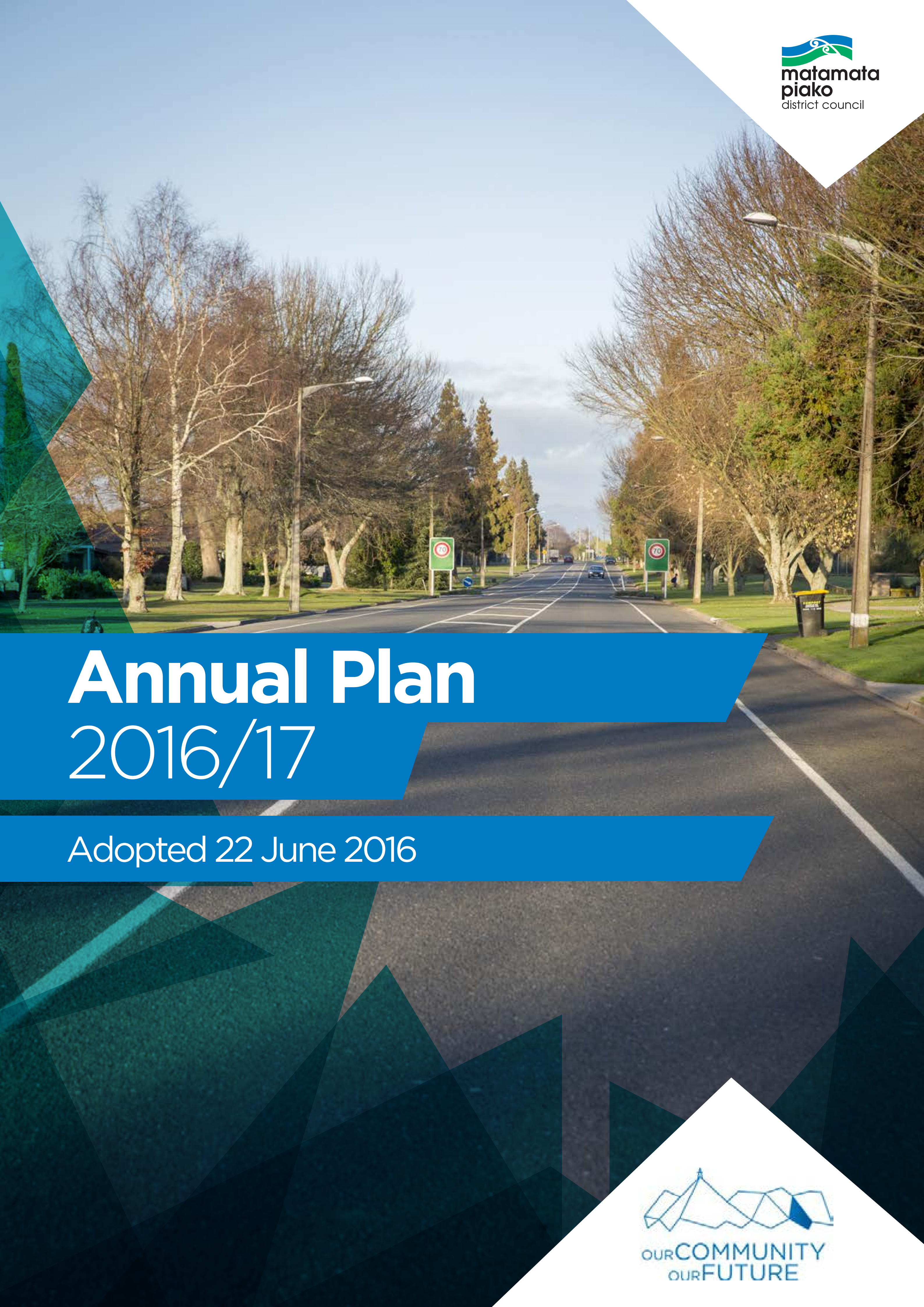

matamata piako district council

Annual Plan 2016/17

Adopted 22 June 2016

OUR COMMUNITY OUR FUTURE

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OURCOMMUNITY OURFUTURE

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OUR COMMUNITY OUR FUTURE

Staying on track with what we had planned

The Annual Plan 2016/17 is our yearly update of the Long Term Plan. It ensures we are still on track with what we said we were going to do and highlights any significant differences. There are some changes and these are explained throughout this document.

Rates

We are in a strong, sustainable financial position and we want to keep it that way. We also want to keep overall rates to a minimum for our community.

Our total rates increase for 2016/17 is 0.67%, this is a significant reduction from the 3.94% predicted in our Long Term Plan. This will affect everyone differently because of the changes in the valuation of your property and the different services you receive.

This change, along with the impact of the three yearly revaluation will see a reduction in rates for a significant portion of our community, as shown in the graph below.

How has Council achieved this?

The changes come down to four main factors:

- no increases to our operating budgets this year
- shifting the timing of some of our main projects
- debt and interest are lower than forecast
- inflation hasn't occurred as predicted.

Consultation

During April we asked the community for feedback on our draft plan, we received 71 submissions. Council made decisions on 18 May 2016 with the final Annual Plan being adopted on 22 June 2016

Our total rates increase for 2016/17 is 0.67% - though this will affect everyone differently due to the changes in the valuation of your property.

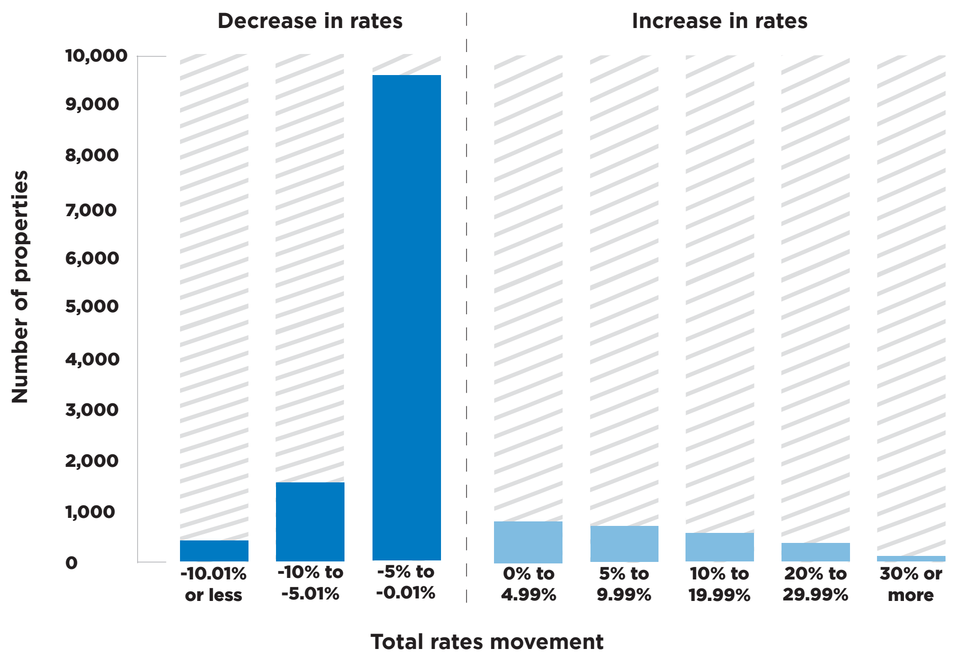
Jan Barnes
Mayor

This graph shows how rates will change for our district in 2016/17 compared to 2015/16.

It shows that the majority of properties in the district will receive a decrease in their rates in 2016/17 82% of properties in our district will see a decrease whereas 18% will see an increase.

Properties that substantially increased in value through the revaluation will see increases in their rates.

Number of properties in each rates movement range



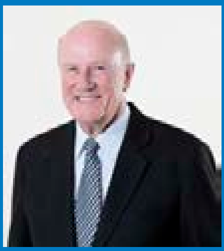
Your Council

Mayor

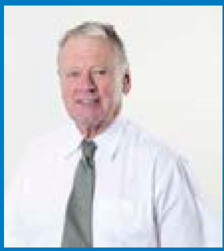
Jan Barnes
JP

Deputy Mayor

James Thomas
Morrinsville, JP



Garry Stanley
Matamata



Bob McGrail
Matamata

Leonie Tisch
Matamata

Brian Hunter
Matamata

Neil Goodger
Morrinsville

Maurice Steffert
Morrinsville

Nicki Robb
Morrinsville

Teena Cornes
Te Aroha

Peter Jager
Te Aroha

Ash Tanner
Te Aroha

Council

The Matamata-Piako District is divided into three wards: Matamata, Morrinsville and Te Aroha. Our Council consists of 11 Councillors, elected by their respective wards, and the Mayor, elected by all voters throughout the district. The Councillors and Mayor are elected to represent their communities and make decisions for the district. The elected representatives are supported by the Council's Chief Executive Officer and staff who provide advice, implement Council decisions, and look after the district's day to day operations.

The Corporate and Operations Committee

This committee is made up of the Mayor and all 11 Councillors. Council has delegated all of its responsibilities, duties and powers to the Corporate and Operations Committee, except for the ones it can't delegate under the Local Government Act 2002 (like adopting an Annual Plan or Report).

Te Manawhenua Forum mo Matamata-Piako

The Te Manawhenua Forum mo Matamata-Piako (Forum) is a standing committee of Council who advise on cultural, economic, environmental and social issues of significance to manawhenua groups.

The Forum also provides advice to Council about issues that affect Maori in our district, and provides feedback when we are developing plans and policies, such as the Long Term Plan or District Plan. The Forum includes representatives from Council, Ngati Haua, Ngati Rahiri-Tumutumu, Raukawa, Ngati Maru, Ngati Whanaunga and Ngati Paoa. Ngati Tamatera also have the ability to join.

The Hearings Commission

The Hearings Commission is responsible for hearing and determining applications for resource consents under the Resource Management Act 1991, granting exemptions to fencing requirements under the Fencing of Swimming Pools Act 1987, and hearing and determining objections under the Dog Control Act 1996. The Hearings Commission is made up of two Councillors, one of which is the chairperson.

The District Licensing Committee

Council has a District Licensing Committee to consider and determine applications under the Sale and Supply of Alcohol Act 2012. The District Licensing Committee considers and makes decisions on alcohol licences (including club, special, on and off licences and manager's certificates). The District Licensing Committee is chaired by a Councillor. There are four list members (one of whom is a Councillor) and two of these members sit on the District Licensing Committee.

The Audit and Risk Committee

The Audit and Risk Committee ensure we have appropriate risk management and internal and financial control systems. This committee includes an independent chairperson, the Mayor and three elected members.

The Waharoa (Matamata) Aerodrome Committee

The Waharoa (Matamata) Aerodrome Committee is a committee that was created in 2015 by legislation under the Ngati Haua Claims Settlement Act 2014. The committee comprises of the Mayor, Deputy Mayor, one Council appointed member and three members appointed by the Ngati Haua Iwi Trust Board trustees.

The functions of the Waharoa (Matamata) Aerodrome Committee, as set out in the Ngati Haua Claims Settlement Act 2014 are to:

- Make recommendations to Council in relation to any aspect of the administration of Waharoa Aerodrome land.
- Make final decisions on access and parking arrangements for the Waharoa Aerodrome land that affect Raungaiti Marae.
- Perform the functions of the administering body under section 41 of the Reserves Act 1977 in relation to any review of the reserve management plan that has been authorised by Council.
- Perform any other function delegated to the committee by Council.

Council
Councillors & Mayor

Council staff	Corporate and Operations Committee	Te Manawhenua Forum mo Matamata-Piako	Hearings Commission	District Licensing Committee	Audit and Risk Committee	Waharoa (Matamata) Aerodrome Committee
Council employs the Chief Executive Officer who in turn employs Council staff	Chairperson Brian Hunter	Chairperson Te Ao Marama Maaka	Chairperson Leonie Tisch	Chairperson Teena Cornes	Independent Chairperson Sir Dryden Spring	Co-Chairpersons Jan Barnes & Mokoro Gillett

Te Miro picnic area

Annual Plan guide

What is an Annual Plan?

We produce an Annual Plan in the two years that we don't produce a Long Term Plan. The Annual Plan highlights any significant or material changes from the Long Term Plan.

Why do we do it?

We are required to prepare an Annual Plan under the Local Government Act 2002. Apart from the legal requirement it also just makes good sense to revise our plans each year. When you are planning and budgeting three years out things can change, inflation, interest rates, project timing and the like can change plans so these need to be revised if we are proposing a significant or material change from the Long Term Plan.

What is a Long Term Plan?

