replacement of significant assets. |
| **Asset life** –<br>Assets do not necessarily fail at the end of their design life. An asset is considered to have failed if its performance does | Earlier than planned asset failure. | Low | Medium/High | Assets are assessed on their criticality and likelihood of failure and risk ratings are established to prioritise and optimise investment programs. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| not meet expected serviceability requirements. | | | | Asset replacements - Capital projects may need to be brought forward in the event of asset failure affecting interest costs and levels of debt. |
| **Asset data knowledge –** Council has an accurate record of assets to enable good decision making. | Incorrect asset data resulting in incorrect expenditure and loss of service potential. | Low/Medium | Medium/High | Over the past few years Council has been undertaking extensive modelling of its infrastructure networks to improve data information on the condition of its assets. However, where data information remains incomplete, or is inaccurate, there is potential for over-investment or under-investment in assets. |
| **Timing of capital projects and accuracy of cost estimates**<br><br>That capital projects will be completed within the projected timeframes and budget cost estimates. | Capital projects are delayed or take longer to complete than estimated.<br><br>Actual capital project costs are significantly under or over budget. | Medium<br><br>Medium | Medium<br><br>Medium | Delay in completing projects could result in an escalation of costs in addition to Council not being able to deliver required levels of services.<br><br>Significant variances of actual capital costs to budgeted capital costs may result in either:<br>• Over-collecting revenue from various sources, such as development contributions, fees and rates; or.<br>• Funding shortfall, placing additional pressure on Council resources, such as borrowings and rates. |
| **Revaluation of non-current assets –** From time to time we revalue our assets to understand how much they are worth. Through our planning, | Price level changes may not be in line with BERL forecasts resulting in a big difference between how much we thought the asset | Medium | Low | Revaluations are impacted by information available on asset conditions. As better information on asset condition is obtained revaluations may differ from those calculated in this Plan. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| we make assumptions about how much we think the assets will be worth when they are revalued. Council has used the BERL forecasts of price level change adjustors for each year of the plan. The following rates have been applied to the appropriate asset types:<br><br>**Year applied** **Water**<br>2019/20 8.3%<br>2022/23 7.7%<br>2025/26 8.6%<br><br>**Year applied** **Buildings**<br>2020/21 6.5%<br>2023/24 7.0%<br>2026/27 7.7%<br><br>**Year applied** **Roading**<br>2019/20 6.2%<br>2022/23 7.1%<br>2025/26 7.7%<br>**Year applied** **Investment properties**<br>2018/19 2.0%<br>2019/20 2.2% | would be worth and how much it is actually worth. | | | |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| 2020/21 2.2%<br>2021/22 2.2%<br>2022/23 2.3%<br>2023/24 2.3%<br>2024/25 2.4%<br>2025/26 2.5%<br>2026/27 2.6%<br>2027/28 2.7% | | | | |
| **Depreciation on planned asset acquisitions** – Asset condition is as per Council's detailed asset register with the following average depreciation rates being used for planned asset acquisition:<br><br>Infrastructure<br>Roading network 3.6%<br>Wastewater system 2.6%<br>Stormwater system 1.7%<br>Water system 2.6%<br>Airport runway 10%<br>Buildings & improvements 2%-20%<br>Other fixed assets 10%-33% | Actual wear and tear of assets will not mirror current depreciation rates. | Low | Low | Council has an asset management planning and improvement programme in place. Asset capacity and condition is monitored, with replacement works being planned in accordance with standard asset management and professional practices. Depreciation is calculated in accordance with normal accounting and asset management practices. |
| **Changes in society** – Based on the projected demographic profile of the district this plan assumes: | The expected demographic changes do not transpire in the predicted areas, impacting on the provision | Low | Low | The district's projected demographic profile was taken into account in preparing the asset management plans, service plans and activity plans. A significant change in the projected profile |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| • an aging population,<br>• an increase in ethnic diversity, although at a lower rate than the rest of New Zealand,<br>• an increase in the Maori population,<br>• the district's ethnic make-up will remain predominantly European and Maori. | of services for the area and the district as a whole. | | | could impact on the provision of age specific service delivery and infrastructure, which may become obsolete or underutilised sooner than anticipated. |
| **Potential climate change impacts**<br><br>Whanganui expects:<br><br>* average temperatures to rise by 1° C by year 2040 and 2° C by year 2090<br><br>* wetter conditions with annual precipitation up 3% and winter rainfall up 8% by year 2090<br><br>* an 80cm sea level rise by 2090.<br><br>This will increase the frequency and intensity of natural events. | Planning has not adequately accounted for climate change impacts and the associated cost. | Medium | Medium | Accretion, sedimentation of the river, greater flooding, impacts on coastal environment and settlements, increased stormwater flooding, higher river levels, increased groundwater levels and hill side erosion and impact on resources to manage events. Infrastructure damage may affect the levels of maintenance in any one year or replacement timeframes may be varied as a result. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| **Carbon credits -** that Council will not receive any carbon credits or pay any charges through the Emissions Trading Scheme. | Government changes to Emissions Trading Scheme rules. | High | Low | The previous Government reviewed the Emissions Trading Scheme providing uncertainty over its future, applicability and effect on Council. There are two main services that potentially trigger Emissions Trading – landfill gases and forestry. Council's old landfill has insufficient gas emission to be of concern whilst Council's forestry holding potentially triggers carbon credits or charges for Council. The quantum and eventuality of any credits or charges is dependent on any changes to the scheme implemented by the current Government. |
| **Shared services** – Council partners with other agencies to deliver services in a cost effective manner. | Partnerships do not deliver the desired outcomes.<br><br>The desired outcomes are delivered at an increased cost. | Low<br><br>Low | Low<br><br>Medium | External factors may impact on provider's ability to deliver services at the expected level.<br><br>There are existing agreements between Council and other agencies for the delivery of services. Non delivery could result in an increased cost to Council or an unexpected drop in service levels. |
| **Central government** – Council is unable to confidently predict any Government statutory or policy changes. Therefore this plan assumes Council is operating under the current regime of statutory and policy provision. | There are unexpected changes that alter the services provided by Council. | Medium/High | Low | Most changes to legislation are programmed and known about in advance. Any Government changes to legislation will result in appropriate Council response during future annual and long term planning. Only in extraordinary circumstances (such as public outcry over a particular incident) would unexpected changes to legislation be promoted. Central government is likely to share part of any cost associated with major legislative changes. |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| **Earthquake strengthening of buildings** – it is assumed a budget of $9.4M over this Long Term Plan will be sufficient for planned work on Council-owned buildings. | That the costs of earthquake strengthening Council-owned buildings within the next 10 years will exceed the $9.4M to be raised and that the costs cannot be funded out of normal budgetary provisions. | Medium | Medium | Council continues to review the seismic strength of our buildings, with a program of works scheduled on a priority basis. As we obtain a better understanding of the physical seismic work required for each building we are able to place a greater level of confidence on the budget allocations. For the first few years of our Long Term Plan we are able to place a reasonable level of confidence on our estimated seismic costs, with less accuracy able to apply to buildings scheduled to be upgraded in later years. . |
| **Insurance** – it is assumed Council's assets are adequately covered for loss. | That the insurance market continues to suffer as a result of recent natural disaster events and that the cost of insurance continues to rise. | Medium | Low | The effect of the Christchurch earthquake has seen substantial cost increases for insurance and issues with obtaining cover at all. Council continues to get insurance for significant assets, and will continue to self-insure lower value assets. |
| **Natural hazard events –** There will be natural hazard events e.g. flooding, landslides, severe winds that cause localised damage about every 3-5 years which will be funded from a combination of debt, rates and insurance. | There are natural hazard events more often than expected risk assessments. | Medium | High | Although Council has faced natural disaster events in the past, and coped adequately, climate change predictions are that some events could become more frequent and more intense. The potential effect of a natural disaster on Council's financial position is dependent upon the scale, duration and location of the event. Central government assistance and insurance contracts would reduce some of the Council's financial risk. Emergency Management plans and legislation allow for Government assistance where communities are |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| | | | | unable to cope with the emergency relief and recovery works. |
| **Earthquakes** – The Council is not expecting a significant earthquake in the period of this Long Term Plan that causes damage to Council assets. | A significant earthquake strikes that causes major damage to Council and community assets. | Low | High | Although the likelihood of Whanganui experiencing a significant earthquake that causes major damage is very low, recent earthquakes in Christchurch and Kaikoura have highlighted the extent of damage that can occur. As with all natural hazard events Emergency Management plans and legislation allow for Government assistance where communities are unable to cope with the emergency relief and recovery works. |
| **Development contributions** – Growth will occur at the projected rate and in the projected order. | Development contributions are not recovered to match expenditure of network upgrades. | Medium | Medium | Council has undertaken careful planning of growth demand projects so that expenditure and recovery match market demand.<br><br>However if growth projects are inaccurate budgets may be insufficient or inappropriate for the level of actual growth, sufficient revenue may not be gathered. |
| **Sarjeant Gallery Redevelopment**<br><br>It is assumed the following budgeted capital costs will be sufficient for Council to complete planned work on the Sarjeant Gallery:<br>2017/18 $1.5M<br>2018/19 $12.5M | The costs of the redevelopment project will exceed $34M.<br><br>The financial targets for fundraising from external sources will not be met. | Medium<br><br>High | High<br><br>High | Although Council has undertaken extensive costing of this project there is still potential for costs to vary to that budgeted.<br><br>Council has a team of committed volunteers and a proven professional fundraising organisation working towards meeting the required financial targets. However the risk remains that the financial targets for fundraising cannot be met which could result in either a redesign of the |

# Assumptions

| Forecasting assumptions | Risk | Level of uncertainty | Financial materiality | Reasons and financial effect of uncertainty |
|---|---|---|---|---|
| 2019/20 $12M<br>2020/21 $8M<br><br>Funding for this project includes $29M contributions from Central Government, corporate and philanthropic organisations and individuals. | | | | project, additional costs to Council, or the redevelopment project not proceeding |
| **Wastewater Treatment Plant**<br><br>The wastewater treatment plant will be fully operational by the commencement of this Long Term Plan.<br><br>Operating costs will be similar to those forecasted. | That the treatment plant is not fully operational by the commencement of this Long Term Plan.<br><br>That operating cost forecasts are under or overstated due to assumptions on loads, and current price estimates. | Low<br><br>Medium | High<br><br>High | The build and commissioning phase is due to be completed prior the July 2018 and is on track to meet these timelines.<br><br>Although Council has undertaken extensive costing of this project there is still potential for operating costs to vary to those budgeted. |
| **Sale of forestry assets**<br><br>It is assumed the sale of forestry assets will be completed prior to the commencement of this Long Term Plan. | That the forestry assets will not be sold prior to the commencement of this Long Term Plan. | Medium | Medium | The sale of the forestry assets is currently awaiting the Overseas Investment Office approval. It is expected this will be granted prior to the commencement of this Long Term Plan. If the sale does not proceed by 30 June 2018, Council's opening debt position for 2018/19 will be $11.7M higher than forecast in this plan. This will have a minor impact on interest paid by Council, depending on how long the sale is delayed. |

# Funding impact statement

## Background

The rates requirement figures quoted in the sections below include GST at the current GST rate of 15%.

Small movements to the indicative rates stated in this document may occur as the Rating Information Database changes to 30 June 2018 and will be reflected in the final rates resolution.

The Council will not invite lump sum contributions for any rate.

## Definitions

### Separately used and inhabited part of rating unit (SUIP)

The Council defines a Separately Used or Inhabited Part of a Rating Unit (SUIP) as any part of the rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, license or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual use by persons for purposes of conducting a business.

### Differential categories

Where councils propose to assess rates on a differential basis, they are limited to the list of matters specified in schedule 2 of the Local Government (Rating) Act 2002. Council is required to state which matters will be used for what purpose and the categories of any differentials.

The list of activities and the funding mechanisms used are included in the following table, along with some explanation of the terminology used. As part of the consideration process and to form a sound basis for establishing any differential rates, the Council considered how the rates funded activities should be apportioned to different rating groups. The Council uses three generic rating groups for consideration of allocation. Those groups are commercial, farming and residential. As the step between residential and farming is so large the Council has determined that the transition is based on the size of the property and there is an even transition from full residential rate to farming. For the purposes of Council consideration, the residential group includes any property less than three hectares and the farming group any property not a commercial property greater than three hectares.

The allocation of activities to groups is achieved using the Rating Information Database corrected as at 30 June each rating year. The list of activities and the allocation basis used for each are included in the table below, along with the indicative resulting percentage allocations for the 2018/19 rating year based on the Rating Information Database as at May 2018. The percentages will have small movements between this document and the final rates resolution, and from year to year as the Rating Information Database changes.

### Allocation of activities to rating groups

Council has four types of allocations to rating groups:

**Unit** means that the activity has been split in proportion to the number of units in each rating group. Units are based on the number of SUIPs, with a minimum of one unit per property.

**CV2** means that the activity has been split in proportion to the capital values of the groups, with commercial properties being attributed 200% of

# Funding impact statement

their capital value. This loading for commercial properties has been made to reflect what Council believes to be a more equitable split for the activity. The loading applies to environmental related services and reflects the commercial gain that is obtained through inspection and certification for commercial premises.

**CVU** means that the activity is attributed to commercial and residential properties only according to the proportion of capital value for the groups. These activities have been allocated in this manner because there is little or no benefit attributable to farming properties.

**Special** means that the activity requires a special allocation to ensure equitable funding of the activity. The allocation to rating groups is based on a decision of Council.

| | Allocation to groups | | | |
|---|---|---|---|---|
| **Activity** | **Basis** | **Commercial** | **Farming** | **Residential** |
| **General rate activities** | | | | |
| Airport | Unit | 8.5% | 8.0.% | 83.5% |
| Animal management | Unit | 8.5% | 8.0% | 83.5% |
| Building control | CV2 | 32.6% | 18.2% | 49.2% |
| Cemeteries | Unit | 8.5% | 8.0.% | 83.5% |
| Central Business District maintenance | Unit | 8.5% | 8.0.% | 83.5% |
| City Endowment | Unit | 8.5% | 8.0.% | 83.5% |
| Community | Unit | 8.5% | 8.0.% | 83.5% |
| Community and operational property | Unit | 8.5% | 8.0.% | 83.5% |
| Community buildings | Unit | 8.5% | 8.0.% | 83.5% |
| Cooks Gardens | Unit | 8.5% | 8.0.% | 83.5% |
| Durie Hill elevator | Unit | 8.5% | 8.0.% | 83.5% |
| Emergency management (Civil Defence) | Unit | 8.5% | 8.0.% | 83.5% |
| Environmental health | CV2 | 32.6% | 18.2% | 49.2% |
| Environmental policy | CV2 | 32.6% | 18.2% | 49.2% |
| Governance | Unit | 8.5% | 8.0.% | 83.5% |
| Investments | Unit | 8.5% | 8.0.% | 83.5% |
| i-site | Special | 61.0% | 7.0% | 32.0% |
| Libraries | Unit | 8.5% | 8.0.% | 83.5% |
| Parking services | Unit | 8.5% | 8.0.% | 83.5% |
| Parks and reserves | Unit | 8.5% | 8.0.% | 83.5% |
| Port and river | Unit | 8.5% | 8.0% | 83.5% |
| Resource management | CV2 | 32.6% | 18.2% | 49.2% |
| Royal Wanganui Opera House | Unit | 8.5% | 8.0.% | 83.5% |
| Sarjeant Gallery | Unit | 8.5% | 8.0.% | 83.5% |
| Swimming pools | Unit | 8.5% | 8.0.% | 83.5% |
| War Memorial Centre | Unit | 8.5% | 8.0.% | 83.5% |
| Waste minimisation | Special | 20% | 30% | 50% |
| Waterways and natural | CVU | 24.9% | 0.0% | 75.1% |
| Whanganui & Partners – | Special | 61.0% | 7.0% | 32.0% |
| Whanganui Regional Museum | Unit | 8.5% | 8.0.% | 83.5% |
| | | | | |
| **Roads and footpaths rate** | | | | |
| Footpaths and berms | CVU | 24.9% | 0.0% | 75.1% |
| Roading | Special | 36% | 32% | 32% |

Note:

- Pensioner housing, Harbour Endowment and Corporate Management have no rates input.
- Water supply, Stormwater and Wastewater are not differentiated into commercial, residential or farming groups. The rates for these activities are differentiated based on usage of the service to ensure equity and for efficient revenue collection.

# Funding impact statement

Further information on differential categories adopted for the 2018/19 financial year can be found under each type of rate.

## Uniform annual general charge – amount to be collected $18,157,350

A Uniform annual general charge (UAGC) set under section 15 of the Local Government (Rating) Act 2002, on a fixed amount per Separately Used or Inhabited Part of a Rating Unit of $831.00.

The UAGC funds a portion of the general rate. It is not based on a calculation of part of any activity costs but is assessed to be a reasonable amount to charge.

## General rate – amount to be collected $14,139,820

A differential general rate, set under section 13 and 14 of the Local Government (Rating) Act 2002, on the land value of each rating unit as follows:

| | Indicative cents in the dollar | Differential ratio |
|---|---|---|
| **Commercial** | | |
| Properties used for commercial or industrial purposes | 1.5185 | 1.99 |
| *Properties not used for commercial or industrial purposes that are:* | | |
| **Residential** | | |
| less than 0·5 hectares | 0.7633 | 1.0 |
| greater than or equal to 0·5 hectares but less than 1 hectare | 0.6714 | 0.88 |
| greater than or equal to 1 hectare but less than 2 hectares | 0.5794 | 0.76 |
| greater than or equal to 2 hectares but less than 3 hectares | 0.4876 | 0.64 |
| **Farming** | | |
| greater than or equal to 3 hectares but less than 4 hectares | 0.3957 | 0.52 |
| greater than or equal to 4 hectares but less than 5 hectares | 0.3038 | 0.40 |
| greater than or equal to 5 hectares but less than 10 hectares | 0.2119 | 0.28 |
| greater than or equal to 10 hectares | 0.1201 | 0.16 |

**Differentials**

The Council will differentiate the general rate based on use and area. The differential categories include:

A. Commercial or industrial properties means any land that meets one or more of the following criteria::

- All land used for any commercial or industrial purposes.
- All land used by any government department or agency or local body agency.
- All vacant land within the Whanganui District which is zoned for commercial or industrial purposes.
- All land used for educational purposes not otherwise exempted by legislation.

Commercial or industrial purposes' includes the sale of liquor, but excludes:

- A home occupation as defined by the operative Whanganui District Plan; and
- Farming or horticulture.

B. Less than ·5 hectares means – Any rating unit not included in A above with a land area of less than 5,000 square metres.

C. Greater than or equal to 5,000 square metres but less than 1 hectare means – Any rating unit not included in A above with a land area of 5,000 square metres or more but less than 10,000 square metres.

D. Greater than or equal to 1 hectares but less than 2 hectares means – Any rating unit not included in A above with a land area of 10,000 square metres or more but less than 20,000 square metres.

