

Financial Overview and Statements

FORECAST FINANCIAL STATEMENTS

The Council's 10 Year Plan covers the period 1 July 2018 to 30 June 2028. It incorporates operating and capital expenditure for the period for the core Council entity - consolidated statements have not been prepared to include subsidiaries. In this section financial information is provided at a summary level but more detailed information for each activity and group of activities is included throughout the document.

The financial information contained in the 10 Year Plan is a forecast for the purposes of Public Benefit Entity (PBE) Financial Reporting Standard (FRS) 42. This information may not be appropriate for purposes other than those described. It has been prepared on the basis of assumptions (refer to Significant Forecasting Assumptions in section 3) as to future events that the Council reasonably expects to occur, associated with the actions it reasonably expects to take, as at the date the forecast was prepared. The actual results are likely to vary from the information presented and may vary materially depending upon the circumstances that arise during the period. The 10 Year Plan has been prepared in accordance with generally accepted accounting practice and the Council's accounting policies are outlined in section 3. The policies incorporate the latest PBE accounting standards and the changes have had no material effect.

The Funding Impact Statements in section 3 have been prepared in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. The regulations are not consistent with generally accepted accounting practice.

Rates revenue is included net of any remissions granted under the Council's Rates Remission Policy. Remissions of \$0.25 million pa have been assumed.

Legislation states that councils are required to operate a 'balanced budget' i.e. income must equal or exceed expenditure (and expenditure must include non-cash items such as depreciation). However if a council determines that it is prudent not to have a 'balanced budget' (i.e. an operating surplus is not required), it must make a formal decision to that effect. The decision must be a prudent one and have included consideration of levels of service and useful lifespan of assets. There are grounds for not having a surplus every year to avoid building up unnecessary cash reserves. Council's asset management plans ensure the Council is appropriately planning for renewals and its financial strategy is to make adequate financial provision to fund renewals from rates revenue. Council is making provision to fund between \$18.9m and \$27.7m p.a. for capital renewals throughout the 10 years of the Plan.

The Council's Prospective Statement of Comprehensive Revenue and Expense (next page) shows that after including capital revenue of between \$11.4m

and \$33.1m p.a. there is a surplus of between \$0.7m and \$26.8m p.a. projected throughout the 10 years of the Plan. The Council is therefore deemed to have a 'balanced budget' throughout this period.

These forecast financial statements were authorised for issue by Palmerston North City Council on 25 June 2018.

Palmerston North City Council is responsible for these forecast financial statements, including the appropriateness of the assumptions underlying the forecast financial statements and all other disclosures.

Because the figures are rounded to the nearest thousand dollars, it may appear that they do not add up, but the total represents the sum of the individual forecast amounts.

For a detailed view of forecasted revenue and expenses, including a proposed schedule of programmes, see the Council's Activities – How we are planning to get there – Section 2 of this Plan.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Budget		10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP
2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
\$'000s		\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue											
Operating Revenue											
89,795	Rates	95,514	100,859	106,737	109,536	112,986	117,704	123,037	130,619	139,178	146,695
340	Interest & Dividends	517	567	617	667	717	717	717	717	717	717
2,757	Operating Subsidies & Grants	3,107	2,896	3,472	3,079	3,155	3,246	3,343	3,437	3,844	3,643
23,264	Other Operating Revenue	24,495	29,032	25,721	31,212	27,802	33,863	29,334	35,597	31,159	31,996
116,157		123,633	133,354	136,548	144,494	144,660	155,530	156,431	170,370	174,899	183,051
Capital Revenue											
15,441	Capital Subsidies & Grants	13,258	8,998	7,945	11,784	6,941	8,757	6,249	15,308	19,212	26,580
1,731	Development Contributions	1,063	1,476	1,891	2,090	2,465	2,783	3,406	3,932	4,346	4,495
2,000	Vested Assets	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
19,172		16,321	12,474	11,836	15,874	11,406	13,540	11,655	21,240	25,558	33,075
135,329	TOTAL REVENUE	139,954	145,828	148,384	160,368	156,067	169,070	168,087	191,610	200,457	216,127
Expenses											
85,184	Expenses	92,744	93,828	97,323	96,304	99,547	99,885	103,126	104,627	109,541	113,953
6,462	Interest	7,142	8,767	10,674	12,186	13,092	14,050	15,977	18,287	19,662	19,846
30,321	Depreciation	34,627	35,959	39,074	40,939	42,766	45,922	46,880	49,442	53,714	55,537
121,967	TOTAL EXPENSES	134,512	138,554	147,071	149,430	155,405	159,857	165,984	172,356	182,918	189,336
13,362	SURPLUS/(DEFICIT)	5,442	7,274	1,313	10,939	662	9,213	2,103	19,254	17,539	26,790
Other Comprehensive Revenue and Expense											
-	Gain on property revaluations	10,013	34,960	-	12,604	42,880	-	14,713	59,964	-	21,147
13,362	TOTAL COMPREHENSIVE REVENUE AND EXPENSE	15,455	42,234	1,313	23,543	43,542	9,213	16,816	79,217	17,539	47,938
2.9%	RATES INCREASE	6.4%	5.6%	5.8%	2.6%	3.1%	4.2%	4.5%	6.2%	6.6%	5.4%

