Accounting Policies

REPORTING ENTITY

Timaru District Council (the Council) 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 Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The financial statements of Timaru District Council include the Council's 82% share of Downlands Water Supply, which has been assessed as a joint arrangement.

The primary objective of the Council is to provide infrastructure and public services for the community for social benefit rather than making a financial return. Accordingly, the Council has designated itself as a public benefit entity for financial reporting purposes.

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.

STATEMENT OF COMPLIANCE

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand Generally Accepted Accounting Principles (NZ GAAP), which are primarily based on reporting standards as promulgated by the External Reporting Board (XRB) and the NZ Accounting Standards Board (NZASB).
The financial statements have been prepared in accordance with and comply with Tier 1 Public Benefit Accounting (PBE) Standards.

STANDARDS ISSUED AND NOT YET ADOPTED

There are no standards and amendments issued but not yet effective or adopted.

PRESENTATIONAL CURRENCY AND ROUNDING

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

REVENUE RECOGNITION

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 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.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of Environment Canterbury are not recognised in the financial statements, as the Council is acting as an agent for Environment Canterbury.

Vested 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.

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.

Government grants, including Waka Kotahi roading subsidies.
The Council receives funding assistance from the government, including Waka Kotahi, subsidising costs, including operating costs and capitals costs, such as part of the costs of maintenance and capital expenditure on the local roading infrastructure. The grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Interest
Interest revenue is recognised using the effective interest method.

Dividends
Dividends are recognised 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.

BORROWING COSTS

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

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are converted using the spot exchange rate 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.

INCOME TAX

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 are usually recognised against the surplus or deficit.

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call in bank accounts, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown with borrowings in current liabilities in the Statement of Financial Position.

TRADE AND OTHER RECEIVABLES

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council apply the simplified model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivable and other receivables and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. The Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

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

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:

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

INVESTMENTS IN FINANCIAL ASSETS

Investments in financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless they have been designated at FVTSD, in which case they are recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. The Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

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.

Investments in subsidiaries

Investments in subsidiaries are included in the parent entity at cost.

Other financial assets, including unquoted equity investments

Other financial assets held by Council are stated at the lower of cost or net realisable value, with any resultant gain or loss being recognised directly in other comprehensive revenue or expense, except for impairment losses. When these assets are derecognised, the cumulative gain or loss is recognised through the surplus or deficit.

NON-CURRENT ASSETS HELD FOR SALE

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.

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

PROPERTY, PLANT & EQUIPMENT - VALUATION

Note 17: Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets: These include land, buildings, landfill post-closure, library books, plant and equipment, playground equipment, motor vehicles, airport improvements, furniture and office equipment, art works and heritage assets.

Operational assets include all assets not specifically included elsewhere utilised by the Council to deliver services both directly and indirectly. Assets held for sale are not included with operational assets even if there is a continued use until sale.

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

Infrastructure assets: Infrastructure assets are the fixed utility systems owned by the Council and each asset class encompasses all items that are required for the network to function including: sewer, stormwater and water systems; roads, bridges and lighting, and land under roads; footpaths; and unoccupied land held specifically for infrastructure purposes.

Unless specifically stated, acquisitions are initially valued at cost. Prior to 1 July 2005 a number of valuations were undertaken for several asset classes, separately outlined which have become the opening cost value for that class, some of which have subsequently been revalued at fair value.

Revaluations

For asset classes where revaluations are now performed regularly, assets are revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value which is defined as no greater than 10% cumulatively based on an annual assessment of fair value however it may be determined that a revaluation is required despite not exceeding 10%; and at least every three years with revaluation movements accounted for on a class by class 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 surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Land

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

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

Buildings and Building Improvements

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

Airport Improvements

Airport improvements, including runway, have been stated at deemed cost less depreciation and impairment losses, which is optimised depreciated replacement cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Plant and Equipment

Plant and equipment for parks and pools is stated at deemed cost less depreciation and impairment losses, which is the optimised depreciated replacement cost as assessed by Maunsell Limited, Valuers, at 1 July 2005.