E. Greater than or equal to 2 hectares but less than 3 hectares means – Any rating unit not

# Funding impact statement

included in A above with a land area of 20,000 square metres or more but less than 30,000 square metres.
F. Greater than or equal to 3 hectares but less than 4 hectares – Any rating unit not included in A above with a land area of 30,000 square metres or more but less than 40,000 square metres.
G. Greater than or equal to 4 hectares but less than 5 hectares – Any rating unit not included in A above with a land area of 40,000 square metres or more but less than 50,000 square metres.
H. Greater than or equal to 5 hectares but less than 10 hectares – Any rating unit not included in A above with a land area of 50,000 square metres or more but less than 100,000 square metres.
I. Greater than or equal to 10 hectares – Any rating unit not included in A above with a land area of 100,000 square metres or more.

Rating units that have more than one use (or where there is doubt about the primary use) will be placed in the category with the highest differential factor. The Council may consider rating such a property by apportioning the land value between the separate uses and rate each portion according to the appropriate category. Note that, subject to rights of objection to the rating information database set out in Section 29 of the Local Government (Rating) Act 2002, the Council is the sole determiner of the categories.
Each activity funded by the General rate is apportioned between the Residential, Farming and Commercial categories as outlined in the Allocation of activities to rating groups section. The rates attributed to the Commercial category are apportioned to commercial or industrial properties on land value. Rate attribute to the Residential category are apportioned to properties less than 3 hectares. Rate attribute to the Farming category are apportioned to properties greater than 3 hectares. The differential is calculated each year based on land values in each differential category and ensures 7 even steps between a farm of greater than 10 hectares and a residential property of less than 0.5 hectares.

## Roads and footpaths rate – amount to be collected $9,432,597

A differential targeted rate for roads and footpaths, set under section 16 of the Local Government (Rating) Act 2002, on the capital value of each rating unit as follows:

| | Indicative cents in the dollar | Amount collected |
|---|---|---|
| Residential | 0.09599 cents per dollar of capital value on every rating unit in the 'Residential' category. | $3,662,649 |
| Farming | 0.17894 cents per dollar of capital value on every rating unit in the 'Farming' category. | $2,530,841 |
| Commercial | 0.26530 cents per dollar of capital value on every rating unit in the 'Commercial' category. | $3,239,107 |

**Differentials**
*Residential*
All rating units not included within the 'Commercial' category where the land area is less than 30,000 square metres.
*Farming*
All rating units not included within the 'Commercial' category where the land area is 30,000 square metres or greater.

*Commercial*
- All land used for any commercial or industrial purposes.
- All land used by any government department or agency or local body agency.
- All vacant land within the Whanganui District which is zoned for commercial or industrial purposes.
- All land used for educational purposes not otherwise exempted by legislation.

'Commercial or industrial purposes' includes the sale of liquor, but excludes:
- A home occupation as defined by the operative Whanganui District Plan; and
- Farming or horticulture.

## Roading resilience rate – amount to be collected $984,630

A differential targeted rate for the purpose of reducing debt for the roading activity set under section 16 of the Local Government (Rating) Act 2002, as a fixed amount per separately used or inhabited part of a rating unit as follows:

| | Indicative rate |
|---|---|
| Residential | $44.70 per separately used or inhabited part of a rating unit in the 'Residential' category |

# Funding impact statement

| | |
|---|---|
| Farming | $49.70 per separately used or inhabited part of a rating unit in the 'Farming' category |
| Commercial | $44.70 per separately used or inhabited part of a rating unit in the 'Commercial' category |

The differential relationship between the categories is that Farming properties are assessed for $5.00 more per SUIP than Residential and Commercial properties.

**Differentials**
*Residential*
All rating units not included within the 'Commercial' category where the land area is less than 30,000 square metres.
*Farming*
All rating units not included within the 'Commercial' category where the land area is 30,000 square metres or greater.
*Commercial*

- All land used for any commercial or industrial purposes.
- All land used by any government department or agency or local body agency.
- All vacant land within the Whanganui District which is zoned for commercial or industrial purposes.
- All land used for educational purposes not otherwise exempted by legislation.

'Commercial or industrial purposes' includes the sale of liquor, but excludes:

- A home occupation as defined by the operative Whanganui District Plan; and
- Farming or horticulture.

## Targeted rate on exotic forestry properties - amount to be collected $155,250

A targeted rate for roading pavement renewals required to remediate roads used by vehicles associated with exotic forestry plantations in the district, set under section 16 of the Local Government (Rating) Act 2002, on the capital value of land used as exotic forestry plantations. The indicative amount of the rate will be 0.2550 cents per dollar of capital value.

## Earthquake strengthening and building replacement rate – amount to be collected $1,116,517

A differential targeted rate for earthquake strengthening works on Council-owned buildings set under section 16 of the Local Government (Rating) Act 2002, as a fixed amount per separately used or inhabited part of a rating unit as follows:

| | **Indicative rate** |
|---|---|
| Residential | $51.00 per separately used or inhabited part of a rating unit in the 'Residential' category |
| Farming | $51.00 per separately used or inhabited part of a rating unit in the 'Farming' category |
| Commercial | $52.00 per separately used or inhabited part of a rating unit in the 'Commercial' category |

The differential relationship between the categories is that Commercial properties are assessed for $1.00 more per SUIP than Residential and Farming properties.

**Differentials**
*Residential*
All rating units not included within the 'Commercial' category where the land area is less than 30,000 square metres.
*Farming*
All rating units not included within the 'Commercial' category where the land area is 30,000 square metres or greater.
*Commercial*

- All land used for any commercial or industrial purposes.
- All land used by any government department or agency or local body agency.
- All vacant land within the Whanganui District which is zoned for commercial or industrial purposes.
- All land used for educational purposes not otherwise exempted by legislation.

# Funding impact statement

'Commercial or industrial purposes' includes the sale of liquor, but excludes:

- A home occupation as defined by the operative Whanganui District Plan; and
- Farming or horticulture.

## Debt retirement rate – amount to be collected $673,980

A differential targeted rate to retire debt attributable to the cost of the city stormwater disposal system or other infrastructure system as decided by the Council set under section 16 of the Local Government (Rating) Act 2002, on the basis of the capital value of each rating unit that has a connection or for which connection is available. This charge will be set on a differential basis based on the availability of the service. The categories are 'connected' and 'serviceable' and 'other'. Rating units in the 'other' category are charged a fixed amount per separately used or inhabited part of a rating unit.

| | Indicative rate | Differential relationship |
|---|---|---|
| Connected | 0.0176 cents in the dollar on capital value on every rating unit in the 'connected' category. | 1.0 |
| Serviceable | 0.0088 cents in the dollar on capital value on every rating unit in the 'serviceable' category. | 0.5 |
| Other | $20.00 per separately used or inhabited part of a rating unit that is in the 'other' category. | Indicative amount to be collected $67,980 |

**Differentials**

Differentials are based on the following categories:

| | |
|---|---|
| Connected | Any rating unit that is connected to the city stormwater disposal system. |
| Serviceable | Any rating unit that is not connected but is practicably able to be connected and within 30 metres of the city stormwater disposal system. |
| Other | Any rating unit not included in the 'connected' or 'serviceable' category. |

## City water supply – amount to be collected $6,597,798 including water by meter

A differential targeted rate for city water supply set under section 16 and 19 of the Local Government (Rating) Act 2002, as follows:

| | Indicative rate | Differential ratio |
|---|---|---|
| Connected | $261.99 per separately used or inhabited part of a rating unit that is connected to the city water system and is not metered. | 1.0 |
| Serviceable | $131.00 per separately used or inhabited part of a rating unit that is not connected, but is practicably able to be connected to the city water system. | 0.5 |
| Metered supply | $261.99 for part of or the whole first 310 cubic metres consumed or supplied, plus 84.51 cents per cubic metre for every cubic metre over the first 310 cubic metres that is consumed or supplied. | 1.0 (plus per cubic metre over 310m3) |
| Rural extraordinary | $211.09 per separately used or inhabited part of a rating unit supplied , plus 68.08 cents per cubic metre for every cubic metre consumed or supplied in excess of the first 310 cubic metres. | 0.8 (plus per cubic metre over 310m3) |

# Funding impact statement

The city water supply system includes the city, Mowhanau, Putiki South and Airport water supplies for the purposes of this rate.

**Differentials**

Differentials are based on the following categories:

| | |
|---|---|
| Connected | Any rating unit with an ordinary connection being a connection equivalent to 20mm MDPE pipe to the city water supply system. |
| Serviceable | Any rating unit within 100 metres of the city water supply system but that does not have a connection to the system. |
| Metered supply | Any rating unit that is not 'rural extraordinary' and that has a connection greater than the equivalent of 20mm MDPE pipe to the city water supply system. |
| Rural extraordinary | Any rating unit in the rural ward (excluding Mowhananu. Putiki South and airport) that is connected to the city water supply system. |

## City water firefighting – amount to be collected $1,305,696

A targeted uniform rate for provision and maintenance of a water supply for firefighting on rating units within the urban boundary per the operative District Plan, set under section 16 of the Local Government (Rating) Act 2002, at an indicative rate of 0.02900 cents per dollar of capital value on each rating unit.

## Maxwell water supply – amount to be collected $73,744 including water by meter

A differential targeted rate to meet the costs of the Maxwell water supply, set under sections 16 and 19 of the Local Government (Rating) Act 2002, as follows:

| | Indicative rate | Amount collected |
|---|---|---|
| Residential | $345.00 per separately used or inhabited part of a rating unit in the 'residential' category connected to the Maxwell water system. | $17,250 |
| Dairy | $69.00 per hectare on every rating unit in the 'dairy' category connected to the Maxwell water system. | $11,173 |
| Rural | $15.24 per hectare on every rating unit within the 'rural' category connected to the Maxwell water system. | $16,572 |

Plus 63.25 cents per cubic metre of water supplied to every rating unit connected to the Maxwell water supply system.

**Differentials**

Differentials are based on the following categories:

| | |
|---|---|
| Residential | Any rating unit primarily used as a residence. |
| Dairy | Any rating unit primarily used as a dairy farm. |
| Rural | Any rating unit that is not primarily a residence or a dairy farm. |

## Westmere water supply – amount to be collected $170,887 including water by meter

A targeted rate, set under sections 16 and 19 of the Local Government (Rating) Act 2002, to meet the cost of the Westmere water supply at an indicative rate of $261.99 for the first 310 cubic metres of water supplied, plus 84.51 cents per cubic metre of water supplied in excess of 310 cubic metres to any rating unit connected to the Westmere water system.

# Funding impact statement

## Fordell water supply – amount to be collected $50,544 including water by meter

A differential targeted rate to meet the costs of the Fordell water supply, set under sections 16 and 19 of the Local Government (Rating) Act 2002, as follows:

| | Indicative rate | Amount collected |
|---|---|---|
| Residential | $195.40 per separately used or inhabited part of a rating unit in the 'residential' category connected to the Fordell water system. | $23,839 |
| Rural | $9.38 per hectare on every rating unit in the 'rural' category connected to the Fordell water system. | $25,555 |
| Dairy | $35.55 per hectare on every rating unit in the 'dairy' category connected to the Fordell water system. | $0 |
| Other | 78.15 cents per cubic metre supplied on every rating unit in the 'other' category connected to the Fordell water system. | |

**Differentials**

Differentials are based on the following categories:

| | |
|---|---|
| Residential | Any rating unit primarily used as a residence. |
| Other | In relation to the Fordell water supply means the Fordell Sale yards. |
| Dairy | Any rating unit primarily used as a dairy farm. |
| Rural | Any rating unit that is not primarily a residence or a dairy farm or the Fordell Sale Yards. |

## City wastewater – amount to be collected $8,207,271

A differential targeted rate for the operations, maintenance and development of the city wastewater disposal system, set under section 16 of the Local Government (Rating) Act 2002, assessed on rating units that are connected to the city wastewater disposal system, as follows:

| | Indicative rate | Differential ratio |
|---|---|---|
| Residential | $424.13 per separately used or inhabited part of a rating unit that is in the 'Residential' category and is connected to the city wastewater disposal system | 1.0 |
| Non-residential single pan | $424.13 per separately used or inhabited part of a rating unit that is in the 'Non-residential single pan ' category and is connected to the city wastewater disposal system | 1.0 |
| Non-residential multi pan | $212.06 per pan that is in the " Non-residential multi pan" category and is connected to the city wastewater disposal system | 0.5 |

**Differentials**

Residential — All rating units where the land area is less than 30,000 square metres and the property is not used commercially ...

*Commercial means*

- All land used for any commercial or industrial purposes.
- All land used by any government department or agency or local body agency.
- All vacant land within the Whanganui District which is zoned for commercial or industrial purposes.

# Funding impact statement

| | |
|---|---|
| Non-residential single pan | Any rating unit that is not residential and has a single pan |
| Non-residential multi pans | Any rating unit that is not residential and has more than one pan. |

For the avoidance of doubt, rating units that are not connected to the city wastewater disposal system are not assessed for this rate.

### Trade waste contributions to the city wastewater treatment plant upgrade – amount to be collected $708,724

A targeted rate set on a differential basis to meet the marginal costs of increasing the scale of the upgraded city wastewater treatment plant to cater for large volume and load trade waste discharges, set under section 16 of the Local Government (Rating) Act 2002. The rate is assessed on rating units operated as businesses that discharge more than 100m$^3$ of trade waste per day through the city wastewater disposal system and predominantly located as follows:

| **Businesses discharging more than 100m$^3$ of trade waste per day predominantly located at** | **Indicative amount of rate and amount to be collected in the 2018/19 year** | **Indicative % of rate to be collected in the 2018/19 year** |
|---|---|---|
| 57 Balgownie Ave, Whanganui | $336,842 | 47.528 |
| 325 Heads Road, Whanganui | $214,290 | 30.236 |
| 47 Bryce St, Whanganui | $90,050 | 12.706 |
| 241 Heads Rd, Whanganui | $33,891 | 4.782 |
| 49 Bryce St, Whanganui | $33,650 | 4.748 |
| **Total** | **$708,724** | **100** |

### Trade waste fixed operating costs – amount to be collected $790,527

A targeted rate assessed on rating units operated as businesses that discharge more than 100m3 of trade waste per day through the city wastewater disposal system to meet the fixed operating costs of the conveyance, treatment and disposal of large volume trade waste discharges, set under section 16 of the Local Government (Rating) Act 2002. The rate is assessed as follows:

| **Indicative rate** |
|---|
| $34.848 per m3 average daily flow set via the discharge permit issued under Council's Trade Waste Bylaw 2018, plus |
| $11.786 per kg average daily Chemical Oxygen Demand (COD) set via the discharge permit issued under Council's Trade Waste Bylaw 2018, plus |
| $44.182 per kg average daily Total Suspended Solids (TSS) set via the discharge permit issued under Council's Trade Waste Bylaw 2018. |

### Marybank wastewater – amount to be collected $21,748

A differential targeted rate to meet the costs of the Marybank wastewater disposal system, set under section 16 of the Local Government (Rating) Act 2002, as follows:

# Funding impact statement

| | Indicative rate | Differential ratio |
|---|---|---|
| Connected | $378.22 per separately used or inhabited part of a rating unit in the 'connected' category that is connected to the Marybank wastewater disposal system. | 1.0 |
| Serviceable | $189.11 per separately used or inhabited part of a rating unit in the 'serviceable' category that is not connected but is practicably able to be connected to the Marybank wastewater disposal system. | 0.5 |

## Mowhanau wastewater – amount to be collected $29,068

A differential targeted rate to meet the costs of the Mowhanau wastewater disposal system, set under section 16 of the Local Government (Rating) Act 2002, as follows:

| | Indicative rate | Differential ratio |
|---|---|---|
| Connected | $390.18 per separately used or inhabited part of a rating unit in the 'connected' category that is connected to the Mowhanau wastewater disposal system. | 1.0 |
| Serviceable | $195.09 per separately used or inhabited part of a rating unit in the 'serviceable' category that is not connected but is practicably able to be connected to the Mowhanau wastewater disposal system. | 0.5 |

## Stormwater disposal – amount to be collected $5,928,902

A differential targeted rate to meet the costs of the city stormwater disposal system, set under section 16 of the Local Government (Rating) Act 2002, on the basis of the capital value of each rating unit that has a connection or for which connection is available. This charge will be set on a differential basis based on the availability of the service. The categories are 'connected' and 'serviceable'.

| | Indicative rate | Differential ratio |
|---|---|---|
| Connected | 0.1725 cents in the dollar on capital value on every rating unit in the 'connected' category. | 1.0 |
| Serviceable | 0.0863 cents in the dollar on capital value on every rating unit in the 'serviceable' category. | 0.5 |

**Differentials**

Differentials are based on the following categories:

| | |
|---|---|
| Connected | Any rating unit that is connected to the city stormwater disposal system. |
| Serviceable | Any rating unit that is not connected but is practicably able to be connected and within 30 metres of the city stormwater disposal system. |

# Funding impact statement

## Stormwater separation loans

A targeted rate to meet the repayment of advances made to assist with the costs of separation of stormwater and wastewater, set under section 16 of the Local Government (Rating) Act 2002.

Properties subject to this rate are those to which Council has made a stormwater separation loan. Stormwater separation loans have been made to assist property owners with the cost of separating wastewater and stormwater. Property owners can opt to have the loans over a period of two to five years with the first two years being interest free. The documentation for the advances records that the loans are secured as a rate. To formalise that process, the repayment is included in the rates setting process. The loans are on a differential basis according to the term selected by the ratepayer.

The rates are:

| | |
|---|---|
| Loan over 2 years | A rate of 50 cents for each dollar originally advanced by the Council. |
| Loan over 3 years | A rate of 33.85 cents for each dollar originally advanced by the Council. |
| Loan over 4 years | A rate of 25.99 cents for each dollar originally advanced by the Council. |
| Loan over 5 years | A rate of 21.33 cents for each dollar originally advanced by the Council. |

## Central Business District (CBD) services – amount to be collected $531,814

A differential targeted rate to meet the costs of CBD cleaning, maintenance and the Mainstreet Whanganui promotional levy, set under section 16 of the Local Government (Rating) Act 2002, on all commercial rating units in CBD A and CBD B as follows:

| | Indicative rate | Differential ratio |
|---|---|---|
| CBD A | 0.4472 cents per dollar of capital value on every rating unit that is in the 'CBD A' category. | 1.0 |
| CBD B | 0.1789 cents per dollar of capital value on every rating unit that is in the 'CBD B' category. | 0.4 |

Plus $319.40 per separately used or inhabited part of a rating unit for every rating unit that is in the 'CBD A' or 'CBD B' category.

**Differentials**

Council differentiates the CBD services rate based on use and where the land is situated:

CBD A The commercial properties in Victoria Avenue from Taupo Quay to Ingestre Street, Guyton Street from St Hill Street to Wicksteed Street, Maria Place from St Hill Street to Watt Street, Ridgway Street from St Hill Street to Drews Avenue.

CBD B All commercial properties inside the area bounded by St Hill Street, Ingestre Street, Wicksteed Street, Watt Street, Drews Avenue, Taupo Quay, which are not included as CBD A. In all cases the street refers to the street centre line.

*Commercial:*

- All land used for any commercial or industrial purposes.
- All land used by any government department or agency or local body agency.
- All vacant land within the Whanganui District which is zoned for commercial or industrial purposes.
- All land used for educational purposes not otherwise exempted by legislation.

