Consultation 2017/18
Support Papers

Financial prudence disclosure statement

Financial prudence 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 annual 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.

Benchmark		**Planned**	**Met**
Rates affordability benchmark			
• income	percentage increase limits are applied cumulatively to the 2014/15 Annual Plan rates income and adjusted for the change in the number of forecast rating units	$11,309,300	*No*
• increases	percentage change in average rates[1] must not exceed the increase in the BERL local government cost index plus 2 percent	3.6%	*Yes*
Debt affordability benchmark	total debt as a percentage of total assets must not exceed 15 percent	6.6%	*Yes*
	gross interest paid on term debt must not exceed 12 percent of gross operating revenue	3.7%	*Yes*
	gross interest expense must not exceed 50 percent of net cash inflow from operating activities	13.0%	*Yes*
Balanced budget benchmark	100%	100%	*Yes*
Essential services benchmark	100%	106%	*Yes*
Debt servicing benchmark	15%	3.8%	*Yes*

Notes

1 Rates affordability benchmark

(1) For this benchmark,—

- (a) the council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the council's long-term plan; and
- (b) the council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the council's long-term plan.

(2) The council meets the rates affordability benchmark if—

- (a) its planned rates income for the year equals or is less than each quantified limit on rates; and
- (b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

2 Debt affordability benchmark

(1) For this benchmark, the council's planned borrowing is compared with quantified limits on borrowing contained in the financial strategy included in the council's long-term plan.

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

3 Balanced budget benchmark

(1) For this benchmark, the council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is

[1] The average rates is the total rates income divided by the total number of forecast rateable properties.

presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

(2) The council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

4 Essential services benchmark

(1) For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

(2) 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.

5 Debt servicing benchmark

(1) For this benchmark, the council's planned borrowing costs are presented 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).

(2) Because Statistics New Zealand projects that the council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.