Other plant and equipment (including motor vehicles) are at cost less depreciation and impairment losses.

Furniture and Office Equipment

Furniture and office equipment have been stated at cost less depreciation and impairment losses.

Library Books

Library collections are valued annually at depreciated replacement cost calculated by the Council's library staff in accordance with guidelines outlined in "Valuation Guide for Cultural and Heritage Assets", published by the Treasury Accounting Policy Team, November 2002 and the Library Collection Valuation Guidelines prepared by the New Zealand Library Association, May 1992.

Elements of the library collection which are considered to be retained as heritage assets are not included in the valuation as they are not readily measurable on a replacement cost basis and are not depreciated.

Art Works

Art works are stated at deemed cost being the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, with acquisitions from 1 April 1992 at cost.

Wastewater, Stormwater, Water

Wastewater, Stormwater and Water assets are stated at their fair value using standard unit rates as per the depreciated replacement cost methodology, however acquisitions subsequent to 1 June 2022 are valued at cost, until future revaluations are performed.

The assets were revalued on 30 June 2022 by Timaru District Council officers and peer reviewed by B. Smith, CA, of Brian Smith Advisory Services Limited. Due to recent cost increases a revaluation based in price index movements has been completed in 2023 by Jennifer Fox from Waugh Infrastructure Management Limited.

Wastewater, Stormwater and Water infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

- The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity. No opportunities for optimisation were identified within the 2022 revaluation.
- Estimating the replacement cost of the asset: the replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location.
- If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index for civil constructions to convert them to current dollar value at the valuation date.
- Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by the local condition, for example, pipe material or wall thickness.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council 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, infrastructural asset useful lives have been determined with reference to the New Zealand 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.

Acquisitions are measured at their fair value using standard unit rates.

Roads, Bridges, Footpaths, Street Furniture and Lighting

Roads, bridges, footpaths, street furniture and lighting assets are stated at their fair value using standard unit rates as per the depreciated replacement cost methodology, however acquisitions subsequent to 1 June 2022 are valued at cost, until future revaluations are performed.

Roading assets were revalued as at 30 June 2022 by Mark Gordon MBA, BE (Hons), CPEng, CMEngNZ of IAM Consulting (M Gordon) Limited. The next valuation is anticipated for 2025.

Road pavements, structures, footpaths, drainage, street lighting and a range of other assets used for delivering roading services are valued using the depreciated replacement cost method. There are a number of estimates and assumptions made when valuing infrastructural assets using this method, including:

- The unit rates used in estimating the replacement cost value of the asset: these reflect commercial costs for provision of modern equivalent assets by contract and assume realistic quantities of assets within contracts to ensure cost effective allowances and rates. Where appropriate, replacement value also reflects optimisation due to over-design or surplus capacity. No opportunities for optimisation were however identified in the 2022 revaluation.
- Unit rates have been applied to components of the road network based on the type of asset, its size, and material type. Rates are derived from TDC unit rate information for recent contract-based construction and maintenance work and recent valuation information from similar local authority infrastructure, indexed to the valuation date using Statistics New Zealand's Capital Goods Price Indices for Transport Ways. Where detailed asset component information is not available, estimations are made on an aggregate basis.
- Estimates of the remaining useful life over which the asset will be depreciated: these estimates can be affected by local conditions, for example, traffic use or climatic conditions. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council 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, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Valuation and Depreciation Guidelines, issued by the National Asset Management Steering Group (NAMS) of IPWEA NZ, and have been adjusted for local conditions based on past experience.

Land Under Roads

Land under roads has been stated at cost less impairment losses at an average of adjacent "undeveloped land value" valued at 1 July 2005 by Maunsell Limited, Valuers. Subsequent acquisitions are stated at cost, less depreciation and impairment losses.

Heritage Assets

Heritage buildings are included in the buildings asset class.

