

Revenue and Financing Policy | Te Kaupapa here ō nga pūtea me te moni-ā-tau

Introduction

Our Revenue and Financing Policy sets out the ways in which we intend to pay for each activity we're involved in, and why.

We've developed this policy in line with the Local Government Act 2002 which specifies how the Revenue and Financing Policy must be developed.

We must first identify the activities that we're involved in. We use the term 'activity' to describe goods or services provided by us or on our behalf.

In relation to each activity to be funded, we then must consider:

- the community outcomes to which the activity primarily contributes
- the distribution of benefits between the community as a whole, any identifiable part of the community and individuals
- the period in or over which those benefits are expected to occur
- the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.

After completing the analysis above, we must then consider the overall impact of the funding allocation on the current and future social, economic environmental and cultural wellbeing of the community.

This Policy should be read in conjunction with our Funding Impact Statement. The Funding Impact Statement puts the Revenue and Financing Policy into practice. It details the revenue requirement for each of our activities and provides examples of rates for sample properties.

Our revenue and financing direction

Throughout the preparation of this Policy, the following directions with regard to the funding of our activities have guided us:

- to minimise and smooth rates increases (this is a direction in our Financial Strategy)
- to not assume that rates are the only available funding source (this is a component of minimising rates)
- to explore alternative funding sources in the first instance, where possible and appropriate (endeavours in this area have been and will continue to be made).

In developing this policy we have considered our activities, how they contribute to our community outcomes, who benefits from them (and for how long), and who creates a need or increases the cost of our activities. The funding arrangement of our activities requires careful consideration. User fees and charges (and targeted rates) cannot be utilised to a point where the cost becomes prohibitive and could potentially impact the community's use of the service. This is why we've balanced the use of user fees and charges and targeted rates with other funding sources.

We've also considered the costs and benefits of funding each activity distinctly from other activities. We aim to be balanced and fair and also endeavour to uphold suitable transparency, as well as administrative efficiency. For the

most part we've chosen to fund distinctly for transparency. Most activities are funded separately but there are some cases where we're proposing not to separate the rate funding for activities due to the cost, or to ensure simplicity. The rate funding for a range of activities is combined into the general rate, e.g. Landfill Aftercare, Passive Reserves, District Grants and Donations, Animal Control, Emergency Management, CCTV, Property, Subdivision, Resource Management Policy Development, Strategic Policy Development.

After identifying our activities, and assessing who benefits from those activities or causes the need for them, we considered who should pay for them. Our draft proposed funding showed that 62% of our rates would be collected from the Uniform Annual General Charge (UAGC), which is a set charge that every property pays. The remaining 38% would be collected through the General Capital Value Rate. We call this a 62/38 split, where in our 2018-28 long term plan, we had a 45/55 split. This would mean a higher UAGC for all properties in the district, with a smaller portion of rates set on the capital value of a property.

As part of the policy development, we look at the overall impacts of our decisions, and how those decisions may affect community wellbeing, now and in the future. When we considered the 62/38 split, and what it would mean for rates, we decided to adjust the overall funding to be in line with our previous long term plan, so that 45% of rates would be from the UAGC, and 55% from capital value. This meant moving \$2.08 million in rates income that would've been split evenly across all properties (UAGC), to be charged proportionate to the capital value (CV) of a property. In general this means that ratepayers with higher value properties will pay more and ratepayers with lower valued properties will pay less. We consider that provides more equitable rates over the district as our work on affordability shows that many of our ratepayers will find it difficult to pay their rates.

Types of expenditure

Broadly speaking we have two types of expenditure:

- **Operating expenditure:** the spend required for the day-to-day functioning of the Council as a business. It includes things like maintenance, electricity and wages.
- **Capital expenditure:** the money spent on acquiring, building, upgrading or renewing physical assets, such as buildings, or water treatment plants.

Operating expenditure and capital expenditure are funded differently. The details of the different funding mechanisms used are outlined in this Policy.

Legislation requires that we make adequate provision in our Long Term Plan to meet our identified expenditure needs. Generally, this will mean that all expenditure is funded. However, we do make a number of exceptions to this.

Whilst we do seek to fully fund our operating expenditure in each year, there may be occasions when this is not practical. Operating expenditure may be funded by prior years' surpluses or anticipated future years' surpluses. This approach aligns to a direction in our Financial Strategy to minimise and smooth rate increases.

We make decisions not to fund depreciation expenditure where it is financially prudent not to do so. Details of assets where the depreciation is not funded are listed in our 'Financial and General Assumptions', which can be found on our website or within the 2021-2031 Long Term Plan.

When making decisions not to fund depreciation expenditure, we've had regard to:

- whether at the end of its useful life, the replacement of the asset will be funded by way of a grant or subsidy from a third party
- whether we've decided not to replace an asset at the end of its useful life
- whether the original cost of constructing the asset has been fully funded
- whether fully funding depreciation in the short-term will result in an unreasonable burden on ratepayers.

In some activities we take over ownership of assets from developers when subdivisions are completed. For accounting purposes this needs to be shown as income in the cost of service statements and funding impact statements for those activities. We don't take this income into account as a funding source in this Policy.

Operating expenditure funding sources

The mechanisms for funding applied under this policy are those set out under section 103(2) of the Local Government Act 2002. Our policy on funding operating expenditure is to utilise sources of funds in priority shown on the table below along with a definition of the funding source and when we would use it.

Funding source	Priority of application	Definition	When we'll use it
Grants and subsidies	1.	Funding received from other agencies, usually for a specific purpose.	We'll use grants or subsidies from central government or other organisations where available, usually for a specific purpose. This approach minimises the cost to the community of undertaking projects and activities. In analysing the benefits and costs to the community of various project and activity options, we'll consider the availability of grants and subsidies.
User fees and charges	2.	Fees charged to individuals or groups who are directly using our services.	<p>User fees and charges are generally applied where there is a direct benefit to an individual. The use of fees and charges may be balanced with other funding sources. We set our fees and charges annually to reflect increases in costs or changes to charging structures. The Fees and Charges schedule is available on our website.</p> <p>The fees and charges revenue targets set out in this policy are subject to influences beyond the Council's control. Therefore, they are by their nature variable and subject to change. Any drop in anticipated revenue from them will be compensated by rates.</p>
Investment fund income	3.	Income received from our Investment Fund.	Generally used to reduce the amount of Uniform Annual General Charge required.
Rates	4.	Includes the Uniform Annual General Charge (UAGC), General Rates and Targeted Rates.	Where the above listed funding sources are not available, we will fund its expenditure requirements by rates. There are a variety of rating types to recognise the different circumstances. See under Rating Type Classifications heading for further description.
Special funds	5.	Revenue received in the past set aside for a particular purpose.	Special funds may be used to fund specific community projects that we have selected.
Internal borrowing	6.	We operate an internal treasury function. This means that we use the cash surpluses from some activities to lend to other activities that need to borrow.	We do this to reduce our overall cost of borrowing. We charge interest on the funds lent to the borrowing activities, and receive interest on the funds borrowed from the lending activities. We will fund short term deficits with internal borrowing that we have deemed prudent.
External borrowing	7.	Borrowing from external sources.	<p>We may need to borrow funds externally to ensure there are adequate funds to meet our overall operational cash flow requirements. External borrowing is not linked or tied to specific activities.</p> <p>We use borrowing to smooth rates increases in the short term and to cover short term operating deficits.</p>

Capital expenditure funding sources

As with operating expenditure, the mechanisms for funding applied under this Policy are limited to those set out under section 103(2) of the Local Government Act 2002. Our policy on funding capital expenditure is to utilise sources of funds in priority shown on the table below along with a definition of the funding source and when we would use it.

Funding source	Priority of application	Definition	When we'll use it
Grants and subsidies	1.	Funding received from other agencies, usually for a specific purpose.	We will use grants or subsidies from central government or other organisations where available and usually for a specific purpose. This approach minimises the cost to the community of undertaking projects and activities. In analysing the benefits and costs to the community of various project and activity options, we will consider the availability of grants and subsidies.
Financial Contributions/ Development Contributions	2.	Contributions made by developers to help fund new or expand existing (increase capacity) infrastructure that has reached its capacity as a result of growth.	Where available, we may charge Development Contributions in accordance with our Development Contributions Policy, to recover previous capital expenditure or to seek contributions toward future capital expenditure that is intended to create additional capacity. We may charge Financial Contributions in accordance with our District Plan.
Depreciation	3.	Allocating funding over the life of a capital asset so that it can be replaced at the end of its useful life.	We will use depreciation from current and prior years that has not already been applied to fund asset replacements. Depreciation on assets is funded in the same way that the operating costs for the relevant activity are funded.
Proceeds from asset sales	4.	Funds gained from selling our assets, e.g. property.	Funding received from selling physical assets will initially be used to repay debt associated with the activity that funded it. Following this, any remaining funds will be used to fund other capital expenditure within that same activity.
Reserves - past surpluses	5.	Funds held from past surpluses, a bit like a savings account.	Where past surpluses are available, these may be used to fund capital expenditure.
Borrowing – internal	6.	We operate an internal treasury function. This means that we use the cash surpluses from some activities to lend to other activities that need to borrow.	Where the options 1 – 5 are not available to fund capital expenditure it will be necessary to borrow the sum required. We operate an internal treasury function. We use the cash surpluses from some activities to lend to other activities that need to borrow. We do this to reduce our overall cost of borrowing. We charge interest on the funds lent to the borrowing activities, and pays interest on the funds borrowed from the lending activities.
Borrowing – external	7.	Borrowing from external sources.	We may need to borrow funds externally to ensure there are adequate funds to meet our overall capital cash flow requirements. External borrowing is not linked or tied to specific capital projects or activities.

Borrowing enables us to fund our activities over the life of our assets. For example, the life of a water treatment plant is approximately 50 years. We consider the funding mix for this asset so that today's ratepayers pay their fair share, as do tomorrow's ratepayers. This is known as intergenerational equity.

Rating types

We use different types of rates to fund our activities, depending on factors outlined in this policy. The different types of rates we charge are described in detail below.

Uniform Annual General Charge (UAGC)

The UAGC is a fixed charge per rating unit. It is used to fund activities that deliver benefit to the whole District.

General Rate – Capital Value

The General Rate is assessed on all rating units in the District based on capital value. It is used to fund activities where we believe the activity delivers a public benefit to the whole of the community and where a fixed charge per rating unit is not considered appropriate.

We apply a capital value general rate differentially, which means some pay a higher rate than others based on their land use. Our differential rates are explained in the table below.

Differential General Rate	Description
Residential/Rural	Means all rating units used primarily for residential, recreational, cultural use or primarily or predominately for the purposes of agriculture, viticulture, horticulture or silviculture.
Commercial/Industrial	Means all rating units used for commercial or industrial purposes, including utility networks.
Mineral Extraction Land Use	Means all mineral value rating units that are not used in precious metal mining.
Mining Land Use	Means all mineral value rating units that are used in precious metal mining.

Targeted Rates

We use targeted rates (as defined in the Local Government (Rating Act) 2002) to appropriately charge those that directly benefit from or use the service. Targeted rates are chosen where the services provided are specific to a particular community or area within the District and it is not considered fair to charge all ratepayers. Details of our targeted rates, how the targeted rates are calculated, and revenue to be generated by targeted rates is detailed in our Funding Impact Statement.

How we fund our activities

The table below provides more detail on how we intend to fund our activities.

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Governance and Leadership	Democracy	100% Rate – Capital Value – General	None
	Iwi liaison	100% Rate - Uniform Annual General Charge	None
	Resource management policy development	Policy: 100% Rate – Capital Value - General Private Plan Changes: 100% Fees and Charges	None
	Strategic policy development	100% Rate – Capital Value – General	None
Land transport	Carriageways and bridges	60-85% Subsidies 15-40% Rate – Capital Value Rooding	1. Waka Kotahi Subsidy 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
	Footpaths	60-85% Subsidies 15-40% Rate – Uniform Annual Charge - Ward	
	Lighting	60-85% Subsidies 15-40% Rate – Capital Value Rooding	
	Network management	60-85% Subsidies 15-35% Rate – Capital Value Rooding 0-5% Fees and Charges	None
	Amenity	95-100% Rate – Capital Value Rooding 0-5% Fees and Charges	1. Waka Kotahi Subsidy 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
	Public transport	100% Rate - Capital Value Rooding	None
	Local public transport	50-100% Rate - Capital Value Rooding 0-50% Fees and charges	None
	Safety	100% Uniform Annual General Charge	1. Waka Kotahi Subsidy 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
	Stock underpass subsidies	100% Rate - Capital Value Rooding	None
Carparks	90-100% Ward – Annual Charge 0-10% Fees and Charges	1. Development Contributions/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external	

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Land transport	Town centre upgrades	60% Rate – Uniform Annual Charge – Ward 20% Rate – Capital Value – Ward Business 20% Rate – Annual Charge – Ward Business	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
Water supply	Water supply	100% Rate – Targeted (annual charge and volume charge)	1. Grants and subsidies 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
Wastewater	Wastewater	85-100% Rate – Targeted Charge (Pan Charge) 0-15% Fees and Charges	1. Grants and subsidies 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
Stormwater	Urban stormwater	85% Rate – Targeted – Capital Value 15% Rate - Capital Value – General	1. Grants and subsidies 2. Development/Financial Contributions 3. Depreciation 4. Reserves 5. Borrowing – internal 6. Borrowing – external
Land drainage	Land drainage	85% Rate – Targeted – Land Value 15% Rate - Capital Value – General	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Flood protection	85% Rate – Targeted – Land Value 15% Rate - Capital Value – General	
Waste management	Transfer stations	0-100% Rate – Capital Value – General 0-100% Fees and Charges	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Kerbside collection	0-100% Rate – Targeted – Annual Charge 0-100% Fees and Charges	None
	Waste minimisation	30-80% Rate – Capital Value – General 20-50% Grants and Subsidies 0-20% Fees and charges	None
	Landfill aftercare	100% Rate – Capital Value – General	1. Borrowing – internal 2. Borrowing – external
Community recreation	Libraries	93-96% Rate – Uniform Annual General Charge 4-7% Fees and Charges	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Swimming pools	93-96% Rate – Uniform Annual General Charge 4-7% Fees and Charges	

