ASSUMPTIONS AND DATA

INTRODUCTION

Outline

Assumptions help to deal with the unknown of the future. The Council needs to make assumptions so it can understand the starting point used to prepare financial information, explain differences that may occur between what was forecast and what actually happens, and to ensure it appropriately identifies and evaluates possible risks.

Local Government Act 2002 requirements

The Local Government Act 2002 sets out what must be included in the Long Term Council Community Plan (LTCCP).

An LTCCP must clearly identify the:

- assumptions which the financial estimates are based
- risks underlying the financial estimates
- the useful life of significant assets
- sources of funds for the future replacement of significant assets.

The Council must also identify where there might be uncertainty about any of its significant assumptions, what the level of that uncertainty is and provide an estimate of the potential effects of that uncertainty in financial terms.

LEVEL OF UNCERTAINTY ABOUT ASSUMPTIONS

The following assumptions have been used to prepare the estimated financial statements.

ASSUMPTION	CONSEQUENCE OF RISK	LIKELIHOOD OF RISK	DEGREE OF TOTAL RISK	
	LOW = 1 LOW/MODERATE = 2 MODERATE = 3 MODERATE/HIGH = 4 HIGH = 5	LIKELY = 3 POSSIBLE = 2 UNLIKELY = 1	LOW = 1 – 5 MEDIUM = 6 –10 HIGH = 11 – 15	
PROJECTED GROWTH CHANGE FACTORS				
Growth forecasting	4	2	8	Medium
Potential social changes	4	3	12	High
Potential climate change impacts	3	1	3	Low
Rating base	4	2	8	Medium
MAJOR COST COMPONENTS				
Borrowing and expected interest rates	4	2	8	Medium
Renewability or otherwise of external funding	4	2	8	Medium
Cost factors	4	2	8	Medium
Levels of service	4	2	8	Medium
Revaluation and future revaluation of non-current assets	4	2	8	Medium
Depreciation rates on assets	4	1	4	Low
Funding growth related development	4	2	8	Medium
Resource consents / designations	5	3	15	High




LEVEL OF UNCERTAINTY ABOUT ASSUMPTIONS CONTINUED

The following assumptions have been used to prepare the estimated financial statements.

ASSUMPTION	CONSEQUENCE OF RISK	LIKELIHOOD OF RISK	DEGREE OF TOTAL RISK	
	LOW = 1 LOW/MODERATE = 2 MODERATE = 3 MODERATE/HIGH = 4 HIGH = 5	LIKELY = 3 POSSIBLE = 2 UNLIKELY = 1	LOW = 1 – 5 MEDIUM = 6 –10 HIGH = 11 – 15	
Service delivery options	4	1	4	Low
Failure of contractor services	4	3	12	High
Preliminary cost estimates	3	2	6	Medium
MAJOR INCOME COMPONENTS				
Roading subsidy rates	5	2	10	Medium
Alternative funding sources	4	3	12	High
Divestment of assets	4	3	12	High
STATEMENTS OF FACT				
Natural hazards	5	2	10	Medium
Fundamental business viability	5	2	10	Medium
Business continuity	5	3	15	High
Estimates of commitments and contingencies	5	2	10	Medium
Creation and realisation of investments, reserves and assets	5	2	10	Medium
Governance	3	3	9	Medium

MITIGATION STRATEGIES FOR “HIGH RISK” ASSUMPTIONS

Potential social changes:

This assumption acknowledges increasing socio-economic vulnerability in parts of the District. Should this trend continue (and be reflected in the 2011 Census), resources will be directed towards drawing up a District vision to deal with this.

Resource consents / designation:

There are statutory timeframes for processing resource consents. However, many projects initiated by Council are complex and need input from a wide range of disciplines. Due to this, some consents will take longer to process than would be expected for more straightforward consents. Therefore the Council will allow more time for resource consents in the project planning phase.

Legislative demands on Council resources:

Monitor central government to keep abreast of possible changes. Council will also submit to central government and advocate on behalf of the community. It will also rely on the support of sector interest groups such as Local Government New Zealand to represent the interests of the Whakatane District Council.

Failure of contractor services:

The Council will implement best practice contract management processes with appropriate resources for contract monitoring.

Business continuity:

This is listed as a statement of fact. However, the Council will develop a risk management strategy to ensure that it can continue with limited disruption.

Alternative funding sources:

The risk to this assumption acknowledges that grants or subsidies for funding certain projects may not be realised. Where this is the case, the mitigation strategy is that the relevant project will not proceed or will be adjusted down to meet Council’s ability to pay. This would affect future levels of service.

Divestment of assets:

The risk to this assumption acknowledges that the divestment of assets may not generate the funds anticipated resulting in increased ongoing principle and interest repayments on loans. Where this is the case, the mitigation strategy is that increased loan repayments will be funded by general and targeted rates.

PROJECTED GROWTH CHANGE

Growth forecasting

Studies have been prepared for the residential, retail and industrial zones. Statistics NZ has also released projected population figures for the census area units. These projections have been used to forecast future growth of the District.

The assumption is that growth in the Whakatane town area will occur at the same “medium” rate.

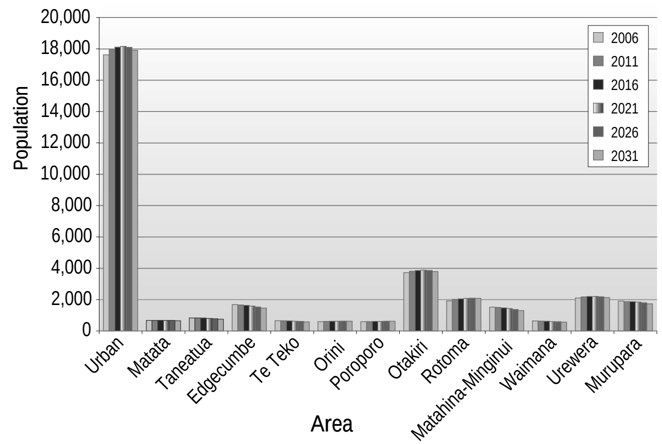
Combined population growth figures are summarised in the table on the following page.

PROJECTED POPULATION GROWTH FOR EACH CENSUS AREA UNIT (CAU) 2006-2031 (USING THE MEDIUM GROWTH SERIES)

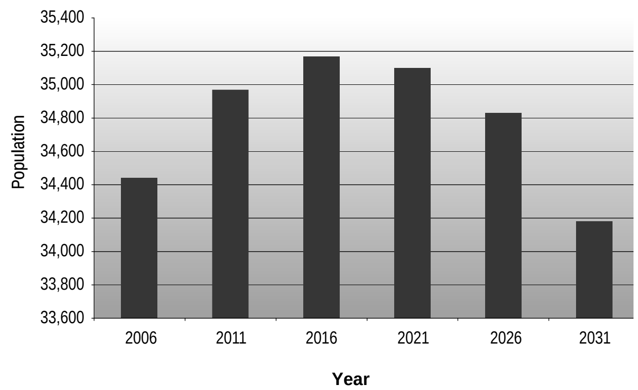
AREA	2006	2011	2016	2021	2026	2031
Whakatane Urban*	17,620	17,950	18,110	18,160	18,100	17,910
Matata	670	670	670	670	670	650
Taneatua	830	830	820	800	780	750
Edgecumbe	1680	1,660	1,630	1,590	1,530	1,460
Te Teko	650	650	640	620	610	580
Orini	590	610	620	620	630	620
Poroporo	590	600	610	610	620	620
Otakiri	3,720	3,810	3,860	3,880	3,860	3,790
Rotoma	1,920	2,020	2,050	2,080	2,090	2,080
Matahina-Minginui	1,520	1,500	1,470	1,430	1,370	1,300
Waimana	640	630	620	600	590	560
Urewera	2,100	2,170	2,200	2,200	2,180	2,130
Murupara	1,910	1,870	1,870	1,840	1,800	1,730
Total	34,440	34,970	35,170	35,100	34,830	34,180

* Whakatane Urban comprises the combined CAUs of: Allandale-Mokorua; Coastlands; Maraetotara; Ohope; Trident; Whakatane North; Whakatane West