'Commercial or industrial purposes' includes the sale of liquor, but excludes:

# Funding impact statement

- A home occupation as defined by the operative Whanganui District Plan; and
- Farming or horticulture.

### Separate works rates

Targeted rates to finance the costs of capital development of the roading network in the areas defined below, set under section 16 of the Local Government (Rating) Act 2002.

Whangaehu Valley Road Nº 1 Upper Whangaehu Road

Whangaehu Valley Road Nº 2 Mangamahu Road and Creek Road

The following separate works rates will be assessed on the land value of each rateable property in the appropriate area. Total revenue is quoted in each case.

| | |
|---|---|
| Whangaehu Valley Road Nº 1 | to collect $11,837, an indicative rate of 0.02840 cents per dollar of land value. |
| Whangaehu Valley Road Nº 2 | to collect $9,558, an indicative rate of 0.01919 cents per dollar of land value. |

Currently Council collects special rates in the Whangaehu Valley Road area. While Council itself does not contribute to the roading improvements on these roads, Council does collect a special rate on behalf of the local ratepayers for roading improvements that meet New Zealand Transport Agency's funding Net Present Value criteria.

## Payment by instalment

Rates (except those for metered water and stormwater separation loans) are payable in four equal instalments on the following due dates:

| *Instalment* | *Due date* |
|---|---|
| Instalment 1 | Wednesday, 29 August 2018 |
| Instalment 2 | Wednesday, 28 November 2018 |
| Instalment 3 | Wednesday, 27 February 2019 |
| Instalment 4 | Wednesday, 29 May 2019 |

## Discount

A discount of 2.5% will be allowed on all net 2018/19 rates paid in full by the due date of the first instalment for 2018/19.

## Payment of metered water rates

Water meters are read on either a monthly or six monthly basis. The table below outlines when payment for metered water is due, relative to the date that the meter is read.

| *Reading Date* | *Due date* |
|---|---|
| July 2018 | 20 August 2018 |
| August 2018 | 20 September 2018 |
| September 2018 | 20 October 2018 |
| October 2018 | 20 November 2018 |

# Funding impact statement

| | |
|---|---|
| November 2018 | 20 December 2018 |
| December 2018 | 20 February 2019 |
| January 2019 | 20 February 2019 |
| February 2019 | 20 March 2019 |
| March 2019 | 20 April 2019 |
| April 2019 | 20 May 2019 |
| May 2019 | 20 June 2019 |
| June 2019 | 20 August 2019 |

## Additional charges (penalty)

For rates (excluding metered water and private stormwater separation loans), an additional charge of 10% will be added to all instalments or part thereof remaining unpaid on the date that is seven (7) days after the due date as follows:

| *Instalment* | *Date on which penalty will be added* |
|---|---|
| Instalment 1 | Wednesday, 5 September 2018 |
| Instalment 2 | Wednesday, 5 December 2018 |
| Instalment 3 | Wednesday, 6 March 2019 |
| Instalment 4 | Wednesday, 5 June 2019 |

An additional charge of 10% will be added to all metered water rates that remain unpaid on the date that is seven (7) days after the due date as follows:

| *Reading Date* | *Date on which penalty will be added* |
|---|---|
| July 2018 | 27 August 2018 |
| August 2018 | 27 September 2018 |
| September 2018 | 27 October 2018 |
| October 2018 | 27 November 2018 |
| November 2018 | 27 December 2018 |
| December 2018 | 27 February 2019 |
| January 2019 | 27 February 2019 |
| February 2019 | 27 March 2019 |
| March 2019 | 27 April 2019 |
| April 2019 | 27 May 2019 |
| May 2019 | 27 June 2019 |
| June 2019 | 27 August 2019 |

An additional charge of 10% will be added to all stormwater separation loan instalments that remain unpaid on the date that is seven (7) days after the due date.

Additional charges of 10% will be added to rates assessed in any previous financial year that remain unpaid on 26 July 2018. The penalty will be added on 26 July 2018 and again on 26 January 2019 if the amount remains unpaid.

# Funding impact statement

The table shows examples of rates for a range of residential, farming and commercial properties. This table is indicative only and the effect on individual properties will vary.

| Property Type | Land value | Capital value | UAGC | General Rate | Roading & Footpaths | Roading resilience | Exotic forestry | Earthquake strengthening | Debt retirement | City water supply | City water firefighting | City Wastewater | Stormwater disposal | 2018/19 total rates | $ increase | % increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential (Stormwater serviceable) | $51,000 | $90,000 | $831 | $389 | $86 | $45 | $0 | $51 | $8 | $262 | $26 | $421 | $78 | $2,197 | $118 | 5.7% |
| Residential (Stormwater connected) | $24,000 | $138,000 | $831 | $183 | $132 | $45 | $0 | $51 | $24 | $262 | $40 | $421 | $238 | $2,228 | $113 | 5.3% |
| Residential (Stormwater connected) | $63,000 | $175,000 | $831 | $481 | $168 | $45 | $0 | $51 | $31 | $262 | $51 | $421 | $302 | $2,642 | $141 | 5.6% |
| Residential (Stormwater connected) | $75,000 | $225,000 | $831 | $572 | $216 | $45 | $0 | $51 | $40 | $262 | $65 | $421 | $388 | $2,891 | $155 | 5.7% |
| Residential (Stormwater connected) | $98,000 | $320,000 | $831 | $748 | $307 | $45 | $0 | $51 | $56 | $262 | $93 | $421 | $552 | $3,366 | $183 | 5.7% |
| Residential (Stormwater connected) | $144,000 | $450,000 | $831 | $1,099 | $432 | $45 | $0 | $51 | $79 | $262 | $131 | $421 | $776 | $4,127 | $229 | 5.9% |
| Lifestyle | $240,000 | $515,000 | $831 | $950 | $922 | $50 | $0 | $51 | $20 | $0 | $0 | $0 | $0 | $2,823 | $115 | 4.3% |
| Farming | $710,000 | $940,000 | $831 | $853 | $1,682 | $50 | $0 | $51 | $20 | $0 | $0 | $0 | $0 | $3,486 | $34 | 1.0% |
| Farming | $1,850,000 | $2,300,000 | $831 | $2,222 | $4,116 | $50 | $0 | $51 | $20 | $0 | $0 | $0 | $0 | $7,289 | $56 | 0.8% |
| Farming | $3,070,000 | $3,770,000 | $831 | $3,687 | $6,746 | $50 | $0 | $51 | $20 | $0 | $0 | $0 | $0 | $11,385 | $81 | 0.7% |
| Exotic forestry | $260,000 | $290,000 | $831 | $312 | $519 | $50 | $740 | $51 | $20 | $0 | $0 | $0 | $0 | $2,522 | $751 | 42.4% |
| Exotic forestry | $1,050,000 | $1,170,000 | $831 | $1,261 | $2,094 | $50 | $2,984 | $51 | $20 | $0 | $0 | $0 | $0 | $7,290 | $3,002 | 70.0% |
| Commercial | $95,000 | $315,000 | $831 | $1,443 | $836 | $45 | $0 | $52 | $55 | $262 | $91 | $421 | $543 | $4,579 | $33 | 0.7% |
| Commercial | $275,000 | $820,000 | $1,662 | $4,176 | $2,175 | $89 | $0 | $104 | $144 | $524 | $238 | $842 | $1,415 | $11,370 | $3 | 0.0% |
| Commercial | $265,000 | $1,810,000 | $831 | $4,024 | $4,802 | $45 | $0 | $52 | $319 | $262 | $525 | $1,053 | $3,122 | $15,034 | $247 | 1.7% |

# Funding impact statement

## Whanganui District Council: Funding impact statement for 2018-2028 (whole of council)

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sources of operating funding** | | | | | | | | | | | |
| General rates, uniform annual general charges, rates penalties | 27,930 | 28,296 | 28,651 | 30,188 | 30,396 | 30,839 | 31,715 | 31,933 | 33,141 | 33,288 | 34,048 |
| Targeted rates | 29,918 | 31,936 | 33,904 | 34,819 | 35,768 | 36,507 | 36,858 | 37,323 | 38,429 | 38,959 | 39,987 |
| Subsidies and grants for operating purposes | 3,686 | 4,004 | 3,731 | 3,754 | 4,164 | 3,954 | 3,969 | 4,234 | 4,248 | 4,245 | 4,543 |
| Fees and charges | 6,872 | 8,816 | 9,230 | 9,406 | 9,679 | 10,004 | 10,250 | 10,522 | 10,799 | 11,139 | 11,455 |
| Interest and dividends from investments | 898 | 1,110 | 1,099 | 1,087 | 1,076 | 1,064 | 1,053 | 1,041 | 1,029 | 1,018 | 1,006 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 2,345 | 2,146 | 2,224 | 2,194 | 2,233 | 2,355 | 2,315 | 2,362 | 2,491 | 2,470 | 2,522 |
| **Total operating funding (A)** | **71,649** | **76,308** | **78,839** | **81,448** | **83,316** | **84,723** | **86,160** | **87,415** | **90,137** | **91,119** | **93,561** |
| **Application of operating funding** | | | | | | | | | | | |
| Payments to staff and suppliers | 49,197 | 55,464 | 55,496 | 57,514 | 59,224 | 59,391 | 60,401 | 62,080 | 63,593 | 65,380 | 67,291 |
| Finance costs | 6,121 | 6,100 | 6,449 | 6,652 | 6,585 | 6,519 | 6,354 | 6,031 | 5,779 | 5,578 | 5,376 |
| Other operating funding applications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total application of operating funding (B)** | **55,318** | **61,564** | **61,945** | **64,166** | **65,809** | **65,910** | **66,755** | **68,111** | **69,372** | **70,958** | **72,667** |
| **Surplus (deficit) of operating funding (A - B)** | **16,331** | **14,744** | **16,894** | **17,282** | **17,507** | **18,813** | **19,405** | **19,304** | **20,765** | **20,161** | **20,894** |
| **Sources of capital funding** | | | | | | | | | | | |
| Subsidies and grants for capital expenditure | 5,812 | 7,811 | 6,999 | 5,753 | 5,447 | 5,614 | 5,805 | 7,981 | 8,128 | 10,042 | 8,026 |
| Development and financial contributions | 0 | 15 | 120 | 192 | 154 | 424 | 473 | 491 | 383 | 644 | 562 |
| Increase (decrease) in debt | 30,481 | 4,870 | 5,246 | (1,349) | (3,262) | (1,419) | (6,820) | (7,050) | (4,543) | (5,411) | (4,819) |
| Gross proceeds from asset sales | 0 | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other dedicated capital funding | 2,584 | 12,529 | 8,205 | 8,385 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| **Total sources of capital funding (C)** | **38,877** | **25,275** | **20,570** | **12,981** | **2,368** | **4,648** | **(513)** | **1,451** | **3,997** | **5,304** | **3,798** |
| **Application of capital funding** | | | | | | | | | | | |
| Capital expenditure | | | | | | | | | | | |
| -to meet additional demand | 0 | 910 | 1,845 | 940 | 2,071 | 1,731 | 643 | 286 | 868 | 817 | 309 |
| -to improve the level of service | 36,272 | 22,514 | 18,448 | 13,796 | 4,086 | 6,808 | 3,774 | 4,053 | 4,560 | 6,082 | 4,235 |
| -to replace existing assets | 18,746 | 16,630 | 17,661 | 15,607 | 13,798 | 15,002 | 14,555 | 16,496 | 19,414 | 18,646 | 20,228 |
| Increase (decrease) in reserves | 390 | 165 | (290) | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Increase (decrease) of investments | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) |
| **Total application of capital funding (D)** | **55,208** | **40,019** | **37,464** | **30,263** | **19,875** | **23,461** | **18,892** | **20,755** | **24,762** | **25,465** | **24,692** |
| **Surplus (deficit) of capital funding (C - D)** | **(16,331)** | **(14,744)** | **(16,894)** | **(17,282)** | **(17,507)** | **(18,813)** | **(19,405)** | **(19,304)** | **(20,765)** | **(20,161)** | **(20,894)** |
| **Funding balance ((A - B) + (C - D))** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

# Prospective statement of comprehensive revenue and expense

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Rates revenue** | | | | | | | | | | | |
| Rates - excluding metered water, trade waste and penalties | 54,595 | 57,275 | 59,498 | 61,850 | 63,007 | 64,188 | 65,416 | 66,098 | 68,412 | 69,089 | 70,878 |
| Rates - metered water, trade waste and penalties | 3,254 | 2,957 | 3,057 | 3,157 | 3,157 | 3,158 | 3,157 | 3,157 | 3,158 | 3,158 | 3,158 |
| **Total Rates** | **57,849** | **60,232** | **62,555** | **65,007** | **66,164** | **67,346** | **68,573** | **69,255** | **71,570** | **72,247** | **74,036** |
| **Non rate revenue** | | | | | | | | | | | |
| Subsidies and grants | 9,498 | 11,815 | 10,729 | 9,507 | 9,611 | 9,569 | 9,774 | 12,215 | 12,377 | 14,287 | 12,568 |
| Development and financial contributions | 0 | 15 | 120 | 192 | 154 | 424 | 473 | 492 | 382 | 644 | 562 |
| Fees and charges | 6,872 | 8,816 | 9,230 | 9,406 | 9,679 | 10,004 | 10,250 | 10,522 | 10,799 | 11,139 | 11,455 |
| Interest and dividends from investments | 898 | 1,110 | 1,099 | 1,087 | 1,076 | 1,064 | 1,053 | 1,041 | 1,029 | 1,018 | 1,006 |
| Other dedicated capital funding | 2,584 | 12,529 | 8,205 | 8,384 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Other revenue | 2,961 | 2,629 | 2,767 | 2,749 | 2,799 | 2,960 | 2,934 | 3,023 | 3,196 | 3,222 | 3,323 |
| **Total non rate revenue** | **22,813** | **36,914** | **32,150** | **31,325** | **23,348** | **24,050** | **24,513** | **27,322** | **27,812** | **30,339** | **28,943** |
| **Total revenue** | **80,662** | **97,146** | **94,705** | **96,332** | **89,512** | **91,396** | **93,086** | **96,577** | **99,382** | **102,586** | **102,979** |
| **Expenditure** | | | | | | | | | | | |
| Personnel costs | 15,909 | 16,738 | 17,065 | 17,749 | 17,979 | 18,393 | 18,854 | 19,307 | 19,854 | 20,370 | 20,920 |
| Finance costs | 6,121 | 6,100 | 6,449 | 6,652 | 6,585 | 6,519 | 6,355 | 6,031 | 5,779 | 5,578 | 5,376 |
| Depreciation and amortisation expense | 20,404 | 19,441 | 20,261 | 22,537 | 23,023 | 23,098 | 25,062 | 25,203 | 25,238 | 27,416 | 27,715 |
| Other expenses | 33,288 | 38,726 | 38,430 | 39,764 | 41,244 | 40,999 | 41,546 | 42,773 | 43,739 | 45,010 | 46,370 |
| **Total expenditure** | **75,722** | **81,005** | **82,205** | **86,702** | **88,831** | **89,009** | **91,817** | **93,314** | **94,610** | **98,374** | **100,381** |
| **Surplus/(deficit)** | **4,940** | **16,141** | **12,500** | **9,630** | **681** | **2,387** | **1,269** | **3,263** | **4,772** | **4,212** | **2,598** |
| *Surplus/(deficit) attributable to:* | | | | | | | | | | | |
| Whanganui District Council | 4,940 | 16,141 | 12,500 | 9,630 | 681 | 2,387 | 1,269 | 3,263 | 4,772 | 4,212 | 2,598 |
| **Other comprehensive revenue and expense** | | | | | | | | | | | |
| Gain on infrastructure revaluations | 0 | 0 | 55,006 | 0 | 0 | 58,999 | 0 | 0 | 68,745 | 0 | 0 |
| Gain on property revaluations | 0 | 0 | 0 | 7,184 | 0 | 0 | 7,703 | 0 | 0 | 8,316 | 0 |
| **Total other comprehensive revenue and expense** | **0** | **0** | **55,006** | **7,184** | **0** | **58,999** | **7,703** | **0** | **68,745** | **8,316** | **0** |
| **Total comprehensive revenue and expense** | **4,940** | **16,141** | **67,506** | **16,814** | **681** | **61,386** | **8,972** | **3,263** | **73,517** | **12,528** | **2,598** |
| *Total comprehensive revenue and expense attributable to:* | | | | | | | | | | | |
| Whanganui District Council | 4,940 | 16,141 | 67,506 | 16,814 | 681 | 61,386 | 8,972 | 3,263 | 73,517 | 12,528 | 2,598 |

# Prospective statement of financial position

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | |
| Cash and cash equivalents | 3,777 | 4,086 | 3,877 | 4,078 | 4,282 | 4,492 | 4,703 | 4,921 | 5,145 | 5,376 | 5,614 |
| Receivables | 7,184 | 7,070 | 7,225 | 7,385 | 7,547 | 7,720 | 7,898 | 8,087 | 8,290 | 8,505 | 8,735 |
| Inventory | 124 | - | - | - | - | - | - | - | - | - | - |
| Non-current assets held for sale | 430 | - | - | - | - | - | - | - | - | - | - |
| *Total current asets* | 11,515 | 11,156 | 11,102 | 11,463 | 11,829 | 12,212 | 12,601 | 13,008 | 13,435 | 13,881 | 14,349 |
| **Non-current assets** | | | | | | | | | | | |
| Investment in Whanganui District Council Holdings Limited | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 | 7,846 |
| Other financial assets | 3,778 | 4,091 | 3,891 | 3,691 | 3,491 | 3,291 | 3,091 | 2,891 | 2,691 | 2,491 | 2,291 |
| *Total other financial assets* | 11,624 | 11,937 | 11,737 | 11,537 | 11,337 | 11,137 | 10,937 | 10,737 | 10,537 | 10,337 | 10,137 |
| Property, plant and equipment | 968,777 | 944,561 | 1,017,268 | 1,032,263 | 1,029,149 | 1,088,610 | 1,090,234 | 1,085,880 | 1,154,238 | 1,160,639 | 1,157,717 |
| Forestry assets | 7,448 | - | - | - | - | - | - | - | - | - | - |
| Intangible assets | 1,284 | 778 | 770 | 765 | 811 | 792 | 780 | 767 | 758 | 802 | 781 |
| Investment property | 25,670 | 24,661 | 25,204 | 25,758 | 26,325 | 26,931 | 27,550 | 28,211 | 28,916 | 29,668 | 30,469 |
| *Total non-current assets* | 1,014,803 | 981,937 | 1,054,979 | 1,070,323 | 1,067,622 | 1,127,470 | 1,129,501 | 1,125,595 | 1,194,449 | 1,201,446 | 1,199,104 |
| **Total assets** | **1,026,318** | **993,093** | **1,066,081** | **1,081,786** | **1,079,451** | **1,139,682** | **1,142,102** | **1,138,603** | **1,207,884** | **1,215,327** | **1,213,453** |
| **Liabilities** | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | |
| Payables | 8,831 | 10,739 | 10,943 | 11,152 | 11,365 | 11,594 | 11,827 | 12,076 | 12,341 | 12,625 | 12,926 |
| Borrowings | 25,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 | 9,000 |
| Employee entitlements | 1,892 | 1,316 | 1,345 | 1,374 | 1,404 | 1,436 | 1,468 | 1,503 | 1,541 | 1,580 | 1,623 |
| *Total current liabilities* | 35,723 | 21,055 | 21,288 | 21,526 | 21,769 | 22,030 | 22,295 | 22,579 | 22,882 | 23,205 | 23,549 |
| **Non-current liabilities** | | | | | | | | | | | |
| Borrowings | 101,541 | 107,372 | 112,618 | 111,269 | 108,007 | 106,588 | 99,768 | 92,718 | 88,175 | 82,764 | 77,945 |
| Deferred tax liability | 22 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Derivative financial instruments | 12,475 | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 |
| Employee entitlements | 143 | 120 | 123 | 125 | 128 | 131 | 134 | 138 | 141 | 145 | 148 |
| *Total non-current liabilities* | 114,181 | 115,842 | 121,091 | 119,744 | 116,485 | 115,069 | 108,252 | 101,206 | 96,666 | 91,259 | 86,443 |
| **Total liabilities** | **149,904** | **136,897** | **142,379** | **141,270** | **138,254** | **137,099** | **130,547** | **123,785** | **119,548** | **114,464** | **109,992** |
| **Net assets (assets minus liabilites)** | **876,414** | **856,196** | **923,702** | **940,516** | **941,197** | **1,002,583** | **1,011,555** | **1,014,818** | **1,088,336** | **1,100,863** | **1,103,461** |
| **Equity** | | | | | | | | | | | |
| Accumulated funds | 539,545 | 578,709 | 591,499 | 601,009 | 601,570 | 603,837 | 604,986 | 608,129 | 612,781 | 616,873 | 619,351 |
| Revaluation reserves | 279,264 | 216,463 | 271,469 | 278,653 | 278,653 | 337,652 | 345,355 | 345,355 | 414,101 | 422,416 | 422,416 |
| Restricted reserves | 57,246 | 60,317 | 60,027 | 60,147 | 60,267 | 60,387 | 60,507 | 60,627 | 60,747 | 60,867 | 60,987 |
| Other reserves | 359 | 707 | 707 | 707 | 707 | 707 | 707 | 707 | 707 | 707 | 707 |
| **Total equity** | **876,414** | **856,196** | **923,702** | **940,516** | **941,197** | **1,002,583** | **1,011,555** | **1,014,818** | **1,088,336** | **1,100,863** | **1,103,461** |
| Investments in CCOs and similar entities | 8,550 | 8,641 | 8,641 | 8,641 | 8,641 | 8,641 | 8,641 | 8,641 | 8,641 | 8,641 | 8,641 |

