PART 3: FINANCIAL AND RATES

Financial Strategy Summary

The Financial Strategy outlines how we will manage our finances over the next ten years. It sets out our general approach and principles that we will follow and provides a guide to assess spending proposals.

The Strategy includes limits on rates levels, rates increases and borrowing, and aims to promote financial stability and affordability over the short, medium and long-term. In simple terms, the strategy determines the size of our cake over the next ten years, while our policy decisions will determine how the cake is cut.

Our district has been growing and this growth coupled with fast-approaching regulatory deadlines for some of our network infrastructure, will see an increased capital expenditure programme for our district over the next ten years. This will mean that we will be increasing our debt to levels that we have not done so before. However, we are currently in a strong financial position, largely due to previous Council decisions and direction focused on infrastructure renewals and replacements.

The aim of our Financial Strategy is to ensure Council remains financially stable, while financing key priorities.

Our financial future

Our projections for the next ten years show the following picture for 2031:

- Total assets are forecast to be $462 million (2020/21: $275 million).
- Total equity is forecast to be $449 million (2020/21: $260 million).
- Liabilities are forecast to be $13.0 million (2020/21: $14.1 million) & 2.5% of total assets (2020/21: 5.1%).
- Cash investments are budgeted to be $5 million, (2021/21: $7.2 million)
- Rates revenue is budgeted to contribute 60.6% of total income (2020/21: 48.0%).
- At no time over the period 2021/22 – 2030/31 do we expect to breach our debt ratio limits
- Council will retain its strong financial position

The full financial strategy is included in Part 4 of the LTP

Balanced Budget Statement

The Council is required under the Local Government Act 2002 to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. Council may set projected operating revenues at a different level from that required, if Council resolves that it is financially prudent to do so.

For years two and three our revenue (when excluding the items above) is less than our operating expenses.. We are increasing our levels of service and spending more money on renewing and upgrading assets and have instead utilized debt in the short term. We've done this to avoid increasing rates any further as this would be unaffordable for our community.

RECEIPT OF CAPITAL INCOME

From time to time Council budgets to receive different types of capital income in the form of financial contributions, reserve contributions and vested assets. These are not used to reduce the amount of rates required for a particular activity but instead are transferred to a capital reserve in order to fund future expenditure.

Funding of depreciation

The balanced budget provisions of the Local Government Act 2002 (s100) allow a council to not fully fund all expenditure (including depreciation) provided it can demonstrate that it is financially prudent to do so. We have previously decided not to fully cash fund the depreciation cost of various assets.

The Council has resolved that it will not cash-fund depreciation on certain assets for a variety of reasons. The most significant of these is where we believe we will receive money from third parties to help fund any asset replacement. The most important of these third parties is the New Zealand Transport Agency (NZTA) which co-invests in the roading network. It has also been assumed with some community assets that third party funding was received to help build or develop the facility.

The other major reason depreciation is not funded is when we do not expect to renew or replace an asset at the end of its useful life. The Council owns and operates a number of small rural water supplies which are largely self-managed by committees of users. They have been content to meet capital expenditure as it is required and not fund depreciation year by year. Council has raised no objection to this and notes the amounts of depreciation are relatively small. There were low numbers of users on each supply and they understood the consequences and rationale for not funding depreciation.

These rural schemes include: Albury, Ashwick/Opuha, School Road and Kimbell.

Council also does not fully fund depreciation its Halls and swimming pools as Council assume that we will either receive external grants or loan for the balance.

Forecast Statement of Comprehensive Revenue and Expenditure

	AP 2020/2021 $000	Budget 2021/2022 $000	Forecast 2022/2023 $000	Forecast 2023/2024 $000	Forecast 2024/2025 $000	Forecast 2025/2026 $000	Forecast 2026/2027 $000	Forecast 2027/2028 $000	Forecast 2028/2029 $000	Forecast 2029/2030 $000	Forecast 2030/2031 $000
Revenue											
Rates	10,829	12,364	14,498	15,972	17,567	18,968	19,923	20,651	21,491	22,448	22,599
Fees, charges and metered rates for water supply	-	1,907	2,014	2,129	2,237	2,342	2,453	2,571	2,697	2,831	2,972
Subsidies and grants	3,523	9,516	3,080	2,565	3,044	3,123	3,193	3,520	3,687	3,756	3,877
Finance revenue	940	247	306	310	389	393	396	476	480	484	488
Other Revenue	4,477	2,683	1,625	1,608	1,582	1,422	1,579	1,571	1,681	1,218	1,246
Development and Financial Contributions	1,507	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Vested Assets	1,274	2,881	2,979	3,060	3,144	2,125	2,185	2,253	2,326	2,402	2,105
Other gains / (losses)	-	-	31	29	27	27	27	28	28	28	28
Total operating revenue	22,550	31,282	26,661	27,966	32,225	31,862	33,516	34,940	36,679	37,618	37,322
Expenditure											
Personnel costs	5,309	4,967	5,328	5,382	5,649	5,717	5,781	5,845	5,911	5,988	6,067
Other expenses	11,203	15,345	12,943	13,369	13,303	13,674	14,400	14,511	15,217	16,058	16,115
Finance costs	151	76	327	405	491	595	656	684	568	432	277
Depreciation and amortisation expense	4,438	4,461	4,999	5,160	5,207	5,689	5,856	5,899	6,385	6,453	6,490
Total operating expenditure	21,101	24,849	23,597	24,316	24,650	25,675	26,693	26,939	28,081	28,931	28,949
Operating surplus (deficit) before tax	1,449	6,433	3,064	3,650	7,575	6,187	6,823	8,001	8,598	8,687	8,373
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-
Operating surplus (deficit) after tax	1,449	6,433	3,064	3,650	7,575	6,187	6,823	8,001	8,598	8,687	8,373
Other comprehensive revenue and expense											
Items that could be reclassified to surplus(deficit)											
Financial assets at fair value through other comprehensive revenue and expense	-	438	434	451	469	487	506	526	547	568	590
Gain on revaluation of property, plant and equipment	519	11,492	124	-	19,369	222	-	23,196	239	-	27,351
Total other comprehensive revenue and expense	519	11,930	558	451	19,838	709	506	23,722	786	568	27,941
Total comprehensive revenue and expense	**1,968**	**18,363**	**3,622**	**4,101**	**27,413**	**6,896**	**7,329**	**31,723**	**9,384**	**9,255**	**36,314**
Note: Included in Rates revenue is Water by Meter	100	120	124	127	131	135	138	143	148	153	157

Forecast Statement of Movement in Equity

	AP 2020/2021 $000	Budget 2021/2022 $000	Forecast 2022/2023 $000	Forecast 2023/2024 $000	Forecast 2024/2025 $000	Forecast 2025/2026 $000	Forecast 2026/2027 $000	Forecast 2027/2028 $000	Forecast 2028/2029 $000	Forecast 2029/2030 $000	Forecast 2030/2031 $000
Equity balance at 1 July	258,980	294,483	312,849	316,469	320,572	347,986	354,885	362,214	393,936	403,319	412,575
Comprehensive income for year	1,968	18,363	3,622	4,101	27,413	6,896	7,329	31,723	9,384	9,255	36,314
Equity Balance 30 June	**260,948**	**312,846**	**316,471**	**320,570**	**347,985**	**354,882**	**362,214**	**393,937**	**403,320**	**412,574**	**448,889**
Components of Equity											
Retained Earnings at 1 July	122,841	114,135	122,866	125,423	127,340	136,587	140,890	144,884	149,886	154,864	158,557
Transfers to/(from) Retained Earnings	-	2,297	(509)	(1,731)	1,670	(1,885)	(2,831)	(2,999)	(3,620)	(4,993)	(4,548)
Net Surplus/(Deficit)	1,449	6,433	3,064	3,650	7,575	6,187	6,823	8,001	8,598	8,687	8,373
Retained earnings 30 June	124,290	122,866	125,423	127,340	136,587	140,890	144,884	149,886	154,864	158,557	162,383
Asset Revaluation Reserves at 1 July	123,568	152,956	164,886	165,445	165,896	185,734	186,443	186,950	210,672	211,457	212,025
Revaluation Gains	519	11,930	558	451	19,838	709	506	23,722	786	568	27,941
Revaluation Reserves 30 June	124,087	164,886	165,445	165,896	185,734	186,443	186,950	210,672	211,457	212,025	239,966
Special Funded Reserves at 1 July	9,372	10,060	9,060	9,060	9,322	9,590	9,864	10,144	10,430	10,722	11,021
Transfers to / (from) reserves	-	(1,000)	-	262	268	274	280	286	292	299	305
Council created Reserves 30 June	9,372	9,060	9,060	9,322	9,590	9,864	10,144	10,430	10,722	11,021	11,326
Activity Reserves at 1 July	3,199	17,331	16,034	16,543	18,012	16,074	17,685	20,236	22,949	26,277	30,971
Transfers to / (from) reserves	-	(1,297)	509	1,469	(1,938)	1,611	2,551	2,713	3,328	4,694	4,243
Council created Reserves 30 June	3,199	16,034	16,543	18,012	16,074	17,685	20,236	22,949	26,277	30,971	35,214
Equity at 30 June	**260,948**	**312,846**	**316,471**	**320,570**	**347,985**	**354,882**	**362,214**	**393,937**	**403,320**	**412,574**	**448,889**

Forecast Statement of Financial Position

	AP 2020/2021 $000	Budget 2021/2022 $000	Forecast 2022/2023 $000	Forecast 2023/2024 $000	Forecast 2024/2025 $000	Forecast 2025/2026 $000	Forecast 2026/2027 $000	Forecast 2027/2028 $000	Forecast 2028/2029 $000	Forecast 2029/2030 $000	Forecast 2030/2031 $000
ASSETS											
Current Assets											
Cash and cash equivalents	7,249	4,851	4,866	4,880	4,894	4,908	4,922	4,937	4,952	4,968	4,984
Receivables	2,670	3,839	3,934	4,023	4,111	4,201	4,292	4,386	4,481	4,579	4,679
Prepayments	-	84	84	84	84	84	84	84	84	84	84
Inventories	2,282	28	28	28	28	28	28	28	28	28	28
Short Term Investments	1,526	15,226	15,226	15,226	15,226	15,226	15,226	15,226	15,226	15,226	15,226
Total Current Assets	**13,727**	**24,028**	**24,138**	**24,241**	**24,343**	**24,447**	**24,552**	**24,661**	**24,771**	**24,885**	**25,001**
Non-Current Assets											
Plant, property and equipment	242,449	286,613	296,079	299,120	331,215	342,972	345,839	372,321	375,747	377,896	407,325
Intangible assets	-	896	896	896	896	896	896	896	896	896	896
Forestry	6,557	8,063	8,083	8,102	8,120	8,138	8,156	8,174	8,192	8,210	8,228
Investment Property	-	4,319	4,330	4,340	4,349	4,359	4,369	4,378	4,388	4,397	4,407
Inventory term	-	389	389	389	389	389	389	389	389	389	389
Investment in CCOs and other similar entities	-	91	83	74	66	57	48	39	30	20	10
Other financial assets	12,349	11,140	11,575	12,026	12,495	12,983	13,489	14,015	14,561	15,129	15,719
Total Non-Current Assets	**261,355**	**311,511**	**321,435**	**324,947**	**357,530**	**369,794**	**373,186**	**400,212**	**404,203**	**406,937**	**436,974**
TOTAL ASSETS	**275,082**	**335,539**	**345,573**	**349,188**	**381,873**	**394,241**	**397,738**	**424,873**	**428,974**	**431,822**	**461,975**
LIABILITIES											
Current Liabilities											
Payables	3,231	5,222	5,331	5,435	5,538	5,642	5,746	5,855	5,965	6,078	6,194
Employee benefit liabilities	329	328	328	328	328	328	328	328	328	328	328
Provisions	-	63	63	63	63	63	63	63	63	63	63
Borrowings	-	2,709	2,700	2,713	2,730	3,793	4,544	5,227	6,355	6,114	2,700
Total Current Liabilities	**3,560**	**8,322**	**8,422**	**8,539**	**8,659**	**9,826**	**10,681**	**11,473**	**12,711**	**12,583**	**9,285**
Non-Current Liabilities											
Provisions	52	-	-	-	-	-	-	-	-	-	-
Employee benefit liabilities	22	-	-	-	-	-	-	-	-	-	-
Borrowings	10,500	14,371	20,679	20,078	25,229	29,533	24,843	19,463	12,943	6,665	3,801
Total Non-Current Liabilities	**10,574**	**14,371**	**20,679**	**20,078**	**25,229**	**29,533**	**24,843**	**19,463**	**12,943**	**6,665**	**3,801**
TOTAL LIABILITIES	**14,134**	**22,693**	**29,101**	**28,617**	**33,888**	**39,359**	**35,524**	**30,936**	**25,654**	**19,248**	**13,086**
NET ASSETS	**260,948**	**312,846**	**316,472**	**320,571**	**347,985**	**354,882**	**362,214**	**393,937**	**403,320**	**412,574**	**448,889**
EQUITY											
Retained Earnings	124,290	122,866	125,423	127,340	136,587	140,890	144,884	149,886	154,864	158,557	162,383
Asset Revaluation Reserves	124,087	164,886	165,445	165,896	185,734	186,443	186,950	210,672	211,457	212,025	239,966
Special funds	9,372	9,060	9,060	9,322	9,590	9,864	10,144	10,430	10,722	11,021	11,326
Activity Reserves	3,199	16,034	16,543	18,012	16,074	17,685	20,236	22,949	26,277	30,971	35,214
TOTAL EQUITY	**260,948**	**312,846**	**316,471**	**320,570**	**347,985**	**354,882**	**362,214**	**393,937**	**403,320**	**412,574**	**448,889**