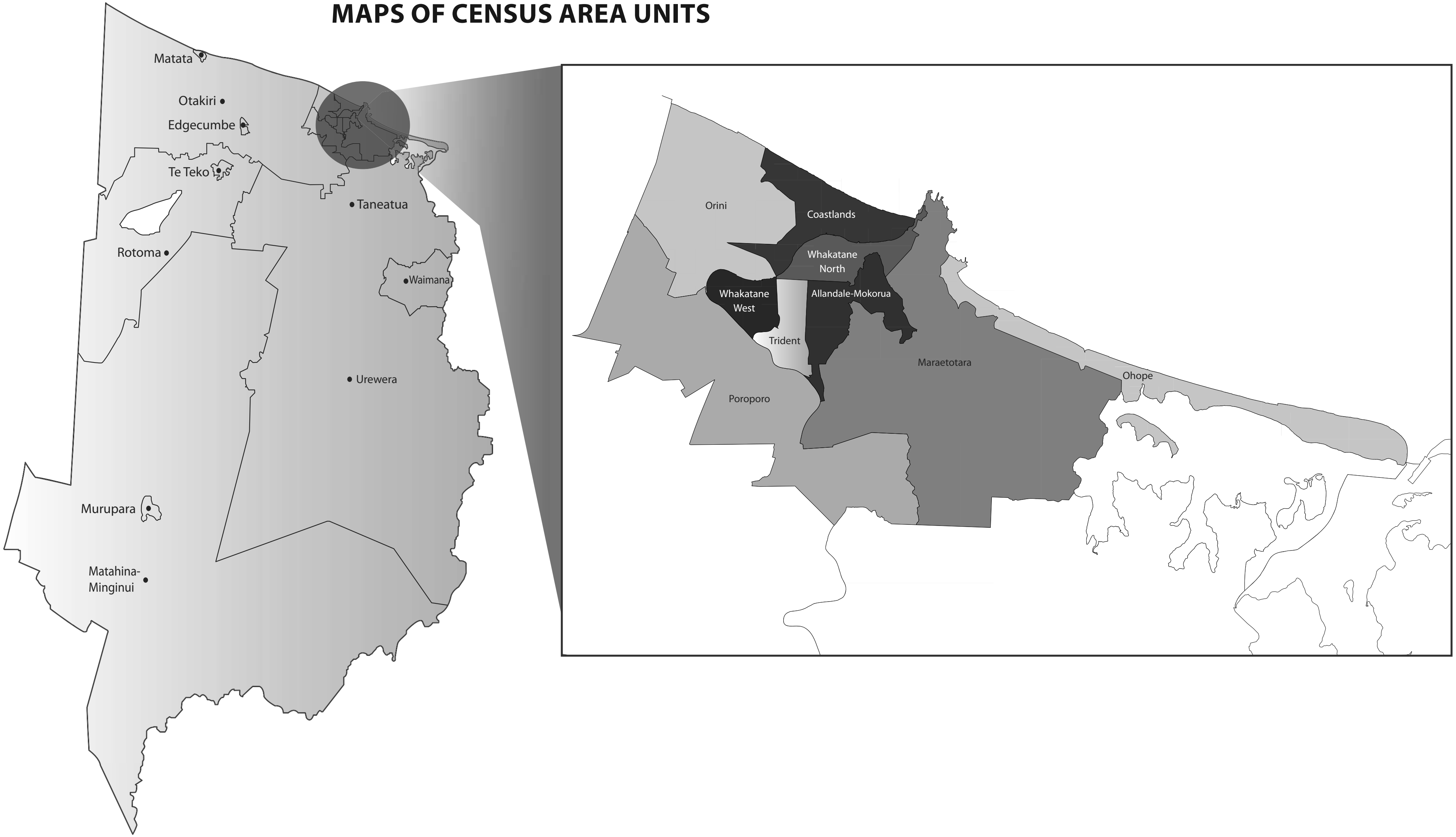
MEDIUM GROWTH POPULATION PROJECTIONS FOR WHAKATANE DISTRICT 2006 - 2031

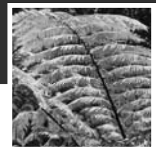


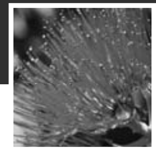
MEDIUM GROWTH POPULATION PROJECTION FOR THE DISTRICT 2006 - 2031



MAPS OF CENSUS AREA UNITS








Statistics New Zealand has calculated household projections for territorial authorities from 2006 to 2021 using the medium growth series. (A household is made up of either one person usually living alone, or two or more people usually living together and sharing facilities (e.g. eating facilities, cooking facilities, bathroom and toilet facilities, a living area), in a private dwelling. A household and a dwelling are not the same).

Medium Growth Household Projection 2011 to 2031 by Census Area Units

AREA	2009	2011	2016	2019	2021	2034
Ohope	1725	1760	1910	2004	2074	2422
Matata	286	291	304	312	317	350
Taneatua	247	252	260	266	270	295
Edgecumbe	643	649	651	653	652	668
Te Teko	168	171	175	177	178	190
Whakatane North	1364	1385	1432	1461	1481	1606
Coastlands	341	354	442	504	552	749
Whakatane West	1124	1143	1190	1219	1239	1363
Trident	1256	1272	1305	1326	1339	1430
Allandale-Mokorua	1742	1778	1901	1977	2032	2330
Orini	199	203	219	229	236	272
Maraetotara	38	40	44	47	49	61
Poroporo	183	186	199	207	213	244
Otakiri	1469	1498	1602	1667	1714	1963
Rotoma	664	683	752	796	827	994
Matahina-Minginui	647	655	657	660	660	680
Waimana	185	187	189	190	191	197
Urewera	747	766	834	876	907	1070
Murupara	658	663	675	683	688	720
District Total	13686	13936	14741	15254	15619	17604

This assumption acknowledges that such distant projections are fraught with difficulty and cannot be "cast in stone". They do not take into account economic effects and social change that may have profound outcomes on these projections.

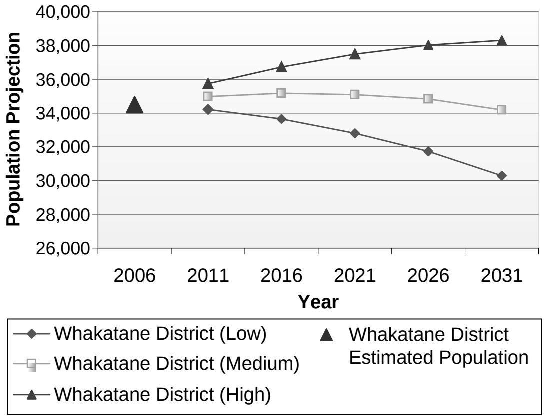
The LTCCP and the supporting documents such as the financials and the Development Contributions Policy use the medium growth population projection for the District as a whole.

Asset Management Plans also exist for the following groups of activities:

- Solid Waste
- Transportation
- Arts and Culture
- Community Property
- Recreation
- Water
- Stormwater
- Wastewater

The capital works programme (detailed in the Asset Management Plans), includes projects vital for population growth. The Council's Development Contributions Policy sets out the cost of these projects.

WHAKATANE DISTRICT ACTUAL AND PROJECTED POPULATION FIGURES 2006-2031



Risk

If population growth differs a lot from the chosen estimate (either over or under) then the capital works programme will require changes.

Potential social changes

The LTCCP assumes that the District is likely to age at a faster rate than the country as a whole. Expectations are that an older population will concentrate in the Whakatane urban area (inclusive of Coastlands and Ohope). The 'standard' house size of three bedrooms on large sections may become increasingly unsuitable to an ageing population. This document assumes an increased demand in retirement housing in the Whakatane urban area. Whilst increasing numbers of younger people may be found in rural areas, based on current trends they will probably leave the District for tertiary studies or employment opportunities.

It is likely that employment will remain higher in the urban area whilst rural areas are expected to show high levels of unemployment.

Although the District's industries are vulnerable to technological and international changes, the LTCCP assumes that major employers in the District will retain their position in the local economy throughout the Council's next ten-year planning cycle.

Risks

A potential risk is that rural centres continue to decline. As a result rural populations could struggle to remain as active participants in the social, economic and cultural life of the District.

The risk is the housing market provides for the ageing population, but there could be a significant difference (upwards or downwards) in the take-up of accommodation.

This could have flow on effects for the provision of infrastructure and services by the Council e.g. the Council may have provided too much infrastructure for a population that is less than expected.

The risk is that large employers suffer major changes in a volatile economy resulting in unforeseen job losses.

That the population increases more rapidly and the Council's infrastructure does not keep up with the level of growth.

Potential climate change impacts

The Council accepts the need to assess the potential effects of climate change on the District.

Climate change is likely to impact on various activities of Council but the actual effect is largely unknown at this stage. The Council will establish a policy position before the review of this LTCCP in 2012. This may identify what indicators will be used to measure climate change, what changes the Council should undertake and what other policies or plans are needed in terms of adapting and mitigating the effects of future climate change. Potential effects of climate change on coastal erosion and inundation have been accounted for in the coastal hazards variation to the District Plan.

The Groups of Activities section also identifies activities where climate change may be an issue. This is mainly in area of infrastructure assets. Where the Council is planning for projects to consider the impact of climate change on infrastructure assets, these are also identified in the Groups of Activities section.

