

PART TWO SECTION 1

Financial and Rating Information

HERE YOU CAN SEE WHAT ASSUMPTIONS
HAVE BEEN MADE IN PREPARING THE
FINANCIAL INFORMATION. YOU'LL ALSO
SEE DETAILS ABOUT THE RATING SYSTEM.



Corporate and Financial Assumptions

Population and Household Growth

Assumption:

A population growth assumption of 0.8% annual growth has been used. This is based on the Statistics New Zealand 2006 – 2031 medium population growth projections for Palmerston North. These population projections assume a change in the composition of the city population:

- 0.4% average annual growth in the population aged 0 – 39 years
- 0.6% average annual growth in the population aged 40 – 64 years
- 2.9% average annual growth in the population aged 65 years and over.

Asset Management Plans (AMPs) also take account of projected growth in the number of households in the city. This is projected to remain constant at 1.0% per annum, with average household size projected to decline as population growth slows over the period from 2009 to 2019.

Risk:

Growth does not meet the assumption.

Level of uncertainty:

Medium

Reasons and financial effect of uncertainty:

If the increases are less than predicted then some projects will not go ahead and expenditure will be lower than forecast. If population growth is higher than predicted, then some projects will go ahead earlier than forecast and expenditure will be higher than forecast.

Societal Change

Assumption:

That there will be no long term significant economic or social threats such as increased unemployment, homelessness, lack of income or reduced personal well-being which adversely affects residents as a result of the current worldwide economic crisis.

That any change in the makeup of the City's population in terms of ethnicity or age will be gradual and have minimal impact on the activities to be provided by the Council.

Risk:

That the worldwide economic crisis will be a significant threat to people in Palmerston North.

That the change to the ethnicity or age of the City's population will be more significant than current projections.

Level of uncertainty:

Medium/Low

Reasons and financial effect of uncertainty:

The impact of the worldwide economic crisis is unknown. As a people focused Council the impact and affects on residents will be monitored.

Changes to the makeup of the City's population will also be monitored.

If necessary the Council has the ability to modify it's priorities through the Annual Plan process each year.

New Zealand Transport Agency Subsidy

Assumption:

For the 2009/10 year, subsidies from New Zealand Transport Agency (NZTA) have been included at the approved rate determined by NZTA. For the remaining nine years it is assumed that the level of subsidy to cost will not change.

Risk:

Changes in subsidy rate and variation in criteria for inclusion in subsidised works programmes.

Level of uncertainty:

Low

Reasons and financial effect of uncertainty:

The Government has demonstrated a long term commitment to funding roading infrastructure which meets the funding agency's benefit/cost ratios.

Revaluation of Property, Plant and Equipment Assets

Assumption:

Property, Plant and Equipment assets will be revalued using the following cycle:

- Leisure assets – years 1, 4, 7 and 10
- Roading and Parking – years 2, 5 and 8
- Water and Waste – years 2, 5 and 8
- Property – years 1, 4, 7 and 10.

The revaluation will be based on the Bureaux of Economic Research (BERL) forecasts of price level change adjusters and revaluation movements will be shown in the Statement of Financial Performance.

Risk:

Actual revaluation results differ from those in the forecast.

Level of uncertainty:

Low

Reasons and financial effect of uncertainty:

Where the actual inflation rate is different from that forecast, the actual revaluation will be different from that forecast.

The 10 Year Plan for each subsequent year is reviewed by way of the Annual Plan round and a new 10 Year Plan is produced every three years.

Asset Lives

Assumption:

Useful lives of assets is as recorded in asset management plans or based on professional advice. These are summarised in the depreciation note within the accounting policies.

Risk:

That assets wear out earlier than estimated.

Level of uncertainty:

Low

Reasons and financial effects of uncertainty:

Asset life is based on estimates of engineers, valuers and asset managers.

In the event assets need to be replaced in advance of the assumption, depreciation and interest costs may increase. The extent of the increase will depend on the nature and value of the asset.

Sources of Funds for Future Replacement of Assets

Assumption:

That adequate funding will be provided to replace assets as scheduled. The funding approach is detailed in the Revenue and Financing Policy.

Risk:

That a particular funding source is unavailable.

Level of uncertainty:

Low

Reasons and financial effect of uncertainty:

As the Council operates a central treasury function, should one source of funding be unavailable for asset replacement, a further option would be available.

Interest Rates

Assumption:

The interest rate on Term Debt is calculated at 7.5%. To allow for anticipated timing of capital expenditure, interest expenditure is provided for on only 50% of forecast new loan amounts in the year of the capital expenditure but the full amount in each year thereafter.

Interest on investments is calculated at 7.1%.

Risk:

That the interest rate will differ from those used in the calculations.

Level of uncertainty:

Medium.

Reasons and financial effect of uncertainty:

This will be managed through the Liability Management and Investment Policy. Financial markets are very volatile however the Council has hedging strategies to protect against upward movement in interest rates. The financial impact is not able to be measured.