# Prospective cash flow statement

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | | | | |
| Receipts from rates revenue | 57,849 | 60,232 | 62,555 | 65,007 | 66,164 | 67,346 | 68,573 | 69,255 | 71,570 | 72,247 | 74,036 |
| Subsidies and grants | 9,497 | 11,815 | 10,730 | 9,506 | 9,611 | 9,569 | 9,774 | 12,216 | 12,377 | 14,288 | 12,568 |
| Interest received | 298 | 306 | 294 | 282 | 271 | 259 | 248 | 236 | 224 | 213 | 201 |
| Dividends received | 600 | 805 | 805 | 805 | 805 | 805 | 805 | 805 | 805 | 805 | 805 |
| Other dedicated capital funding | 2,584 | 12,528 | 8,205 | 8,384 | 29 | 29 | 29 | 29 | 29 | 28 | 29 |
| Receipts from other revenue | 9,217 | 10,977 | 11,430 | 11,645 | 11,915 | 12,621 | 12,874 | 13,199 | 13,484 | 14,053 | 14,326 |
| Payments to suppliers | (33,288) | (38,726) | (38,206) | (39,534) | (41,010) | (40,749) | (41,290) | (42,500) | (43,447) | (44,698) | (46,039) |
| Payments to employees | (15,909) | (16,738) | (17,066) | (17,749) | (17,979) | (18,392) | (18,855) | (19,307) | (19,854) | (20,371) | (20,920) |
| Interest paid | (6,121) | (6,100) | (6,449) | (6,652) | (6,585) | (6,519) | (6,355) | (6,031) | (5,779) | (5,578) | (5,376) |
| *Net cash flow from operating activities* | 24,727 | 35,099 | 32,298 | 31,694 | 23,221 | 24,969 | 25,803 | 27,902 | 29,409 | 30,987 | 29,630 |
| **Cash flows from investing activities** | | | | | | | | | | | |
| Purchase of property, plant and equipment | (54,918) | (39,960) | (37,904) | (30,293) | (19,855) | (23,491) | (18,922) | (20,785) | (24,792) | (25,445) | (24,722) |
| Purchase of intangible assets | (100) | (94) | (50) | (50) | (100) | (50) | (50) | (50) | (50) | (100) | (50) |
| Receipts from sale of property, plant and equipment | - | 50 | - | - | - | - | - | - | - | - | - |
| Receipts for sale and maturity of investments | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| *Net cash flow from investing activities* | (54,818) | (39,804) | (37,754) | (30,143) | (19,755) | (23,341) | (18,772) | (20,635) | (24,642) | (25,345) | (24,572) |
| **Cash flows from financing activities** | | - | - | - | - | - | - | - | - | - | - |
| Proceeds from borrowing | 39,318 | 12,663 | 13,651 | 7,579 | 5,937 | 8,185 | 2,969 | 2,938 | 5,078 | 4,682 | 5,416 |
| Repayment of borrowing | (8,836) | (7,793) | (8,405) | (8,928) | (9,199) | (9,604) | (9,789) | (9,988) | (9,621) | (10,093) | (10,235) |
| *Net cash flow from financing activities* | 30,482 | 4,870 | 5,246 | (1,349) | (3,262) | (1,419) | (6,820) | (7,050) | (4,543) | (5,411) | (4,819) |
| **Net (decrease)/increase in cash, cash equivalents, and bank overdrafts** | 391 | 165 | (210) | 202 | 204 | 209 | 211 | 217 | 224 | 231 | 239 |
| Cash, cash equivalents, and bank overdrafts at the beginning of the year | 3,387 | 3,921 | 4,086 | 3,876 | 4,078 | 4,282 | 4,491 | 4,702 | 4,919 | 5,143 | 5,374 |
| **Cash, cash equivalents, and bank overdrafts at the end of the year** | **3,778** | **4,086** | **3,876** | **4,078** | **4,282** | **4,491** | **4,702** | **4,919** | **5,143** | **5,374** | **5,613** |

# Prospective statement of changes in net assets/equity

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July** | 871,475 | 840,055 | 856,196 | 923,702 | 940,516 | 941,197 | 1,002,583 | 1,011,555 | 1,014,818 | 1,088,335 | 1,100,862 |
| Total comprehensive revenue and expense for the year | 4,939 | 16,141 | 67,506 | 16,814 | 681 | 61,386 | 8,972 | 3,263 | 73,517 | 12,527 | 2,598 |
| **Balance at 30 June** | **876,414** | **856,196** | **923,702** | **940,516** | **941,197** | **1,002,583** | **1,011,555** | **1,014,818** | **1,088,335** | **1,100,862** | **1,103,460** |
| Represented by: | | | | | | | | | | | |
| **Retained earnings** | | | | | | | | | | | |
| Balance at 1 July | 535,355 | 563,439 | 579,415 | 592,205 | 601,715 | 602,276 | 604,543 | 605,692 | 608,835 | 613,487 | 617,579 |
| Transfers (to)/from restricted reserves | (390) | (165) | 290 | (120) | (120) | (120) | (120) | (120) | (120) | (120) | (120) |
| Surplus/(deficit) for the year | 4,939 | 16,141 | 12,500 | 9,630 | 681 | 2,387 | 1,269 | 3,263 | 4,772 | 4,212 | 2,598 |
| **Balance at 30 June** | **539,904** | **579,415** | **592,205** | **601,715** | **602,276** | **604,543** | **605,692** | **608,835** | **613,487** | **617,579** | **620,057** |
| **Restricted reserves** | | | | | | | | | | | |
| Balance at 1 July | 56,856 | 60,152 | 60,317 | 60,027 | 60,147 | 60,267 | 60,387 | 60,507 | 60,627 | 60,747 | 60,867 |
| Transfers (to)/from retained earnings | 390 | 165 | (290) | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| **Balance at 30 June** | **57,246** | **60,317** | **60,027** | **60,147** | **60,267** | **60,387** | **60,507** | **60,627** | **60,747** | **60,867** | **60,987** |
| **Asset revaluation reserves** | | | | | | | | | | | |
| Balance at 1 July | 279,264 | 216,463 | 216,463 | 271,469 | 278,653 | 278,653 | 337,652 | 345,355 | 345,355 | 414,101 | 422,417 |
| Revaluation gains/(losses) | - | - | 55,006 | 7,184 | - | 58,999 | 7,703 | - | 68,746 | 8,316 | - |
| **Balance at 30 June** | **279,264** | **216,463** | **271,469** | **278,653** | **278,653** | **337,652** | **345,355** | **345,355** | **414,101** | **422,417** | **422,417** |
| **Total equity** | **876,414** | **856,195** | **923,701** | **940,515** | **941,196** | **1,002,582** | **1,011,554** | **1,014,817** | **1,088,335** | **1,100,863** | **1,103,461** |

Note: Closing equity as per the 2017/18 Annual Plan and opening equity for 2018/19 differ due to the timing of these relative forecasts and the impact of actual revaluation and financial movements that and financial movements that have occurred during 2016/17 and the financial year to date.

# Prospective statement of reserve funds

**Restricted Reserves consists of:**

| Reserve | Activities to which the reserve relates | Purpose of the reserve | Balance at 1 July 2018 $000 | Deposits 2018-2028 $000 | Withdrawls 2018-2028 $000 | Balance at 30 June 2028 $000 |
|---|---|---|---|---|---|---|
| Self funding insurance | All activities | To set aside funds to cover insurance excesses | 2,739 | 300 | 0 | 3,039 |
| City Endowment | Investments | To provide alternative income for funding of Council activities | 21,934 | 900 | (600) | 22,234 |
| Harbour Endowment | Investments | To provide funds for operation and maintenance of the Port | 26,444 | 180 | 0 | 26,624 |
| Henry Sarjeant Bequest | Community & cultural | To fund the purchase of artworks | 656 | 101 | 0 | 757 |
| Hutton Estate | Community & cultural | To fund Sarjeant Gallery expenditure | 3 | 0 | 0 | 3 |
| Robertson Art Prize Fund | Community & cultural | To fund art competitions and grants | 12 | 2 | 0 | 14 |
| Grave maintenance bequests | Community facilities and services | Maintenance of specific grave sites | 20 | 3 | 0 | 23 |
| Waste minimisation levy | Community facilities and services | To fund waste minimisations services | 304 | 46 | 0 | 350 |
| CBD parking fund | Community facilities and services | To fund CBD parking infrastructure | 343 | 96 | (410) | 29 |
| Heritage Building Preservation fund | Community facilities and services | To fund future IEP grants | 152 | 23 | 0 | 175 |
| De-sexing program | Community facilities and services | To fund future dog de-sexing program | 15 | 2 | 0 | 17 |
| MA Larsen Bequest | Parks and recreation | To finance improvements at the Bason Reserve | 586 | 88 | 0 | 674 |
| Kowhai Park Improvements fund | Parks and recreation | To fund improvements to Kowhai Park | 0 | 0 | 0 | 0 |
| T Waight Park fund | Parks and recreation | For improvements at Thomas Waight Park | 29 | 4 | 0 | 33 |
| Fairbridge Bequest | Parks and recreation | For upgrading work at the Winter Gardens | 10 | 2 | 0 | 12 |
| Vera Thrush Donation | Parks and recreation | To improve Virginia Lake access | 0 | 0 | 0 | 0 |
| Dovey Gazebo fund | Parks and recreation | For Bason Reserve maintenance | 8 | 1 | 0 | 9 |
| Birch Reserve Fund | Parks and recreation | To provide funds for maintenance of parks and reserves | 106 | 16 | 0 | 122 |
| Kai Iwi Trust | Parks and recreation | Council is trustee for Maori land at Kai Iwi | 19 | 3 | 0 | 22 |
| J McLean Bequest | Parks and recreation | Reserve created on historic bequest | 11 | 2 | 0 | 13 |
| Handley Park fund | Parks and recreation | To fund improvements at Handley Park | 6 | 1 | 0 | 7 |
| Suzuki Donation | Parks and recreation | For qualifying expenditure | 9 | 1 | 0 | 10 |
| Nicholson bequest | Parks and recreation | For qualifying expenditure | 40 | 6 | 0 | 46 |
| Crown and other trusts' properties | Parks and recreation | Properties adminstered on behalf of third parties | 6,254 | 0 | 0 | 6,254 |
| Rural road special rate - Whangaehu No 1 | Roads, footpaths and pathways | Rural rates specifically collected for future works | 34 | 5 | 0 | 39 |
| Rural road special rate - Whangaehu No 2 | Roads, footpaths and pathways | Rural rates specifically collected for future works | 69 | 10 | 0 | 79 |
| CUVL renewals fund | Economic development | To fund renewals of community under-veranda lighting | 185 | 28 | 0 | 213 |
| International Education | Economic development | To fund education initiatives | 12 | 2 | 0 | 14 |
| The Waitotara Centennial Fund | Corporate | To fund Outward Bound trips for approved people | 38 | 6 | 0 | 44 |
| Aged Citizens Benefit Trust | Corporate | To benefit aged citizens | 5 | 1 | 0 | 6 |
| Tram Fund | Community & cultural | To fund the Tram project | 10 | 2 | 0 | 12 |
| Community Development grants | Community & cultural | To fund Youth Committee projects | 17 | 3 | 0 | 20 |
| LI Smith Bequest | Community & cultural | To fund an arts award | 82 | 12 | 0 | 94 |
| | | | **60,152** | **1,845** | **(1,010)** | **60,987** |

# Notes to the financial statements

**Note 1 - Reconciliation of Prospective statement of comprehensive revenue and expense to the Funding impact statement (FIS)**
The Funding impact statements are prepared in accordance to with the Local Government (Financial Reporting and Prudence) Regulations 2014.
They do not comply with Generally accepted accounting practices (GAAP). However, the Statement of comprehensive revenue and expense is prepared in compliance with GAAP.
The following is a reconciliation between the revenue and expense shown on the statement of comprehensive revenue and expense and the funding impact statement for the whole of Council

| | Annual Plan 2017/18 $000 | 2018/19 $000 | 2019/20 $000 | 2020/21 $000 | 2021/22 $000 | 2022/23 $000 | 2023/24 $000 | 2024/25 $000 | 2025/26 $000 | 2026/27 $000 | 2027/28 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating funding in the FIS | 71,649 | 76,308 | 78,839 | 81,448 | 83,316 | 84,723 | 86,160 | 87,415 | 90,137 | 91,119 | 93,561 |
| Subsidies and grants for capital expenditure | 5,812 | 7,811 | 6,999 | 5,753 | 5,447 | 5,614 | 5,805 | 7,981 | 8,128 | 10,043 | 8,026 |
| Development and financial contributions | 0 | 15 | 120 | 192 | 154 | 424 | 474 | 492 | 383 | 644 | 563 |
| Other dedicated capital funding | 2,584 | 12,529 | 8,205 | 8,384 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Net gain and losses not included in the FIS | 616 | 484 | 543 | 554 | 567 | 605 | 619 | 661 | 705 | 752 | 801 |
| **Total Revenue in the Statement of Comprehensive revenue and expense** | **80,661** | **97,146** | **94,705** | **96,332** | **89,512** | **91,396** | **93,086** | **96,577** | **99,382** | **102,586** | **102,979** |
| Application of operating funding in the FIS | 55,318 | 61,564 | 61,945 | 64,165 | 65,808 | 65,911 | 66,755 | 68,111 | 69,372 | 70,958 | 72,667 |
| Depreciation not included in the FIS | 20,404 | 19,441 | 20,261 | 22,537 | 23,023 | 23,098 | 25,062 | 25,202 | 25,238 | 27,416 | 27,715 |
| **Total expenditure in the statement of revenue and expense** | **75,722** | **81,005** | **82,205** | **86,702** | **88,831** | **89,009** | **91,817** | **93,314** | **94,610** | **98,374** | **100,381** |
| **Note 2 - Targeted rates for metered water supply** | | | | | | | | | | | |
| Targeted rates for metered water supply | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 | 1,446 |
| **Note 3 - Depreciation and amortisation by group of activities** | | | | | | | | | | | |
| Community and cultural | 677 | 475 | 940 | 1,188 | 1,448 | 1,454 | 1,429 | 1,496 | 1,476 | 1,466 | 1,533 |
| Community facilities and services | 354 | 288 | 316 | 475 | 457 | 442 | 418 | 434 | 409 | 400 | 415 |
| Corporate | 564 | 455 | 492 | 498 | 538 | 520 | 654 | 633 | 588 | 628 | 603 |
| Economic development | 17 | 1 | 1 | 1 | | | | | | | |
| Investments | 141 | 70 | 72 | 78 | 85 | 86 | 85 | 98 | 97 | 112 | 122 |
| Parks and recreation | 605 | 662 | 651 | 652 | 687 | 672 | 660 | 688 | 687 | 699 | 724 |
| Provision of roads and footpaths | 9,129 | 8,653 | 8,806 | 9,721 | 9,702 | 9,671 | 10,624 | 10,557 | 10,598 | 11,791 | 11,870 |
| Transportation | 90 | 163 | 167 | 219 | 258 | 246 | 303 | 308 | 295 | 296 | 299 |
| Sewerage and the treatment and disposal of sewage | 4,285 | 4,677 | 4,718 | 5,153 | 5,209 | 5,273 | 5,727 | 5,744 | 5,768 | 6,224 | 6,265 |
| Water supply | 2,450 | 2,023 | 2,093 | 2,326 | 2,370 | 2,418 | 2,632 | 2,670 | 2,706 | 2,942 | 2,987 |
| Stormwater drainage | 2,092 | 1,974 | 2,005 | 2,225 | 2,269 | 2,316 | 2,530 | 2,574 | 2,614 | 2,858 | 2,897 |
| **Depreciation and amortisation expense** | **20,404** | **19,441** | **20,261** | **22,536** | **23,023** | **23,098** | **25,062** | **25,202** | **25,238** | **27,416** | **27,715** |

| **Note 4 - Rating base information** | Year (as at 30 June) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** |
| Projected number of rating units within the district | 20,947 | 21,064 | 21,181 | 21,298 | 21,415 | 21,532 | 21,649 | 21,766 | 21,883 | 22,000 |