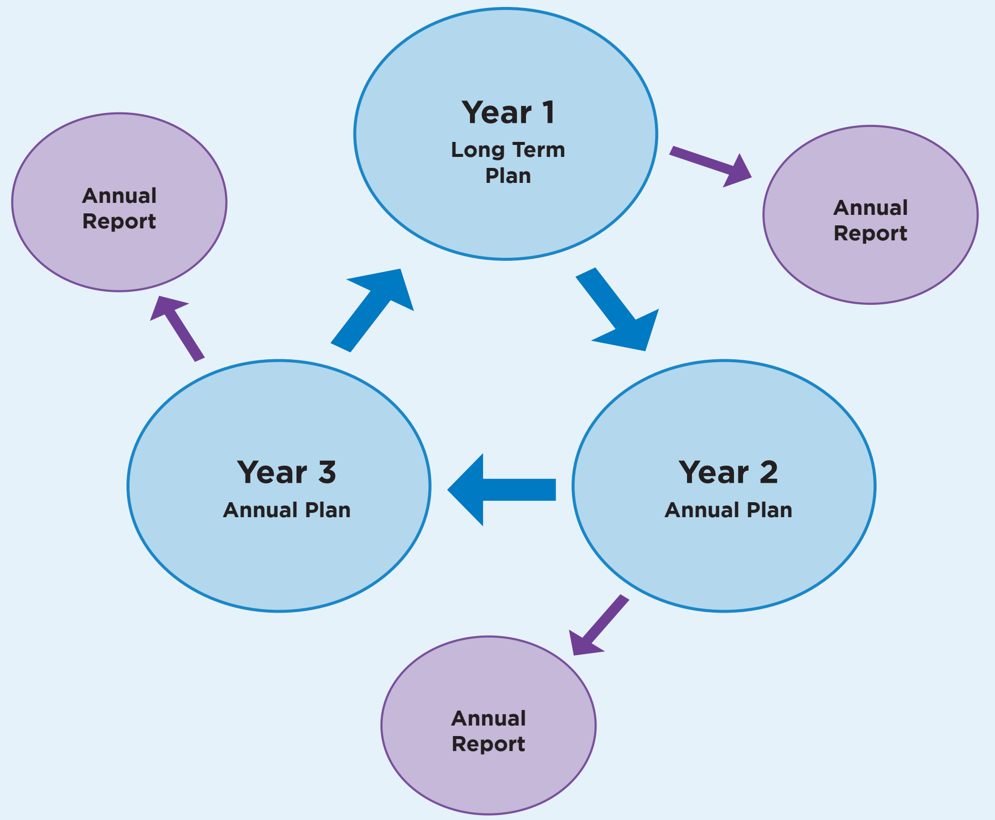
The Long Term Plan sets our direction for the next 10 years; outlining our key aims, objectives and priorities for the Matamata-Piako District. A Long Term Plan:

- Describes the type of district our communities have told us they want – our community outcomes.
- Identifies the key projects to take place over the next 10 years.
- Provides an overview of each activity we will carry out and the services we will provide for the next 10 years.
- Determines how much this will all cost and how we will fund it.

What is an Annual Report?

We produce an Annual Report every year. This reviews our performance, letting the community know whether we did what we said we would. It also checks financial performance against the budget and Financial Strategy.

The Planning Cycle



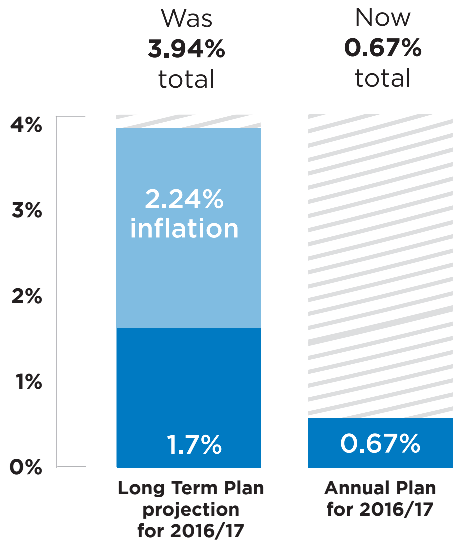
So what's changed from the Long Term Plan?

In our Long Term Plan we projected that we would have a total rates increase of 3.94% in 2016/17.

However, we now have a 0.67% total rates increase. One reason for this is that inflation hasn't occurred over the past year as predicted.

See below for other reasons for this change.

Total rates increase for 2016/17



Why has the rates increase changed?

Reasons for change		Was predicted to be...	Is now...
Less debt - our budgeted debt is much smaller than we had initially predicted, this means we will pay less interest.		$47.1 million	$40.4 million
Interest – this has been significantly lower as we have less debt.		$2.2 million	$1.8 million
Depreciation - changing the timing of some of these projects has an impact on the amount of depreciation we need to fund.		$14.3 million	$13.8 million
Zero increase to our operating budget – we have strived to maintain our operating budgets from the current year and not increase them. We aim to keep rates as affordable as possible whilst still providing the same level of service.		1.79% increase	0% increase
Project Timing - We have changed the timing of a few of our major projects that we had planned for 2016/17. This has an impact on the amount of interest and depreciation that we have to pay.	Morrinsville Reservoir	Finished June 2016	Finished Sept 2016
	Te Aroha Events Centre	Finished June 2016	Finished Sept 2016
	Matamata-Piako Civic and Memorial Centre	Finished 2018	Finished 2017
	Te Aroha additional water infrastructure for industry	Deferred until required	
Other major new capital projects we are planning in 2016/17.	Cycleway Extension from Te Aroha to Matamata	Still going ahead as planned	
	Morrinsville River Walkway		
	Te Aroha River Walkway		
	Matamata Inner Walkway		

Revaluations

Every three years we are required to review the rateable value of every property in the district. The most recent revaluation was completed as at 1 July 2015 and property owners received a notice from us detailing their new valuations.

This is the approximate cost of what your property may have sold for on the day of 1 July 2015 (less about 3-5% because things like carpets, curtains etc aren't included).

Because we charge general rates based on the capital value of your property, the revaluation changes the proportion of the general rate that you pay on your property versus other ratepayers.

The total amount of general rates collected from all properties does not change.

Rural

In general, dairy properties saw the biggest increase in this revaluation with the average capital value increasing by around 35%. The high sales prices for Tatua dairy farms had a big influence on this.
While 35% was the average increase, some increased by around 20% whilst some farms (particularly those that supply Tatua) increased up to 60% as shown below.

Urban

Not all properties will be affected by the revaluation in the same way. Urban homes increased by an average of 7% but these ranged widely between -17% and +31%. Commercial properties ranged from -9% to +20% with an average increase of 9%.

To see detailed maps of the revaluations visit www.mpdc.govt.nz/haveyoursay.

The heat maps on the following pages show in graphic form the impact of the changes to the UACG, revaluations and the total rates increase of 0.67%. You will be able to see from the heat maps and the key the changes - some increases and some decreases across the district and each of the main towns.

Just because the value of your property has increased, doesn't necessarily mean that your rates will increase. There are a number of other factors that affect rates, for example the cost of council services e.g. water and wastewater (that are paid for by those that use them).

The effect on different properties

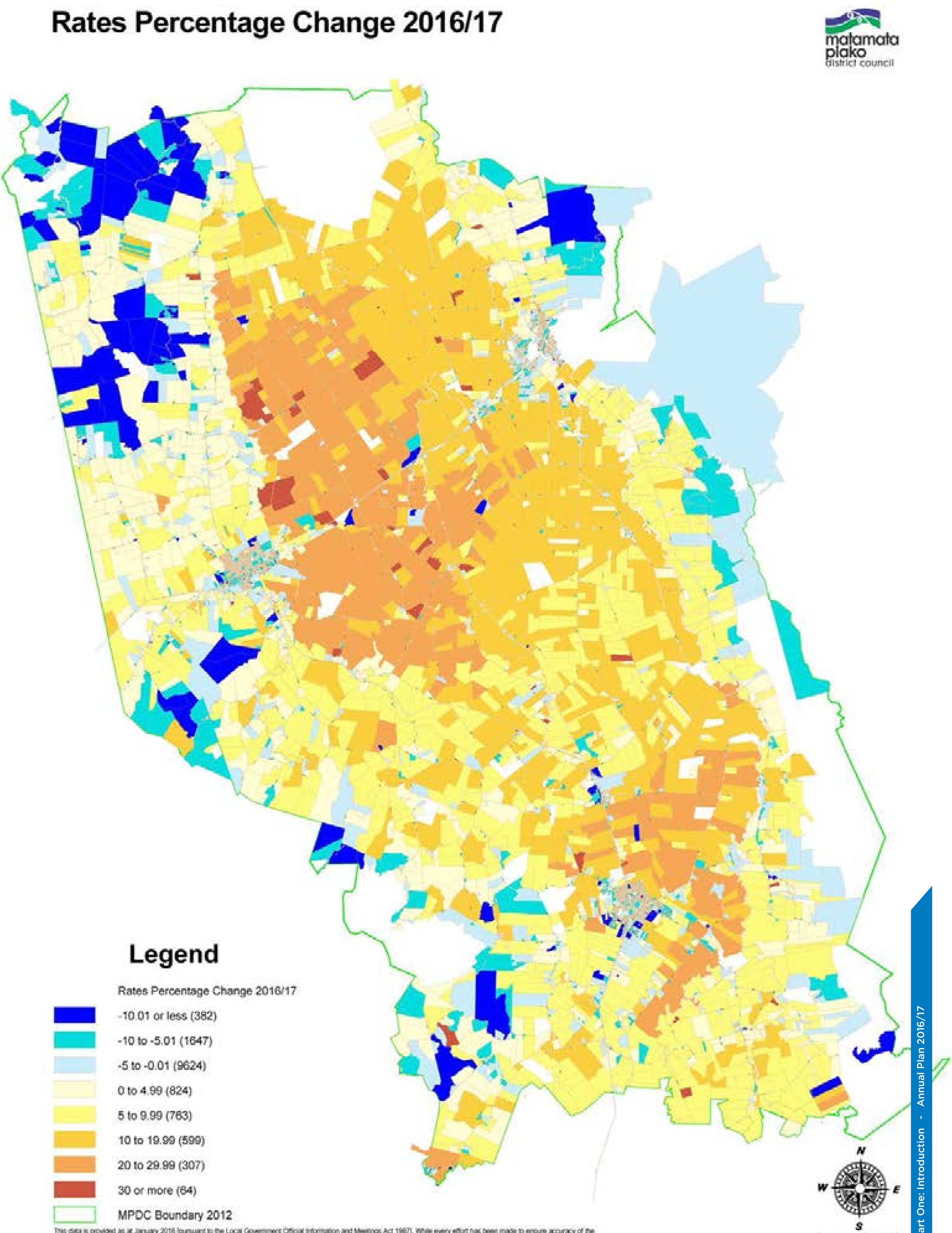
Average value change, the range and the average capital value for different property types throughout the district as at 1 July 2015.

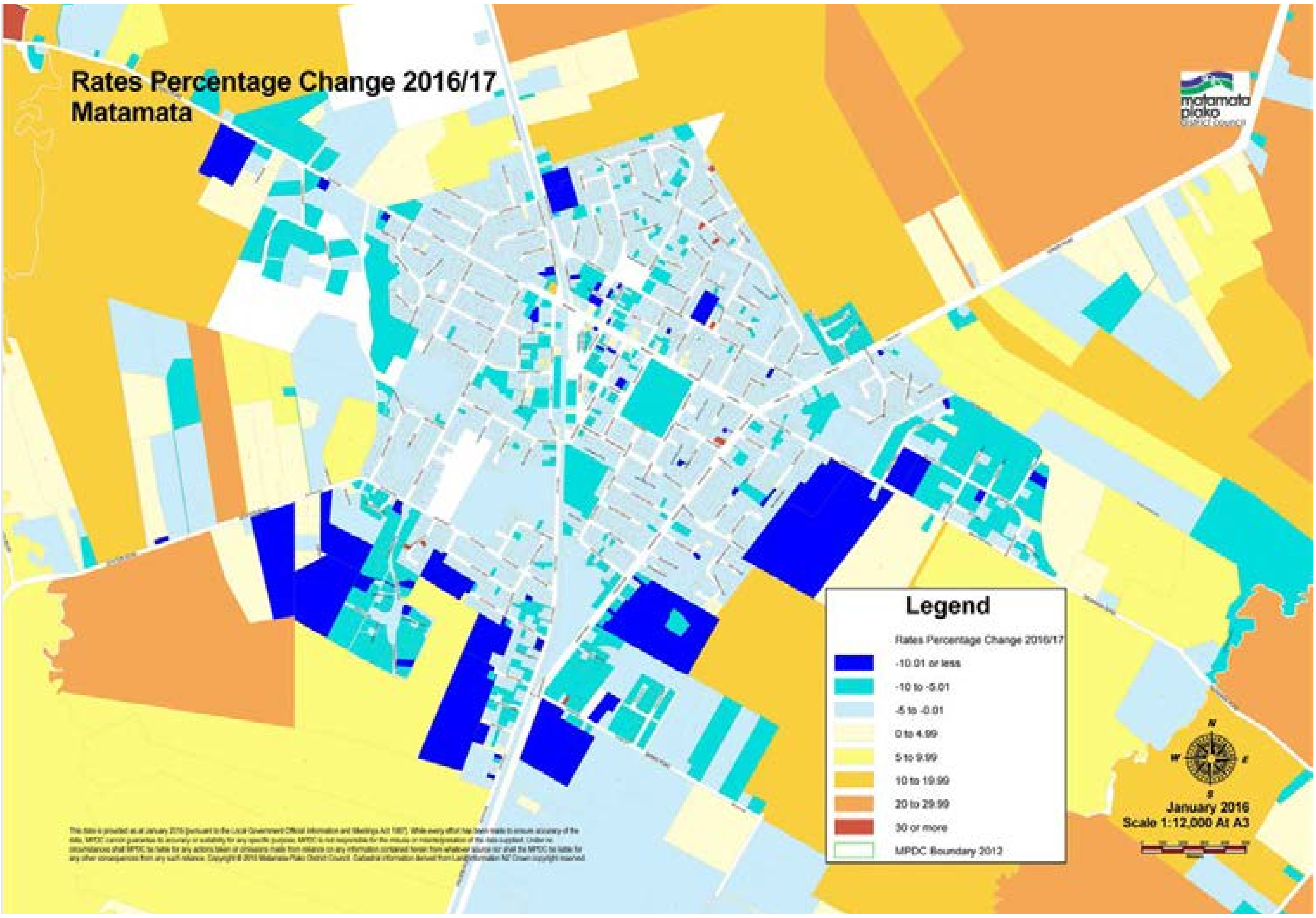
To see how this affects your property visit www.mpdc.govt.nz/rates/propertyrates-search