Depreciation

Assumption:

Depreciation has been calculated on asset values at their latest revaluation date, and on additions at cost afterwards. It is assumed that:

- existing depreciation will continue
- new assets' depreciation will be the result of their estimated lives and values;
- depreciation on new and renewal programmes will impact in the year following the capital programme.

Risk:

That more detailed analysis of planned capital works once complete may alter the depreciation expense.

That asset lives may alter due to new technology improving asset lives.

Level of uncertainty:

Low

Reasons and financial effect of uncertainty:

Council has asset management planning and upgrade programmes in place. Asset capacity and condition is monitored with replacement works being planned in accordance with standard asset management and professional practices. Depreciation is calculated in accordance with normal accounting and asset management practices.

Investments and Return on Investments

Assumption:

The Council has resolved that the Long Term Investment Fund be progressively wound down and utilised to repay term debt or in substitution for new debt. The Plan assumes this will occur over a period of ten years. During that time it is assumed the Fund will achieve a return of 7.1% per annum and that there will be no market movements in the value of the Fund. This interest rate is considered appropriate because the majority of the Fund is invested in bonds which were purchased prior to the downward movement in market interest rates.

Risk:

That market conditions will not enable an orderly winding down of the Fund within the planned timeframes and returns from the Fund will be less than assumed.

Level of Uncertainty:

High

Reasons and Financial Effect of Uncertainty:

Financial markets have been very volatile. If withdrawals from the Fund are made sooner than planned then external debt will be lower than assumed. Interest income and expense will therefore be lower than assumed. The reverse will happen if withdrawals are made later than assumed.

Due to market uncertainties, investment assets, including property and forestry, have not been revalued during the 10 years.

Airport Dividend

Assumption:

A dividend of \$0.25 million per annum will be received from Palmerston North Airport Ltd.

Risk:

That the actual dividends may differ from that assumed.

Level of Uncertainty:

Medium

Reasons and Financial Effect of Uncertainty:

Palmerston North Airport Ltd's ability to pay dividends is dependent on the Company's net surplus each year. To maintain and grow its position in the market the Company currently plans significant capital expenditure. Servicing the borrowings required could impact on the Company's operating surpluses in the short to medium term. The financial effect of the uncertainty is unknown.

Forestry

Assumption:

That the majority of the Gordon Kear forest will be clearfelled and replanted during the 10 year period. Proceeds from asset realisation will be fully utilised to cover harvest costs and repay outstanding forestry encouragement loans.

Risk:

That sale proceeds and costs and timing of harvest differ from those assumed.

Level of Uncertainty:

Medium

Reasons and Financial Effect of Uncertainty:

Log prices and costs of harvest are subject to change in the market place and are difficult to predict. World economic conditions are currently volatile and uncertain meaning there is uncertainty about the ability to sell the timber within the timeframes assumed. In addition there is a shortage of skilled logging crews and trucks nationwide to harvest an increasing volume of mature forest and there is volatility in diesel prices. To mitigate risks the Council retains control over when harvest occurs. Where prices and costs of harvest are different from that forecast, the forest revenue will differ. The financial effect is not able to be measured.

Due to the uncertainties mentioned, forestry assets have not been revalued during the 10 years.

Inflation

Assumption:

2009/10 costs and revenues have been predicted. Beyond this, inflation has been included in the 10 Year Plan using the BERL forecasts of price level change adjustors, issued in September 2008, as follows:

YEAR ENDING	ROADING	PROPERTY	WATER	OTHER
Jun 2010	3.3%	2.7%	3.8%	3.5%
Jun 2011	2.9%	3.1%	3.0%	3.3%
Jun 2012	2.9%	2.6%	2.8%	2.3%
Jun 2013	2.4%	2.8%	2.7%	2.4%
Jun 2014	2.3%	2.8%	3.3%	2.1%
Jun 2015	2.2%	2.9%	2.9%	2.2%
Jun 2016	2.3%	3.0%	3.5%	2.3%
Jun 2017	2.4%	2.6%	3.1%	2.3%
Jun 2018	2.4%	2.2%	3.2%	2.4%
Jun 2019	2.2%	2.3%	3.3%	2.5%

BERL issued updated forecasts in March 2009 but these were not used as the impact of changes were not material.

Due to the level of uncertainty surrounding the government's future intentions no specific additional provision has been made to cover any possible effects of the application of the NZ Emissions Trading Scheme.

Risk:

That actual inflation differs from that predicted and that decisions are made based on predicted inflation levels.

Level of Uncertainty:

Medium

Reasons and Financial Effect of Uncertainty:

Where the actual inflation rate is different from that forecast, the cost of projects and expenditure will be different from that forecast. In the two years following the adoption of the 10 Year Plan this will be addressed through the Annual Plan process and in the third year a new 10 Year Plan is produced.

