



Financial prudence disclosure statement for period commencing 1 July 2021

What is the purpose of this statement?

The purpose of this statement is to disclose the council’s 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**). The words to be used in this statement, the format, and the graphs are all specified in the regulations. Refer to the regulations for more information, including definitions of some of the terms used.

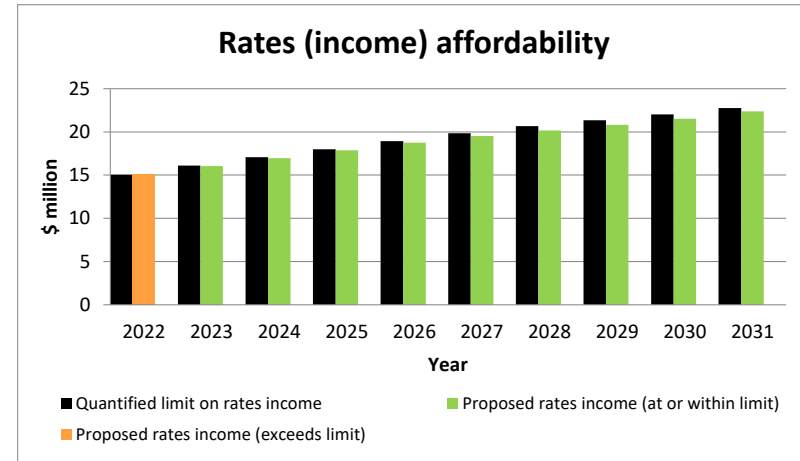
Rates affordability benchmark

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 increase equal or are less than each quantified limit on rates increases.

Rates (income) affordability

A graph is required that compares the council’s planned rates with the quantified limit on rates contained in the financial strategy included in this long-term plan. The financial strategy does not contain a quantified limit.



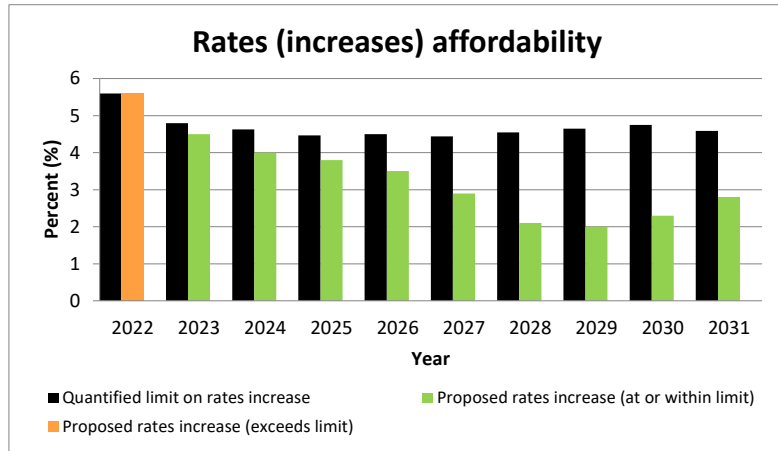
However, for the purposes of compliance with the regulations, a rates (income) affordability graph is presented based on applying the limits cumulatively to the 2020/21 Annual Plan rates. The rates (income) affordability limit has been calculated as the prior year average rate, plus the BERL local government cost index plus 2 percent, multiplied by the forecast number of rating units.

In 2022 the limit is exceeded because of the impact of the significant capital expenditure on the treatment and disposal of sewage.

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 the percentage change in average rate^{s32} must not exceed the increase in the BERL local government cost index plus 2 percent.

³² The average rates is the total rates income divided by the total number of forecast rateable properties.

