FINANCIAL INFORMATION

Financial Strategy and Statements

Financial Strategy

Summary

This Financial Strategy brings together important information set out in the Long Term Plan, integrating it with financial forecasts, strategies and policies to arrive at a sustainable and prudent budget. The financial strategy guides the way Council makes decisions over income, expenditure, borrowing and investments. It helps to explain how it plans to balance the books and summarises the implications of these plans for ratepayers. It links the decisions the Council makes on what services to provide and how they will be paid for. This acknowledges that at all times the Council is managing finances that belong to the Timaru District community.

A key part of the Council's consideration of the Long Term Plan has been the affordability for the community of the plan's work programme. The Council continues to face financial pressures while maintaining levels of service and meeting environmental, legislative and community demands.

The Council is in a sound financial position. Recent years' financial results have been positive, borrowing is well within the Council's limit and we retain a range of high performing investments.

Community facilities will be a focus for the next 10 years. This includes earthquake strengthening of facilities, refurbishing the Timaru library, enhancing the Theatre Royal and the potential development of a new heritage exhibition facility. These facilities are vital to meeting our strategic direction, maintaining our vibrant community and to ensure a high quality of facilities that are available locally.

Our core role remains to maintain and develop high quality, reliable infrastructure such as roads, water supplies, stormwater, wastewater networks, and waste management as well as parks and recreational facilities and the provision of regulatory functions.

In addition, a review of the District Plan is to be completed within the next 10 years. This is a significant project which guides development of the District into the future.

The main theme underpinning the Infrastructure Strategy is ensuring responsible stewardship of our key infrastructure assets to meet the needs of tomorrow's community. Key influences facing the delivery of the district's future infrastructure are:

- *Ageing Infrastructure* – the need to address a 'bulge' of infrastructure that is nearing the end of its life. Infrastructure needs replacement to modern design and environmental standards. In some instances, significant redesign may be required to ensure it is fit for purpose.
- *Societal change* – our society is rapidly changing. Land use change, changing demographics, new government legislation and demands, technological change and increasing community expectations. New infrastructure development needs to be future-proofed and responsive to this change.
- *Resilience* – Built infrastructure needs to handle the impact of natural hazards, at a minimum to protect human life. However, this is not all. It must also cope with future demand and change, (such as the impact of a growing economy, changes in land use) and the impacts of key issues like climate change.

Some of these challenges are legacy issues (e.g. the decisions of past Councils or how things were built 40+ years ago). Others are simply the demands of a progressive society that is constantly seeking to improve.

The Council's priorities are:

- Timely and cost effective maintenance of infrastructure to optimise its life
- Replacing ageing infrastructure in a timely manner
- At a minimum, maintaining existing levels of service
- Managing the impacts of growth and land use change on infrastructure
- Compliance with legislative requirements
- Providing long term affordable services
- Managing the impact of technology changes

While rates will need to increase above the rate of inflation, the level of increase will be tightly managed and rates will remain reasonable. The level of borrowing will also be controlled so that it will not leave an unreasonable burden for current and future ratepayers.

The Council is forecasting average rate rises of less than 3.4% per year over the next 10 years (excluding inflation). This compares favourably against the limit set by the Council of not exceeding 6% plus inflation based on the Local Government Cost Index, per annum.

The Council forecasts that net borrowing (loans less investments) will rise to $152 million over the period of the LTP. This additional borrowing will be used to help fund the Councils' major capital projects that will benefit the community for years to come.
The forecast debt is well within the debt limits included in this financial strategy. The Council is satisfied that the forecast level of borrowing is affordable and will not overburden future ratepayers.

Financial Strategy

Introduction/Purpose

The financial strategy guides the way the Council makes decisions. The Council must, under the Local Government Act 2002, manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that sustainably promotes the current and future interests of the community. The aim of the Financial Strategy is to define a financial direction for the next 10 years that is agreed with the community. It aims to provide direction, drawn from a balancing of ratepayer affordability against community needs and aspirations.

This balancing process will consider the impact on affordability of its expenditure proposals on:

- the need to maintain, replace and renew core infrastructure,
- the obligation under law to build new infrastructure of a higher standard; and
- a desire to respond to the aspirations of the community for new and improved community infrastructure.

The Council will strive where possible to either hold steady or reduce Council's operating expenditure over forthcoming years while maintaining an acceptable level of service. The Council is also committed to shared services where feasible with other local authorities to minimise costs or provide an enhanced level of service.

Key Financial issues

Who pays?

The Council aims to be prudent in the management of its finances and fair in determining how much ratepayers and customers should pay for the services they receive. This also means being fair to future ratepayers who will inherit the impact of decisions made today. Expenditure levels reflect the decisions made about the level and mix of services we need and want to provide. Full details of the Council's approach to funding are set out in the Revenue and Financing Policy and Funding Impact Statement.

Current financial situation

Net assets

The Council had net assets of $765 million as at 30 June 2017. The majority of the Council's assets are the roads, water and sewer networks that provide the district's essential infrastructure.

Income and operating expenditure

The operating costs for council are approximately $67 million per annum. This includes over $15 million associated with the depreciation of assets.

Capital expenditure and borrowing

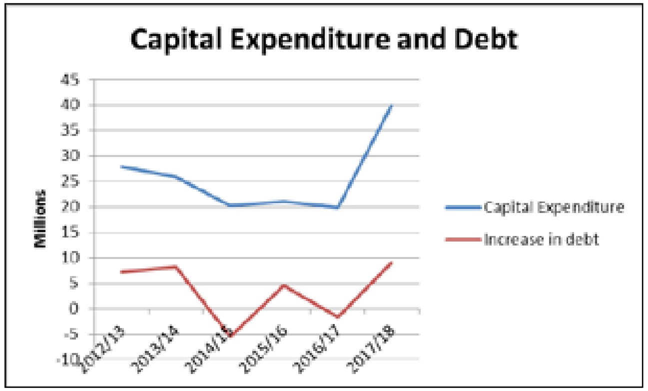
The council has invested significantly on capital items in the last ten years, including:

- Caroline Bay Trust Aoraki Centre
- Caroline Bay upgrade
- Multi-storey carpark in Timaru
- Wastewater scheme upgrades
- Roading network enhancements
- Solid Waste and waste minimisation initiatives
- Significant asset renewals in roading, wastewater, water and stormwater networks

To fund these projects, the Council has taken on borrowing, which was $92 million as at 30 June 2017, as well as utilising reserve funds. The current Liability Management Policy does not have a limit on the Councils borrowing but there are covenants on interest expense, including that interest expense is not to exceed 15% of total revenue, cashflow from operating activities must exceed interest expense by two times and net debt shall not exceed 150% of total revenue. The Council is a member of the Local Government Funding Agency (LGFA) which necessitates undertaking certain guarantees related to local government debt and borrowings.

