Statement concerning Balancing of Budget

In accordance with Section 100 of the Local Government Act 2002 (the Act), Council resolves to permit an unbalanced budget in that the Forecast Statement of Comprehensive Revenue and Expense Council is forecasting an operating surplus for the year commencing 1 July 2020.

In its forecast Statement of Comprehensive Revenue and Expense, Council is reporting a surplus due to forecast revenue including grants and subsidies specifically provided by external parties to fund capital expenditure projects. These grants and subsidies are not available to meet day to day forecast operating expenses. Expenditure associated with these grants and subsidies is recorded in the Forecast Statement of Financial Position, not the Forecast Statement of Comprehensive Revenue and Expense. Forecast interest income on Special Funds invested is allocated to and reinvested with those special funds and is therefore also not available to meet forecast day to day operating costs.

Council fully funds depreciation on assets and maintains investments to match depreciation special fund balances. Timaru District Council is of the opinion that it is financially prudent not to have a balanced budget in the Forecast Statement of Comprehensive Revenue and Expense and, due to the matters noted above, it is necessary for forecast revenue to exceed forecast expense in the Forecast Statement of Comprehensive Revenue and Expense.

Forecast Financial Information

Timaru District Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Timaru District Council's planning processes are governed by the Local Government Act 2002. The Act requires Council to prepare a ten year Long-Term Plan (LTP) every three years and an Annual Plan, which updates the LTP by exception, in the intervening years. This is Timaru District Council's Draft Annual Plan for the 2020/21 year and is prepared in accordance with the Act. The Council and management are responsible for the preparation of the prospective financial statements and the appropriateness of the underlying assumptions.

The information contained within this document is prospective financial information in terms of PBE FRS 42. The forecast financial statements have been prepared on the basis of assumptions as to future events the Council reasonably expects to occur associated with actions the Council expects to take. They have been prepared in accordance with current accounting policies in this plan. Actual results up until March 2020 have been taken into account in preparation of these prospective financial statements.

The purpose for which this plan has been prepared is to enable the public to participate in the decision making processes as to the services to be provided by the Timaru District Council to its community for the year, and to provide a broad accountability mechanism of Council to the community. This information has been prepared for the Council's budgeting and financial planning purposes. It may therefore not be appropriate to be used for any other purpose. Actual results are likely to vary from the information presented and the variations may be material.

Accounting Policies

REPORTING ENTITY and STATUTORY BASE

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

STATEMENT OF COMPLIANCE

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

PROSPECTIVE FINANCIAL STATEMENTS

The main purpose of prospective statements in the Annual Plan is to provide users with information about the core services that the Council intends to provide to ratepayers, the expected cost of those services and, as a consequence, how much the Council requires by way of rates to fund the intended levels of services.

The prospective financial statements have been prepared using the best information available at the time they were prepared in accordance with Section 95 of the Local Government Act 2002. This requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The prospective financial statements have been prepared on an historical cost basis, except for the revaluation of investment properties, biological assets and financial instruments (including derivative instruments).

The prospective financial statements are presented in New Zealand dollars and all rounded to the nearest thousand dollars ($’000). The functional currency of Timaru District Council is New Zealand dollars.

BASIS OF CONSOLIDATION

Joint Ventures

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

For jointly controlled assets, Council recognises in its financial forecasts its share of jointly controlled assets, the liabilities and expenses it incurs, its share of liabilities and expenses incurred jointly, and its share of income of the joint venture.

GOODS & SERVICE TAX (GST)

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

The net amount of GST paid to, or received from the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted at balance sheet date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

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

Current tax and deferred tax is recognised against the surplus or deficit, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive revenue respectively.

REVENUE RECOGNITION

Revenue is measured at fair value.

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

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

<u>Sales by Trading Activities</u>
Sales comprise amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Revenue from the sale of goods is recognised in the surplus or deficit when the significant risks and rewards of ownership have been transferred to the owner. Revenue from services rendered is recognised in the surplus or deficit in proportion to the stage of completion of the transaction at the balance sheet date.

Rates Revenue

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

Water billing is recognised based on the volumes delivered.