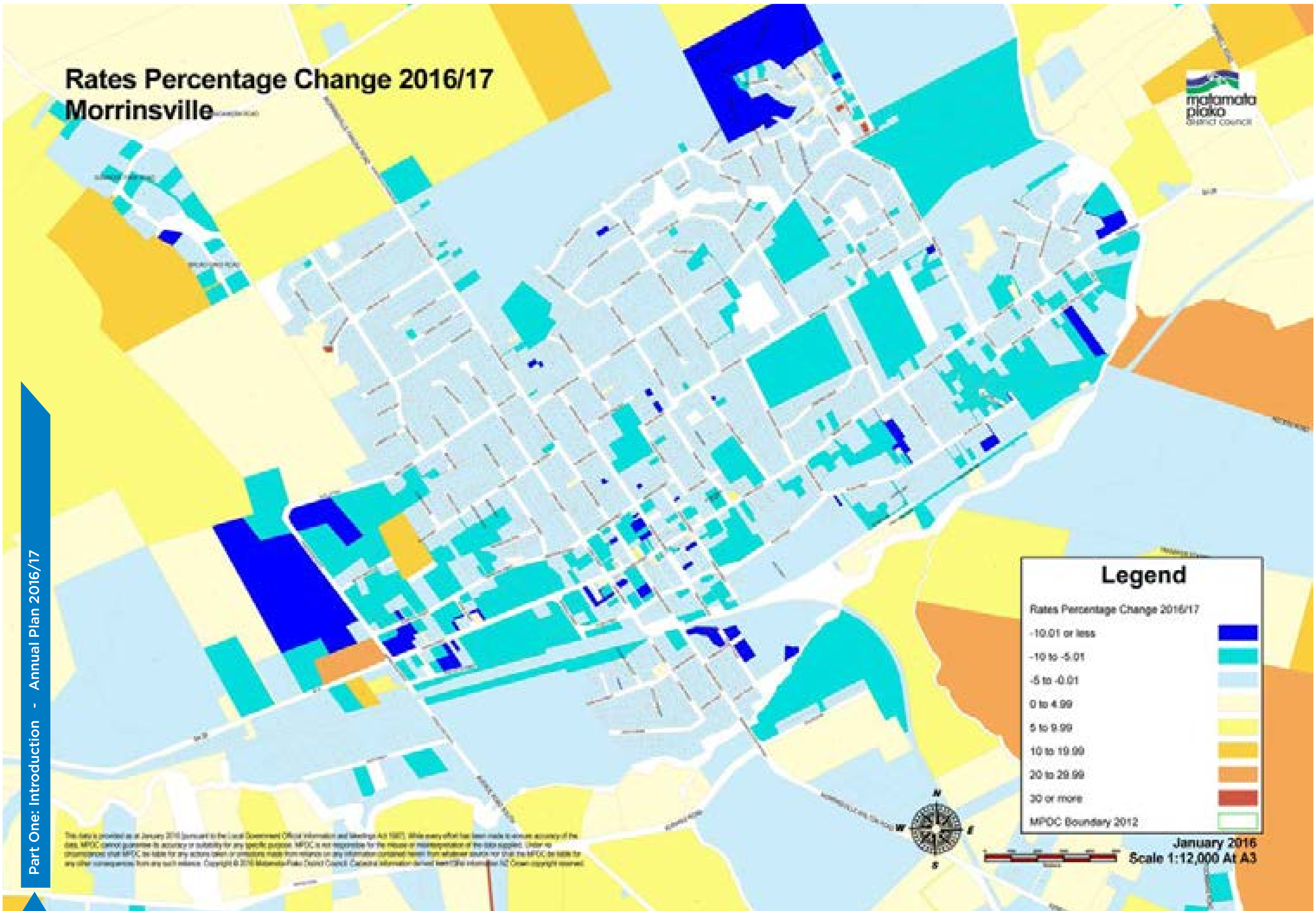
	Urban home	Rural lifestyle	Commercial	Rural pastoral	Rural dairy
Average value change	+7%	+13%	+9%	+11%	+35%
Value change range **between**	-17% and +31%	-2% and +38%	-9% and +20%	-5% and +31%	+17% and +60%
Average capital value	$280,000	$540,000	$630,000	$2.4M	$3.6M

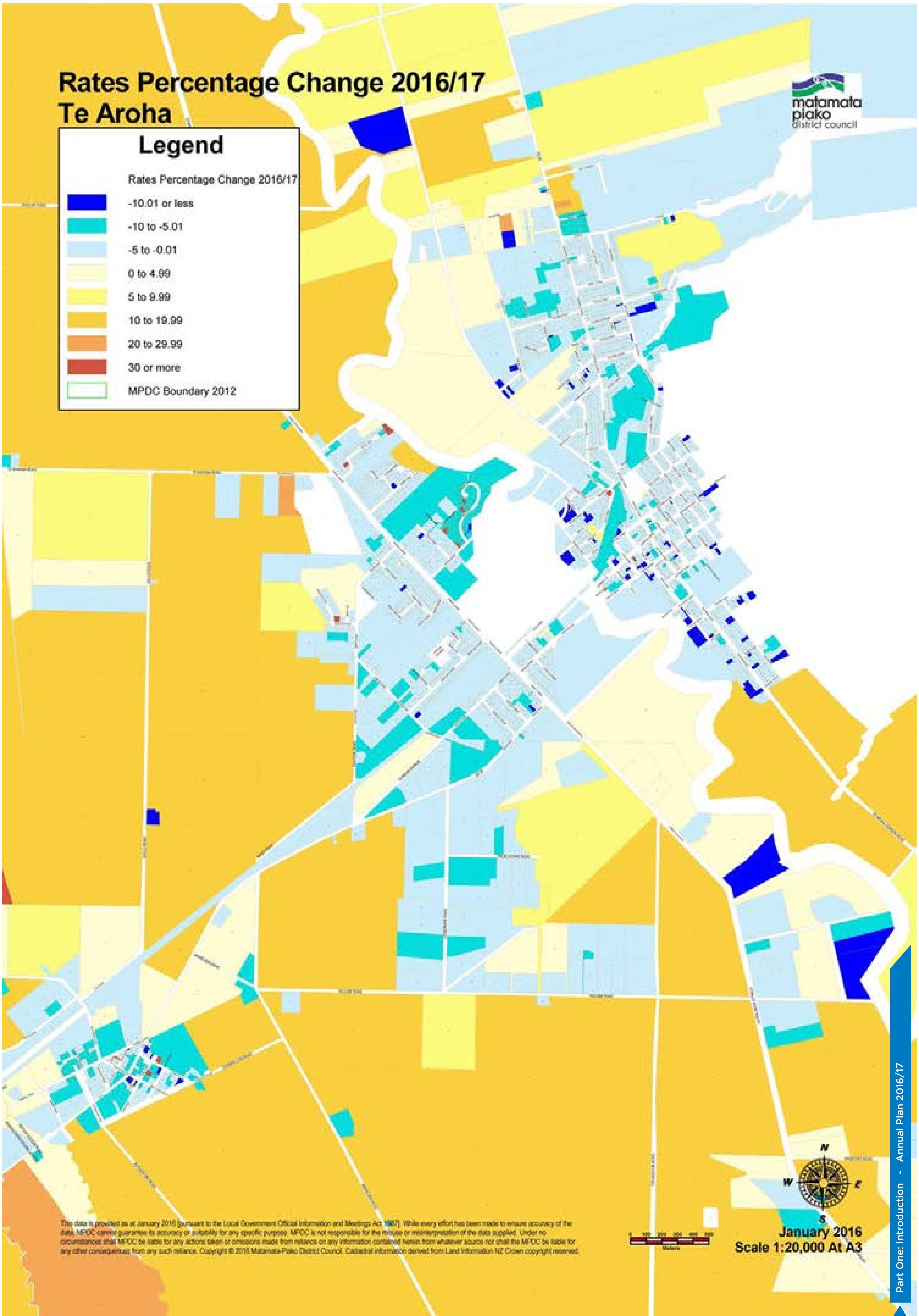
Note: These figures have been rounded for illustrative purposes

Rates Percentage Change 2016/17




Rates Percentage Change 2016/17
Matamata
matamata piako district council
Legend
Rates Percentage Change 2016/17
-10.01 or less
-10 to -5.01
-5 to -0.01
0 to 4.99
5 to 9.99
10 to 19.99
20 to 29.99
30 or more
MPDC Boundary 2012
N
W
E
S
January 2016
Scale 1:12,000 At A3


Rates Percentage Change 2016/17
Morrinsville
matamata piako district council
Legend
Rates Percentage Change 2016/17
-10.01 or less
-10 to -5.01
-5 to -0.01
0 to 4.99
5 to 9.99
10 to 19.99
20 to 29.99
30 or more
MPDC Boundary 2012
N
W
E
S
January 2016
Scale 1:12,000 At A3


Rates Percentage Change 2016/17
Te Aroha
Legend
Rates Percentage Change 2016/17
-10.01 or less
-10 to -5.01
-5 to -0.01
0 to 4.99
5 to 9.99
10 to 19.99
20 to 29.99
30 or more
MPDC Boundary 2012
matamata piako district council
N
W
E
S
January 2016
Scale 1:20,000 At A3

Uniform Annual General Charge (UAGC)

- **Targeted rates** - These pay for specific services such as rubbish collection, water and wastewater - these are only charged to properties that receive the service.

- **General rates and UAGC's** - These are used to fund (in part) services that everyone benefits from, e.g. roading, recreational facilities, cemeteries, libraries etc.

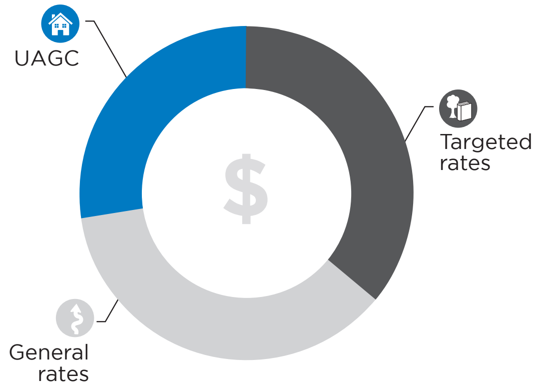
The general rates portion is a tax based on the capital value of your property.

The UAGC portion is a flat dollar charge that every property pays no matter what the capital value for your property is. It is used as a way of lessening the effect of the capital value rating system on high valued properties.

- **UAGC for 2016/17**
For several years now we have set our UAGC at its legal maximum of 30% of the total rates revenue. For 2016/17 we have changed this to 27.5%. Why? well a recent change in the interpretation of this law means that the total rates revenue calculation must also include budgeted revenue from metered water.

For us, that is almost $2 million, the majority of which comes from five large industrial users within our district. The effect of including budgeted metered water means that the UAGC we charged in prior years was actually less than 30% - around 27.9%. So our 'change' to 27.5% is actually more in keeping with what we've done in the past.

There are three main types of rates:



The revaluations and the changes to the UAGC don't change the total amount of rates we collect, it's just the way we slice the pie that changes.


Broadway, Matamata

Council's financial framework

Council's framework falls in to four key areas:

- The Financial Strategy - what Council's debt and rates levels will be, along with some other important issues such as what investments Council holds and its reasons for holding them.
- The Revenue and Financing Policy - what activities Council fund from rates and other sources such as fees and subsidies.
- The Rates structure - the main funding tool setting out how Council will charge the ratepayer for some of the service Council provides. This is Council's main source of income.
- The Development Contributions Policy - if and how Council will charge developers for growth related costs.

Rates and the UAGC

All rates are a tax, which range from taxation based on an indicator of the ability of a land owner to pay (i.e. the use of capital values to apportion the share of the general rates charged to each property in the district), through to a targeted rate for those who use a service (e.g. water and wastewater rates). At the other end of the scale are user charges, where the user pays individually for the actual cost of the service (e.g. user charges for building consents).

Although rates are our main source of income, they are one of many sources of Council funding. General rates account for around 39.5% of total income, targeted rates around 22%, fees and charges around 16%, with the remainder made up by subsidies, grants, fuel tax allocations, development contributions etc.

The UAGC is a regressive tax (you pay the same amount regardless of income or wealth) – this is one reason why the Local Government (Rating) Act 2002 caps the use of this tool at 30%.