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Community recreation	Event centre	40-45% Rate – Uniform Annual General Charge 40-45% Rate – Uniform Annual Charge – Ward 10-20% Fees and Charges	
	Sports fields	47-50% Rate - Uniform Annual General Charge 47-50% Rate - Uniform Annual Charge – Ward 0-6% Fees and Charges	
	Recreation reserves	98-100% Rate - Uniform Annual Charge – Ward 0-2% Fees and Charges	
	Traveller's reserves	98-100% Rate – Capital value -- Rooding 0-2% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Town centres	60% Rate – Uniform Annual Charge – Ward 20% Rate – Capital Value – Ward Business 20% Rate – Annual Charge – Ward Business	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Passive reserves	100% Rate – Uniform Annual General Charge	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Sports coordinator	100% Rate – Uniform Annual General Charge	None
	Cycleway (Hauraki Rail Trail)	75% Rate – Uniform Annual General Charge 25% Rate – Capital Value – General (Differential on Commercial/Industrial)	1. Grants and subsidies 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
Community facilities	Town halls	80-90% Rate - Uniform Annual General Charge 10-20% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Rural hall assistance	100% Rate - Targeted Community Hall Rates	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Cemetery Burials	100% Fees and Charges	1. Reserves 2. Borrowing – internal 3. Borrowing – external
	Cemetery Reserves	100% Rate - Uniform Annual General Charge	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
Community facilities	Public conveniences	77-80% Rate – Capital Value Rooding 17-20% Rate – Uniform Annual General Charge 0-3% Fees and Charges	1. Development/Financial Contributions 2. Depreciation 3. Reserves 4. Borrowing – internal 5. Borrowing – external
	Elderly person housing	100% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Interest	100% Rate – Uniform Annual Charge – Ward	None
Manaaki Toiora	Economic project assistance	100% Rate - Capital Value District differential on commercial/industrial	None
	Social initiatives	\$56,000 Investment Income Remainder - Rate – Capital Value - General	None
	Event coordination	50% Rate - Uniform Annual General Charge 50% Rate - Capital Value - General differential on commercial/industrial	None
	Visitor information services	50 % Rate – Uniform Annual General Charge 50% Rate - Capital Value – General (differential on commercial/industrial)	None
	Grants and donations – District	100% Rate – Uniform Annual General Charge	None
	Grants and donations – Local	100% Rate –Uniform Annual Charge - Ward	None
	Whakawhanaunga / Extended relationships	100% Rate – Uniform Annual General Charge	None
Regulatory	Resource management implementation	40-70% Rate – Capital Value – General 30-60% Fees and charges	None
	Building services	45-55% Rate – Capital Value - General 45-55% Fees and charges	None
	Health	75-90% Rate - Uniform Annual General Charge 10-25% Fees and Charges	None
	Alcohol licensing	40-60% Rate - Uniform Annual General Charge 40-60% Fees and charges	None
	CCTV and abandoned mines monitoring	100% Rate – Uniform Annual General Charge	None
	Emergency management	100% Rate – Uniform Annual General Charge	None
	Dog registration	100% Fees and Charges	None

Group / activity	Activity funded	Indicative operating funding source	Indicative capital funding sources by priority of application
	Animal control	85-95% Rate - Uniform Annual General Charge 5-15% Fees and charges (Fines)	None
Support services	Property	100% Fees and Charges	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Forestry	100% Fees and Charges (timber sales)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Subdivision	100% Fees and Charges (section sales)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Plant	100% Fees and Charges (internal charges)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Business units	100% Fees and Charges (internal charges)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external
	Overheads	100% Fees and Charges (internal charges)	1. Depreciation 2. Reserves 3. Borrowing – internal 4. Borrowing – external

Financial statements | Pūrongo pūtea

Hauraki District Council funding impact statement for 2021-31 (whole of council)

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
SOURCES OF OPERATING FUNDING											
General rates, uniform annual general charges, rates penalties	11,169	11,962	12,254	12,550	13,816	14,369	14,945	15,540	16,155	16,798	17,465
Targeted rates	20,619	21,357	22,844	24,861	25,775	26,639	27,518	28,666	30,162	31,525	32,999
Subsidies and grants for operating purposes	2,689	3,253	3,300	3,355	3,733	3,836	3,947	4,062	4,179	4,307	4,425
Fees and charges	2,985	4,188	4,262	4,367	4,472	4,583	4,693	4,810	4,936	5,064	5,187
Interest and dividends from investments	0	0	0	0	0	0	0	0	0	0	0
Local Authorities fuel tax, fines, infringement fees, and other receipts	399	168	4,252	4,857	178	181	185	188	191	194	197
Total Operating Funding (A)	37,861	40,928	46,912	49,990	47,974	49,608	51,288	53,266	55,623	57,888	60,273
APPLICATIONS OF OPERATING FUNDING											
Payments to staff and suppliers	27,801	33,012	32,737	35,129	35,285	36,493	36,169	37,069	38,222	39,573	40,305
Finance Costs	1,613	1,475	1,573	1,836	1,863	1,999	2,090	2,002	1,801	1,742	1,545
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total Applications of Operating Funding (B)	29,414	34,487	34,310	36,965	37,148	38,492	38,259	39,071	40,023	41,315	41,850
SURPLUS (DEFICIT) OF OPERATING FUNDING (A - B)	8,447	6,441	12,602	13,025	10,826	11,116	13,029	14,195	15,600	16,573	18,423
SOURCES OF CAPITAL FUNDING											
Subsidies and grants for capital expenditure	1,700	3,784	2,279	2,396	5,094	3,444	11,312	13,214	3,820	2,926	3,005
Development and financial contributions	0	1,027	931	852	822	775	709	619	524	453	396
Increase (decrease) in debt	7,500	12,779	17,338	6,971	12,134	8,107	6,137	5,997	2,676	(2,446)	(117)
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total Sources of Capital Funding (C)	9,200	17,590	20,548	10,219	18,050	12,326	18,158	19,830	7,020	933	3,284
APPLICATIONS OF CAPITAL FUNDING											
Capital Expenditure											

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	5,443	10,622	16,278	8,251	15,576	11,186	9,613	7,417	2,274	2,184	3,100
- to replace existing assets	10,805	12,350	11,631	10,191	8,227	8,840	9,992	12,332	14,314	10,569	11,995
Increase (decrease) in reserves	1,399	1,059	5,241	4,802	5,073	3,416	11,582	14,276	6,032	4,753	6,612
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
Total Applications of Capital Funding (D)	17,647	24,031	33,150	23,244	28,876	23,442	31,187	34,025	22,620	17,506	21,707
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C - D)	(8,447)	(6,441)	(12,602)	(13,025)	(10,826)	(11,116)	(13,029)	(14,195)	(15,600)	(16,573)	(18,423)
FUNDING BALANCE ((A - B) + (C - D))	0	0	0	0	0	0	0	0	0	0	0

Reconciliation of Comprehensive Income Statement to Funding Impact Statement

OPERATING SURPLUS/(DEFICIT)	1,310	1,056	5,241	4,808	5,071	3,415	11,583	14,275	6,034	4,751	6,610
Depreciation/Assets written off	9,135	10,477	10,861	11,761	11,974	12,231	13,785	14,081	14,248	15,551	15,573
Subsidies and grants for capital expenditure	(1,700)	(3,784)	(2,279)	(2,396)	(5,094)	(3,444)	(11,312)	(13,214)	(3,820)	(2,926)	(3,005)
Development and financial contributions	0	(1,027)	(931)	(852)	(822)	(775)	(709)	(619)	(524)	(453)	(396)
Less Doubtful Debts	0	0	0	0	0	0	0	0	0	0	0
Vested Asset Income	(281)	(281)	(290)	(296)	(303)	(311)	(318)	(328)	(338)	(350)	(359)
Gains and Losses	(17)	0	0	0	0	0	0	0	0	0	0
SURPLUS (DEFICIT) OF OPERATING FUNDING (A - B)	8,447	6,441	12,602	13,025	10,826	11,116	13,029	14,195	15,600	16,573	18,423

Prospective statement of financial position

Forecast as at 30 June for the 10 years to 2031

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
Assets											
Current assets											
Cash and cash equivalents	292	1,721	756	586	337	862	705	526	1,105	312	722
Receivables	8,255	8,598	9,274	9,856	10,063	10,125	11,620	12,275	11,311	11,607	12,075
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	87	87	87	87	87	87	87	87	87	87	87
Prepayments	0	0	0	0	0	0	0	0	0	0	0
Inventories	306	306	306	306	306	306	306	306	306	306	306
Non-current assets held for resale	0	0	0	0	0	0	0	0	0	0	0
Total current assets	8,940	10,712	10,423	10,835	10,793	11,380	12,718	13,194	12,809	12,312	13,190
Non-Current assets											
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0	0
Investments in associates	0	0	0	0	0	0	0	0	0	0	0
Other financial assets											
- Investments in CCOs and similar entities	645	645	645	645	645	645	645	645	645	645	645
- Community loans	5	5	5	5	5	5	5	5	5	5	5
- Investments in joint ventures	0	0	0	0	0	0	0	0	0	0	0
- Investments in other entities	101	101	101	101	101	101	101	101	101	101	101
Total other financial assets	751	751	751	751	751	751	751	751	751	751	751
Property, plant & equipment	620,543	634,533	669,906	689,955	705,823	734,885	756,182	766,519	791,725	805,617	810,160
Intangible assets	568	568	568	568	568	568	568	568	568	568	568
Forestry assets	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311
Investment properties	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	623,173	637,163	672,536	692,585	708,453	737,515	758,812	769,149	794,355	808,247	812,790
Total assets	632,113	647,875	682,959	703,420	719,246	748,895	771,530	782,343	807,164	820,559	825,980
Current liabilities											
Payables and deferred revenue	6,447	4,402	4,196	4,734	4,704	4,923	4,750	4,876	5,059	5,280	5,339
Derivative financial instruments	759	759	759	759	759	759	759	759	759	759	759
Borrowings and other financial liabilities	8,000	7,000	10,000	3,000	4,000	4,000	11,000	4,000	8,000	6,000	0
Employee entitlements	1,861	2,382	2,393	2,429	2,471	2,520	2,576	2,635	2,698	2,768	2,843
Provisions	340	340	340	340	340	340	340	340	340	340	340

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
Total Current Liabilities	17,407	14,883	17,688	11,262	12,274	12,542	19,425	12,610	16,856	15,147	9,281
Non-Current Liabilities											
Derivative financial instruments	2,808	2,808	2,808	2,808	2,808	2,808	2,808	2,808	2,808	2,808	2,808
Borrowings and other financial liabilities	42,500	48,000	57,000	66,000	72,000	77,000	66,000	65,000	57,000	51,000	51,000
Employee entitlements	360	476	479	486	494	504	515	527	540	554	569
Provisions	202	202	202	202	202	202	202	202	202	202	202
Deferred tax liability	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	45,870	51,486	60,489	69,496	75,504	80,514	69,525	68,537	60,550	54,564	54,579
Total liabilities	63,277	66,369	78,177	80,758	87,778	93,056	88,950	81,147	77,406	69,711	63,860
Net assets (assets minus liabilities)	568,836	581,506	604,782	622,662	631,468	655,839	682,580	701,196	729,758	750,848	762,120
<i>Represented by:</i>											
EQUITY											
Accumulated Funds	411,319	410,152	415,250	419,915	424,843	428,115	439,555	453,687	459,578	464,186	470,653
Other reserves	3,118	3,025	3,168	3,311	3,454	3,597	3,740	3,883	4,026	4,169	4,312
Asset revaluation reserve	154,399	168,329	186,364	199,436	203,171	224,127	239,285	243,626	266,154	282,493	287,155
TOTAL EQUITY	568,836	581,506	604,782	622,662	631,468	655,839	682,580	701,196	729,758	750,848	762,120

Prospective statement of changes in net assets/equity

Forecast as at 30 June for the 10 years to 2031

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
TOTAL EQUITY											
As at 1 July	555,794	577,243	581,506	604,782	622,662	631,468	655,839	682,580	701,196	729,758	750,848
Comprehensive Revenue & Expense for the year	13,042	4,263	23,276	17,880	8,806	24,371	26,741	18,616	28,562	21,090	11,272
As at 30 June	568,836	581,506	604,782	622,662	631,468	655,839	682,580	701,196	729,758	750,848	762,120
TOTAL EQUITY CONSISTS OF:											
Accumulated Funds											
As at 1 July	410,152	409,239	410,152	415,250	419,915	424,843	428,115	439,555	453,687	459,578	464,186
Transfers from/(to):											
Asset Revaluation Reserve on disposal of PPE	0	0	0	0	0	0	0	0	0	0	0
Restricted Reserves	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)
Surplus/(Deficit) for the year	1,310	1,056	5,241	4,808	5,071	3,415	11,583	14,275	6,034	4,751	6,610
As at 30 June	411,319	410,152	415,250	419,915	424,843	428,115	439,555	453,687	459,578	464,186	470,653
Other Reserves											
As at 1 July	2,920	2,882	3,025	3,168	3,311	3,454	3,597	3,740	3,883	4,026	4,169
Transfers to Retained Earnings	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)	(56)
Transfers from Retained Earnings	199	199	199	199	199	199	199	199	199	199	199
As at 30 June	3,063	3,025	3,168	3,311	3,454	3,597	3,740	3,883	4,026	4,169	4,312
Forestry Revaluation Reserves											
As at 1 July	0	0	0	0	0	0	0	0	0	0	0
Revaluation gains/(losses)	0	0	0	0	0	0	0	0	0	0	0
As at 30 June	0	0	0	0	0	0	0	0	0	0	0
Asset Revaluation Reserves											
As at 1 July	142,667	165,122	168,329	186,364	199,436	203,171	224,127	239,285	243,626	266,154	282,493
Revaluation gains/(losses)	11,732	3,207	18,035	13,072	3,735	20,956	15,158	4,341	22,528	16,339	4,662
Transfer of revaluation reserve to retained earnings PPE	0	0	0	0	0	0	0	0	0	0	0
As at 30 June	154,399	168,329	186,364	199,436	203,171	224,127	239,285	243,626	266,154	282,493	287,155

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
Asset Revaluation Reserves consist of:											
<i>Operational Assets</i>											
Land	43,514	46,402	46,402	46,402	50,137	50,137	50,137	54,478	54,478	54,478	59,140
Buildings	16,994	16,231	16,231	17,787	17,787	17,787	19,572	19,572	19,572	21,483	21,483
Library Books	0	0	0	0	0	0	0	0	0	0	0
<i>Infrastructural Assets</i>											
Wastewater System	12,340	14,255	14,255	19,470	19,470	19,470	25,526	25,526	25,526	32,060	32,060
Water System	11,109	9,368	9,368	12,417	12,417	12,417	15,958	15,958	15,958	19,778	19,778
Drainage Network	8,121	8,094	8,094	11,346	11,346	11,346	15,122	15,122	15,122	19,196	19,196
Land Transport Network	62,321	73,979	92,014	92,014	92,014	112,970	112,970	112,970	135,498	135,498	135,498
<i>Restricted Assets</i>											
Land	0	0	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0	0	0
Total	154,399	168,329	186,364	199,436	203,171	224,127	239,285	243,626	266,154	282,493	287,155
Fair value through other comprehensive income and expense reserve											
As at 1 July	55	0	0	0	0	0	0	0	0	0	0
Change in fair value	0	0	0	0	0	0	0	0	0	0	0
As at 30 June	55	0	0	0	0	0	0	0	0	0	0
As at 30 June	568,836	581,506	604,782	622,662	631,468	655,839	682,580	701,196	729,758	750,848	762,120