Internal loans are utilised in some activities to minimise the level of external borrowings.

A summary of the Council's capital expenditure and borrowing over the past five years plus the budget for 2017/18 is set out in the chart below:



Key factors in the operating environment and their implications

The financial strategy has been prepared taking into account the Council's starting financial position as summarised above plus the factors that we expect to influence its financial position over the next 10 years. These include:

- Population and household change
- Changing land use
- District economic development
- Inflation and known cost increases
- Asset development and renewal expenditure
- Enhancing resilience for coping with unexpected events
- NZTA financial assistance
- Major Council projects (e.g. drinking water standards upgrades, enhancement of community facilities and remediation of earthquake prone buildings.)

These are discussed further below.

1) Population and Household change

Population and household growth figures are the latest information available from Statistics NZ. Council has adopted the medium scenario as the baseline for the LTP and Activity Management Plans.

a) Population Change

The medium growth scenario projects the District's Population to increase to 49,400 (+8.8%) by 2028, peaking in 2038 at 50,200, and levelling out at this level based on current information.. Population increase is expected to occur mainly in age groups above 65. Demographically, the district's population is expected to significantly age, with an anticipated 28.2% above the age of 65 by 2028. The median age in 2028 is projected to be 47.4 years. The population is also expected to become more ethnically diverse, with a slowly increasing Maori, Asian and Pacific Islands population.

b) Household Change

The medium scenario for district's household growth projects an increase to 21,500 households in 2028 (+11.4%), rising to 22,300 households in 2038. Household size is declining as the population ages (i.e. less people live in each household).

Generally, small increases in population can be managed within the existing level of service. Declines in population would not necessarily reflect in lower numbers of ratepayers as the number of people per household is declining. Household increases are expected to occur largely in the urban areas of the district as a result of the population ageing. It is therefore expected that these changes will only have a minor effect on rates for individual property owners.

Where growth requires additional infrastructure (e.g. subdivisions), the Council can require financial contributions for the work. Costs over this amount may result in additional Council expenditure which is likely to be funded from debt. The Council does not currently have a Development Contributions Policy, but is looking to develop a new policy during the next LTP period.

The forecast capital costs of providing for the growing population and land use change over the next 10 years is included in the table of all capital expenditure in the section of this strategy titled Asset

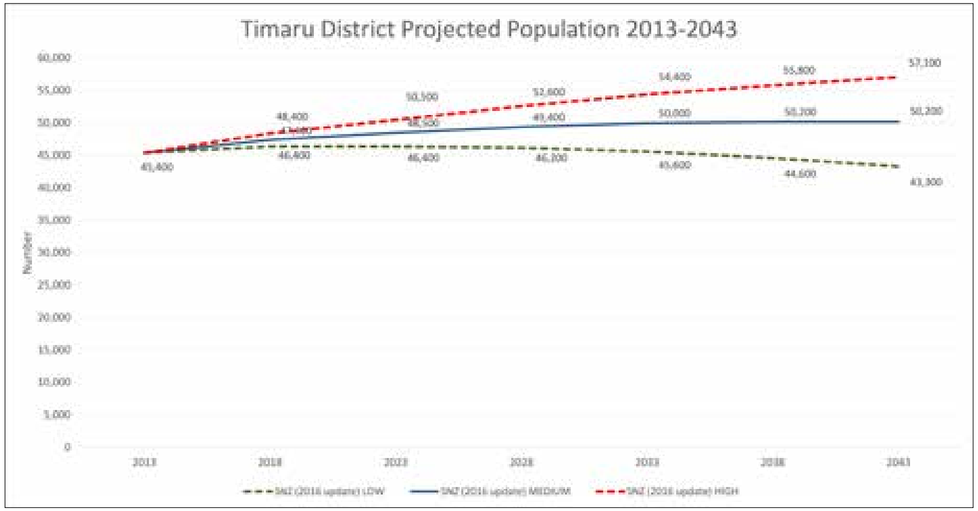


Figure: Timaru District Projected Population 2013-2043 by Projection Variant

(Source: Statistics NZ Population Projections Update December 2016)

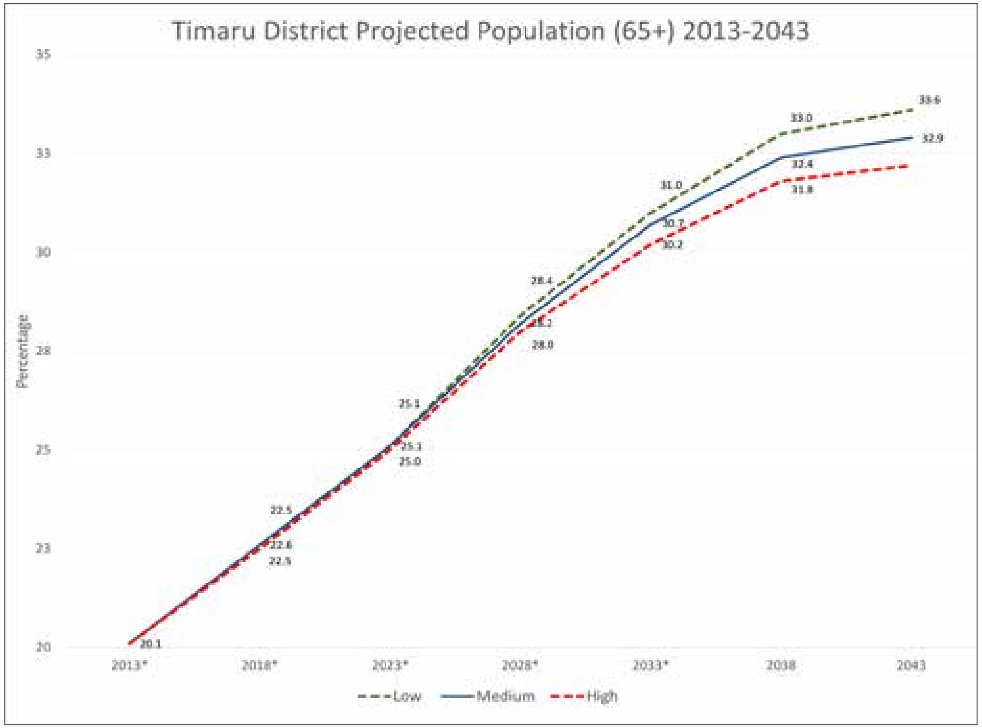


Figure: Timaru District - Projected Population (65+) 2013-43 by Projection variant

(Source: Statistics NZ Population Projections Update December 2016)

Development and Renewal Expenditure. The forecast operating costs associated with growth are minimal.