Forecast Statement of Cashflows

	AP 2020/2021 $000	Budget 2021/2022 $000	Forecast 2022/2023 $000	Forecast 2023/2024 $000	Forecast 2024/2025 $000	Forecast 2025/2026 $000	Forecast 2026/2027 $000	Forecast 2027/2028 $000	Forecast 2028/2029 $000	Forecast 2029/2030 $000	Forecast 2030/2031 $000
Cash flows from operating activities											
Receipts from rates revenue	10,829	12,364	14,403	15,882	17,479	18,878	19,832	20,558	21,395	22,351	22,500
Subsidies and grants received	3,523	7,066	3,080	2,565	3,044	3,123	3,193	3,520	3,687	3,756	3,877
Receipts from other revenue	5,984	4,590	3,639	3,737	3,819	3,764	4,032	4,142	4,378	4,049	4,218
Interest received	940	117	176	180	259	263	266	346	350	354	358
Dividend Revenue received		130	130	130	130	130	130	130	130	130	130
Financial and development contributions received	-	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Payments to suppliers and employees	(16,160)	(20,142)	(18,159)	(18,648)	(18,849)	(19,288)	(20,074)	(20,248)	(21,016)	(21,934)	(22,066)
Interest paid	(151)	(76)	(327)	(405)	(491)	(595)	(656)	(684)	(568)	(432)	(277)
Net Cashflow from Operating Activity	4,965	5,733	5,070	5,734	9,626	9,737	10,483	11,634	12,645	12,725	12,747
Receipts from sale of investments	-	9,993	15,234	15,234	15,235	15,235	15,235	15,235	15,235	15,236	15,236
Receipts from sale of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Purchase of investments	-	(14,985)	(15,226)	(15,226)	(15,226)	(15,226)	(15,226)	(15,226)	(15,226)	(15,226)	(15,226)
Purchase of property, plant and equipment	(15,541)	(24,617)	(11,362)	(5,141)	(14,789)	(15,099)	(6,538)	(6,931)	(7,247)	(6,200)	(6,463)
	-	-	-	-	-	-	-	-	-	-	-
Net Cashflow from Investing Activity	(15,541)	(29,609)	(11,354)	(5,133)	(14,780)	(15,090)	(6,529)	(6,922)	(7,238)	(6,190)	(6,453)
Cash flow from financing activities											
Proceeds from borrowings	10,500	17,080	9,008	2,113	7,881	8,097	-	-	-	-	-
Repayment of borrowings	-	-	(2,709)	(2,700)	(2,713)	(2,730)	(3,940)	(4,697)	(5,392)	(6,519)	(6,278)
Net Cashflow from Financing Activity	10,500	17,080	6,299	(587)	5,168	5,367	(3,940)	(4,697)	(5,392)	(6,519)	(6,278)
Net Increase (Decrease) in Cash Held	(76)	(6,796)	15	14	14	14	14	15	15	16	16
Add Opening Cash bought forward	7,325	11,647	4,851	4,866	4,880	4,894	4,908	4,922	4,937	4,952	4,968
Closing Cash Balance	**7,249**	**4,851**	**4,866**	**4,880**	**4,894**	**4,908**	**4,922**	**4,937**	**4,952**	**4,968**	**4,984**
Closing Balance made up of Cash and Cash Equivalents	**7,249**	**4,851**	**4,866**	**4,880**	**4,894**	**4,908**	**4,922**	**4,937**	**4,952**	**4,968**	**4,984**

Statement of Reserves Movements

Special reserves		Opening Balance 1 July 2021 $000	Movement into Reserve $000	Movement out of reserve $000	Closing Balance 30 June 2031 $000
Albury Water Fund	To fund Albury Water	(216)	0	0	(216)
Housing Replacement	To fund district housing	(7)	0	0	(7)
Insurance Reserve	To fund disaster cover	(200)	0	0	(200)
Land Subdivision Reserve	To fund district wide projects	(5,292)	(2,772)	0	(8,064)
Mackenzie County Scholarship Trust	Held on behalf of Mackenzie County Scholarship Trust	(88)	0	0	(88)
Masonic Lodge Scholarship Fund	Held on behalf of Masonic Scholarship Fund	(39)	0	0	(39)
Pensioner Housing Amenities	To fund pensioner housing amenities	(2)	0	0	(2)
Real Estate Investment	Accumulate operating results from Councils Real Estate activities	(4,115)	0	1,506	(2,609)
Strathconan Pool Capital	To fund Strathconan pool capital	(2)	0	0	(2)
Watertight Building Reserve	Held to cover increased insurance costs of Riskpool	(44)	0	0	(44)
Total special funds reserves		**(10,005)**	**(2,772)**	**1,506**	**(11,271)**

Other reserves		$000	$000	$000	$000
Albury war memorial	Funding of maintenance of the districts war memorials	(4)	0	0	(4)
Ashwick/Allandale war memorial	Funding of maintenance of the districts war memorials	(6)	0	0	(6)
Davidson bequest: cemetery	Bequests for cemetery maintenance	(2)	0	0	(2)
Gillingham bequest: library	Bequests for library books	(1)	0	0	(1)
Gould bequest: cemetery	Bequests for cemetery maintenance	(2)	0	0	(2)
Paterson ponds	Funding of maintenance at Paterson Ponds	(10)	0	0	(10)
Enid Hutt Fairlie beautifying fund	To fund expenditure in the Fairlie township	(30)	0	0	(30)
Total other reserves		**(55)**	**0**	**0**	**(55)**

Asset revaluation reserves		$000	$000	$000	$000
Share and Investment revaluation reserve	Accumulate changes in value of Councils investments	(7,319)	(5,017)	0	(12,336)
Infrastructural assets revaluation reserves	Accumulate changes in value of Council Property, Plant and Equipment	(145,637)	(81,993)	0	(227,630)
Total revaluation reserves		**(152,956)**	**(87,010)**	**0**	**(239,966)**

Statement of Reserves Movements (Cont)

Separate Reserves	Opening Balance 1 July 2021 $000	Movement into Reserve $000	Movement out of reserve $000	Closing Balance 30 June 2031 $000
Emergency Management				
Civil Defence	0	(79)	79	(0)
Governance and Corporate Services				
Admin	0	(8)	0	(8)
Fairlie Building	0	(617)	531	(86)
Information and Engagement	0	(128)	119	(8)
IT Support	0	(895)	416	(479)
Plant	0	(1,094)	547	(547)
Twizel Building	(62)	(287)	23	(325)
Parks and Community Facilities				
Albury Hall	(307)	0	0	(307)
Fairlie Domain	0	(183)	0	(183)
Fairlie Medical Centre	(37)	(103)	0	(140)
Fairlie Township	(166)	(74)	95	(145)
Mackenzie Community Centre	(91)	(276)	316	(51)
Other Reserves	(441)	(660)	0	(1,101)
Pensioner Housing - Fairlie	(132)	(258)	83	(308)
Pensioner Housing - Twizel	(35)	(131)	0	(166)
Public Toilets	0	(2,201)	1,941	(260)
Sherwood Downs Community Hall	(23)	0	0	(23)
Sherwood Downs Recreation Reserve	(37)	0	0	(37)
Strathconan Swimming Pool	(24)	(62)	86	0
Tekapo Community Hall	0	(66)	64	(3)
Tekapo Domain	0	(1)	0	(1)
Twizel Reserves	0	(24)	0	(24)
Twizel Swimming Pool				
Twizel Township	(357)	(670)	1,027	0
Regulatory Services				
Animal Control	(24)	(4)	28	0
Stormwater				
Urban Stormwater	(950)	(4,168)	824	(4,294)
Tourism, Economic Development and Commercial Activities				
Depot - Twizel	0	(37)	0	(37)
Old Library Café	0	(79)	0	(79)
Plantation Reserves (Forestry)	(8,304)	0	0	(8,304)
Pukaki Airport Board	(1,008)	(82)	0	(1,090)
Real Estate	(41)	(71)	139	27
Twizel Visitor Centre	0	(66)	0	(66)
Waste Management and Minimisation				
Waste Management	(28)	(228)	150	(106)
Wastewater				
Eversley Sewerage	0	(0)	(0)	(0)
Urban Sewerage	(3,583)	(20,154)	18,005	(5,733)
Water Supplies				
Allandale/Spur Road Water Supply	0	(405)	260	(144)
Ashwick/Opuha Water Supply	(84)	0	0	(84)
Downlands Water Supply	(10)	0	0	(10)
Kimbell Water Supply	(22)	0	0	(22)
School Road Water Race	(26)	0	0	(26)
Urban Water Supply	(1,539)	(26,900)	17,396	(11,043)
Total Separate Reserves	**(17,331)**	**(60,012)**	**42,129**	**(35,214)**

Funding Impact Statement (Whole of Council)

	AP 2020/2021	Budget 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Sources of Operating Funding											
General rates, uniform annual general charge, rates penalties	4,900	6,080	6,885	7,607	8,069	8,345	8,541	8,681	8,556	9,202	9,211
Targeted rates	6,089	6,285	7,614	8,365	9,498	10,623	11,382	11,970	12,935	13,246	13,388
Subsidies and grants for operating purposes	1,993	4,019	1,305	1,340	1,359	1,394	1,431	1,468	1,512	1,546	1,586
Fees and charges	-	1,907	2,014	2,129	2,237	2,342	2,453	2,571	2,697	2,831	2,972
Interest and dividends from investments	940	247	306	310	389	393	396	476	480	484	488
Local authorities fuel tax, fines, infringement fees, and other receipts	4,317	2,683	1,625	1,608	1,582	1,422	1,579	1,571	1,681	1,218	1,246
Total Operating Funding (A)	**18,239**	**21,221**	**19,749**	**21,359**	**23,134**	**24,519**	**25,782**	**26,737**	**27,861**	**28,527**	**28,891**
Applications of Operating Funding											
Payments to staff and suppliers	16,512	20,313	18,270	18,750	18,951	19,390	20,180	20,356	21,129	22,047	22,182
Finance costs	151	76	327	405	491	595	656	684	568	432	277
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**16,663**	**20,389**	**18,597**	**19,155**	**19,442**	**19,985**	**20,836**	**21,040**	**21,697**	**22,479**	**22,459**
Surplus (deficit) of operating funding (A-B)	**1,576**	**832**	**1,152**	**2,204**	**3,692**	**4,534**	**4,946**	**5,697**	**6,164**	**6,048**	**6,432**
Sources of capital funding											
Subsidies and grants for capital expenditure	1,530	5,497	1,775	1,224	1,685	1,728	1,762	2,052	2,175	2,211	2,291
Development and financial contributions	-	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Increase (decrease) in debt	10,500	17,080	6,299	(587)	5,168	5,367	(3,940)	(4,697)	(5,392)	(6,519)	(6,278)
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	1,507	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**13,537**	**24,261**	**10,202**	**2,930**	**11,088**	**10,557**	**1,582**	**1,225**	**1,072**	**143**	**20**
Applications of capital funding											
Capital expenditure											
- to meet additional demand	-	1,477	542	822	8,197	9,557	18	19	19	20	30
- to improve the level of service	10,846	16,148	8,058	1,427	3,064	1,971	3,112	3,617	3,711	2,581	2,705
- to replace existing assets	3,421	6,992	2,761	2,892	3,528	3,572	3,407	3,295	3,517	3,599	3,727
Increase (decrease) in reserves	846	(169)	-	-	-	-	-	-	-	-	-
Increase (decrease) of investments	-	645	(7)	(7)	(9)	(9)	(9)	(9)	(11)	(9)	(10)
Total applications of capital funding (D)	**15,113**	**25,093**	**11,354**	**5,134**	**14,780**	**15,091**	**6,528**	**6,922**	**7,236**	**6,191**	**6,452**
Surplus (deficit) of capital funding (C-D)	**(1,576)**	**(832)**	**(1,152)**	**(2,204)**	**(3,692)**	**(4,534)**	**(4,946)**	**(5,697)**	**(6,164)**	**(6,048)**	**(6,432)**
Funding Balance ((A-B)+(C-D))	-	-	-	-	-	-	-	-	-	-	-