Emissions Trading Scheme

Assumption:

That the NZ Emissions Trading Scheme (ETS) will be retained in a form similar to that contained in the legislation passed in 2008.

Risk:

That the current review being undertaken will lead to changes in the legislation.

Level of Uncertainty:

High

Reasons and Financial Effect of Uncertainty:

The national lead government has signalled that it supports the need for an emissions trading scheme as the best form of regulation to reduce carbon-based emissions in the most economically efficient way. However it has established a special select committee to review the present ETS with particular emphasis on the major issues raised at the time the legislation was passed.

The Council owns pre-1990 forests and the 10 Year Plan assumes these will be replanted. No provision is made for any potential free allocation of emission units from forest ownership.

Due to the level of uncertainty surrounding the government's future intentions no specific additional provision has been made to cover any possible effects of the application of the ETS.

Natural Disasters

Assumption:

That there will be no significant natural disasters such as storms, floods, earthquakes and volcanic eruptions which damage City infrastructure.

Risk:

That there will be a significant natural disaster.

Level of Uncertainty:

Low

Reasons and Financial Effect of Uncertainty:

The Council contributes to the Local Authority Protection Programme, a fund designed to cover 40% of the repair costs to damaged infrastructure. In certain circumstances Central Government may fund the remainder of the costs. However roads and bridges are not covered by this programme with the only relief available being from NZ Transport Agency who fund some of these repair costs.

Arena Manawatu

Assumption:

That legislation will be passed which enables Arena Manawatu (The Showgrounds Board of Control) to be disestablished and the management and control of the land to be transferred to the Council effective from 1 July 2009.

Risk:

That the legislation will not be passed by 1 July 2009.

Level of Uncertainty:

Medium

Reasons and Financial Effect of Uncertainty:

The Bill to give effect to the change is before Parliament but the rate of progress toward enactment is out of Council's control. Budgets have been prepared on the assumption that the change will occur from 1 July 2009. If this does not occur the Arena Board will continue to incur the operating costs and receive the operating revenue and the Council will pay a grant to meet the operating deficit. There will be no net impact on the Council's operating position.

Services provided by Council

Assumption:

Unless otherwise stated in the individual activity sections, service levels are generally assumed to remain the same. Increases to service levels are shown in the individual activity sections as operating and capital programmes. It has been assumed there will be no unexpected changes to legislation or other external factors that alter the nature of services provided by Council.

Risk:

That there will be some unexpected change to legislation or other factors.

Level of Uncertainty:

Medium

Reasons and Financial Effect of Uncertainty:

In the past changes have usually taken time to be developed then passed into legislation. The new government is moving quickly to introduce changes to reflect their policies and these could impact on the Council's operations. Possible changes have been signalled to the Emissions Trading legislation and the Resource Management legislation. The impact is unknown at this stage.

Climate Change

Assumption:

That any climate changes will not be significant during the 10 Year Plan period.

Risk:

That changes to climate will be more significant than assumed.

Level of Uncertainty:

Low

Reasons and Financial Effect of Uncertainty:

Climate change is a long term phenomenon.

Council monitors changing weather patterns and takes this into account in designing new and upgraded infrastructure.

Resources Consents

Assumption:

Conditions of resource consents held by the Council will not be altered significantly except for the wastewater ponds in Ashhurst and Aokautere.

Risk:

That other resource consent conditions are altered.

Level of Uncertainty:

Low

Reasons and Financial Effect of Uncertainty:

Council's significant resource consents do not expire until beyond the 10 Year Plan period and there is a low likelihood that the Horizons Regional Council's 'One Plan' will require standards significantly higher than the present ones. The budgets include provision to upgrade the Ashhurst and Aokautere wastewater disposal systems.

Continuity of External Funding

Assumption:

Unless otherwise stated in the individual Activity sections, it is assumed that external funding sources will continue at present levels for the duration of the 10 Year Plan. The most significant of these is funding from NZTA for roading and transportation.

Risk:

That qualifying criteria or subsidy rates will be changed.

Level of Uncertainty:

Low

Reasons and Financial Effect of Uncertainty:

Qualifying criteria and subsidy ratios have traditionally been very stable and there is no indication they are likely to be changed. In the event they are, the Council will reassess its commitment to undertake the projects concerned.

Turitea Windfarm

Assumption

That any revenue received from Mighty River Power pursuant to a contract relating to the lease of land in the Council's Turitea water reserve will be used for the purposes outlined in the Reserves Act 1977. Any expenditure proposals to utilise the revenue will be the subject of a specific resolution of the Council. The proposed lease enables Mighty River Power to operate a windfarm from the site provided they are successful in obtaining the necessary resource consents. No revenue has been included in the 10 Year Plan and no expenditure programmes utilising this revenue have been included.

Risk

That Mighty River Power will not be successful in obtaining the necessary resource consents.