Vested Assets

Certain infrastructural assets have been vested to the Council as part of the subdivisional consent process. Such vested assets are recognised as revenue when the significant risks and rewards of ownership have been transferred to the Council and when the obligation to accept the transfer of the assets to the Council has been determined. Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and the current "in the ground" cost of providing the identical services.

Other grants, bequests and assets vested in Council, irrespective of the conditions attached to vesting, are recognised as revenue when control over the assets is obtained.

New Zealand Transport Agency contributions

New Zealand Transport Agency contributions are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been met.

Interest

Interest is recognised in the surplus or deficit as it accrues, using the effective interest method.

Dividends

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

Agency Revenue

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

GRANT EXPENDITURE

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received and approved.

Discretionary grants are those grants where 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 successful applicant has been notified of Council's decision.

PROVISIONS

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments at 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".

EQUITY & RESERVES

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

- Retained Earnings
- Restricted reserves
  - Special funds

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

Restricted Reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or to a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management.

TRADE AND OTHER RECEIVABLES

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

Loans, including loans to community organisations made by Council at below-market interest rates are initially recognised at the present value of their expected cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted using the effective interest method.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

INVESTMENTS

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

Term Deposits

Term Deposits are classified as Loans and Receivables and measured at amortised cost.

Investments in debt and quoted equity securities

Investments in debt and quoted equity securities are financial instruments classified as held for trading and are measured at fair value at balance sheet date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Investment in Subsidiaries

Investment in Subsidiaries are included in the parent entity at cost less any impairment losses.

Community loans

Community loans at subsidised interest rates are fair valued on initial recognition based on the present value of all future cash receipts discounted using the prevailing market rate for similar instruments. The resulting loss on initial recognition is taken to the surplus or deficit. In subsequent periods this loss is amortised back through the surplus or deficit.

Other – Investments (Unquoted equity investments)
Other investments held by the Council are classified as being available-for-sale and are stated at lower of cost and net realisable value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised through the surplus or deficit.

PROPERTY, PLANT & EQUIPMENT- VALUATION

Timaru District Council has the following classes of Property, Plant and Equipment

- Operational assets –
    - Council related Land
    - Council Buildings and Building Improvements
    - Airport Improvements
    - Parks and Pools Plant and Equipment
    - Plant and Equipment, including Motor Vehicles
    - Furniture and Office Equipment
    - Library Books
    - Art Works
- Infrastructure assets -
    - Sewer, stormwater, water
    - Roads, bridges and lighting
    - Land under roads

  Infrastructure assets are the fixed utility systems owned by the Council.
- Heritage assets
- Restricted assets - Restricted assets are parks and reserves owned by the Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Council Land
Land, other than airport land, has been stated at its deemed cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Airport land has been stated at its deemed cost, which is fair value as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Council Buildings and Building improvements
Buildings and Building Improvements, have been stated at their deemed cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Airport improvements
Airport improvements, including runway, have been stated at their deemed cost, which is Optimised Depreciated Replacement Cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Parks and Pools plant and equipment
Parks and Pools plant and equipment assets, are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers.

Acquisitions subsequent to 1 July 2005 are at cost.

Plant and Equipment (including motor vehicles)
Plant and Equipment (including motor vehicles) are at cost less provision for depreciation.

Furniture and Office Equipment

Furniture and Office Equipment have been stated at their deemed cost which is the assessed fair value at 1 July 2005 based on the 1 July 1993 indemnity value by Morton & Co Limited, valuers, and acquisitions 1 July 1993 to 1 July 2005 at cost.

Acquisitions subsequent to 1 July 2005 are at cost.

Library books

The Timaru District Library, Temuka Library and Geraldine Library collections have been revalued as at 30 June 2017 at depreciated replacement cost calculated by the District Librarian in accordance with the library collection valuation guidelines prepared by the New Zealand Library Association in May 1992.

The Library collections are revalued on an annual basis.

Art Works

Art Works are stated at their deemed cost which is the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, and acquisitions 1 April 1992 to 1 July 2005 at cost.

Acquisitions subsequent to 1 July 2005 are at cost.

Sewer, Stormwater, Water

Sewer, stormwater and water assets, are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers.

Acquisitions subsequent to 1 July 2005 are at cost.

Roads, Bridges and Lighting

Roads, bridges and lighting are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers.

Acquisitions subsequent to 1 July 2005 are at cost.