Prospective statement of comprehensive revenue and expense

Forecast as at 30 June for the 10 years to 2031

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
REVENUE											
Rates	31,788	33,319	35,098	37,411	39,591	41,008	42,463	44,206	46,317	48,323	50,465
Subsidies and Grants	4,389	7,037	5,579	5,751	8,828	7,280	15,259	17,276	8,000	7,233	7,430
Development/Financial Contributions	0	1,027	931	852	822	775	709	619	524	453	396
Other Revenue	3,664	4,831	8,514	9,224	4,651	4,763	4,877	4,997	5,127	5,258	5,384
Other Gains/(Losses)	17	281	290	296	303	311	318	328	338	350	359
TOTAL REVENUE	39,858	46,495	50,412	53,534	54,195	54,137	63,626	67,426	60,306	61,617	64,034
EXPENDITURE											
Employee Benefit Expenses	14,385	15,879	15,953	16,194	16,471	16,801	17,170	17,565	17,987	18,454	18,951
Depreciation and Amortisation	9,135	10,477	10,861	11,761	11,974	12,231	13,785	14,081	14,248	15,551	15,573
Finance Costs	1,613	1,475	1,573	1,836	1,863	1,999	2,090	2,002	1,801	1,742	1,545
(Gains)/Losses	0	0	0	0	0	0	0	0	0	0	0
Other Expenses	13,415	17,608	16,784	18,935	18,816	19,691	18,998	19,503	20,236	21,119	21,355
TOTAL EXPENDITURE	38,548	45,439	45,171	48,726	49,124	50,722	52,043	53,151	54,272	56,866	57,424
Share of Joint Venture Surplus/(Deficit)	0	0	0	0	0	0	0	0	0	0	0
Share of Associates Surplus/(Deficit)	0	0	0	0	0	0	0	0	0	0	0
SURPLUS/(DEFICIT) BEFORE TAX	1,310	1,056	5,241	4,808	5,071	3,415	11,583	14,275	6,034	4,751	6,610
Income Tax Expense	0	0	0	0	0	0	0	0	0	0	0
SURPLUS/(DEFICIT) AFTER TAX	1,310	1,056	5,241	4,808	5,071	3,415	11,583	14,275	6,034	4,751	6,610
OTHER COMPREHENSIVE REVENUE & EXPENSE											
Gain/(Loss) on Revaluation	11,732	3,207	18,035	13,072	3,735	20,956	15,158	4,341	22,528	16,339	4,662
Movement in fair value of available for sale financial instruments	0	0	0	0	0	0	0	0	0	0	0
TOTAL COMPREHENSIVE REVENUE & EXPENSE	13,042	4,263	23,276	17,880	8,806	24,371	26,741	18,616	28,562	21,090	11,272

Prospective cash flow statement

Forecast as at 30 June for the 10 years to 2031

	2020/21 Annual plan \$000	Forecast 2021/22 \$000	Forecast 2022/23 \$000	Forecast 2023/24 \$000	Forecast 2024/25 \$000	Forecast 2025/26 \$000	Forecast 2026/27 \$000	Forecast 2027/28 \$000	Forecast 2028/29 \$000	Forecast 2029/30 \$000	Forecast 2030/31 \$000
Cash Flows from operating activities											
Receipts from rates revenue	32,101	33,289	34,742	36,949	39,155	40,724	42,172	43,858	45,895	47,921	50,037
Receipts from other revenue	8,070	12,582	14,704	15,707	14,530	13,040	19,641	22,585	15,037	13,050	13,170
Interest received											
Dividends received											
Goods and services tax (net)		0	0	0	0	0	0	0	0	0	0
Payments to suppliers and employees	(30,574)	(34,895)	(32,929)	(34,548)	(35,267)	(36,214)	(36,274)	(36,871)	(37,964)	(39,268)	(40,157)
Interest paid	(1,613)	(1,475)	(1,573)	(1,836)	(1,863)	(1,999)	(2,090)	(2,002)	(1,801)	(1,742)	(1,545)
Net cash flow from operating activities	7,984	9,501	14,944	16,272	16,555	15,551	23,449	27,570	21,167	19,961	21,505
Cash Flows from investing activities											
Advance payments received	0	0	0	0	0	0	0	0	0	0	0
Receipts from sale of property, plant & equipment	0	0	0	0	0	0	0	0	0	0	0
Advance payments made	0	0	0	0	0	0	0	0	0	0	0
Purchase of property, plant & equipment	(16,248)	(20,979)	(27,909)	(18,442)	(23,804)	(20,026)	(19,606)	(19,749)	(16,588)	(12,754)	(15,095)
Purchase of intangible assets	0	0	0	0	0	0	0	0	0	0	0
Net cash flow from investing activities	(16,248)	(20,979)	(27,909)	(18,442)	(23,804)	(20,026)	(19,606)	(19,749)	(16,588)	(12,754)	(15,095)
Cash Flows from financing activities											
Proceeds from borrowings	12,500	12,500	19,000	12,000	10,000	9,000	0	3,000	0	0	0
Repayment of finance lease liabilities											
Repayment of borrowings	(5,000)	(8,000)	(7,000)	(10,000)	(3,000)	(4,000)	(4,000)	(11,000)	(4,000)	(8,000)	(6,000)
Net cash flow from financing activities	7,500	4,500	12,000	2,000	7,000	5,000	(4,000)	(8,000)	(4,000)	(8,000)	(6,000)
Net increase(decrease) in cash and cash equivalents	(764)	(6,978)	(965)	(170)	(249)	525	(157)	(179)	579	(793)	410
Cash and cash equivalents at the start of the year	1,056	8,699	1,721	756	586	337	862	705	526	1,105	312
Cash and cash equivalents at the end of the year	292	1,721	756	586	337	862	705	526	1,105	312	722

Reserve funds statement

Forecast as at 30 June for the 10 years to 2031

	Opening Balance \$000	Deposited into Reserve \$000	Withdrawn from Reserve \$000	Closing Balance \$000	Activity that the reserve relates to
Other Reserves					
District Community Recreation	24	0	0	24	Community Services
Plains Community Recreation	140	0	0	140	Community Services
Paeroa Community Recreation	236	0	0	236	Community Services
Waihi Community Recreation	540	0	0	540	Community Services
Dist. Community Projects Assistance	866	1,990	(560)	2,296	All Activities
Economic Development Projects	77	0	0	77	Community Services
Quarry Renewal	1,000	0	0	1,000	Corporate
	<u>2,883</u>	<u>1,990</u>	<u>(560)</u>	<u>4,313</u>	
Asset Revaluation Reserves					
Land	43,195	15,945	0	59,140	All Activities
Buildings	16,231	5,252	0	21,483	All Activities
Wastewater System	14,255	17,805	0	32,060	Wastewater
Water System	9,368	10,410	0	19,778	Water
Drainage Network	8,094	11,102	0	19,196	Land Drainage
Land Transport Network	73,979	61,519	0	135,498	Land Transport
	<u>165,122</u>	<u>122,033</u>	<u>0</u>	<u>287,155</u>	

District Community Projects Assistance Fund

This reserve fund is to provide funding for community projects.

District, Paeroa, Plains, and Waihi Community Recreational Funds

These reserve funds are historic, and were used to accumulate Financial Contributions before changing to a Development Contributions regime. The balances will be used to fund Recreation and Community Facilities capital works.

Economic development projects

This reserve fund is to provide funding for community development projects.

Quarry Renewal Fund

This reserve fund is to provide funding for the cost of rehabilitating Tetley's Quarry post-closure.

Asset Revaluation Reserves

These reserve funds are to hold the net balances from gains/losses from asset revaluations.

Notes supporting our financial statements

Note 1: Statement of Accounting Policies for the Forecast Years 2021-2031

Reporting entity

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

HDC provides local infrastructure, local public services, and performs regulatory functions to our communities. HDC does not operate to make a financial return.

HDC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

These prospective financial statements are for Hauraki District Council as a separate legal entity. Consolidated perspective financial statements comprising of the Council and its subsidiaries and associates have not been prepared.

The financial information contained within these documents is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Statements (PBE). The purpose for which this has been prepared is to enable the public to participate in decision making processes as to the services to be provided by the Council over the next ten financial years, and to provide a broad accountability mechanism of the Council to the community. The financial information in the LTP may not be appropriate for purposes other than those described.

Basis of preparation

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

Budget figures

The budget figures are those approved by the Council in its 2021-31 Long Term Plan. The budget figures have been prepared in accordance with PBE FRS 42, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Standards issued and not yet effective.

Financial instruments

In March 2019, the XRB issued PBE IPSAS 41 Financial Instruments. PBE IFRS 41 supersedes parts of PBE IPSAS 29 Financial Instruments: Recognition and Measurement. It also supersedes PBE IFRS 9 Financial Instruments. PBE IPSAS 41 is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The main changes under PBE IPSAS 41 are:

- Introduces a new classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held. This could result in some instruments moving from amortised cost accounting to fair value accounting, or vice versa.
- Applies a forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.
- Introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. Entities that adopt PBE IPSAS 41 have a choice of either adopting the new hedging model of PBE IPSAS 41 or continuing to apply the hedging model of PBE IPSAS 29.

The Council has determined that adopting PBE IPSAS 41 will not materially impact the financial statements of Council.

Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the LGA, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with PBE FRS42 Prospective Financial Statements, NZ PBE (Tier1) IPSAS and other applicable Financial Reporting Standards, as appropriate for New Zealand public benefit entities.

It is a requirement of the LGA to present prospective financial statements that span 10 years as part of a Long Term Plan. This provides an opportunity for ratepayers and residents to review the prospective financial results and position of HDC.

The information in these statements may not be appropriate for purposes other than those prescribed above. Prospective financial statements are revised annually to reflect updated assumptions and costs. These financial statements are for the period 1 July 2021 to 30 June 2031 and are presented in New Zealand dollars, and rounded to the nearest thousand (\$000), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

The prospective financial statements for each year of the LTP were authorised for issue by the Hauraki District Council on 23 June 2021. HDC is responsible for the prospective financial statements presented, including underlying assumptions underlying prospective financial statements and other disclosures.

There is no intent to update the 2021-31 statements subsequent to presentation.

To meet all requirements of the local government legislation we provide three sets of financial information as set out in the table below.

Set of financial information	Key differences between these three sets of information
Usual Generally Accepted Accounting Principles (GAAP) regulated statements of financial position, comprehensive revenue and expenses, etc.	The GAAP regulated financial statements must adhere to GAAP requirements;
Non-GAAP compliant Funding Impact Statements (FIS's)	The FIS is intended to make the sources and applications of HDC funds more transparent to its stakeholders than might be the case if only the usual GAAP financial statements were provided. The FIS is prescribed by the Local Government (Financial Reporting and Prudence) Regulations 2014 and is required by the LGA; and
Annual Plan disclosure statement as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.	The Long Term Plan disclosure statement is to disclose HDC's planned financial performance in relation to various benchmarks to help our communities assess whether HDC is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

Measurement Base

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

Judgements and estimations

The preparation of prospective financial statements using public benefit entity (PBE) standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates, with a significant risk of material adjustment in the next year, are discussed in the relevant notes within this section. Significant judgements and estimations include asset revaluations, impairments, certain fair value calculations and provisions.

Subsidiaries

HDC has no subsidiaries.

Associates

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

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

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

Joint ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over an activity.

For jointly controlled operations, the Council recognises in its financial statements the assets it controls, the liabilities and expense it incurs, and the share of revenue that it earns from the joint venture..

Revenue

Accounting policy

Revenue is measured at fair value. The specific accounting policies for significant revenue items are explained below.

Rates revenue

The following policies for rates have been applied:

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

Development and financial contributions

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

Waka Kotahi roading subsidies

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

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Entrance fees

Entrance fees are fees charged to users of the Council's local pools. Revenue from entrance fees is recognised upon entry to the pool.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

Infringement fees

Infringement fees mostly relate to noise and dog infringements. Revenue is recognised when the infringement notice is paid.

Sales of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Landfill fees

Fees for disposing of waste at the Council's landfill are recognised as waste is disposed by users.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (for example, land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability is released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Critical judgements in applying accounting policies

Accounting for donated or vested land and buildings with use or return conditions

The Council has received land and buildings from non-exchange transactions that contain use or return conditions. If revenue is not recognised immediately for such assets when received, there is the possibility that a liability would be recognised in perpetuity and no revenue would ever be recognised for the asset received. The Council considers that an acceptable and more appropriate accounting treatment under PBE IPSAS 23 is to recognise revenue immediately for such transfers and a liability is not recognised until such time as it is expected that the condition will be breached.

Borrowing costs

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

Grant expenditure

The Council's grants awarded have no substantive conditions attached. Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

Taxation

Goods and Services Tax (GST)

The financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable, which are stated with GST included.

Where GST is not recoverable as input tax, 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.

Fringe Benefit Tax (FBT)

Where a fringe benefit tax liability arises this has been charged to operating expenditure.

Leases

Finance leases

A finance lease 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 start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and 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 reasonable certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables are recorded at the amount due, less any provision for un-collectability. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Financial assets

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

Financial assets and liabilities are initially measured 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 the surplus or deficit.

Purchases and sales of investments are recognised on trade-date, the date on which HDC 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 HDC has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. HDC uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar

instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are as follows.

1. 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 classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. Derivatives are classified as current if they mature within 12 months of balance date, and are classified as non-current if they mature greater than 12 months after balance date.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

2. 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.

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 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 the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

3. Held to maturity investments

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

They are included in current assets, except for those with maturities greater than 12 months after balance date, which are included in non-current assets.

HDC does not hold any assets in this category at present.

4. Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense 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, or realise, the investment within 12 months of balance date. HDC 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 investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Loans and receivables

Impairment of a loan or a receivable is established when there is objective evidence that HDC 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 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.

At each balance sheet date HDC 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.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, 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 revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument 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.

Accounting for derivative financial instruments

HDC uses derivative financial instruments to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its Investment and Liability Management Policy, HDC does not hold or issue derivative financial instruments for trading purposes. HDC's interest rate swap portfolio was valued as at 30 June 2020 by Council staff using software provided by Hedgebook, and the 2021-31 Long Term Plan assumes no change to this valuation. The movement in fair value has been included in surplus/(deficit) in the Statement of Comprehensive Revenue and Expense. HDC did not hold any forward foreign exchange contracts at balance date.

Non-current assets held for sale

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

Any impairment losses for write-downs are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale (including those that are part of a disposal group). The only asset currently included in this category is property held for sale.

Property, plant and equipment

Property, plant, and equipment consist of:

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

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

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Land (operational and restricted) measured at fair value, buildings (operational and restricted) and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and 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.

The carrying values of revalued assets are assessed 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.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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

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

Disposals

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

Over the tenure of the 2021 Long Term Plan it is assumed that water, wastewater, stormwater and drainage assets will be revalued on 1 July 2023; 2026; and 2029.

Depreciation

Land and assets under construction are not depreciated.