Level of Uncertainty

High

Reasons and financial effect of uncertainty

As the resource consent process is complex and there is a high level of uncertainty as to its outcome the Council has taken a conservative approach and not included any lease income in the 10

Year Plan. In the event Mighty River Power does receive consent it will take a considerable period to construct the windfarm. It is therefore unlikely the Council will receive any lease income for at least two years. Due to the restrictions on the use of any lease revenue, the revenue if received will have only minimal impact on the day to day operations of the Council. Proposals for utilising the revenue will be separately considered by the Council if the revenue source becomes more certain.

Weathertightness ('Leaky') Homes Claims

Assumption

That the Council will continue to receive claims in relation to leaky homes and that it will be required to pay contributions toward settlement of up to \$1 million pa over the next three years reducing thereafter.

Risk

That the number of claims and/or the level of settlement per claim varies significantly from the levels assumed.

Level of Uncertainty

High

Reasons and financial effect of uncertainty

The Council has reviewed the number of claims and potential claims lodged with the Council and the Weathertighthomes Resolution Service. There has been an increase in the number of these during 2008 and 2009. Recent changes to the Council's liability insurance arrangements through RiskPool mean Council's exposure to new leaky homes claims will be higher after 1 July 2009. The Council has included a Regulatory activity operating programme in the 10 Year Plan to fund claims and associated costs from rates. If the Council is faced with paying more than budgeted in any particular year it will determine at the time whether it has the financial capacity to fund from operations or whether short term borrowing will be required. The appropriateness of the level of expenditure assumed will be reviewed in each year's Annual Plan.

Statement of Accounting Policies

Reporting Entity

The Palmerston North City Council (the Council) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The financial statements in the 10 Year Plan are those of the Council as a separate legal entity and not of the Council group.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZIFRS).

Basis of Preparation

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructural assets, investment property, biological assets and certain financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Council is New Zealand dollars.

Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Significant Accounting Policies

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intra-group balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries

The Council consolidates as subsidiaries in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities

incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of financial performance.

The Council's investment in its subsidiaries are carried at cost in the Council's own "parent entity" financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

For jointly controlled assets, the Council recognises in its financial statements its share of jointly controlled assets, the liabilities and expenses it incurs, its share of liabilities and expenses incurred jointly, and income from the sale or use of its share of the output of the joint venture.

Revenue

Revenue is measured at the fair value of consideration received or receivable. Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on that transaction.

Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Government subsidies

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

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sale of goods

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

Vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

Interest and dividends

Interest income is recognised using the effective

interest method. Dividends are recognised when the right to receive payment has been established.

Development contributions

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

Development contributions are classified as part of "Other Revenue".

Borrowing costs

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

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt

of the grant application and are recognised as expenditure when a successful applicant has been notified of the the Council's decision.

Income Tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to

ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Financial assets

Financial assets and liabilities are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance.

Purchases and sales of investments are recognised on trade-date, the date on which the Council commits to purchase or sell the asset. 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.

The Council classifies its financial assets into the following categories:

- fair value through profit or loss
- held-to-maturity investments
- loans and receivables
- fair value through equity.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges (The Council does not hedge account). Assets in this category are classified as current assets unless settlement is beyond twelve months and in managements assessment are likely to be held to maturity.

A financial asset is designated at fair value through profit or loss at inception if acquired principally as part of a group of financial assets which is managed and its performance is evaluated on a fair value basis. Assets in this category are classified as non-current assets as they are not expected to be realised within 12 months of the balance sheet date. Assets in this category include the Long Term Investment Fund on the basis that they are managed and their performance is evaluated on a fair value basis in accordance with the Council's approved Liability Management and Investment Policy.

After initial recognition they are measured at their fair values with gains or losses on re-measurement recognised in the statement of financial performance.

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 are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. the Council's loans and receivables comprise cash and cash equivalents, trade and other receivables, term deposits, community and related party loans.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Loans to community organisations made by the Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of financial performance as a grant.

Held to maturity investments

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

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Assets in this category include the directly held NZ bonds as part of the Long Term Investment Fund on the basis that they are intended to be held to maturity.

Financial assets at fair value through equity

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. The Council's financial assets at fair value through equity includes:

- Investments that the Council intends to hold

long-term but which may be realised before maturity (i.e. unlisted shares held in Civic Assurance); and

- Shareholdings that the Council holds for strategic purposes.

The Council's investments in its subsidiary companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

Fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments (including financial assets at fair value through profit or loss) 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 discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

Impairment of financial assets

At each balance sheet date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

Impairment of a loan or receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment for all other financial assets is established when there is objective evidence that the Council will not be able to collect amounts due on original terms or there is a significant or prolonged decline in fair value of an investment. Any impairment losses are recognised in the statement of financial performance.

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 for any loss of service potential.

The amount of any write down from cost for any loss of service potential is recognised in the statement of financial performance.

Non-current assets held for sale

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

Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of financial performance.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consists of:

Operational assets – These include land, buildings, recreation and community facilities, landfill post closure, library books, heritage and art collections, plant and equipment, and motor vehicles.