Risk

The risk is that the District may experience effects of climate change in the short term, before the Council has established a policy position and instituted adaptation measures.

The rating base

It is assumed that the number of rating units is expected to increase in line with the population growth assumptions. In addition it is assumed that rateable value will also increase. This will result in no additional rating burden on existing ratepayers.

Risk

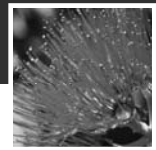
The risk is that the rating base will not increase as expected and there will be an additional rating burden on existing ratepayers.

MAJOR COST COMPONENTS

Borrowing and expected interest rates

The Council has a portfolio of debt that matures at various times over the 10 year cycle. Expected interest rates for each year are listed below. As the loans mature, they will need to be refinanced.






YEARS	EXPECTED INTEREST RATE
2009/10	5.28%
2010/11	6.08%
2011/12	7.07%
2012/13	7.48%
2013/14	7.66%
2014/15	7.55%
2015/16	7.94%
2016/17	**7.82%**
2017/18	**8.12%**
2018/19	**8.45%**

Risk

The risk is that interest rates will be higher than forecast. Where this is the case, the increased cost of servicing borrowings will need to be passed on to the ratepayer.

Renewability or otherwise of external funding

It is assumed that the Council's portfolio of debt with differing maturity dates and new funding required, will be raised on favourable terms.

Risks

The risk is the Council will be unable to raise new debt to fund approved capital works programmes.

The risk is also that new debt raised will have unfavourable terms. A further risk is that Council will be unable to raise new debt to repay maturing debt on favourable terms.

Cost factors

Many events or features can influence costs that might be incurred in the future. The Council must also comply with the New Zealand International Financial Reporting Standards (NZIFRS). The Council needs to base probable financial information on "best estimates" of what the Council realistically expects to occur. For this reason, the Council factors inflation into its financial forecasts.

The Business and Economic Research Limited (BERL) price change estimates have been used to prepare the prospective financial statements. The estimates are long-term projections showing cumulative increase.

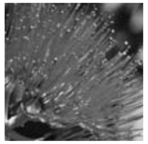
Due to uncertainty over the proposed Emissions Trading Scheme, The Council has not factored in potential increases in costs that would result.

ADJUSTERS: % PER ANNUM CHANGE

FINANCIAL YEAR	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
BERL adjusters	%	%	%	%	%	%	%	%	%	%
Road	3.4	2.6	2.8	2.4	2.4	2.4	2.4	2.5	2.4	2.2
Property	2.7	2.8	3.3	2.6	2.5	3.0	3.1	2.5	2.4	2.3
Water	3.9	2.3	3.2	3.0	3.1	3.3	3.4	3.3	3.4	3.5
Energy	3.1	2.6	2.4	2.8	2.9	3.3	3.3	3.4	3.4	3.5
Staff	2.7	2.4	2.4	2.7	2.6	2.6	2.6	3.1	3.2	3.1
Other	3.4	3.4	2.4	2.4	2.3	2.4	2.4	2.4	2.5	2.5

Risk

The risk is that the actual price of inputs and outputs will not increase at the rate assumed and the actual cost will be higher or lower than calculated.

Levels of service

The financial information included in the LTCCP is based on levels of service established in the asset management plans and activity plans (for non-asset based activities). The assumption is that the levels of service set out in the LTCCP will not vary much, unless stated in the groups of activities section.

Risk

The risk is that there will be an unexpected demand for increased levels of service which will have a significant financial impact. Examples include increased demand for high-cost recreation facilities.

Revaluation and future revaluation of non current assets

The next revaluation dates for the Council assets are listed in the table below. The assumption is that the assets will be similar to the estimated value at the time of the next revaluation.

ASSET	FREQUENCY	NEXT VALUATION DATE
Investment property	Yearly	July 2010
Land & buildings	Three yearly *	July 2011
Museum assets	Three yearly *	June 2009
Library assets	Three yearly *	June 2009
Harbour assets	Yearly	July 2010
Forestry	Yearly	July 2010
All assets for insurance valuation only	Two yearly	April 2011
Water & sewerage	Yearly	July 2010
Roading	Yearly	July 2010
Parks	Yearly	July 2010

* Council reserves the right to value more frequently if deemed appropriate

Risks

That there will be a material difference between estimated and actual revaluations of assets.

That data collection of asset information finds more or higher value assets than currently recorded.

Funding growth related development

Infrastructure required for growth related development such as storm water, wastewater, water supply, roading, carparking, solid waste, reserves and community infrastructure – will be funded via development contributions.

Payment for this work is done in two ways. Firstly, the Council could pay for the work to be done and receive the money from the developer when the subdivision is complete. Secondly, the Council could fund the provision of capital infrastructure with a debt to be repaid when development contributions are received.

The Development Contribution Policy is consistent with the capital expenditure programme in the LTCCP.

Risks

The risk is that there is less growth than estimated and the amount spent on the provision of capital infrastructure to anticipate the rate of growth is unable to be paid for by development contributions.

There is also the risk that the development contributions are significantly less than what is predicted, but that the work must proceed in advance of the predicted level of growth being achieved.

A further risk is that there is a lag between increased cost of the capital work and being able to recover that development contribution.

Resource consents /designations

The Council has programmed to apply for a number of resource consents for projects during the period of the LTCCP. It is assumed that the necessary consents with reasonable conditions will be granted in a timely manner as required.

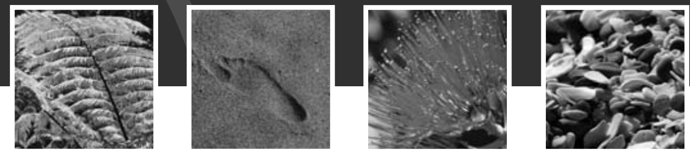
Risk

The risk is that the consents:

Will take longer to be granted than assumed and therefore will not be available at the time required. (Refer to Disaster Mitigation Strategies within this section).

Will include more stringent conditions than expected, resulting in the activity becoming substantially more expensive, potentially to the extent that the development becomes uneconomic to continue with.

Will not be granted.



Legislative demands on council resources

The last decade has seen a substantial increase in the levels of delegation from central government to local councils through legislative changes (such as the Local Government Act 2002, National Environmental Standard for Sources of Human Drinking Water, and the Building (Accreditation of Building Consent Authorities) Regulations 2006. The bar has also been raised in a number of areas such as the introduction of environmental standards.

In almost all cases, funding has not been provided to prepare the required policies or deliver the services. The services and policies have had to be funded through efficiency gains, local user charges, rates increases or a combination of these. The assumption is that there will be no changes to the legal system, that impact on the cost of the Council's activities, unless explicitly stated, within the Groups of Activities section.

Risk

The risk is that there will be major changes to the legislation that will cause significant unexpected changes to the services, their costs and recovery by the Council.

Service delivery options

The assumption is that the current methods of service delivery will continue for the lifetime of the 2009 LTCCP. However, the Council is always reviewing methods of service delivery and if alternatives prove to be more cost effective, improve the levels of service to ratepayers, or reduce risk, they will be explored and implemented.

The Council is also a member of the Bay of Plenty Local Authority Shared Service council controlled organisation (BOPLASS). The councils that operate within the boundaries of the Bay of Plenty Region have formed a Council Controlled Organisation (CCO) to investigate, develop and deliver shared back office services and communications where and when that can be done more effectively for any combinations of some or all of the councils.

The expected benefits that can be achieved through shared services are:

- Improved levels and quality of service
- A co-ordinated and consistent approach to the provision of services
- Reductions in the cost of support and administrative services
- Opportunities to develop new initiatives
- Economies of scale resulting from a single entity representing many councils in procurement

Risks

The risk is that new methods of service delivery could be identified that could be more cost effective than the option and financial forecasts included in the LTCCP. In considering service delivery options, the Council is also required to follow section 97 of the Local Government Act 2002 which allows certain decisions to only take place if provided in the LTCCP.

There is also a risk that new methods of service delivery could be implemented without sufficient regard to factors of cost, efficiency and risk.

Failure of contractor services

Most of the Council's capital works are carried out through private sector companies. The Council also has an ongoing contract for the provision of engineering professional services. Projects for capital works are tendered following the Council's policies and procedures.

The assumption is that the Council will be able to engage suitably qualified and experienced contractors and that all contractors engaged to provide services for Council will do so within the agreed standards, deadlines and cost.

Risks

The risk is that there will be a shortage of contractors.

The risk is that contractors will not deliver services and/or products to the agreed standards and specification within the agreed time and price.

Preliminary Cost Estimates

The costs listed for some projects are preliminary estimates and final costs may be subject to significant fluctuations. For example the multi-sport events centre and the landfill.