UAGC Calculation

Council have recently sought a legal opinion to clarify what is perceived as an anomaly in section 21 of the Local Government (Rating) Act 2002, specifically regarding the inclusion of budgeted metered water income in the UAGC calculation of "total rates revenue".

Section 21 states the following:

Certain rates must not exceed 30% of total rates revenue

(1) The rates revenue sought by a local authority in any year from the rates described in subsection

(2) must not exceed 30% of the total revenue from all rates sought by the local authority for that year.

(2) The rates are—

(a) uniform annual general charges that are set in accordance with section 15; and

(b) targeted rates that are set on a uniform basis and are calculated in accordance with section 18(2) or clause 7 of Schedule 3.

(3) Subsection (2) does not apply to targeted rates that are set solely for water supply or sewage disposal.

The term "total revenue from all rates sought by the local authority" encompasses all types of rates set by the Council. This includes all rates set under the Local Government (Rating) Act 2002.

The actual amount of revenue from the metered water supply targeted rate cannot be "calculated" at the time the rate is set in the way other rates can. However, section 21 relates to "total revenue sought" which has been budgeted. For this reason, the estimated/budgeted revenue from this rate (as used to determine the volumetric charge for the year) should be included in the calculation of "total revenue".

This recent clarification of the law in the local government sector, has the effect of changing the UAGC calculation. If this calculation were to be applied to the 2015/16 rates, the UAGC would be at 27.9%. This gives Council an opportunity to consider the threshold for its UAGC in 2016/17.

Council's Revenue and Financing Policy

The Revenue and Financing Policy is a device for recording and explaining the policy decisions Council has made regarding the funding of its activities. Transparency in this document is especially important to demonstrate the link between dollars and value to the ratepayer. Much of the Revenue and Financing Policy refers to the considerations in section 101(3) of the Local Government Act 2002, and Council's application of those considerations. The analytical process applied in developing the policy was a sequential two-step process. The first step included consideration at an activity level the rationale for service delivery, the beneficiary pays principle, the exacerbator pays principle, inter-generational equity, and the costs and benefits of separate funding. The second step of the analysis involved consideration of the results of the first step and their impact on community interests.

Councils Revenue and Financing Policy states "The Uniform Annual General Charge is subject to a statutory maximum. Our policy is that the Uniform Annual General Charge can be set at a range between 75-100% of the maximum. This percentage will be reviewed annually." This means that the UAGC could be set anywhere between 22.5% and 30% (the statutory maximum). The Revenue and Financing Policy further states:

Funding 'public good'

The selection of funding sources is influenced by the categorisation of the benefits arising from activities, into public and private good.

Activities that have significant public good are considered to have the following two characteristics:

• Non rivalry - an individual utilising an activity

does not affect the opportunity of other individuals to utilise the same activity. Street lighting is an example of an activity that is non-rival. The fact that one person may benefit from street lighting, does not affect other people from enjoying the same benefit. As opposed to water, where consumption by an individual reduces the amount of water available for other individuals.

• Non excludable - the extent to which it is

possible to exclude people from enjoying an activity. An activity with public good characteristics is one where it is difficult to exclude people from enjoying or utilising. For example, a public footpath would be non-excludable. It is not practical to exclude people from making use of a footpath. People can be excluded from utilising a public swimming pool, by imposing entry fees.

Activities that have significant public good characteristics, are typically funded from general rates.

There are two types of general rates:

- *General rates based on rateable property values; and,*
- *The Uniform Annual General Charge.*

The Uniform Annual General Charge is levied on each rateable property as a fixed sum. The general rate is based on the capital value of rateable properties. The Uniform Annual General Charge is subject to a statutory maximum. Our policy is that the Uniform Annual General Charge can be set at a range between 75-100% of the maximum. This percentage will be reviewed annually.

A change in the level of the Uniform Annual General Charge will change the level of the capital value based general rate.

Decision making

Council in the course of developing the draft Annual Plan identified two reasonably practicable options for the achievement of its objectives under the Revenue and Financing Policy and in light of the changes to the UAGC calculation. One option was setting the UAGC at 27.5% (the preferred option) or setting the UAGC at the statutory maximum of 30%.

The benefits and costs of each option in terms of the present and future interests of the district are largely the impact of the decision on categories of properties within the district, the effect of each option on example properties that were provided in the consultation document.

The Council did not consider that either option impacted the extent to which community outcomes would be promoted or achieved in an integrated and efficient manner.

Council did not consider that either option impacted on its capacity to meet present and future needs in relation to any of its statutory responsibilities.

In identifying the preferred option of 27.5% in the draft Council considered:

- Its current policy, which it has consulted on as part of the Long Term Plan and provides a wide range of values at which it can set the UAGC.
- That the changes required to be made to the UAGC calculation are technical in nature and it is satisfied in maintaining the effect of the previous practice of not taking metered water into account.
- The effect of the UAGC on mitigating the effect of Council's capital value allocation of the general rate under its rating system on higher property values is appropriate.
- The incidence of rates between groups of rate payers (for example high capital-value properties vs. low capital-value properties) is appropriate.

As part of the consultation process for the draft Annual Plan, Council gave consideration to the views and preferences of persons likely to be affected by, or to have an interest in this matter before a final decision on the UAGC was made at the hearing on 18 May 2016.

Council considers that the above achieves compliance with its decision-making obligations and that this approach is in proportion to the significance of the matter affected by the decision.

Now the important question...
What will my rates be?

Below are examples of the rates impacts on different types of properties, combining the effect of the revaluation and the other proposed changes outlined in this document. Not all properties will be affected by the revaluation in the same way. We have calculated these examples using the average movement based on the average capital value to give you an idea. To see the impact on your property please visit www.mpdc.govt.nz/rates/propertyrates-search.

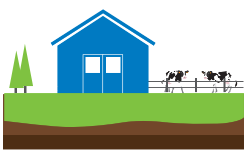
Urban

For example, an average urban property in 2016/17 is a $280,000 property connected to all services. The average increase for an urban property through the revaluation was 7%. Therefore we are comparing the rates on a $262,000 property in 2015/16 to a $280,000 property in 2016/17 (7% increase) so that we are comparing 'apples with apples'.

Rural

Likewise our average rural dairy property in 2016/17 is a $3.6 million property with no services available (eg water, wastewater etc). The average increase for a rural dairy property through the revaluation was 35%. Therefore we are comparing rates on a $2.7 million property in 2015/16 to a $3.6 million property in 2016/17 (35% increase), so that we are comparing 'oranges with oranges'.

Examples of the rates impacts on a range of different valued properties

	2015/16 capital value		2016/17 capital value	2015/16 rates		2016/17 rates
Urban home	$210,000	7% increase	$225,000	$2,201	4.1% decrease	$2,111
	$262,000	7% increase	$280,000	$2,277	4.3% decrease	$2,179
	$420,000	7% increase	$450,000	$2,510	4.9% decrease	$2,388
Rural lifestyle	$380,000	13% increase	$430,000	$1,151	3.4% decrease	$1,112
	$478,000	13% increase	$540,000	$1,293	3.6% decrease	$1,247
	$765,000	13% increase	$865,000	$1,716	4.0% decrease	$1,646
Commercial	$460,000	9% increase	$500,000	$3,969	5.3% decrease	$3,758
	$578,000	9% increase	$630,000	$4,144	5.5% decrease	$3,918
	$925,000	9% increase	$1.01 million	$4,655	5.8% decrease	$4,385
Rural pastoral	$1.7 million	11% increase	$1.9 million	$3,104	6.0% decrease	$2,918
	$2.2 million	11% increase	$2.4 million	$3,765	6.2% decrease	$3,533
	$3.4 million	11% increase	$3.8 million	$5,616	6.5% decrease	$5,254
Rural dairy	$2.1 million	35% increase	$2.9 million	$3,745	10.8% increase	$4,148
	$2.7 million	35% increase	$3.6 million	$4,505	11.2% increase	$5,008
	$4.3 million	35% increase	$5.8 million	$6,897	11.8% increase	$7,712

Note: These figures are based on our proposed 2016/17 Annual Plan compared to 2015/16. These have been rounded for illustrative purposes.

Consultation

We consulted on our draft Annual Plan 2016/17 from 23 March until 29 April and we received 71 submissions in total (including one late submission) from a total of 178 submitters. A hearing was held on 18 May where submitters who wished to do so were given the opportunity to speak to their submission. Following this deliberations were held and decisions were made.

The draft Annual Plan didn't propose too many changes from our Long Term Plan which we consulted on last year. From the submissions received, there were a number of requests for funding from community groups and requests for Council to investigate particular projects. We also received feedback outlining the hardship that the dairying sector is currently experiencing, requesting that Council review the proposed Uniform Annual General Charge (UAGC).

During the deliberations Council decided to maintain the UAGC at the proposed rate of 27.5% of total rates as proposed in the draft Annual Plan. The reason 27.5% was proposed was because of a recent clarification of legislation which means that we now need to include budgeted metered water in our calculation of 'total rates'. This means that we have actually always been calculating the UAGC around this level so this proposal is in line with what we have done previously.

Council also allocated some additional funding to various groups such as an additional $20,000 to the Morrinsville Chamber of Commerce to enable the Morrinsville i-Site to open seven days a week. An additional $2,500 was allocated to Council standing committee Te Manawhenua Forum to hold another Waitangi Day event in 2017, this event has been held for the last two years and has been very successful. Council granted $2,500 to the Matamata Swifts for upgraded changing sheds and a new gate at the Matamata Domain/Swim Zone. A $1,000 operating grant was allocated to the Te Aroha Fish and Game Association to assist with operational needs of the Te Aroha Wetlands. Wallace Art Gallery in Morrinsville was allocated an additional $5,000 and Future Te Aroha was allocated $5,000.

Council also discussed a number of projects that have been allocated to our 'bulk funds' project list. Each year Council has a set amount of money to spend on smaller projects and these projects are prioritised early in the financial year.

Thank you to everyone who gave us feedback on this plan, your feedback really does help shape the future of our district.

April 2016, Business After 5, Morrinsville

Your district today

General information about our district

The Matamata-Piako District is a rural area of 175,477 hectares in the Waikato Region. Over 56% of the district's population live in one of three main towns (Matamata, Morrinsville and Te Aroha), with the remainder living in rural areas. The district is well known for its dairy farming and thoroughbred racing industry but has a number of other key features.

Major attractions include Mount Te Aroha (952m high) and the stunning Kaimai-Mamaku Forest Park, which offer visitors a range of day walks or overnight tramps. At the foot of the mountain is the Mokena Geyser (the only natural hot soda water geyser in the world), and the historic Te Aroha Domain, featuring the Te Aroha Mineral Spas.

Matamata is well known as the location of the Hobbiton movie set, which was used for the world famous Lord of the Rings movies and the Hobbit movies, and has been used again for filming of the new movie "The Hobbit". Matamata is also home to the historic Firth Tower Museum. Matamata has a strong equine and racing community, and it has produced many fine thoroughbred horses that can now be found racing internationally.

The easy rolling terrain surrounding Morrinsville makes for some of the best farmland in New Zealand, earning it the title 'Cream of the Country'. Morrinsville is also home to 'herd of cows' which are beautifully painted fibreglass cows on display throughout the town and the Wallace Gallery, which showcases artwork from around the district and is a must visit.

Our district is one of New Zealand's cornerstones of the dairy industry, with some of the best quality soils in New Zealand; we also have a strong presence from other industries such as horticulture and meat processing.

175,477

hectares in the Matamata-Piako District, within the Waikato Region

952

metres to the top of Mount Te Aroha

	2012/13	2013/14	2014/15
Area 175,477 hectares			
Number of electors (enrolled)*	22,215	22,307	22,991
Number of rating units**	14,813	14,788	15,006
Value of improvements**	$3,528,009,100	$3,500,014,100	$3,968,782,000
Net land value**	$6,771,179,540	$6,745,516,040	$6,291,427,400
Total capital value**	$10,299,188,640	$10,245,530,140	$10,260,209,400
Total rates	$29,970,000	$30,388,000	$30,996,000
Average total rates per rating unit	$2,023	$2,055	$2,066

* Electoral enrolment centre
** At the end of the preceding financial year

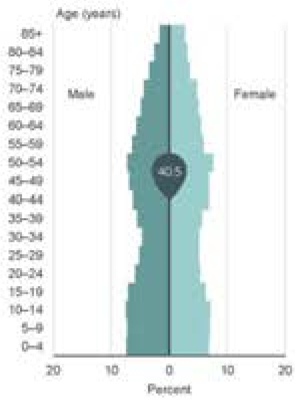
Quick statistics

Total population
32,910
5.5% since 2006

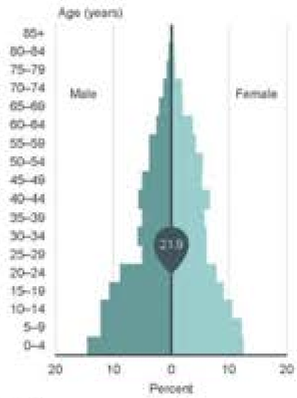
Māori population
4,491
15.6% since 2006

Total dwellings
13,310
8.7% since 2006

Age and sex of people
Matamata-Piako District
2013 Census

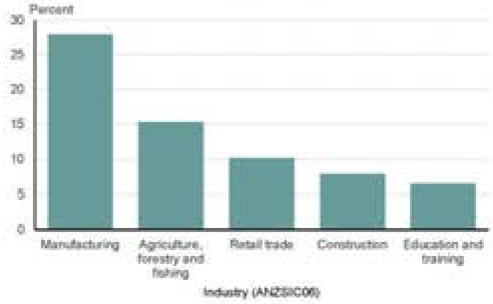


Age and sex of Māori
Matamata-Piako District
2013 Census



Median age (years)

Top five industries in Matamata-Piako District
By employee count
For year ended February 2013



How Matamata-Piako District compares with the national average

Individuals

Major ethnic groups

European	86.3%	vs	74.0%
Maori	14.8%	vs	14.9%
Pacific peoples	1.6%	vs	7.4%
Asian	3.9%	vs	11.8%
Middle Eastern/ Latin American/ African	0.6%	vs	1.2%
Other	1.8%	vs	1.7%

Percent born overseas
13.1% vs 25.2%

Percent of people with a formal qualification*
68.5% vs 79.1%

Median income*
$29,700 vs $28,500

*For people aged 15 years and over.