Reconciliation of FIS to Statement of Comprehensive Income

	AP 2020/2021 $000	Budget 2021/2022 $000	Forecast 2022/2023 $000	Forecast 2023/2024 $000	Forecast 2024/2025 $000	Forecast 2025/2026 $000	Forecast 2026/2027 $000	Forecast 2027/2028 $000	Forecast 2028/2029 $000	Forecast 2029/2030 $000	Forecast 2030/2031 $000
Surplus (deficit) of operating funding	**1,576**	**832**	**1,152**	**2,204**	**3,692**	**4,534**	**4,946**	**5,697**	**6,164**	**6,048**	**6,432**
Add / (deduct)											
Subsidies and grants for capital	1,530	5,497	1,775	1,224	1,685	1,728	1,762	2,052	2,175	2,211	2,291
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Development and financial contributions	1,507	1,684	2,128	2,293	4,235	3,462	3,760	3,870	4,289	4,451	4,007
Vested assets	1,274	2,881	2,979	3,060	3,144	2,125	2,185	2,253	2,326	2,402	2,105
Other gains / (losses)	-	-	29	29	26	27	26	28	29	28	28
Landfill Post Closure											
Movement in Rates balance											
Depreciation expense	(4,438)	(4,461)	(4,999)	(5,160)	(5,207)	(5,689)	(5,856)	(5,899)	(6,385)	(6,453)	(6,490)
Surplus / (deficit) Statement of comprehensive Income	**1,449**	**6,433**	**3,064**	**3,650**	**7,575**	**6,187**	**6,823**	**8,001**	**8,598**	**8,687**	**8,373**

Forecast Summary of Depreciation

Activity	Forecast 2021/2022 $000	Forecast 2022/2023 $000	Forecast 2023/2024 $000	Forecast 2024/2025 $000	Forecast 2025/2026 $000	Forecast 2026/2027 $000	Forecast 2027/2028 $000	Forecast 2028/2029 $000	Forecast 2029/2030 $000	Forecast 2030/2031 $000
Governance and Corporate Services	276	314	318	334	296	301	301	301	294	294
Transportation	2,422	2,613	2,623	2,632	2,893	2,918	2,942	3,229	3,261	3,293
Water Supplies	717	942	1,045	1,053	1,155	1,164	1,171	1,278	1,287	1,294
Wastewater	464	515	525	534	681	788	800	884	896	896
Stormwater	64	77	85	85	92	92	925	100	100	100
Regulatory Services	-	-	-	-	-	-	-	-	-	-
Emergency Management	8	8	8	8	8	8	8	8	8	8
Parks and Community Facilities	433	452	478	482	485	507	407	407	528	528
Waste Management and Minimisation	23	23	23	23	23	23	23	23	23	23
Tourism, Economic Development and Commercial Activities	55	55	55	55	55	55	55	55	55	55
Total Depreciation	**4,462**	**4,999**	**5,160**	**5,206**	**5,688**	**5,856**	**6,632**	**6,285**	**6,452**	**6,491**

Statement of Accounting Policies

Reporting entity

Mackenzie District Council (Council) is a territorial local authority established under 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 principal activity of Mackenzie District Council is the provision of local authority services, including resource management, water, storm water, wastewater and roading services, hazard management, recreation and cultural services and building control to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity (PBE) for the purposes of complying with generally accepted accounting practice. The financial statements of the Council are for the periods ending 30 June 2021/31. The prospective financial statements were authorised for issue by Council on xxxx.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the Long-Term Plan.

The Council and management of Mackenzie District Council are responsible for the preparation of the financial statements, including the appropriateness of the assumptions underlying the financial statements and other required disclosures.

Council, who are authorised to do so, believe the assumptions underlying the financial statements are appropriate.

Statement of Compliance

The financial statements of the Council 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 generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Standards RDR. The criteria under which Council is eligible to report in accordance with Tier 2 PBE Standards as total expenditure is below the $30 million threshold.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for land and buildings classified as property, plant and equipment, certain infrastructure assets, investment property, some investments and forestry.

Basis of consolidation

Consolidated financial statements are prepared adding together like items of assets, liabilities, equity, revenue, and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue, and expenses are eliminated on consolidation.

Cautionary Note

The information in the prospective financial statements is uncertain and the preparation requires the exercise of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or Council may subsequently take actions that differ from the proposed courses of action on which the prospective financial statements are based.

The information contained within these prospective financial statements may not be suitable for use in another capacity.

Changes in accounting policies

Accounting policies have been changed to incorporate all necessary changes as required by the new Public Benefit Entity (PBE) Standards. No changes to recognition/measurement were required.

The current PBE Standard on financial instruments, PBE IPSAS 29 Financial Instruments: Recognition and Measurement, is based on IAS 39 Financial Instruments: Recognition and Measurement issued by the IASB (International Accounting Standards Board). That standard has since been replaced by the IASB with IFRS 9 Financial Instruments.

In early 2017 the NZASB (NZ Accounting Standards Board) issued PBE IFRS 9 Financial Instruments based on IFRS 9 to give PBEs the opportunity to adopt a PBE Standard equivalent to IFRS 9 to reduce compliance costs that may arise on consolidation of mixed groups. Now that the IPSASB (International Public Sector Accounting Standards Board) has issued a revised standard on financial instruments, IPSAS 40 Financial Instruments (based on IFRS 9), the NZASB has incorporated that standard into the PBE Standards.

PBE IPSAS 41 Financial Instruments will replace both PBE IPSAS 29 and PBE IFRS 9.

IPSAS 41 is effective from 1 July 2022. The Council has early adopted this standard from 1 July 2020. The Council has assessed the changes have minimal impact on the prospective statements.

Summary of significant accounting policies

Joint Operation

A joint operation is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists when there is a binding agreement between the parties involved in the arrangement and this agreement requires the relevant activities of the arrangement to be decided by unanimous consent from all parties involved in the arrangement.

For joint arrangements, the Council recognises in its financial statements its assets, liabilities, revenue and expenses relating to its share in the arrangement.

The Council has a joint arrangement with the Timaru District Council and Waimate District Council for the Downlands Rural Water Scheme. The Downlands Rural Water Scheme is a joint operation rather than a joint venture because the three Council's jointly own their specified share of the whole scheme and have rights to the assets and obligations for the liabilities relating to the arrangement, due to the structure of the arrangement not being through a separate vehicle. Council's share in this joint arrangement equates to 4%, with Timaru District Council's share being 82% and Waimate District Council's 14%.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by meter) and uniform annual general charges are recognises at the start of the financial year to which the rates resolution relates. They are recognises 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
- Revenue arising from late payment penalties is recognised as revenue when rates become overdue
- Rates collected on behalf of the Environmental Canterbury Regional Council (ECan) are not recognised in the financial statements, as the Council is acting as an agent for ECan.

New Zealand Transport Agency roading subsidies

Council receives government grants from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions are satisfied.

Building and resource consent revenue

Revenue from building consents is recognised when payment of the consent is received. Revenue from fees charged for resource consent processing is recognised in proportion to the stage of completion. *Work* performed is invoiced monthly until completion.

Entrance Fees

Entrance fees are fees charged to users of the Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.

Provision of goods and services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide the service.

Vested or donated physical 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.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Landfill fees

Fees for disposing of waste are recognised as waste is disposed of by users.

Sale of Goods and Services

Revenue from the sale of goods and services is recognised when a product is sold or service provided to the customer.

Interest and dividends

Interest revenue is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the interest rate applicable. Interest revenue on an impaired financial asset is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if these are substantive use or return conditions and the liability released to revenue as the conditions are met. (e.g. as the funds are spent for the nominated purpose).

Expenditure

The specific accounting policies for significant expenditure items are explained below.

Borrowing costs

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

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term. Lease incentive received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Operating Leases as lessee

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have non cancellable term of 36 months.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Council by any of the leasing arrangements.

Contractual commitments

These are commitments for which a formal contract has been entered into at balance date. Theses commitments are based on the legal commitment outstanding under contracts. They do not take in account any additional work required due to emergency events or any adjustments to costs based on inflation.

Income tax

Income tax expense includes components relating to both current tax and deferred tax. Current tax 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 tax rates (and tax laws) that have been enacted or substantively enacted at balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognised for all taxable 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 or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Balance Sheet

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:

- Operating reserves;
- Capital reserves;
- Asset revaluation reserves;
- Other reserves & special funds reserves; and
- Accumulated general funds.

Operating reserves

Operating reserves consist of surpluses earned over time, and funds set aside for special purposes. These reserves represent funds available for the use in trading and operation of Council for special purposes. All special purpose funds and assets are separately accounted for and balanced with the cash resources retained by Council for special purposes.

Capital reserves

Pursuant to the policy for funding of capital expenditure adopted by the Council as part of the Long-Term Plan, a Capital Reserve has been created for all activities of Council that involve assets. The movements within the capital reserves involve all capital revenue received for the activity and any capital expenditure incurred within that activity. The capital revenue includes depreciation funded from rates, financial contributions, upgrade contributions and grants. Depending on the movements in the capital reserve, the balance can be in funds or in deficit. An interest component is applied to the capital reserve depending on whether the reserve is in funds or deficit.

Asset revaluation reserves

This reserve comprises the cumulative net change in the fair value through other comprehensive revenue and expenditure of certain classes of Property, Plant and Equipment and Equity instruments such as shares and bonds held.

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Other Reserves & Special Funds Reserves

Other reserves

Other reserves consist of funds which have been received over time by the Council, usually by way of a donation or bequest, the terms of which restrict the use of funds. Each amount has been set up as a trust fund to maintain a degree of independence from general Council funds. All such funds are separately accounted for and are not available for any other purpose.

Restricted reserves

Restricted reserves are those reserves 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.

Council-created reserves

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Accumulated General Funds

Accumulated General Funds consist of all other equity transactions not classified as operating reserves, capital reserves, asset revaluation reserves, other reserves or special reserves.

Cash and cash equivalents

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

Trade and Other Receivables

Trade and other receivables are recorded at the amount due, less an allowance for expected credit losses (ECL). The Council and group apply the simplified ECL model of recognising lifetime ECL for receivables. In measuring ECLs, receivables have been grouped into rates receivables, 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.

Rates are “written-off”:

- when remitted in accordance with the Council’s rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the prospective statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Financial assets/financial liabilities

The Council shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the Council becomes party to the contractual provisions of the instrument.
At initial recognition, the Council shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial Assets are classified as either: (1) Amortised Cost, (2) Fair value through profit or loss, or (3) Fair Value through other comprehensive income.

A financial asset shall be measured at amortised cost if both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive revenue or expense if both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortised cost or at fair value through other comprehensive revenue and expense. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through surplus or deficit to present subsequent changes in fair value in other comprehensive revenue and expense.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds with equity. The Council and group desinate into theis category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

Expected credit loss allowance (ECL)

The Council and group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measure at the present value of cash shortfalls, which is the difference between the cash flows due to Council and group in accordance with the contract and the cash flows it expect to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECL's are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and group considers reasonable and supportable information that is relevant without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and group's historical experience and informed credit assessment and included forward-looking information.

The Council and group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Financial Liabilities are classified as either: (1) Amortised Cost, (2) Fair value through profit or loss.

Financial liabilities are generally classified and measured at amortised cost, unless they meet the criteria for classification at fair value through profit or loss.

A financial liability is classified as a financial liability at fair value through profit or loss if it meets one of the following conditions:

- It is held for trading, or
- It is designated by the entity as at fair value through profit or loss (note that such a designation is only permitted if specified conditions are met).

A financial liability is held for trading if it meets one of the following conditions:

- It is incurred principally for the purpose of repurchasing it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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:

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

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.
Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Plantation Forestry

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. 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 the surplus or deficit. Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Property, plant and equipment

Operational assets

Operational assets are tangible assets that are able to be dealt with as part of the operating strategy. These include operational land, buildings and improvements, furniture and fittings, plant and equipment, computer hardware, motor vehicles, office equipment, resource recovery parks and heritage assets.

Restricted assets

Restricted assets are parks and reserves owned by Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. They include reserves vested under the Reserves Act, and endowments and other property held in trust for specific purposes.

Infrastructure assets

Infrastructure assets are the fixed utility systems owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with Council. Council does not recognise land under unformed paper roads in the financial statements because there is little or no service potential from the majority of these paper roads. Valuing these assets is also difficult. It is difficult to measure the service benefit to the public from having access to these routes. There is also limited market data detailing recent sales of such small individual areas arguably due to the high cost of disposal.

Additions

The cost of an item of property, plant, or equipment is recognised as an asset if and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

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.

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 the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

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 the surplus or deficit as they are incurred.