2) Changing Land use

Changing rural land use has significant impact on rural roads. The number of heavy vehicles using these roads has increased significantly in recent years and it is expected to continue to increase. The weights of these heavy vehicles are also increasing. Heavy vehicles are increasing the wear and tear on our rural road network. These changing demands will also need to be factored into our bridge renewal programme which is significant over the next 30 years.

3) District Economic Development

Gross Domestic Product in Timaru District was up 2% for the year to September 2017 compared to a year ago *(Timaru District Quarterly Economic Monitor - September 2017, Infometrics)* . This is ahead of the Canterbury region overall (1.3%), and compares favourably with NZ overall (2.5%). Potentially more rapid growth is anticipated going forward due to a stronger primary export sector and increasingly stimulatory fiscal policy.

Factors influencing the economy include the policy programme of the new government, growth in trading partners, the future path of commodity prices, the impact of weather events and cycles (e.g. La Nina), the extent and duration of the current migration cycle and global influences such as a global economic shock, Brexit, and disruption in key trading partners like China.

4) Inflation and known cost increases

Inflation is faced by the Council and inevitably means the cost of providing services will increase over the next 10 years and these increases will affect the level of rates.

Expected impacts of inflation are included in the LTP. A supplementary schedule is also included in the LTP showing the financial statements based on 2018/19 costs to show more clearly the impact of changes in services.

The price level adjustors (inflation) have been derived from those recommended to local government from Business and Economic Research Limited (BERL). Council's costs reflect the type of work it undertakes for the community and are significantly affected by items such as energy, bitumen and civil contracting prices. This is quite different from the average household, so using the Consumer Price Index (CPI) to forecast increased costs for the Council is not appropriate.

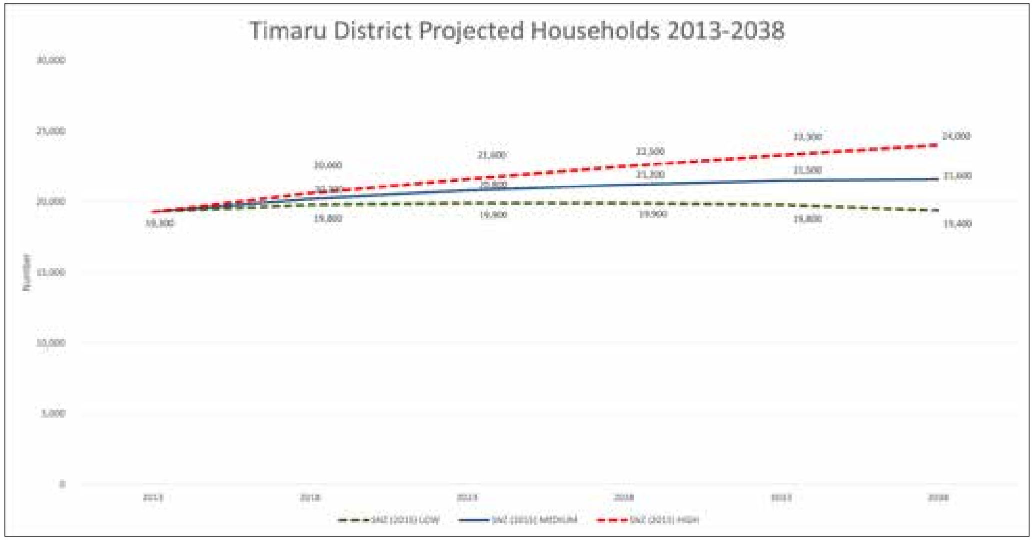


Figure: Timaru District - Projected Number of Households by Projection variant 2013-43

(Source: Statistics NZ Household Projections Update December 2017)

Overall, we estimate that inflation will increase costs by almost a quarter over the next 10 years.

4) Asset development and renewal expenditure

Asset Management Plans and the 50 year Infrastructure Strategy underpin this Financial Strategy. These form the basis of asset development based on agreed levels of service and renewal of assets that are integral to the delivery of these services.

The council currently has property, plant and equipment (commonly referred to as "fixed assets") worth approximately $780 million and during the next 10 years the council is planning to undertake additional capital works of $402 million (including inflation). Asset development expenditure is for purchasing, building, replacing or developing the district's assets (e.g. roads, pipes, libraries). For each asset category, asset management plans are in place, which are the key planning tool for the maintenance, future renewal and additional assets required to meet increased levels of services or growth in the district.

The Council has prepared an Infrastructure Strategy which includes details of asset issues for the next 50 years for roading, water, wastewater, stormwater and waste management assets. Total capital expenditure is forecast at $1.81 billion for these assets over the 50 year timeframe (including inflation).

The council has developed the asset development programme assuming that all projects will be completed in the year identified in the plan. However, past experience shows that due to external factors there can be delays in the completion of the project. Therefore projects that have similar amounts and funding may be substituted from the later years of the plan for other projects which have experienced delays. Conversely projects that are delayed in one year of the plan will be completed in the following years.

Renewals are the replacement programme for existing assets. Levels of service improvements relate to where the council increases or enhances assets to increase the level of service provided to the community. Growth assets are constructed to support the growth in the district and provide the infrastructure that is required by the future demand.

During the next 10 years, it is planned that significant expenditure will occur on renewing and enhancing community facilities. Included in this are enhancements to buildings due to them being considered "earthquake prone".

Renewals of assets are generally funded from reserves which have previously been funded from rates. If there are insufficient funds in the appropriate reserve for the renewal expenditure, council has elected to borrow to pay for some of the renewals. The Council reviewed the funding for infrastructure renewals in 2015 and as a result increased the amount set aside from revenue each year to fund the replacement of these assets based on the 30 year renewals profile. This increase is being phased in over several years and is reviewed every 3 years.

Level of service improvements and growth assets are generally funded from debt, capital subsidy or from capital contributions in the form of contributions (financial contributions and cash in lieu of reserves). This is to ensure that the costs are spread across the generations that utilise the assets.

5) NZTA Financial Assistance

The level of NZTA Financial Assistance is a risk to the Council. The Government Policy Statement on Land Transport funding has indicated less financial assistance for maintenance and renewals. The future direction of the new Government Policy Statement is unclear at this time.