Information and graphics sourced from Statistics New Zealand and Rationale 2014

Households

Percent of households that own their dwelling*
64.2% vs 64.8%

Median weekly rent
$220 vs $280

Percent of households with internet access
68.1% vs 76.8%

*Or held in a family trust.

OUR COMMUNITY OUR FUTURE

Annual Plan 2016/17
Part Two: What we do

Community Facilities and Property

What we do

Community Facilities and Property is about providing facilities for sport, recreation and cultural activities, affordable housing for elderly people, and buildings and facilities that enable us to provide a range of services to the community. The activities responsible for this are Carparks and Street Furniture, Cemeteries, Housing and Property Management, Libraries, Parks and Tracks, Pools and Spas, Public Toilets and Recreation Facilities and Heritage.

Why we do these activities

Community Facilities and Property provides a wide range of community facilities (like pools, libraries, and events centres), tourist attractions (like Firth Tower Museum, Te Aroha Mineral Spas, Hauraki Rail Trail, and Te Aroha i-SITE), open spaces (like parks and tracks), through to practical facilities (like public toilets, carparks and cemeteries). This activity is also responsible for managing housing for elderly people and Council land and buildings. These activities all help make our community a great place to live and visit.

What has changed from the Long Term Plan?

Te Aroha Events Centre

This project is currently underway and is scheduled to be completed in September 2016. In our 2015-25 Long Term Plan we had originally planned for this to be completed by June 2016 however due to a variety of reasons such as some delay to the building and resource consent process, wanting to begin construction after christmas rather than just before christmas and having a slightly longer than originally anticipated construction time the completion date has been delayed by three months.

This delay has an impact on how much depreciation and interest Council must pay. Instead of paying a full year's depreciation and interest we will now need to pay for a part year. This contributes towards the lower total rate increase in this Annual Plan compared to what we projected in our Long Term Plan.

Matamata-Piako Civic and Memorial Centre

This project is currently underway with design concepts developed and we are progressing the procurement process. It is planned that physical work for this project will begin in 2016 and will be completed in 2017. In our 2015-25 Long Term Plan we had originally planned for this to be completed by June 2018, however it is now planned to bring the funding for this project forward in an effort to smooth rate increases for our community. This is so you don't get small increases some years and large increases other years, we try and keep them as steady as possible. The reason the funding for this project was moved rather than other projects was because we already account for depreciation (because it is not a new building it is replacing three existing buildings). If new projects were moved instead this would have meant that rates increases in years to follow would have been higher.

Please see our Long Term Plan 2015-25 available on our website at www.mpdc.govt.nz/plans/long-term-plan or at any Council Office or Library for more information on this group of activities including:

- our vision
- growth and demand
- community outcomes
- significant effects
- how we fund it
- key legislation, policies and plans
- projects
- levels of service and performance measures.

Matamata-Piako Civic and Memorial Centre

Funding Impact Statement

Funding impact statement for Community Facilities and Property for 1 July 2016 to 30 June 2017

LTP 2015/16		LTP 2016/17	Forecast 2016/17	Explanation of significant variances to the original LTP budget
($000)		($000)	($000)	
	Sources of operating funding			
7,765	General rates, uniform annual general charges, rates penalties	8,191	7,984	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated.
60	Targeted rates	61	60	
-	Subsidies and grants for operating purposes	-	-	
2,666	Fees and charges	2,722	2,674	The LTP budget included inflation and lease income from the Eynon Road property that has subsequently been sold.
129	Internal charges and overheads recovered	134	133	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
10,620	**Total operating funding (A)**	**11,108**	**10,851**	
	Applications of operating funding			
6,614	Payments to staff and suppliers	6,840	6,745	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated.
306	Finance costs	417	448	The opening balance of debt is lower than budgeted in LTP due to the delay in capital spending in prior years, however the completion of the Matamata-Piako Civic and Memorial Centre has been bought forward compared to the LTP.
1,708	Internal charges and overheads applied	1,770	1,781	
-	Other operating funding applications	-	-	
8,628	**Total applications of operating funding (B)**	**9,027**	**8,974**	
1,992	**Surplus (deficit) of operating funding (A – B)**	**2,081**	**1,877**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	300	The Te Aroha Events Centre project was started later than budgeted. As such, some of the grant revenue from the fundraising committee is now expected to be received in the 2016/17 year.
55	Development and financial contributions	56	55	
3,874	Increase (decrease) in debt	1,378	4,726	Changes to the estimated timing of major capital projects has changed the timing of the debt being raised to fund these, compared to the LTP.
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
3,929	**Total sources of capital funding (C)**	**1,434**	**5,081**	
	Applications of capital funding			
	Capital expenditure			
315	—to meet additional demand	195	195	
4,185	—to improve the level of service	2,203	5,650	The timing of the Matamata-Piako Civic and Memorial Centre project has been brought forward compared to the LTP, and the Te Aroha Event Centre will be completed later than budgeted, increasing the debt to be raised in the 2016/17 year.
863	—to replace existing assets	1,104	1,119	
558	Increase (decrease) in reserves	13	(6)	
-	Increase (decrease) of investments	-	-	
5,921	**Total applications of capital funding (D)**	**3,515**	**6,958**	
(1,992)	**Surplus (deficit) of capital funding (C – D)**	**(2,081)**	**(1,877)**	
-	**Funding balance ((A – B) + (C – D))**	-	-	

Strategy and Engagement

What we do

Strategy and Engagement is about making good decisions for the future of our community. The activities responsible for this are Civil Defence, Communications and Events, Community Leadership, and Strategies and Plans.

Why we do these activities

These activities ensure our community are informed of Council activities and can be involved in open and transparent decision making - this helps us plan for the long term to ensure that our communities grow and develop in an integrated and sustainable way. The Local Government Act 2002 also has a significant impact on these activities, as it sets a number of legislative requirements that we must meet.

What has changed since the Long Term Plan?

Projects within this group of activities are still progressing as planned in our Long Term Plan. Projects such as increasing transactions and services that are available online, running key events to promote economic development and recognise volunteers as well as creating and reviewing relevant policies and bylaws.

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Consultation at Morrinsville Markets

Funding Impact Statement

Funding impact statement for Strategy and Engagement for 1 July 2016 to 30 June 2017

LTP 2015/16		LTP 2016/17	Forecast 2016/17	Explanation of significant variances to the original LTP budget
($000)		($000)	($000)	
	Sources of operating funding			
3,849	General rates, uniform annual general charges, rates penalties	3,948	3,941	
-	Targeted rates	-	-	
-	Subsidies and grants for operating purposes	-	-	
148	Fees and charges	148	148	
538	Internal charges and overheads recovered	608	608	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
4,535	**Total operating funding (A)**	**4,704**	**4,697**	
	Applications of operating funding			
2,490	Payments to staff and suppliers	2,507	2,551	
28	Finance costs	35	31	
1,315	Internal charges and overheads applied	1,341	1,359	
-	Other operating funding applications	-	-	
3,833	**Total applications of operating funding (B)**	**3,883**	**3,941**	
702	**Surplus (deficit) of operating funding (A – B)**	**821**	**756**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	-	
571	Increase (decrease) in debt	59	59	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
571	**Total sources of capital funding (C)**	**59**	**59**	
	Applications of capital funding			
	Capital expenditure			
	—to meet additional demand	-	-	
-	—to improve the level of service	-	-	
1,511	—to replace existing assets	1,020	998	Inflation is lower than budgeted in the LTP.
(238)	Increase (decrease) in reserves	(140)	(183)	
-	Increase (decrease) of investments	-	-	
1,273	**Total applications of capital funding (D)**	**880**	**815**	
(702)	**Surplus (deficit) of capital funding (C – D)**	**(821)**	**(756)**	
-	**Funding balance ((A – B) + (C – D))**	-	-	

Roading

What we do

We own and maintain 998 kilometres of local roads within the district, including 943km sealed and 55km unsealed roads. This is all the roads in the district except for state highways (including Broadway and Firth Street in Matamata, Allen Street in Morrinsville and Whitaker/Kenrick Streets in Te Aroha), which are managed by the New Zealand Transport Agency.

Why we do these activities

The roading network links areas, connects people with each other and essential services, enables businesses to access resources/markets and provides people with social, cultural, recreational and employment opportunities.

We plan to continue to own, control and manage our entire roading network as one of our core activities. As a result, our first priority is to maintain, operate and protect the existing roading network.

What has changed since the Long Term Plan?

Roading projects and works are still progressing as planned in our Long Term Plan. One large project we have planned in 2016/17 and 2017/18 is to extend the Cycleway from Te Aroha to Matamata as planned in our Long Term Plan. This project is due to be completed by June 2018.

Please see our Long Term Plan 2015-25 available on our website at www.mpdc.govt.nz/plans/long-term-plan or at any Council Office or Library for more information on this group of activities including:

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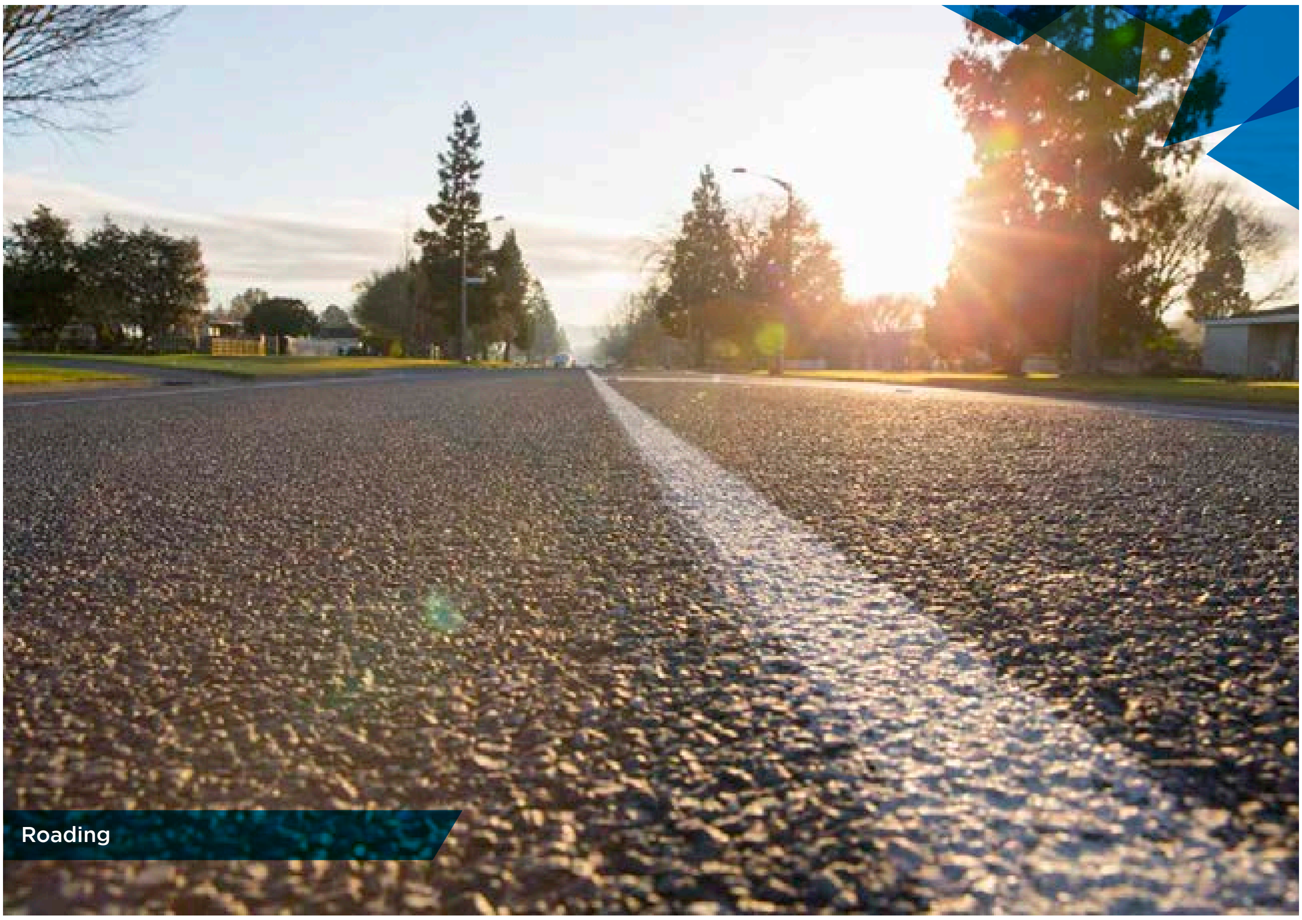

