Long-term plan disclosure statement for period commencing 1 July 2018

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The Council is required to include this statement in its long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

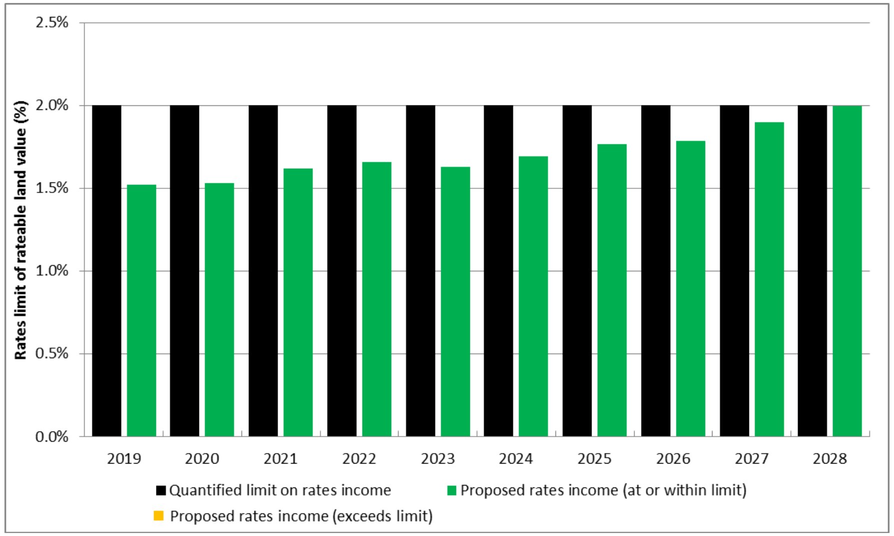
Rates affordability benchmark

The Council meets the rates affordability benchmark if:

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

Rates (income) affordability

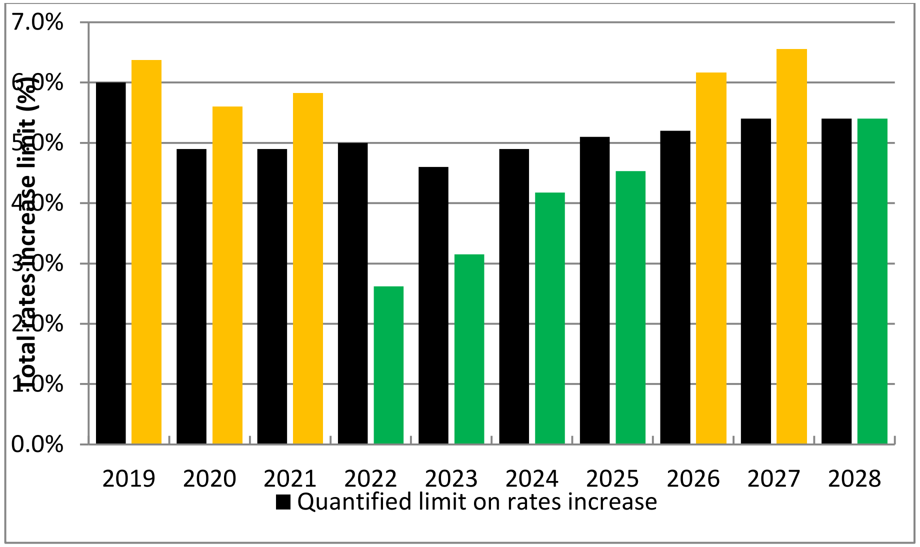
The following graph compares the Council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is that total rates will be no more than 2% of the city's rateable land value.



Rates (increases) affordability

The following graph compares the Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is that total rates will increase by no more than the Local Government Cost Index (LGCI):

- o plus the growth in the rating base
- o plus 2% (to fund increasing asset renewal costs and new services)
- o plus an allowance for accelerated debt repayment.