Risks

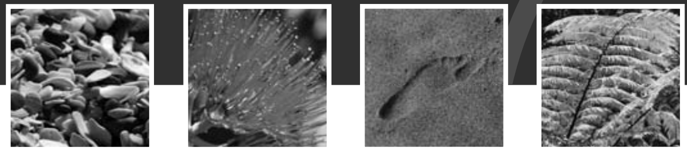
The risk is that costs will be substantially different from those estimated. In such an event further public consultation will be sought before any significant change in the budgeted costs for these projects are approved.

MAJOR INCOME COMPONENTS

Roading subsidy

The Council receives subsidies from the New Zealand Transport Agency for the operation and upkeep of the local road network in the District. This subsidy is termed Financial Assistance Rates (FARs). It is obtained through a number of criteria such as district valuation, kilometres of roads, and other ability to pay measures. Current Council FARs are:

- General maintenance: 45%
- Emergency works: 47%
- Capital works: 55%



- Road safety/community programmes: 75%
- Strategic studies: Varies between 50% and 70%

It is assumed that the FARs will remain unchanged for the duration of the LTCCP.

Risk

The risk is that the FAR will be adjusted downward or that policy priorities change and affect the availability of some subsidies. Where this is the case the relevant roading activity will need to be adjusted to meet Council's ability to pay and therefore impact on future levels of service.

Alternative Funding Sources

There are a number of alternative funding sources available to the Council for projects under both the Resource Management Act 1991 and Local Government Act 2002. Currently a limited number of projects receive grant funding for a variety of sources. Some of the more significant projects expected to receive alternative funding and the risks associated with this funding are listed below:

Sanitary Works Subsidy

The Council receives subsidies from the Ministry of Health through the Sanitary Works Subsidy Scheme (SWSS). The purpose of this scheme is to assist with the provision of reticulated sewerage and treatment plant upgrades.

Risk

The risk is that the subsidy will be reviewed downward because of a change in criteria or a review of the SWSS scheme. Where this is the case the relevant project will not be progressed or will need to be adjusted to meet Council's ability to pay and therefore impact on future levels of service.

Drinking Water Assistance Programme

The Council gets financial assistance from the Ministry of Health through the Drinking Water Assistance Programme (DWAP). The DWAP consists of two components; the Technical Assistance Programme (TAP) and the Capital Assistance Programme (CAP).

The TAP aims to provide resources to assist drinking-water suppliers to prepare Public Health Risk Management Plans (PHRMP) for their supply.

The CAP helps to fund improvements where TAP participation has shown that local resourcing is inadequate for a good solution.

Risk

The risk is that the assistance will be reviewed downward because of a change in criteria or a review of the DWAP programme. Where this is the case the relevant project will not be progressed or will need to be adjusted to meet Council's ability to pay and therefore impact on future levels of service.

Aquatic Centre

The $3.9 million Aquatic Centre repair project is a response to design faults in the building structure. The Council intends fund the project through loans and recover the total cost required for the repairs through legal action.

Risk

The risk is that the expected level of recovery of costs through the litigation process is not realised and loans raised to fund the project will have to serviced from rates.

Arts and Culture Centre

The Council expects that the Arts and Culture Centre project will receive substantial funding and investment from other sources.

It is expected that the centre will operate on a cost neutral basis for the Council from 2020 with a positive position and proposed reduction in rates for the community after the initial investment payback period

Risk

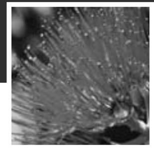
The risk is that the expected level of funding and investment from other sources is not realised. Where this is the case the project will not proceed.

There is also a risk that the centre will not operate on a cost neutral basis as expected and will need to be funded through mechanisms such as increased user fees/charges or rates.

Divestment of Assets

Revenue from the sale of assets has been included as a source of funds in the LTCCP across the 10 years. This revenue has been used to retire debt and make principal repayments as the funds become available. The table below indicates the budgeted revenue from the sale of assets and takes into account the expectation that not all the properties that Council is proposing to divest will be realised.

FUNDING FROM SALE OF ASSETS BY GROUP OF ACTIVITIES	$,000
Recreation and community facilities	11,591
Community property	29.072
Transport networks and safety	280
Total funding from sale of assets	40,943



Key assets sales include the pensioner housing units, the Piripai block and the Bennett block.

Risk

Should the revenue from the these sales not generate the funds anticipated, the result will be an increase in the general and targeted rates to meet ongoing interest and principal repayments for these loans and impact on Treasury Policy limits.

STATEMENT OF FACT

Natural hazards

The District is at risk to a range of natural hazards. Examples include earthquakes (e.g. Edgecumbe Earthquake in 1987 with a magnitude of 6.3 on the Richter scale), flooding (July 2004 and May 2005), debris flows (Matata May 2005), slips and volcano activity (last eruption March to September 2000).

The Council is a member of the New Zealand Local Authority Protection Programme Disaster Fund Trust (LAPP fund). The New Zealand Government's Disaster Recovery Plan identifies a shared responsibility between central and local government for qualified restoration activity after natural disasters have occurred. Assistance from both central government and the LAPP fund requires the Council to prove its eligibility. The Council has to ensure provision of the LAPP fund through:

- Proper maintenance
- Reserve funding
- Adequate insurance where practicable

Maintenance provisions are included in the LTCCP based on the Council's asset management plans.

The Council does not have reserve funding for disaster contingency in place. The Council has cover for buildings and building contents including pumping equipment, where this is practicable and acceptable to insurers.

Risk

The risk is that there will be a disaster event requiring emergency work that cannot be funded out of normal budgetary provisions. The potential effect of a disaster on the Council's financial position is dependent on the scale, duration and location of the event. The ability to fund costs related to a disaster may change through the financial year.

Fundamental business viability

The Council provides strategic planning, environmental management and functioning network and utility services, amongst others, in line with regulatory standards. This plan assumes that Council has adequate staff and sufficient and planned capacity for the suitable provision of services. Many services could not be provided without information technology. In terms of data, the Council needs to provide technology support for approximately 41 different types of activities.

Risks

The risk is that the Council is unable to employ adequate human resources to ensure that Council provides sufficient services to an acceptable standard.

That the Council does not have sufficient ICT infrastructure to support base services.

Business continuity

The Council runs a complex business and has wide legal duties. These include the supply of utility services, such as water, to the capture and retention of data.

Section 60 of the Civil Defence Emergency Management Act 2002 defines Council as a "lifeline utility". The Council has to plan and provide for civil defence emergency management in the District. Council has to also function to its fullest extent in the event of a disaster affecting the District. This may be at a reduced level during and after a civil defence emergency. The Council is undertaking a disaster recovery preparation project staged over two years. The goal is to install the Council's core systems on another site.

This document assumes that the Council has the ICT infrastructure to support base services. It is assumed that in the event of a disaster affecting core Council infrastructure (head office, ICT infrastructure), core services will continue to be provided.

Risks

That the Council is unable to ensure that it functions as a "lifeline utility" as required by Section 60 of the Civil Defence Emergency Management Act 2002.

The risk is that the Council does not adequately plan and provide for civil defence emergency management within the District.

The risk is that the Council is unable to function to its fullest extent in the event of a disaster affecting the District.

That in the event of an ICT disaster, the Council will be unable to provide the necessary ICT services.

Estimates of commitments and contingencies

Every project has a budget attached to it. The budget provides an estimate for the proposed cost of a project and includes a contingency element related to the detail of investigations undertaken at the time of publication. With further investigation, budget and resource requirements become more accurate. With this improved accuracy – project contingency allowances will reduce. Contingencies built into cost estimates may range between 0% for fully scoped projects and up to 30% for projects in concept or preliminary design – depending on the type of project.

Projects cost estimates may change for a range of reasons, scope change, fuel prices or cost of construction materials (e.g. steel) are common examples. All cost estimates and contingencies will be updated each year through the Annual Plan process when further information is available and when detailed design has been completed.

It is assumed there will be no additional requirements for commitments and contingencies, over and above that which has normally been included in the Council's LTCCP and Annual Plan.

Risk

The risk is that should any significant unforeseen commitment or contingency occur, expenditure and required rates may be impacted upon.

Creation and realisation of investments, reserves and assets

The Council will continue with the ownership of investments and reserves in accordance with its current practice, unless specified in this LTCCP. The capital expenditure programme represents creation of assets.

Risk

The risk is that should the Council sell its assets, the sale would only have a short term mitigating impact on rates increases if the proceeds of the sale went towards general rates rather than debt retirement.

Governance

The Council elections will be held in 2010, 2013, 2016 and 2019. The Council will also be reviewing its governance structures through the 2009 representation review. The Council has indicated that through the representation review it will be looking at how the governance arrangements could be more effective as well as provide cost savings for rate payers. The representation review is discussed in the section entitled "Key Issues".