Funding Impact Statement

Funding impact statement for Roading for 1 July 2016 to 30 June 2017

LTP 2015/16		LTP 2016/17	Forecast 2016/17	Explanation of significant variances to the original LTP budget
($000)		($000)	($000)	
	Sources of operating funding			
5,732	General rates, uniform annual general charges, rates penalties	6,272	5,660	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. In addition, less rates are required for roading as depreciation has reduced following the 2015 revaluation.
-	Targeted rates	-	-	
2,487	Subsidies and grants for operating purposes	2,544	2,538	
146	Fees and charges	146	146	
571	Internal charges and overheads recovered	590	590	
230	Local authorities fuel tax, fines, infringement fees, and other receipts	235	230	
9,166	**Total operating funding (A)**	**9,787**	**9,164**	
	Applications of operating funding			
5,521	Payments to staff and suppliers	5,650	5,639	
143	Finance costs	252	221	
687	Internal charges and overheads applied	734	739	
-	Other operating funding applications	-	-	
6,351	**Total applications of operating funding (B)**	**6,636**	**6,599**	
2,815	**Surplus (deficit) of operating funding (A – B)**	**3,151**	**2,565**	
	Sources of capital funding			
3,294	Subsidies and grants for capital expenditure	3,102	3,283	LTP budget included $300,000 of unsubsidised renewal work that has subsequently been approved by NZTA for subsidy at 51%.
126	Development and financial contributions	129	126	
1,295	Increase (decrease) in debt	1,862	1,862	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
4,715	**Total sources of capital funding (C)**	**5,093**	**5,271**	
	Applications of capital funding			
	Capital expenditure			
62	—to meet additional demand	63	62	
1,477	—to improve the level of service	3,069	3,001	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated.
5,989	—to replace existing assets	5,781	5,820	
2	Increase (decrease) in reserves	(669)	(1,047)	
-	Increase (decrease) of investments	-	-	
7,530	**Total applications of capital funding (D)**	**8,244**	**7,836**	
(2,815)	**Surplus (deficit) of capital funding (C – D)**	**(3,151)**	**(2,565)**	
-	**Funding balance ((A – B) + (C – D))**	-	-	

Rubbish & Recycling

What we do

We currently provide kerbside rubbish and recycling collection services to over 9,500 properties across the district, as well as operating three transfer stations located at Matamata, Morrinsville and Waihou. We provide waste minimisation and sustainability education to schools across the district.

Why we do these activities

We also have three closed landfills at Matamata, Morrinsville and Te Aroha that are monitored under the terms of their resource consents to ensure they do not endanger the environment or public health. Our day to day lives generate a lot of waste that must be managed for the health of our community and our environment. Managing this waste effectively and efficiently, and promoting waste minimisation protects our environment for current and future generations.

What has changed from the Long Term Plan?

Rubbish and recycling services are planned to continue as planned in our Long Term Plan. There are no major capital projects planned as this activity primarily provides a service to the community.

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Kerbside recycling pickup

Funding Impact Statement

Funding impact statement for Rubbish and Recycling for 1 July 2016 to 30 June 2017

LTP 2015/16		LTP 2016/17	Forecast 2016/17	Explanation of significant variances to the original LTP budget
($000)		($000)	($000)	
	Sources of operating funding			
457	General rates, uniform annual general charges, rates penalties	467	457	
1,301	Targeted rates	1,330	1,300	
92	Subsidies and grants for operating purposes	94	92	
470	Fees and charges	481	425	A reduced volume of waste has been budgeted compared to the LTP budget and inflation applied to fees and charges will be lower than budgeted in the LTP.
-	Internal charges and overheads recovered	-	-	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
2,320	**Total operating funding (A)**	**2,372**	**2,274**	
	Applications of operating funding			
2,043	Payments to staff and suppliers	2,090	1,988	The reduced volume of waste budgeted will reduce processing costs, and inflation is lower than budgeted in the LTP
4	Finance costs	4	4	
222	Internal charges and overheads applied	227	228	
-	Other operating funding applications	-	-	
2,269	**Total applications of operating funding (B)**	**2,321**	**2,220**	
51	**Surplus (deficit) of operating funding (A – B)**	**51**	**54**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	-	
-	Increase (decrease) in debt	(2)	-	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
-	**Total sources of capital funding (C)**	**(2)**	**-**	
	Applications of capital funding			
	Capital expenditure			
-	—to meet additional demand	-	-	
-	—to improve the level of service	-	-	
2	—to replace existing assets	7	-	
49	Increase (decrease) in reserves	42	54	
-	Increase (decrease) of investments	-	-	
51	**Total applications of capital funding (D)**	**49**	**54**	
(51)	**Surplus (deficit) of capital funding (C – D)**	**(51)**	**(54)**	
-	**Funding balance ((A – B) + (C – D))**	**-**	**-**	

Stormwater

What we do

We currently have stormwater drainage systems in Matamata, Morrinsville, Te Aroha, Waharoa and a limited system in Hinuera. These systems include a mix of pipes, open channels and drains.

We work to ensure there are adequate services and staff to respond to storm events, and implement maintenance programs to ensure our systems remain in good condition. We also work collaboratively with Waikato Regional Council as they also own, manage and maintain parts of the drainage system (streams and rivers).

Maintaining all of our assets involves undertaking scheduled and unscheduled maintenance and repair work. We have renewal strategies to allow for the progressive replacement of assets as they are required.

Why we do these activities

Stormwater systems safely and efficiently drain surface water to minimise flooding in our communities. We aim to ensure stormwater is well managed, and work with property owners to improve stormwater and reduce flooding.

What has changed from the Long Term Plan?

Stormwater projects and services are planned to continue as planned in the Long Term Plan. There are no large capital projects planned for this activity. We do plan on increasing the capacity of the existing stormwater system where feasible.

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Stormwater pipes

Funding Impact Statement

Funding impact statement for Stormwater for 1 July 2016 to 30 June 2017

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
	Sources of operating funding			
151	General rates, uniform annual general charges, rates penalties	152	139	
928	Targeted rates	934	855	The amount of targeted rates has reduced from the LTP as debt and interest costs are lower than budgeted due to the delayed capital spend in previous years.
-	Subsidies and grants for operating purposes	-	-	
44	Fees and charges	78	78	
36	Internal charges and overheads recovered	38	38	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
1,159	**Total operating funding (A)**	**1,202**	**1,110**	
	Applications of operating funding			
178	Payments to staff and suppliers	183	179	
127	Finance costs	144	45	The $2 million Morrinsville stormwater project scheduled for 2015/16 has not progressed, and opening debt is lower than planned in the LTP.
265	Internal charges and overheads applied	270	272	
-	Other operating funding applications	-	-	
570	**Total applications of operating funding (B)**	**597**	**496**	
589	**Surplus (deficit) of operating funding (A – B)**	**605**	**614**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
23	Development and financial contributions	24	23	
1,232	Increase (decrease) in debt	(50)	(50)	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
1,255	**Total sources of capital funding (C)**	**(26)**	**(27)**	
	Applications of capital funding			
	Capital expenditure			
2,000	—to meet additional demand	-	-	
100	—to improve the level of service	102	100	
-	—to replace existing assets	-	-	
(256)	Increase (decrease) in reserves	477	487	
-	Increase (decrease) of investments	-	-	
1,844	**Total applications of capital funding (D)**	**579**	**587**	
(589)	**Surplus (deficit) of capital funding (C – D)**	**(605)**	**(614)**	
-	**Funding balance ((A – B) + (C – D))**	**-**	**-**	

Wastewater

What we do

We own and operate wastewater treatment plants (WWTP) in Matamata (which also treats wastewater from Waharoa and Raungaiti), Morrinsville (which also treats wastewater from Rukumoana), Te Aroha, Tahuna and Waihou. The Morrinsville treatment plant also treats and disposes of rural septic tank waste.

Approximately 50% of the wastewater treated in Morrinsville is from local industry. Industrial and commercial wastewater is regulated through tradewaste agreements and our Tradewaste Bylaw which ensure companies pay for the cost of processing their own waste.

Why we do these activities

Our wastewater services ensure that wastewater (sewage and the grey water that goes down your drains) is collected, treated and disposed of appropriately. The treatment is particularly important, as after wastewater is treated it is discharged into waterways or to land.
We aim to ensure wastewater is well managed for the wellbeing of our community and our environment.

What has changed from the Long Term Plan?

Wastewater services are planned to continue as planned in our Long Term Plan, this activity primarily provides a service to the community. There are a few capital projects planned for 2016/17 including purchasing a portable scanning device for use at our smaller wastewater treatment plants (e.g. Waihou and Tahuna), purchasing a portable generator and upgrading the roading within the Tahuna Wastewater Treatment Plant.

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- significant effects
- how we fund it
- key legislation, policies and plans
- projects
- levels of service and performance measures.


Wastewater treatment pond

Funding Impact Statement

Funding impact statement for Wastewater for 1 July 2016 to 30 June 2017

LTP 2015/16		LTP 2016/17	Forecast 2016/17	Explanation of significant variances to the original LTP budget
($000)		($000)	($000)	
	Sources of operating funding			
-	General rates, uniform annual general charges, rates penalties	-	-	
6,432	Targeted rates	6,394	6,290	The amount of targeted rates has reduced from the LTP as debt and interest costs are lower than budgeted due to the delayed capital spend in previous years.
-	Subsidies and grants for operating purposes	-	-	
629	Fees and charges	643	630	
58	Internal charges and overheads recovered	61	61	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
7,119	**Total operating funding (A)**	**7,098**	**6,981**	
	Applications of operating funding			
5,103	Payments to staff and suppliers	2,944	2,893	Inflation is lower than budgeted in the LTP.
696	Finance costs	790	694	The opening balance of debt is lower than budgeted in LTP due to the delay in capital spending
667	Internal charges and overheads applied	683	687	
-	Other operating funding applications	-	-	
6,466	**Total applications of operating funding (B)**	**4,417**	**4,274**	
653	**Surplus (deficit) of operating funding (A – B)**	**2,681**	**2,707**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
110	Development and financial contributions	112	110	
(12)	Increase (decrease) in debt	(271)	(271)	
-	Gross proceeds from sale of assets	-	-	
71	Lump sum contributions	71	71	
-	Other dedicated capital funding	-	-	
169	**Total sources of capital funding (C)**	**(88)**	**(90)**	
	Applications of capital funding			
	Capital expenditure			
30	—to meet additional demand	31	30	
1,001	—to improve the level of service	352	345	
1,193	—to replace existing assets	1,524	1,489	Inflation is lower than budgeted in the LTP.
(1,402)	Increase (decrease) in reserves	686	753	
-	Increase (decrease) of investments	-	-	
822	**Total applications of capital funding (D)**	**2,593**	**2,617**	
(653)	**Surplus (deficit) of capital funding (C – D)**	**(2,681)**	**(2,707)**	
-	**Funding balance ((A – B) + (C – D))**	**-**	**-**	

Water

What we do

We own and operate seven water supply schemes in the district - in Matamata (including Waharoa and Raungaiti), Morrinsville, Te Aroha and four small schemes in Te Poi, Tahuna, Hinuera and Te Aroha West.

We provide water 24 hours a day, seven days a week, which means operating and maintaining equipment, machinery and backup facilities, and training staff to respond rapidly in the event of a problem. We have corrective and preventative maintenance programmes in place to ensure our systems remain in good condition. We also monitor the lifecycles of our assets (such as water mains) and renew them when necessary.

Why we do these activities

The Water activity ensures our communities are supplied with clean, safe drinking water to ensure the health and wellbeing of our residents.

What has changed from the Long Term Plan?

This activity is mostly going ahead as planned in our Long Term Plan with a couple of notable exceptions detailed below. There are a number of minor capital projects going ahead in 2016/17 such as installing alarm systems and online monitoring equipment. The two significant changes from what we proposed in our Long Term Plan are:

Morrinsville Water Reservoir

The project is currently underway and is scheduled to be completed by September 2016. In our 2015-25 Long Term Plan we had originally planned for this to be completed by June 2016 however due to a variety of reasons such as further investigation needed on preferred location and minor delays in the tendering process the completion date has been delayed by three months.

This delay has an impact on how much depreciation and interest Council must pay. Instead of paying a full year's depreciation and interest we will now need to pay for a part year. This contributes towards the lower total rate increase in this Annual Plan compared to what we projected in our Long Term Plan.

Increase Te Aroha water capacity for industry

We had planned on increasing the Te Aroha water capacity to cater for the growth of industry in the area if it was needed. Whilst this would have been paid for by industry they would have been Council's assets to maintain so we would have had to account for depreciation on these. At this time there has been no request from industry for this so the project as well as the budgeted depreciation has been removed.