Revaluations

The carrying values of revalued items are assessed annually to ensure that their carrying amount does not differ materially from fair value and at least every three years. If there is a material difference, then the off-cycle asset classes are revalued. Revaluations of property, plant, and equipment are accounted for on a class-of-asset 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 the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

Operational assets	Is the class revalued	Valuation basis
Buildings	Yes	Fair value

Computer hardware	No	Depreciated replacement cost
Furniture and fittings	No	Depreciated replacement cost
Heritage assets	No	Deemed cost
Land	Yes	Fair value
Motor vehicles	No	Depreciated replacement cost
Office equipment	No	Depreciated replacement cost
Plant and machinery	No	Depreciated replacement cost

Restricted assets	Is the class revalued	Valuation basis
Land	Yes	Fair value

Infrastructure assets	Is the class revalued	Valuation basis
Flood protection and control works	No	Not applicable
Landfills	No	Not applicable
Village projects	No	Not applicable
Alps 2 Ocean cycleway	No	Deemed cost
Land under roads	No	Not applicable
Roads and footpaths	Yes	Optimised depreciated replacement cost
Resource consents	No	Optimised depreciated replacement cost
Stormwater	Yes	Optimised depreciated replacement cost
Sewerage	Yes	Optimised depreciated replacement cost
Water supplies	Yes	Optimised depreciated replacement cost

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write offthe cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Assets	Depreciation method	Life (years)
Buildings	Straight line	13-80
Computer hardware	Straight line	3-10
Computer network cabling	Straight line	10
Furniture and fittings	Straight line	10
Heritage assets	Straight line	60-150

Land	Not depreciated	-
Motor vehicles	Straight line	5
Office equipment	Straight line	5-10
Light plant and machinery	Straight line	10-25
Plant and machinery	Straight line	10-25
Resource recovery parks	Straight line	10-33
Flood protection and control works	Not applicable	-
Landfills	Straight line	30-50
Village projects	Straight line	5-80

Assets	Depreciation method	Life (years)
Alps 2 Ocean cycleway	Straight line	50
Formation	Not depreciated	-
Surfacing	Straight line	0-17
Land under roads	Not depreciated	-
Roads and footpaths	Straight line	6-80
Formation	Not depreciated	-
Sub-base	Not depreciated	-
Base course	Straight line	75-100
Surfacing	Straight line	0-17
Kerb and channelling	Straight line	10-10
Street signs	Straight line	13
Street lighting	Straight line	20-40
Bridges	Straight line	80-100
Resource consents	Straight line	10-33

Assets	Depreciation method	Life (years)
Stormwater		
Lines	Straight line	60-150
Manholes	Straight line	150
Open drains	Not depreciated	-
Wastewater		
Mains	Straight line	60-80
Pumps	Straight line	15
Oxidation ponds	Not depreciated	-
Box culverts	Straight line	100
Manholes	Straight line	80

Assets	Depreciation method	Life (years)
Water supplies		
Piping mains	Straight line	60-80
Pumps	Straight line	25
Service lines	Straight line	80-100
Hydrants	Straight line	80
Valves and air valves	Straight line	80
Meters	Straight line	25
Reservoirs	Straight line	80

INTANGIBLES

Software acquisition and development

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable with 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 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.

Easements

Easements are not cash generating in nature, instead they give Council the right to access private property where infrastructural assets are located. Council has not valued and recognised easements as an intangible asset under PBE IPSAS 31 Intangible Assets. The work required identifying and developing a central register to record easements and paper roads would be considerable and difficult to ensure that it was comprehensive and complete. Council is also concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature, and having no active market for this particular asset type. There is also no recognised valuation methodology. For these reasons, Council has opted not to recognise easements as an intangible asset because they cannot be quantified and the value of the easements cannot be measured reliably.

Carbon Credits

Purchased Carbon credits are recognised at cost on acquisition. Acquired Carbon Credits from the Crown are recognized at fair value on receipt. In the absence of an Active Market Carbon Credits are brought in at their cost to the Council. Carbon Credits are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Impairment

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its 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 period is recognised in the surplus or deficit.

Employee Entitlements

Short Term Employee Entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

Long Term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis.

The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement; and contractual entitlement information ; and
- The present value of estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability, Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when: • there is a present obligation (either legal or constructive) as a result of a past event; • it is probable that an outflow of future economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Payables and deferred revenue

Short-term payables are recorded at the amount payable.

Budget Figures

The budget figures are those approved by the Council in its Long Term Plan 2021-31. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land, buildings, and infrastructural assets – see Note 18: Property, plant and equipment.
- Estimating the retirement obligation – see Note 21: Employee entitlements.
- Estimating the landfill aftercare provision – see Note 22: Provisions.

Critical judgements in applying accounting policies

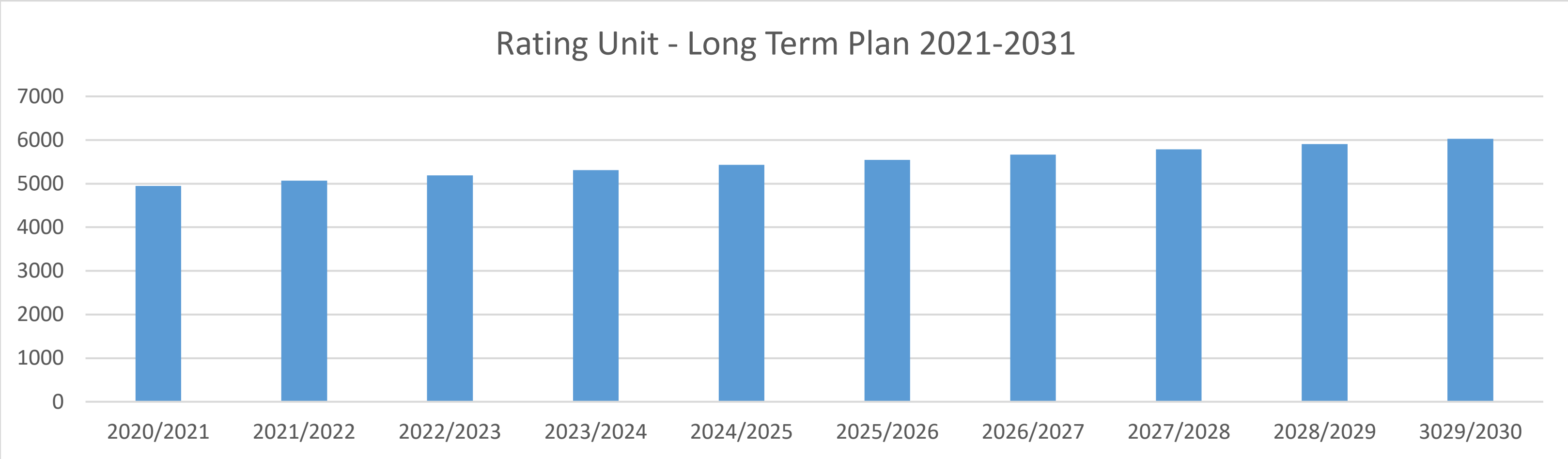
Management has exercised the following critical judgements in applying accounting policies:

- Classification of property – see Note 18: Property, plant and equipment.
- Accounting for suspensory loan from Housing New Zealand - see Note 4: Revenue.
- Accounting for donated or vested land and buildings with use or return conditions - see Note 4: Revenue.

Rating Information

Rating Units over the term of the Long Term Plan 2021-2031

2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030
4948	5068	5188	5308	5428	5548	5668	5788	5908	6028



All amounts are shown inclusive of 15.0% GST.

Rates are set and assessed on properties in accordance with the Local Government (Rating) Act 2002.

The Funding Impact Statement provides information on the general rates and targeted rates, including how the liability for rates is calculated and the activities that targeted rates fund.

The sources of funding set out in the funding impact statement are untended to be used each year of the long term plan, see clause 15(6) of Schedule 10 of the Local Government Act 2002.

Rating Definitions

Separately Used or Inhabited Part of a Rating Unit (SUIP)

Where uniform annual general charges and targeted rates are assessed on each separately used or inhabited part (SUIP) of a rating unit, the following definition will apply.

A separately used or inhabited part of a rating unit includes any part of a rating unit that is used or inhabited by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement, or any parts or parts of a rating unit that can be separately used or inhabited by the ratepayer. This definition includes separately used parts, whether or not actually inhabited at any particular time, which are provided by the owner for rental (or some other form of occupation) on an occasional or long term basis by someone other than the owner.

For the purposes of this definition, vacant land and vacant premises offered or intended for use or inhabitation by a person other than by the owner and usually used as such, are defined as “used”. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

Examples of properties which have separately used or inhabited parts include:

- Residential property that contains two or more units that can be separately inhabited, including flats or houses each of which is or can be separately inhabited
- Commercial or other non-residential property containing separate residential accommodation
- Commercial premises that contain separate shops, kiosks or other retail or wholesale outlets, each of which is operated as a separate business or is capable of operation as a separate business
- Farm property with more than one dwelling
- Council property with more than one lessee.

Council has recognised that there are certain instances where the above situations will occur, but in circumstances that do not give rise to separate uses or inhabitations. These specific instances are:

- Where a residential property contains not more than one additional separately inhabited part and where members of the owner’s family inhabit the separate part on a rent-free basis
- Individual storage garages / partitioned areas of a warehouse
- Bed and breakfast home stays.

Differential Categories

All properties	All rateable properties in the Mackenzie District
Ohau A	All rating units in the former Twizel ward, used for hydro electric power generation (as more particularly defined on valuation roll number 25320 00701A)
Tekapo A	All rating units in the former Tekapo ward, used for hydro electric power generation (as more particularly defined on valuation roll number 25300 15901)
Tekapo B	All rating units in the former Tekapo ward, used for hydro electric power generation (as more particularly defined on valuation roll number 2530 18400)
All Other Properties	All rating unts in the Mackenzie District other than Ohau A, Tekapo A and Tekapo B
All Other Rural Properties	All rating unts in the Mackenzie District excluding the community areas of Twizel, Tekapo, Fairlie and Mount Cook Village and other than Ohau A, Tekapo A and Tekapo B
Rural Community	All rating units in the Mackenzie District excluding the community areas of Twizel, Tekapo, Fairlie and Mount Cook Village
Commercial Business	All rating units within the Mackenzie District identified as where the principal user of the land is identified as being a trading entity engaged in commercial business activities (excluding commercial accommodation providers)
Industrial Land Properties	All rating units within the Mackenzie District with a property category code beginning with I in the Council's Rating Information Database. The property category code is the code given to a property when identifying the highest and best use of a property by Council's valuation service provider
Commercial Accommodation Business	All rating units within the Mackenzie District identified as accommodation providers for short term (less than 30 consecutive days occupancy by the same occupier) paying guests and where the principal use of the land is commercial accommodation business
Secondary Accommodation Properties	All other rating units within the Mackenzie District identified by Council as accommodation providers for short term (less than 30 consecutive days occupancy by the same occupier) paying guests, but where the principal use of the land is not commercial accommodation business

General Rate

A general rate will be set on capital value under section 13 of the Local Government (Rating) Act 2002 on all rateable land.

The general rate will be set differentially using the following categories based on the use and location of the land:

- Tekapo A
- Ohau A
- Tekapo B
- All Other Properties

The relationship between the rates set in the differential categories are as follows:

Category	***Factor***
Ohau A	10% of the total rate requirement excluding the UAGC requirement
Tekapo A	10% of the total rate requirement excluding the UAGC requirement
Tekapo B	10% of the total rate requirement excluding the UAGC requirement
All Other Properties	70% of the total rate requirement excluding the UAGC requirement

The general rate is used to fund in whole or part, the general activities of Council, including but not limited to the following:

- Democracy (Council General)
- Health and Liquor Guidelines
- Animal Control
- Building Control
- District Planning
- Resource Consent Planning
- Responsible Camping
- Civil Defence
- Waste Management
- Pensioner Housing
- Public Toilets
- Cemeteries
- Medical Facilities
- Tourism and Economic Development

	Factor	Estimated Revenue 2021/22
Ohau A	0.0019535 per dollar of capital value	611,997
Tekapo A	0.0167670 per dollar of capital value	611,997
Tekapo B	0.0029565 per dollar of capital value	611,997
All Other Properties	0.0009794 per dollar of capital value	4,283,981
		6,119,972

Uniform Annual General Charge (UAGC)

A uniform annual general charge will be set under section 15 of the Local Government (Rating) Act 2002 as a fixed amount per SUIP.

Its level is designed to obtain a balance between flat charges and rates on capital value that is acceptable to Council. It is not used to fund any special portion of the general expenditure of Council.

The uniform annual general charge is used to fund in whole or part, the general activities of Council, including but not limited to the following:

- Democracy (Council General)
- Health and Liquor Guidelines
- Animal Control
- Building Control
- District Planning
- Resource Consent Planning
- Civil Defence
- Waste Management
- Pensioner Housing
- Public Toilets
- Cemeteries
- Medical Facilities

- Responsible Camping
- Tourism and Economic Development

	Factor	Estimated Revenue 2021/22
Uniform Annual General Charge	$150.00 per SUIP	**797,700**

Targeted Rates

Sections 16 to 19 of the Local Government (Rating) Act 2002 authorise Council to set targeted rates to fund functions that are identified in its Long Term Plan as being functions for which targeted rates may be set.