All other assets are depreciated on a straight line basis that will spread the cost of the asset, less any residual value, over the expected useful life of the asset. The useful lives of assets have been identified on a component-by-component basis. The useful lives and associated depreciation rates of major classes of assets has been estimated as follows:

Asset class	Asset Subclass	Estimated useful life	Depreciation rate range
Roading	Seal	10-20 years	5%-10%
	Base Course	20-100 years	1%-5%
	Surface water channels	10-75 years	1.3%-10%
	Culverts	75 years	1.3%
	Footpaths	15-75 years	1.3%-6.7%
	Bridges	30-100 years	1%-3.3%
	Street Lighting	25 years	4%
	Retaining walls	85 years	1.2%
	Railings	20-50 years	2%-5%
	Signs	12.5-20 years	5%-8%
Buildings	Structure	80 years	1.3%
	Roof cladding	30 years	3.3%
	Electrical/Mechanical	25 years	4%
	Plumbing	30 years	3.3%
	Internal wall linings	25 years	4%
	Lifts	25 years	4%
	Air conditioners	15 years	6.7%
	Site improvements	25 years	4%
All other assets	Water reticulation	70-120 years	0.8%-1.4%
	Water treatment	10-100 years	1%-10%
	Wastewater reticulation	65-130 years	0.8%-1.5%
	Wastewater treatment	10-80 years	1.3%-10%
	Stormwater reticulation	50-130 years	0.8%-2%
	Drainage and flood protection	20-200 years	0.5%-5%
	Library books	8 years	12.5%
	Vehicles	3-21 years	4.8%-33.3%
	Equipment	2-94 years	1.1%-50%
	Technology	2-10 years	10%-50%
Furniture and fittings	7-10 years	10%-14.3%	

Assets purchased during the financial year are depreciated on a remaining month's basis.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

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

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

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that

class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

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

Value in use for non-cash-generating assets

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

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

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Critical accounting estimates and assumptions

Estimating the fair value of land, buildings, and infrastructure

Land (operational, restricted, and infrastructural)

All land was valued at 30 June 2019.

The most recent valuation of land was performed by Quotable Values NZ Ltd, who are qualified, independent valuers. All values were confirmed as being suitable for financial reporting.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Adjustments have been made to the 'unencumbered' land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Restrictions on the Council's ability to sell land would normally not impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership.

Over the tenure of the 2021 Long Term Plan it is assumed that land will be revalued on 30 June 2022; 2025; 2028; and 2031.

Buildings (operational and restricted)

All buildings were valued at 1 July 2017 plus additions/development at cost, less disposals. Building valuations were completed by independent valuers, and confirmed as being suitable for financial reporting.

Specialised buildings were valued by SPM Assets Ltd at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

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

Non-specialised buildings (for example, residential buildings) were valued by SPM Assets Ltd, using market data provided by Curnow Tizard Ltd at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

The valuation of earthquake prone buildings does not include any adjustment

Over the tenure of the 2021 Long Term Plan it is assumed that buildings will be revalued on 1 July 2023; 2026; 2030.

Infrastructural assets

Roading assets were valued by an independent valuer, WSP-OPUS Limited as at 1 July 2019.

Water, Wastewater, Stormwater and Drainage Assets were valued by Council staff and peer reviewed by an independent valuer, Waugh Valuers Ltd as at 1 July 2017.

Infrastructural assets are also carried at fair value, which is deemed to be depreciated replacement costs because the assets are of a specialised nature. The depreciated replacement costs are determined on the basis of valuations prepared ever three years. The revaluation process involves assessing the current optimised replacement cost of a brownfields basis, using highest and best use basis and remaining useful lives.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

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

Over the tenure of the 2021 Long Term Plan it is assumed that water, wastewater, stormwater and drainage assets will be revalued on 1 July 2023; 2026; and 2029.

Critical judgements in applying accounting policies

Classification of property

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

Intangible assets

Software acquisition and development

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 attributable to the development of software for internal use 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 in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use.

Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Carbon credits

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year 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:

Asset class	Asset Subclass	Estimated useful life	Depreciation rate range
Technology	Software	3-10 years	10%-33.3%

Impairment of intangible assets

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

For further details, refer to the policy for impairment of property, plant, and equipment above. The same approach applies to the impairment of intangible assets.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised 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.

After initial recognition, HDC 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.

Trade and deferred revenue

Trade and other payables are recorded at their face value.

Employee benefits

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured 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, and sick leave.

A liability and an expense are recognised for bonuses where the Council or group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as retirement and long service 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 entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability.

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

Critical accounting estimates and assumptions

Estimating retirement and long service leave obligations

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis.

Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows.

The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

A weighted average discount rate of 2.67% (2019: 5.0%) and an inflation factor of 2.72% (2019: 2.92%) were used.

Long-term benefits

Long service leave and retirement leave entitlements that are payable beyond 12 months 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. A discount rate of 6% and an inflation factor of 4% were used. The discount rate is based on expected interest rates for terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. 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

HDC has not entered into a defined benefit scheme. Payments to defined contributions schemes are expensed in the surplus or deficit when incurred.

Provisions

HDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires HDC to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration

received. When no consideration is received a provision is recognised based on the probability that HDC will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if HDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the HDC has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of balance date.

Equity

Equity is the community's interest in HDC 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:

- accumulated funds
- other reserves
- asset revaluation reserves.

Other reserves

Other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Other reserves are those subject to specific conditions accepted as binding by HDC and which may not be revised by HDC without approval by HDC. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Asset revaluation reserves

This relates to the revaluation of property, plant and equipment to fair value.

Cost allocation

The cost of service for each significant activity of HDC has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that 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 actual usage, staff numbers, and floor area.

Critical accounting estimates and assumptions

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

Landfill aftercare provision

HDC has responsibility under resource consents to provide ongoing maintenance and monitoring of three closed landfills. The cash outflows for landfill post closure are expected to occur over 30 years. The long-term nature of the

liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and using a discount rate of 2.66%.

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example HDC 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 storm water, wastewater and water supply pipes that are underground. This risk is minimised by HDC performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns, ground condition and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then HDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk HDC'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 HDC's asset management planning activities, which gives HDC further assurance over its useful life estimates.
- Experienced independent valuers perform/review HDC's infrastructural asset revaluations.

Critical judgements in applying Council's accounting policies

Classification of property

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 HDC's social housing policy. These properties are accounted for as property, plant and equipment.

Funding impact statement: rating implications | Te tauākī pūtea – te hiraunga ki ngā take kaunihera

This statement should be read in conjunction with the HDC's Revenue and Financing Policy, available in our LTP document. All figures in this statement include GST at the prevailing rate.

Separately Used or Inhabited Part of a Rating Unit (SUIP)

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

In particular, for farms

A farming unit with one dwelling will be treated as one use/part, with each additional dwelling counting as an additional separately used part of the rating unit. Each additional dwelling will be assessed as a separate unit for the purposes of assessing any rate calculated on the basis of a SUIP.

In particular, for businesses

Separately used and inhabited parts refers to the ability to use part or parts of the rating unit for independent commercial/industrial operations. A separately used and inhabited part includes where the property has been set-up to accommodate, or is accommodating, separate businesses

The Council sets the following rates on the basis of Separately Used or Inhabited Parts of a Rating Units:

- community halls
- refuse collection targeted rates
- ward business targeted rates.

Lump Sum Contributions

HDC is not inviting lump sum contributions in respect of any targeted rates.

Uniform Annual General Charge (UAGC)

The UAGC is a fixed charge per rating unit. It is used to fund the following activities: iwi liaison, libraries, swimming pools, solid waste, animal control, health, liquor licensing, building services, civil defence, sports fields, events centres, passive reserves, sports co-ordinators, cemetery reserves, town halls, community initiatives.

HDC sets a Uniform Annual General Charge on each rating unit within the Hauraki District.

In the 2021/22 year this charge is estimated to be \$660.51 (2020/21 \$617.16).

The revenue sought is approximately \$6,360,156 (2020/21 \$6,095,062).

General rate – capital value - district

The General Rate is assessed on all rating units in the district based on capital value. It is used to fund activities where HDC believes the activity delivers a public benefit to the whole of the community and where a fixed charge per rating unit is not considered appropriate. In particular, for the purpose of funding the following activities: democracy, policy development, solid waste building services, resource management implementation, civil defence, land drainage,

urban stormwater, economic development, information centres, Destination Coromandel, community initiatives, and other sundry activities.

HDC sets the capital value general rate differentially. The differential is based on land use, based on the categories below:

- **Residential/Rural** - means all rating units used primarily for residential, recreational, cultural purposes or primarily or predominately for the purposes of agriculture, viticulture, horticulture or silviculture.
- **Commercial/Industrial** - means all rating units used for commercial or industrial purposes, including utility networks.
- **Mineral Extraction** - means all mineral value rating units that are not used in precious metal mining.
- **Mining** – means the rating unit with the valuation number 05030/009.00 that is used in precious metal mining.

The 2021/22 estimated rates (in cents per dollar of capital value) per category are:

Differential General Rate	Estimated Rate in the Dollar	Revenue Sought 2021/22
Residential/Rural	0.10324	\$6,083,426
Commercial/Industrial	0.26843	\$1,341,650
Mineral Extraction Land Use	1.03243	\$15,964
Mining Land Use	40.94000	\$332,362

Targeted rates

HDC uses targeted rates (as defined in the Local Government (Rating Act) 2002) to collect funds over areas of benefit. Targeted rates are chosen where the services provided are specific to a particular community or area within our District and it is not considered fair to charge all ratepayers, or where it is more transparent to set a separate rate to fund a specific activity. Details of HDC's targeted rates, how the targeted rates are calculated and revenue to be generated by targeted rates is detailed below.

Roading rate

The Roothing Rate is assessed on all rating units in the District based on capital value. It is used to fund the roading activity, travellers reserves, and public toilets. HDC is phased from a differential capital value roading rate to a flat capital value roading rate over three years from 2018/19 to 2020/21.

The 2021/22 estimated rates are:

Targeted Rate	Estimated Rate in the Dollar	Revenue Sought 2021/22
Capital Value Roothing	0.08795	\$5,935,188

Ward

HDC sets three targeted rates, one for each ward, based on an annual charge per rating unit for the purpose of fully and partially funding activities within the ward. These activities include footpaths and street-cleaning, information and visitors' centres, town centres, sports fields and recreation reserves, events centres, township co-ordinators and other sundry activities. The charges will be set on a uniform basis per category with the categories based on the matter location.

The Paeroa Ward Targeted Rate is set on all rating units situated within the Paeroa Ward.

The Plains Ward Targeted Rate is set on all rating units situated within the Plains Ward.

The Waihi Ward Targeted Rate is set on all rating units situated within the Waihi Ward.

Annual charges

For each rating unit within each of the wards annual charges are set, which for 2021/22 are estimated at:

Category	Annual Charge	Revenue Sought 2021/22
Paeroa Ward	\$413.30	\$1,133,219
Plains Ward	\$305.80	\$805,351
Waihi Ward	\$349.07	\$1,393,502

Ward - business

HDC sets targeted rates for each ward, based on a differential annual charge per separately used or inhabited part of a commercial and industrial rating unit for the purpose of partially funding activities within the ward. These activities include, information and visitor centres, town centre improvements, and economic development. The rate funding of these activities comes partly from this targeted rate, partly from the ward targeted rate and also from general rates.

The charges will be set on a differential basis on categories based on location and land use. These rates will only be assessed on separately used or inhabited commercial and industrial parts of commercial and industrial rating units. HDC sets its Community Facilities Business Rate on the basis of separately used and inhabited parts.

For the purposes of this rate separately used and inhabited parts refers to the ability to use part or parts of the rating unit for independent trading operations. A separately used and inhabited part will be classified where the property has been set-up to accommodate, or is accommodating, separate businesses.

Separately used or inhabited commercial and industrial parts of commercial and industrial rating units in the rural areas of the Paeroa and Waihi Wards will be assessed a rate equivalent to half the rate assessed on urban rating units. In the Plains Ward the rural rate assessed is equivalent to 56% of the rate assessed on urban rating units. This is due to Positively Promoting the Plains being funded equally by urban and rural rating units.

The categories for the **Paeroa Ward Business Targeted Rate** are:

- **Paeroa Ward Urban** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the valuation rolls 5001, 5002, 5003 and 5004.
- **Paeroa Ward Rural** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the Paeroa Ward but outside the valuation rolls 5001, 5002, 5003 and 5004.

The categories for the **Plains Ward Business Targeted Rate** are:

- **Plains Ward Urban** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the valuation roll 4771.
- **Plains Ward Rural** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the Plains Ward but outside the valuation roll 4771.

The categories for the **Waihi Ward Business Targeted Rate** are:

- **Waihi Ward Urban** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the valuation rolls 5020 and 5030.
- **Waihi Ward Rural** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the Waihi Ward but outside the valuation rolls 5020 and 5030.

Annual charges

On each separately used or inhabited part of a rating unit within each of the wards, HDC sets the following annual business rate charges.

The 2021/22 estimated rates are:

Category		Annual Charge	Revenue Sought 2021/22
Paeroa Ward	- Urban	\$155.53	\$36,837
	- Rural	\$77.77	\$1,116
Plains Ward	- Urban	\$180.61	\$10,906
	- Rural	\$101.14	\$9,212
Waihi Ward	- Urban	\$240.37	\$50,773
	- Rural	\$120.18	\$2,275

Capital Value Rates

HDC sets targeted rates for each ward, based on capital value on commercial and industrial rating units, for the purpose of partially funding activities within the ward. These activities include, information and visitor centres, town centre improvements, and economic development. The rate funding of these activities comes partly from this targeted rate, partly from the ward targeted rate and also from general rates.

The charges will be set on a differential basis on categories based on location and land use. These rates will only be assessed on separately used or inhabited commercial and industrial parts of commercial and industrial rating units. HDC sets its Community Facilities Business Rate on the basis of separately used and inhabited parts.

For the purposes of this rate separately used and inhabited parts refers to the ability to use part or parts of the rating unit for independent trading operations. A separately used and inhabited part will be classified where the property has been set-up to accommodate, or is accommodating, separate businesses.

Separately used or inhabited commercial and industrial parts of commercial and industrial rating units in the rural areas of the Paeroa and Waihi Wards will be assessed a rate equivalent to half the rate assessed on urban rating units. In the Plains Ward the rural rate assessed is equivalent to 56% of the rate assessed on urban rating units. This is due to Positively Promoting the Plains being funded equally by urban and rural rating units.

The categories for the **Paeroa Ward Business Targeted Rate** are:

- **Paeroa Ward Urban** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the valuation rolls 5001, 5002, 5003 and 5004.
- **Paeroa Ward Rural** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the Paeroa Ward but outside the valuation rolls 5001, 5002, 5003 and 5004.

The categories for the **Plains Ward Business Targeted Rate** are:

- **Plains Ward Urban** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the valuation roll 4771.
- **Plains Ward Rural** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the Plains Ward but outside the valuation roll 4771.

The categories for the **Waihi Ward Business Targeted Rate** are:

- **Waihi Ward Urban** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the valuation rolls 5020 and 5030.
- **Waihi Ward Rural** – all separately used or inhabited part of a rating unit used principally for commercial and industrial purposes situated within the Waihi Ward but outside the valuation rolls 5020 and 5030.

The 2021/22 estimated rates (in cents per dollar of capital value) are:

Category	CV Rate in the dollar	Revenue Sought 2021/22
Paeroa Ward Urban	0.04002	\$36,527
Paeroa Ward Rural	0.02001	\$1,426
Plains Ward Urban	0.02708	\$9,743
Plains Ward Rural	0.01517	\$10,375
Waihi Ward Urban	0.03414	\$51,789
Waihi Ward Rural	0.01707	\$1,259

Community halls

HDC sets targeted rates on all rating units in Community Hall Rating Areas for the purpose of funding community halls. A separate targeted rate will be set for each Community Hall Rating Area.