Individually recognised statues and monuments are stated at deemed cost or acquisition cost less impairment losses. Valued at optimised depreciated replacement cost as at 1 July 2005 by Maunsell Limited (Valuers), subsequent acquisitions were previously stated at cost, less depreciation and impairment losses however it has been determined that statues and monuments included as heritage assets will not be subject to depreciation as they are individually unique pieces of art and architecture Previously applied depreciation has been added back and the assets are stated at either their valuation as determined at 1 July 2005 or at cost subsequent to that date. Heritage assets are assessed for impairment.

Museum collections, primarily held by the South Canterbury Museum, have not been valued.

Artworks, primarily held by the Aigantighe Art Gallery, are separately valued (see "*Art Works*").

The Timaru District Library heritage collection is valued at cost less impairment (see "*Library Books*").

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 the cost of the item can be measured reliably and is greater than $3,000, subject to individual asset assessment and with specified exceptions. Unless each individual asset exceeds the cost threshold, bulk purchases which exceed the specified cost threshold do not constitute an asset purchase and should be either expensed immediately or treated as inventory as appropriate.

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 the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in 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 surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Leased assets

Leases in which substantially all of the risks and rewards of ownership are transferred 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 property and the present value of the minimum lease payments. 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 these assets are owned.

Where the value of an individual leased asset is assessed as being outside of the asset capitalisation parameters the lease is treated as an operating lease (see Note 6: Other Expenses) in accordance with the asset capitalisation materiality specifications.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than specified asset classes or types, including land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Where the value and utilisation of an asset is contingent on another asset, its useful life will normally be set to not exceed the useful life of the asset upon which it is contingent. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Depreciation has been provided at the following rates:

Land	Nil
Buildings and building improvements	1%-30% Straight Line
Airport improvements	1%-50% Straight Line
Plant and equipment: pools and parks	2%-33% Straight Line
Plant and equipment: motor vehicles	20% Straight Line
Plant and equipment: other	10%-50% Straight Line
Furniture and office equipment	4% to 50% Straight Line
Library collection: permanent retention	Nil
Library collection: current	12.5% Straight Line
Artworks	Nil
Water: plant and facilities	1% to 50% Straight Line
Water: reticulation	1% to 50% Straight Line
Sewerage: plant and facilities	1% to 50% Straight Line
Sewerage: reticulation	1% to 50% Straight Line
Stormwater: plant and facilities	1% to 50% Straight Line
Stormwater: reticulation	1% to 50% Straight Line
Roading	1%-50% Straight Line
Bridges	1%-3% Straight Line
Lighting	6%-8% Straight Line
Land under roads	Nil
Uncapped landfill cells	10% Straight Line
Capped landfill cells	1% Straight line
Heritage assets (excluding those specifically depreciated at 0%)	1%-10% Straight Line
Statues and monuments	Nil
Museum collection	Nil

Landfill assets

Physical landfill assets include earthworks, buildings and plant and machinery which are stated at cost less any accumulated depreciation or impairment. Unless specifically included under another asset class, landfill assets are depreciated based on the utilised capacity of the landfill. The physical landfill assets have been reviewed for fair value on the same basis as equivalent asset types.

A provision is made over the life of the landfill for post-closure costs and consequently an asset is generated representing the future economic benefits of this provision. This asset is amortised based on the utilised capacity of the landfill following its reassessment annually, contingent on the revised estimation of the concomitant provision (see Note 25 Provisions).

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 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 surplus or deficit, a reversal of the impairment loss is also recognised in surplus or deficit.

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

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, except that annual licenses are recognised as an expense when they are incurred.

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 relating to the introduction and utilisation of software 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.

Carbon credits

Carbon credits are not acquired or held for trading purposes and are expected to be utilised as part of the annual operational requirements of the Council, except that carbon credits which were received from the Crown were recognised as non-current intangible assets valued at fair value at acquisition. Carbon credits are treated as a current intangible asset and written off through surplus/deficit at cost or fair value. They are initially valued at cost and subsequently valued at fair value as at balance date based on the market value at balance date. Carbon credits have an indefinite life and therefore are not amortised.