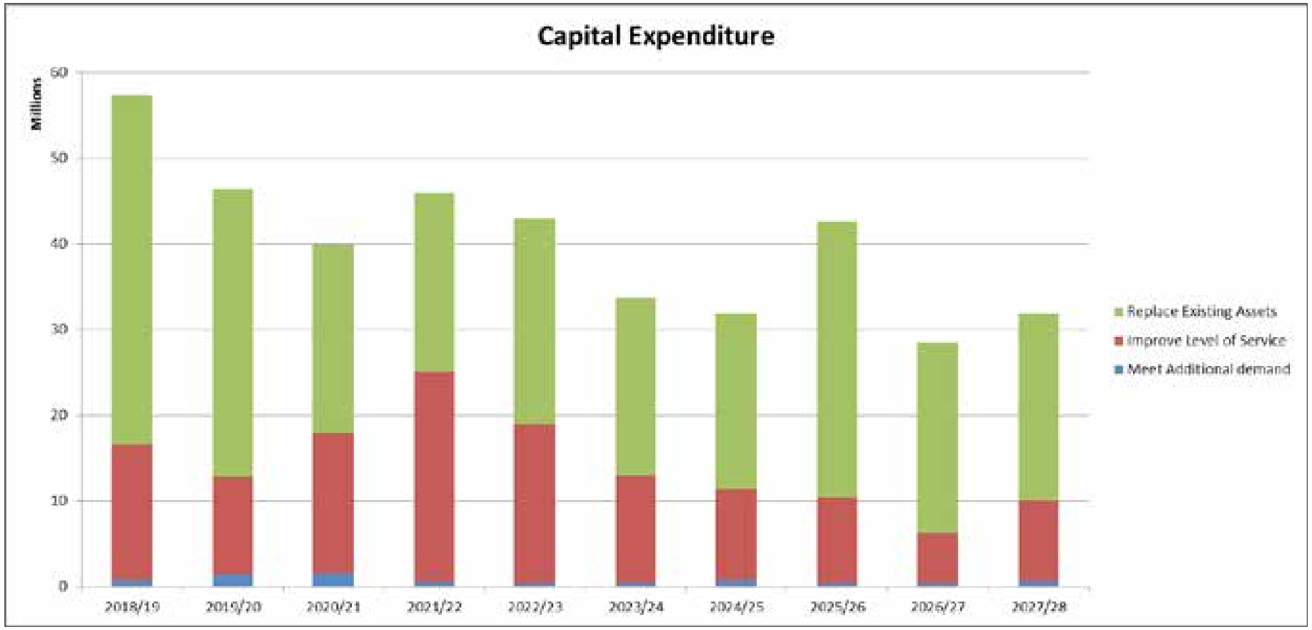
6) Enhancing resilience for coping with unexpected events

The Canterbury earthquakes over the last 8 years have raised public awareness of the potential for sudden destruction of infrastructure, for example water, stormwater and wastewater networks, roading and buildings that are the foundations of economies and the community.

As part of this financial strategy we have considered how we would respond if there were a failure in major infrastructure that demanded significant unplanned expenditure.

Currently the Government's Civil Defence Emergency Plan covers 60 per cent of the costs in an emergency, provided the Council can meet the first 40 per cent. The Council participates in the Local Authority Protection Programme which provides a cooperative insurance type facility for reticulation networks. Other funding options available to the Council include using reserves held, which includes a specific $3 million Disaster Recovery Fund, or to utilise debt.

Enhancing Council's assets and services to be able to withstand unexpected events is also a priority.



Major Council Projects

A number of significant projects are planned for the 2018-2028 period. These include:

- Major upgrade of the Theatre Royal to include replacing the fly tower, new back of house facilities and extension of the foyer to improve toilet and bar facilities and addition of meeting rooms.
- Creation of a multi purpose heritage exhibition facility connected to the Theatre Royal.
- Installation of water meters in urban areas as a replacement charging mechanism as a means of increasing the efficiency of use of the existing water supply.
- Enhanced stormwater networks to reduce the contaminants entering waterways.
- Creation of a new Timaru cemetery
- Replacement of the Soundshell seating
- Developing further off road biking and walking tracks
- Replacement of the Pareora water pipeline that provides water to the Timaru urban area.
- New water reservoir for Temuka
- Water network enhancements to improve resilience in the Washdyke area.
- Water treatment upgrades to the Te Moana and Downlands water schemes

Key Levels of Service Issues and their implications

The key levels of service issues over the next 10 years include:

- Regulatory framework for stormwater
- Drinking Water Standards/Drinking Water Safety Plans
- Meeting competing demands for water resources
- Change in demands on road network
- Sustainable Transport/Active Transport
- Enhanced community facilities including significant projects associated with the Theatre Royal and the development of a heritage facility.
- Remediation work on Earthquake Prone Buildings owned by the Council

- Legislative change
- Community expectations and changes in demand
- Enabling participation and communication
- Ageing infrastructure
- Climate change

Details on these are included in Section 2 of the Long Term Plan.

Financial Implications and Trends

In setting rates at an appropriate level, the council must balance what is affordable for both the Council and the community. This is a delicate balancing act which needs to take account of the services that the Council delivers and whether current or future ratepayers should pay for them or intergenerational equity. This is particularly important for the Council given that many of its assets have long service lives and the benefits that these assets provide are over a long period of time. The main tool used is debt and then to rate future ratepayers to service the debt.

There are no proposals to significantly increase any group of user charges or make major changes in the rates/user charge ratio. An exception to this is the increased costs associated with enhancements at the Theatre Royal and development of a cultural facility. The operational costs for these will primarily be funded from rates given their broad community benefit.

Water metering

Council needs to consider the options for improving the resilience of Timaru's water supply. Prior to future investment in any additional water sources, an option favoured by Council and set out in the draft plan, is water metering. It is proposed that water metering for all urban schemes be investigated. Water metering would result in a change in the charging mechanism for urban water supplies, with a charge to consumers based on consumption.

Rates

General Rates and Uniform Annual General Charge (UAGC)

The General Rate and UAGC currently account for approximately 52% of the total rates for the district. The activities funded from these rates include roading, cultural and learning facilities, economic development and promotion, governance, district planning and regulatory services, streetlighting, civil defence and the airport.

The amount individual ratepayers pays for general rates is based on the land value of their property. The Council considers that using land values, differentiated by sector, provides the best balance between equity, simplicity and fairness. The values of all properties within the district are reviewed every 3 years. They were last revalued as at September 2017 and those values will come into effect for rating purposes from 1 July 2018.

The UAGC is a flat rate that is levied on each property, regardless of the value of the property.