Restricted assets – Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council. The infrastructure networks owned by the Council

include roading and parking, water, wastewater and stormwater networks, waste management assets. Each asset class includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

The following plant, property and equipment asset groups are revalued at least every three years to ensure their carrying amount does not differ materially from fair value:

1. roading (except land under roads) and parking network
2. water, wastewater and stormwater networks
3. parks, building property, recreation, sportsfields and community facilities.

All other asset classes are carried at depreciated historical cost.

The Council assesses the carrying values of its re-valued assets annually to ensure that they do not

differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

Land under roads are generally considered 'non tradable' due to the perpetual nature of community use. As there is no generally accepted methodology for the valuation of land under roads, the Council is not revaluing this land and will carry this at deemed cost. Under NZ IFRS the Council has elected to use the fair value of land under roads as at 1 July 2005 as deemed cost.

Accounting for revaluation

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions

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

In most instances, an item of property, plant and equipment is recognised at its cost. Borrowing costs incurred during construction of an asset have not been capitalised. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment (except as referred to in the following paragraph), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Land, land under roads, restricted assets, assets under construction, investment properties, biological assets, and the museum, art gallery and heritage assets are not depreciated.

The heritage and art collection assets of Te Manawa Museums Trust have not been depreciated, as it is the Trust's Policy to maintain the collections in its current state, in accordance with the Trust's Conservation Policy. Donated objects are recorded at fair value, or depreciated replacement cost, or nil value if considered unrealisable or irreplaceable. There is a portion of the heritage and art collection that is not formally owned by the Te Manawa Museums Trust. These assets are held and maintained by the Trust by agreement with the owners.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

Software acquisition and development

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

Costs that are directly associated with the development of software for internal use by the Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Costs associated with maintaining computer software and staff training costs are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the

asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software and licences	3-7 years
Athletic track	9 years

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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 an asset's fair value less costs to sell and value in use.

Value in use is optimised depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily

dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

The value in use for cash generating assets and cash generating units is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of financial performance.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs and takes into consideration environmental, operational and market restrictions.

Gains or losses arising on initial recognition of biological assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell are recognised in the statement of financial performance.

The costs to maintain the forestry assets are included in the statement of financial performance.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless

the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of financial performance.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Short-term employee benefits

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

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, time in lieu and sick leave.

The Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Council anticipates it will be used by staff to cover those future absences.

Long-term employee benefits

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows discounted at a current market determined rate.

Superannuation schemes**Defined contribution schemes**

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance as incurred.

Defined benefit schemes

The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is

probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability the Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion

of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if the Council assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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 date.

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Special funds reserves
- Asset revaluation reserves
- Investment fluctuation reserve and
- Fair value through equity reserve.

Special funds reserves

Special funds reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Special funds reserves may be legally restricted or created by the Council.

Special funds reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in special funds reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The Council's objectives, policies and processes for managing capital are described in a separate note to its Annual Report.

Good and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for trade and other receivables and trade and other payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Cost allocation

The Council has derived the cost of service for each significant activity of the Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or the Council's financial performance are disclosed in the note "Corporate and Financial Forecasting Assumptions".

The Rating System, Rates And Funding Impact Statement

[1] Introduction

Rating incidence is governed by the Council's Revenue and Financing Policy and its Rating Policies. This section outlines details of the present rating system used by the Council.

At various points within this section a level of rate or charge is outlined. These are indicative figures included to give ratepayers an estimate of what their level of rates is likely to be in the forthcoming year. They are not necessarily the actual figures as these will not be known until the Council's rating information database is finalised. Rates figures in this section are GST inclusive unless otherwise specified.

[2] Rating Objectives

For many years the Council has embraced the following as being its rating objectives:

- to encourage growth and confidence in the City by operating a stable, easily understood method of setting rates
- to set rates in a manner which is fair and equitable as between various ratepayers and classes of ratepayer and which is consistent with Council's planning objectives

- to ensure that all citizens contribute to the cost of providing City services by charging for use on a user pays basis where practicable
- to foster the sense of a single community by operating a common system throughout the City.

[3] Components of the Present Rating System - A Summary

The Council's rating system, designed to meet these objectives, is utilised to fund the net cost of operations and programmes outlined in the 10 Year Plan and Annual Plan. It comprises the following components:

A common system applies throughout the City.

Targeted rates, in the form of fixed charges (as proxy user charges) are made to cover the costs of those services which are identifiable by property (water supply, wastewater disposal, and rubbish and recycling). In addition significant non-residential users of water are metered and some non-residential wastewater users are charged on the basis of the number of pans.

A Uniform Annual General Charge (UAGC) is applied as a fixed amount to every rating unit within the City. It is used as a mechanism to ensure each rating unit contributes a minimum amount of the general rate and also to moderate rates on high land value properties.

A General Rate, based on the land value, is applied to each rating unit, with different rates (differentials) applying to each property category.

