Financial Prudence Benchmarks

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Amended Long-term plan disclosure statement for period commencing 1 July 2016

What is the purpose of this statement?

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

The Council is required to include this statement in its amended long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

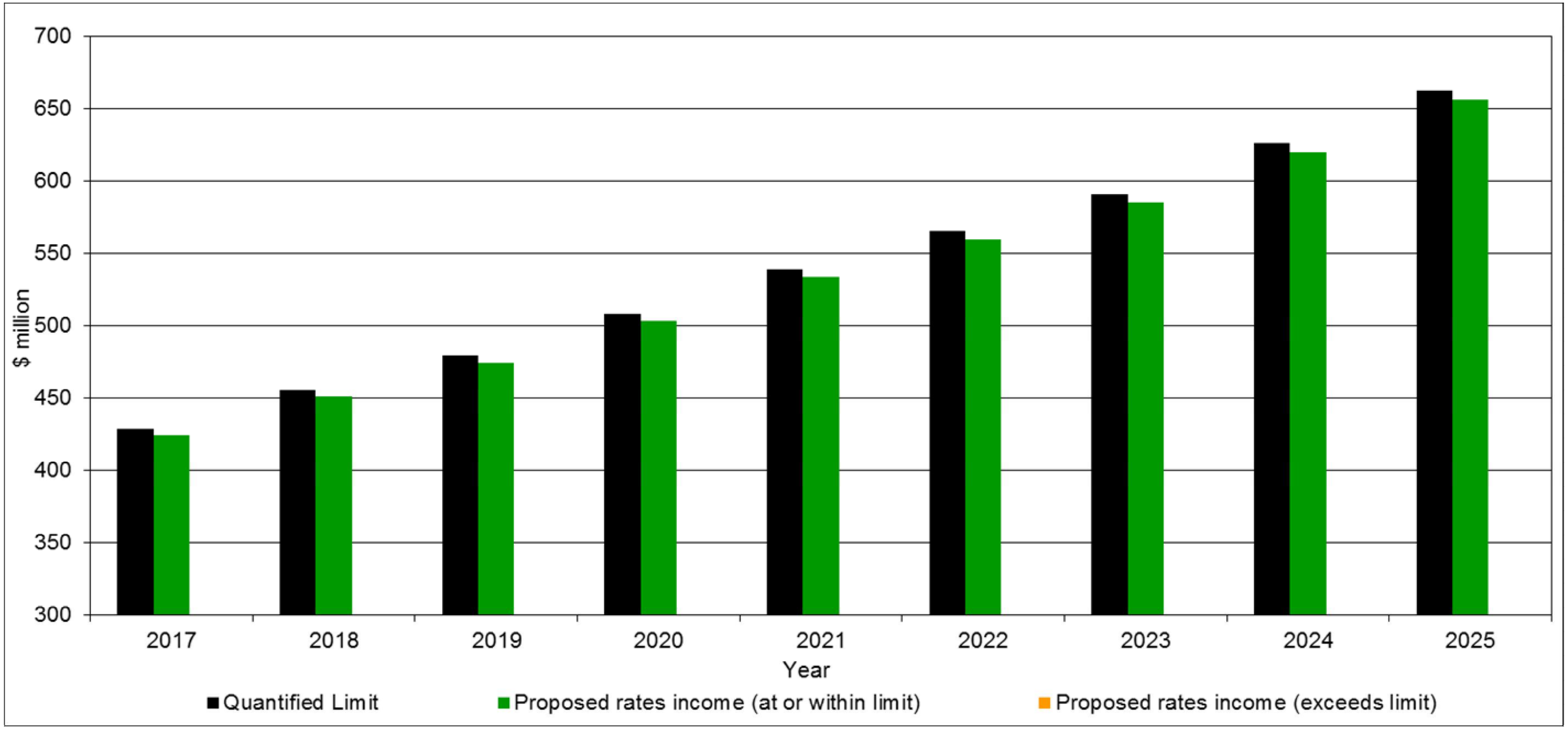
Rates affordability benchmark

The Council meets the rates affordability benchmark if—

- its planned rates income equals or is less than each quantified limit on rates; and
- its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