Land under Roads

Land under roads has been stated at their deemed cost which is at an average of adjacent "undeveloped land value" valued as at 1 July 2005 by Maunsell Limited.

Acquisitions subsequent to 1 July 2005 are at cost.

Heritage Assets

Significant statues are stated at their deemed cost which is optimised depreciated replacement cost valued as at 1 July 2005 by Maunsell Limited, valuers. Other heritage type assets such as museum exhibits have not been valued.

Acquisitions subsequent to 1 July 2005 are at cost.

VESTED ASSETS

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

FORESTRY ASSETS

Forestry assets are valued annually as at 30 June at fair value less estimated point of sale costs. Fair value is determined by the estimated worth of the maturing tree stocks in the Council's forests. The valuation method adopted is based on cash flows on a single rotation basis discounted at a market based pre-tax rate. The changes in fair value of the forestry assets are included in the surplus or deficit.

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

INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value as determined annually by independent valuers with any gain or loss arising from a change in fair value being recognised in the surplus or deficit.

INTANGIBLE ASSETS

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. The useful lives and associated amortisation rates of software has been estimated at 3 - 5 years (20% - 33%).

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

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

CAPITAL WORK IN PROGRESS

Capital works in progress are not depreciated. The total cost of a project is transferred to the relevant asset class on completion and then depreciated.

LANDFILL ASSETS

Landfill assets being earthworks, plant and machinery and the estimate of site restoration, are stated at cost less any accumulated depreciation and any accumulated impairment losses. The useful life of the land-fill is considered to be the period of time to the expiring of the resource consent in 2030.

PROPERTY, PLANT & EQUIPMENT- DEPRECIATION

Depreciation is provided on a basis that will write off the cost or valuation of the assets, other than land, less their estimated residual values over their estimated useful lives.

Depreciation has been provided at the following rates.

Council related Land	Nil
Council Buildings and Building improvements	1-30% Straight Line
Airport Improvements	2-50% Straight Line
Parks and pools plant and equipment	2-33% Diminishing Value
Plant and Equipment	10-50% Diminishing Value
Motor Vehicles	5-25% Diminishing Value
Furniture and Office Equipment	20-50% Diminishing Value
Library Collections	0-12.5% Straight Line (0% permanent retention collection 12.5% current collection)
Art Works	Nil
Water	1-33% Straight Line
Sewerage	1-6% Straight Line
Stormwater	1-4% Straight Line
Roading	1-50% Straight Line
Bridges	1-3% Straight Line
Lighting	6-8% Straight Line
Land under Road	Nil
Heritage assets	1-7% Straight Line

IMPAIRMENT

The carrying amount of the non current assets, other than investment property and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

NON CURRENT ASSETS HELD FOR RESALE

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

Non current assets are not depreciated or amortised while they are classified as held for sale.

LOANS

Loans are classified as other liabilities and are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between fair value at acquisition and maturity value being recognised in the surplus or deficit over the period of the borrowings on an effective interest basis.

EMPLOYEE ENTITLEMENTS

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. Provision is made in respect of the Council's liability for annual leave, long service leave, retirement gratuities and sick leave. Council accrued retiring gratuities and accrued long service leave are calculated based on an actuarial valuation using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. Annual leave entitlements have been calculated on an actual entitlement basis at current rates of pay. Sick leave entitlements are measured as the amount of unused entitlement accumulated at balance sheet date that the Council anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods. Obligations for contributions to Kiwisaver and superannuation schemes are recognised as an expense in the surplus or deficit when incurred. All employer superannuation contributions are made to defined contribution schemes.

PROVISION FOR LANDFILL POST CLOSURE COSTS

A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of the future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

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

LEASES

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently assets leased under a finance lease are depreciated as if the assets are owned.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease.

BORROWING COSTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Council is risk averse, and seeks to minimise exposure arising from its treasury activity.

The Council uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with the Investment Policy and Liability Management Policy, the Council does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value with the gain or loss on re-measurement to fair value recognised immediately in the surplus or deficit. The fair value of interest rate swaps is the estimated amount that the Council would receive or pay to terminate the swap at balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance sheet date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these transactions are included in the surplus or deficit.

STATEMENT OF CASHFLOWS

Cash and cash equivalents means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management.