The categories in the Council's differential rating scheme reflect differing property use and can be broadly grouped as follows:

- Single unit residential
- Multi-unit residential
- Non-residential
- Rural and semi-serviced.

Differential surcharges (ie a higher rate in the \$) are applied to multi-unit residential and non-residential properties whilst lower rates are applied to single unit residential and rural/semi-serviced properties.

[4] Examples of Proposed Rates for 2009/10

Examples of proposed rates for 2009/10 are shown in the following table:

	LAND VALUE	ACTUAL RATES 2008/09	PROPOSED RATES 2009/10
Single unit residential			
Average	136,000	1,645	1,742
Median	112,000	1,530	1,618
Quartile 1	90,000	1,425	1,506
Quartile 3	155,000	1,736	1,839
Non-residential			
Average	584,000	10,621	11,393
Median	320,000	6,115	6,548
Quartile 1	175,000	3,640	3,886
Quartile 3	630,000	11,406	12,238
Rural & semi-serviced (>5ha)			
Average	831,000	1,274	1,404
Median	440,000	901	1,002
Quartile 1	255,000	724	812
Quartile 3	1,035,000	1,469	1,614

The three yearly revaluation of the City for rating purposes was undertaken in 2006 and those valuations will be the base for general rates set in 2009/10.

The examples should be read having regard for the following assumptions:

- the Council's total rates revenue will increase by 6.5%
- the Uniform Annual General Charge will be \$550 per rating unit (\$480 in 2008/09)
- targeted rates in the form of fixed annual charges will be applied for water supply (\$222); wastewater disposal (\$124); rubbish and recycling (\$148) (\$217, \$173, \$124 respectively in 2008/09)
- a targeted rate for wastewater disposal will be set on non-residential properties on the basis of the number of pans on the rating unit. The charge per pan will be \$124 reducing from \$173 per pan in 2008/09
- the examples shown for non-residential and rural properties do not include the charges (either fixed or metered) for water, wastewater or recycling.

[5] Components of the Rating System - More Detail

[5.1] General Rate

The Council proposes to set a general rate based on the land value of each rating unit in the City.

The general rate will be set on a differential basis based on land use (see description below), with the differential factors as shown in the following table.

GROUP CODE	BRIEF DESCRIPTION	DIFFERENTIAL (EXPRESSED AS % GROUP CODE MS)	CENTS IN \$ OF LV (ESTIMATED)
R1	Single unit residential	Balance (approx 70)	0.5129
R2	Two unit residential	120	0.8810
R3	Three unit residential	130	0.9545
R4	Four unit residential	140	1.0279
R5	Five unit residential	150	1.1013
R6	Six unit residential	160	1.1747
R7	Seven unit residential	170	1.2481
R8	Eight or more unit residential	180	1.3216
MS	Miscellaneous	100	0.7342
CI *	Non residential (Commercial/industrial)	250	1.8355
CR	Commercial research	250	1.8355
CA	Commercial accommodation	250	1.8355
FL	Rural & semi-serviced (5 Ha or more)	14	0.1028
FS	Rural & semi-serviced (0.2 Ha or less)	50	0.3671
FM	Rural & semi-serviced (Between 0.2 & 5 Ha)	30	0.2203

* In respect of multi-storey buildings in group code CI an additional surcharge shall be applied equivalent to 5% on the basic general rate (ie group code MS - miscellaneous) for each storey four and over to a maximum of 25%.

[5.2] Uniform Annual General Charge

The Council proposes to set a uniform annual general charge of \$550 (\$480 for 2008/09) on each rating unit.

[5.3] Targeted Rates

For the purposes of the targeted rates proposed below, a ‘separately used or inhabited part of a rating unit’ is defined as:

“Any part of the rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating unit must be capable of actual habitation, or actual use by persons for purposes of conducting a business.”

[5.3.1] Water Supply

The Council proposes to set a targeted rate for water supply on the basis of a fixed amount per separately used or inhabited part of a rating unit which is either connected to the scheme or for which connection is available. The charge will be set on a differential basis based on the availability of the service (either “connected” or “serviceable”). Connected means the rating unit is connected to a Council operated waterworks whilst serviceable means the rating unit is not connected to a Council

operated waterworks but is within 100 metres of such waterworks.

Rating units which are not connected to the scheme, and which are not serviceable will not be liable for this rate.

The estimated rates for the 2009/10 year are:

Connected: \$222 per part
Serviceable: \$111 per part

Instead of the above the Council proposes to set a metered water targeted rate for water supply that is based on the volume of water supplied to all rating units where the volume supplied is considered to be ‘extraordinary’ as defined in the City’s water supply bylaw. All water consumed will be charged at an estimated rate of \$0.73 per cubic metre with additional charges based on the size of the meter connection as follows:

Meter Size	Annual Charge \$
Up to 20mm	35
25mm	45
32mm	110
40mm	180
50mm	220
75mm	300
100mm	390

150mm	520
200mm	820

[5.3.2] Wastewater Disposal

The Council proposes to set a targeted rate for wastewater disposal. For residential rating units it shall be set on the basis of a fixed charge per separately used or inhabited part and for all other properties a fixed sum per rating unit. The charge will be set on a differential basis based on the availability of the service (either “connected” or “serviceable”). Connected means the rating unit is connected to a public wastewater drain whilst serviceable means the rating unit is not connected to a public wastewater drain but is within 30 metres of such a drain.