Risks

That there could be an unexpected change in democratic structure during the life of the LTCCP.

That change in governance requirements may place additional cost burdens on the District.

BEST ESTIMATES

The figures included in this document are best estimates and should only be used for Long Term Council Community Planning purposes.

AUTHORITY TO ISSUE

The core assumptions were authorised by the Council on 13 July 2009.




FINANCIALS

INTRODUCTION

In this section of the Plan, information is provided on the Forecasted Financial Statements. The Groups of Activities section also includes financial information that should be read in conjunction with this section.

FORECASTED FINANCIAL STATEMENTS

The Forecasted Financial Statements include the following financial reports:

- **Statement of Prospective Comprehensive Income**

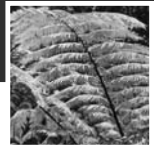
  This provides information on the surplus or deficit arising throughout the Plan impacting on the past and future comprehensive income. This aids the reader to differentiate between components of financial performance according to frequency, potential for gain and loss and predictability.
- **Statement of Prospective Changes in Equity:** Also known as net worth, equity is measured as the difference between the total value of assets and total liabilities. This statement presents a comprehensive measure of income. Accumulated equity represents the communities' investment in publicly owned assets resulting from past surpluses.
- **Statement of Prospective Financial Position:** This presents information about the economic resources controlled by the Council. This information is useful in assessing the Council's ability to generate cash, provide services and for assessing future borrowing needs.
- **Statement of Prospective Cash Flows:** Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day to day cash management. It provides information about cash generation through Council activities to repay debt or to reinvest to maintain operating capacity.

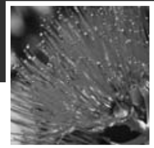
ACTUAL FINANCIAL RESULTS

Actual financial results achieved for the period covered are likely to vary from the information presented and these variations may be material.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies sets out the principle accounting policies that have been adopted in the preparation of the financial report. The policies set out in the summary have been consistently applied to all years presented, unless otherwise stated.

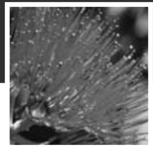





STATEMENT OF PROSPECTIVE COMPREHENSIVE INCOME

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	INCOME										
19,800	Revenue from Activities	19,613	29,281	22,665	23,837	32,003	28,769	32,187	30,254	24,216	31,678
6,005	General Rates * Note 1	5,773	6,473	6,938	7,579	7,632	8,288	8,174	8,503	8,823	8,782
21,618	Targeted Rates * Note 2	23,873	26,699	29,955	32,328	34,077	37,221	39,331	40,692	42,372	44,368
0	Vested Assets	716	740	733	733	732	733	733	733	734	734
1,752	Development Contributions	918	943	971	1,210	1,243	1,277	1,336	1,372	1,409	1,447
126	Finance Income *	211	143	70	149	123	810	639	580	507	332
49,301	**Total Income**	**51,105**	**64,279**	**61,332**	**65,837**	**75,810**	**77,098**	**82,400**	**82,135**	**78,061**	**87,340**
	EXPENDITURE										
19,092	Other Expenses	22,988	24,707	25,045	25,551	26,517	27,414	28,197	29,061	30,065	30,250
9,261	Personnel Costs	9,764	10,545	10,888	11,020	11,285	11,639	12,026	12,344	12,683	13,026
11,191	Depreciation and amortisation expense	12,173	13,372	14,878	16,461	16,954	18,532	19,889	21,106	22,150	23,244
1,352	Finance Costs *	1,493	2,266	3,078	3,325	3,207	3,359	3,874	3,910	3,811	3,855
40,896	**Total Expenditure**	**46,418**	**50,889**	**53,889**	**56,357**	**57,963**	**60,944**	**63,985**	**66,422**	**68,709**	**70,375**
8,405	**Net Surplus/(Deficit)**	**4,687**	**13,390**	**7,443**	**9,480**	**17,847**	**16,154**	**18,415**	**15,713**	**9,352**	**16,966**
	Other comprehensive income										
0	Gains on asset revaluation	17,922	18,854	14,726	15,643	16,049	18,154	19,851	21,503	24,070	25,461
465	**Gains on revaluation of Investment property**	**0**	**1,735**	**1,310**	**1,374**	**1,174**	**1,055**	**1,109**	**1,167**	**1,279**	**1,350**
8,870	**Total comprehensive income for the year**	**22,609**	**33,979**	**23,479**	**26,497**	**35,069**	**35,363**	**39,375**	**38,383**	**34,701**	**43,777**

* Excludes Internal Borrowing Interest.

NOTES TO THE STATEMENT OF PROSPECTIVE COMPREHENSIVE INCOME

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	***Note 1: General Rates By Activity**										
2,921	Leadership	2,345	2,403	2,531	2,582	2,615	2,690	2,700	2,806	3,008	2,932
609	Community Safety	667	851	948	1,016	1,020	991	1,079	1,102	1,175	1,182
732	Environmental Sustainability	589	606	677	1,063	1,124	1,132	1,050	1,102	1,159	1,178
386	Hazard Management	363	420	492	561	480	480	482	490	480	463
627	Arts and Culture	950	1,212	1,201	1,278	1,408	1,663	1,275	1,213	1,252	1,262
607	Recreation and Community Facilities	714	750	780	756	702	701	783	822	833	863
508	Community Property	369	410	458	433	590	928	1,195	1,353	1,299	1,289
0	Waste	189	199	212	203	126	15	16	16	16	17
0	Transport Networks and Safety	0	0	0	0	0	0	0	0	0	0
0	Water-related services	25	27	29	29	29	30	31	32	33	34
473	Reportable Council-controlled organisations	479	550	605	681	677	681	698	733	763	782
6,863	**Total General Rates**	**6,691**	**7,428**	**7,932**	**8,603**	**8,772**	**9,311**	**9,308**	**9,668**	**10,018**	**10,000**
(858)	Less Corporate & District Activities Funds Applied	(918)	(954)	(995)	(1,024)	(1,140)	(1,024)	(1,134)	(1,164)	(1,195)	(1,219)
6,005	**General Rates Levied**	**5,773**	**6,473**	**6,938**	**7,579**	**7,632**	**8,288**	**8,174**	**8,503**	**8,823**	**8,782**

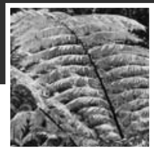


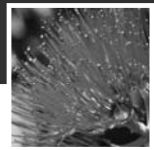

NOTES TO THE STATEMENT OF PROSPECTIVE FINANCIAL PERFORMANCE CONTINUED

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	***Note 2: Targeted Rates By Activity**										
356	Leadership	380	406	409	422	437	440	448	471	476	484
0	Community Safety	0	0	0	0	0	0	0	0	0	0
0	Environmental Sustainability	0	0	0	0	0	0	0	0	0	0
417	Hazard Management	515	651	745	795	795	798	800	807	808	808
1,155	Arts and Culture	1,411	1,742	1,848	2,007	1,993	1,997	2,021	2,088	2,148	2,189
2,998	Recreation and Community Facilities	3,364	3,670	3,865	3,869	3,903	4,219	4,420	4,612	4,807	4,930
0	Community Property	0	0	0	0	0	0	0	0	0	0
2,573	Waste	3,446	3,371	3,936	3,931	4,252	5,422	5,541	5,683	5,867	5,994
6,704	Transport Networks and Safety	7,039	8,134	9,058	10,015	10,268	10,713	11,248	11,352	11,901	12,966
7,410	Water-related services	7,448	8,442	9,802	10,970	12,102	13,296	14,511	15,329	16,004	16,628
176	Reportable Council-controlled organisations	271	282	291	320	326	334	342	350	361	368
21,788	**Total Targeted Rates**	**23,873**	**26,699**	**29,955**	**32,328**	**34,077**	**37,221**	**39,331**	**40,692**	**42,372**	**44,368**
170	Less Credit Balances										
21,618	**Targeted Rates Levied**	**23,873**	**26,699**	**29,955**	**32,328**	**34,077**	**37,221**	**39,331**	**40,692**	**42,372**	**44,368**