Operating activities include cash received from all revenue sources of the Council, and expenditure payments made for the supply of goods and services. Agency transactions such as collection of regional council rates are not recognised as receipts and payments in the Statement of Cash Flows.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities, and any non-current assets.

Financing activities are those activities relating to the changes in equity, and debt structure of the Council.

OVERHEAD ALLOCATION

Timaru District Council has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity and these costs are charged directly to the significant activity.

Indirect costs are those costs which can not be identified in an economically feasible manner, with a significant activity. Indirect costs are allocated to significant activities based on the services provided.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements, Timaru District Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

CHANGES IN ACCOUNTING POLICY

Due to a proposed change in accounting policy on the treatment of Council's 82% share in the Downlands Water Supply, the Annual Plan 2019/20 and

Annual Plan 2020/21 figures no longer include Downlands Water Supply.
The Long Term Plan 2020/21 figures still includes Downlands Water Supply.

All other policies have been consistently applied to all the years presented.

Forecast Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Revenue			
Rates, excluding metered water supply rates	51,070	57,804	51,681
Subsidies and grants	10,827	9,526	13,477
Fees, charges and metered water supply rates	16,213	19,074	16,722
Other revenue	4,200	1,296	3,400
Finance revenue	1,894	1,591	1,466
Dividend revenue	2,890	2,890	2,040
Total Revenue	87,094	92,181	88,786
Expenses			
Personnel costs	19,366	18,321	20,998
Depreciation expense	16,867	18,247	16,381
Finance costs	4,655	6,984	3,493
Other expenses	40,003	39,101	40,394
Total Expenses	80,891	82,653	81,266
Total Comprehensive Revenue and Expense	**6,203**	**9,528**	**7,520**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.

Forecast Statement of Movements in Equity

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Equity at the Beginning of the Year	789,061	770,397	796,062
Net surplus for the year	6,203	9,528	7,520
Revaluation of fixed assets	0	0	0
Equity adjustment	0	0	0
Total recognised revenue and expense	6,203	9,528	7,520
Equity at the End of the Year	**795,264**	**779,925**	**803,582**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.

Forecast Statement of Movements in Retained Earnings

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Retained Earnings at the Beginning of the Year	762,805	757,963	775,152
Net surplus for the year	6,203	9,528	7,520
Transfers to reserves	(19,824)	(22,061)	(20,351)
Equity adjustment	0	0	0
Transfers from reserves	37,521	24,663	34,338
Retained Earnings at the End of the Year	**786,705**	**770,093**	**796,659**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.

Forecast Statement of Financial Position

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Equity			
Retained earnings	786,705	770,093	796,659
Special and separate funds	8,559	9,832	6,923
Total Equity	**795,264**	**779,925**	**803,582**
Current Assets			
Cash and deposits	7,985	11,304	9,858
Debtors and other receivables	6,218	6,218	6,241
Inventories	72	72	77
Other financial assets	24,589	7,417	6,923
Total Current Assets	38,864	25,011	23,099
Non-Current Assets			
Fixed Assets	849,507	896,765	873,511
Investment in associates, cco's and other similar	52,234	24,614	54,173
Other financial assets	0	0	51
Total Non-Current Assets	901,741	921,379	927,735
Total Assets	**940,605**	**946,390**	**950,834**
Current Liabilities			
Trade and other payables	11,874	10,576	7,952
Borrowings – current portion	5,214	6,752	6,000
Total Current Liabilities	17,088	17,328	13,952
Non-Current Liabilities			
Borrowings	119,681	138,580	121,274
Other term liabilities	8,572	10,557	12,026
Total Non-Current Liabilities	128,253	149,137	133,300
Total Liabilities	**145,341**	**166,465**	**147,252**
Net Assets	**795,264**	**779,925**	**803,582**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.