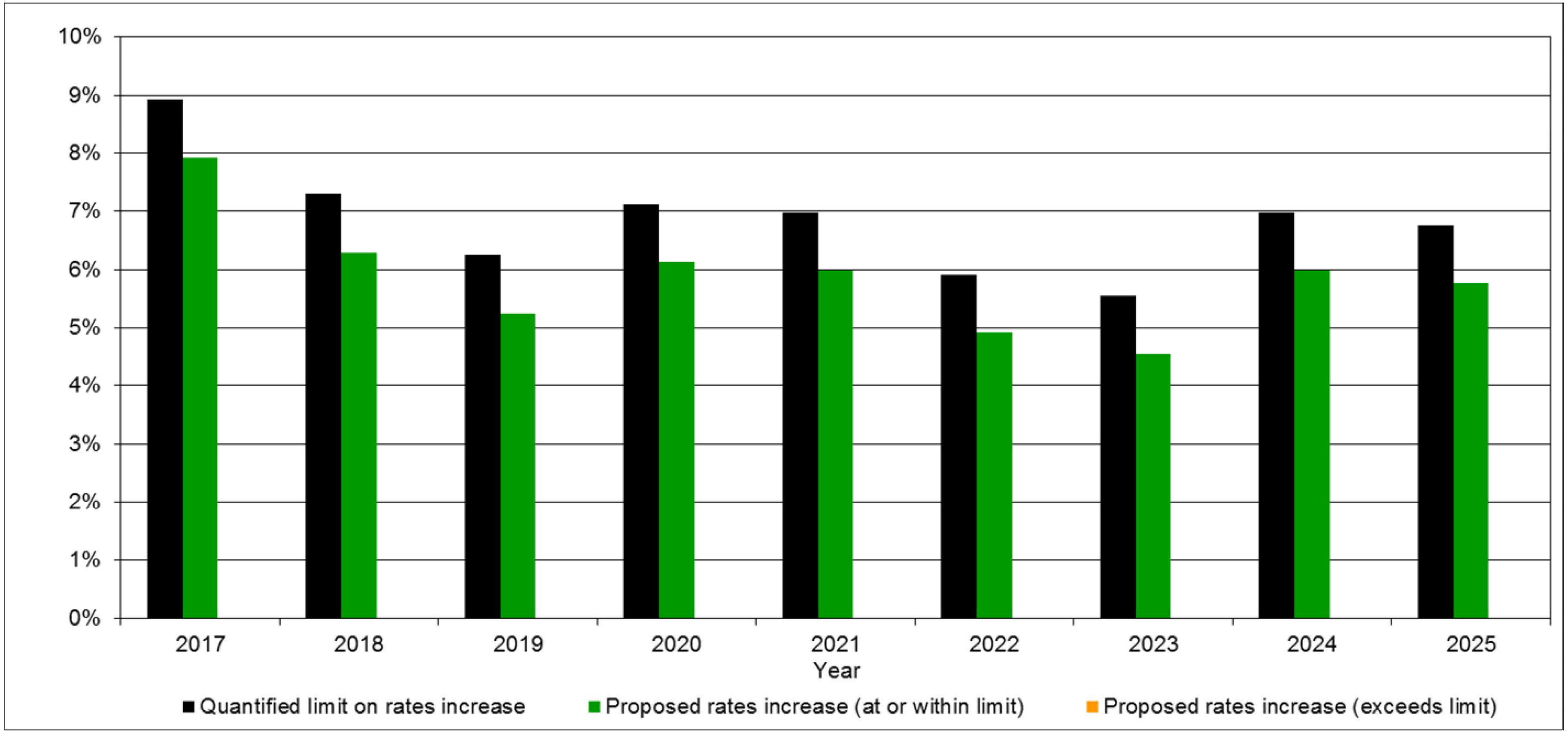
The following graph compares the Council's planned rates with a quantified limit on rates contained in the financial strategy included in this amended long-term plan.
The quantified limit is set at 1% above the rates income contained in the plan's financial strategy.



Rates (increases) affordability

The following graph compares the Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this amended long-term plan.

The quantified limit is set at 1% above the nominal year on year increase in rates income contained in the plan's financial strategy.