Rating units which are not connected to the scheme, and which are not serviceable will not be liable for this rate.

The estimated rates for the 2009/10 year are:

Connected: \$124 per part
Serviceable: \$62 per part

In addition for the 2009/10 year the Council proposes to set a targeted rate for non-residential rating units of \$124 per pan for each pan in excess of three.

[5.3.3] Rubbish and Recycling

The Council proposes to set a targeted rate for rubbish and recycling on the basis of a fixed amount per separately used or inhabited part of a rating unit for which the Council is prepared to provide the collection service. Rating units for which the Council is not prepared to provide the service will not be liable for these rates.

The estimated rates for the 2009/10 year are:
Rubbish and Recycling \$148 per part

[5.4] Differential Matters and Categories

[5.4.1] Objectives of Differentials for General Rate

The Council believes that a uniform general rate based on land value would not produce a fair and equitable allocation of rates and so operates a system of differentials based on land use. Descriptions of the land use categories are shown in 5.4.2.

The Council describes the relationship between the rates charged to each group in terms of a factor expressed as a percentage of the rate which would apply were there no differential rating in place ie the group described as Miscellaneous (MS). Each year the Council reviews the differential factors

applied to each land use category. The factors proposed for 2009/10 are outlined in 5.1 and remain unchanged from 2008/09.

The factors have been developed to address the following matters:

- rating units containing more than one residential unit will place an increasing demand on Council services as the number of units increase
- the land value for non-residential property is often driven by different influences than the land value for residential or rural land and therefore is not directly comparable as a rating base
- the Council's Revenue and Financing Policy identifies a number of activities where it believes non-residential users gain a greater benefit than other users so should bear a greater share of the cost
- for large rural rating units a pure land value system would produce rates charges, which were unsustainable
- rural and semi-serviced rating units generally have limited or in some cases no access to some Council activities funded through the general rate
- rating units containing multi-storey buildings gain more benefit from the provision of Council activities than is reflected by the application of a uniform rate in the dollar of land value.

[5.4.2] Differentials based on Land Use

The Council proposes to differentiate the General Rate on the basis of land use. The following differential categories will be used:

R1 Single Unit Residential

All rating units:

- One hectare or less in area having a predominant or exclusive residential use and on which is erected one residential unit
- One hectare or less in area and having no predominant use, on which no building is erected but upon which the erection of residential units is a permitted activity under the City's District Plan.

R2 - R8 Multi-unit residential

- Every rating unit not otherwise classified on which is erected:

- R2 – two residential units
- R3 – three residential units
- R4 – four residential units
- R5 – five residential units
- R6 – six residential units
- R7 – seven residential units
- R8 – eight or more residential units

MS Miscellaneous

Every rating unit (or division thereof) of the following types:

- non-rateable property as defined in the Local Government (Rating) Act 2002
- property that is used for parking that is available for public use in accordance with criteria determined by the Council
- where the ratepayer conducts or permits to be conducted a business, being a Home Occupation as defined in the City's District Plan, and which would otherwise qualify for inclusion in group code R1
- vacant, serviced property not classified in group codes R1 or FL or elsewhere as follows:
 - property where non-residential use is a permitted activity under the City's District Plan
 - property over one hectare in area where residential use is a permitted activity under the City's District Plan.

CI, CR & CA Non Residential

CI – Every rating unit not otherwise classified which has not a predominant or exclusive residential use (except property used for parking and/or vacant serviced property as defined in group code MS). Multi-storey properties, four storeys and over will be levied an additional differential surcharge.

CR – Every rating unit not otherwise classified which is predominantly used for research purposes in accordance with criteria determined by the Council.

CA – Every rating unit on which is erected a licensed hotel or an apartment building or residential institution and including a guest house, rooming house, boarding house, private hotel, motel, residential club or hostel. (Taverns which have no residential accommodation shall be included in group code CI).

FL, FS & FM Rural & Semi-serviced

FL – Every rating unit not otherwise classified which does not have access to the City's sewage disposal system and either (a) has an area of five hectares or more or (b) has an area less than five hectares but on which there is no residential dwelling unit or non-residential improvements.