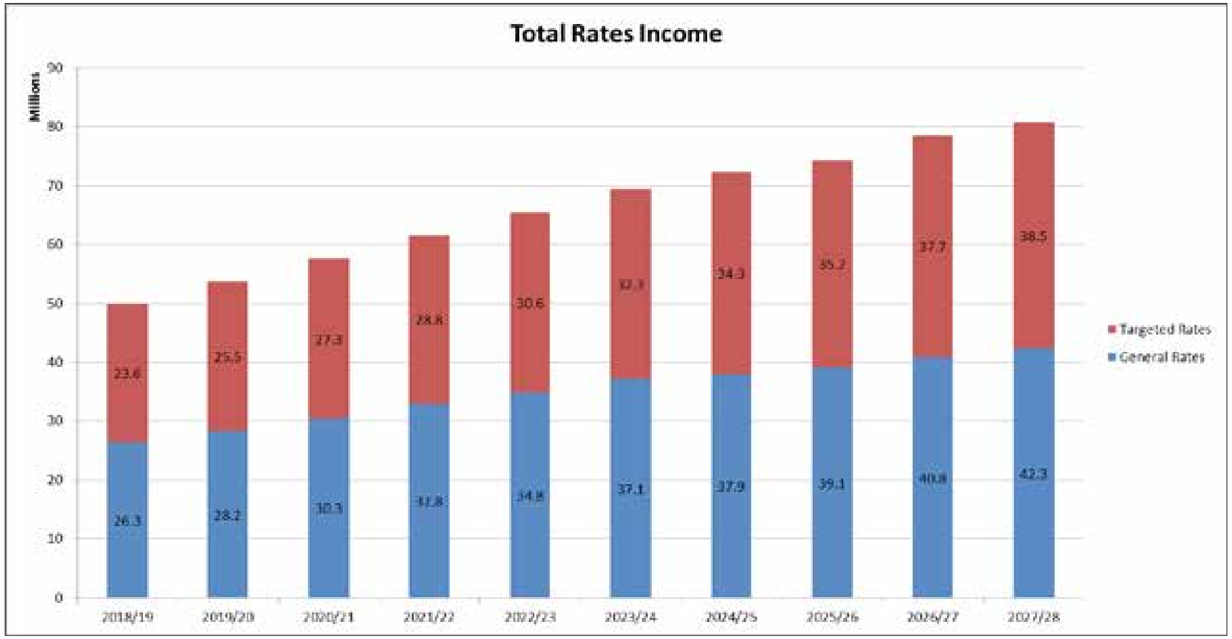
Targeted rates

Targeted rates account for approximately 48% of total rates revenue and are in place to fund specific activities including water, wastewater, stormwater, waste management, footpaths, community boards and community centres.

A separate account is maintained for each targeted rate to ensure any surplus or deficit is funded by the relevant ratepayers. In any one year, the account may be in surplus or deficit, but the level of rate is set to achieve a nil balance over the medium term (two to five years).

The rate for local targeted rates such as community centres, water, stormwater, footpaths and community boards is set in consultation with the local community, taking into account the Activity Management Plan for each activity.

The 10 year forecast for rates income (including inflation) is shown below:



The average annual increase in rates over the 10 years is forecast to be 5.55%, including inflation.

The Council will endeavour to limit the level of rate rises (both general and targeted rates) over the 10 year period and has set the following limits:

- Total rates revenue will not exceed $70 million in any given year, excluding inflation and $85 million including inflation.
- The percentage increase in total rates revenue in any year will not exceed 6% plus inflation based on the Local Government Cost Index .

These limits will allow the Council to maintain the existing levels of service and provides enhancement to the community facilities within the district. It does assume the current level of financial assistance from NZTA for the roading network. Any significant additional demands for services from the community, or reduction in financial assistance could result in these limits needing to be increased.

Non-rates income

User fees and charges

User fees and charges will increase over the 10 years due to recovery of increased costs.

Subsidies and grants (Including Financial Assistance)

Subsidies include Financial Assistance from the New Zealand Transport Authority (NZTA) for funding the cost of maintaining, renewing and improving the Council's roading network. The level of subsidy is currently 53% but will reduce by 1% each year to 51%. It is also expected that this will not be inflation adjusted, or if inflation is added, it will mean a reduced cap on expenditure.

Investment Revenue

Investment income is dividends received from Timaru District Holdings Limited (TDHL) and interest income.

The targets set by Council for returns on investments are:

- TDHL $2.60 per share per annum
- Interest on TDHL Advance 4%
- Bonds 4%

Investments

The Council holds treasury, equity, property and forestry investments on behalf of the community for strategic reasons. The Council intends to maintain the value of these investments in the long term.

Equity Investments

The council's investments in such assets fulfil various strategic, economic development and financial objectives.

The largest equity investment held by Council is its investment in TDHL which in turn holds the Council's interests in Alpine Energy Limited, PrimePort Timaru Limited and Hunter Downs Irrigation Limited.

Investments are also held in Civic Financial Services Limited and Levels Plains Irrigation Company. These are held strategic objectives for insurance and water sources for land owned by Council.

Property Investments

As a general rule, Council does not maintain a property investment where it is not essential to the delivery of relevant services, now or in the future, and property is only retained where it relates to a primary output of Council. The Council currently owns a number of properties, which are surplus to its operational needs. The Council's overall objective is to only own property that is necessary to achieve its strategic objectives.

Forestry Investments

Forestry is planted primarily on over 235 hectares of reserve land unsuitable for other uses, with over 50 separate sites.

Forestry assets are held as long-term investments on the basis of their net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs and to maintain the land upon which the Council's forestry investment is held.

Treasury Investments

Investments of cash held for specific purposes (special funds) usually held as short-term deposits or in bonds.

The Council maintains treasury investments for the following primary reasons:

- Provide ready cash in the event of a natural disaster. This cash is intended to bridge the gap between the disaster and the reinstatement of normal income streams.
- Invest amounts allocated to special funds, bequests, and reserves.
- Invest funds allocated for approved future expenditure, to implement strategic initiatives or to support intergenerational allocations.
- Invest proceeds from the sale of assets.
- Invest surplus cash, and working capital funds.

Debt

The Council is very conscious of its level of debt and its effect on ratepayers in the future.

Where projects require a significant up front capital cost but the project provides long-term benefits, the council funds the initial capital cost via debt as a method for spreading this cost over time. Debt spreads the responsibility for funding a project across the current and future ratepayers, ensuring that all of those that benefit make a contribution to the funding of the project.

The Council's forecast level of borrowings and investments for the 10 years of the LTP is shown below:

The main reason for increased debt levels is to fund the asset development expenditure proposed within this plan. The Council has considered the timing of the programme and the associated borrowing required to ensure that this best meets the needs of current and future generations. The value of investments increases during this period mainly because depreciation funds increase to replace assets after the 10 years shown in this plan.

The Council has set the following limits on its total borrowing:

- Borrowing as a percentage of total assets 20%
- Interest expense as a percentage of total revenue 15%
- Net debt to total revenue 150%

The financial ratios are measured on Council only, not the consolidated group. The limit associated with borrowing as a percentage of total assets has been increased to reflect the low asset values recorded given that the current accounting policy for the Council is not to revalue assets and to utilise the Deemed Cost as the method of valuing assets.

Based on the forecast financial position within the LTP, the limit on borrowings would be $212 million including inflation.