Please see our Long Term Plan 2015-25 available on our website at www.mpdc.govt.nz/plans/long-term-plan or at any Council Office or Library for more information on this group of activities including:

- our vision
- growth and demand
- community outcomes
- significant effects
- how we fund it
- key legislation, policies and plans
- projects
- levels of service and performance measures.

Water treatment storage

Funding Impact Statement

Funding impact statement for Water for 1 July 2016 to 30 June 2017

LTP 2015/16		LTP 2016/17	Forecast 2016/17	Explanation of significant variances to the original LTP budget
($000)		($000)	($000)	
	Sources of operating funding			
-	General rates, uniform annual general charges, rates penalties	-	-	
4,612	Targeted rates	4,960	4,948	
-	Subsidies and grants for operating purposes	-	-	
59	Fees and charges	47	47	
41	Internal charges and overheads recovered	43	43	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
4,712	**Total operating funding (A)**	**5,050**	**5,038**	
	Applications of operating funding			
2,260	Payments to staff and suppliers	2,318	2,261	Inflation is lower than budgeted in the LTP.
406	Finance costs	546	316	The opening balance of debt is lower than budgeted in LTP due to the delay in capital spending.
573	Internal charges and overheads applied	610	613	
-	Other operating funding applications	-	-	
3,239	**Total applications of operating funding (B)**	**3,474**	**3,190**	
1,473	**Surplus (deficit) of operating funding (A – B)**	**1,576**	**1,848**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
91	Development and financial contributions	93	91	
7,478	Increase (decrease) in debt	1,659	1,193	Changes to the estimated timing of major capital projects has changed the timing of the debt being raised to fund these, compared to the LTP.
-	Gross proceeds from sale of assets	-		
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
7,569	**Total sources of capital funding (C)**	**1,752**	**1,284**	
	Applications of capital funding			
	Capital expenditure			
2,040	—to meet additional demand	2,086	40	The project to increase the Te Aroha water supply capacity has been deferred as there has been no request from industry to date.
5,352	—to improve the level of service	593	1,880	The Morrinsville reservoir project was scheduled to be completed in 2015/16 but will now be completed in the 2016/17 year.
2,124	—to replace existing assets	1,560	1,496	Inflation is lower than budgeted in the LTP
(474)	Increase (decrease) in reserves	(911)	(284)	
-	Increase (decrease) of investments	-	-	
9,042	**Total applications of capital funding (D)**	**3,328**	**3,132**	
(1,473)	**Surplus (deficit) of capital funding (C – D)**	**(1,576)**	**(1,848)**	
-	**Funding balance ((A – B) + (C – D))**	-	-	

Consents and Licensing

What we do

Consents and Licensing is about carrying out our regulatory functions that we have an obligation to perform under legislation. The activities responsible for this are Animal Control, Building Consents and Monitoring, Licensing and Enforcement and Resource Consents and Monitoring.

Why we do these activities

The Consents and Licensing activity group ensures we are protecting the natural resources of the district, keeping our communities safe and healthy, and balancing the different needs and interests of people and businesses in our community. Legislation also has a significant impact on these activities, as it sets a number of legislative requirements that we must meet.

What has changed from the Long Term Plan?

The Consents and Licensing group of Activities primarily provides services to the community. These services are planned to continue as planned in the Long Term Plan. There are no large capital projects planned for this activity.

Please see our Long Term Plan 2015-25 available on our website at www.mpdc.govt.nz/plans/long-term-plan or at any Council Office or Library for more information on this group of activities including:

- our vision
- growth and demand
- community outcomes
- significant effects
- how we fund it
- key legislation, policies and plans
- projects
- levels of service and performance measures.

Building site, Matamata

Funding Impact Statement

Funding impact statement for Consents and Licensing for 1 July 2016 to 30 June 2017

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
	Sources of operating funding			
1,764	General rates, uniform annual general charges, rates penalties	1,807	1,864	Rates are budgeted to increase compared to the LTP due to a projected drop in fees and charges and to fund an additional staff member in health monitoring.
-	Targeted rates	-	-	
-	Subsidies and grants for operating purposes	-	-	
1,374	Fees and charges	1,406	1,276	Revenue and expenditure for Consents and Licencing was overstated by $155,000 in the LTP (due to internal transactions not eliminated in the LTP), but has been corrected in this Annual Plan forecast. Inflation is also lower than budgeted in the LTP.
-	Internal charges and overheads recovered	-	-	
36	Local authorities fuel tax, fines, infringement fees, and other receipts	36	36	
3,174	**Total operating funding (A)**	**3,249**	**3,176**	
	Applications of operating funding			
1,834	Payments to staff and suppliers	1,876	1,768	Revenue and expenditure for Consents and Licencing was overstated by $155,000 in the LTP (due to internal transactions not eliminated in the LTP), but has been corrected in this Annual Plan forecast. Inflation is also lower than budgeted in the LTP.
-	Finance costs	-	-	
1,144	Internal charges and overheads applied	1,173	1,182	
-	Other operating funding applications	-	-	
2,978	**Total applications of operating funding (B)**	**3,049**	**2,950**	
196	**Surplus (deficit) of operating funding (A – B)**	**200**	**226**	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	-	
-	Increase (decrease) in debt	-	-	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
-	**Total sources of capital funding (C)**	-	-	
	Applications of capital funding			
	Capital expenditure			
-	—to meet additional demand	-	-	
-	—to improve the level of service	-	-	
-	—to replace existing assets	-	-	
196	Increase (decrease) in reserves	200	226	
-	Increase (decrease) of investments	-	-	
196	**Total applications of capital funding (D)**	**200**	**226**	
(196)	**Surplus (deficit) of capital funding (C – D)**	**(200)**	**(226)**	
-	**Funding balance ((A – B) + (C – D))**	-	-	

OUR COMMUNITY OUR FUTURE

Annual Plan 2016/17

Part Three: Financials

Financial statements

Forecast statement of comprehensive revenue and expense for the year ending 30 June 2017

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
	Revenue			
33,123	Rates	34,588	33,567	There are a number of factors contributing to the decrease in rates required for 2016/17; significantly inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. The timing of the completion of major projects has changed from the LTP, resulting in decreased debt, interest and depreciation forecasted for the 2016/17 year.
2,579	Subsidies and grants for operating purposes	2,638	2,630	
3,294	Subsidies and grants for capital expenditure	3,102	3,583	The Te Aroha Events Centre project was started later than budgeted. As such, some of the grant revenue from the fundraising committee is now expected to be received in the 2016/17 year.
5,675	Fees and charges	5,788	5,477	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. Revenue and expenditure for Consents and Licencing was overstated by $155,000 in the LTP (due to internal transactions not eliminated in the LTP), but has been corrected in this Annual Plan forecast.
369	Interest and dividends from investments	405	405	
266	Local authorities fuel tax, fines, infringement fees, and other receipts	271	266	
405	Development and financial contributions	414	405	
200	Vested and found assets	204	200	
-	Other gains	-	-	
45,911	**Total revenue**	**47,410**	**46,533**	
	Expenditure			
18,473	Payments to suppliers	16,679	16,072	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. Revenue and expenditure for Consents and Licencing was overstated by $155,000 in the LTP (due to internal transactions not eliminated in the LTP), but has been corrected in this Annual Plan forecast.
13,286	Payments to staff	13,584	13,795	Three additional positions have been created, one in the area of Consents and Licensing and two as a result of bringing the cleaning contract in-house. Market movements in wages have also been revised.
1,711	Finance costs	2,190	1,760	The timing of the completion of major projects has changed from the LTP, resulting in decreased debt and interest forecasted for the 2016/17 year.
13,640	Depreciation and amortisation	14,267	13,768	The timing of the completion of major projects has changed from the LTP, resulting in decreased depreciation forecasted for the 2016/17 year.
-	Other losses	-	-	
47,110	**Total expenditure**	**46,720**	**45,395**	
-	Share of joint venture surplus/(deficit)	-	-	
(1,199)	**Surplus/(deficit)**	**690**	**1,138**	
	Other comprehensive revenue and expense			
4,924	Gains/(losses) on property, plant and equipment revaluations	8,186	8,186	
4,924	**Total other comprehensive revenue and expense**	**8,186**	**8,186**	
3,725	**Total comprehensive revenue and expense**	**8,876**	**9,324**	

Forecast statement of changes in equity for the year ending 30 June 2017

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
552,918	**Balance at 1 July**	**556,643**	**577,562**	The projected opening equity has been updated to reflect our revised forecasts to the end of the 2015/16 year.
3,725	Total comprehensive revenue and expense	8,876	9,324	
556,643	**Balance at 30 June**	**565,519**	**586,886**	
	Equity represented by:			
420,581	Retained earnings	418,452	407,371	Retained earnings and reserves have been revised for revaluations and other changes to the forecast for 2016/17.
36,032	Other reserves	38,851	52,818	
100,030	Assets revaluation reserves	108,216	126,697	
556,643	**Total equity**	**565,519**	**586,886**	


Firth Tower Church, Matamata

Forecast statement of financial position as at 30 June 2017

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
	Current assets			
416	Cash and cash equivalents	318	619	
3,000	Receivables	3,067	3,000	
-	Derivative financial instruments	-	-	
5,410	Other financial assets	5,410	5,410	
174	Inventory	174	174	
-	Assets held for sale	-	-	
9,000	**Total current assets**	**8,969**	**9,203**	
	Non-current assets			
-	Derivative financial instruments	-	-	
3,062	Investments in Council Controlled Organisations and other similar entities	3,062	3,062	
2,315	Other financial assets	2,112	2,112	
588,996	Property, plant and equipment	602,532	619,727	Revaluations have increased the value of the existing asset base above what was budgeted in the LTP, offset slightly by the delay in the completion of the capital programme.
957	Intangible assets	1,031	1,031	
595,330	**Total non-current assets**	**608,737**	**625,932**	
604,330	**Total assets**	**617,706**	**635,135**	
	Liabilities			
	Current liabilities			
-	Derivative financial instruments	-	-	
2,592	Payables	2,510	5,199	The balance of trade creditors has been revised in line with the change in timing of the capital works programme.
1,300	Employee entitlements	1,300	1,300	
181	Borrowings	5,192	5,192	
117	Provisions	89	89	
4,190	**Total current liabilities**	**9,091**	**11,780**	
	Non-current liabilities			
-	Derivative financial instruments	-	-	
600	Employee entitlements	613	613	
42,246	Borrowings	41,872	35,245	Forecast borrowings have been revised downwards as a result of the delayed capital spending.
651	Provisions	611	611	
43,497	**Total non-current liabilities**	**43,096**	**36,469**	
47,687	**Total liabilities**	**52,187**	**48,249**	
556,643	**Net assets (assets minus liabilities)**	**565,519**	**586,886**	
	Equity			
420,581	Retained earnings	418,452	407,371	
136,062	Other reserves	147,067	179,515	
556,643	**Total equity**	**565,519**	**586,886**	

Forecast statement of cashflows for the year ending 30 June 2017

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
	Cashflows from operating activities			
31,225	Rates	32,458	31,436	There are a number of factors contributing to the decrease in rates required for 2016/17; significantly inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. The timing of the completion of major projects has changed from the LTP, resulting in decreased debt, interest and depreciation forecasted for the 2016/17 year.
1,827	Metered water income	2,059	2,060	
71	Lump sum contributions	71	71	
5,873	Subsidies and grants	5,740	6,213	The Te Aroha Events Centre project was started later than budgeted. As such, some of the grant revenue from the fundraising committee is now expected to be received in the 2016/17 year.
5,675	Fees and charges	5,788	5,477	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. Revenue and expenditure for Consents and Licencing was overstated by $155,000 in the LTP (due to internal transactions not eliminated in the LTP), but has been corrected in this Annual Plan forecast.
369	Interest from investments	405	405	
266	Local authorities fuel tax, fines, infringement fees and other receipts	271	266	
405	Development and financial contributions	414	405	
-	Net GST	-	-	
31,759	Payments to staff and suppliers	30,263	29,867	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. Revenue and expenditure for Consents and Licencing was overstated by $155,000 in the LTP (due to internal transactions not eliminated in the LTP), but has been corrected in this Annual Plan forecast.
1,711	Finance costs	2,190	1,760	The timing of the completion of major projects has changed from the LTP, resulting in decreased debt and interest forecasted for the 2016/17 year.
12,241	**Net cashflow from operating activities**	**14,753**	**14,706**	
	Cashflows from Investing activities			
190	Repayment of loans and advances	203	203	
-	Sale of assets	-	-	
-	Proceeds from sale/maturity of investments and dividends received	-	-	
28,151	Purchase of property, plant and equipment	19,456	21,990	The timing of the completion of major projects has changed from the LTP.
93	Purchase of intangible assets	235	235	
-	Acquisition of investments	-	-	
(28,054)	**Net cashflows from investing activities**	**(19,488)**	**(22,022)**	
	Cashflows from financing activities			
15,586	Proceeds from borrowings	4,818	7,700	The timing of the completion of major projects has changed from the LTP, also changing the timing in which debt is required.
1,149	Repayment of borrowings	181	181	
14,437	**Net cashflows from financing activities**	**4,637**	**7,519**	
(1,376)	**Net increase/(decrease) in cash and cash equivalents**	**(98)**	**203**	
1,792	Opening cash and cash equivalents	416	416	
416	**Closing cash and cash equivalents**	**318**	**619**	

Financial statement notes

Statement of accounting policies

Reporting entity

Matamata-Piako District Council (the Council) is a local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Council has a 34% interest in a jointly controlled entity, Thames Valley Combined Civil Defence Committee, together with Hauraki District Council and Thames-Coromandel District Council. Each Council has equal representation on the committee. Thames-Coromandel District Council is the administering authority.