For maps of the Community Hall Rating Areas, refer to the HDC website: www.hauraki-dc.govt.nz/rating-area-maps

Land value rates

HDC sets targeted rates, based on land value, on each of the following categories based on location.

The categories are:

- **Kaihere Hall** – all rating units situated within the Kaihere Hall Rating Area.
- **Patetonga Hall** – all rating units situated within the Patetonga Hall Rating Area.

The 2021/22 estimated rates (in cents per dollar of land value) are:

Category	LV Rate In the dollar	Revenue Sought 2021/22
Kaihere Hall	0.00437	\$4,707
Patetonga Hall	0.00140	\$1,777

Annual charges

HDC sets the following targeted rates, based on an annual charge per separately used or inhabited part of a rating unit.

The targeted rates are:

- **Hikutaia Hall Targeted Rate**– all rating units situated within the Hikutaia Hall Rating Area within the Hauraki District.
- **Kaiaua Hall Targeted Rate**- all rating units situated within the Kaiaua Hall Rating Area.
- **Karangahake Hall Targeted Rate**– all rating units situated within the Karangahake Hall Rating Area.
- **Kerepehi Hall Targeted Rate**– all rating units situated within the Kerepehi Hall Rating Area.
- **Mangatangi Community Centre Targeted Rate**– all rating units situated within the Mangatangi Community Centre Rating Area within the Hauraki District.
- **Netherton Hall Targeted Rate**– all rating units situated within the Netherton Hall Rating Area.
- **Turua Hall Targeted Rate**– all rating units situated within the Turua Hall Rating Area.
- **Waikino Hall Targeted Rate**– all rating units situated within the Waikino Hall Rating Area.
- **Waitakaruru Hall Targeted Rate**– all rating units situated within the Waitakaruru Hall Rating Area.

In the 2021/22 year the estimated charges are:

Category	Annual Charge	Revenue Sought 2021/22
Hikutaia Hall	\$23.00	\$2,553
Kaiaua Hall	\$10.00	\$4,962
Karangahake Hall	\$25.00	\$3,701
Kerepehi Hall	\$15.00	\$4,319
Mangatangi Community Centre	\$23.00	\$1,058
Netherton Hall	\$20.45	\$3,414
Turua Hall	\$22.00	\$8,844
Waikino Hall	\$23.00	\$4,830
Waitakaruru Hall	\$25.30	\$5,946

Land drainage

HDC sets targeted rates for each of the Drainage Districts for the purpose of funding drainage activity within those drainage districts.

For maps of the Drainage Districts, refer to the HDC website, www.hauraki-dc.govt.nz/rating-area-maps

Drainage rates (D rates)

HDC sets land value rates on each rating unit within the following locations for the purpose of funding drainage activity.

The targeted rates are:

- **Eastern Plains** – all rating units situated within the Eastern Plains Drainage District, excluding those residential, commercial and industrial, and community land use rating units within the townships of Kerepehi and Turua.
- **Western Plains** – all rating units situated within the Western Plains Drainage District, excluding those residential, commercial and industrial, and community land use rating units within the town of Ngatea.
- **Komata North Drainage District** – all land situated within the Komata North Drainage District.
- **Opukeko Drainage District** – all land situated within the Opukeko Drainage District excluding those residential, commercial and industrial, and community land use rating units within the town of Paeroa.
- **Tirohia-Rotokohu Drainage District** – all land situated within the Tirohia-Rotokohu Drainage District excluding those residential, commercial and industrial, and community land use rating units within the town of Paeroa.
- **Taramaire Drainage District** – all land situated within the Taramaire Drainage District.

The 2021/22 estimated rates (in cents per dollar of land value) are:

Category	LV Rate in the dollar	Revenue Sought 2021/22
Eastern Plains D Rate	0.05311	\$369,556
Western Plains D Rate	0.07599	\$516,759
Komata North D Rate	0.10693	\$80,922
Opukeko D Rate	0.15007	\$44,529
Tirohia-Rotokohu D Rate	0.16216	\$123,463
Taramaire D Rate	0.08623	\$11,607

Flood protection rates (F Rates)

HDC sets land value rates on a differential basis on each rating unit within the following locations for the purpose of funding flood protection activity.

For maps of the Flood Protections Areas, refer to the HDC website, www.hauraki-dc.govt.nz/rating-area-maps

The targeted rates are:

- **Flood Protection Class 1 (F1)** – all rating units situated within the Western Plains Drainage District Flood Protection Area 1.
- **Flood Protection Class 2 (F2)** – all rating units situated within the Western Plains Drainage District Flood Protection Area 2.
- **Flood Protection Taramaire** – all rating units situated within the Taramaire Flood Protection area.
- **Flood Protection Kaiaua** – all rating units situated within the Kaiaua Flood Protection area.

The 2021/22 estimated rate (in cents per dollar of land value) is:

Category	LV Rate in the dollar	Revenue Sought 2021/22
Western Plains F1	0.10242	\$68,025
Western Plains F2	0.02421	\$6,699
Taramaire	0.09933	\$9,446
Kaiaua	0.00477	\$8,380

Pump rates (P rates)

HDC sets a land area rate on a uniform basis on all land within the following category based on provision of service, for the purpose of funding the replacement of drainage pumps.

Western Plains Class P – all land serviced by the Hopai West, Martinovich, Central, North and Rowerawe West pump stations.

For maps of the land serviced by pump stations, refer to the HDC website, www.hauraki-dc.govt.nz/rating-area-maps

The 2021/22 estimated rates (in dollars per hectare of land area) are:

Category	Rate per Hectare	Revenue Sought 2021/22
Western Plains Class P	\$27.57	\$43,588

Urban stormwater

HDC sets targeted rates on all non-rural land use rating units in the towns of Paeroa, Ngatea, Kerepehi, Turua, Waihi, Whiritoa and on some rating units within the Kaiaua Coastal Area for the purpose of funding the urban stormwater activity.

For maps of the urban stormwater rating areas, refer to the HDC website, www.hauraki-dc.govt.nz/rating-area-maps

Capital value rates

HDC sets capital value targeted rates on each rating unit within the following locations.

The targeted rates are:

- All rating units within the Paeroa Stormwater Rating Area.
- All rating units within the Ngatea Stormwater Rating Area.
- All rating units within the Kerepehi Stormwater Rating Area.
- All rating units within the Turua Stormwater Rating Area.
- All rating units within the Waihi Stormwater Rating Area.
- All rating units within the Whiritoa Stormwater Rating Area.
- All rating units within the Kaiaua Stormwater Rating Area.

The 2021/22 estimated rates (in cents per dollar of capital value) are:

Category	Capital value rate in the dollar	Revenue Sought 2021/22
Paeroa	0.04219	\$309,690
Ngatea	0.06597	\$189,786
Kerepehi	0.06581	\$56,015
Turua	0.13529	\$85,729
Waihi	0.02658	\$258,987
Whiritoa	0.01466	\$47,944
Kaiaua	0.06318	\$89,601

Water supply

HDC sets targeted rates for water supply based on, the volume of water supplied and, the number of connections to the supply on all rating units connected to a water supply, for the purpose of funding the water supply activity. Water supply rates are billed separately twice yearly on varying dates in the various water supply areas.

For the purposes of water supply, properties are 'connected' to a water supply when the means to connect has been installed, i.e. a water lead has been installed from HDC water main to the boundary.

Annual charges

HDC sets an annual charge per connection to a water supply on each rating unit within the following category based on the provision of a service:

- Connected – all rating units with a connection to an HDC water supply.

The 2021/22 estimated annual charge is \$131.69 (2020/21 \$124.23) per metered connection.

Every connection will be charged the annual charges in conjunction with their usage charges for water consumed.

Water volume rates (metered supply)

HDC sets a targeted rate per unit of water supplied to each rating unit connected to an HDC water supply.

The 2021/22 estimated rates (in cents per cubic metre of water supplied) are:

	2021/22
Base Rate – Consumption up to 200 cubic metres	213.34c
Step One – Consumption between 200 and 400 cubic meters	179.08c
Step Two – All consumption over 400 cubic metres	161.95c

The revenue sought from water supply targeted rate annual charges and water volume rates is approximately \$8,700,193 (2020/21 \$8,208,000).

Wastewater

HDC sets targeted rates for wastewater based on an annual charge per rating unit for unconnected rating units, or per water closet / urinal (pan) for connected rating units. Rating units used primarily as a residence for one household will only be charged one pan charge. The targeted rates are for the purpose of funding the wastewater activity.

Annual charges

Unconnected

HDC sets an annual charge on all rating units not connected to an HDC wastewater scheme but with part of a boundary within 30 metres of a wastewater main belonging to an HDC wastewater scheme.

The 2021/22 estimated annual charge per rating unit is:

	Uniform Charge	Revenue Sought 2021/22
Per rating unit	\$333.30	\$211,646

Connected

HDC sets an annual charge per wastewater pan on all rating units connected to an HDC wastewater scheme.

The 2021/22 estimated annual charge per wastewater pan is:

	Uniform Charge	Revenue Sought 2021/22
Per pan	\$663.10	\$3,910,117

Rating units used primarily as a residence for one household will be treated as having one pan.

There may be further reductions in pan charges for educational establishments dependent upon regulations made under section 25 of the Local Government (Rating) Act 2002. HDC's remission policy on wastewater charging for educational establishments should be read in conjunction with this policy.

Refuse collection targeted rates

HDC sets targeted rates for refuse collection and kerbside recycling based on a uniform charge per separately used or inhabited part of a rating unit serviced by a HDC funded refuse collection.

The targeted rates are for the purpose of funding the kerbside recycling activity, and the administration of the refuse collection activity. The annual charge is on a differential basis (based on location and the provision of service).

Annual charges

HDC sets an annual charge per separately used or inhabited part of a rating unit on a differential basis (based location and the provision of service). Whiritoa rating units have an increased number of collections per year.

The categories are:

- **District Collected** – all rating units serviced by HDC's kerbside recycling collection excluding those in the Whiritoa township.
- **Whiritoa Collected** – all rating units serviced by HDC's kerbside recycling collection in the Whiritoa township.

The 2021/22 estimated annual charges are:

Category	Uniform charge	Revenue Sought 2021/22
District Collected	\$43.99	\$281,512
Whiritoa Collected	\$57.20	\$28,730

Penalties for late payments and due date of payments

Payment methods

The above rates are payable at HDC Offices at William Street, Paeroa, Orchard Road, Ngatea and Rosemont Road, Waihi between 8.00am and 4.30pm Monday to Friday. Payments may also be made by way of Direct Debits and Automatic Payments. Direct Credits in the form of telephone and internet banking services are also accepted. Credit card payments on the HDC website are also accepted.

Rates (excluding water rates) due dates

Excluding water supply targeted rates, the above rates are by way of four instalments, the dates of such instalments being:

Instalment Number	Due date	Penalty added
One	25 August 2021	27 August 2021
Two	24 November 2021	26 November 2021
Three	23 February 2022	25 February 2022
Four	25 May 2022	27 May 2022

Rates (excluding water rates) penalties for late payment

The following penalties will be added to outstanding rates (excluding water supply rates):

- A penalty of 10% will be added to the amount of any instalment remaining unpaid by the relevant due date above. The penalty will be added on the date stated in the 'Penalty Added' column in the tables above.
- A further penalty of 10% will be added to all rates assessed in a previous year which remain unpaid on 1 March 2022. The penalty will be added on 1 March 2022.

Water supply targeted rates due dates

Water supply targeted rates are by way of two instalments per year for those rating units that have received less than 10,000kl over the last two billing periods. Those rating units who have used more than 10,000kl over the last two billing periods, will be billed bi-monthly.

Instalment dates are staggered throughout the year. Refer to HDC's website to find a map of the various reading areas www.hauraki-dc.govt.nz/rating-area-maps. For a list of rating units (over 10,000kl as described above) by assessment number refer to HDC's website. These rating units will be billed bi-monthly. The dates of instalments are:

For rating units billed twice a year:

Instalment Number	Reading area	Due date	Penalty added
One	1- Ngatea township - Paeroa township - Waihi township	25 August 2021	27 August 2021
One	2 – Turua and surrounds – Paeroa commercial –Waihi commercial – Waihi gold	29 September 2021	1 October 2021
One	3 – Waitakururu and Ngatea North – Waihi rural	27 October 2021	29 October 2021
One	4 – Kerepehi and Ngatea South – Ohinemuri and Kaimanawa	24 November 2021	26 November 2021
One	5 - Netherton	29 December 2021	31 December 2021
One	6 - Karangahake/Mackaytown - Waikino	26 January 2022	28 January 2022
Two	1- Ngatea township - Paeroa township - Waihi township	23 February 2022	25 February 2022
Two	2 – Turua and surrounds – Paeroa commercial –Waihi commercial – Waihi gold	30 March 2022	1 April 2022

Instalment Number	Reading area	Due date	Penalty added
Two	3 – Waitakururu and Ngatea North – Waihi rural	27 April 2022	29 April 2022
Two	4 – Kerepehi and Ngatea South – Ohinemuri and Kaimanawa	25 May 2022	27 May 2022
Two	5 - Netherton	29 June 2022	1 July 2022
Two	6 - Karangahake/Mackaytown - Waikino	27 July 2022	29 July 2022

For rating units billed bi-monthly:

Instalment Number	Due date	Penalty added
One	20 August 2021	
Two	20 October 2021	27 October 2021
Three	20 December 2021	
Four	20 February 2022	
Five	20 April 2022	29 April 2022
Six	20 June 2022	

Water supply targeted rates penalties for late payment

The following penalties will be applied to water supply rates:

For rating units billed twice a year:

- An additional charge of 5% will be added to all current and previous years' rates that remain outstanding on date showing in the "Due Date" column in the tables above for Instalment Number One. The penalty will be added on the date showing in the "Penalty Added" column in the tables above for Instalment Number One.
- An additional charge of 5% will be added to all current and previous years' rates that remain outstanding on date showing in the "Due Date" column in the tables above for Instalment Number Two. The penalty will be added on the date showing in the "Penalty Added" column in the tables above for Instalment Number Two.

For rating units billed bi-monthly:

- A penalty of 5% will be added to all current and previous years' rates outstanding on 27 October 2021. The penalty will be added on 29 October 2021.
- A penalty of 5% will be added to all current and previous years' rates outstanding on 27 April 2022. The penalty will be added on 29 April 2022.

Rating base information

The projected number of rating units within our district at 30 June 2021 is 11,527.

The projected total capital value of rating units within our district at 30 June 2021 is \$7,497,969,724.

The projected total land value of rating units within our district at 30 June 2021 is \$4,616,285,547.