Amortisation

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

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

Computer software	20% to 33.3% Straight line

Impairment of intangible assets

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

FORESTRY ASSETS

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Potential future carbon credit liabilities which may occur in the event of permanent deforestation are not included in the valuation.

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 surplus or deficit.

Forestry maintenance costs are recognised in surplus or deficit when incurred.

The generation of carbon credits from the forestry holdings are separately identified and valued as current intangible assets as required however currently no carbon credits are being generated as the forests are all pre-1990.

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, all investment property is measured at fair value at each reporting date.
Gains or losses arising from a change in the fair value of investment property are recognised in surplus or deficit.

BORROWINGS AND OTHER FINANCIAL LIABILITIES

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.
Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.
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 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.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements
Employee benefits that are expected to be settled wholly within twelve 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 and annual leave earned to, but not yet taken at balance date.
A liability and an expense are recognised for bonuses where the Council 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 not expected to be settled wholly before twelve months after the end of the reporting period 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 employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Unrecognised employee entitlements
Outstanding sick leave entitlements are not recognised as a liability as there is no settlement obligation related to the entitlement. The value of sick leave obligations are identified based on either the maximum or actual available entitlements based on the lower of those.

Presentation of employee entitlements
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 recognised employee entitlements are classified as a non-current liability.

PROVISION FOR LANDFILL POST CLOSURE COSTS

A provision for post-closure costs is recognised, at the inception of the landfill, for post-closure remediation and monitoring costs.
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 and including all costs associated with landfill post-closure.
The value provided for landfill post-closure is capitalised as an asset as it relates to future economic benefits. This asset is amortised based on the utilised capacity of the landfill and is adjusted annually based on that capacity usage and relevant movements in any revision of the post-closure costs.
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.

EQUITY & RESERVES

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- retained earnings;
- restricted reserves;
- designated reserves;
- asset revaluation reserves.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

Restricted reserves are those 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 a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.
They also include reserves maintained for targeted rates charged for a specific purpose.
Designated reserves

Designated reserves are maintained for self-funded activities which Council determines require particular focus. A separate account is maintained for each reserve to ensure that the funds are held and used for the specific purpose intended however these do not represent cash funds. Transfers from these reserves may be made only for specified purposes or when specified conditions are met however Council may change designated reserves without reference to the Courts or a third party.
Asset revaluation reserves
These reserves relate to the revaluation of particular property, plant, and equipment classes to fair value.

GOODS & SERVICES TAX

These financial statements have been prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable, which are stated on a GST inclusive basis. When GST is not recoverable as an input tax then 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.

BUDGET FIGURES

The budget figures are those approved by Council at the beginning of the year after a period of consultation with the public as part of the Annual Plan and Long Term Plan process. The budget figures have been prepared in accordance with generally accepted account practice and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

OVERHEAD ALLOCATION

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

Cost allocation policy

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

Criteria for direct and indirect costs

'Direct' costs are those costs directly attributable to a significant activity. 'Indirect' costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect costs

The costs of internal services not directly charged to activities are allocated based on the services provided. This is allocated based on a historical costing analysis which utilised a number of cost drivers, including staff numbers, area and transaction volumes.

Internal Charges

Are eliminated at the Council level.

STATEMENT OF CASHFLOWS

Cash and cash equivalents include cash on hand, deposits held at call in bank accounts, other short-term highly liquid investments with original maturities of three months or less (as above).

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 the equity and debt structure of the Council.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policy.

Long Term Plan Disclosure Statement

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.