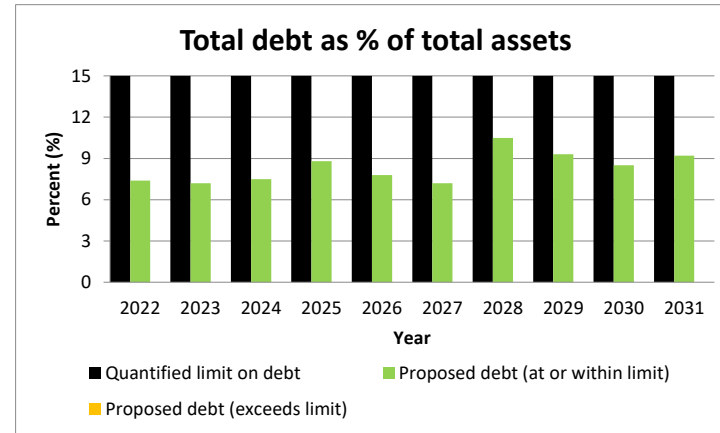


In 2022 the limit is exceeded because of the impact of significant capital expenditure on the treatment and disposal of sewage. In 2026 we are projecting the number of rating units to increase faster than the shift in rates revenue, leading to an overall decrease in average annual rates.

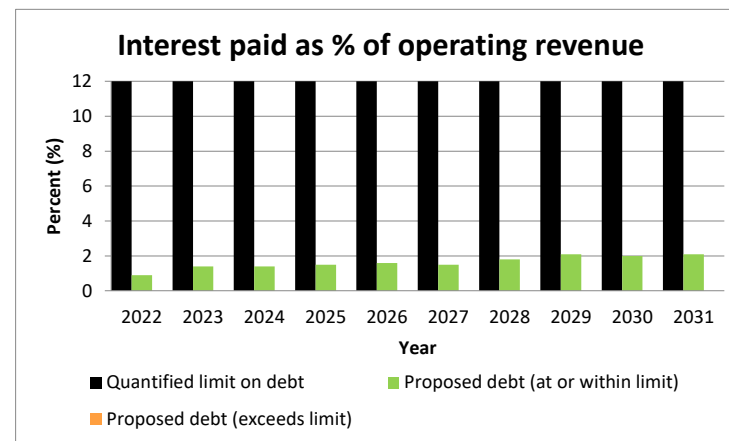
Debt affordability benchmark

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

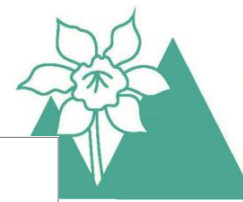
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is that total debt as a percentage of total assets must not exceed 15 percent.



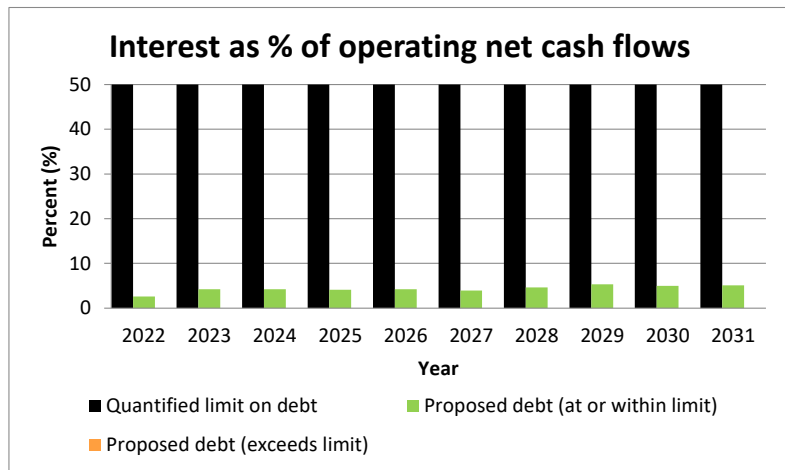
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is that gross interest paid on term debt must not exceed 12 percent of gross operating revenue.



The following graph 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 is that