Rating changes | Ngā rereketanga o ngā take Kaunihera

Summary of rating changes by type (%)

Forecast Changes by Rate (%)	Budgeted 2020/21	Change 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
General Rates - UAGC	5,168	4.3%	7.03%	2.50%	2.50%	10.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
General Rates - CV	6,316	2.1%	7.03%	2.50%	2.50%	10.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Targeted Rates - Land Transport	4,901	8.3%	5.31%	12.72%	12.63%	3.08%	3.08%	3.06%	3.05%	3.05%	3.04%	3.04%
Targeted Rates - Paeroa Community Facilities	945	2.4%	4.31%	1.25%	1.22%	1.19%	1.18%	1.20%	1.25%	1.21%	1.21%	1.21%
Targeted Rates - Paeroa Community Facilities Business	206	1.6%	-68.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Plains Community Facilities	659	-1.4%	6.23%	1.60%	1.58%	1.57%	1.56%	1.56%	1.54%	1.55%	1.52%	1.50%
Targeted Rates - Plains Community Facilities Business	95	1.7%	-63.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Waihi Community Facilities	1,189	0.3%	1.95%	0.97%	1.08%	1.04%	1.02%	1.02%	0.99%	0.96%	0.99%	0.95%
Targeted Rates - Waihi Community Facilities Business	162	1.4%	-43.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Wastewater	3,584	5.2%	0.00%	2.50%	2.50%	7.50%	7.50%	7.50%	12.50%	17.50%	12.50%	12.50%
Targeted Rates - Western Plains 'D'	441	3.0%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Eastern Plains 'D'	292	1.6%	10.00%	10.00%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Komata North 'D'	59	4.5%	20.00%	20.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Opukeko 'D'	34	4.1%	15.00%	10.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Tirohia-Rotokohu 'D'	107	1.3%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Taramaire 'D'	10	3.5%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Taramaire 'F'	7	1.1%	20.00%	2.50%	2.49%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Western Plains 'F1'	56	-1.3%	5.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Western Plains 'F2'	6	15.7%	4.99%	2.51%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.49%
Targeted Rates - Western Plains 'P'	37	3.0%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Paeroa Stormwater	269	1.6%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Ngatea Stormwater	138	0.9%	20.00%	20.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Kerepehi Stormwater	49	1.4%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Turua Stormwater	50	0.9%	50.00%	20.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Waihi Stormwater	225	0.1%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Whiritoa Stormwater	42	2.9%	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Kaiaua Stormwater	59	1.4%	33.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Waste Collection and Recycling	208	1.3%	30.00%	7.50%	102.50%	22.50%	5.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Targeted Rates - Rural Hall Rates	0	0.0%		2.70%	2.50%	2.40%	2.50%	2.40%	2.50%	2.60%	2.59%	2.40%
Rates excluding water	25,310	3.6%	4.48%	4.71%	5.58%	6.86%	3.90%	3.85%	4.57%	5.42%	4.84%	4.95%
Cap for rates excluding water		3.9%	8.2%	7.4%	7.0%	7.0%	7.1%	7.0%	7.1%	7.2%	7.2%	7.1%
Targeted Rates - Water	7,137	3.0%	6.00%	7.50%	10.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Water Charges Cap		5.4%	11.2%	10.4%	10.0%	5.5%	5.6%	5.5%	5.6%	5.7%	5.7%	5.6%
Total Rates	32,447	3.5%	4.8%	5.3%	6.6%	5.8%	3.6%	3.5%	4.1%	4.8%	4.3%	4.4%

Summary of rating changes by type (\$000)

Forecast Rates (\$000's)	Budgeted 2020/21	Change 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
General Rates - UAGC	5,168	4.26%	5,531	5,669	5,811	6,392	6,647	6,913	7,190	7,477	7,776	8,087
General Rates - CV	6,316	2.05%	6,759	6,928	7,102	7,812	8,124	8,449	8,787	9,139	9,504	9,884
Targeted Rates - Land Transport	4,901	8.34%	5,161	5,817	6,552	6,754	6,962	7,175	7,394	7,620	7,851	8,090
Targeted Rates - Paeroa Community Facilities	945	2.41%	985	998	1,010	1,022	1,034	1,046	1,059	1,072	1,085	1,098
Targeted Rates – Paeroa Community Facilities Business	206	1.59%	66	68	69	71	73	75	77	78	80	82
Targeted Rates - Plains Community Facilities	659	-1.36%	700	711	723	734	746	757	769	781	793	804
Targeted Rates - Plains Community Facilities Business	95	1.68%	35	36	37	38	39	40	41	42	43	44
Targeted Rates - Waihi Community Facilities	1,189	0.32%	1,212	1,224	1,237	1,250	1,262	1,275	1,288	1,300	1,313	1,326
Targeted Rates - Waihi Community Facilities Business	162	1.39%	92	95	97	99	102	104	107	110	112	115
Targeted Rates - Wastewater	3,584	5.16%	3,584	3,674	3,766	4,048	4,352	4,678	5,263	6,184	6,957	7,826
Targeted Rates - Western Plains 'D'	441	2.99%	449	461	472	484	496	508	521	534	547	561
Targeted Rates - Eastern Plains 'D'	292	1.58%	321	353	371	380	390	400	410	420	430	441
Targeted Rates - Komata North 'D'	59	4.53%	70	84	87	89	91	93	96	98	100	103
Targeted Rates - Opukeko 'D'	34	4.06%	39	43	44	45	46	47	48	49	51	52
Targeted Rates - Tirohia-Rotokohu 'D'	107	1.28%	107	110	113	116	119	121	125	128	131	134
Targeted Rates - Taramaire 'D'	10	3.52%	10	10	11	11	11	11	12	12	12	13
Targeted Rates - Taramaire 'F'	7	1.14%	8	8	9	9	9	9	10	10	10	10
Targeted Rates - Western Plains 'F1'	56	-1.33%	59	61	62	64	65	67	69	70	72	74
Targeted Rates - Western Plains 'F2'	6	15.73%	6	6	6	6	6	7	7	7	7	7
Targeted Rates - Western Plains 'P'	37	2.98%	38	39	40	41	42	43	44	45	46	47
Targeted Rates - Paeroa Stormwater	269	1.62%	269	276	283	290	297	305	312	320	328	336
Targeted Rates - Ngatea Stormwater	138	0.88%	165	198	203	208	213	219	224	230	235	241
Targeted Rates - Kerepehi Stormwater	49	1.43%	49	50	51	52	54	55	56	58	59	61
Targeted Rates - Turua Stormwater	50	0.88%	75	89	92	94	96	99	101	104	106	109
Targeted Rates - Waihi Stormwater	225	0.14%	225	231	237	243	249	255	261	268	274	281
Targeted Rates - Whiritoa Stormwater	42	2.94%	42	43	44	45	46	47	48	50	51	52
Targeted Rates - Kaiaua Stormwater	59	1.37%	78	80	82	84	86	88	90	93	95	97
Targeted Rates - Waste Collection/Recycling	208	1.29%	270	290	587	719	759	778	797	817	838	859
Targeted Rates - Rural Hall Rates	0	0.00%	37	38	39	40	41	42	43	44	45	46
Rates excluding water	25,310	3.90%	26,443	27,690	29,233	31,238	32,456	33,707	35,248	37,158	38,955	40,883
Targeted Rates - Water Meter Charges	7,137	3.00%	7,565	8,133	8,946	9,170	9,399	9,634	9,875	10,122	10,375	10,634
Total Rates	32,447	3.70%	34,009	35,822	38,179	40,408	41,855	43,341	45,122	47,280	49,329	51,517

Examples of changes to rates (sample properties)

	2020/21 Actual	2021/22 Forecast
Rural		
Low value (\$550,000)		
Plains	\$2,306	\$2,386
Paeroa	\$2,839	\$2,910
Waihi	\$2,000	\$2,061
Medium value (\$1,573,000)		
Plains	\$4,856	\$4,969
Paeroa	\$6,112	\$6,204
Waihi	\$3,935	\$4,017
High Value (\$4,471,000)		
Plains	\$12,914	\$13,132
Paeroa	\$16,599	\$16,756
Waihi	\$9,928	\$10,074
Residential		
Low value (\$210,000)		
Plains	\$2,115	\$2,213
Paeroa	\$2,196	\$2,271
Waihi	\$2,110	\$2,174
Medium value (\$345,000)		
Plains	\$2,444	\$2,561
Paeroa	\$2,508	\$2,586
Waihi	\$2,401	\$2,468
High value (\$555,000)		
Plains	\$2,957	\$3,101
Paeroa	\$2,994	\$3,076
Waihi	\$2,854	\$2,925
Commercial/Industrial		
Low value (\$121,000)		
Plains	\$3,149	\$3,061
Paeroa	\$3,298	\$3,130
Waihi	\$3,143	\$3,125
Medium value (\$330,000)		
Plains	\$3,834	\$4,000
Paeroa	\$4,056	\$4,047
Waihi	\$3,837	\$3,997
High value (\$924,000)		
Plains	\$5,779	\$6,670
Paeroa	\$6,209	\$6,652
Waihi	\$5,808	\$6,474

Balanced budget statement | Te taurite ō ngā pūrongo pūtea

We're required by legislation to operate a balanced budget for each activity, i.e. our projected revenues in any particular year must be set at a level to meet that year's projected operating expenditure.

The elected Council can resolve not to balance its budget, as long as it can show it's acting prudently and has future or past surpluses to offset the current deficits.

We're forecasting surpluses in each year of the plan. Some of these surpluses are because of subsidies on roading and wastewater capital projects. Without these subsidies the surpluses would be smaller.

In a number of activities, we've decided it's prudent not to fully fund operating expenses in each year because of past or future year surpluses. Examples include where there is cyclical expenditure such as Council elections. The elections occur every three years, and are funded over the three-year period rather than seeing a spike in funding for one year. This means there is under-funding for one year and surplus funding for the other two years. Similarly, there is expenditure in creating/reviewing the District Plan. The District Plan is a document that has a multi-year lifespan with the bulk of the expenditure occurring in the first years of development. We consider that it's more equitable to fund the review of this document over the life of the Plan and not in the year the expenditure is incurred.

Some other activities are running small deficits in a few years. In each case the surpluses in other years are sufficient to offset these deficits.

In all these cases we believe it is prudent to run a deficit in those years.

Financial reporting and prudence regulations disclosure statement | Ngā pitopito kōrero Pūtea

for the period commencing 1 July 2021

What is the purpose of this statement?

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

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

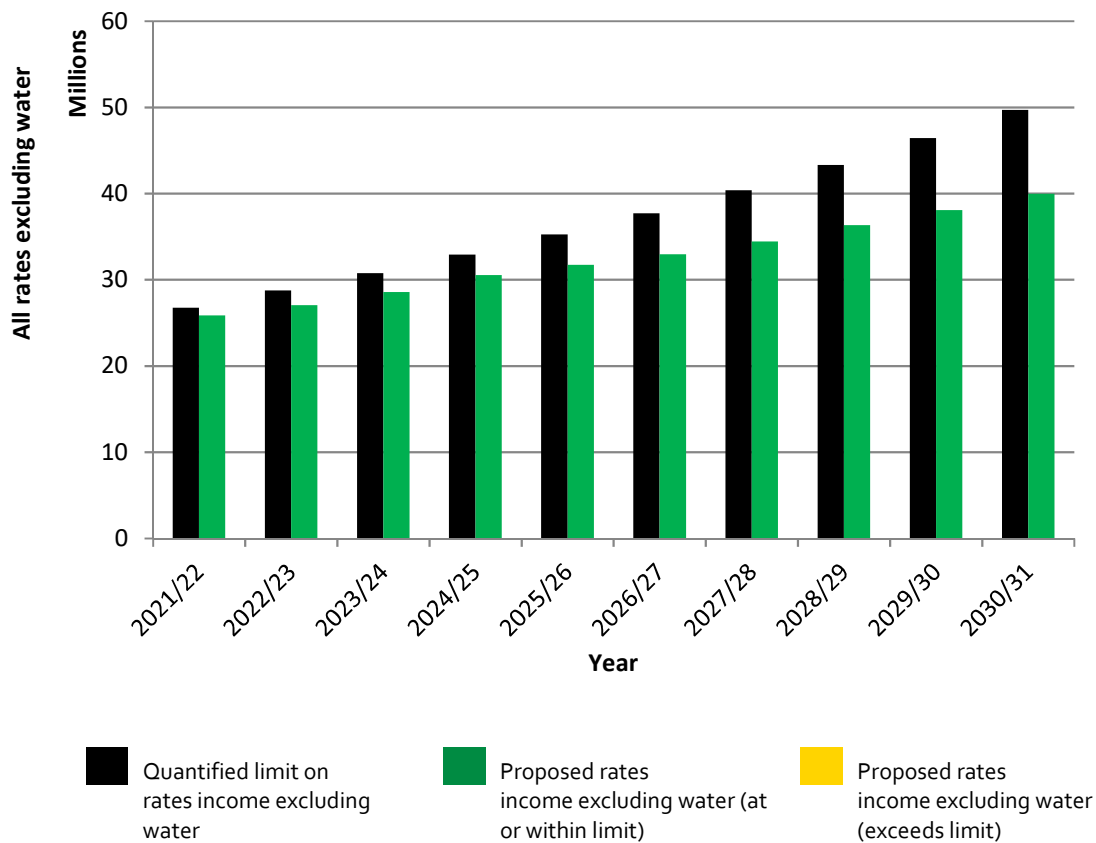
Rates affordability benchmark

The Council meets the rates affordability benchmark if:

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

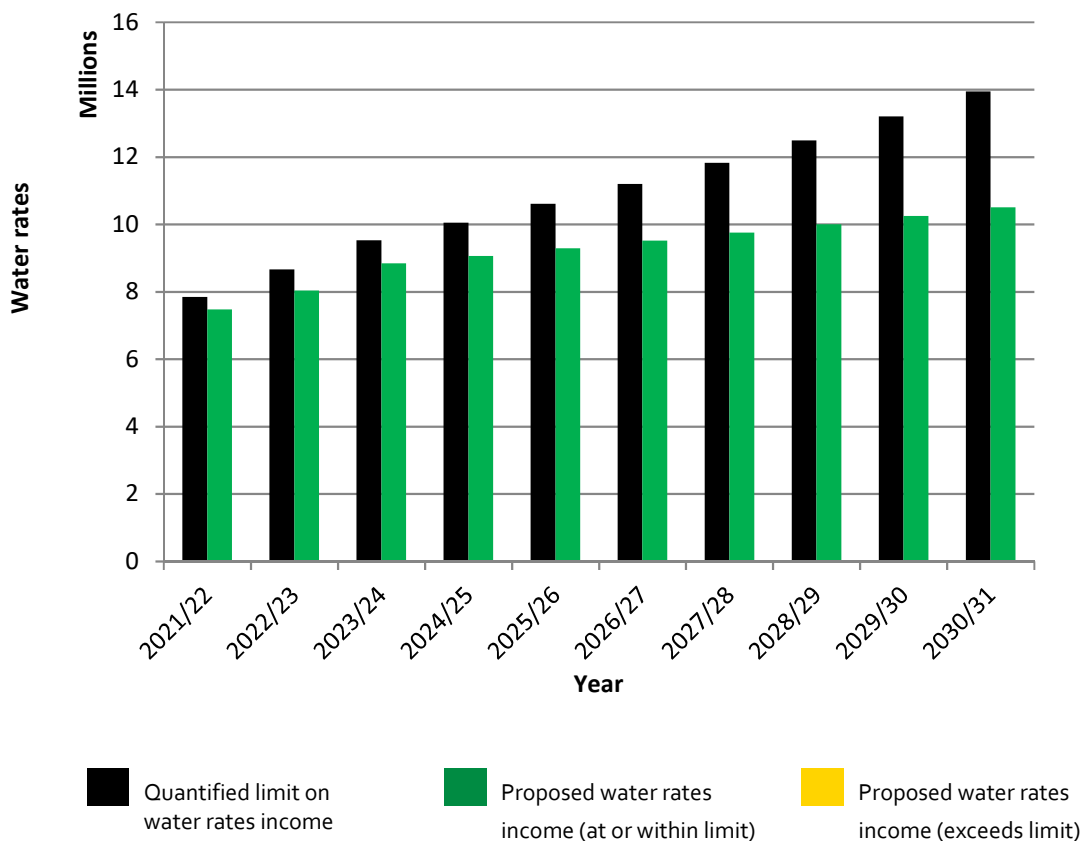
Rates excluding water rates (income) affordability

The following graph compares the Council's planned rates (excluding water rates) with a quantified limit on rates. The quantified limit is that the income from all rates excluding water, will be no more than the 2020/21 income from all rates excluding water plus annual increases of the Local Government Cost Index plus 4.5%.