# Long Term Plan disclosure statement for the period commencing 1 July 2018

## What is the purpose of this statement?

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

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

## Rates affordability benchmarks

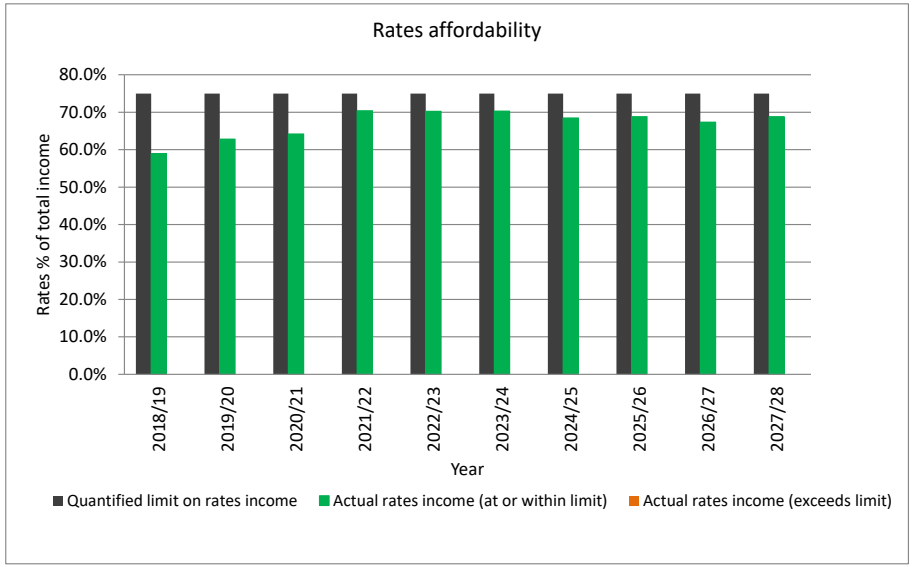
The council meets the rates affordability benchmark if—

- its planned rates income (excluding metered water, trade waste and penalties) equals or is less than each quantified limit on rates; and.
- its planned rates increases (excluding metered water, trade waste and penalties) 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 income contained in the financial strategy included in this Long Term Plan. The quantified limit is:

- Rates revenue (excluding water by meter, trade waste and penalties) will not be more than 75% of Council's total revenue

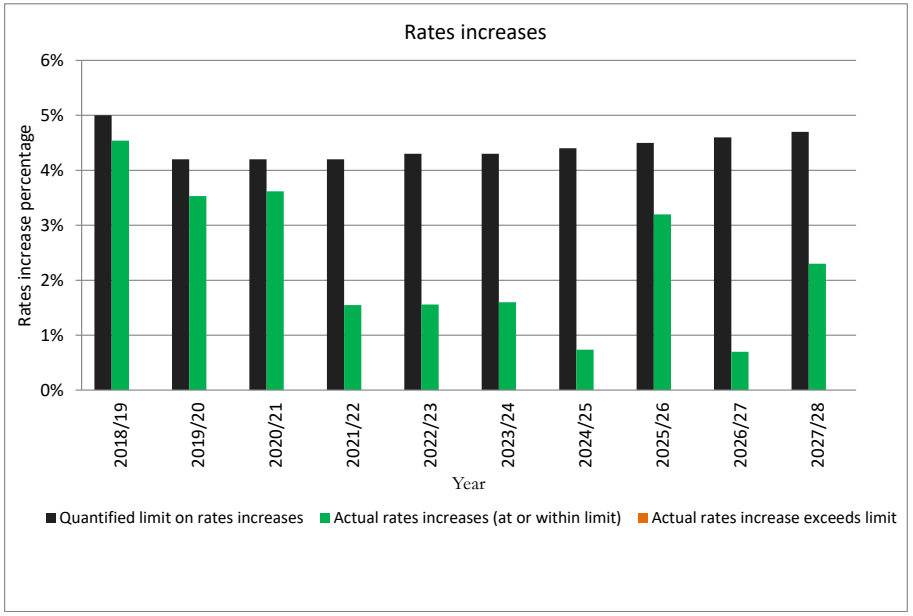


# Long Term Plan disclosure statement for the period commencing 1 July 2018

## Rates (increases) affordability

The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this Long Term Plan. The quantified limit is:

- Rates increases (excluding water by meter, trade waste targeted rates and penalties) no more than the Local Government inflation rate plus 3% in 2018/19, and the Local Government inflation rate plus 2% in all other years (after accounting for growth)

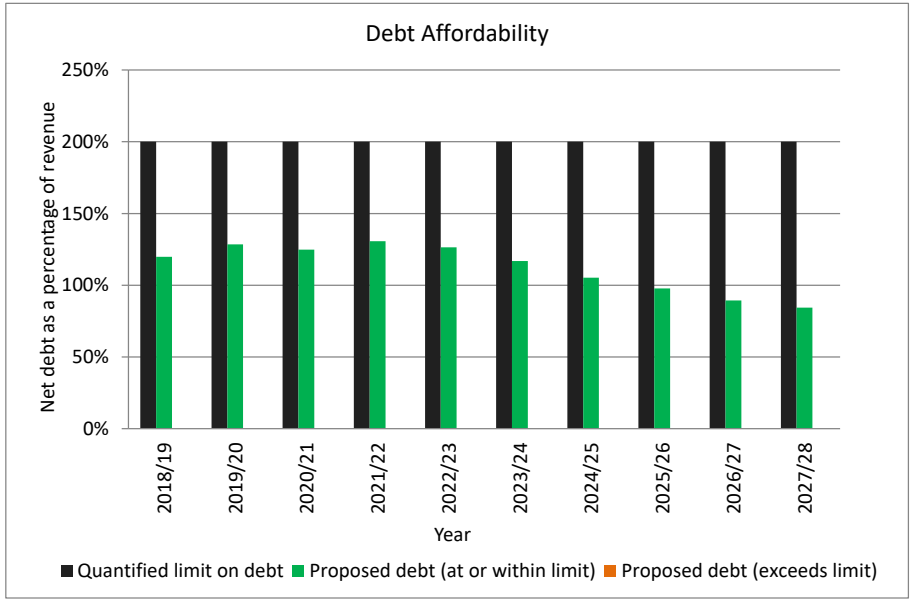



## Debt affordability benchmark

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

The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is:

- Net borrowing less than 200% of total revenue (net borrowing is defined as total debt less cash or near cash financial investments)

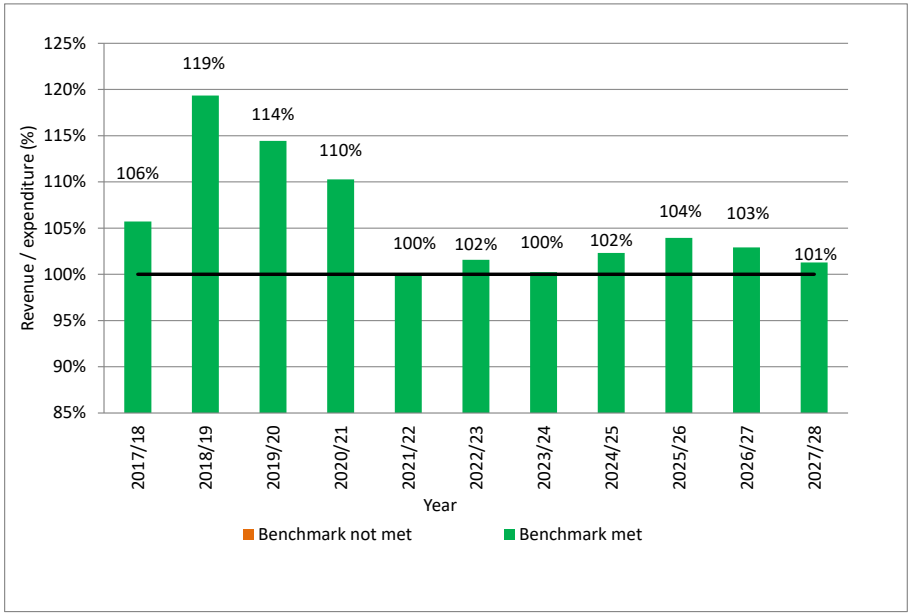


# Long Term Plan disclosure statement for the period commencing 1 July 2018

## 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).

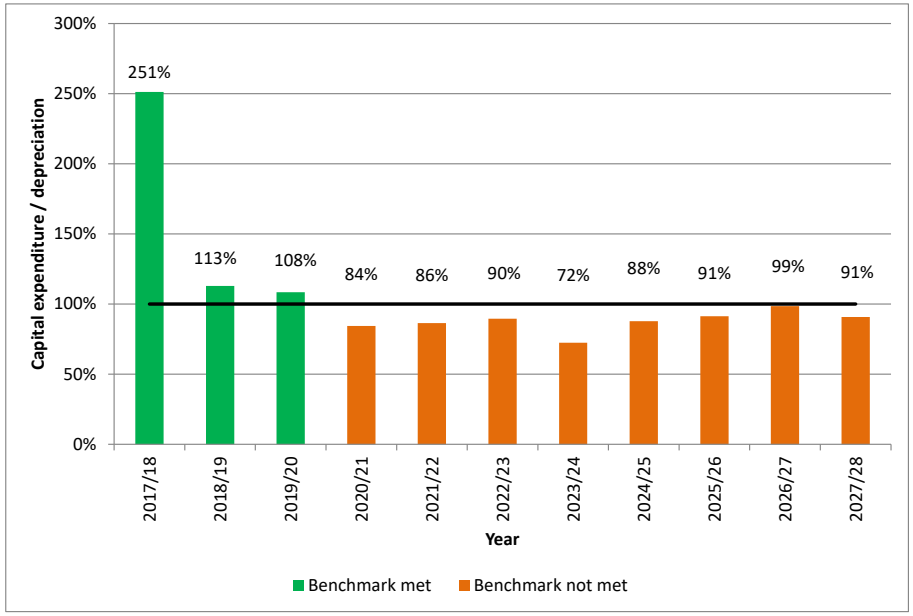
The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.




## 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.



# Long Term Plan disclosure statement for the period commencing 1 July 2018

Council does not meet the essential services benchmark from 2020/21 through to 2027/28. There are a number of factors that contribute towards capital expenditure being less than depreciation for this Long Term Plan including:

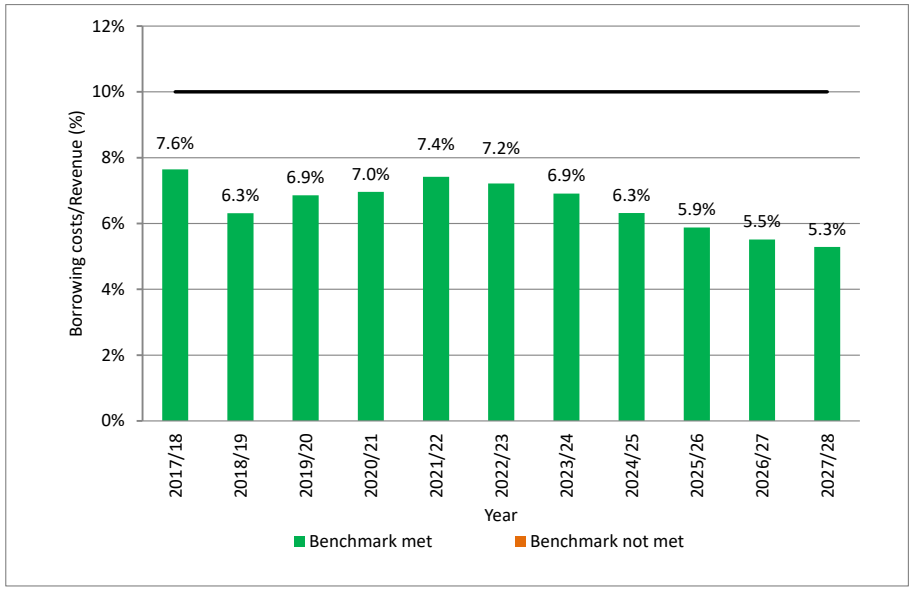
- The $41.2M upgrade to our Wastewater Treatment Plant carried out from 2016-2018 results in a higher depreciation charge and a lower requirement to spend large amounts on this asset over the next 10 years.
- We have adopted a risk-based approach to assent management, meaning that we have prioritised capital expenditure towards critical assets, non-critical assets will be run to failure, and then replaced/renewed. Over a number of years we have been gathering reliable data on the condition of our critical assets to ensure money is spent prudently, and in the area of most need.
- Our Roading asset management are prepared in full compliance with the "One Network Road Classification" (ONRC) outlined by the New Zealand Transport Agency (NZTA), these plans are audited by NZTA who funds 61% of our Roading expenditure.

Our planned capital expenditure on network services is based on asset information, criticality and condition. Although we do not meet the requirements of this benchmark, we believe that our capital expenditure is set at a sustainable and prudent level.

## Debt servicing benchmark

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

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



# Revenue and financing policy

## Introduction

The Revenue and Financing Policy (RFP) outlines the Council's policies on the funding sources to be used to fund the operational and capital expenditure of Council's activities and the rationale for their use.

It is an important instrument of Council's financial management because how the activities are funded can have a significant impact on the financial viability of council services as well as on the overall impact of any allocation of liability for revenue needs on the community.

The Revenue and Financing Policy is required by section 102 of the Local Government Act 2002 (LGA). The policy requirements are included in sections 101 and 103 of the LGA.

The Revenue and Financing Policy identifies the sources of funding the Council has decided upon for its activities. In addition to identifying the sources of funding, the RFP must outline why the Council has determined that they should be used. A two-step process is required under section 101(3) of the LGA.

Step one involves determining the appropriate funding sources for each activity. In doing so, Council must consider the following under section 101(3)(a) of the LGA:

- *The community outcomes to which the activity primarily contributes* (why the service is provided) and how funding might promote the achievement of these outcomes.
- *The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals* (user/beneficiary pays principle). Those who benefit from a service or facility should be considered in determining who pays for it.
- *The period in or over which those benefits are expected to occur* (intergenerational equity principle). The benefits of some activities will occur over the entire life of an asset. This may benefit not only current generations but future generations who should also contribute toward the cost.
- *The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity* (exacerbator pays principle). Those who cause the need for an activity should contribute to the cost of that activity.
- *The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.* For example, the benefits of transparency and accountability may be outweighed by the cost of establishing systems to support cost recovery for small activities.

All of these matters must be considered, with no single criterion given a greater weight than the others. Council must use its judgement and balance often competing principles.

# Revenue and financing policy

In step two, Council must consider the overall impact of this allocation of liability for revenue needs on the community under section 101(3)(b) of the LGA. Changes may be required where there are particularly negative effects. Matters the Council may consider could include:

- Does the overall outcome support the strategic direction of the Council?
- Does the funding approach support the community outcomes desired? Will the policy act as a barrier to the accessibility of the activity?
- Is the proposed funding approach legally compliant e.g. does it meet restrictions on the level of fixed rates able to be charged?
- Does the proposed funding approach take account of affordability issues e.g. the likely impact on ratepayers on fixed incomes?
- What incentives will the policy have for development of the district?
- How is the burden of funding distributed across differing sectors of the community?
- What are the size and materiality of any shifts in funding, and how do these affect the community?
- Is the mix of funding sources sustainable in the long term?
- Is the mix of funding sources fair and equitable?

## Funding mechanisms

The sources of funding available to Council are as follows:

**Rates –** there are three main types of rates:

- General rates
- Uniform annual general charge (UAGC)
- Targeted rates

Rates are governed by the Local Government (Rating) Act 2002 (LGRA).

**General rates** are used to fund activities where Council believes there is benefit to the whole of the community across the district. The majority of Council's activities are funded by general rates.

General rates must be based on a property valuation system (land value, capital value or annual value) and assessed across all rateable properties in the district.

Council has reviewed its choice of valuation system and has determined to continue to use land value for the general rate.

Council uses differentials to alter the incidence of the land value based general rates. The differentials mitigate the effects of a valuation-based rate which would otherwise place an unfair burden on higher value properties, to ensure a fair and equitable proportion of the rates are paid by the various differential categories.

# Revenue and financing policy

Setting a differential rate does not increase the rating income, it merely allocates the rates requirement in a different way from a pure value-based system.

Council's differential categories for the general rate are based on land use and area as set out below:

**Commercial**

Properties used for commercial or industrial purposes

Properties not used for commercial or industrial purposes that are:

**Residential**

less than 0·5 hectares

greater than or equal to 0·5 hectares but less than 1 hectare

greater than or equal to 1 hectare but less than 2 hectares

greater than or equal to 2 hectares but less than 3 hectares

**Farming**

greater than or equal to 3 hectares but less than 4 hectares

greater than or equal to 4 hectares but less than 5 hectares

greater than or equal to 5 hectares but less than 10 hectares

greater than or equal to 10 hectares

For each differential category Council sets a rate per dollar of rateable land value.

Definitions of the differential categories and the rate per dollar of land value for each category are included in the Funding Impact Statement.

**Uniform annual general charge** (UAGC) is a fixed charge set per separately used or inhabited part of a rating unit (SUIP). The UAGC ensures all ratepayers make a minimum contribution to Council's costs for the services Council provides. It ensures that higher value properties do not carry a disproportionate amount of the cost burden. The UAGC, like the general rate, funds services that benefit the whole of the community across the district.

Council sets the UAGC each year during its Annual Plan deliberations, giving consideration to the factors outlined above in step two of the process (section 101(3)(b) of the LGA) and the 30% cap on rates set on a uniform basis (excluding water and wastewater).

**Targeted rates** can be set in relation to all rateable land within the district, or one or more categories of rateable land outlined in Schedule 2 of the LGRA (e.g. the use to which the land is put, the area of land within the rating unit, where the land is situated). Targeted rates can be set on a uniform basis or differentially for different categories of rateable land.

Council uses targeted rates for activities where the benefits are clearly received by a specific group of ratepayers, where the activity warrants separate funding for transparency purposes or where Council believes a different rating basis than that used for general rates is appropriate (e.g. capital value rather than land value and UAGC).

# Revenue and financing policy

Targeted rates apply to the following activities:

- Roading
- Footpaths and berms
- Wastewater
- Water supply
- Stormwater
- CBD maintenance
- Earthquake strengthening

In response to significant costs arising as a result of natural disasters, the Council may introduce an additional targeted rate for a specified period to fund the cost of reinstatement.

**Fees and charges** may be imposed to recover either the full or a part of the cost of services provided to reflect the private benefit to a specific user.

Fees and charges include:

- Entry fees
- Hireage
- Regulatory charges
- Memberships
- Trade waste fees
- Private works
- Permit and consent fees
- Rent, lease and licences for land and buildings
- Service charges
- Fines and penalties
- Connection fees
- Retail sales

Fees and charges may be influenced by:

- The costs involved in providing the activity.
- The estimate of private benefit in using the service.
- The ability to identify users and levy and collect fees and charges in an administratively efficient manner.
- The impact of fees and charges on the achievement of community outcomes. For example, swimming pool fees do not recover the full cost of the private benefits because this would discourage usage when Council wishes to promote usage for the recreation, health and aquatic safety of the community.
- The impact of fees and charges on demand for the service. Setting a fee too high may reduce usage of a facility and impose a greater cost on ratepayers e.g. venue hireage rates at Council venues such as the War Memorial Centre. For regulatory activities, setting fees too high for consents related to projects with key health and safety risks (e.g. consents for solid fuel heaters) may mean people avoid the consenting process and expose themselves to risk.
- Legislative provisions relating to the activity which may state fees must be based on principles such as “reasonable cost” or where the fees are specifically set by legislation e.g. the Sale and Supply of Alcohol Act 2012.

# Revenue and financing policy

- Affordability.
- Acceptable market rates.
- The level of fees at other Councils.

Council reviews its fees and charges on a regular basis to ensure that increases in costs are reflected or to maintain the underlying basis for the setting of the fee.