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

Budget	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP
2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
1,371,480	1,453,364	1,468,819	1,511,053	1,512,365	1,535,908	1,579,450	1,588,664	1,605,479	1,684,697	1,702,236
13,362	15,455	42,234	1,313	23,543	43,542	9,213	16,816	79,217	17,539	47,938
1,384,843	1,468,819	1,511,053	1,512,365	1,535,908	1,579,450	1,588,664	1,605,479	1,684,697	1,702,236	1,750,173

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Budget	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP
\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
7,860	8,271	8,453	8,639	8,829	9,032	9,240	9,462	9,698	9,941	10,199
Non-Current Assets										
-	-	-	-	-	-	-	-	-	-	-
12,941	13,052	13,052	13,052	13,052	13,052	13,052	13,052	13,052	13,052	13,052
6,116	5,659	5,659	5,659	5,659	5,659	5,659	5,659	5,659	5,659	5,659
1,514,362	1,610,641	1,683,253	1,722,561	1,762,812	1,822,684	1,850,354	1,917,924	2,029,824	2,065,215	2,103,748
1,541,279	1,637,623	1,710,417	1,749,911	1,790,352	1,850,427	1,878,306	1,946,096	2,058,233	2,093,867	2,132,658
32,393	28,398	28,551	28,708	28,868	29,039	29,213	29,400	29,599	29,803	30,021
Non-Current Liabilities										
1,338	1,311	1,340	1,369	1,399	1,431	1,464	1,500	1,537	1,575	1,616
120,582	136,851	167,229	205,224	221,933	238,262	256,720	307,473	340,156	358,008	348,603
2,123	2,244	2,244	2,244	2,244	2,244	2,244	2,244	2,244	2,244	2,244
Equity										
1,037,434	1,046,743	1,054,017	1,055,330	1,066,268	1,066,930	1,076,143	1,078,247	1,097,500	1,115,039	1,141,830
347,408	422,076	457,036	457,036	469,640	512,520	512,520	527,233	587,196	587,196	608,344
1,541,279	1,637,623	1,710,417	1,749,911	1,790,352	1,850,427	1,878,305	1,946,096	2,058,233	2,093,867	2,132,658

PROSPECTIVE STATEMENT OF CASH FLOWS

Budget		10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP	10 YP
2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
\$'000s		\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Operating Activities											
Cash Provided											
89,795	Rates	95,514	100,859	106,737	109,536	112,986	117,704	123,037	130,619	139,178	146,695
40	Interest	17	17	17	17	17	17	17	17	17	17
300	Dividends	500	550	600	650	700	700	700	700	700	700
2,757	Operating Subsidies & Grants	3,107	2,896	3,472	3,079	3,155	3,246	3,343	3,437	3,844	3,643
23,264	Other Operating Revenue	24,495	29,032	25,721	31,212	27,802	33,863	29,334	35,597	31,159	31,996
15,441	Capital Subsidies & Grants	13,258	8,998	7,945	11,784	6,941	8,757	6,249	15,308	19,212	26,580
1,731	Development Contributions	1,063	1,476	1,891	2,090	2,465	2,783	3,406	3,932	4,346	4,495
Cash Disbursed											
(6,462)	Interest	(7,142)	(8,767)	(10,674)	(12,186)	(13,092)	(14,050)	(15,977)	(18,287)	(19,662)	(19,846)
(85,184)	Expenses	(92,744)	(93,828)	(97,323)	(96,304)	(99,547)	(99,885)	(103,126)	(104,627)	(109,541)	(113,953)
41,683		38,069	41,233	38,387	49,878	41,428	53,135	46,984	66,696	69,253	80,328
Investing Activities											
Cash Provided											
2,591	Investment Reductions	-	-	-	-	-	-	-	-	-	-
-	From Asset Sales	-	-	-	-	-	-	-	-	-	-
Cash Disbursed											
(63,268)	Capital Expenditure	(65,752)	(71,611)	(76,382)	(66,586)	(57,758)	(71,593)	(97,737)	(99,379)	(87,105)	(70,923)
-	Investments	-	-	-	-	-	-	-	-	-	-
(60,677)		(65,752)	(71,611)	(76,382)	(66,586)	(57,758)	(71,593)	(97,737)	(99,379)	(87,105)	(70,923)
Financing Activities											
Cash Provided											
18,994	Borrowing	27,683	30,378	37,995	16,709	16,329	18,458	50,753	32,683	17,852	-

Cash Disbursed										
- Loan Repayment	-	-	-	-	-	-	-	-	-	(9,405)
18,994	27,683	30,378	37,995	16,709	16,329	18,458	50,753	32,683	17,852	(9,405)
- Net Increase / (Decrease)										
679 Cash at beginning	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279
679 CASH AT YEAR END	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279	1,279
2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
1,980	2,080	2,150	2,170	2,190	2,210	2,220	2,230	2,240	2,250	2,260
Rates revenue shown above includes the following amounts for metered water revenue										