Schedule 3 of the Local Government (Rating) Act 2002 lists factors that may be used to calculate the liability of targeted rates and section 18 provides that rates may be set per rating unit. The Council may select one or more of these factors for each targeted rate. If differential rating is being used, the Council must use the matters contained in Schedule 2 of the Local Government (Rating) Act 2002 to define the differential categories.

Lump Sum Contributions – except in respect of the Eversley Reserve Sewerage Rate, the Council does not accept lump sum contributions for any targeted rates.

Works and Services Targeted Rates

The following targeted rates will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund Council's works and services activities. Council's swimming pools and community halls are 70% funded as part of this rate. The works and services that may be provided to each community include:

- Social services and information provision
- Village and township maintenance
- Parks and reserves
- Swimming pools
- Community halls

Twizel Works and Services Rate

This targeted rate will be assessed on every rating unit in the Twizel community area of benefit (as defined on a map held by Council) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement (excluding capital improvement work in the Twizel community area of benefit which is funded by the Twizel Improvement rate); and
- A rate in the dollar based on capital value of the land to fund the balance of the targeted rate requirement (excluding capital improvement work in the Twizel community area of benefit which is funded by the Twizel Improvement rate).

Currently the 2021/22 split of the rate requirement is 10% fixed charges and 90% rate in the dollar of capital value.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$26.65 per SUIP	57,245
Capital Value Rate	0.0004419 per dollar of capital value	515,203
		572,448

Fairlie Works and Services Rate

This targeted rate will be assessed on every rating unit in the Fairlie community area of benefit (as defined on a map held by Council) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate in the dollar based on the capital value of the land to fund the balance of the targeted rate requirement.

Currently the 2021/22 split of the rate requirement is 10% fixed charges and 90% rate in the dollar of capital value.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$72.03 per SUIP	43,224
Capital Value Rate	0.0017474 per dollar of capital value	389,010
		432,234

Lake Tekapo Works and Services Rate

This targeted rate will be assessed on every rating unit in the Lake Tekapo community are of benefit (as defined on a map held by Council) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate in the dollar based on the capital value of the land to fund the balance of the targeted rate requirement.

Currently the 2021/22 split of the rate requirement is 48% fixed charges and 52% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$219.82 per SUIP	207,180
Capital Value Rate	0.0002661 per dollar of capital value	224,446
		431,626

Rural Works and Services Rate

This targeted rate will be assessed on every rating unit in the rural community (as defined on a map held by Council, excluding Mount Cook Village) and will be:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate based on the capital value of the land to fund the balance of the targeted rate requirement, set differentially using the following categories based on the use and location of the land:
    - Ohau A
    - Tekapo A
    - Tekapo B
    - All Other Rural Properties

The relationship between the rates set in the differential categories is as follows:

Category	***Factor***
Ohau A	20% of the total rate requirement
Tekapo A	20% of the total rate requirement
Tekapo B	20% of the total rate requirement
All Other Rural Properties	40% of the total rate requirement

Currently the 2021/22 split of the rate requirement is 49% fixed charges and 51% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$40.50 per SUIP	62,603
Ohau A	0.0000416 per dollar of capital value	13,031
Tekapo A	0.0003570 per dollar of capital value	13,031
Tekapo B	0.0000630 per dollar of capital value	13,031
All Other Rural Properties	0.0000125 per dollar of capital value	26,063
		127,759

Urban Sewerage Rates

Sewage Treatment Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined on maps held by Council) to fund the cost of sewage treatment.

The targeted rate will be:

- A fixed amount per SUIP of a rating unit which is connected to a community sewerage scheme
- An additional targeted rate will be assessed on every rating unit which is connected to a community sewerage scheme of a fixed amount per water closet or urinal after the first (rating units comprising a single household are treated as having one water closed or urinal). This rate will be set at 25% of the fixed amount.

Note*: For the purposes of the targeted rates for sewage treatment:*

a) The sewerage service is treated as being provided if the rating unit is connected to a public sewerage drain;

b) A rating unit used primarily as a residence for one household is treated as having not more than one water closet or urinal.

Sewerage Infrastructure Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairle, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined by maps held by Council) to fund the Council's sewerage infrastructure services. This includes sewer maintenance, depreciation and the servicing of loans.

The targeted rate will be:

- A fixed amount per SUIP of a rating unit which is connected or capable of being connected to a community sewerage scheme

- An additional targeted rate will be assessed on every rating unit connected to a community sewerage scheme of a fixed amount per water closet or urinal after the first (rating units comprising a single household are treated as having one water closet or urinal). This rate will be set at 25% of the fixed amount.

Note: *for the purposes of the targeted rate for sewerage infrastructure:*

a) The sewerage infrastructure service is treated as being provided if the rating unit is connected to or able to be connected to a public sewerage drain and is within 30 metres of such a drain;

b) A rating unit used primarily as a residence for one household is treated as having not more than one water closet or urinal.

Eversley Reserve Sewerage Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to repay a loan made by Council to Eversley Reserve ratepayers to fund on-property sewerage infrastructure for rating units in the Eversley Reserve area of benefit. excluding those rating units that opted to pay a lump sum contribution.

The targeted rate will be a fixed amount per rating unit in the Eversley Reserve (as defined on a map held by Council), excluding those rating units which have opted to pay the lump sum contribution.

	Factor	Estimated Revenue 2021/22
Treatment Fixed Charge	$61.84 per SUIP	186,990
Treatment Additional Charge	$15.46 for each additional water closet	12,948
Infrastructure Fixed Charge	$203.37 per connectable SUIP	757,172
Infrastructure Additional Charge	$50.84 for each additional water closet	42,582
Eversley Reserve Fixed Charge	$938.33 per rating unit	11,260
		1,010,952

Urban Stormwater Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel and Lake Tekapo communities (as defined on maps held by Council) to fund the costs of Council's urban stormwater reticulation.

The targeted rate will be a fixed amount per SUIP of a rating unit which is within the communities of Fairlie, Twizel and Lake Tekapo.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$33.54 per SUIP	**123,513**

Urban Water Supply Rates

Water Treatment Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined on maps held by Council) to fund the costs of Council's urban water treatment.

The targeted rate will be a fixed amount per SUIP of a rating unit which are connected to a Council community water supply (except those rating units receiving a metered water supply).

Water Infrastructure Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 on rating units located in the Fairlie, Twizel (including land encompassing and known as Pukaki Airport), Lake Tekapo communities and Burkes Pass township (as defined on maps held by Council) to fund the Council's urban water supply infrastructure services. This includes maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per SUIP of a rating unit which is connected or capable of connection to a council community water supply (except those rating units receiving a metered water supply).

Note*: any rating unit to which water can be but is not supplied (being a property situated within 100 metres of any part of an urban communities' waterworks) is treated as being capable of connection.*

Metered Water Rate

A targeted rate under section 16 of the Local Government (Rating) Act 2002. The targeted rate will be a fixed amount per metered supply on any rating unit which receives a Council water metered supply.

Fairlie community
Twizel community
Lake Tekapo community
Burkes Pass township
Rural community

	Factor	Estimated Revenue 2021/22
Treatment Fixed Charge	$57.47 per connected SUIP	171,113
Infrastructure Fixed Charge	$315.64 per connectable SUIP	1,159,983
Metered Water Fixed Charge	$373.12 per metered supply	80,221
		1,411,317

Rural Water Supply Rates

The following targeted rates will be assessed under the Local Government (Rating) Act 2002 to fund rural water supplies.

Note*: rating units are considered to be supplied if the rating unit receives a water supply, or any part of the rating unit lies within the defined area of benefit for that supply (as defined on maps held by Council).*

Allandale Water Supply

A targeted rate for water supply under section 19 of the Local Government (Rating) Act 2002 assessed on every rating unit supplied with water by the Allandale rural water supply, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per unit of water supplied.

Ashwick / Opuha Water Supply

A targeted rate for water supply under section 16 of the Local Government (Rating) Act 2002 assessed on every rating unit within the defined area of benefit for the Ashwick / Opuha rural water supply, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per rating unit.

Fairlie Water Race

A targeted rate for a water supply under section 16 of the Local Government (Rating) Act 2002 assessed on every rating unit within the defined area of benefit for the Fairlie water race, to partly fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per rating unit.

An additional targeted rate will be a fixed amount per hectare within the rating unit.

Spur Road Water Supply

A targeted rate for water supply under section 19 of the Local Government (Rating) Act 2002 assessed on every rating unit supplied with water by the Spur Road rural water supply, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted will be a fixed amount per unit of water supplied.

***Note**: For the purposes of the Allandale and Spur Road rural water supplies, a unit of water allows for a supply of 1,820 litres per day.*

Downlands Water Supply

A targeted rate for water supply under section 16 of the Local Government (Rating) Act 2002 on every rating unit serviced by Downlands water supply within the Mackenzie District, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per rating unit.

A targeted rate for water supply under section 19 of the Local Government (Rating) Act 2002 assessed on every rating unit serviced by Downlands water supply within the Mackenzie District, to fund the costs of maintenance, depreciation and the servicing of loans.

The targeted rate will be a fixed amount per unit of water.

***Note:** for the purposes of the Downlands water supply, a unit of water allows for a supply of 1,000 litres per day.*

	Factor	Estimated Revenue 2021/22
Allandale Fixed Charge	$273.61 per unit	150,212
Ashwick / Opuha Fixed Charge	$93.02 per rating unit	4,093
Fairlie Water Race Fixed Charge	$30.00 per rating unit	870
Fairlie Water Race Fixed Charge	$6.89 per hectare	4,794
Spur Road Fixed Charge	$431.62 per unit	28,919
Downlands Water Fixed Charge	$553.00 per serviced rating unit	31,521
Downlands Water Fixed Charge	$221.00 per unit	47,736
		268,145

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund the costs of all roading in the Mackenzie District, both subsidised and non-subsidised.

The targeted rate will be assessed on every rating unit in the Mackenzie District (excluding Mount Cook Village) and will be made up of two components:

- A fixed amount per SUIP of a rating unit to fund an annually defined percentage of the targeted rate requirement; and
- A rate based on the capital value of the land, to fund the balance of the targeted rate requirement, set differentially using the following categories based on the use and location of the land:
  a) Ohau A
  b) Tekapo A
  c) Tekapo B
  d) All Other Properties

The relationship between the rates set in the differential categories is as follows:

Category	***Factor***
Ohau A	10% of the total rate requirement
Tekapo A	10% of the total rate requirement
Tekapo B	10% of the total rate requirement
All Other Properties	70% of the total rate requirement

Currently the 2021/22 split of the rate requirement is 35% fixed charges and 65% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$84.66 per SUIP	442,615
Ohau A	0.0002624 per dollar of capital value	82,200
Tekapo A	0.0022521 per dollar of capital value	82,200
Tekapo B	0.0003971 per dollar of capital value	82,200
All Other Properties	0.0001333 per dollar of capital value	575,400
		1,264,615

Twizel Improvement Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund capitalised improvement work in the Twizel community area of benefit. The rates will be assessed on rating units in the Twizel community (as defined by a map held by Council).

The targeted rate will be a fixed amount per SUIP of a rating unit.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$51.08 per SUIP	**109,567**

Solid Waste Rate

Urban Solid Waste Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to partly fund the cost of all solid waste activity undertaken by Council. It will be assessed on every rating unit to which the Council provides the service. These waste collection areas (as defined on maps held by Council) are:

- Twizel waste collection area
- Lake Tekapo waste collection area
- Fairlie waste collection area
- Those rating units within one kilometre of the collection route on State Highway 8 from Cave in the east to Twizel in the west that have opted to receive the service.

The targeted rate will be a fixed amount per SUIP of a rating unit to which the Council provides the service.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$290.62 per SUIP	**855,157**

Tourism and Economic Development Rates

Targeted rates will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund the costs of Mackenzie District tourism and promotion activities.

Fixed Amount
A targeted rate will be assessed as a fixed amount per SUIP of a rating unit on every rating unit in the Mackenzie District.

Differential Rate
Targeted rates will be assessed on rating units in the following categories (defined on the basis of the use to which the land is put), and set differentially:

The categories for the rate are:

- Commercial Business
- Industrial Land Properties
- Commercial Accommodation Business
- Secondary Accommodation Properties

The targeted rates will be:

Commercial Business – a rate on the rateable capital value of the land on rating units in the commercial business category

Industrial Land Properties – a fixed amount per rating unit for industrial land properties

Commercial Accommodation Business – a rate on the rateable capital value of the land on rating units in the commercial accommodation category

Secondary Accommodation Properties – a rate on the rateable capital value of the land on rating units in the secondary accommodation category.

The amount per dollar of capital value for secondary accommodation properties is half of that for commercial properties.