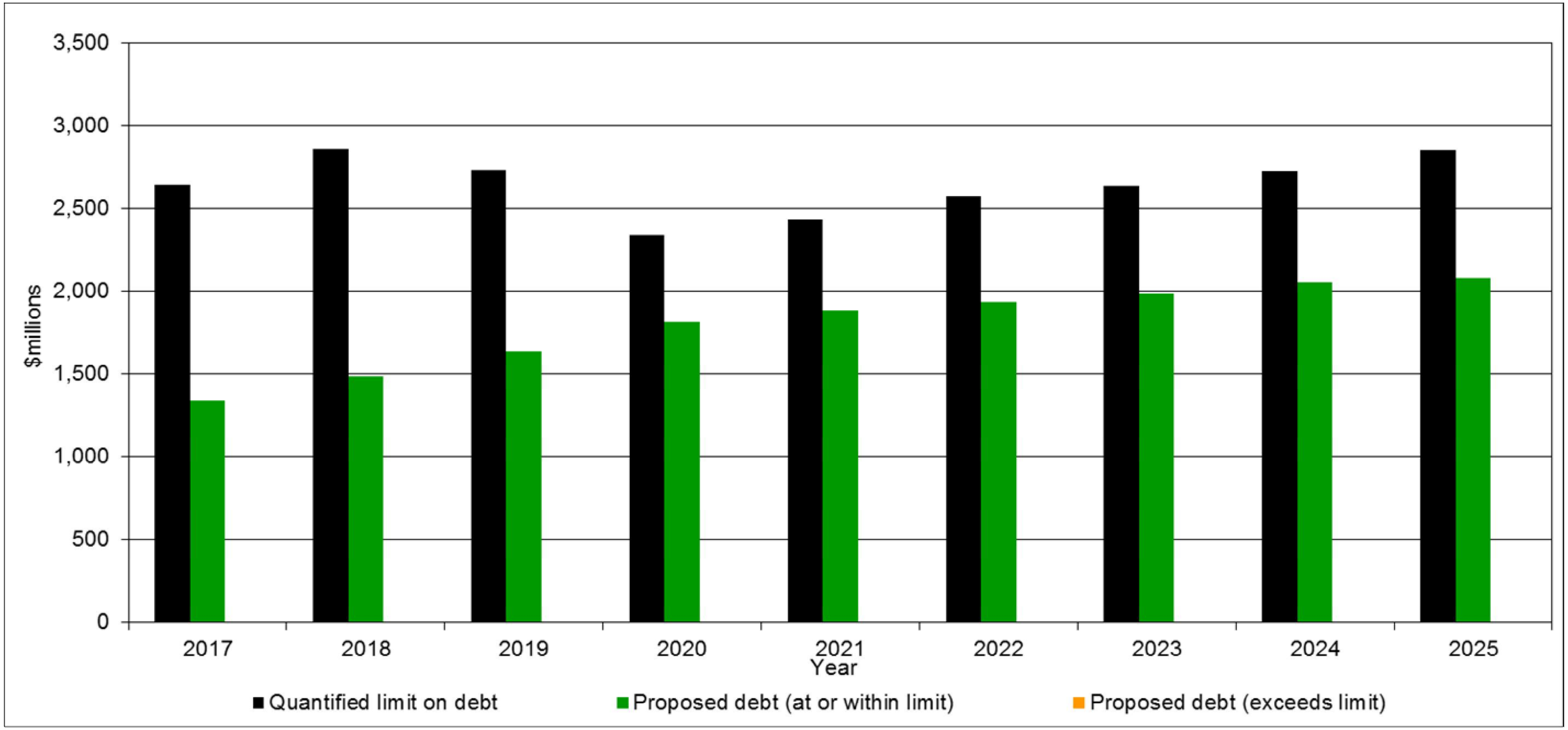


Debt affordability benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing. The Council has six measures for debt affordability and these are set out below.

Total borrowing

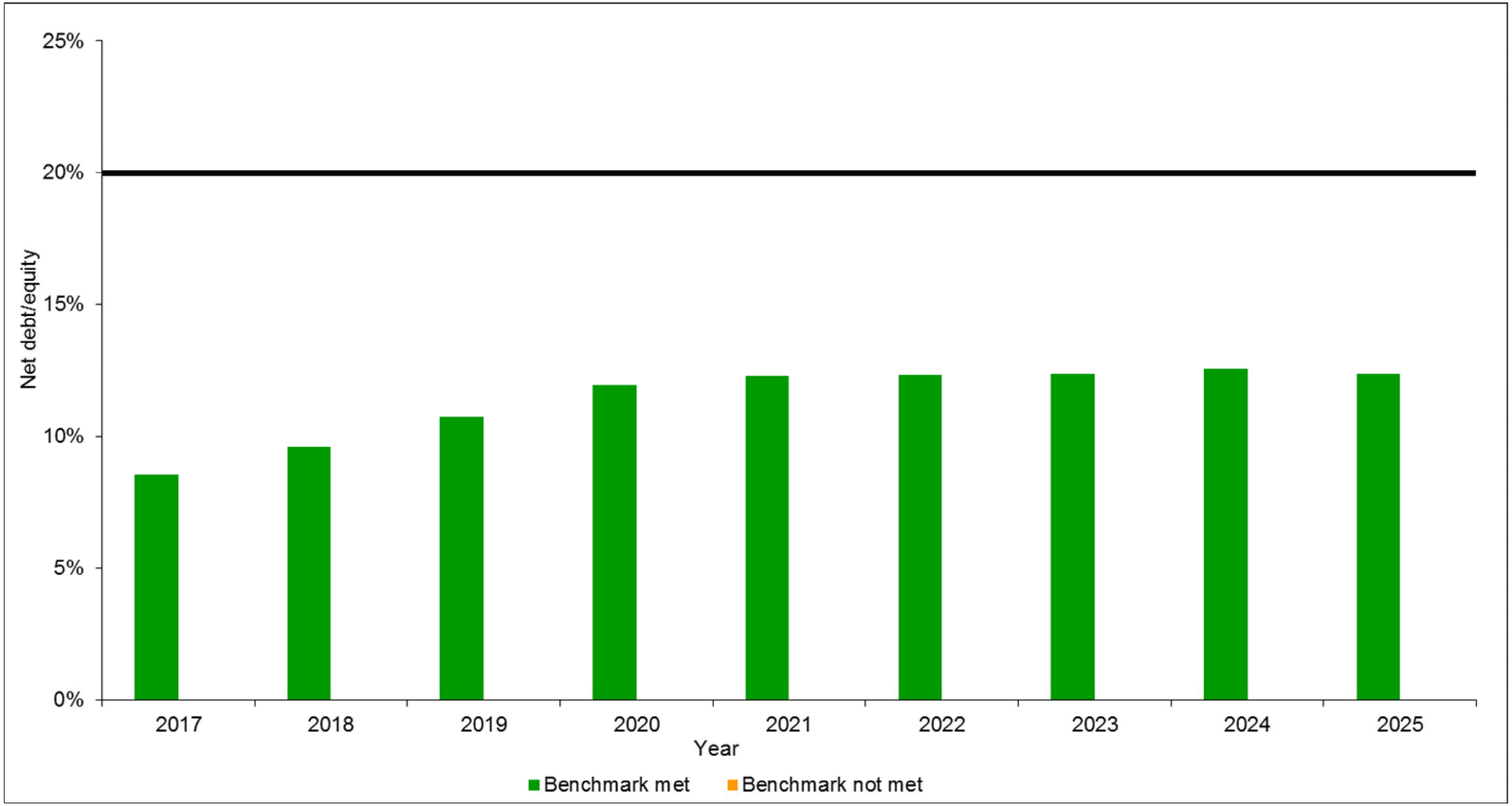
The following graph compares the Council's planned borrowing with a quantified limit on borrowing contained in the financial strategy included in this amended long-term plan.
The quantified limit on borrowing has been set at 250% of the net debt to revenue ratio.