**Lump sum contributions** are where ratepayers are asked to pay a capital (or lump sum) payment toward meeting the cost of providing an asset, rather than pay for those costs via an annual targeted rate. Council does not accept lump sum contributions.

**Interest and dividends from investments** are used to either reduce rates or repay debt. Council has resolved to apply income from its holding company to the Wastewater activity to reduce rates, and to repay loans in general rate funded activities. Income from other investments is applied to general rate funded activities to repay debt.

**Borrowing** is not a source of revenue but is rather a bridging mechanism to assist with the financing of long-term assets. Borrowings are repaid by other sources of revenue such as rates or proceeds from asset sales.

Borrowing spreads the cost of an asset over time. This enables the Council to match charges placed on the community against the period of benefits from the capital expenditure, so that current ratepayers pay for the share of the asset they use now, and future ratepayers pay their share too. This principle is that of intergenerational equity.

Council generally only uses borrowing to fund capital expenditure and does not borrow to fund its day to day operations. Borrowing may in rare circumstances be used to fund operational expenditure when it is financially prudent to do so, for example when there is a significant single year spike in operational costs, or where there are clearly benefits delivered beyond the immediate financial year in which the expenditure is incurred (e.g. three-yearly long-term plan development costs or the repainting of a Council building).

Borrowing is managed within the framework specified in the Liability Management Policy. While seeking to minimise interest costs and financial risks associated with borrowing is of primary importance, the Council seeks to match the term of borrowings with the average life of assets or period of benefits when practical.

**Proceeds from asset sales** are funds received from selling Council assets, such as plant and equipment or investments. Asset sale proceeds will in the first instance go to repay debt that may be associated with the activity. Wherever the sale proceeds are greater than the known debt or the replacement cost of the 'like' asset then the proceeds will be made available for debt reduction by Council resolution.

# Revenue and financing policy

**Development contributions** allow local authorities to recover capital expenditure related to growth from developers who will benefit. Councils may require development contributions from developments where the effect, including the cumulative effect, of development is to require new or additional assets or assets of increased capacity, and as a consequence the Council incurs capital expenditure. This includes capital expenditure a Council has already incurred in anticipation of growth.

Council is anticipating some growth in household numbers over the period of this LTP. Areas are being developed for subdivision in Springvale and Otamatea to accommodate this growth. Council considers that it is appropriate for developers to meet the costs resulting from development and that these costs should not fall to the existing ratepayer body. Council has adopted a Development Contributions Policy to recover costs from developers who create the need and benefit from the assets created.

**Financial contributions** are a mechanism provided for within the Resource Management Act 1991 (RMA). Essentially, paid by developers, financial contributions provide for managing the effects of development on the wider community by requiring money or land to be provided for the purpose of avoiding, remedying or mitigating adverse effects as a result of land use.

As a result of the Resource Management Act Amendment 2017, financial contributions will no longer be an available funding sources from 18 April 2022. Council will revise its District Plan accordingly and transition to alternative funding tools such as developer agreements and development contributions to attribute costs of infrastructure development appropriately to those who benefit directly. Council will not seek financial contributions from 1 July 2018.

Grants and subsidies are funds received from external funding parties, usually for a specific purpose. Some of these items are predictable and can be budgeted (e.g. WINZ employment subsidies), whereas others may be unexpected or unpredictable (e.g. Civil Defence reimbursements following emergencies).

Council receives subsidies from the New Zealand Transport Agency (NZTA) which cover a substantial proportion of the capital and maintenance costs of our roading network. This is expected to continue into the future, although subsidy levels have trended downward over time.

Other grants and subsidies from external funding agencies are available from time to time, particularly for capital projects such as the Sarjeant Gallery redevelopment project.

Other sources include special funds which have either been received by the Council from a third party to be used in a specific way (restricted funds e.g. bequests) or monies tagged by the Council to be applied for a specific purpose or area of benefit (non-restricted funds e.g. the Parking special fund).

# Revenue and financing policy

## Our funding approach

Council delivers a broad range of activities to district residents, ratepayers and visitors. We aim to fund these activities in a fair and equitable manner. To achieve this, we balance rates and other funding mechanisms.

Rates are a form of taxation and as such the amount paid does not necessarily reflect the level of benefit received. Rates are not a charge for the use of a service.

Transparency and accountability can be enhanced where the community can make a direct link between the services received and charges imposed. User charges and targeted rates are used when there is a degree of private benefit, or when services are available to some properties but not others (e.g. water supply).

We could create numerous targeted rates to separately fund each of Council's activities, but this would compromise our desire to that rates be simple and easily understood by the community. For this reason, most activities are funded from general rates. We provide further information on the amount of funding for each activity with the rate assessment to promote transparency.

There are some legislative constraints in using certain funding sources.

The Local Government (Rating) Act 2002 (LGRA) sets out the legal requirements for rating. It covers who is liable to pay rates, what land is rateable, what kind of rates may be set and how those rates are set, the valuation system which may be used and the various rating mechanisms available (such as targeted rates). The LGRA specifies that Council may only collect 30% of its total rates revenue from rates set on a uniform basis (excluding uniform rates for water or wastewater). This means that Council must use other mechanisms such as valuation-based rates.

There are also legislative restrictions on the level of fees and charges able to be charged in some activities. There is generally a requirement for Council to set its fees to be "actual and reasonable" and some legislation goes further to include "actual and reasonable costs" or to set the actual fees via statute e.g. in the Sale and Supply of Alcohol Act 2012.

- Rates are a tax. They do not directly reflect benefit, use, or income.
- Separate rates may make for greater transparency of costs but increase complexity and may restrict future expenditure decisions and lead to large fluctuations in movements.
- Differential rating is a valid means of achieving an overall allocation of benefit.
- Uniform charges are not the only funding option when benefits from a Council service are not related to property value.

# Revenue and financing policy

## Funding of operating expenditure

Operating expenditure is the day-to-day spending that maintains the services provided by Council.

Council has determined the following basic principles to guide the appropriate use of funding sources:

- User charges are preferred when a private benefit can be identified, it is efficient to collect the revenue and charging does not detract from achieving the desired community outcomes.
- Interest and dividends from investments may offset rates requirements.
- Subsidies, grants and other income options are fully explored prior to rates being used.
- Borrowing will only be used when it is financially prudent to do so, for example when there is a significant single year spike in operational costs, or where there are clearly benefits delivered beyond the immediate financial year in which the expenditure is incurred.
- General or targeted rates will fund any shortfall.

## Funding of capital expenditure

Capital expenditure is the category of spending which creates a new asset or extends the lifetime of an existing asset.

Council generally borrows to fund one-off capital expenditure projects to smooth rates input and account for intergenerational equity. Capital expenditure items of a consistent annual nature are rate funded.

The Council's overall borrowing requirement is reduced to the extent that other funds are available to finance capital expenditure. Such other funds include:

- Grants and subsidies towards capital expenditure from external parties such as New Zealand Transport Agency. Council will maximise grants, subsidies and other external revenue sources wherever available.
- Development contributions
- Council special funds
- Proceeds from the sale of assets
- Operating surpluses
- Rates

The following funding sources are used for each category of capital expenditure under normal circumstances, with any alternative funding sources specifically resolved by the Council.

### To replace existing assets projects

Projects to replace existing assets restore or replace components of an asset or the entire asset to meet the current level of service (to its original size, condition or capacity).

These projects will be funded from rates and if applicable subsidy from NZTA for Roading. Other grants are available from time to time. Special funds are available to fund capital costs in some activities e.g. parking

# Revenue and financing policy

meter replacements. Borrowing may be used to smooth rates input and reflect the expected life of the asset.

### To improve the level of service projects

The creation of a new asset or alterations to an existing asset that means a higher level of service is delivered.

These projects will be funded by borrowing and if applicable subsidy from NZTA for Roading. Grants are available from time to time for some projects, for example the Sarjeant Gallery redevelopment.

### To meet additional demand projects

Capital expenditure to meet additional demand is required to provide additional capacity to accommodate growth.

These projects will be funded by borrowing in the first instance. The borrowing will be repaid by development contributions and rates.

## Summary of funding mechanisms

Council utilises the following funding mechanisms for operating and capital expenditure:

| Funding mechanism | Operating | Capital |
|---|---|---|
| General rates (including the UAGC) | ✓ | ✓ |
| Targeted rates | ✓ | ✓ |
| Lump sum contributions | | |
| Fees and charges | ✓ | ✓ |
| Interest and dividends from investments | ✓ | ✓ |
| Borrowing | ✓* | ✓ |
| Proceeds from asset sales | | ✓ |
| Development contributions | | ✓ |
| Financial contributions (under the RMA 1991) | | |
| Grants and subsidies | ✓ | ✓ |
| Any other source | ✓ | ✓ |

* In limited circumstances as outlined under the Borrowing section of the policy.

# Revenue and financing policy

## Funding mechanisms for each Council activity

Council has undertaken a review to determine the appropriate sources of funding for each of its activities.

The Revenue and Financing Policy summarises the sources of funding the Council has decided upon for each activity.

Council's consideration of the LGA section 101(3) factors in selection of the appropriate funding mechanisms for each activity is available in the Revenue and Financing Policy Funding Needs Analyses which are available at www.whanganui.govt.nz/policies

## Overall impact adjustments

Council is required by section 101(3)(b) of the LGA to consider the overall impact of its allocation for liability for revenue needs on the community. Council may, as a final measure, modify the overall funding mix because of these considerations.

Council considers the general rate differentials resulting from the activity based funding allocations each year to ensure that the overall funding mix is appropriate and effects on ratepayer groups are managed. This may involve adjustments to differentials which may be transitioned over a number of years.

The UAGC ensures that all properties pay a minimum contribution to Council's services. Council sets the UAGC each year during its Annual or Long-term Plan deliberations, giving consideration to the overall impact for revenue needs on the community and the 30% cap on rates set on a uniform basis (excluding water and wastewater) under the Local Government (Rating) Act 2002.

Proceeds from asset sales that are surplus to replacement asset or debt repayment requirements of the activity may be considered for allocation to debt in other activities. The overall funding impact will be considered by Council in making any decision.

| Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Activity** | **Funding of operating expenditure** | | | | **Funding of capital expenditure** | **Catchment** | **Commentary** |
| | *General rates* | *Targeted rates* | *Fees and charges* | *Other (grants, subsidies, interest, dividends)* | | | |
| Water supply | | ✓✓✓ | ✓ | | Borrowing<br>Targeted rates<br>Fees and charges<br>Development contributions | Area of service | Targeted rates to properties in serviced areas.<br>Water by meter charges set as targeted rates to properties using more than residential volume.<br>Fees and charges to recover cost of new connections and minor rental income.<br>Development contributions to fund debt incurred for the expansion of services to cater for growth. |
| Stormwater | | ✓✓✓✓ | | | Borrowing<br>Targeted rates<br>Fees and charges<br>Development contributions | Area of service | Targeted rates to properties in serviced area.<br>Fees and charges to recover cost of new connections.<br>Development contributions to fund debt incurred for the expansion of services to cater for growth. |
| Waterways and natural drainage | ✓✓✓✓ | | | | Borrowing<br>General rates<br>Development contributions | District | Fully funded by the general rate.<br>Development contributions may be used if debt incurred for the expansion of services to cater for growth. |
| Wastewater | | ✓✓✓ | ✓ | ✓ | Borrowing<br>Targeted rates<br>Fees and charges<br>Development contributions | Area of service | Targeted rates to properties in serviced areas.<br>Trade waste targeted rates and fees and charges apply to reflect the costs involved in conveying, treating and disposing of trade wastes.<br>Fees and charges to recover cost of new connections.<br>Dividend income offsets rates requirement for the Wastewater network.<br>Development contributions to fund debt incurred for the expansion of services to cater for growth. |
| Roading | | ✓✓ | ✓ | ✓✓ | Borrowing<br>Targeted rates<br>Grants and subsidies<br>Development contributions | District | Partially funded by targeted rates and partially funded by New Zealand Transport Agency (NZTA) subsidies and petrol taxes.<br>Minor user fees income from rental and consultancy.<br>Development contributions to fund debt incurred for the expansion of services to cater for growth. |
| Footpaths & berms | | ✓✓✓ | ✓ | | Targeted rates<br>Borrowing | District | Majority funded by targeted rates. Minor amount of rental income relating to road reserves. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Development contributions | | Development contributions may be used if debt incurred for the expansion of services to cater for growth. |

**Legend:** ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

| **Activity** | **Funding of operating expenditure** | | | | **Funding of capital expenditure** | **Catchment** | **Commentary** |
|---|---|---|---|---|---|---|---|
| | *General rates* | *Targeted rates* | *Fees and charges* | *Other (grants, subsidies, interest, dividends)* | | | |
| Parks and reserves | ✓✓✓ | | ✓ | ✓ | Borrowing<br>General rates<br>Grants, bequests and donations<br>Special funds<br>Development contributions | District | Majority general rate funded. Fees and charges for exclusive access.<br>Other income e.g. grants and subsidies is available from time to time. Some special funds are available.<br>Development contributions to fund debt incurred for the expansion of services to cater for growth. |
| Cooks Gardens | ✓✓✓ | | ✓ | | Borrowing<br>General rates<br>Fees and charges | District | Majority general rate funded. Rental income, sponsorship income and revenue from the venue. Other income e.g. grants and subsidies is available from time to time. |
| Swimming pools | ✓✓✓✓ | | | | General rates<br>Borrowing | District | Fully funded by the general rate. User fees retained by operator to offset cost of service. |
| Community | ✓✓✓ | | ✓ | ✓ | General rates<br>Borrowing<br>Special funds | District | Majority general rate funded. Sales income from NZ Glassworks. Other income e.g. grants and subsidies is available from time to time. Some special funds are available. |
| Libraries | ✓✓✓ | | ✓ | | General rates<br>Borrowing<br>Proceeds from asset sales | District | Majority general rate funded, with minor fees and charges.<br>Other income e.g. grants and subsidies is available from time to time. Asset sale proceeds may be used to fund capital expenditure. |
| Sarjeant Gallery | ✓✓✓ | | ✓ | ✓ | Borrowing<br>General rates<br>Grants, bequests, donations, sponsorship | District | Majority general rate funded. Some donations and income from the Gallery shop. Grants for education service. Other income e.g. grants and subsidies is available from time to time. External funding sources (e.g. central government, grants, donations, sponsorship) will provide a significant contribution toward the capital cost of the Sarjeant Gallery redevelopment. |
| Royal Wanganui Opera House | ✓✓✓ | | ✓ | ✓ | Borrowing<br>General rates<br>Fees and charges<br>Grants, bequests and donations | District | Majority general rate funded. Fees and charges for exclusive access.<br>Other income e.g. grants and subsidies is available from time to time. |

| Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Activity** | **Funding of operating expenditure** | | | | **Funding of capital expenditure** | **Catchment** | **Commentary** |
| | *General rates* | *Targeted rates* | *Fees and charges* | *Other (grants, subsidies, interest, dividends)* | | | |
| War Memorial Centre | ✓✓✓ | | ✓ | | Borrowing<br>General rates<br>Fees and charges<br>Grants, bequests and donations | District | Majority general rate funded. Fees and charges for exclusive access. Other income e.g. grants and subsidies is available from time to time. |
| Whanganui Regional Museum | ✓✓✓ | | ✓ | | Borrowing<br>General rates | District | Majority general rate funded. Small amount of rental income. |
| Earthquake strengthening | | ✓✓✓✓ | | | Borrowing<br>Targeted rates | District | Fully funded by targeted rates. |
| Whanganui & Partners – Economic Development | ✓✓✓✓ | | | | Borrowing<br>General rates | District | Fully funded by the general rate. |
| i-site | ✓✓✓ | | ✓ | | Borrowing<br>General rates | District | Majority general rate funded. Some fees and charges for booking commissions and shop sales. |
| Cemeteries | ✓ | | ✓✓✓ | | Borrowing<br>Fees and charges<br>General rates | User pays<br>District | Majority funded by fees and charges. Minor contribution from the general rate. |
| CBD maintenance | ✓✓ | ✓✓ | ✓ | | Borrowing<br>General rates<br>Targeted rates | District<br>CBD properties | Partly funded by the general rate and partly funded by targeted rates levied to properties in the CBD. Minor rental income. |
| Waste minimisation | ✓✓✓ | | | ✓ | Borrowing<br>General rates | District | Majority general rate funded. Income from waste disposal levies is used to fund waste reduction initiatives. |
| Pensioner housing | | | ✓✓✓✓ | | Borrowing<br>Fees and charges | User pays | Fully funded by rental income. |
| Community buildings | ✓✓✓ | | ✓ | | Borrowing<br>General rates | District | Majority general rate funded. Fees and charges for exclusive access. Other income e.g. grants and subsidies is available from time to time. |
| Emergency management | ✓✓✓✓ | | | | Borrowing<br>General rates | District | Fully funded by the general rate. Other income e.g. grants and subsidies is available from time to time following an emergency event. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Building control | ✓ | | ✓✓✓ | | Borrowing<br>General rates | User pays<br>District | Majority funded by fees and charges with a minor contribution from the general rate. |

**Legend:** ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

| **Activity** | **Funding of operating expenditure** | | | | **Funding of capital expenditure** | **Catchment** | **Commentary** |
|---|---|---|---|---|---|---|---|
| | *General rates* | *Targeted rates* | *Fees and charges* | *Other (grants, subsidies, interest, dividends)* | | | |
| Environmental health | ✓✓✓ | | ✓ | | Borrowing<br>General rates | District<br>User pays | Majority general rate funded. Some fees and charges income. |
| Parking services | ✓ | | ✓✓✓ | | Special fund<br>Borrowing<br>General rates<br>Fees and charges | User pays<br>District | Primarily funded by parking fees and charges. Shortfall (if any) funded from general rate. Surplus (if any) to special fund for parking meter replacement or to general rates. |
| Animal management | ✓ | | ✓✓✓ | ✓ | Borrowing<br>General rates<br>Fees and charges | User pays<br>District | Primarily funded by fees and charges and with minority funding from the general rate. Income from other sources from time to time. |
| Resource management | ✓✓ | | ✓✓ | | Borrowing<br>General rates | User pays<br>District | Funded partially by fees and charges and partially by the general rate. |
| Environmental policy | ✓✓✓✓ | | | | Borrowing<br>General rates | District | Fully funded by the general rate. |
| Airport | ✓✓ | | ✓✓ | | Borrowing<br>General rates<br>Fees and charges | District<br>User pays | Council funds 50% of this activity, with the remainder funded by the Crown as joint venture partner. Council's share is partially funded by the general rate and partially funded by user fees and charges (aircraft landing fees, car parking, rental income and income from the airport café). |
| Port & river | ✓✓ | | ✓ | ✓✓ | Borrowing<br>General rates<br>Harbour Endowment<br>External funds | District | Port primarily funded by the surplus generated by the Harbour Endowment. Any Port shortfall and the River control aspects of the activity are funded via the general rate. User fees and charges for use of the Port. External funds e.g. from central government may be available from time to time for capital projects. |
| Durie Hill elevator | ✓✓ | | | ✓✓ | Borrowing<br>General rates | District | User fees retained by operator to offset cost of service. Net operating costs 50% funded by Horizons Regional Council. Remaining 50% and asset related costs funded by general rates. |
| Harbour Endowment | | | ✓✓✓✓ | | Borrowing<br>Special fund | User pays | Rental income funds expenses. No rates input - surplus transferred to the Port to fund its operation. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Proceeds from asset sales<br>Fees and charges | | |
| **Legend:** ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%) | | | | | | | |
| **Activity** | **Funding of operating expenditure** | | | | **Funding of capital expenditure** | **Catchment** | **Commentary** |
| | *General rates* | *Targeted rates* | *Fees and charges* | *Other (grants, subsidies, interest, dividends)* | | | |
| City Endowment | | | ✓✓✓✓ | | Borrowing<br>Special fund<br>Proceeds from asset sales<br>Fees and charges | User pays | Rental income funds expenses. Surplus offsets general rates. |
| Investments | ✓ | | ✓ | ✓✓ | Borrowing<br>General rates | District | Funded by investment revenue and interest income, with minor funding from user fees and charges and the general rate. |
| Governance | ✓✓✓ | | | ✓ | Borrowing<br>General rates<br>Donations | District | Majority general rate funded. Income from other sources from time to time. |
| Corporate management | | | ✓ | ✓✓✓ | Borrowing | Activities | Majority funded by overhead allocation to other Council activities. Minor amount of fees and charges and interest income. |
| Community & operational property | ✓✓✓ | | ✓ | | Borrowing<br>General rates<br>Fees and charges<br>Proceeds from asset sales | District | Majority general rate funded. Rental income offsets some costs. |

# Financial Strategy

## Summary

The Council's overarching financial strategy is to be an affordable and financially sustainable organisation while at the same time delivering good quality Council services and promoting growth within the district. This can be summarised as living within our means while still contributing to Whanganui as a great place to live.