The relationship between the rates set is as follows:

Category	*Factor*
All Properties	10% of the total rate requirement
Commercial Business	27.11% of the total rate requirement
Industrial Land Properties	2.86% of the total rate requirement
Commercial Accommodation Business	16.80% of the total rate requirement
Secondary Accommodation Properties	43.20% of the total rate requirement

Currently the 2021/22 split of the rate requirement is 15% fixed charges and 85% rate in the dollar based on capital value.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$8.66 per SUIP	46,082
Commercial Business	0.0006553 per dollar of capital value	130,949
Industrial Land Properties	$100.00 per rating unit	7,300
Commercial Accommodation Business	0.0006587 per dollar of capital value	97,978
Secondary Accommodation Properties	0.0003294 per dollar of capital value	178,520
		460,829

Rural Cattle Stop Maintenance Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund the cost of the maintenance and upgrade costs of cattle stop structures and approaches (10 metres either side of the transverse centre line running through the middle of the cattlestop) on Council road and the outer boundary of a rating unit.

The targeted rate will be a fixed amount per cattle stop, (or part thereof, if the cattlestop benefits more than one rating unit) on those rating units benefitting.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$125.00 per cattle stop	**5,750**

Community Facilities Rate

A targeted rate will be assessed under section 16 of the Local Government (Rating) Act 2002 to fund 30% of the cost of the Twizel Events Centre, Twizel Swimming Pool, Lake Tekapo Community Hall, Mackenzie Community Centre, Strathconan Swimming Pool, Albury Hall, Skipton Hall, and Sherwood Hall.

The targeted rate will be a fixed amount per SUIP of a rating unit on every rating unit in the Mackenzie District.

	Factor	Estimated Revenue 2021/22
Fixed Charge	$29.20 per SUIP	**152,686**

Due Date for payment of Rates

All rates will be payable in three instalments on the due dates as follows:

Instalment Number	Due Date
One (section 50 Invoice)	20 September 2021
Two	30 December 2021
Three	20 March 2022
Four	20 June 2022

Ratepayers may elect to pay on a more regular basis if they choose, before the due date of any instalment. Rates may be paid utilising any payment methods acceptable to the Council, including quarterly direct debits, cash or eftpos at Council offices, direct credit or other bank transfer methods.

Penalties

A penalty of 5% of the amount of the rates assessed in the 2021/2022 financial year remaining unpaid will be added if not paid on or before the due date, on the following dates:

Instalment Number	Penalty Date
Two	7 January 2022
Three	22 March 2022
Four	22 June 2022

A further penalty under section 58 of 5% of the amount of any rates for previous financial years remaining unpaid on the later of 5 working days after the date of resolution (21 December 2021) will be added. An additional penalty of 5% will be added to any unpaid rates from previous financial years that remain unpaid on 21 June 2022.

Rates Examples

The following examples show how the adopted changes will affect properties in different areas. The examples show the rates proposed for 2021/22 compared with the actual rates for 2020/21.

In the following examples the variables are used to demonstrate the potential impacts on rateable properties in different locations:

- Targeted rates for stormwater, wastewater, waste management and water have not been included for rural properties and where applicable will be additional to the rates identified
- Extraordinary metered water charges are not included and where applicable will be additional to the rates identified.

Fairlie

Type	Last Year's Capital Value	Actual 2020/22	New Capital Value	Proposed 2021/22	Rates Change
Mid Value Section	67,000	1,013.86	140,000	**1,297.20**	283.34
Low Value House	150,000	1,659.58	205,000	**1,893.30**	233.72
Mid Value House	270,000	2,060.87	350,000	**2,308.00**	247.13

High Value House	520,000	2,896.99	630,000	**3,108.80**	211.81
Commercial Mid Value	410,000	2,862.48	530,000	**3,212.80**	350.32
Commercial High Value	700,000	3,913.55	1,130,000	**4,988.80**	1,075.25

Lake Tekapo

Type	Last Year's Capital Value	Actual 2020/22	New Capital Value	Proposed 2021/22	Rates Change
Mid Value Section	310,000	1,369.66	500,000	**1,734.20**	364.54
Low Value House	320,000	1,870.23	500,000	**2,308.90**	438.67
Mid Value House	730,000	2,363.19	860,000	**2,640.50**	277.31
High Value House	2,650,000	5,222.06	2,900,000	**5,453.30**	231.24
Commercial Mid Value	2,360,000	8,981.59	3,360,000	**10,815.90**	1,834.31
Commercial High Value	6,300,000	24,447.30	8,470,000	**27,500.50**	3,053.20

Twizel

Type	Last Year's Capital Value	Actual 2020/22	New Capital Value	Proposed 2021/22	Rates Change
Mid Value Section	170,000	1,126.36	265,000	**1,314.70**	188.34
Low Value House	230,000	1,607.47	365,000	**1,880.10**	272.63
Mid Value House	395,000	1,917.92	500,000	**2,090.00**	172.08
Mid Value House	780,000	2,642.46	980,000	**2,836.20**	193.74
High Value House	1,150,000	3,338.74	1,300,000	**3,333.70**	(5.04)
Commercial Mid Value	710,000	3,270.07	1,010,000	**3,611.00**	659.07
Commercial Mid Value	2,890,000	12,098.75	3,520,000	**12,766.20**	667.45

Rural

Type	Last Year's Capital Value	Actual 2020/22	New Capital Value	Proposed 2021/22	Rates Change
Low Value Township Section	22,000	191.44	50,000	**369.20**	177.76
Low Value Township House	116,000	1,346.03	175,000	**1,574.50**	228.47
Lifestyle Low Value	580,000	860.78	660,000	**1,346.20**	485.42
Lifestyle Mid Value	585,000	1,276.09	700,000	**1,473.70**	197.61
Lifestyle High Value	775,000	1,641.97	930,000	**1,906.60**	264.63
Farm Low Value	1,015,000	1,382.62	940,000	**1,370.70**	(11.92)
Farm Mid Value – Sheep and Beef	2,690,000	5,258.58	4,325,000	**6,914.10**	1,655.52
Farm Mid Value - Dairy	9,190,000	13,386.17	8,280,000	**11,990.30**	(1,395.87)
Farm High Value – Cropping	15,600,000	23,811.72	14,500,000	**21,331.40**	(2,480.32)
Farm High Value – Sheep and Beef	17,000,000	20,393.15	18,800,000	**21,153.70**	760.55

Commercial Low Value	265,000	2,642.25	345,000	**3,011.90**	369.65
Commercial Mid Value	2,940,000	6,605.79	3,450,000	**7,406.50**	800.71
Commercial High Value	35,000,000	66,726.65	31,300,000	**54,445.70**	(12,280.95)

Significant Forecasting Assumptions

Planning out ten and thirty years into the future comes will an element of uncertainty. To be able to makes these plans, we have had to make some key assumptions about a range of different things that could impact on our ability to deliver on our plans.

We have considered:

- Growth
- Economic and Financial
- Government, Legislation and Regulation
- The Environment
- Levels of Service and Service Delivery
- Others

Details of each assumption, possible impacts and how we can mitigate these are detailed in this document. These assumptions can also be found in our key planning documents.

GROWTH ASSUMPTIONS

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
Population Growth It is assumed that growth in the district's population will generally be consistent with the medium projections developed for Mackenzie District Council in 2020. These indicate a growth rate of around three percent year on year, with population projections of 6,561 in 2030 and 9,050 in 2050.		✓		Population change occurs within the district at a higher or lower rate than predicted.	A significant, consistent decline in population may adversely affect Council's ability to set rates at a level affordable to the community. A significant, consistent increase in population could adversely affect Council's ability to meet some service levels.	Council will continue to monitor population measures within the district and respond to meet needs where possible.
Demographic Changes Most population growth within the District is expected to be at older ages (55+ years), with the proportion of over 65s living in the district projected to be slightly higher than the NZ average. Twizel and Fairlie have a higher proportion of older people (65+) than other areas in		✓		Demographic changes occur at a higher or lower rate than expected.	Changes to the projected demographics may place pressure on some Council services due to increasing demand, which may lead to a lower level of service in these areas or a requirement for additional investment.	Council will continue to monitor demographic changes within the district and respond to meet needs where possible.

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
the district and this is not expected to change over the life of the plan. Younger workers (20-30 years) will make up a considerable portion of the population employed in the tourism market.						
Household Changes It is anticipated that changes to household numbers and composition will generally reflect population projections and forecast changes to demographics (that is, an ageing population). This is not expected to create any significant impact on demand for infrastructure and services, given the relatively small increase in total population projected to occur.		✓		Household changes across the district occur at a higher or lower rate than expected.	A slower rate of household growth may mean that some service activities have overinvested in infrastructure (too much capacity too soon).	Council will continue to monitor household changes within the district. Where rapid growth occurs, this is likely to be within existing subdivisions where servicing provision has already been made or, where growth requires additional infrastructure, developers can be required to meet this demand through the payment of financial contributions.
Dwelling Numbers It is assumed that growth in dwelling numbers will primarily be driven by demand for short-stay visitor and holiday accommodation due to year-on-year increases in both domestic and		✓		Dwelling changes across the district occur at a higher or lower rate than expected.	A higher or lower rate of dwelling growth may impact on provision of services, such as the issue of resource and building consents.	Council will continue to monitor dwelling growth in the district and adjust provision of supporting services as required.

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
international visitor numbers to the district. Growth in demand for private holiday accommodation is predicted to have an impact on the availability of residential housing. However, the large proportion of unoccupied dwellings in the district, particularly in Tekapo (60%) and Twizel (52%), is not anticipated to change or increase significantly.						

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Distribution of development across the district						
The pattern of growth will be consistent with the spatial planning used to inform the District Plan Review The pattern of growth will be guided by the next generation district plan which will be operative in 2022. Understanding of the growth pattern will be sufficient for infrastructure planning		✓		Development will be more focused in one area than another Growth will occur at a rate that differs from infrastructure planning and provision	Provision of infrastructure will not align with development	Guide development through the district plan, and track development levels
Tourism Numbers						
It is assumed that visitor numbers will return to pre-COVID-19 numbers around 2022/23, and from that point visitors to Mackenzie District will be at least equivalent to the growth level experienced pre-COVID-19. It is also assumed growth in domestic visitors to Mackenzie District will be significantly higher than pre-COVID-19 while international travel is limited.	✓			Change to tourism numbers and composition occurs at a rate significantly above or below the growth levels assumed.	Increases in projected visitor numbers may place pressure on supporting services and infrastructure. Conversely, a drop in tourism to the district may mean that service activities have overinvested.	Council will continue to monitor tourism numbers to the country and district and respond to meet needs where possible.

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
COVID-19 Borders will remain closed to tourists/casual travellers for a further twelve months, at which point limited tourism will resume. From 2021 to 2030 tourism activity will progressively return to 2020 levels	✓			Borders will remain closed for a significant period,	Economic activity and international migration will be limited, affecting population and business growth.	Council will continue to track trends and provide for the wellbeing of the community. Investment will be advanced to support employment and prepare infrastructure for the future.

ECONOMIC AND FINANCIAL ASSUMPTIONS

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
Economic activity, income levels and affordability It is assumed that there will sufficient economic activity and incomes within the district to support Council activities		✓		Service provision becomes unaffordable	If there is insufficient economic activity and incomes of district residents are businesses are strained, it would be difficult for Council to fund the range of activities it is responsible for	Economic activity is tracked and the funding impact strategy is reviewed in line with the economic circumstances
Inflation To develop a consistent approach for local government to account for inflation, the Society of Local Government Managers (SOLGM) contracted Business and Economic Research Limited (BERL) to construct forecasts for inflation. It is assumed that long term inflation will be consistent with BERL's Local Government Cost Index (LGCI) forecasts.		✓		Inflationary costs in some areas may increase at a rate different to that forecast. Local Government Cost Adjustor Forecasts Three scenarios	If inflation rates are higher than forecast in the financial model this will mean that either additional money will be required, or planned work is reduced to fit the fiscal envelope. If the work is not reduced this could mean using additional reserves, increasing debt or increasing rates.	In preparing the LTP, Council is required to use best estimates in determining the level of costs to be budgeted and to account for the effect of price changes or inflation expected over the ten year period. Council has endorsed the 'mid-scenario' rates produced by BERL (September 2020) as the assumption for accounting for inflation for the preparation of the LTP. Some types of costs (eg roading and transport costs) have been subject to

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
						fluctuations in recent years, so it is inherently difficult to predict trends with accuracy. However, these costs will be mitigated through the annual plan process where the annual adjustment can be made.
Interest Rates and Borrowing Borrowing costs are assumed to be as included in Financial Forecasts. Council assumptions on interest rates are based on the Official Cash Rate (OCR) plus an appropriate margin. For the life of the LTP the borrowing rate is assumed to range from 1.7% to 2.4%. That rate will be used for calculating interest rates and will be adjusted annually.		✓		Forecast interest rates are higher or lower than forecast.	The movement in interest rates has a wide ranging effect on the Council. The Council's cash investments have derived interest at the market rates and the Council's internal financing policy bases the interest paid to or charged to individual communities on the Official Cash Rate. The level of works and services rates levied is dependent in part on the interest rate used in Council's internal funding policy.	Any exposure to borrowing interest movement will be managed by a preference for a higher percentage of fixed term rates.
Waka Kotahi (NZTA) Financial Assistance The Long Term Plan assumes that the subsidy from New Zealand Transport		✓		Council's risk is the roading programme may reduce	The roading programme could be reduced from what is shown, due to limitations on	The Council will consider the impact of any change as part of the annual budget process and consider the