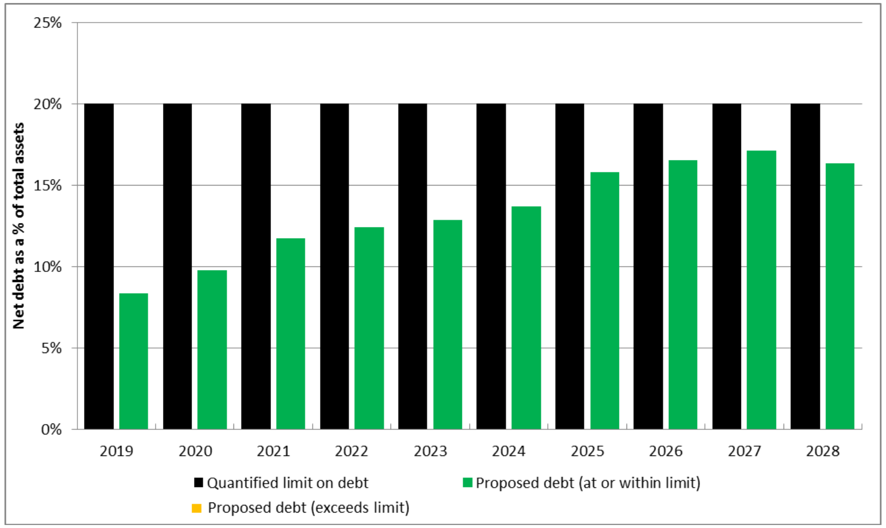


Debt affordability benchmark

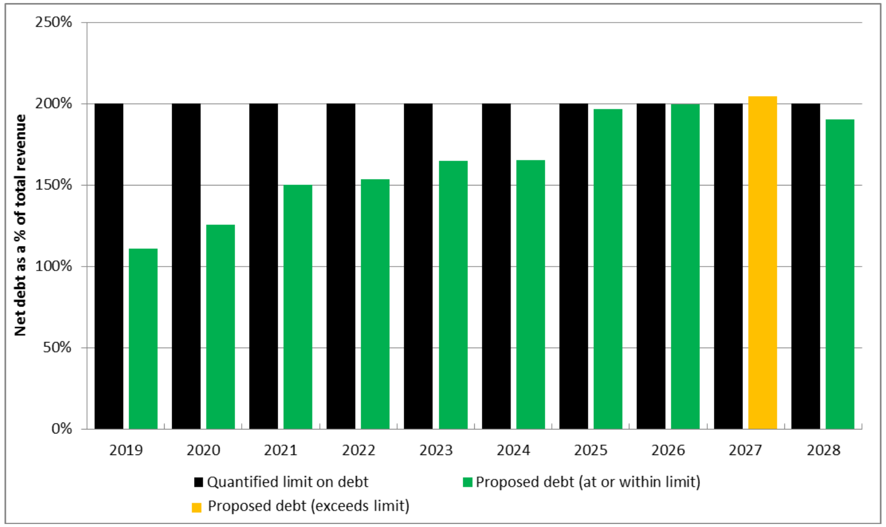
The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following four graphs compares the Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan.

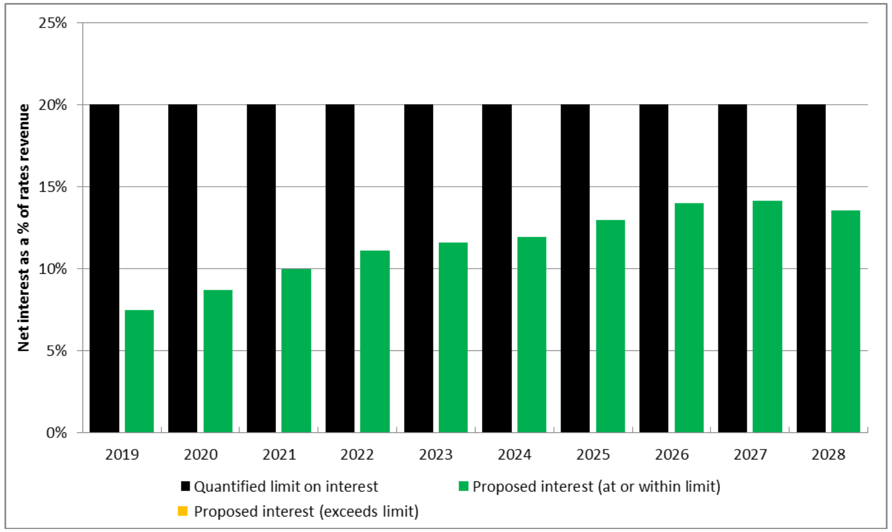
The quantified limit for this graph is that net external debt as a percentage of total assets will not exceed 20%.