RECONCILIATION OF COST OF SERVICES TO STATEMENT OF COMPREHENSIVE INCOME

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE 2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	TOTAL OPERATING INCOME										
	ACTIVITY COST OF SERVICE STATEMENTS										
3,280	Leadership	2,725	2,867	2,940	3,004	3,115	3,130	3,148	3,344	3,484	3,416
2,632	Community Safety	2,712	2,928	3,105	3,227	3,268	3,313	3,441	3,521	3,680	3,741
1,759	Environmental Sustainability	1,704	1,759	1,857	2,272	2,361	2,427	2,376	2,460	2,551	2,605
3,393	Hazard Management	893	1,179	1,252	1,582	1,291	1,295	1,299	1,314	1,306	1,290
2,143	Arts and Culture	2,540	4,778	3,383	3,697	7,152	6,368	4,805	4,872	5,037	5,157
6,387	Recreation and Community Facilities	8,428	7,155	7,611	8,050	8,241	8,538	9,010	9,347	9,647	9,918
1,273	Community Property	1,122	1,040	975	841	1,008	1,439	1,722	1,893	1,852	1,855
3,848	Waste	5,396	7,531	7,674	7,745	11,511	8,312	8,499	8,712	8,973	9,177
14,429	Transport Networks and Safety	13,952	17,372	16,818	20,565	19,399	20,500	29,094	26,829	21,939	30,108
10,207	Water-related services	9,306	15,292	13,359	12,305	16,023	18,482	15,935	16,782	16,572	17,215
909	Reportable Council-controlled organisations	1,234	1,329	1,404	1,518	1,526	1,546	1,574	1,624	1,655	1,657
104	Corporate & District Activities	1,025	1,068	1,069	1,346	1,561	2,601	2,827	3,050	3,556	3,847
(170)	less Works & Facilities Reserve Balances utilised	0	0	0	0	0	0	0	0	0	0
50,194	**Total Operating Income**	**51,039**	**64,300**	**61,447**	**66,151**	**76,456**	**77,951**	**83,731**	**83,748**	**80,251**	**89,986**
49,301	Total Income as per Statement of Financial Performance	51,105	64,279	61,332	65,837	75,810	77,098	82,400	82,135	78,061	87,340
893	**Variance**	**(66)**	**21**	**115**	**314**	**646**	**852**	**1,331**	**1,613**	**2,189**	**2,646**
0	Vested Assets	716	740	733	733	732	733	733	733	734	734
892	Revenue from Internal Borrowing	(650)	(761)	(848)	(1,047)	(1,379)	(1,586)	(2,064)	(2,346)	(2,923)	(3,380)



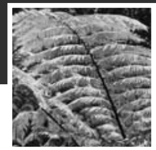


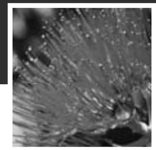

RECONCILIATION OF COST OF SERVICES TO STATEMENT OF COMPREHENSIVE INCOME CONTINUED

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	TOTAL OPERATING EXPENDITURE										
	ACTIVITY COST OF SERVICE STATEMENTS										
3,274	Leadership	2,731	2,860	2,925	2,999	3,130	3,125	3,161	3,341	3,473	3,417
2,632	Community Safety	2,612	2,824	2,999	3,118	3,157	3,200	3,325	3,402	3,557	3,616
1,759	Environmental Sustainability	2,219	2,366	2,507	2,391	2,472	2,427	2,376	2,460	2,551	2,605
925	Hazard Management	852	1,049	1,224	1,293	1,323	1,296	1,320	1,299	1,299	1,291
1,970	Arts and Culture	2,510	3,138	3,446	3,740	3,864	4,088	4,778	4,915	5,079	5,210
5,536	Recreation and Community Facilities	6,230	6,741	6,800	7,114	7,277	7,582	7,995	8,394	8,680	8,894
1,577	Community Property	1,066	1,007	955	862	951	1,379	1,660	1,684	1,730	1,765
3,645	Waste	5,083	6,276	6,688	7,050	7,263	8,046	8,228	8,417	8,656	8,851
11,250	Transport Networks and Safety	12,570	13,181	13,967	14,571	14,840	15,335	16,132	16,873	17,582	17,999
8,271	Water-related services	9,635	10,540	11,470	12,377	13,135	14,060	15,011	15,848	16,739	17,393
933	Reportable Council-controlled organisations	1,360	1,468	1,555	1,687	1,719	1,765	1,830	1,896	2,042	2,464
16	Corporate & District Activities	200	201	201	203	211	226	232	238	244	250
41,789	**Total Operating Expenditure**	**47,068**	**51,650**	**54,737**	**57,404**	**59,342**	**62,530**	**66,050**	**68,768**	**71,633**	**73,755**
40,896	Total Expenditure as per Statement of Financial Performance	46,418	50,889	53,889	56,357	57,963	60,944	63,985	66,422	68,709	70,375
892	**Variance**	**650**	**761**	**848**	**1,047**	**1,379**	**1,585**	**2,064**	**2,346**	**2,923**	**3,380**
892	Cost of Internal Borrowing	(650)	(761)	(848)	(1,047)	(1,379)	(1,586)	(2,064)	(2,346)	(2,923)	(3,380)
	OTHER COMPREHENSIVE INCOME										
0	Gains on asset revaluation	17,922	18,854	14,726	15,643	16,049	18,154	19,851	21,503	24,070	25,461
465	Gains on revaluation of Investment property	0	1,735	1,310	1,374	1,174	1,055	1,109	1,167	1,279	1,350
8,870	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**	**22,609**	**33,979**	**23,479**	**26,497**	**35,069**	**35,363**	**39,375**	**38,383**	**34,701**	**43,777**

STATEMENT OF PROSPECTIVE CHANGES IN EQUITY

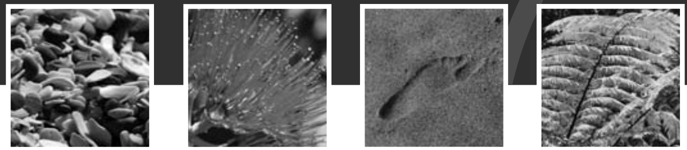
ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
458,261	**Accumulated Funds at the start of the year**	**467,131**	**471,818**	**486,943**	**495,697**	**506,551**	**525,571**	**542,780**	**562,304**	**579,184**	**589,815**
8,870	Net Surplus for the year	4,687	13,390	7,443	9,480	17,847	16,154	18,415	15,713	9,352	16,966
465	Gains on Revaluation of Investment Property	0	1,735	1,310	1,374	1,174	1,055	1,109	1,167	1,279	1,350
467,131	**Accumulated Funds at the End of the year**	**471,818**	**486,943**	**495,697**	**506,551**	**525,571**	**542,780**	**562,304**	**579,184**	**589,815**	**608,131**
89,631	**Asset Revaluation Reserves at the Start of the year**	**90,096**	**108,018**	**126,872**	**141,598**	**157,241**	**173,290**	**191,444**	**211,295**	**232,798**	**256,868**
465	Revaluation of Assets	17,922	18,854	14,726	15,643	16,049	18,154	19,851	21,503	24,070	25,461
90,096	**Asset Revaluation Reserves at the End of the year**	**108,018**	**126,872**	**141,598**	**157,241**	**173,290**	**191,444**	**211,295**	**232,798**	**256,868**	**282,329**
557,227	**Equity at the End of the Year**	**579,836**	**613,816**	**637,295**	**663,792**	**698,861**	**734,224**	**773,599**	**811,982**	**846,683**	**890,460**





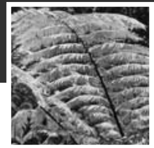

STATEMENT OF PROSPECTIVE FINANCIAL POSITION

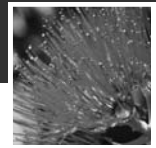
ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE 2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	PUBLIC EQUITY										
454,830	Retained Earnings	459,515	474,424	483,134	493,825	515,246	534,074	557,659	576,907	586,562	603,963
12,301	Restricted Equity	12,303	12,519	12,563	12,726	10,325	8,706	4,645	2,277	3,253	4,168
90,096	Asset Revaluation Reserves	108,018	126,872	141,598	157,241	173,290	191,444	211,295	232,798	256,868	282,330
557,227	**Total Public Equity**	**579,836**	**613,816**	**637,295**	**663,792**	**698,861**	**734,224**	**773,599**	**811,982**	**846,683**	**890,461**
	CURRENT ASSETS										
863	Cash and Cash Equivalents	1,160	2,433	3,229	3,849	3,110	1,915	733	105	5,831	4,467
173	Other Current Assets	180	186	197	214	237	269	313	373	455	569
6,718	Trade and other Receivables	7,168	7,308	7,372	7,443	7,508	7,586	7,663	7,735	7,804	7,854
7,754	**Total Current Assets**	**8,508**	**9,926**	**10,798**	**11,505**	**10,855**	**9,770**	**8,709**	**8,213**	**14,090**	**12,890**
	NON CURRENT ASSETS										
17,830	Term Investments	0	0	0	0	8,508	8,508	8,508	8,508	8,508	8,508
33,213	Investment Property	51,043	52,778	54,088	47,060	39,637	40,693	41,802	42,969	44,248	45,598
527,124	Property, Plant & Equipment	554,530	593,407	615,566	643,582	681,956	728,258	770,356	808,434	834,278	875,883
578,167	**Total Non Current Assets**	**605,573**	**646,186**	**669,654**	**690,642**	**730,102**	**777,458**	**820,666**	**859,911**	**887,034**	**929,990**
585,921	**Total Assets**	**614,082**	**656,112**	**680,452**	**702,147**	**740,957**	**787,228**	**829,375**	**868,124**	**901,124**	**942,880**
	CURRENT LIABILITIES										
7,932	Trade and Other Payables	8,200	8,479	8,682	8,891	9,095	9,313	9,537	9,766	10,010	10,260
200	Employee Benefit Liabilities	200	207	212	217	222	227	233	238	244	250
121	Borrowings	2,305	3,095	3,174	2,685	3,050	4,130	4,395	4,418	4,233	4,014
8,253	**Total Current Liabilities**	**10,705**	**11,781**	**12,068**	**11,792**	**12,367**	**13,670**	**14,164**	**14,422**	**14,487**	**14,525**
	NON CURRENT LIABILITIES										
2,611	Provisions	2,800	2,660	2,527	2,401	2,281	2,167	2,058	1,955	1,858	1,764
17,830	Borrowings	20,741	27,856	28,563	24,162	27,449	37,167	39,553	39,764	38,096	36,130
20,441	**Total Non Current Liabilities**	**23,541**	**30,516**	**31,090**	**26,563**	**29,729**	**39,334**	**41,611**	**41,719**	**39,954**	**37,894**
557,227	**Net Assets**	**579,836**	**613,816**	**637,295**	**663,792**	**698,861**	**734,224**	**773,599**	**811,983**	**846,683**	**890,461**