To deliver on the above strategy a balancing act needs to be achieved between reducing both the cost of Council and Long Term debt, while at the same time ensuring critical assets are maintained and also providing those services that are necessary in promoting Whanganui as a great place to live.

In achieving this strategy our focus in on:

- Managing our finances prudently and sustainably
- Keeping rates at affordable levels
- Reducing debt with corresponding reductions in interest costs
- Improving our financial resilience
- Looking for efficiencies in the way we do business
- Changing the way we manage our assets to get better value for money and reduce risk
- Investigating and pursuing non-rates revenue streams
- Encouraging sustainable growth

## Explaining our Financial Strategy

Our Financial Strategy describes how we plan to finance our services and activities in a way that is sustainable over the long term. Its purpose is to ensure Council has undertaken prudent financial management in the choices it makes on which services to provide. If our expenditure and funding plans are not sustainable we may not have the capacity or resources to deliver affordable services to residents and ratepayers in the medium and long term.

In simple terms, we must live within our means by ensuring that current ratepayers are paying the reasonable costs of the services they are consuming.

Our Financial Strategy is designed to give you an understanding of both our current and future financial positions. It also outlines the main factors that influence the demand for and cost of Council's services, as well as the financial challenges and risks that we face and how these risks will be addressed.

Most importantly, we have prepared our Financial Strategy to ensure that you and the community have the right information available, to engage with Council about the trade-off between the costs of Council services and the levels of service wanted by the community.

The Financial Strategy is a key part of Council's 2018-2028 Long Term Plan and it needs to be read with other key documents in that plan including:

| | |
|---|---|
| Council's Vision Statement | This defines our goals for the mid to Long Term future. It serves as a guide for choosing current and future courses of action. |
| Infrastructure Strategy | This strategy describes how Council intends to manage its infrastructure assets and associated expenditure needs over the next thirty years. |
| Revenue and Financing | This policy details Council's intended |

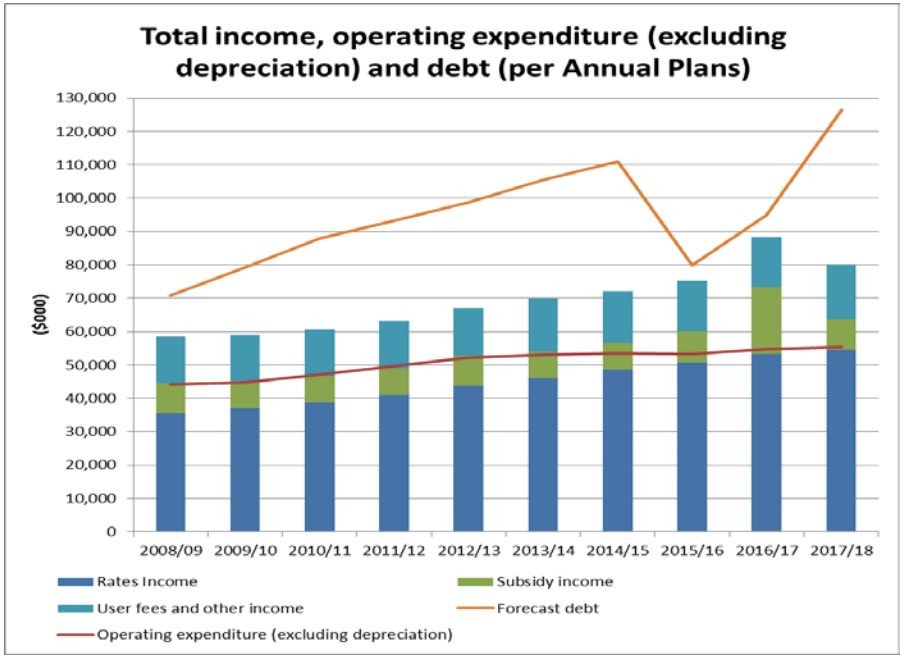
# Financial Strategy

| | |
|---|---|
| Policy | approach to funding operating and capital expenditure from available resources. It determines who pays for Council activities and on what basis. |
| Liability Management Policy | This policy outlines approved limits and procedures in respect of all Council's borrowing and related risks. |
| Rates Required by Activity | This chart details the revenue and costs of each activity of Council. It includes both operating and capital costs in addition to the rates requirement and outstanding loans of each activity. |

## Our Current Financial Position (30 June 2018)

Our Financial Strategy over the last 10 years has balanced the services the community desires with what the community is prepared to pay for those services through tightly controlled expenditure, low rate rises and large debt increases due to the funding of large capital projects, particularly the separation of the wastewater and stormwater networks and the building of a new waste water treatment plant. In general the community's desire for low rate increases has overridden the desire to fully fund the expanding services and level of services delivered. In fact Council has planned to increase borrowings almost every year since 1999.

The following graph shows that from 2008/09 Council has planned for operating surpluses. However these surpluses have been insufficient to cover capital expenditure, as a result the graph also shows debt has increased during this period. (Actual income and expenditure will vary from planned income and expenditure due to the inclusion of non-cash items, such as depreciation and revaluations within actual income and expenditure.)




*(Note: The delay in the build of the new wastewater treatment plant is the main reason for the decreased debt forecast between 2014/15 and 2015/16)*

In explaining and analysing Council's financial position we have used the information from our Budgets (Annual Plan and Long Term Plans) as these are the figures that set your rates.

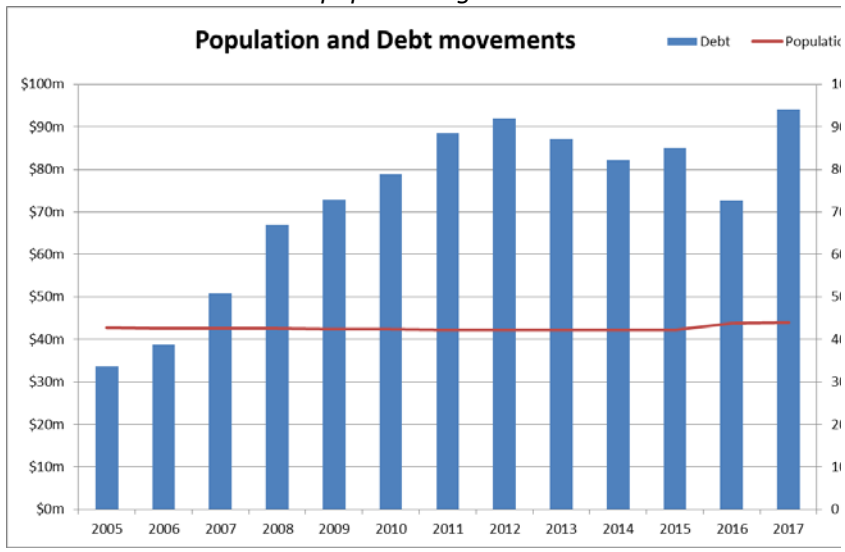
# Financial Strategy

## Community's ability to pay

The community's ability to pay for services is affected by its wealth and income, future expectations of wealth and income and the number of people who can share the cost of Council provided services.

From the 2013 census, median income for families was significantly lower in Whanganui at $43,800 compared to the then national average of $72,700. Approximately 58% of the population aged 15 and over was employed which is less than the national average of 64%. Compared to national averages, the population is slightly older, less ethnically diverse, less well educated and less wealthy. The average age of Whanganui residents is also increasing resulting in more people being on fixed incomes.

- *The graph below highlights Council's increasing debt against a static population growth.*




## Population projections and number of households

Over the past 18 years Whanganui has had a generally declining population from a peak in the year 2000 at 45,100. At the 2013 Census Whanganui's population was 43,500 and in 2014 it was 43,400. In 2015 and 2016 that decline turned around with an estimated population increase of 200 people each year. Statistics NZ December 2016 revised medium population estimates are in line with current trends forecasting a population of 44,200 in 2018.

We believe implementation of our Economic Development Strategy, the trend of people leaving Auckland for better lifestyle reasons, and workforce mobility through broadband technology, will lead to a small increase in net migration. Based on this, the projected population will peak in 2028-2033 at 45,000 and then decline to 44,100 in 2043.

In addition to modest growth expectations, the average occupancy per household is expected to drop from 2.37 to 2.28 by 2028 and 2.25 by 2043.

For the 2018-2028 Long Term Plan it is assumed that the Whanganui community will continue to have lower incomes, lower income growth, a lower percentage of the population employed than the national average. However, with the projected population growth over the next ten years, together with a decrease in the average occupancy per household, we are projecting a small increase in the number of households.

## Land development for growth

The National Policy Statement on Urban Development Capacity 2016 requires us to show we have the land development capacity to cater for projected growth over the next 30 years. Whanganui District Council has

# Financial Strategy

undertaken infrastructure modelling work to identify the future infrastructure requirements to accommodate this growth. The District Plan review is planning for this growth to be accommodated in Otamatea West with a total of 179 new sections and 500 infill developments, and in Springvale with a total of 417 new sections. There is also potential for further infill development in other parts of the city. A total of 1578 new lots is estimated to be required to house the projected population growth. This development will place demand on our infrastructure. The chart below is an estimation of new capital expenditure over the period of this Long Term Plan to service this growth. It is anticipated that the majority of these costs will be funded through development contributions.

| **Growth related capital expenditure** | |
|---|---|
| | **2018-2028** |
| | **$M** |
| Storm water | 5.3 |
| Roading | 0 |
| Waste water | 3.2 |
| Potable water | 1.9 |

As Council is forecasting low to moderate growth, additional operating costs are expected to be minor and able to be absorbed in the projected rates increases.

More details on Whanganui demographics and the Whanganui economy can be found in the section entitled Our district – past, present and future on pages 32 - 35.

## Council's Future Financial Position (2018-2028)

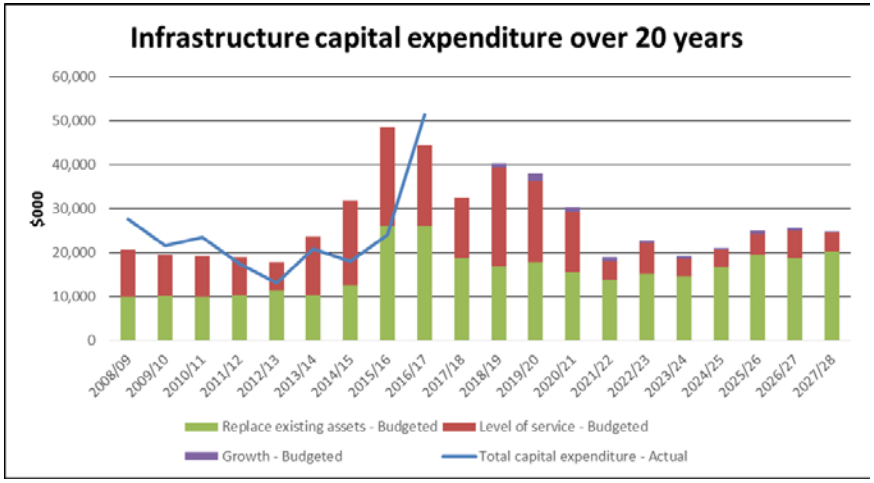
### Purchasing and maintaining infrastructure assets

In the past 10 years Council has spent $292 million on purchasing and replacing its infrastructure assets and this is the main contributor to our rising debt levels. In context infrastructure refers to the roading and three waters activities and does not include flood protection and flood control as these are the responsibility of the Regional Council.

In this plan Council plans to spend $256 million on purchasing and replacing its infrastructure assets and an additional $10.4 million on infrastructure assets relating to growth. Funding for this capital expenditure will come from a number of sources, including new loans, government subsidies (e.g. New Zealand Transport Agency funding for roads), development contributions (growth related capital expenditure) and rates.

The following graph highlights Council's capital expenditure on infrastructure over the past ten years as well as what is budgeted for in this Long Term Plan. The build of the new waste water treatment plant is the main reason for the increased capital expenditure in years 2016/17 and 2017/18.

# Financial Strategy




The following is a summary of infrastructure capital expenditure for years 2018/19 – 2027/28:

| | ($M) |
|---|---|
| Replacing existing assets | 168.0 |
| Levels of service increases | 88.4 |
| Growth | 10.4 |

To ensure best value in its infrastructure spend, Council is taking a strategic approach to its assessment of asset condition, criticality and performance and, as a result, is adopting a risk based approach. This approach will ensure, amongst other things, that assets are adequately funded, risks are minimised, planned preventative maintenance occurs, there is a high degree of confidence in the asset data available and capital investment can be optimised. *(Refer to Volume 3 of this Plan for Council's Infrastructure Strategy which provides more information on this.)*

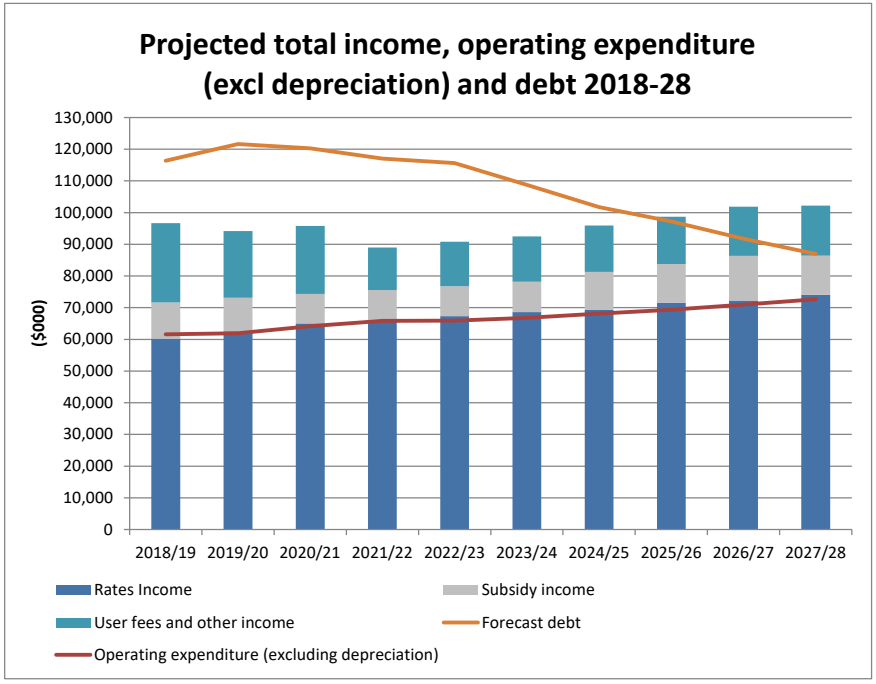
## Balancing the books

For the last 10 years Council has planned to spend more than it has earned and has balanced the books by borrowing to pay the difference. Some of this borrowing has been to fund large capital expenditure, such as the new waste water treatment plant. However, with the completion of the treatment plant, one of the major focuses of this plan will be on repaying debt. This will increase our financial resilience to meet future challenges, e.g. impacts of climate change.

Council plans to slowly increase its debt repayment as most debt repayment is paid from rates and we are mindful of rates affordability for our community.

The following graph shows projected operating surpluses, represented as the difference between total income (each bar graph) and the total expenditure line graph.

# Financial Strategy




The debt balance is expected to peak in 2019/20 at $121.6M, and from there reduce as some of the operating surpluses are used for debt repayment. Total borrowings are forecast to reduce to $86.9 million by year 2027/28.

## Borrowing limits

The Council is required to have a limit on debt to help facilitate prudent financial management. Council has set what it believes to be a prudent measure, which is well within the requirements of our rating agency Standard and Poor's and the Local Government Funding Agency. Council's limit for each year of the Long Term Plan are:

- Limit net borrowings* to less than 200% of total revenue;

*(*Net borrowings is defined as total debt less cash or near cash financial investments)*

As an example of compliance of this limit, our debt level is currently about 120% of our total revenue. That's the equivalent of a household earning $50,000 per year and having a mortgage of around $60,000.

By 2028 we expect our debt to be 85% of our total revenue. That's the equivalent of a household earning $50,000 per year and having a mortgage of around $43,000.

In addition to the limit above, Council will also adhere to the following limits outlined in in Liability Management Policy:

- Ensure that net interest is less than 15% of total revenue
- Ensure that net interest is less than 20% of annual rates
- Hold cash assets and confirmed borrowing facilities that are greater than 110% of external debt

## Asset sales

The 2017 Annual Report shows Council has approximately $945 million of assets and $120 million of liabilities with a net value of $825 million.

# Financial Strategy

However, the majority of assets are not saleable as they are fundamental in delivering our Council services to you. These are the pipes in the ground, the roads, parks, books, land and buildings etc.

Potential saleable assets include investments such as GasNet Ltd, the New Zealand Commercial Pilot Academy Ltd, and other assets, such as surplus and under-used parks and properties. Should Council decide to sell significant assets it would be required to undertake public consultation.

Council has found that disposal of community assets is difficult as there is always a part of the community that wishes them kept. On average, over the last 10 years, Council has sold approximately $670,000 of surplus assets per year.

## Increasing user fees and other non-rate income

User fees and other non-rate income, e.g. Government subsidies and investment income, make up approximately 30 percent of Council's funding requirements.

This income is subject to changes in market conditions and Government policy.

While Council takes every opportunity to leverage external sources of funding (for example: funding for the Gallery relocation), the funding is often application based, has a finite period and is subject to policy changes.

## Rate limits

As with debt limits discussed about, Council is also required to have limits on rates. In order to balance the rates affordability challenges while continuing to provide services to our community, Council has set the following limits on rates revenue and rates increase for the duration of this plan.