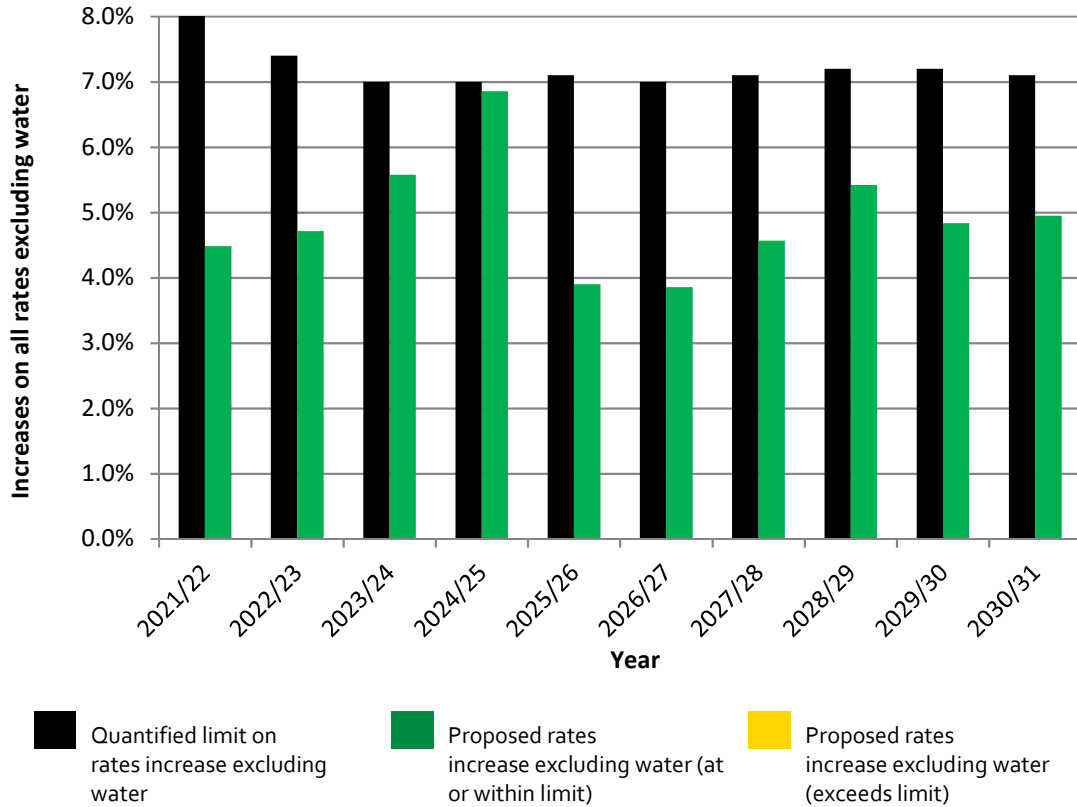
Water rates (income) affordability

The following graph compares the Council's planned water rates with a quantified limit on rates. The quantified limit is that the income from all rates excluding water, will be no more than the 2020/21 income from water rates, plus annual increases of the Local Government Cost Index plus 7.5% for the first three years of the plan, and annual increases of the Local Government Cost Index plus 3.0% for the last seven years of the plan.



Rates excluding water (increases) affordability

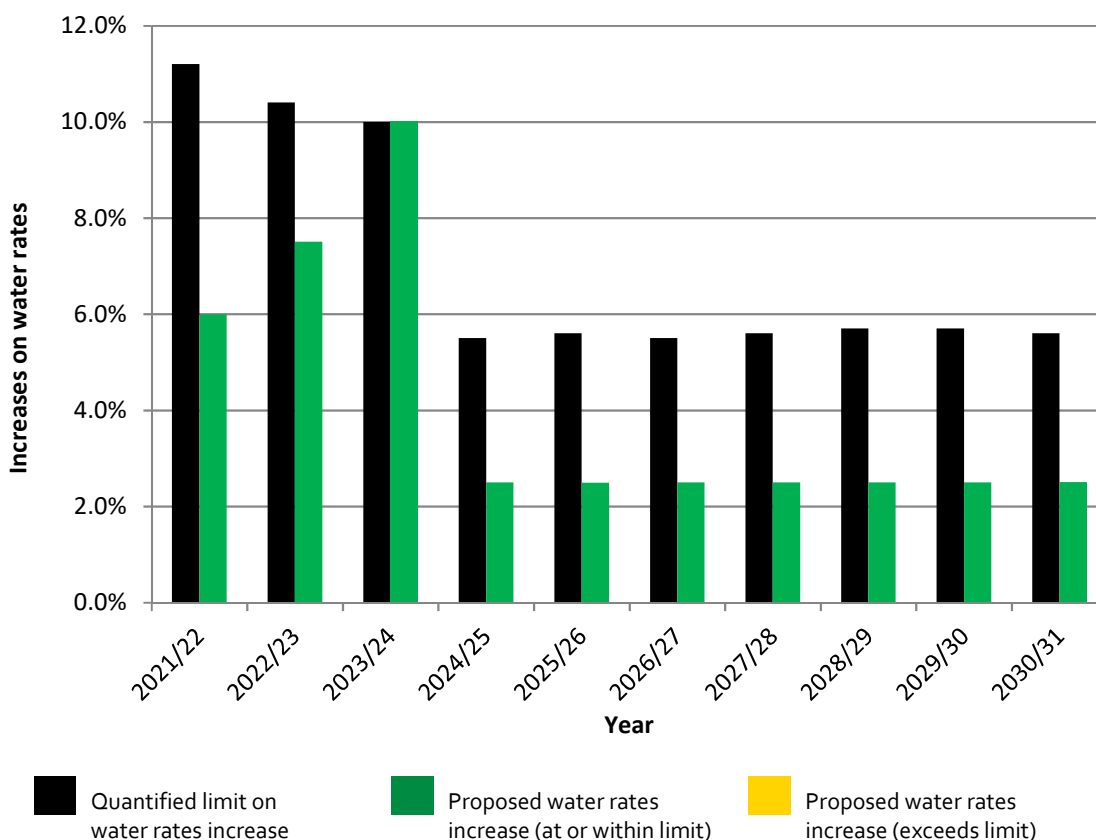
The following graph compares the Council's planned rates increases (excluding water rates) with a quantified limit on rates increases contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that the percentage increase in rates will be no more than the Local Government Cost Index plus 4.5% for all rates excluding water.



Water rates (increases) affordability

The following graph compares the Council's planned water rates increases quantified limits on water rates increases contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that the percentage increase in water rates should not exceed the Local Government Cost Index (LGCI) plus 7.5% per annum for the first three years of the plan, and the Local Government Cost Index (LGCI) plus 3.0% per annum for the last seven years of the plan.

Council's water rates are forecast to be within the cap in each year of the plan. However due to the unpredictability of water consumption resulting from variable year-to-year weather patterns, it is likely that in drier years water rates will breach the cap, with this being offset by lower income in wetter years. Council has not forecast which years are likely to be dry years.



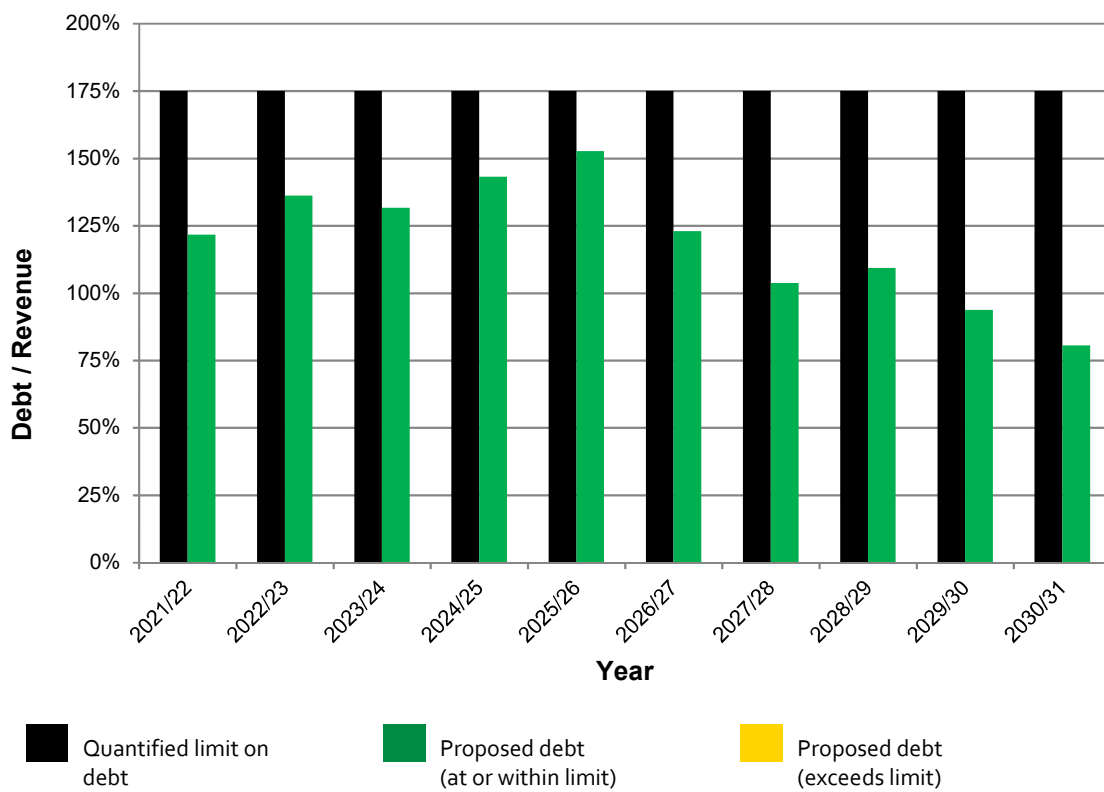
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The Council has four quantified limits on borrowing:

- debt is equal to or less than 175% of total revenue
- net interest expense is equal to or less than 15% of rates revenue
- net interest expense is equal to or less than 10% of total revenue
- external public debt per assessment is equal to or less than \$8,000

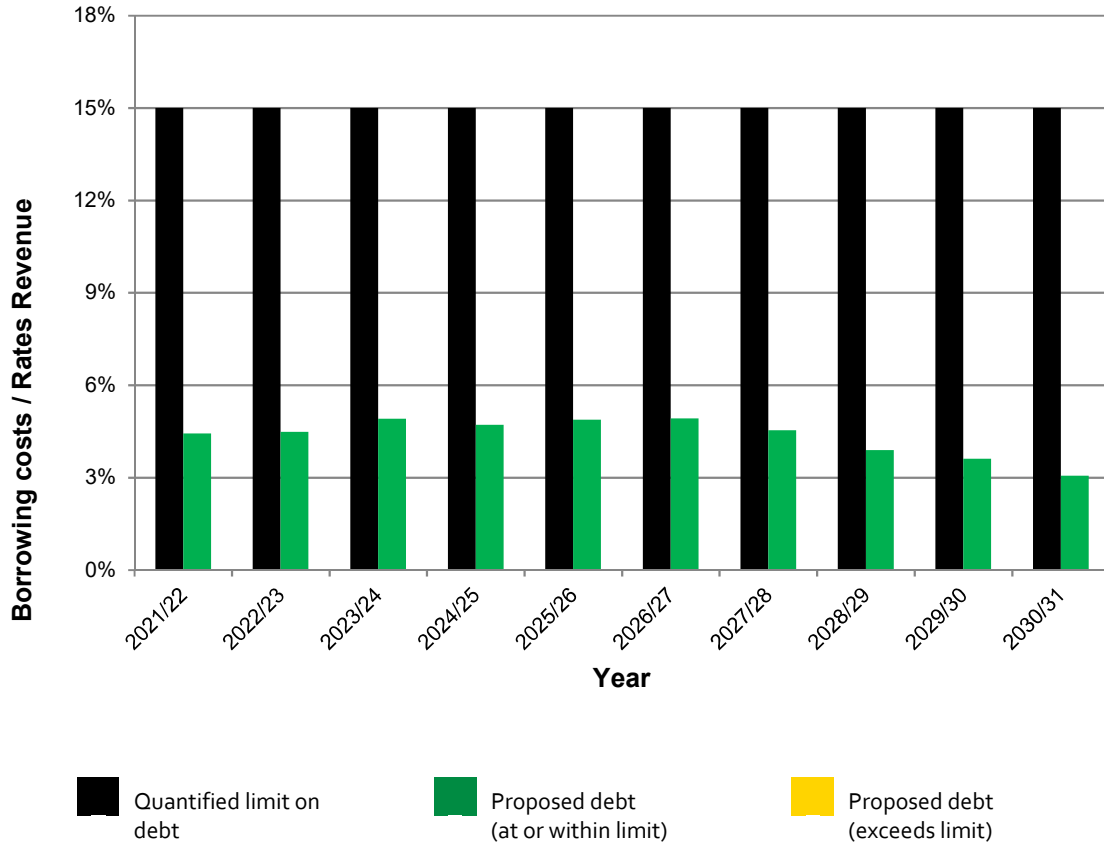
Debt (debt to total revenue) affordability

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 that net external debt is equal to or less than 175% of total revenue.