These limits will allow the Council to maintain the existing levels of service. Any significant additional demands for services from the community could result in these limits needing to be increased.

The Council provides security on its borrowing through a Debenture Trust Deed. This provides the lender with a charge over the Council's rates income and means that, if the Council defaulted on a loan, the lender would have the ability to set a rate and recover the sums owned. In practice, it is the ability of local authorities to set rates that makes it very unlikely that a local authority would default on its obligations. The Council policy is to only allow security through the Debenture Trust Deed.

The Council has obtained a credit rating from Fitch Ratings. This is currently AA- with a stable outlook. It is expected that this will be maintained as a minimum during the 10 year period.

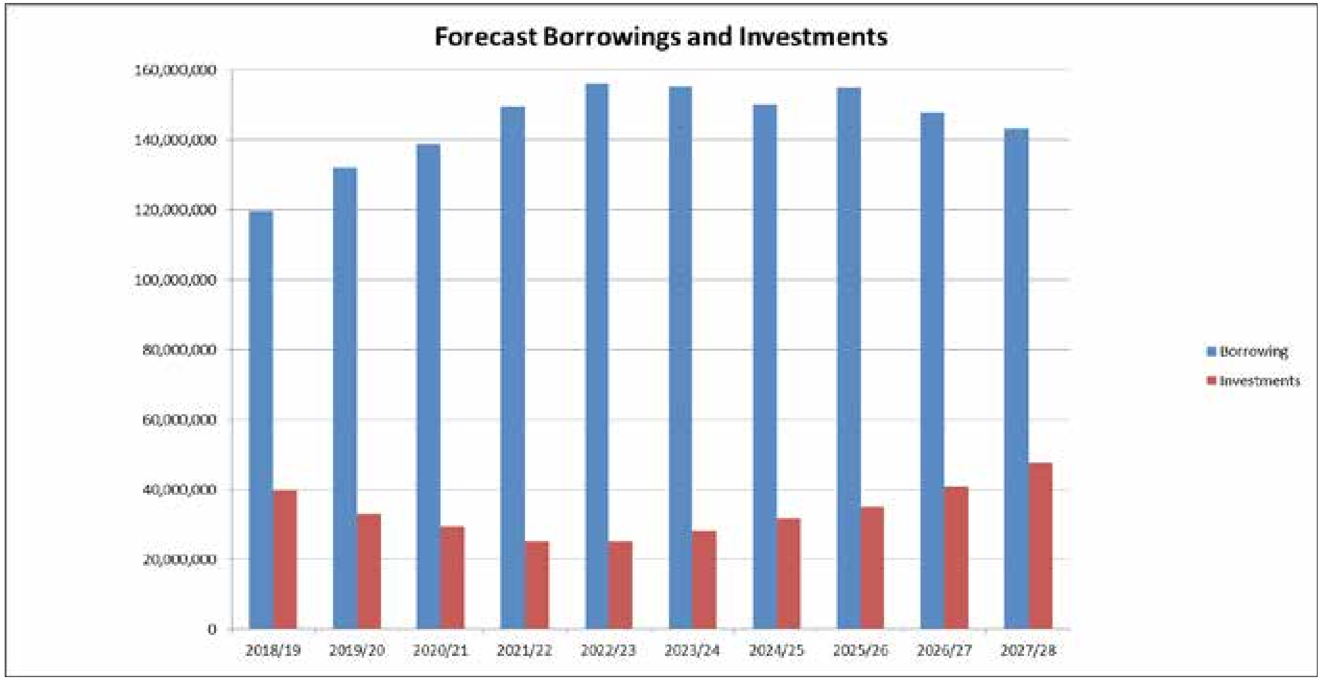
Internal Borrowing

As well as external borrowing, the Council has used realised investment funds to internally fund capital expenditure. Council believes it is prudent to fund debt internally, when cash reserves enable this to occur. This is done because the cost of borrowing in this way is less than borrowing via an external party.

Generally the Council funds from its own reserves before borrowing internally or externally. Reserves are held for a variety of purposes, including depreciation funds for future asset replacement and for contingency/disaster recovery purposes. Use of internal borrowings means that both cash investments and external debt are reduced.

The areas where funds have been used are required to pay interest on these internal borrowings and make repayments over the life of the internal loans to replace the lost investment opportunity.

The use of internal borrowings will be increased over the term of the LTP, but a minimum of $10 million cash reserves will always be maintained.



Overall Implications of Financial Strategy

The Council is promoting a "Business as Usual" approach through its financial strategy. It will continue to maintain and renew our assets for current and future generations while providing and enhancing the services that the community enjoy.

The implications of this strategy, combined with the requirement for prudent financial management, the necessity to manage a complex array of operations and assets with long lives, and continuing improvements in required levels of service stemming from either legislative change or community demand, means that there is little room for further significant projects within the next 10 years.

The Council has designed its financial policies to be prudent and fair to current and future ratepayers. Current ratepayers pay for the services they have available to them now, including a contribution to the cost of replacing the infrastructure they use. All ratepayers, current and future, pay for the costs involved in improving the quality of services.

This approach will maintain the Council's sound financial position over the next 10 years and provide a sound base for maintaining the well-being of future generations.

Forecast Statement of Comprehensive Revenue and Expense

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $000	Budget 2026/27 $000	Budget 2027/28 $000
Revenue											
Rates, excluding targeted water supply rates	47,496	50,390	54,1431	57,9879	61,963	65,755	69,795	72,637	74,621	78,858	81,140
Fees, charges and targeted rates for water supply	17,395	17,924	18,535	19,071	19,234	19,855	20,551	20,746	21,294	21,857	22,523
Development and financial contributions	20	20	20	20	20	20	20	20	20	20	20
Subsidies and grants	8,135	8,992	8,565	9,526	8,962	9,592	9,740	12,111	10,933	9,643	10,429
Finance Revenue	2,035	2,036	1,737	1,560	1,445	1,384	1,429	1,527	1,625	1,756	1,950
Other Revenue	3,748	3,821	5,138	4,166	4,801	6,588	4,181	4,398	4,432	4,348	4,384
Other gains/(losses)	15										
Total Revenue	78,844	83,184	88,136	92,322	96,425	103,194	105,716	111,438	112,925	116,482	120,446
Expenditure											
Personnel costs	16,581	17,630	18,027	18,321	18,724	19,194	19,675	20,148	20,653	21,268	21,842
Operating costs	34,993	39,213	39,362	39,057	40,200	40,463	41,153	41,884	42,824	43,972	45,363
Finance costs	5,838	5,407	6,207	6,685	7,119	7,549	8,458	9,049	9,047	9,728	10,066
Depreciation	16,475	16,603	17,578	18,167	18,998	20,077	21,311	21,942	22,500	23,504	23,949
Total Operating Expenditure	73,887	78,853	81,174	82,229	85,041	87,283	90,596	93,024	95,024	98,472	101,221
Total Comprehensive Revenue and Expense	4,957	4,331	6,962	10,092	11,384	15,912	15,119	18,414	17,901	18,011	19,225