- Rates revenue (excluding water by meter, trade waste and penalties) will not be more than 75% of Council's total revenue;
- Rates increases (excluding water by meter, trade waste targeted rates and penalties) no more than the Local Government inflation rate plus 3% in 2018/19, and the Local Government inflation rate plus 2% in all other years (after accounting for growth)

The higher rates limit in year 2018/19 is due to a number of factors, including increased rates for the first year of operations for the new wastewater treatment plant.

The forecast rates increase for the duration of this Long Term Plan are:

| | 2018/ 2019 | 2019/ 2020 | 2020/ 2021 | 2021/ 2022 | 2022/ 2023 | 2023/ 2024 | 2024/ 2025 | 2025/ 2026 | 2026/ 2027 | 2027/ 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| Proposed rates limits | 5.0% | 4.2% | 4.2% | 4.2% | 4.3% | 4.3% | 4.4% | 4.5% | 4.6% | 4.7% |
| Rates increase (net of growth)** | 4.5% | 3.5% | 3.6% | 1.5% | 1.6% | 1.6% | 0.7% | 3.2% | 0.7% | 2.3% |
| Rates as percentage of total revenue | 59% | 63% | 64% | 70% | 70% | 70% | 68% | 69% | 67% | 69% |

*** There is assumed growth in the rating database of $200,000 per annum.*

In considering everything earlier in this Financial Strategy, Council proposes an average rate increase over the 10 years of 2.4%. With some major capital projects either completed, or near completion, such as storm water separation and the waste water treatment plant, the existing levels of services, and in some activities, such as storm water, an increase in levels of service, can be maintained within this rates increase.

# Financial Strategy

In addition to the existing levels of services, the proposed levels of rates, combined with other sources of income, such as development contributions, will be sufficient to fund the requirements necessary to support the projected growth within the District.

## Security

In order to borrow money, Council has to offer some security just like residents with their mortgage. Council offers a charge over rates and rates revenue, as security for general borrowing programmes and interest rate risk management activity. From time to time, with prior Council approval and the Trustee, security may be offered by providing a charge over one or more of Council's assets. Council offers security under a Debenture Trust Deed.

## Investments

The Council holds investments in property, companies and joint ventures (JV) and bonds (see below for details).

Council holds property investments in the Harbour Endowment and City Endowment.

| Entity | Principal reason for investing | Budgeted return |
|---|---|---|
| Harbour endowment | Maintenance and development of the Sea Port | 6.5% Return on Investment |
| City endowment | Benefit the people of Wanganui via revenue to offset rates | 6.5% Return on Investment |

*(Refer to Council's Investment Policy on our website www.whanganui.govt.nz for more details regarding these property investments.)*

## Companies and other entities that Council invests in are:

| Company/Joint Venture | Shareholding | Principal reason for investing | Budgeted return |
|---|---|---|---|
| Whanganui District Council Holdings Limited*** | 100% | Manage other investments | $1 million |
| GasNet Limited*** | 100% | Provide return on investment | $1.8 million |

# Financial Strategy

| | | | |
|---|---|---|---|
| New Zealand International Commercial Pilot Academy Limited | 100% | Business and economic development within Whanganui | nil |
| Wanganui Airport Joint Venture | 50% | Provide an essential service to the District | nil |
| Manawatu Wanganui Local Authority Shared Services Ltd | 14% | Efficient service delivery and reduced costs | nil |
| New Zealand Local Authority Funding Agency | 0.4% | Effective borrowings and Reduced interest costs | nil |
| New Zealand Local Government Insurance Corporation Limited | 2.6% | Risk management | Nil |
| Sarjeant Gallery Trust Board | 100% | Support the Sarjeant Art Gallery | Nil |
| Whanganui and Partners Ltd | 100% | Economic Development | nil |
| Wanganui River Enhancement Charitable Trust | 33% | Health of the River | nil |
| New Zealand Master Games Limited | 49% | Sport | nil |
| Whanganui Resource Recovery Centre Trust | 40% | Manage and promote a resource recovery centre | nil |

*** GasNet Limited pays $1.8 million to its shareholder, Whanganui District Council Holdings Ltd, which in turn pays $1 million by way of dividends and loan repayments through to its shareholder, Whanganui District Council.

# Significance and Engagement Policy

Our Significance and Engagement Policy outlines our approach to determining the significance of proposals and decisions, and includes criteria and procedures we will use in assessing which issues, proposals, decisions and other matters are significant.

This policy:

- Enables the Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities.
- Provides clarity about how and when communities can expect to be engaged in decisions made by Council.
- Informs the Council from the beginning of a decision-making process about the extent, form and type of engagement required.

The full policy can be found on the Council website: www.whanganui.govt.nz

# Water and sanitary assessment and Waste Management and Minimisation Plan

We adopted our first Water and Sanitary Assessment in December 2005. When we adopted the Long term Plan 2015-2025 we agreed to delay construction of the approved design of our Wastewater Treatment Plant to allow for additional work on reducing operating costs, primarily related to sludge, until it is affordable for our community. This was a significant variation from our assessment of water and other sanitary services.

Now that our Wastewater Treatment Plant is completed our updated water and sanitary assessment will be complete in time for the next Long Term Plan 2021-2031.

Waste Management and Minimisation Plan is currently under review. The existing plan can be found on the Council website: www.whanganui.govt.nz.

# Properties for potential divestment

Refer to the draft Property Portfolio Investment Plan for further details on the list of properties for potential divestment.

You can view this on www.whanganui.govt.nz

# Statement of accounting policies

## Reporting entity

Whanganui District Council ("the Council" and "WDC") is a territorial local authority established and governed by the Local Government Act 2002, and is domiciled and operates in New Zealand.

The group consists of the ultimate parent Whanganui District Council (WDC) and its subsidiaries, Whanganui District Council Holdings Limited (100% owned) which in turn owns 100% of GasNet Limited and Whanganui Airport Joint Venture (50%). Its 49% equity share of New Zealand Masters Games Limited, its 15% interest in the Manawatu Wanganui LASS Limited and its 33% interest in the Whanganui River Enhancement Trust are equity accounted. All WDC subsidiaries and associates are domiciled in New Zealand.

The Council's financial statements are for Whanganui District Council and the Wanganui Airport Joint Venture (50%) as an activity of Council. The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to users. 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 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 the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council. The financial information contained within the Long Term Plan may not be appropriate for purposes other than those described.

## Statement of compliance and basis of preparation

The prospective financial statements have been prepared on a going concern basis and accounting policies have been applied consistently throughout the period of the Long Term Plan.

The financial statements have been prepared 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 (NZ GAAP), and the Long Term Plan requirements of section 93 of the LGA. It is audited under section 94 of the LGA. The primary purpose of WDC is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, for reporting purposes, the Council is a public benefit entity.

The prospective financial statements comply with the standards for public sector public benefit entities reporting under tier 1 of the framework and have been prepared in accordance with public benefit entity financial reporting standard 42; Prospective Financial Statements (PBE FRS 42).

The Council authorised the prospective financial statements on 28 June 2018.

The Council, who are authorised to do so and believe that the assumptions underlying these prospective financial statements on pages 77 to 82 are appropriate, has approved the Long Term Plan for distribution.

No actual financial results have been incorporated within the prospective financial statements. Actual financial results achieved for the period covered are likely to vary from the information presented. These variations

# Statement of accounting policies

may be material. The final prospective financial statements was adopted by the Council on 28 June 2018.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

## Measurement base

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

## Specific accounting policies

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

## Revenue

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

Revenue from an exchange transaction arises where the Council supplies goods or services at a market rate, and where equal value, usually in the form of cash, is received. A non-exchange transaction is where the Council receives goods or services from another entity without giving approximate equal value in return. Many services Council provides are subsidised by rates and are thus non-exchange. An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

### Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

Rates revenue is a non-exchange transaction.

### Government grants

WDC receives government grants from the New Zealand Transport Agency, which subsidises part of WDC's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. Government grants are generally regarded as a non-exchange transaction.

### Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. The provision of services is regarded as a non-exchange transaction where the activity is subsidised by rates.

### Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in WDC are recognised as revenue when control over the asset is obtained.

Vested assets revenue is a non-exchange transaction.

# Statement of accounting policies

### Sale of goods
Revenue from sales of goods is recognised when a product is sold to the customer. Revenue from the sale of goods is an exchange transaction where the sale is at market value and no subsidy from rates is given.

### Traffic and parking infringements
Traffic and parking infringements are recognised when tickets are issued.

### Interest and dividends
Interest income is recognised using the effective interest method. Interest income is exchange revenue.

Dividends are recognised when the right to receive payment has been established. Dividend income is exchange revenue.

### Development contributions
Development contributions are recognised as revenue when the council provides, or is able to provide, the service for which the contribution was charged. Otherwise development contributions are recognised as liabilities until such time the Council provides or is able to provide, the service.

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

## Leases

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

At the commencement of the lease term, WDC recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

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

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

# Statement of accounting policies

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

## Debtors and other receivables

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

## Financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in surplus or deficit.

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

WDC classifies its financial assets into the following categories: fair value through surplus or deficit, held-to-maturity investments, loans and receivables and fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

### Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is categorised in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. WDC's financial assets at fair value through surplus or deficit include derivatives that are not designated as hedges.

After initial recognition they are measured at their fair values with gains or losses on remeasurement are recognised in the surplus or deficit.

### Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. WDC's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits, community and related party loans, long term receivables and hire purchase long term debtors.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made by WDC 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 method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

### Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that WDC has the positive

# Statement of accounting policies

intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. WDC's held to maturity investments include interest bearing bonds (Government Indexed Bonds) and deposits and sinking funds.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

### Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date or if the debt instrument is not expected to be realised within 12 months of balance date. WDC's financial assets at fair value through equity comprise investments in quoted and unquoted shares. WDC includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These financial assets are: Unlisted shares in NZ Local Government Insurance Corporation Limited.

WDC's investments in its subsidiary and associate companies are not included in this category as they are held at cost (whereas this category is to be measured at fair value).

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

### Fair value

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

## Impairment of financial assets

At each balance sheet date WDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

### Loans and receivables, and held to maturity investments

Impairment of a loan or a receivable is established when there is objective evidence that WDC will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the

# Statement of accounting policies

allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.

Impairment of term deposits, local authority, government stock, and related party and community loans is established when there is objective evidence that the WDC will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

### Financial assets at fair value through other comprehensive income

For equity investments a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus and deficit. Impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

## Derivative financial instruments

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

## Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

## Non-current assets held for sale

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

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less

# Statement of accounting policies

costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## Property, plant and equipment

Property, plant and equipment consists of:

*Operational assets* – these include land, buildings, motor vehicles, plant and equipment and library books.

*Restricted assets* – these include artworks, cultural assets and parks and reserves. These assets provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

*Infrastructure assets* – these include the fixed utility systems comprising the roading, airport runway, water reticulation and drainage systems, and infrastructure land (including land under roads). Each asset type includes all items that are required for the network to function.

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

### Revaluation

Land, buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

WDC assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

WDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and recognised in other comprehensive income.

### Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

# Statement of accounting policies

## Derecognition and Disposals

An asset is derecognised on disposal or when no future economic benefits or service potential is expected from its use or disposal. Gains and losses on derecognition are determined by comparing the proceeds, or future economic benefits, with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. The revaluation surplus included in net assets/equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are derecognised.

## Subsequent Costs

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

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and art works, at rates that will write off the cost (or valuation) of the assets 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:

| Asset type | Useful life | Depreciation rate |
|---|---|---|
| Land (including Restricted properties) | | Not a Depreciable item |
| Buildings and leasehold improvements (including Restricted properties) | 5 to 50 years | 2-20% |
| Plant, vehicles and equipment | 3 to 20 years | 5-33% |
| Furniture & Fittings | 5 to 10 | 10-20% |
| Library books | 10 years | 10% |
| Art Works | | Not a Depreciable item |
| *Infrastructural assets* | | |
| Roading network | | |
| Pavement | 4-18 years | 3.6% |
| Basecourse | 80-100 years | 3.6% |
| Footpaths | 8-100 years | 3.6% |
| Bridges & large culverts | 100 years | 3.6% |
| Kerb and channel | 20-100 years | 3.6% |
| Retaining Walls | 50-100 years | 3.6% |
| Street lighting | 15-50 years | 3.6% |
| Culverts | 80 years | 3.6% |
| Traffic signals and under road assets | 5-50 years | 3.6% |
| Wastewater system | 20 to 120 years | 2.5% |
| Stormwater system | 20 to 120 years | 1.7% |
| Water system | 9 to 100 years | 2.6% |
| | 7 to 100 years | 1% - 15% |
| | 50 years | 2% |
| | 10 to 100 years | 1% - 10% |
| Airport runway | 0 to 50 years | 10% |

# Statement of accounting policies

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

## Intangible assets

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of WDC's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

### Carbon credits

Carbon credits are initially recognised at cost. After initial recognition they are not amortised but all carbon credits are measured, annually, at fair value.

The net revaluation result is credited or debited to other comprehensive revenue and expense and is accumulated to fair value through general reserve. Where this results in a debit balance in the reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase in revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense. They are derecognised when they are used to satisfy carbon emission obligations.

### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

### Amortisation

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

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

# Statement of accounting policies

| Asset type | Useful life | Amortisation rate |
|---|---|---|
| Computer software | 3 - 10 years | 10% - 33% |

## Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### Value in use 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.

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 depends on the nature of the impairment and availability of information.

### Value in use for cash-generating assets

Cash generating assets are those held for the primary purpose of generating a commercial return.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. Where an impairment loss is reversed this is recognised in the surplus or deficit.

## Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber process, felling costs and silvicultural costs and takes into consideration environmental, operational and market restrictions.

Gains or losses arising on initial recognition of biological assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell are recognised in the surplus or deficit.

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

## Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

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

# Statement of accounting policies

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

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

## Creditors and other payables

Creditors and other payables are recorded at their face value.

## Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

## Employee entitlements

### Short-term employee entitlements

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

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

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

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

### Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders service, such as long service leave and retiring leave; have been calculated on an actuarial basis. The calculations are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and the present value of the estimated future cash flows.

### Presentation of employee entitlements

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

## Superannuation schemes

### Defined contribution schemes

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

# Statement of accounting policies

## Equity

Equity is the community's interest in WDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- retained earnings
- restricted reserves
- asset revaluation reserves
- other reserves

### Restricted reserves

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

Restricted reserves are those subject to specific conditions accepted as binding by WDC and which may not be revised by WDC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

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

### Revaluation Reserves

These relate to the revaluation of land, buildings and infrastructural assets to fair value.

### Other Reserves

These relate to the revaluation of financial assets (shares and bonds) to fair value and the revaluation of carbon credits to fair value.

## Goods and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## Landfill post-closure costs

WDC, as past operator of the Balgownie landfill, has a legal obligation under the resource consent to provide on-going monitoring of the landfill after its closure. Post-closure monitoring costs are recognised as expenses when the obligation for post-closure arises.

# Statement of accounting policies

## Cost allocation

WDC has derived the cost of service for each significant activity of WDC using the cost allocation system outlined below.

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.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as operating expenditure net of NZTA subsidies.

## Critical accounting estimates and assumptions

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

### WDC infrastructural assets

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

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset;
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then WDC could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, WDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the WDC's asset management planning activities, which gives WDC further assurance over its useful life estimates.

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

## Critical judgements in applying WDC's accounting policies

Management has exercised the following critical judgements in applying the WDC's accounting policies:

# Statement of accounting policies

## Classification of property

WDC owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

## Impairment of shares in subsidiary

Management reviews its share investment in its subsidiary and has made estimates and assumptions concerning the future. These estimates and assumptions include revenue growth, future cash flows and future economic and market conditions. These estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. WDC minimises the risk of this estimation uncertainty by annually reviewing the value of its share investment.

## Comparative Information

The Annual Plan 2017/2018 adopted by the council on 19 June 2017 has been provided as a comparator for these consolidated prospective financial statements. The closing balance in this comparative differs from the opening position used to prepare these consolidated prospective financial statements which is based on the most up-to-date forecast information.

## Implementation of new and amended standards

PBE International Financial Reporting Standard (IFRS) 9 Financial Instruments is effective from periods beginning on or after 1 January 2021. PBE IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes current requirements for hedge accounting.

The five new standards, PBE IPSAS 34 Separate Financial Statements, PBE IPSAS 35 Consolidated Financial Statements, PBE IPSAS 36 Investment in Associates and Joint Ventures, PBE IPSAS 37 Joint Arrangements and PBE IPSAS 38 Disclosure of Interests in Other Entities, are effective from periods beginning on or after 1 January 2019. The WDC is yet to assess the impact of these new standards, although the impact is unlikely to be material.

# Contact us

| | |
|---|---|
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# Further contacts

| | |
|---|---|
| Animal control | (06) 349 0517 |
| Building and planning | (06) 349 0521 |
| Cemetery and crematorium | (06) 343 9412 |
| Civil Defence | (06) 349 0515 |
| Customer services | (06) 349 0001 |
| Health and liquor licensing | (06) 349 0522 |
| i-Site information centre | (06) 349 0508 |
| Library | (06) 349 1000 |
| War Memorial Hall – Conference and Convention Centre | (06) 348 0333 |
| Noise complaints | (06) 349 0001 |
| Parking | (06) 349 0001 |
| Property | (06) 349 0001 |
| Rates and debtor enquiries | (06) 349 0519 |
| Royal Wanganui Opera House | (06) 349 0511 |
| Sarjeant Gallery | (06) 349 0506 |
| Splash Centre | (06) 345 6528 |
| Stormwater separation | (06) 349 0548 |
| Water and wastewater | (06) 349 0510 |
| Whanganui Regional Museum | (06) 349 1110 |

# Glossary

| | |
|---|---|
| Annual Plan | The Annual Plan sets out what the Council intends to achieve over the next year, the budget for that specific year, how it will measure its performance and who will pay. No Annual Plan is produced in a year when a Long Term Plan is published. |
| Capital expenditure (Capital acquisitions) | Funding necessary for new works that add to the Council's existing assets. |
| Community outcomes / Leading Edge Strategy | Our vision for the future of our community to be enacted through our Leading Edge Strategy. |
| Exclusions | These items have not been included in the budget for 2018/19 and there is no allowance for them in the 10-year programme for 2018-2028. |
| Forecast | Prospective financial information prepared on the basis of assumptions as to future events that the Council reasonably expects to occur. |
| Groups of activities | The Council's activities are allocated to 11 groups – Water supply; Stormwater drainage; Sewerage and the treatment and disposal of sewage; Provision of roads and footpaths; Parks and recreation; Community and cultural; Economic development; Community facilities and services; Transportation; Investments; and Corporate – based on their relationship and the rationale for providing them. |
| Infrastructure | Includes roads, water pipes, drainage pipes, footpaths, pump stations, bridges etc. |
| Long Term Plan | A plan which outlines the Council's programme for the next 10 years and how it will contribute to achieving the Community Outcomes. Also includes a 30-year Infrastructure Strategy. |
| Operational expenditure | All funding for providing services on a day-to-day basis, excluding renewal and capital expenditure. |
| Performance measures | How the Council will assess progress toward achieving outcomes and service levels. |
| Projection | Prospective financial information prepared on the basis of one or more hypothetical but realistic assumptions that reflect possible courses of action. |
| Renewal expenditure (Capital replacements) | Funding for works that replace the existing assets over their projected lifetime. |