Net debt as a percentage of equity

The following graph compares the Council's planned net borrowing with a quantified limit stated in the liability management policy included in this amended long-term plan.

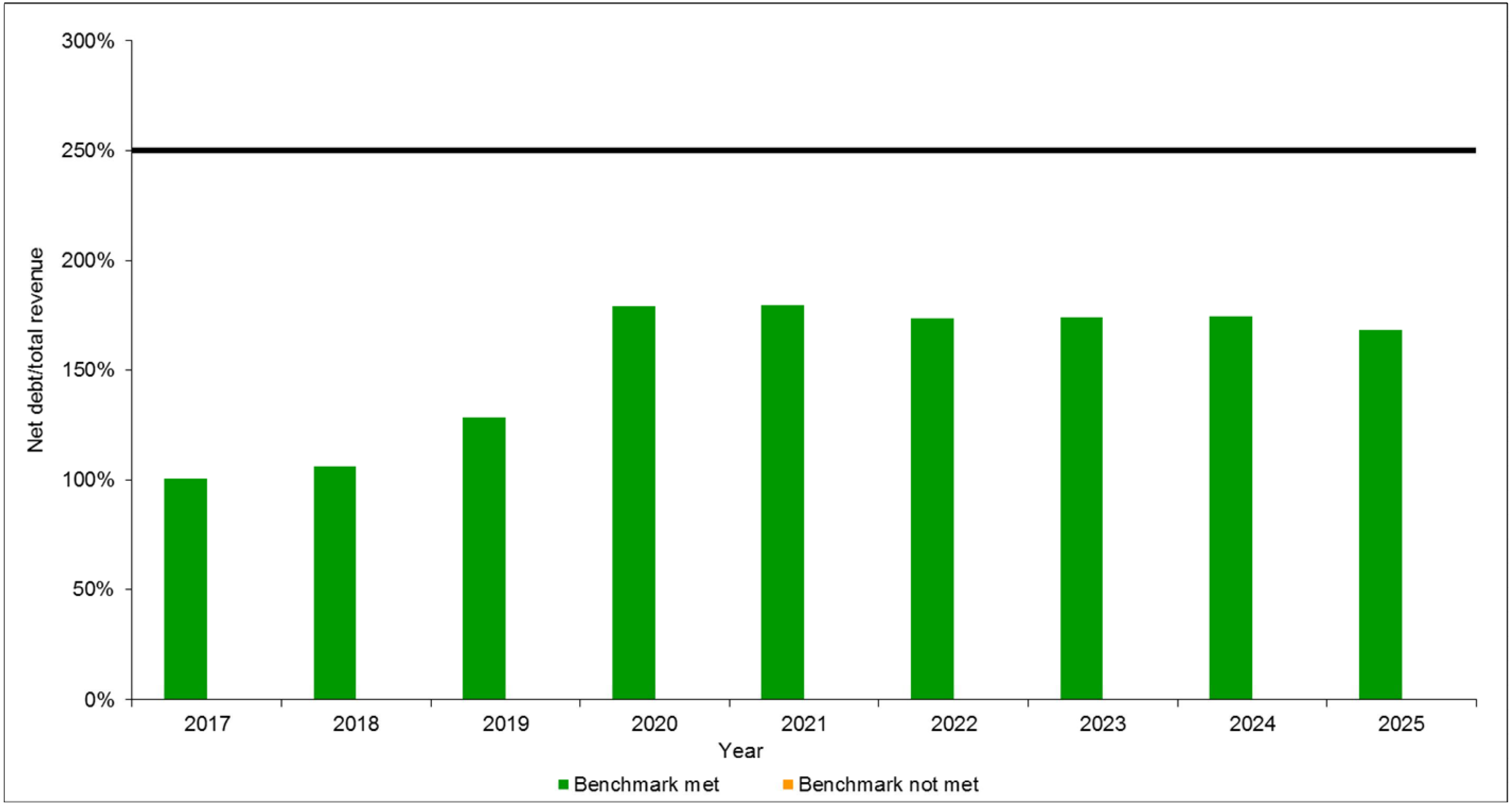
The quantified limit is net debt (comprised of total borrowings less liquid assets and investments) as a percentage of equity being less than or equal to 20%.



Net debt as a percentage of total revenue

The following graph compares the Council's planned net borrowing with a quantified limit on borrowing stated in the financial strategy included in this amended long-term plan.