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Agency will be 51% across all activities for the life of the Long Term Plan, and that these subsidy rates will remain at this level until the Funding Assistance Rate is reviewed.				due to a number of factors. These include 1. a further change in subsidy rates and/or size of the programme in years 4-10. This plan assumes Council will maintain or expand its spend through additional unsubsidised work. 2. the NZTA subsidiseable programme may differ from what has been assumed, which may impact the Council's spend in future years..	the amount of work NZTA is prepared to financially support. Expenditure may differ in any year from that forecast. If Council wanted to continue its roading programme, other funding sources such as rates would need to be utilised.	funding implications of any cost changes.
Dividends received – Alpine Energy Ltd It has been forecast that the dividend based on Council's shareholding will be $123,000 per year. This value could change from year to year based on Alpine Energy decisions.		✓		The dividend could be less than that anticipated,	A lower dividend would reduce this funding source, meaning greater reliance on other revenue sources or reduction in expenditure.	While a level of funding is expected, the financial strategy will consider if this revenue stream is lost
Development and Financial Contributions	✓			Council does not recoup costs associated with meeting infrastructure	The ability to fund infrastructure costs will fall on ratepayers alone.	Council will review its Development Contributions and Financial Contributions policy as part of the

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Costs associated with growth will be partially funded through development and/or financial contributions				costs associated with growth		Long Term Plan/Infrastructure Strategy process.
Waste levy The waste levy will be progressively increased to $60/tonne, at the same time opportunity to receive funding for waste minimisation education and initiatives will increase			✓	That the cost and revenue associated with the change is inappropriate	That increased waste levy costs will discourage responsible disposal of waste, and illegal dumping will increase That funding of programmes will not be available for waste minimisation education and initiatives in Mackenzie district.	Sufficient explanation to the community about the costs and benefits
Sale or Transfer of Assets It is assumed throughout this plan that we will retain ownership of our significant assets and continue with the current Council Departments.			✓	That the objectives whether financial or non-financial of holding strategic assets are not achieved.	Should specified returns not be attainable, we would review our investment. Such a review may have a financial impact.	Any decision to sell or partially sell would be significant. A proposal with with options would be provided to the community for feedback as part of a special consultation process.
Sources of Funds for the Future Replacement of Assets It is assumed that funding for the replacement of existing assets will be obtained from the appropriate sources as			✓	A particular funding source is not available.	Depreciation funds renewals funded mainly through rates and user charges. Should other sources of capital funding such as subsidies or development / financial contributions differ	

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
detailed in Council's Revenue and Financing Policy.					from levels forecast in a particular activity, Council is able to access borrowings through its central treasury function.	
Timing & Level of Capital Expenditure The Long Term Plan assumes that the timing and cost of capital projects and associated operating costs are as determined through the Council's activity management planning process.	✓			There is a risk that capital projects may not occur as planned, or actual costs may vary from the forecast therefore may have an impact on the costs. Transport projects seeking subsidy will need a Business Case approach to NZTA which may change originally anticipated outcomes.	If projects do not occur as planned, capital expenditure may differ from forecast. Delays may change the cost of individual projects and defer planned borrowing. This will impact on rates increases. Delayed renewals could lead to an increase in maintenance costs. Any significant delay will have a negative Impact on the delivery of future capital programme due to a limited number of resources Council has available to deploy in any one year.	The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes. High level of vigilance over capital delivery to Executive level, resulting in timely corrective actions if required Regular reporting to Council on the programme so Council has full visibility of programme, milestones, and tracking Programme is prioritized by vulnerability and criticality to ensure projects that would lead to loss of service or additional costs are top of the list Regular market assessments undertaken including critical supply

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
						chains to ensure programme is realistic and deliverable Council have the ability to value engineer the project if it exceeds estimates. In addition, the Council has contracted external project managers to oversee the programme and project management and delivery of key 3 Water projects.
Asset Revaluations Council has a policy of revaluing its buildings, land and infrastructural assets on a three yearly basis. The LTP assumes that the book values of the relevant assets as at the revaluation dates will be increased by inflation rates as per the inflation assumption.			✓	Inflationary costs in some areas may be different from that forecast. The condition of the assets may be different to that assumed and the value of the asset may differ accordingly.	There may be a higher or lower asset value and a lower or higher depreciation charge.	The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes.
Planning Horizons and Asset Lifecycles It is assumed that the planning horizon for growth (30-45 years) and asset lifecycles (30 years plus) are sufficient to inform the ten year forecasts included in the LTP.			✓	The planning horizon for growth and asset life services differ from that assumed.	There is insufficient planning to guide decision making and investment	LTP and IS are thoroughly developed relevant to District issues

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Useful Lives of Assets The useful lives of assets have been assumed as set out in the following table, which matches the depreciation policy under the Statement of Accounting Policies:		✓		Assets last longer than the lives assumed, or assets deteriorate at a faster rate that the lives assumed.	Assets require replacement earlier or later in their life cycle.	Ongoing assessment of the quality of assets means this information is updated regularly and work programmes adjusted to minimise the chance of asset failure. In the event of assets wearing out earlier than anticipated, capital projects could be brought forward. This may affect borrowing and depreciation expenses. Negative impacts are likely to be at least partially offset by some assets lasting longer than estimated. Mitigation may also involve reprioritisation of the capital expenditure programme.

Assets	Depreciation method	Life (years)	Assets	Depreciation method	Life (years)
Buildings	Straight line	13-80	Alps 2 Ocean cycleway	Straight line	50
Computer hardware	Straight line	3-10	Formation	Not depreciated	-
Computer network cabling	Straight line	10	Surfacing	Straight line	0-17
Furniture and fittings	Straight line	10	Land under roads	Not depreciated	-
Heritage assets	Straight line	60-150	Roads and footpaths	Straight line	6-80
Land	Not depreciated	-	Formation	Not depreciated	-
Motor vehicles	Straight line	5	Sub-base	Not depreciated	-
Office equipment	Straight line	5-10	Base course	Straight line	75-100
Light plant and machinery	Straight line	10-25	Surfacing	Straight line	0-17
Plant and machinery	Straight line	10-25	Kerb and channelling	Straight line	10-10
Resource recovery parks	Straight line	10-33	Street signs	Straight line	13
Flood protection and control works	Not applicable	-	Street lighting	Straight line	20-40
Landfills	Straight line	30-50	¤ Bridges	Straight line	80-100
Village projects	Straight line	5-80	Resource consents	Straight line	10-33

Assets	Depreciation method	Life (years)	Assets	Depreciation method	Life (years)
Stormwater			Water supplies		
Lines	Straight line	60-150	Piping mains	Straight line	60-80
Manholes	Straight line	150	Pumps	Straight line	25
Open drains	Not depreciated	-	Service lines	Straight line	80-100
Wastewater			Hydrants	Straight line	80
Mains	Straight line	60-80	Valves and air valves	Straight line	80
Pumps	Straight line	15	Meters	Straight line	25
Oxidation ponds	Not depreciated	-	Reservoirs	Straight line	80
Box culverts	Straight line	100			
Manholes	Straight line	80			

GOVERNMENT, LEGISLATION AND REGULATION ASSUMPTIONS

Assumption	Level of Uncertainty *(High/Medium/Low)* H	M	L	Risk	Impact of variation to assumption	Management of risk
Legislative Change and Regulatory Reform As an organisation that is created and derives its powers from statute, changes to legislation have a direct impact on the way we conduct our business. The speed and scale of legislation review depends largely on the policy direction and priorities of the government of the day. Reform of the Resource Management Act 1991 will proceed in 2021-22. A new legislative framework will include the Natural and Built Environments Act, the Climate Change Adaptation Act, and the Strategic Planning Act. The Strategic Planning Act is intended to integrate functions under the RMA, Local Government Act 2002, Land Transport Management Act 2003 and the Climate Change Response Act 2002 so changes are also expected with those Acts. It also assumes the Council will remain an		✓		The impact of government legislation is more or less than expected. New legislation is enacted that alters the activities Council undertakes or provides.	Unrealised impacts of legislative changes may create greater impacts on Council operations, including operating budgets, workloads, time and resource availability. These pressures may lead to additional costs for ratepayers. Where legislative changes require Council to provide additional services or increased levels of services, this may impact fees and charges for cost-recovery activities.	Most changes to legislation are known in advance, giving councils the ability to prepare for implementation. Council will monitor existing and potential legislative changes as they move through parliamentary process. Where appropriate, Council will submit on legislation to encourage reduced or improved impacts on Council operations and limit costs to ratepayers. Historical trends have been for services transferred from central government to local government. The cost and impact on our activities as a result of future legislative changes cannot be quantified at this stage as it would be dependent on the specific services affected by the legislative change. Financial uncertainty in this area would generally impact the cost of introducing changes, and the

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
independent unit of local government during the next 10 years.						mechanisms required to fund any new services.
Legislation Reform – Water Services While it is assumed that that there will be change to the ownership and delivery of Three Waters in the next ten years, Council is not able to predict with absolute certainty what those changes will be. It is unlikely that details will be known earlier than mid-to-late 2021. This LTP has been developed on a business-as- usual basis for the delivery of Three Waters; but the change is very likely to occur over the mid-term (3-5 years). The replacement value of all Three Waters assets total $90.7 million (as of 30 June 2020). Planned capital projects will be valued at $52.6m at the end of the LTP. The major capital projects are the $4.8m sewerage reticulation upgrade and $18.1m waste water treatment plant upgrade. In addition currently underway we have	✓			Legislation changes under urgency in parliament that must be implemented and transitioned to over a period of time	Changes are required to be implemented more quickly than anticipated and the changes are mandatory rather than voluntary.	Council closely monitors any and all developments, and responds accordingly

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	**M**	**L**			
$7.4m water treatment projects underway (20/21 and 21/22).[1]						
Resource Consents It is assumed that the conditions of resource consents held by Council will not be changed significantly and that the Council will be able to renew and obtain the necessary resource consents for its planned projects.			✓	Resource consents are changed through reviews, or applications for Council projects are not approved or have significant compliance or monitoring costs.	Projects will cost more if compliance requirements are significant, or may not proceed as planned if consents are not obtained.	The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes.

ENVIRONMENT ASSUMPTIONS

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	**M**	**L**			
Climate Change Climate change is already impacting how our communities live and function and these impacts are expected to increase in magnitude and extent over time.		✓		There is a risk that climate change effects are not understood and appropriate action taken.	If climate change happens more quickly or in a different way to that projected; Council may need to carry out work on its infrastructure assets.	Climate change assumptions are factored into Council strategies and plans including the District Plan Review and Infrastructure Strategy. Council activities will build appropriate mitigation responses into

[1] All values are inflated values

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
Impacts include increases to mean temperature, with corresponding reductions in snow and frost days. We anticipate an increase in the frequency and severity of extreme weather events.				There is a risk that Council actions will not be consistent with community opinion.	Council's business units may not recognise climate change in the delivery of their services. Decisions made now without this consideration may have intergenerational effects on land use decisions, environmental policy and infrastructure decisions e.g. relying on undersized assets and resources in highly vulnerable areas.	resilient infrastructure development including the improved water storage in Fairlie, water metering, the establishment of the emergency operations centre reserve fund and Council's risk management work through the Canterbury Emergency Management Group. Council will continue to monitor climate change science and the response of central government and adapt its response where required.
Natural Hazards / Local Natural Disasters The district is at risk from natural hazards such as flooding, earthquake, and storms. These events can occur at any time, without warning. It assumed that there will be no major adverse events during the period covered by this Long Term Plan beyond Council, Regional and National capabilities.	✓			A major adverse event occurs resulting in a significant impact on the district and Council's services.	A disaster has the potential to cause significant, unbudgeted impact on the Council and the community. In the event of a major disaster, Council has assumed additional central government support will be forthcoming. Council would need to borrow additional funds to make	Council seeks to mitigate this risk through its Civil Defence, Risk Management and Insurance Policies. Council keeps appropriate levels of cash reserves ($3.0m) and sufficient head room in its borrowings to enable it to undertake any repairs on its underground assets.