Forecast Statement of Movements in Equity

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $000	Budget 2026/27 $000	Budget 2027/28 $000
EQUITY AT BEGINNING OF THE YEAR	757,205	759,423	763,753	770,716	780,809	792,193	808,104	823,223	841,637	859,538	877,548
Net surplus for the year	4,957	4,331	6,963	10,092	11,384	15,912	15,119	18,414	17,901	18,011	19,225
Revaluation of fixed assets		-	-	-	-	-	-	-	-	-	-
Total recognised revenues and expenses	4,957	4,331	6,963	10,092	11,384	15,912	15,119	18,414	17,901	18,011	19,225
EQUITY AT THE END OF THE YEAR	762,162	763,753	770,716	780,809	792,193	808,104	823,223	841,637	859,538	877,548	896,774

Forecast Statement of Movements in Retained Earnings

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $000	Budget 2026/27 $000	Budget 2027/28 $000
RETAINED EARNINGS AT 1 JULY	724,777	728,579	745,164	758,690	772,311	788,019	803,807	816,092	830,632	845,563	857,776
Net surplus for the year	4,957	4,331	6,963	10,092	11,384	15,912	15,119	18,414	17,901	18,011	19,225
Transfers to Reserves	(18,335)	(19,289)	(20,406)	(22,405)	(24,167)	(27,587)	(29,240)	(30,632)	(32,050)	(33,771)	(34,773)
Transfers from Reserves	24,970	31,544	26,969	25,934	28,491	27,464	26,405	26,759	29,081	27,973	27,867
RETAINED EARNINGS AT 30 JUNE	736,369	745,164	758,690	772,311	788,019	803,807	816,092	830,632	845,563	857,776	870,096

Forecast Statement of Financial Position

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $000	Budget 2026/27 $000	Budget 2027/28 $000
Equity											
Retained Earnings	736,369	745,164	758,690	772,311	788,019	803,807	816,092	830,632	845,563	857,776	870,096
Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-
Special Fund Reserves	25,793	18,589	12,026	8,498	4,174	4,297	7,131	11,005	13,974	19,772	26,678
Total Equity	762,162	763,753	770,716	780,809	792,193	808,104	823,223	841,637	859,538	877,548	896,774
Current Assets											
Cash & Bank Balances	17,056	15,710	12,784	11,477	10,903	10,462	9,455	9,134	8,877	8,952	8,933
Short Term Deposits	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417
Receivable & Prepayments	6,218	6,218	6,218	6,218	6,218	6,218	6,218	6,218	6,218	6,218	6,218
Inventories	72	72	72	72	72	72	72	72	72	72	72
Total Current Assets	50,763	49,417	46,491	45,184	44,610	44,169	43,162	42,841	42,584	42,659	42,640
Non-Current Assets											
Investments	18,935	12,111	5,548	2,020	-2,304	-2,181	653	4,527	7,496	13,294	20,200
Fixed Assets	815,325	842,932	871,796	893,541	920,512	943,349	955,783	965,699	985,870	990,904	998,767
Total Non-Current Assets	834,260	855,044	877,345	895,561	918,208	941,168	956,436	970,226	993,366	1,004,199	1,018,967
TOTAL ASSETS	885,023	904,461	923,836	940,745	962,818	985,337	999,598	1,013,067	1,035,950	1,046,858	1,061,607
Current Liabilities											
Payables & Accruals	10,595	10,542	10,576	10,576	10,576	10,576	10,576	10,576	10,576	10,576	10,576
Current Portion of Term Debt	30,129	5,679	6,053	6,531	7,093	7,545	7,740	7,817	8,219	8,160	8,360
Total Current Liabilities	40,724	16,221	16,629	17,106	17,669	18,120	18,316	18,393	18,795	18,736	18,936
Non-Current Liabilities											
Term Debt	71,726	114,024	125,998	132,274	142,337	148,429	147,312	142,226	146,743	139,636	134,896
Other Term Liabilities	10,411	10,463	10,493	10,557	10,620	10,684	10,747	10,811	10,875	10,938	11,002
Total Non-Current Liabilities	82,137	124,487	136,491	142,830	152,957	159,112	158,059	153,037	157,618	150,574	145,897
TOTAL LIABILITIES	122,861	140,708	153,120	159,937	170,626	177,233	176,376	171,430	176,412	169,310	164,833
NET ASSETS	762,162	763,753	770,716	780,809	792,193	808,104	823,223	841,637	859,538	877,548	896,774

Forecast Statement of CashFlows

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $00	Budget 2026/27 $000	Budget 2027/28 $000
Cashflows from operating activities											
Cash was provided from:											
Receipts from customers	18,443	18,935	20,763	20,327	21,125	23,532	21,821	22,232	22,815	23,293	23,994
Rates	47,496	50,390	54,141	57,979	61,963	65,755	69,795	72,637	74,621	78,858	81,140
Subsidies	8,135	8,992	8,565	9,526	8,962	9,592	9,740	12,111	10,933	9,643	10,429
Interest	2,035	2,036	1,737	1,560	1,445	1,384	1,429	1,527	1,625	1,756	1,950
Dividends	2,695	2,790	2,890	2,890	2,890	2,890	2,890	2,890	2,890	2,890	2,890
	78,804	83,144	88,096	92,281	96,385	103,153	105,674	111,397	112,882	116,439	120,403
Cash was applied to:											
Payments to employees	(16,581)	(17,630)	(18,027)	(18,321)	(18,724)	(19,194)	(19,675)	(20,148)	(20,653)	(21,268)	(21,842)
Payments to suppliers	(34,929)	(39,150)	(39,298)	(38,993)	(40,136)	(40,399)	(41,089)	(41,821)	(42,760)	(43,908)	(45,300)
Interest paid	(5,838)	(5,407)	(6,207)	(6,685)	(7,120)	(7,549)	(8,458)	(9,049)	(9,047)	(9,728)	(10,066)
	(57,348)	(62,187)	(63,532)	(63,999)	(65,980)	(67,142)	(69,222)	(71,018)	(72,460)	(74,904)	(77,208)
Net cashflows from operating activities	21,456	20,957	24,564	28,282	30,405	36,012	36,452	40,378	40,423	41,535	43,195
Cashflows from investing activities											
Cash was provided from:											
Sale of fixed assets	45	45	45	45	45	45	45	45	45	45	45
Sale of investments (special funds)	24,970	31,544	26,969	25,934	28,491	27,464	26,405	26,759	29,081	27,973	27,867
Mortgages/advances made	220	220	220	220	220	220	220	220	220	220	220
	25,235	31,809	27,234	26,199	28,756	27,729	26,670	27,024	29,346	28,238	28,132
Cash was applied to:											
Purchases of fixed assets	(39,973)	(57,406)	(46,446)	(39,916)	(45,973)	(42,918)	(33,749)	(31,862)	(42,674)	(28,541)	(31,814)
Purchase of investments	(18,335)	(19,289)	(20,406)	(22,405)	(24,167)	(27,587)	(29,240)	(30,632)	(32,050)	(33,771)	(34,773)
Mortgages/advances made	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)
	(58,528)	(76,916)	(67,073)	(62,542)	(70,360)	(70,725)	(63,208)	(62,714)	(74,944)	(62,532)	(66,806)
Net cashflows from investing activities	(33,293)	(45,107)	(39,838)	(36,342)	(41,604)	(42,996)	(36,538)	(35,691)	(45,599)	(34,294)	(38,674)