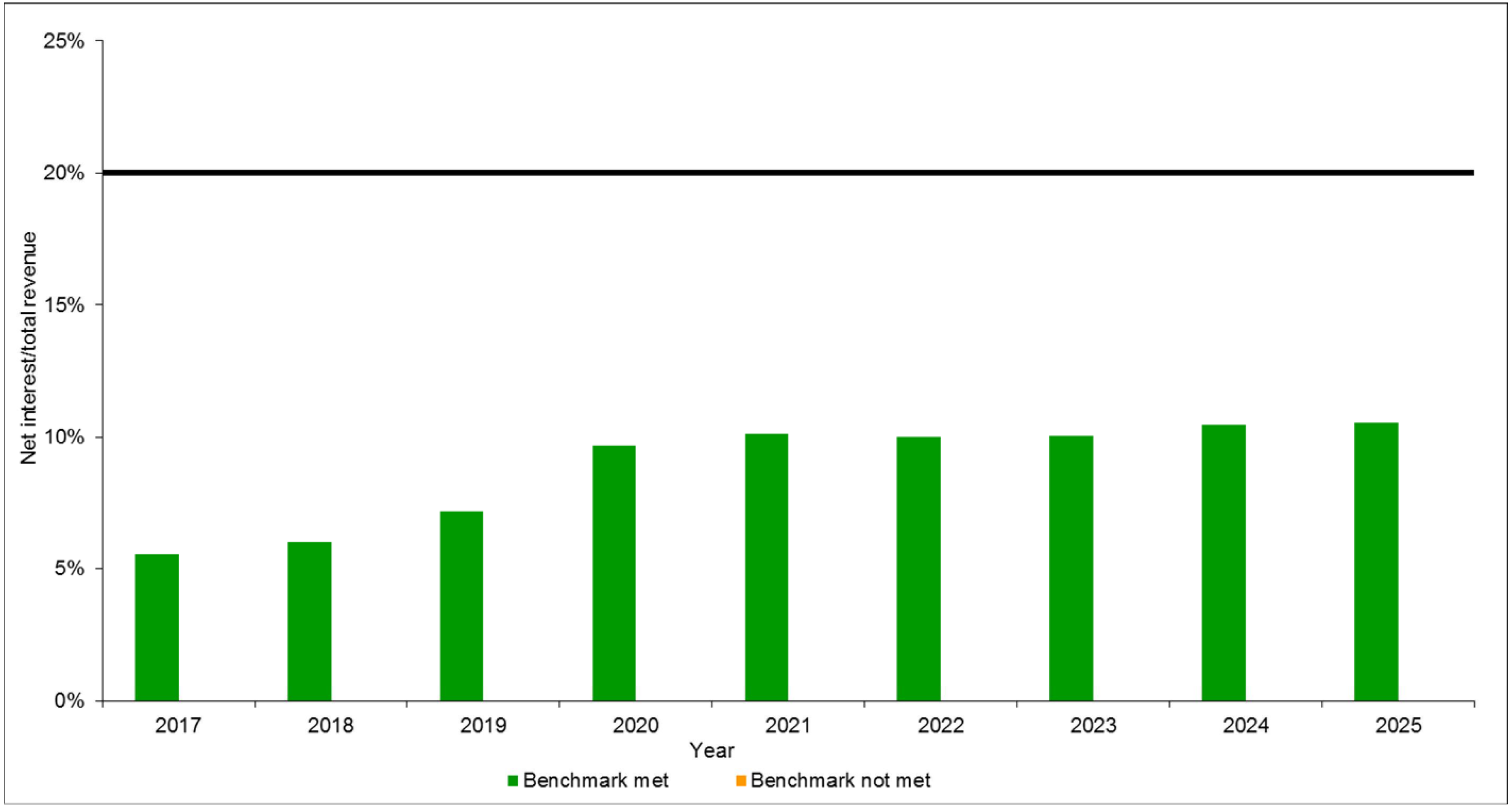
The quantified limit is net debt as a percentage of total revenue being less than or equal to 250%.



Net interest as a percentage of total revenue

The following graph compares the Council's planned net interest with a quantified limit stated in the liability management policy included in this amended long-term plan.