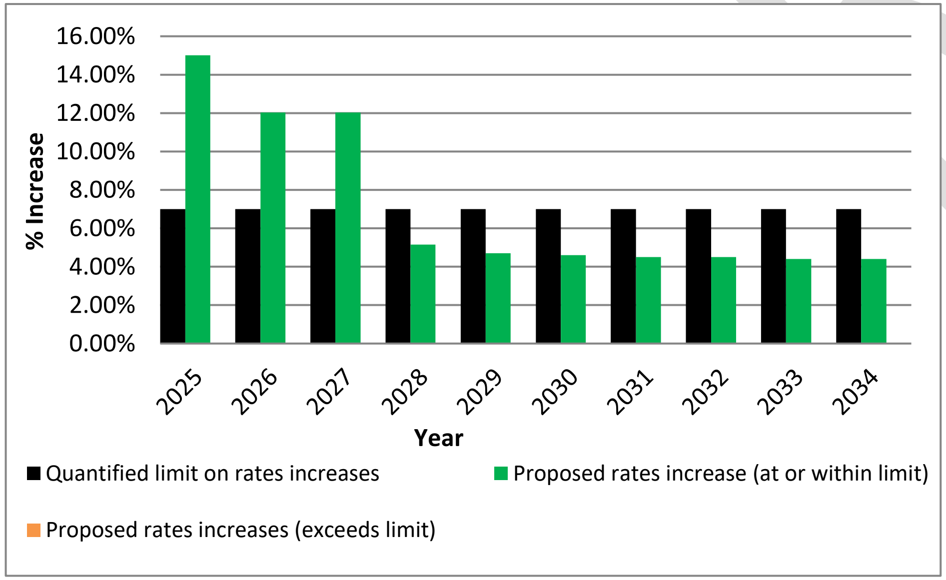
Rates affordability benchmark

The council meets the rates affordability benchmark if its planned rates increases equal or are less than each quantified limit on rates increase.

Rates (increase) affordability

The graph compares Council's planned rates increase with the quantified limit on rates increases contained within the Financial Strategy. The quantified limit is 7% from 2024/25 to 2033/34,

Rates (increases) affordability

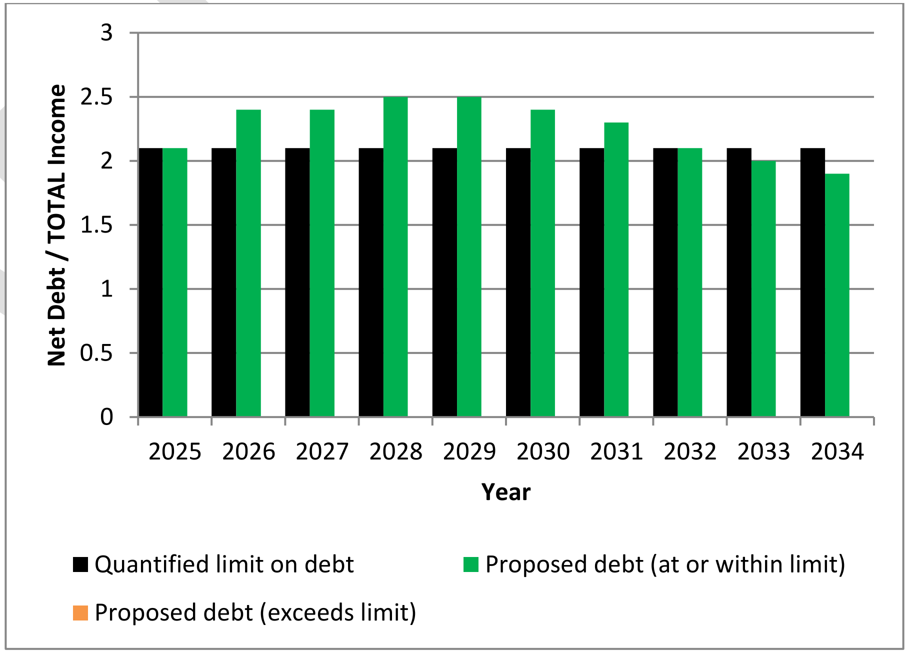


Debt affordability benchmark

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

The following graph compared 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 a ratio of Net Debt/ Total Income of 2.5.