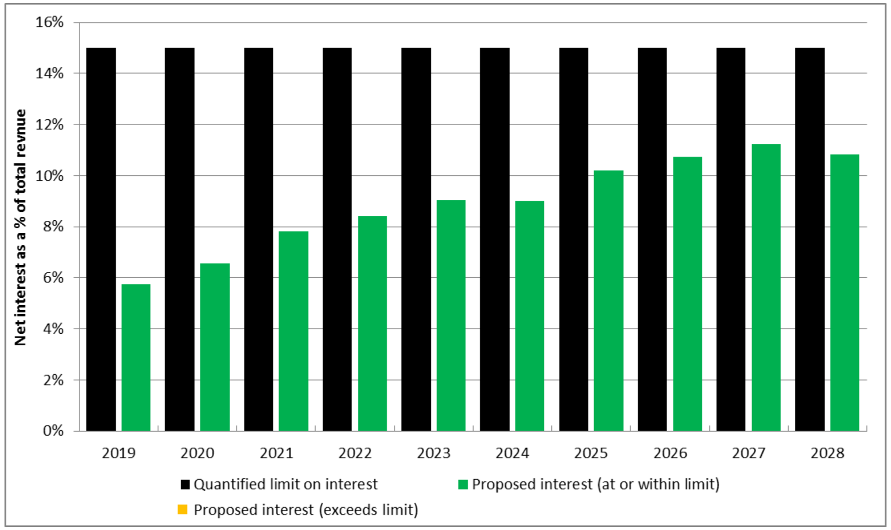
The quantified limit for this graph is that net external debt as a percentage of total revenue will not exceed 200%.



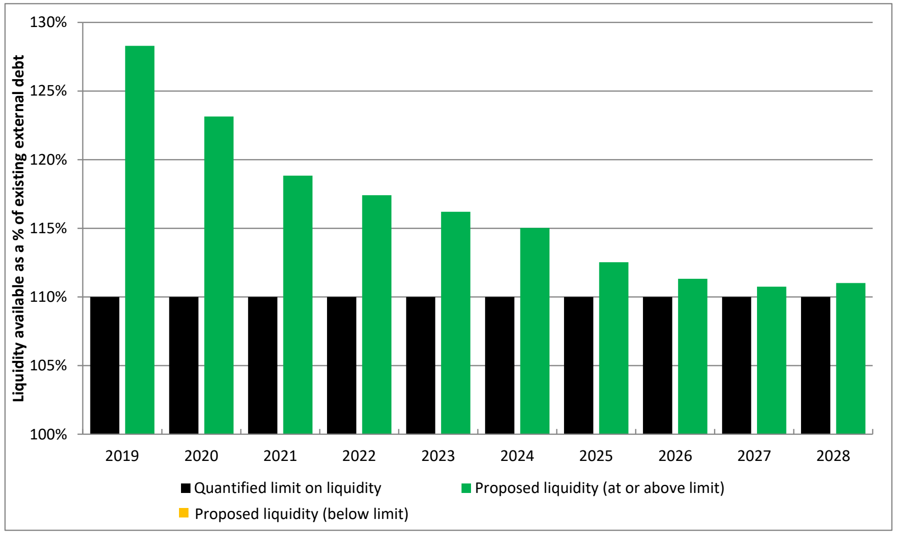
The quantified limit for this graph is that net interest as a percentage of annual rates income will not exceed 20%.



The quantified limit for this graph is that net interest as a percentage of total revenue will not exceed 15%.

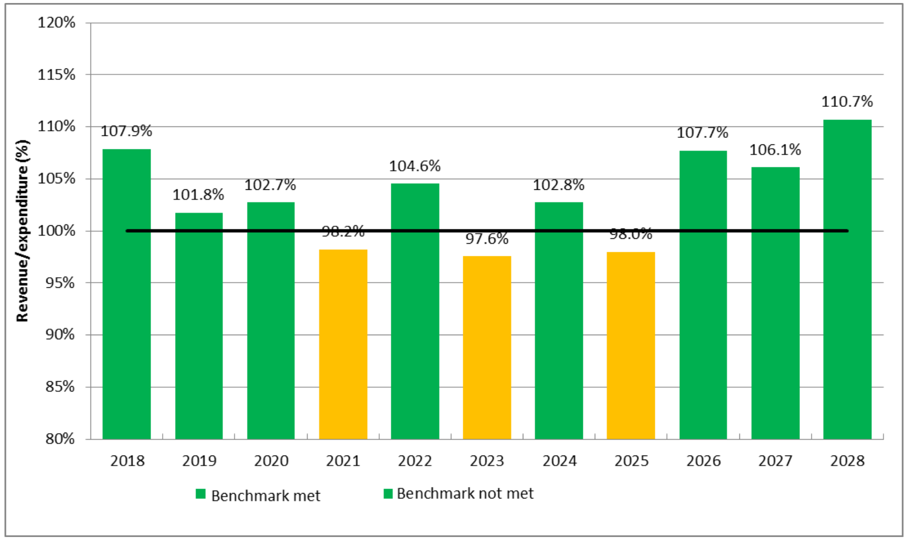


The quantified limit for this graph is that liquidity available will exceed 110% of existing external debt. Liquidity available is defined as the sum of existing external term debt, unused committed bank/loan facilities and liquid investments.