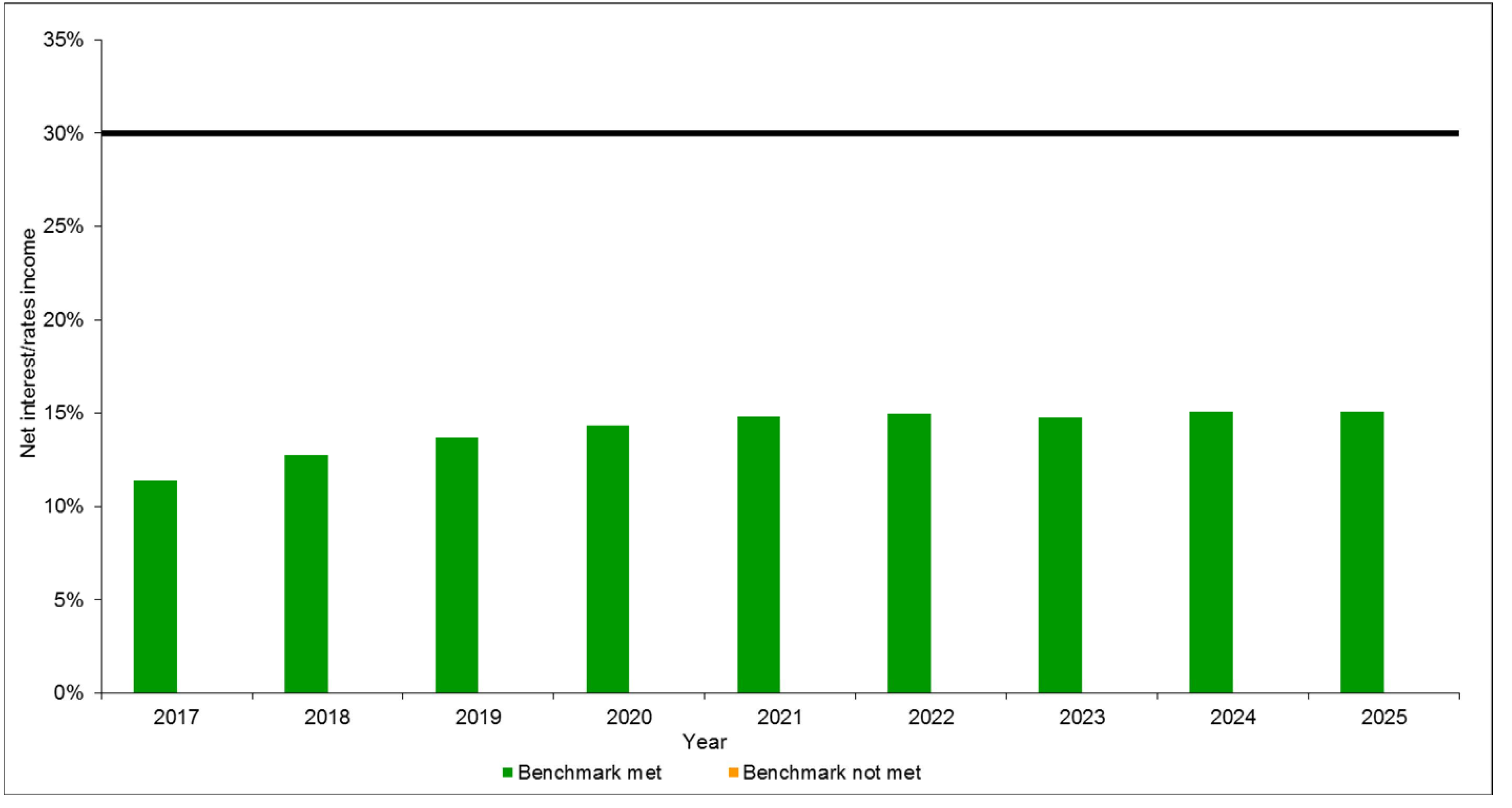
The quantified limit is net interest as a percentage of total operating revenue being less than or equal to 20%.



Net interest as a percentage of annual rates income

The following graph compares the Council's planned net interest with a quantified limit stated in the liability management policy included in this amended long-term plan.

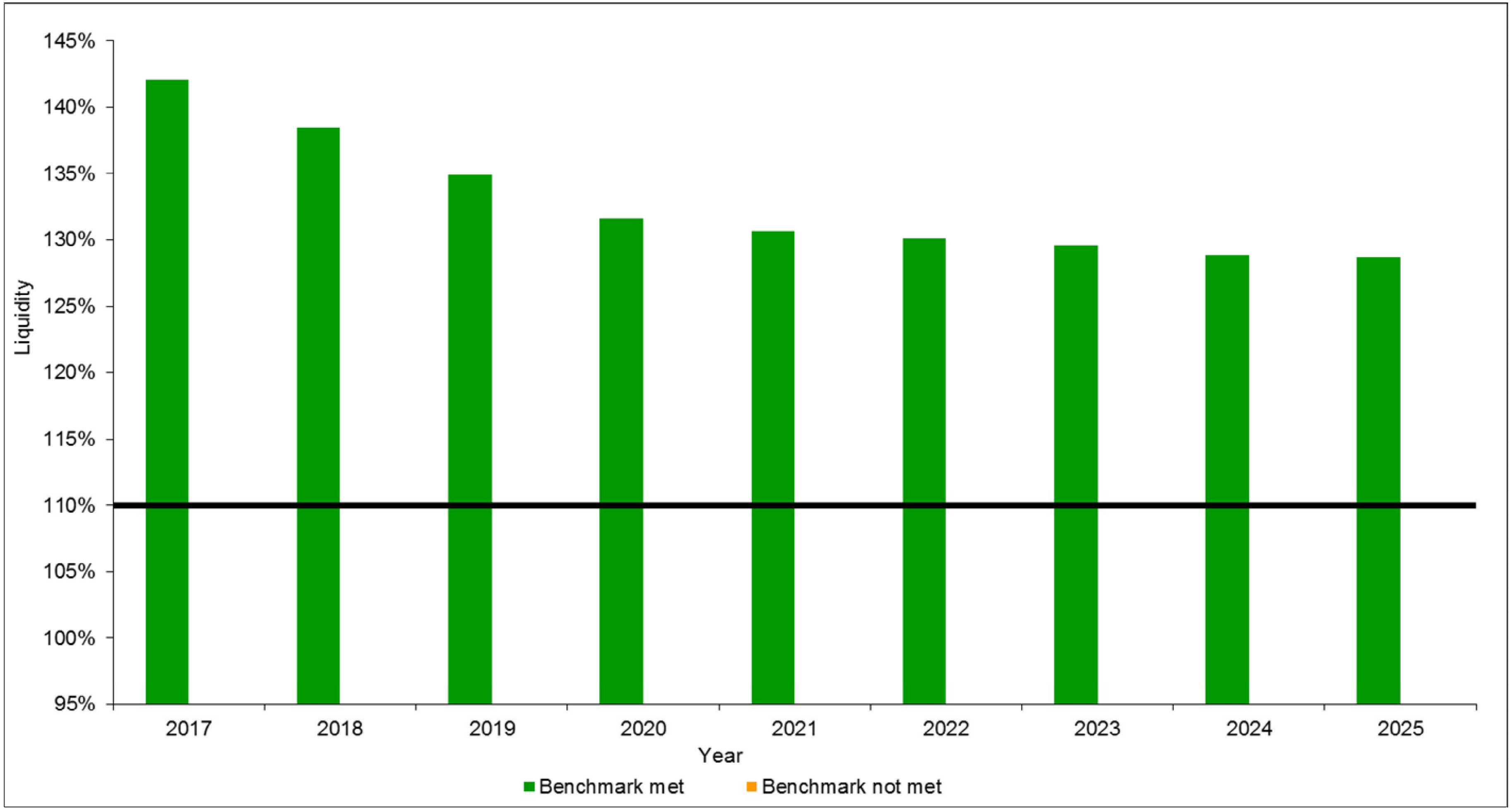
The quantified limit is net interest as a percentage of annual rates income being less than or equal to 30%.