Forecast Statement of CashFlows (cont.)

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $00	Budget 2026/27 $000	Budget 2027/28 $000
Cashflows from Financing Activities											
Cash was provided from:											
Loans raised	27,636	24,684	18,027	12,806	17,156	13,637	6,624	2,732	12,736	1,053	3,620
	27,636	24,684	18,027	12,806	17,156	13,637	6,624	2,732	12,736	1,053	3,620
Cash was applied to:											
Settlement of loans	(18,567)	(5,008)	(5,679)	(6,053)	(6,531)	(7,093)	(7,545)	(7,740)	(7,817)	(8,219)	(8,160)
	(18,567)	(5,008)	(5,679)	(6,053)	(6,531)	(7,093)	(7,545)	(7,740)	(7,817)	(8,219)	(8,160)
Net cashflows from Financing Activities	9,069	19,677	12,348	6,753	10,626	6,543	(921)	(5,009)	4,918	(7,166)	(4,540)
NET INCREASE (DECREASE) IN CASH HELD	(2,768)	(4,473)	(2,926)	(1,307)	(574)	(441)	(1,007)	(321)	(258)	75	(19)
Cash at beginning of the year	47,241	47,600	43,127	40,201	38,894	38,320	37,879	36,872	36,551	36,294	36,369
CASH AT END OF THE YEAR	44,473	43,127	40,201	38,894	38,320	37,879	36,872	36,551	36,294	36,369	36,350
Represented by:											
Cash & Bank Balances	17,056	15,710	12,784	11,477	10,903	10,462	9,455	9,134	8,877	8,952	8,933
Short Term Deposits	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417	27,417
	44,473	43,127	40,201	38,894	38,320	37,879	36,872	36,551	36,294	36,369	36,350

Funding Impact Statement

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $00	Budget 2026/27 $000	Budget 2027/28 $000
SOURCES OF OPERATING FUNDING											
General Rates, Uniform annual general charges, rates penalties	25,927	28,677	28,859	30,375	32,620	34,529	36,855	37,645	38,762	40,481	41,850
Targeted Rates	23,602	24,711	26,873	28,378	29,604	31,156	33,149	34,952	35,968	38,286	39,151
Subsidies and grants for operating purposes	3,567	3,400	3,464	3,456	3,416	3,478	3,374	3,427	3,461	3,450	3,439
Fees and charges	17,428	17,978	18,596	19,150	19,322	19,974	20,673	20,909	21,481	22,049	22,738
Interest and dividends from investments	4,730	4,826	4,627	4,450	4,335	4,274	4,319	4,417	4,515	4,646	4,840
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	817	832	1,856	877	877	877	877	877	877	777	777
TOTAL OPERATING FUNDING	76,071	80,424	84,273	86,686	90,173	94,288	99,246	102,227	105,064	109,689	112,794
APPLICATIONS OF OPERATING FUNDING											
Payments to staff and suppliers	51,619	56,897	57,436	57,426	58,972	59,705	60,877	62,082	63,526	65,289	67,255
Finance costs	5,838	5,407	6,207	6,685	7,120	7,549	8,458	9,049	9,047	9,728	10,066
Internal charges and overheads applied	-	-	-	-	-	-	-	-	-	-	-
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	57,457	62,304	63,643	64,111	66,092	67,254	69,335	71,131	72,573	75,017	77,321
SURPLUS/(DEFICIT) OF OPERATING FUNDING	18,614	18,120	20,630	22,575	24,081	27,034	29,911	31,095	32,492	34,672	35,473
SOURCES OF CAPITAL FUNDING											
Subsidies and grants for capital expenditure	4,568	5,593	5,104	6,076	5,985	8,127	6,382	8,704	7,495	6,220	7,022
Development and financial contributions	20	45	49	79	112	131	133	141	150	160	171
Increase/(decrease) in debt	9,069	19,677	12,348	6,753	10,626	6,543	(921)	(5,009)	4,918	(7,166)	(4,540)
Gross proceeds from the sale of assets	60	45	45	45	45	45	45	45	45	45	45
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	272	197	371	329	492	657	246	411	411	411	411
TOTAL SOURCES OF CAPITAL FUNDING	13,989	25,556	17,918	13,282	17,259	15,502	5,884	4,292	13,019	(330)	3,108

Funding Impact Statement (cont.)

	Budget 2017/18 $000	Budget 2018/19 $000	Budget 2019/20 $000	Budget 2020/21 $000	Budget 2021/22 $000	Budget 2022/23 $000	Budget 2023/24 $000	Budget 2024/25 $000	Budget 2025/26 $00	Budget 2026/27 $000	Budget 2027/28 $000
APPLICATIONS OF CAPITAL FUNDING											
Capital expenditure											
- to meet additional demand	886	757	1,428	1,564	561	417	444	754	384	393	633
- to improve the level of service	9,051	15,822	11,410	16,397	24,562	18,501	12,606	10,672	10,024	5,871	9,396
- to replace existing assets	30,037	40,828	33,608	21,955	20,850	24,000	20,699	20,436	32,266	22,276	21,785
Increase/(decrease) in reserves	(7,371)	(13,730)	(7,898)	(4,059)	(4,633)	(382)	2,047	3,525	2,837	5,801	6,767
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING	32,603	43,676	38,548	35,857	41,340	42,536	35,796	35,387	45,511	34,341	38,580
SURPLUS/(DEFICIT) OF CAPITAL FUNDING	(18,614)	(18,120)	(20,630)	(22,575)	(24,081)	(27,034)	(29,911)	(31,095)	(32,491)	(34,672)	(35,472)
FUNDING BALANCE	-	-	-	-	-	-	-	-	-	-	-