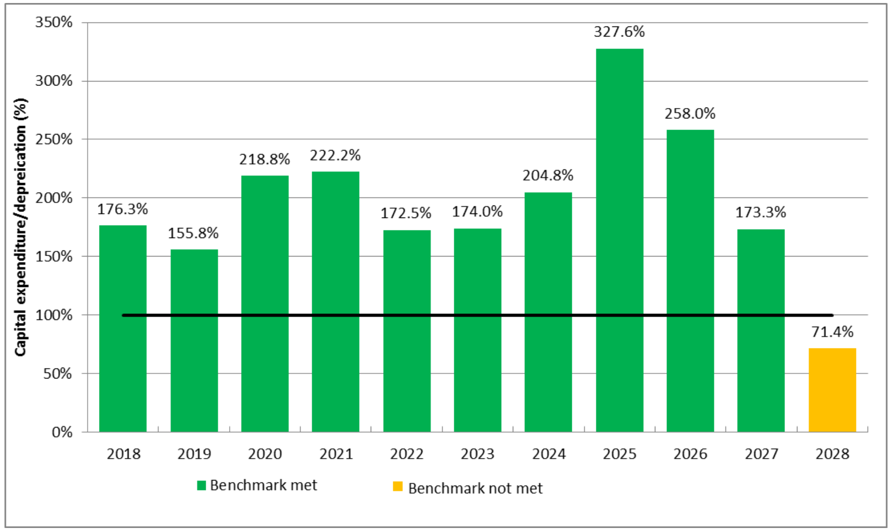
Balanced budget benchmark
The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of planned operating expenses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

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

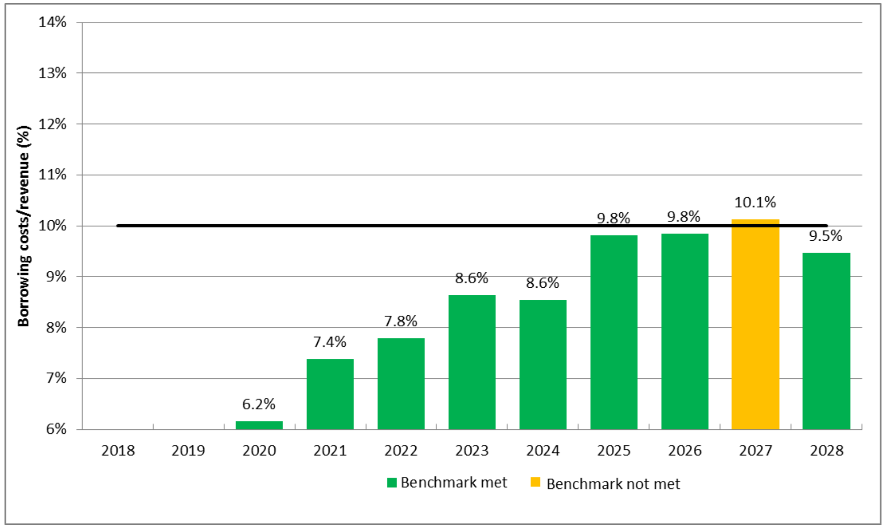


Essential services benchmark
The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

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



Debt servicing benchmark
The following graph displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow as fast as the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.



Additional information or comment

Balanced budget benchmark
The Council's asset management plans ensure Council is appropriately planning for renewals. The financial strategy includes ensuring that rates are set at levels that are adequate to fund operating services, average capital renewals and debt repayment over the expected life (with a maximum of 20 years) of assets being funded from debt. The graph shows the Council does not meet the prescribed benchmark in years 3, 5, & 7 of the 10 Year Plan. It is the Council's view that its financial strategy is prudent and if it set rates at a higher level to ensure the benchmark would be met it would be building up unnecessary cash reserves

Rates (increases) affordability
At this stage the proposed 10 Year Plan does not achieve the policy aims for some of the years. To meet its Vision and Goals for the City the Council believes rates need to increase by more than its target limit at least in the short term and then again when the full impact of the proposed upgrade to the wastewater treatment and disposal system takes effect. The actual increase each year will be determined in the light of updated circumstances and the development of the Annual Plan

Debt affordability benchmark
The debt to total revenue ratio limit of 200% is exceeded in one year of the Plan. Given the level of uncertainty in relation to the forecast costs the Council has determined that for the time being the forecast programme of capital development and the consequential borrowing requirements is appropriate.