Liquidity

The following graph compares the Council's planned net borrowing with a quantified limit stated in the liability management policy included in this amended long-term plan.

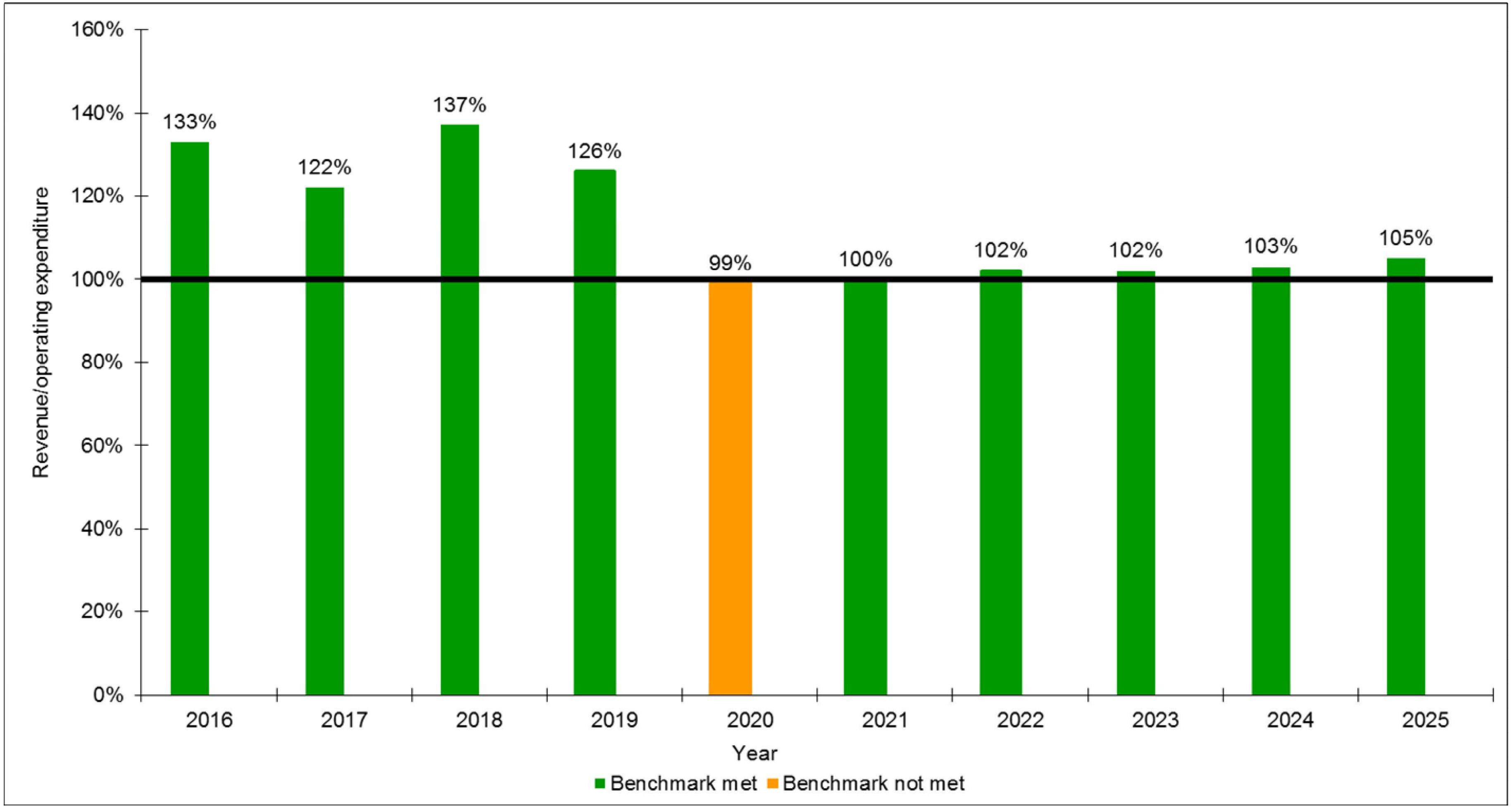
The quantified limit is liquidity being equal to or greater than 110%. For debt affordability liquidity is calculated as total borrowings including committed but undrawn facilities plus liquid assets and investments compared to total term borrowings.