Forecast Statement of Cash Flows

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Cash Flows from Operating Activities			
Cash was provided by (applied to)			
Receipts from customers	71,443	78,134	70,235
Other revenue received	10,827	9,526	15,005
Interest received	1,894	1,591	1,466
Dividends received	2,890	2,890	2,040
Payments to suppliers and employees	(59,305)	(57,360)	(61,391)
Finance costs	(4,655)	(6,984)	(3,493)
Net cash flow from operating activities	**23,094**	**27,797**	**23,862**
Cash Flows from Investing Activities			
Cash was provided by (applied to)			
Proceeds from sale of other financial assets	220	0	0
Reduction of Term Investment	37,521	602	0
Proceeds from sale of property, plant and equipment	45	45	0
Acquisition of shares / investments	(30,043)	0	0
Purchase of property, plant and equipment	(70,475)	(39,843)	(65,696)
Net Cash flow from investing activities	**(62,732)**	**(39,196)**	**(65,696)**
Cash Flows from Financing Activities			
Cash was provided by (applied to)			
Drawdown / (Repayment) of borrowings	25,384	7,853	37,847
Net Cash flow from investing activities	**25,384**	**7,853**	**37,847**
Net increase/(decrease) in Cash and cash equivalents	(14,254)	(3,546)	(3,987)
Cash and cash equivalents at the beginning of the financial year	46,828	22,267	20,768
Cash and cash equivalents at the end of the financial year	**32,574**	**18,721**	**16,781**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.

Forecast Funding Impact Statement

The purpose of the Funding Impact Statement is to show the revenue and financing mechanisms that Council uses to cover its estimated expenses

The Funding Impact Statement is required under the Local Government Act 2002 and conforms to the Local Government (Financial Reporting and Prudence) Regulations 2014. The Funding Impact Statement has been prepared in accordance with Schedule 10, Part 2, Clause 20 of Schedule 10 of the Local Government Act, 2002.

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

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	27,431	30,404	27,396
Targeted rates (other than metered water supply rates)	25,271	28,174	24,284
Subsidies and grants for operating purposes	5,119	3,456	6,625
Fees and charges and metered water supply rates	17,899	19,150	17,060
Interest and dividends from investments	4,784	4,481	3,506
Local authorities fuel tax, fines, infringement fees, and other receipts	1,629	877	2,841
Total Sources of Operating Funding	**82,133**	**86,542**	**81,712**
Applications of Operating Funding			
Payments to staff and suppliers	59,299	57,470	61,392
Finance costs	4,655	6,984	3,493
Total Applications of Operating Funding	**63,954**	**64,454**	**64,885**
Surplus / (Deficit) of Operating Funding	**18,179**	**22,088**	**16,827**
Sources of Capital Funding			
Subsidies and grants for capital expenditure	6,273	6,075	6,852
Development and financial contributions	30	79	182
Increase (decrease) in debt	25,384	7,853	37,847
Gross proceeds from sale of assets	45	45	0
Other dedicated capital funding	244	329	0
Total Sources of Capital Funding	**31,976**	**14,381**	**44,881**
Applications of Capital Funding			
Capital expenditure			
- to meet additional demand	4,345	1,564	1,773
- to improve the level of service	20,061	16,205	18,211
- to replace existing assets	46,068	22,075	45,711
Increase (decrease) in reserves	(20,319)	(3,375)	(3,987)
Total Applications of Capital Funding	**50,155**	**36,469**	**61,708**
Surplus / (Deficit) of Capital Funding	**(18,179)**	**(22,088)**	**(16,827)**
Funding Balance	**0**	**0**	**0**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.

Forecast Reconciliation of Funding Impact Statement to Comprehensive Revenue and Expense

For the Year Ended 30 June	Annual Plan 2019/20 $000	Long Term Plan 2020/21 $000	Annual Plan 2020/21 $000
Surplus / (Deficit) of Operating Funding	**18,179**	**22,088**	**16,827**
Add / (Deduct)			
Subsidies and grants for capital	6,273	6,075	6,852
Other dedicated capital funding	244	329	-
Development and financial contributions	30	79	182
Vested assets	40	40	40
Landfill Post Closure	(64)	(64)	-
Movement in Rates balance	(1,632)	(772)	-
Depreciation expense	(16,867)	(18,247)	(16,381)
Surplus / (Deficit) of Statement of Comprehensive Revenue and Expense	**6,203**	**9,528**	**7,520**

Note: Due to a proposed change in accounting policy the Annual Plan 2019/20 and Annual Plan 2020/21 financials no longer include Council's 82% association in Downlands Water Supply, the Long Term Plan 2020/21 financials have not been updated to reflect this change.