In determining whether for rating purposes access is deemed to be available the Council will have regard to the following:

- in the normal course if access to the sewage disposal system becomes available and the property concerned is subdivided and/or developed then the property will be reclassified to the appropriate group code with effect from the immediately succeeding rating year

- the Council may, however, resolve that only a portion of the property shall be reclassified into a higher rated group code.

in determining what proportion of the property shall be reclassified the Council shall have regard to inter alia:

- the scope of any sub-divisional plan deposited with the District Land Registrar
- the portion of the property with access to services, which, in the opinion of the Council would form a reasonable first stage of subdivision
- the prevailing economic climate as far as it affects subdivision and the supply of serviced land within the City.

FS – Every rating unit which would otherwise qualify for inclusion in group code FL but which has an area of 0.2 hectares or less and on which there is either a residential dwelling or non-residential improvements.

FM – Every rating unit which would otherwise qualify for inclusion in group code FS but which has an area greater than 0.2 hectares and less than five hectares. The Council may consider reclassifying only a portion of the property into a higher rated group code once access is available to the City's

sewage disposal system. In that event the same criteria as for group code FL will apply.

Properties which have more than one use (or where there is doubt as to the relevant primary use) will be placed in a category with the highest differential factor. Note that, subject to the rights of objection to the rating information database set out in section 28 of the Local Government (Rating) Act 2002 the Council is the sole determiner of the categories.

[6] Early Payment of Rates

Sections 55 and 56 of the Local Government (Rating) Act 2002 empowers councils to accept early payment of rates.

The Council will accept any payment of rates for either the current or future years in advance of the due date.

[7] Revenue & Financing Mechanisms

The revenue and financing mechanisms to be used by the Council, including the estimated amount (GST exclusive) to be produced by each mechanism are as shown on the following page.

8] Rates Payable by Instalment

The Council provides for rates to be paid in four equal instalments but it reserves the right to issue the first instalment as an interim one based on 25% of the rates payable in the previous rating year. For the 2009/10 year the due dates (ie final dates for payment without incurring penalty charges) will be:

Instalment One:	28 August 2009
Instalment Two:	27 November 2009
Instalment Three:	26 February 2010
Instalment Four:	28 May 2010

Ratepayers may elect to pay on a more regular basis if they choose. They may also elect to pay the full year's rates in one lump sum prior to the date for Instalment Two without incurring penalty charges on Instalment One.

Rates may be paid using any one of a number of payment methods acceptable to the Council including direct debits, cheques by mail, cheques or cash or EFTPOS at Council's main office or service centre in Ashhurst, direct credits and other bank transfer methods. Payment by credit card can be made using the internet, subject to the payment of a convenience fee. The due date for metered water targeted rates will be the 20th of the month following invoice date.

[9] Rates Penalties

To provide an incentive for rates to be paid by the due date, penalties will be imposed when rates are not paid on time. A penalty of 10 per cent will be added to any portion of an instalment remaining unpaid after the due date for payment.

A second ten percent penalty will be added to all rates (including penalties) remaining unpaid as at 1 July 2010 with further additional charges of up to 10 percent to be added at six monthly intervals thereafter to all such rates which continue to remain unpaid.

Penalties will not be applied to the metered water targeted rate.

REVENUE & FINANCING MECHANISMS

2008/09 \$'000's		2009/10 \$'000s	2010/11 \$'000s	2011/12 \$'000s	2012/13 \$'000s	2013/14 \$'000s	2014/15 \$'000s	2015/16 \$'000s	2016/17 \$'000s	2017/18 \$'000s	2018/19 \$'000s
32,216	General Rate	34,974	38,038	40,703	43,081	45,440	47,436	49,455	50,063	51,478	53,017
12,587	UAGC	14,569	14,775	15,117	15,596	16,078	16,701	17,056	17,276	17,636	17,998
	TARGETED RATES										
5,448	Water	5,587	5,624	5,994	6,233	6,750	6,979	7,331	7,295	7,482	7,470
1,650	Metered Water	1,650	1,700	1,747	1,794	1,853	1,907	1,974	2,035	2,100	2,170
4,618	Wastewater	3,323	3,327	3,302	3,465	3,883	4,673	4,813	5,075	5,332	5,489
1,227	Wastewater (by pan)	862	859	849	886	988	1,183	1,213	1,273	1,331	1,363
3,089	Rubbish & Recycling	3,714	4,385	4,613	4,971	5,387	5,694	5,822	5,929	6,059	6,160
23,605	Other Revenue	28,084	28,724	30,398	31,446	31,894	32,337	33,027	33,940	34,674	35,490
-	Sale of Investments	1,350	1,450	9,830	7,430	700	1,790	880	3,020	7,370	1,680
4,390	Capital Receipts	9,620	8,152	7,682	17,710	19,758	15,226	6,527	5,777	6,499	6,781
5,076	Interest & Dividends	2,852	2,826	2,502	1,916	1,664	1,604	1,541	1,421	1,028	665
15,089	Loans	12,618	14,541	4,194	25,478	18,138	18,521	1,762	2,412	-	-
108,995		119,203	124,401	126,931	160,006	152,533	154,051	131,401	135,516	140,989	138,283