Balanced budget benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, and equipment).

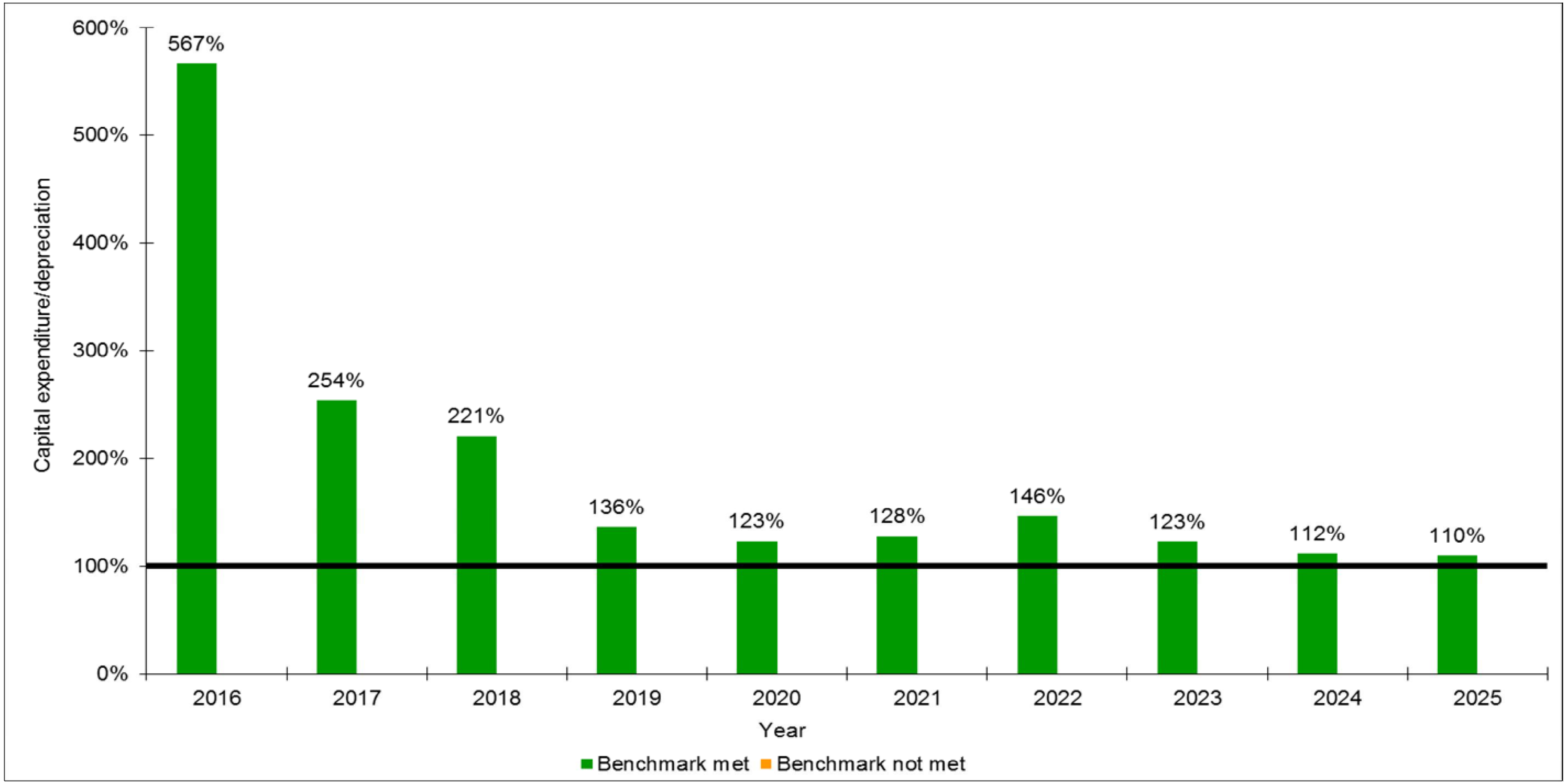
The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

The high proportion of capital expenditure to depreciation in the first years of the plan reflects the impact of the rebuild. The ratio normalises in later plan years.



Debt servicing benchmark

The following graph displays the Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment).

Because Statistics New Zealand projects the Council's population will grow faster than the national population is projected to grow from 2016 to 2018, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue. From 2019 onwards Statistics New Zealand projects the Council's population will grow more slowly than the national population, therefore it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

The Council forecasts to exceed this benchmark from 2020 due to the amount of borrowing required to fund the rebuild. Council will remain within the debt affordability benchmarks.