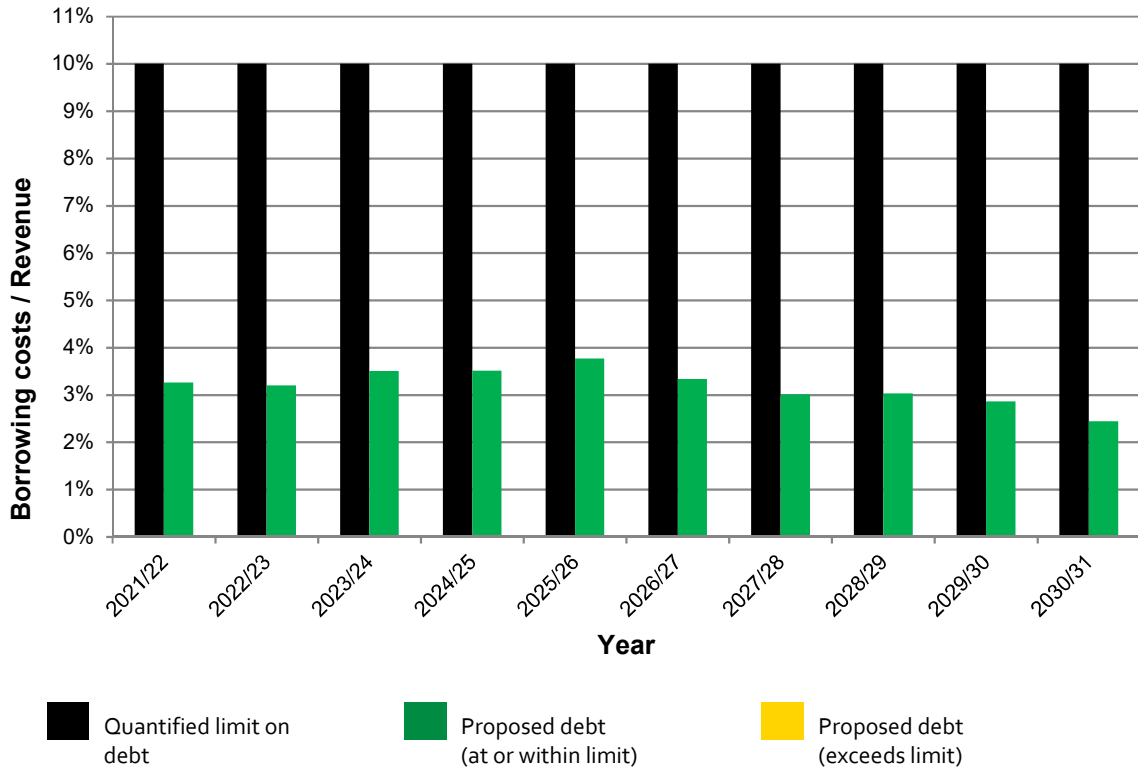
Debt (net interest expense to rates revenue) affordability

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 that net interest expense is equal to or less than 15% of rates revenue.



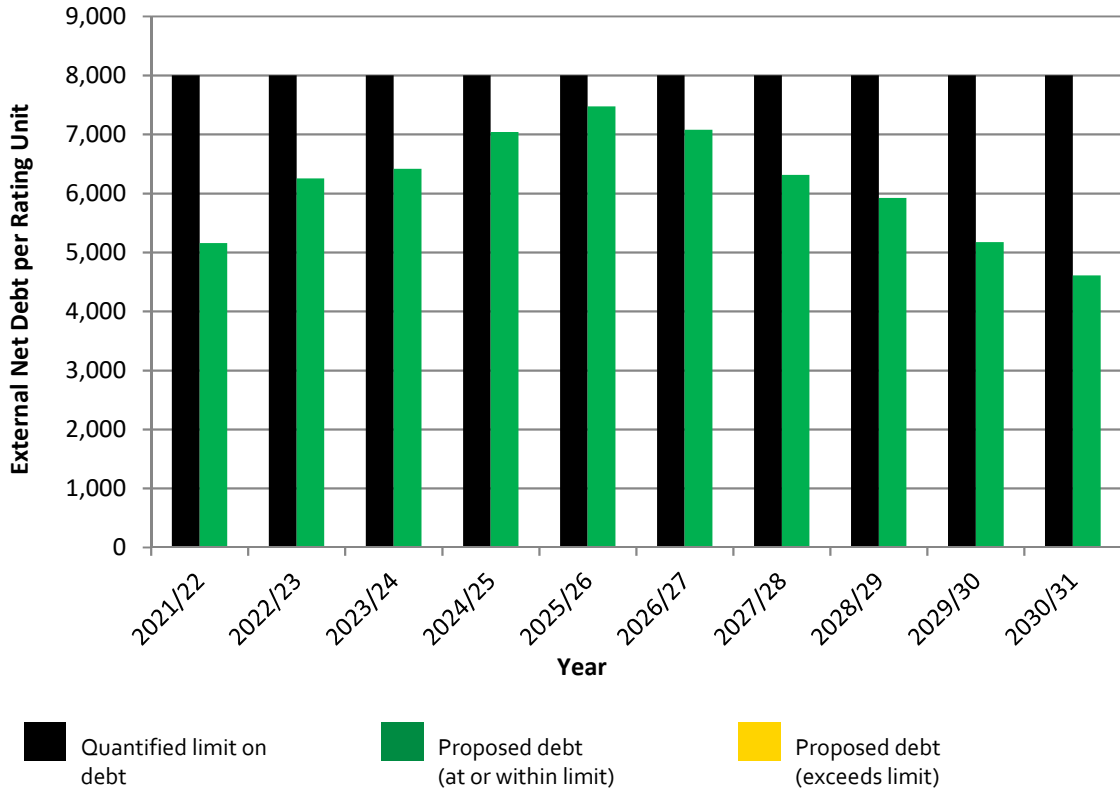
Debt (net interest expense to total revenue) affordability

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 that net interest expense is equal to or less than 10% of total revenue.



Debt (external public debt per assessment) affordability

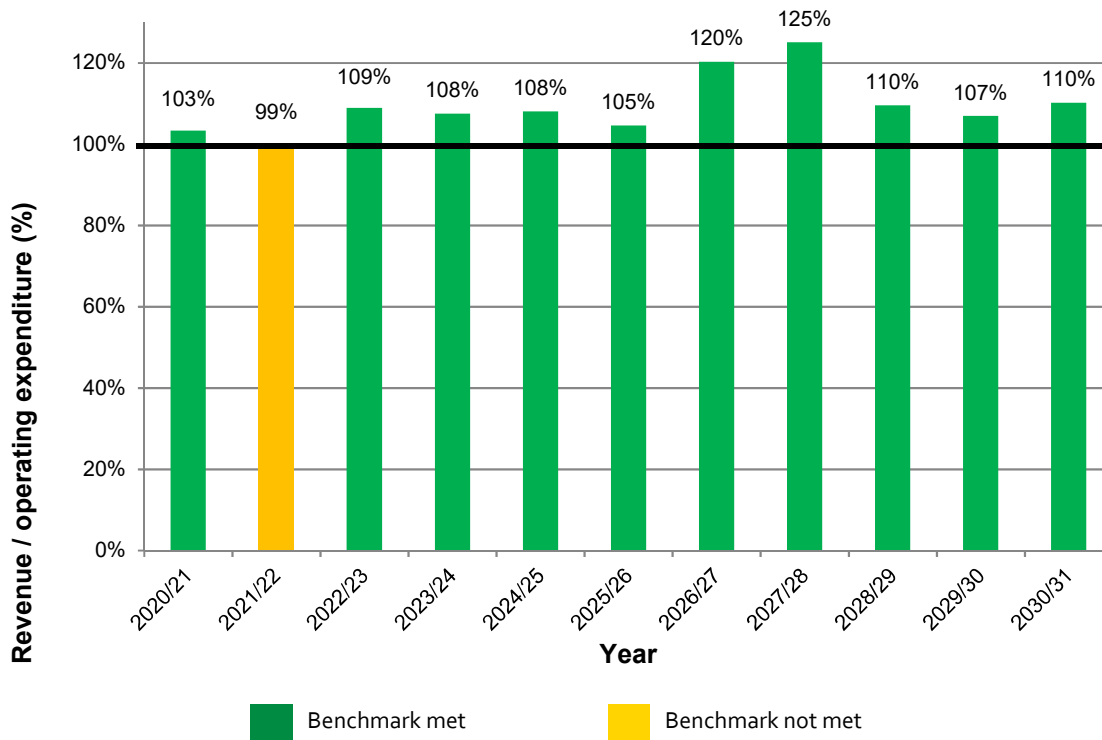
The following graph compares the Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that external net debt per rating unit is equal to or less than \$8,000 in any year.



Balanced budget benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested asset income, 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 revaluation of property, plant, or equipment).

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

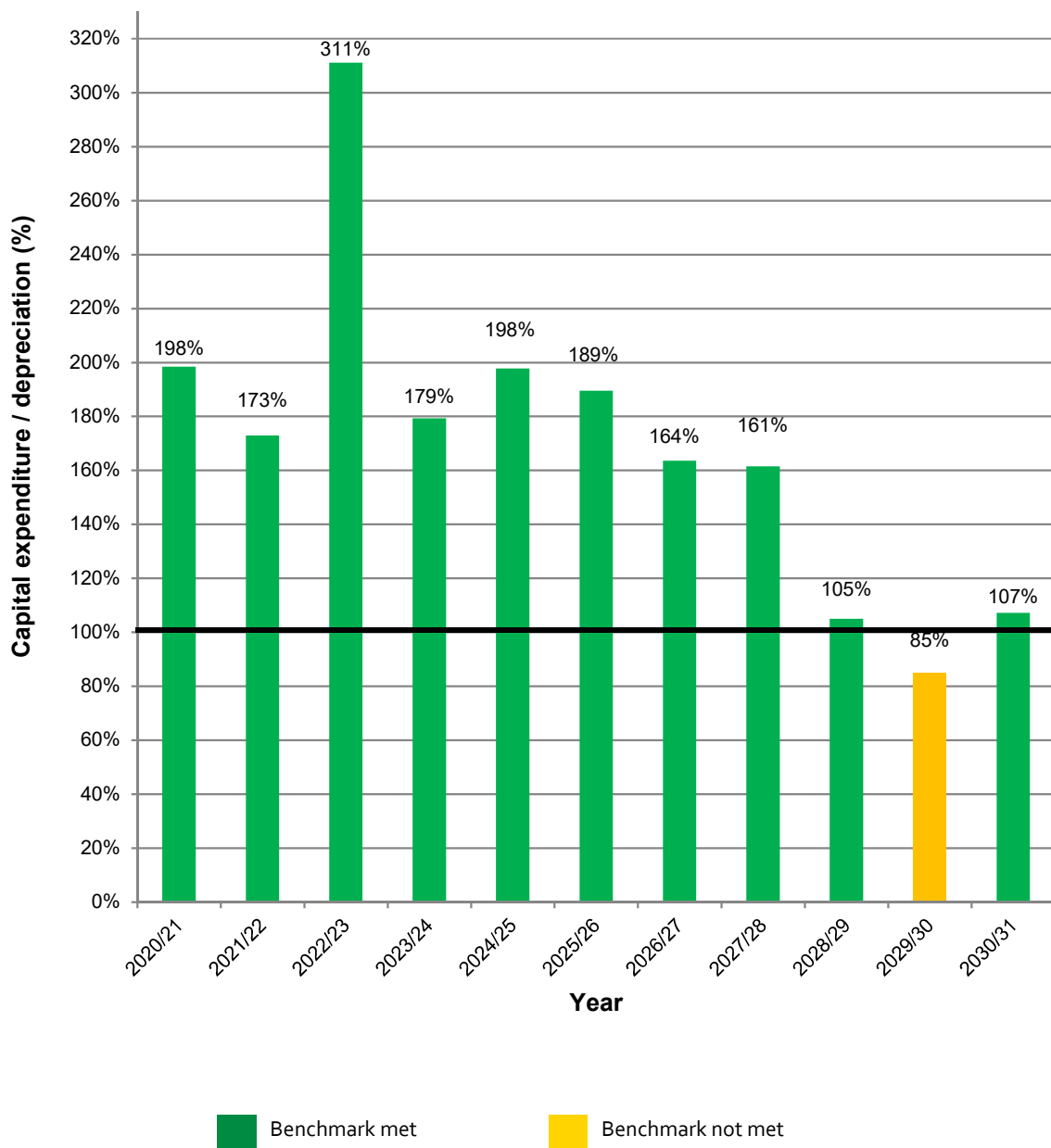


The Council has a policy of smoothing rates increases and also of smoothing the funding of irregularly occurring expenditure over several years (e.g. election costs fall every three years but are funded evenly). This policy can cause surpluses or deficits in individual years.

Essential services benchmark

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

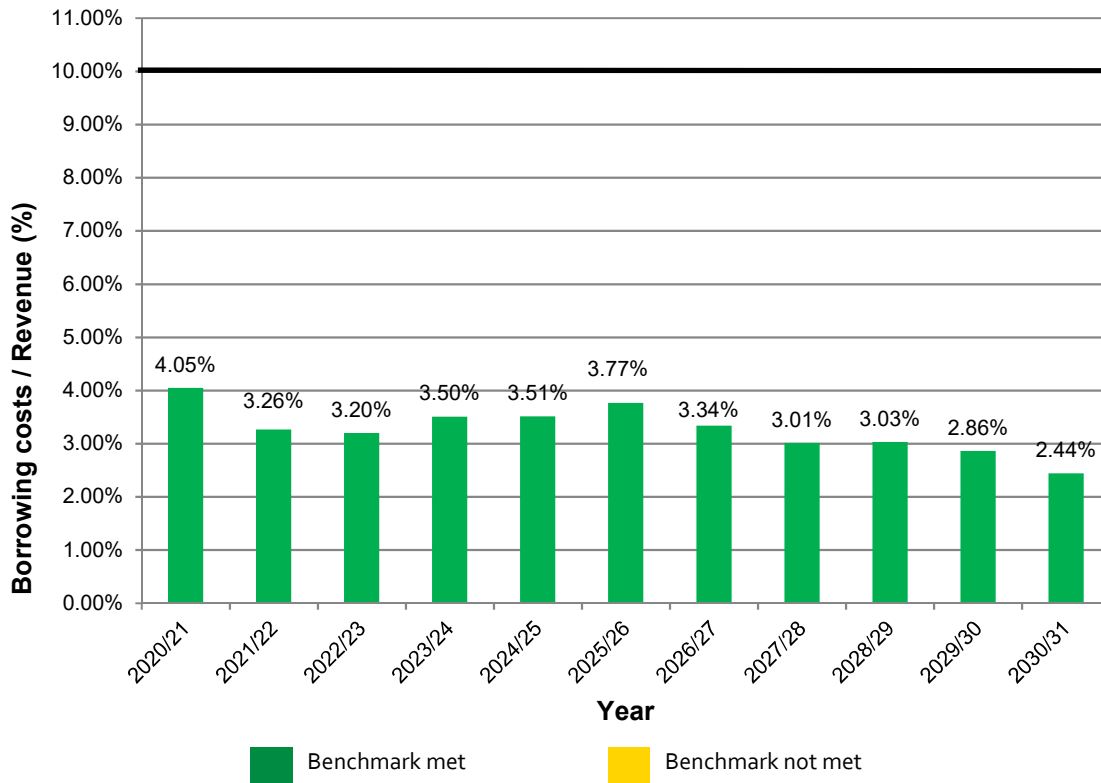
The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested asset income, 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 planned revenue.





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