STATEMENT OF PROSPECTIVE CASH FLOWS

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	CASH FLOW FROM OPERATING ACTIVITIES										
	Cash will be provided from										
27,623	Rates and Service Charges	29,646	33,172	36,893	39,907	41,708	45,509	47,505	49,196	51,195	53,149
1,752	Development Contributions	918	943	971	1,210	1,243	1,277	1,336	1,372	1,409	1,447
507	Sundry Income	1,784	2,236	2,231	2,285	2,400	2,423	2,482	2,608	2,605	2,669
7,548	User Fees	7,952	9,235	9,608	9,872	9,881	10,282	11,667	11,982	12,307	12,616
11,745	Subsidies & Grants	9,877	17,811	10,825	11,680	19,723	16,064	18,039	15,664	9,305	16,394
126	Interest Income - External	211	143	70	149	123	810	639	580	507	332
4,138	Regional Council Rates	4,743	5,307	5,903	6,385	6,673	7,281	7,601	7,871	8,191	8,504
53,439	**Total Operating Cash Provided**	**55,133**	**68,846**	**66,502**	**71,489**	**81,751**	**83,647**	**89,268**	**89,273**	**85,519**	**95,110**
	Cash was applied to										
28,353	Suppliers and Employees	32,752	35,251	35,933	36,571	37,802	39,054	40,222	41,405	42,748	43,277
1,352	Interest on Public Debt	1,493	2,266	3,078	3,325	3,207	3,359	3,874	3,910	3,811	3,855
4,138	Regional Council Rates	4,743	5,307	5,903	6,385	6,673	7,281	7,601	7,871	8,191	8,504
33,843	**Total Operating Cash Applied**	**38,988**	**42,824**	**44,914**	**46,281**	**47,682**	**49,694**	**51,697**	**53,187**	**54,751**	**55,635**
19,596	**Net Cashflows from operating activities**	**16,144**	**26,021**	**21,588**	**25,208**	**34,068**	**33,952**	**37,571**	**36,086**	**30,768**	**39,475**
	CASH FLOW FROM INVESTING ACTIVITIES										
	Cash will be provided from										
18,000	Proceeds from sale of property, plant and equipment	3,097	3,242	3,041	9,633	19,193	853	454	465	477	487
18,000	**Total Investing Cash Provided**	**3,097**	**3,242**	**3,041**	**9,633**	**19,193**	**853**	**454**	**465**	**477**	**487**
	Cash will be spent on										
25,073	Purchase of property, plant and equipment	24,039	35,897	24,618	29,332	49,144	46,799	41,858	37,413	23,666	39,142
19,050	Purchase of investments	0	0	0	0	8,508	0	0	0	0	0
44,123	**Total Investing Cash Applied**	**24,039**	**35,897**	**24,618**	**29,332**	**57,652**	**46,799**	**41,858**	**37,413**	**23,666**	**39,142**
(26,123)	**Net Cashflows from investing activities**	**(20,941)**	**(32,655)**	**(21,577)**	**(19,698)**	**(38,459)**	**(45,946)**	**(41,404)**	**(36,948)**	**(23,190)**	**(38,654)**






PROSPECTIVE STATEMENT OF CASH FLOWS CONTINUED

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE									
		2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	CASH FLOW FROM FINANCING ACTIVITIES										
	Cash will be provided from										
8,377	Loans raised	9,821	12,936	5,855	5,773	13,931	13,659	5,247	3,094	1,033	1,046
8,377	Total Financing Cash Provided	9,821	12,936	5,855	5,773	13,931	13,659	5,247	3,094	1,033	1,046
	Cash will be spent on										
1,850	Repayment of public debt	4,726	5,031	5,068	10,663	10,280	2,861	2,596	2,860	2,886	3,231
1,850	**Total Financing Cash Applied**	**4,726**	**5,031**	**5,068**	**10,663**	**10,280**	**2,861**	**2,596**	**2,860**	**2,886**	**3,231**
6,527	**Net Cashflows from financing activities**	**5,094**	**7,905**	**786**	**(4,890)**	**3,652**	**10,798**	**2,651**	**234**	**(1,853)**	**(2,185)**
	NET INCREASE (DECREASE) IN CASH HELD	297	1,272	797	619	(739)	(1,195)	(1,182)	(628)	5,726	(1,364)
863	Plus opening cash balance	863	1,160	2,433	3,229	3,849	3,110	1,915	733	105	5,831
863	**Closing Cash Position**	**1,160**	**2,433**	**3,229**	**3,849**	**3,110**	**1,915**	**733**	**105**	**5,831**	**4,467**

ADDITIONAL DISCLOSURE FOR ITEMS IN THE PROSPECTIVE STATEMENT OF CASHFLOWS DUE TO THEIR SIZE AND NATURE

CASHFLOW FROM INVESTING ACTIVITIES

Proceeds from sale of property, plant and equipment

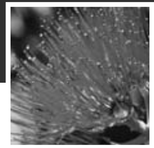
- Year 2010, 2011 and 2012 relate to predominately to the sale of pensioner housing units
- Year 2013 has $8M of proceeds form the sale of the Piripai property
- Year 2014 has $8M of proceeds from the sale of the Piripai property and $8.5M of Proceeds from the sale of Port Ohope

ANNUAL PLAN 2009 $,000		FORECAST FOR THE YEARS ENDED 30TH JUNE 2010 $,000	2011 $,000	2012 $,000	2013 $,000	2014 $,000	2015 $,000	2016 $,000	2017 $,000	2018 $,000	2019 $,000
	Cash Flow from investing activities										
	Cash will be provided from										
18,000	Proceeds from sale of property, plant and equipment	3,097	3,242	3,041	9,633	19,193	853	454	465	477	487
18,000	**Total Investing Cash Provided**	**3,097**	**3,242**	**3,041**	**9,633**	**19,193**	**853**	**454**	**465**	**477**	**487**
	Cash will be spent on										
25,073	Purchase of property, plant and equipment	24,039	35,897	24,618	29,332	49,144	46,799	41,858	37,413	23,666	39,142
19,050	Purchase of investments	0	0	0	0	8,508	0	0	0	0	0
44,123	**Total Investing Cash Applied**	**24,039**	**35,897**	**24,618**	**29,332**	**57,652**	**46,799**	**41,858**	**37,413**	**23,666**	**39,142**
(26,123)	**Net Cashflows from investing activities**	**(20,941)**	**(32,655)**	**(21,577)**	**(19,698)**	**(38,459)**	**(45,946)**	**(41,404)**	**(36,948)**	**(23,190)**	**(38,654)**

Purchase of investments

- Year 2014 includes proceeds from the sale of Port Ohope land being transferred to a reserve fund as this is a harbour asset and not used to retire district wide debt.






SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the Plan is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report consists of the financial statements of Whakatane District Council (the Council) as an individual entity.

(a) Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Entities reporting

The financial statements are for the Council as a separate legal entity.

The Council is designated as a public benefit entity for financial reporting purposes.

Statutory base

The Council is a local authority registered under the Local Government Act 2002. This Act requires compliance with New Zealand generally accepted accounting practice.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Financial Reporting Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment, investment property and biological assets subject to agricultural activity.