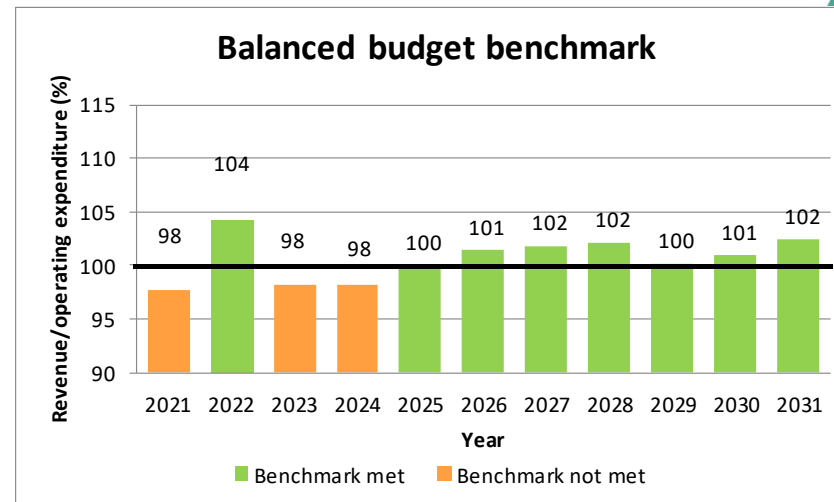
gross interest expense must not exceed 50 percent of net cash inflow from operating activities.



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.



Council's goal is to run a balanced budget across the ten-year period. This means we aim to match planned revenue and planned expenditure, helping to ensure that today's ratepayers pay for the services and amenities provided to them.

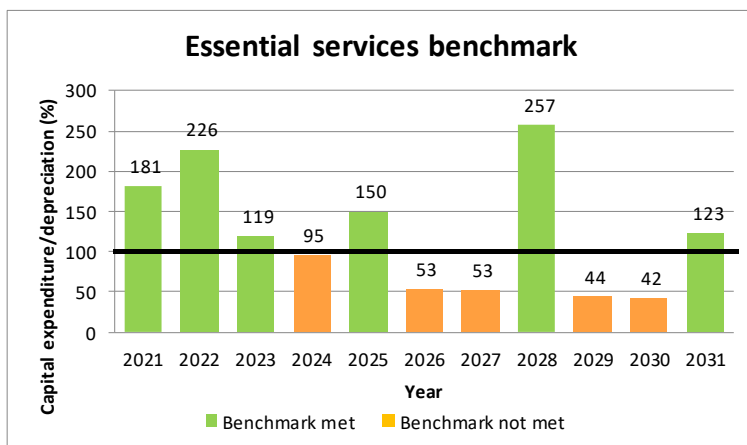
Where surpluses are generated, this is to cover repayments on loans (as a result of increased borrowing) and to rebuild reserves. Council expects to not meet the balanced budget benchmark in years two and three of the plan. This is a result of our proposal to reduce the level of general rates increases over the first three years, with a small impact on the balanced budget benchmark.

Doing this helps to lessen the impact of average rate increases due to asset revaluations and the completion of large wastewater capital works. We plan to recover this reduction subsequent years of the plan.

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.

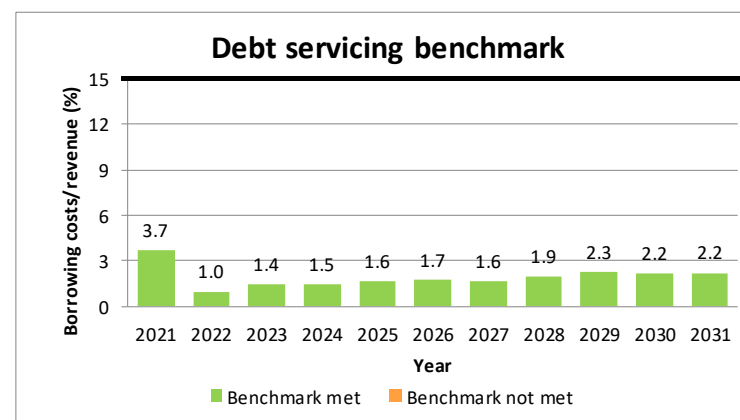
The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Significant capital expenditure is planned for sewerage treatment and disposal in the first half of the Plan, and for water supply in years 2–7 and in year 10. There is no significant expenditure planned in years 8–9. Over the ten years though, total capital expenditure will be 157% of the depreciation expense, well above the 100% 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).



Statistics New Zealand projects the council's population will grow at a rate higher than the national population is projected to grow. This enables the Council to set a higher debt servicing benchmark where its planned borrowing costs equal or are less than 15% of its revenue as this growth increment assists to meet the debt servicing impact.