Debt affordability benchmark

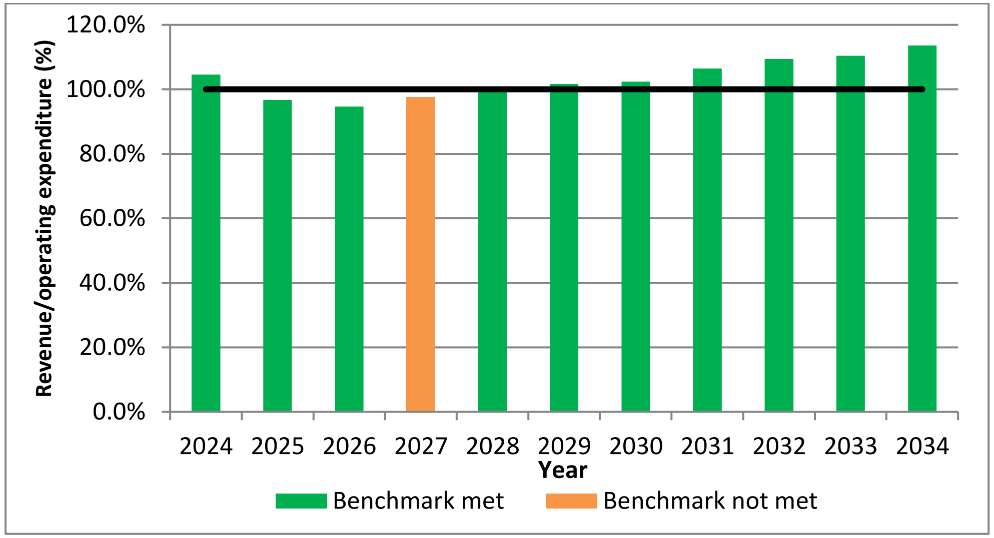


Balanced budget benchmark

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

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

Balanced Budget Benchmark

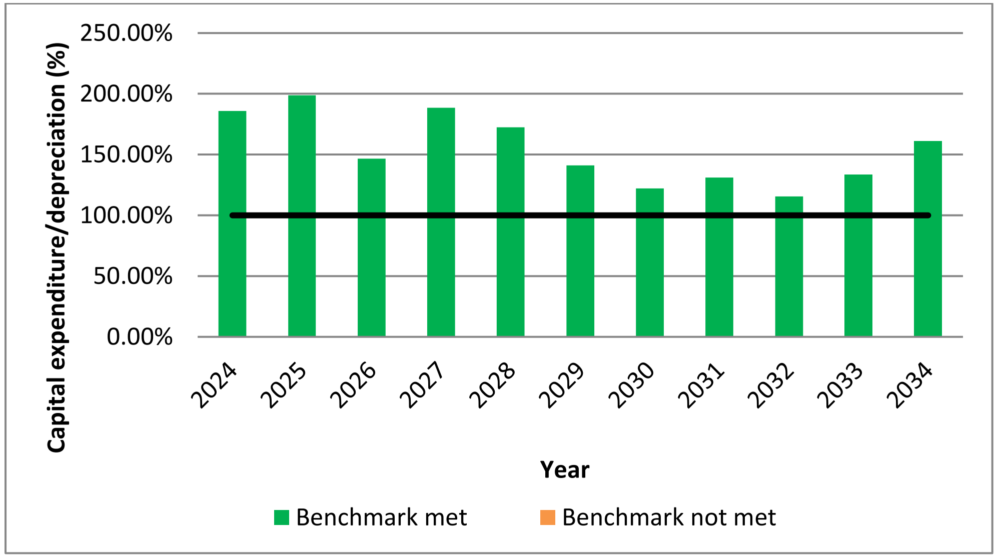


Essential services benchmark

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

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

Essential Services Benchmark



Debt servicing benchmark

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

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