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

(b) Principles of consolidation

(i) Joint ventures

Jointly controlled entities

The Council and the Ministry of Transport are 50/50 venturers in Whakatane Airport, which is a jointly controlled entity. The Council's interest in this jointly controlled entity is carried at cost in the Council's financial statements.

(c) Foreign currency translation

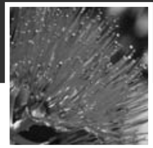
(i) Functional and presentation currency

The Council's financial statements are presented in New Zealand dollars, which is the Council's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts. Revenue is recognised as follows:

(i) Rates

Rates are recognised when levied. Penalties and discounts relating to rates are included where applicable.

(ii) Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

(iii) Licences and permits

Revenue derived from licences and permits are recognised on application.

(iv) Development & financial contributions

Development contributions that impose specific and narrowly defined obligations on the Council are recognised as liabilities and released to revenue when the liability is extinguished. Other contributions are recognised when received and no longer refundable

(v) Sales of goods

Sales of goods are recognised when the Council sells a product to the customer.

(vi) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(vii) Commission sales

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission on the transaction.

The Council collects rating revenue on behalf of Environment Bay of Plenty (Bay of Plenty Regional Council) on an ongoing basis. This income is not included in the Statement of Financial Performance as it does not belong to the Council. It is however, included as a receipt and payment in the Statement of Cash Flows.

(viii) Rental revenue

Rental revenue is recognised in the period that it relates to.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Council reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(x) Dividend income

Dividend income is recognised when the right to receive payment is established.

(xi) Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

(xii) Grants and subsidies

Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Other grants and subsidies are recognised when receivable.

(e) Income tax

The Council is exempt from income tax except Council's interest in the Whakatane Airport as a Joint Venture which is taxable and some port activities.

(f) Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Leases

(i) The Council is the lessee

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.




Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(ii) The Council is the lessor

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

(h) Impairment of assets

Items of property, plant and equipment and intangible assets with finite useful lives are reviewed at each balance sheet date to determine whether there is any indication that the asset might be impaired. Where such an indication exists, the asset is tested for impairment by comparing its carrying value to its recoverable amount. Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill are tested for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Where the future economic benefits of the asset are not primarily dependent on its ability to generate net cash inflows, and where the Council would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost, adjusted when applicable for any loss of service potential.

(l) Non current assets held for sale

Non current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset is recognised at the date of derecognition.

Non current assets are not depreciated or amortised while they are classified as held for sale.

Non current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(m) Investments and other financial assets

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date   the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss   is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Council designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed. Movements in the hedging reserve in shareholders' equity are shown.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, plant) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Council is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(p) Property, plant and equipment

Property, plant and equipment consists of:

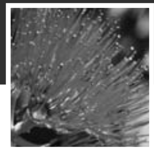
- Infrastructural assets, which are the fixed utility systems owned by Council. Each asset type includes all items that are required for the network to function (for example wastewater reticulation includes reticulation piping and wastewater pump stations).
- Restricted assets, which are buildings, parks and reserves owned by the Council, which cannot be disposed of because of legal or other restrictions, and provide a benefit or service to the community.
- Other assets, which include land, buildings, plant, library books, artefacts, equipment and motor vehicles.

Items of property, plant and equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

Infrastructural assets are revalued annually by external independent valuers.

Land and buildings (except for investment properties) are shown at fair value (which is based on periodic valuations by external independent valuers that are performed with sufficient regularity to ensure that the carrying value does not differ materially from fair value) less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revalued assets are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Depreciation commences when the asset is available for use.

The expected lives, in years, of major classes of fixed assets are as follows:

OPERATIONAL ASSETS:	
Artefacts	N/A
Land	N/A
Buildings	40-100
Vehicles	5
Plant and machinery – heavy	8-12.5
Plant and machinery – light	2-5
Furniture and fittings	10

OPERATIONAL ASSETS:	
Library Books	7
Office equipment (including IT)	2-7
Infrastructure Assets:	
Roading	
Land – road reserve	N/A
Road formation	To be assessed
Pavement base course	22-90
Sealed pavement surface	2-20
Unsealed roads	2-7
Traffic control device	50
Road signs and markers	7-15
Kerbs and channels and cesspits	40-60
Surface water channel	15-50
Street railings	10-20
Traffic islands	50
Street lighting	10-50
Footpaths	20-50
Bridges – concrete	100
Bridges – wooden	30
Car-parks	50
Wharves (concrete)	50
Water:	
Treatment plant – structure	70-90
Treatment plant – contents	15-50

OPERATIONAL ASSETS:	
Pump stations – structure	80-100
Pump stations – contents	10-50
Reservoirs – concrete and wooden	70-90
Water lines and service lines	50-80
Valves and hydrants	30-65
Water meters	15-25
Sewer:	
Sewer lines and service lines	60-80
Manholes	70-80
Pump station – structure	60-70
Pump station – contents	12-25
Ponds – structure	60
Ponds – plant and equipment	15-25
Stormwater:	
Stormwater lines	80
Manholes	70-80
Open drains and channels	50-90
Pump stations – structure	80-100
Pump station – contents	12-40
Retention dams	80-90
Floodgates	50
Refuse:	
Whakatane landfill	8.5




The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Council policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(q) Investment property

Investment property is held for long term rental yields and capital appreciation and is not occupied by the Council or held to meet service delivery objectives.

Properties leased to third parties under operating leases will generally be classified as investment property unless:

- the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation
- the occupants provide services that are integral to the operation of the owner's business and/or these services could not be provided efficiently and effectively by the lessee in another location
- the property is being held for future delivery of services
- the occupier uses services of the owner and those services are integral to the reasons for their occupancy of the property.

Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in the income statement as part of other income.

(r) Intangible assets

(i) Computer software

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the period of the expected benefit, which varies from 3 to 10 years.

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

Cost associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives not exceeding 10 years.

(ii) Easements

Easements are recognised at cost, being purchase price and any directly attributable costs in bringing the asset to its intended use. Easements have an indefinite useful life and consequently are not amortised, but are instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

(s) Biological assets

(i) Forests

Forest assets are predominantly standing trees which are managed on a sustainable yield basis. These are shown in the balance sheet at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forest assets are included in the income statement together with the change in fair value for each accounting period.

The valuation of forests is based on discounted cash flow models where the fair value is calculated using cash flows from continued operations; that is, based on sustainable forest management plans taking into account growth potential. The yearly harvest from forecast tree growth is multiplied by expected wood prices and the costs associated with forest management, harvesting and distribution are then deducted to derive annual cash flows.

The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational and market restrictions. Forest assets are valued separately from the underlying freehold land.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. All borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Provisions

Provisions are recognised when: the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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.

(i) Landfill post-closure costs

The Council, as operator of the Whakatane and Murupara landfills, has a legal obligation under the resource consent, to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure costs arises.

The provision is based on all the costs involved to remediate and monitor the landfill post-closure. A provision has been made for those old landfill sites now closed in Te Teko, Matata, Taneatua, Awatapu and Murupara.

Provision is made for the present value of closure and post-closure costs. The calculations assume no change in the legislative requirements or technological changes for the closure and post-closure treatment. The discount rate used reflects current market assessments of the time value of money.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits. Components of the capitalised landfill asset are depreciated over their useful lives, generally being the life of the landfill or a particular cell.

(w) Employee benefits

(i) Wages & salaries, annual leave & sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave and gratuities

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The council does not have any gratuities payable.

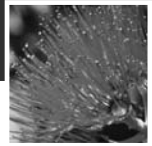
(iii) Retirement benefit obligations

The council currently has one employee on a defined benefit scheme. Under the defined benefit scheme, the employee is entitled to benefits on retirement, disability or death from the Council's multi-employer benefit scheme. The Council has insufficient information and cannot follow defined benefit accounting, so the scheme is accounted for as a defined contribution plan. Contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset if a cash refund or a reduction in the future payments is available.

(x) Public equity

Public equity is the community's interest in the Council as measured by the value of total assets, less total liabilities. Public equity is segregated and classified into a number of reserves to enable clearer identification of the specified uses the Council makes of its accumulated surpluses.






Reserves are a component of equity generally representing a particular use for which various parts of equity have been assigned.

- 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. Restricted reserves may be legally restricted. Transfer from these reserves may be made only for certain specified purposes or if certain specified conditions are met.
- Council-created reserves are part of the accumulated balance and are established at the will of the Council. 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.
- Asset revaluation reserves are where land, buildings and forestry have been revalued, with the increase in asset value being credited to an asset revaluation reserve.

(y) Internal transactions

Each significant activity is stated after the recording of internal costs and revenues. In order to present a true and fair view in the cost of services statements of Council, the support service costs have been fully allocated to the activities. This method has no effect on the operating result for the year. All significant internal transactions have been eliminated in the financial statements.