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
While events may occur at any time, Council's planning will focus on operational resilience and Emergency Management.					repairs and meet the costs of restoration	Central government has a role in disaster recovery after a natural disaster. Council will progressively build a reserve to fund the local share of Emergency Works applications to NZTA
Civil Defence and Emergency Management CDEM functions will continue to be provided across the district, via the Canterbury Regional Group		✓		CDEM structures and planning are not appropriate for application to Mackenzie	The response to an event would not be suitable	Ongoing involvement in CDEM planning and governance
Insurance Council will hold a reserve fund of at least $3 million to respond to emergencies and that this will be adequate for immediate requirements			✓	A major event will have significant financial implications that are beyond Council's ability to fund	It is assumed this will be adequate to meet the portion Council needs to fund – this is highly variable	A review is proposed on the insurance of assets and the suitability of a reserve fund as 'self-insurance'
Earthquake prone buildings There are no earthquake prone buildings affecting strategic transport routes			✓	Actions required by Council have not been allowed for	Processes are required, that would put additional workload on staff	Actions assigned to staff

Assumption	Level of Uncertainty (High/Medium/Low) H	M	L	Risk	Impact of variation to assumption	Management of risk
There are no unknown earthquake risks associated with Council owned buildings. Council's building control responsibilities can be delivered through normal management and operational processes						

LEVELS OF SERVICE AND SERVICE DELIVERY ASSUMPTIONS

Assumption	Level of Uncertainty (High/Medium/Low) H	M	L	Risk	Impact of variation to assumption	Management of risk
Level of Service It is assumed the level of service expectations of the community will remain similar to current level, or change progressively over time.		✓		That there is a rapid change in expectations	Service provision may not be able to be adapted quickly to meet changes	On going customer satisfaction assessment is undertaken and consultation over service levels occurs through the LTP and Annual Plan processes
Service Delivery Modes & Contracts It is assumed that there will be no significant changes to current modes of service delivery for each service area or variations in terms of contract prices			✓	Maintenance contracts may be re-tendered during the plan period. If maintenance and service contracts are consolidated	This would require Council to either increase rates and/or operating revenue if efficiencies cannot be found or	

(above inflation and inventory adjustments) for current operations and maintenance contracts. Council will continue to consider collaboration opportunities and assess changes to service delivery on a case by case basis.		and/or re-tendered there is a possibility contract prices will be higher than anticipated.	it may consider reducing levels of service.

OTHER ASSUMPTIONS

Assumption	Level of Uncertainty (High/Medium/Low) H	M	L	Risk	Impact of variation to assumption	Management of risk
New Technologies There will be no new technologies deployed within the period covered by the Long Term Plan that will significantly change the demand for or provision of services.			✓	Technologies may become available which significantly change the demand for or provision of services.	Inefficient of ineffective provision of services in the traditional manner when other alternatives maybe available.	Council will regularly monitor existing and proposed technologies as they relate to service provision.
Collaboration and Shared Services Opportunities for joint initiatives will continue to be explored (e.g. Waste Management Service Delivery, Aoraki Roading Collaboration, Water Services review). District and Community Board Autonomy will remain similar to the current level.		✓		Council is not sufficiently represented in decision making	Council is unable to provide services that are fit for purpose or efficiently	Council will engage in and commit to combined initiatives for the benefit of Mackenzie residents.
Te Rūnanga o Ngāi Tahu and ngā papatipu rūnanga Council has established and enduring relationships with Te Rūnanga o Ngāi Tahu (TRoNT) and the three papatipu rūnanga			✓	Engagement and consultation is not effective and appropriate for the relationships	Decision making does not include Maori as required under legislation; or as is appropriate for the wider Mackenzie community	There is ongoing dialog with Te Rūnanga o Ngāi Tahu and ngā papatipu Rūnanga

Assumption	Level of Uncertainty *(High/Medium/Low)*			Risk	Impact of variation to assumption	Management of risk
	H	M	L			
whose rōhe (area) include the Mackenzie District: Te Rūnanga o Arowhenua, Te Rūnanga o Waihao, and Te Rūnanga o Moeraki.						

Long Term Plan Disclosure Statement

What is the purpose of this statement?

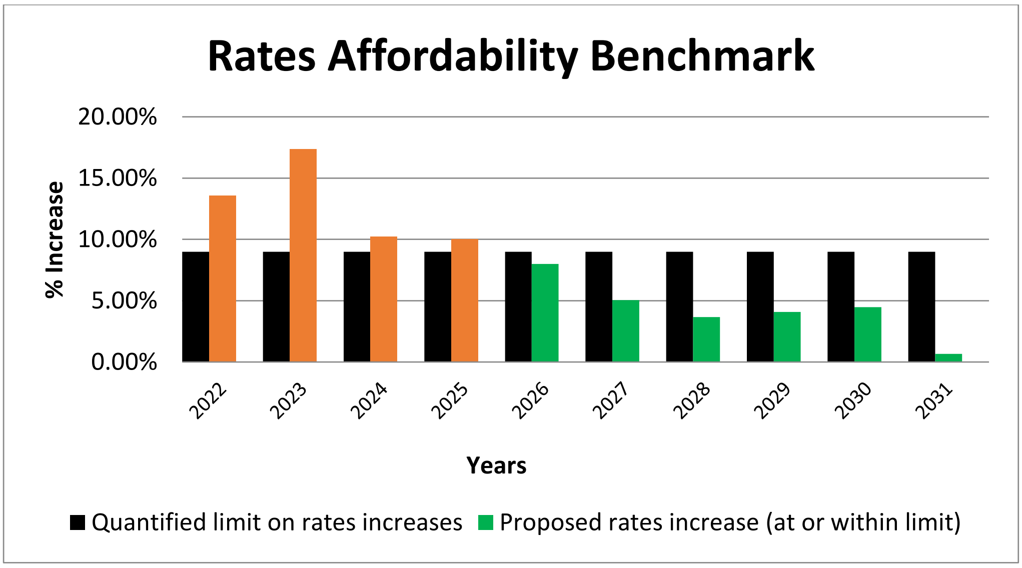
The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

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 increases.

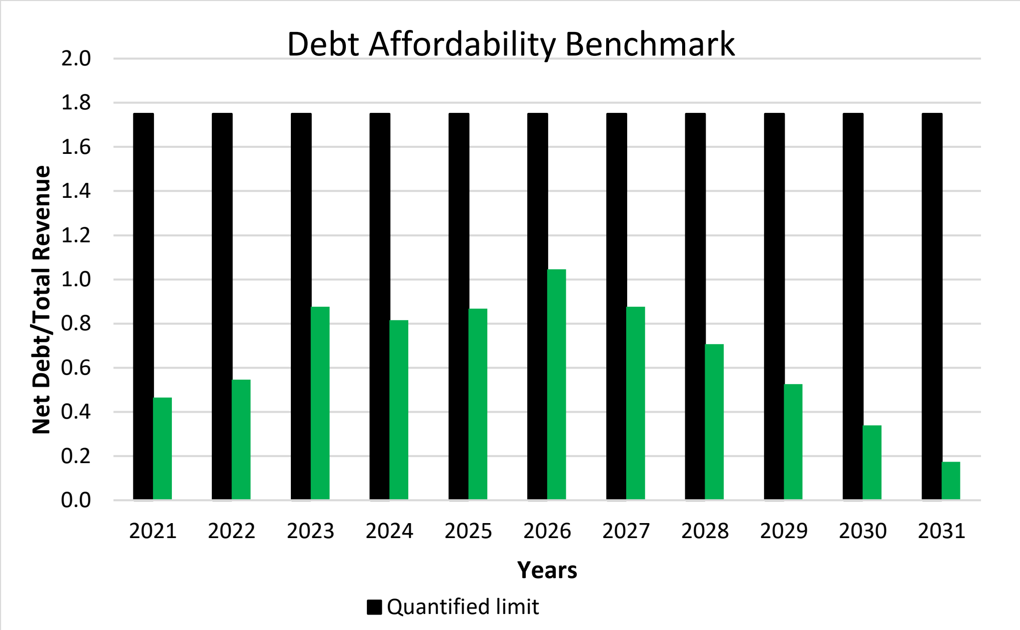
Rates (increase) affordability
The following graph compares the council's planned rates increase with the quantified limit on rates increases contained within the financial strategy included in this long term plan. The quantified limit is 9.00% + LGCI in each year over the life of the plan.



Debt affordability benchmark

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

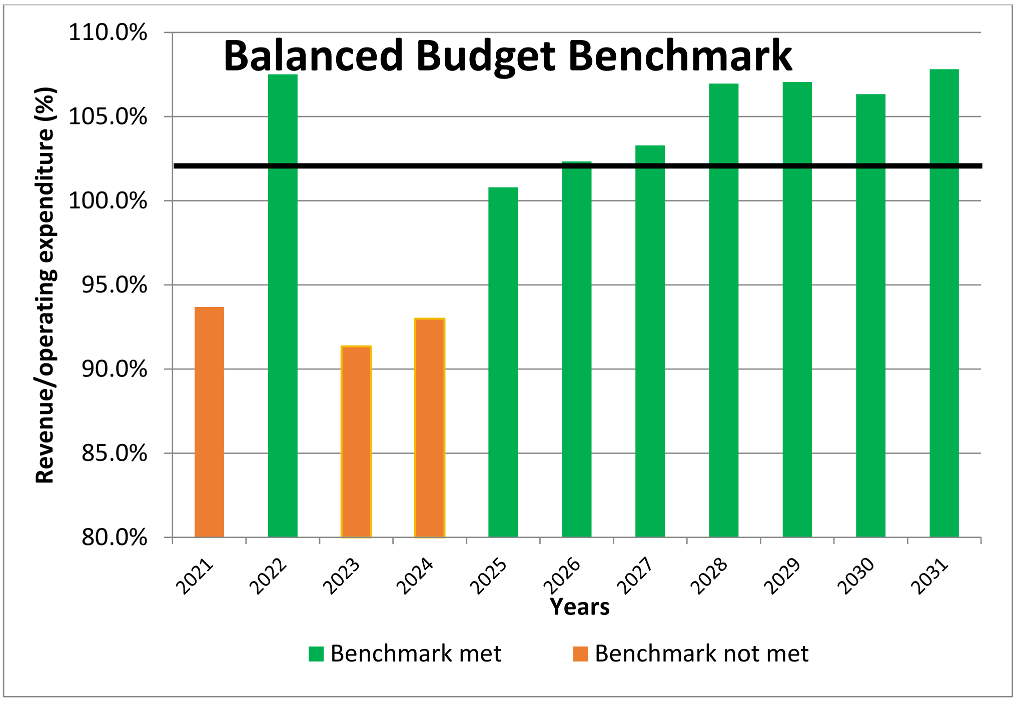
The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long term plan. The quantified limit is a ratio of Net Debt/Total Revenue of 1.75.



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.

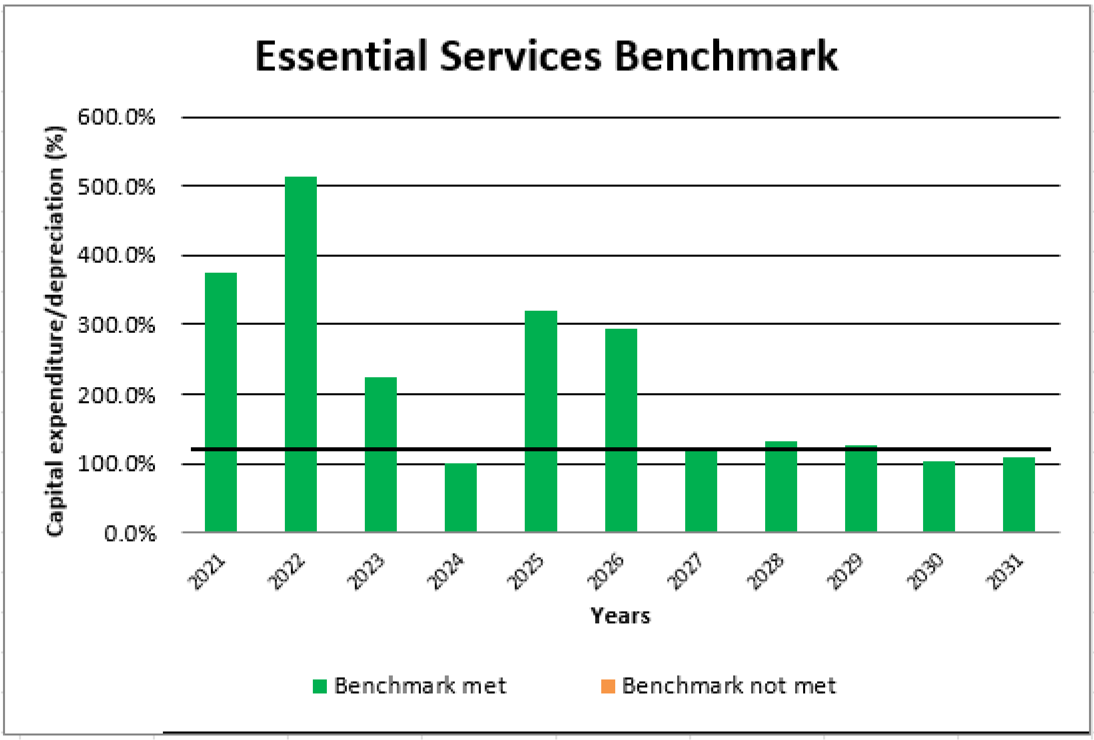


The balanced budget provisions of the Local Government Act 2002 (s100) allow a council to not fully fund all expenditure (which includes depreciation) provided it can demonstrate that it is financially prudent to do so. Our decision to do this contributes to the situation above.

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.



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 as fast as the national population is projected to grow, it meets the debt servicing benchmark if it's planned borrowing costs equal or are less than 10% of its planned revenue.