The Council provides local infrastructure, local public services, and performs regulatory functions to the community. Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial information contained within these documents is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Statements (PBE). The purpose for which this has been prepared is to enable the public to participate in decision making processes as to the services to be provided by the Council for the 2016/17 financial year, and to provide a broad accountability mechanism of the Council to the community. The financial information in the Annual Plan may not be appropriate for purposes other than those described.

The forecast financial statements of the Council are for the year ended 30 June 2017. The forecast financial statements were authorised for issue as part of the Annual Plan by Council on 22 June 2016. Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Cautionary note

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

Basis of preparation

The forecast financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The forecast financial statements of the Council have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE Standards.

Presentation currency and rounding

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

Opening balances

The forecast financial statements have been prepared based on expected opening balances for the year ended 30 June 2016. Estimates have been restated accordingly if required.

Significant accounting policies

Joint venture

We recognise our interest in our jointly controlled entity, Thames Valley Combined Civil Defence Committee, using the equity method. This investment is initially recognised at cost and the carrying amount is increased or decreased to recognise our share of the profit or loss of the jointly controlled entity after the date of acquisition. Our share of the profit or loss of the jointly controlled entity is recognised in our statement of comprehensive revenue and expense. The carrying amount of the investment is shown as shares in the statement of financial position.

Revenue

Revenue is measured at fair value. Revenue is recognised to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- **Rates** - General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by installments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue. Rates arising from late payment penalties are recognised as revenue when rates become overdue. Revenue from water-by-meter rates is recognised as it is invoiced. Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- **Private works** - The revenue from private works is recognised as revenue by reference to the stage of completion of the work at balance date.
- **New Zealand Transport Agency roading subsidies** - The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.
- **Other grants received -** Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
- **Fees and charges** - Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.
- **Interest** - Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- **Dividends** - Revenue is recognised when the shareholders' right to receive the payment is established.
- **Rental revenue** - Rental revenue arising on property owned by us is accounted for on a straight line basis over the lease term.
- **Development and financial contributions** - Development and financial contributions are recognised as revenue when we provide, or are able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time we provide, or are able to provide, the service.
- **Building and resource consent revenue** - Fees and charges for building and resource consent services are recognised when received or invoiced.
- **Infringement fees and fines** - Infringement fees and fines related to animal control are recognised when the payment of the fee or fine is received.
- **Vested or donated physical assets** – For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer. An exception to this is land under roads which is valued using the average land values for the urban and rural areas of the whole district as at 1 July 2001. For long-lived assets that must be used for a specific use (e.g. land that must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.
- **Found assets** - Found asset revenue recognises the value of assets that we own, or where we have full control and management of the asset (and that asset is not recorded as such by any other entity), and these assets have not been previously accounted for. These assets are recognised at their fair value from the time that they are identified.
- **Donated and bequeathed financial assets** - Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

Borrowing costs

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

Grant expenditure

Non-discretionary grants are 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 we have no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

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, finance leases are recognised as assets and liabilities in the statement of financial position of 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 surplus or deficit 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.

  Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting for 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 surplus or deficit.

Cash and cash equivalents

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

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from investing activities, and interest rate risks arising from financing activities. In accordance with our treasury policies, we do not hold or issue derivative financial instruments for trading purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The associated gains or losses are recognised in the surplus or deficit in the statement of comprehensive revenue and expense. The fair value of the derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise derivatives are classified as non-current.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit. Purchases and sales of financial assets are recognised on trade-date, the date on which we commit 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 we have transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments, and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

Fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking. Derivatives are also categorised as held for trading.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy. After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit. Gains and losses do not take into account any interest or dividend income.

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 balance date, which are included in non-current assets. 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 surplus or deficit in other gains and losses.

Loans to community organisations made 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 the expected future cash flows of the loan is recognised in the surplus or deficit in other gains or losses.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. 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 surplus or deficit.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified as any of the categories above. They are included in non-current assets, unless management intends to dispose of, or realise the investment within 12 months of balance date.

The Council includes in this category:

- investments that it intends to hold long term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables, and held to maturity investments

Impairment is established when there is objective evidence that we will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted using the original effective interest rate.

For receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock and community loans are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment. For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, 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 the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventory

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in first out (FIFO) method), adjusted when applicable, for any loss of service potential. Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method. The amount of any write down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write down. When land held for development and future resale is transferred from property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost. Costs directly attributable to the developed land are capitalised to inventory (work in progress), with the exception of infrastructural asset costs, which are capitalised to property, plant and equipment.

All other inventory is recognised at the lower of cost and net realisable value.

Assets held for sale

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. 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 assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. 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

- **Operational assets** - land, buildings, restricted assets, plant and machinery, furniture and equipment, computer equipment, and library collections.
- **Restricted assets** - parks and reserves owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- **Infrastructure assets** - fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other classes are measured at cost less accumulated depreciation and impairment losses.

Revaluations

Land and buildings (both operational and restricted), are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. We assess the carrying values of our land and building 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. Infrastructural assets (except land under roads) are revalued annually. All other asset classes are carried at depreciated historical cost.

Revaluations of property, plant and equipment are accounted for on a class of asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

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 us and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. Property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, 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 surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

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

Operational assets	Useful life	Depreciation rate
Buildings	2 to 100 years	1% - 50%
Restricted assets (buildings)	2 to 100 years	1% - 50%
Plant and machinery	2 to 10 years	10% - 50%
Furniture and equipment	2 to 20 years	5% - 50%
Computer equipment	3 to 5 years	20% - 33%
Server hard drives	1 year	100%
Library collection	2 to 9 years	11% – 50%
Street furniture	10 to 30 years	3% - 10%
Infrastructural assets		
Roading network		
Street lighting	25 years	4%
Formation carriageway	100 years	1%
Pavement surfacing	7 to 50 years	2% - 14%
Pavement structure	39 to 47 years	3% - 4%
Footpaths	5 to 50 years	2% - 20%
Drainage	60 to 90 years	1% - 2%
Bridges	75 – 90 years	1% - 2%
All other	1 to 57 years	2% -100%
Utility assets		
Buildings	50 to 80 years	1% - 2%
Wastewater mains	50 to 100 years	1% - 2%
Wastewater other	80 to 100 years	1% - 2%
Wastewater pump station equipment	5 to 100 years	1% - 20%
Wastewater service lines	50 to 88 years	1% - 2%
Water mains	30 to 95 years	1% - 3%
Water valves	80 to 88 years	1% - 2%
Water hydrants	80 to 84 years	1% - 2%
Water nodes	80 years	1%
Water pump station equipment	10 to 100 years	1% - 10%
Water service lines	30 to 88 years	1% - 3%
Stormwater mains	51 to 100 years	1% - 2%
Stormwater manholes	95 to 100 years	1% - 2%
Stormwater pumps	15 years	7%
Stormwater service lines	60 to 100 years	1% - 2%
Swale drains	Indefinite	0%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at the end of each financial year.

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 us and the cost of the item can be measured reliably. The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.


Morrinsville library

Intangible assets

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software 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 surplus or deficit. Computer software is estimated to have a useful life of 1 to 15 years and is amortised at a rate of 6.67% to 100%.

Impairment of non-financial assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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

Payables

Short-term creditors and other payables are recorded at their face value.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements

Short term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on the accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised 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 it will be used by staff to cover those future absences.

Long term employee entitlements

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

The calculations are based on:

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

Presentation of employee entitlements

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

Defined contribution superannuation scheme

Obligations for contributions to defined contribution superannuation schemes (such as KiwiSaver) are recognised as an expense in the surplus or deficit when incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Provisions for landfill aftercare and Tui Mine site monitoring

Council, as owner of three closed landfills and the former site of the Tui mine, has a legal obligation under its resource consents to provide ongoing maintenance and/or monitoring services at the sites. Provisions for post closure and monitoring costs have been recognised as a liability. The provisions are measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provisions include all reliably known costs. The discount rate used is a rate that reflects current market assessments of the time, value of money and the risks specific to Council.

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 the following components:

- retained earnings
- other reserves:
  - Council created reserves
  - restricted reserves
  - asset revaluation reserves.

Reserves

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

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

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

Asset revaluation reserves - represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

Goods and service tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and 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 GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cashflows. Commitments and contingencies are disclosed exclusive of GST.

Cost allocation

The cost of service for each of our significant activities has been derived 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. The allocation of indirect costs to the activities of Council has also been benchmarked against neighbouring local authorities for moderation.

Critical accounting estimates and assumptions

In preparing these forecast financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the period of this Annual Plan are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations on infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example we could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by us performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then we could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense.

To minimise this risk, our infrastructural assets useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of our asset management planning activities, which gives us further assurance over its useful life estimates. Experienced independent valuers perform or undertake a peer review of our infrastructural asset revaluations.

Provision for landfill aftercare and Tui Mine site monitoring

The cash outflows for landfill after care and site monitoring costs are expected to occur over 25 years or more. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provisions have been estimated taking into account existing technology and discounted using a discount rate of 6%. The following assumptions have been made in the calculation of the provisions:

- Obligations for the work are for the period of the resource consents for these sites.
- Costs have been estimated based on best information and technology known at this point.

Critical judgements in applying accounting policies

Management has exercised the following critical judgement in applying accounting policies to these forecast financial statements:

Classification of property

The Council owns a number of properties held to provide housing to elderly persons. The receipt of rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant and equipment.

Forecast depreciation and amortisation by group of activity

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/17 ($000)	Explanation of significant variances to the original LTP budget
2,167	Community Facilities and Property	2,259	2,042	Delay in project completion has reduced depreciation forecast.
6,075	Roading	6,256	5,804	Useful lives of assets were extended in the latest revaluation, reducing the depreciation forecast.
23	Rubbish and Recycling	23	23	
573	Stormwater	597	598	
2,397	Wastewater	2,477	2,464	
1,501	Water	1,730	1,827	The value of water assets increased significantly in the latest valuation.
1	Strategy and Engagement	1	1	
2	Consents and Licensing	2	8	
901	Corporate assets*	921	1,001	
13,640	**Total depreciation and amortisation**	**14,266**	**13,768**	

*Corporate assets include computers, office furniture, vehicles etc used by the supporting activities of Council that do not relate directly to one of Council's groups of activities.

Hanging baskets, Morrinsville

Reserve funds

Reserves are a component of equity, generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by us. Restricted reserves are those reserves subject to conditions accepted as binding by us and which may not be revised by us without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met.

Council created reserves are established by Council decision. We may alter them without reference to any third party or the Courts or a third party. Transfers to and from these reserves are at our discretion. Asset revaluation reserves represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings. Details of the specific reserve funds held by us are as follows:

Reserve fund	Purpose	Activities related to	Forecast balance 30 June 2016	Trans-fers in	Funds will come from	Trans-fers out	Funds will be applied to	Forecast balance 30 June 2017
			($000)	($000)		($000)		($000)
Council created reserves								
Community purposes reserve	Funds received and set aside for use on community facilities or for general community purposes (e.g. grants)	All Council activities	3,913	-	No additional funding anticipated for the term of this LTP	(153)	One-off grants 2015/16	3,760
Power New Zealand reserve fund	Funds received and set aside on behalf of the community from the dissolution of the local power board co-operative in 1998. The fund is utilised for internal borrowing or external investment, with returns used to subsidise rates.	All Council activities	26,732	632	External interest from the invested portion of the fund, and internal interest from the internally borrowed portion of the fund.	(632)	Annual Economic Development funding plus subsidy of rates	26,732
Wastewater capital contribution reserve	Capital contributions funds received from industry and set aside to offset future deprecation.	Wastewater	520	167	Annual targeted rates charged to Fonterra and Greenlea Morrinsville	-	No expenditure anticipated for the term of this LTP	687
Depreciation reserves	Funds set aside for the replacement of assets and used to fund internal borrowing.	All Council activities	18,145	13,768	Depreciation funding and interest	(10,922)	Replacement of assets (renewals) and repayment of loans	20,991
Stormwater improvement reserve	Funds set aside to fund stormwater projects.	Stormwater	50	51	Targeted rates funding	-	No expenditure planned for the term of this LTP at this stage	101
Te Aroha Wastewater de-sludging project	Funds set aside to pay for the Te Aroha de-sludging project.	Wastewater	100	200	Targeted rates funding	-	Te Aroha wastewater de-sludging project	300
Total Council created reserves			**49,460**	**14,818**		**(11,707)**		**52,571**
Restricted reserves								
Endowment land sales reserve	Funds set aside in respect of the sale of endowment land in Te Aroha. The proceeds must be used for the provision of improvement of services and public amenities for the benefit of the inhabitants of Te Aroha.	Community Facilities	-	-	Sale of endowment land (if any)	-	Te Aroha Events Centre project	-
Reserves development reserve	Funds set aside from reserves contributions to be used on parks and reserves.	Developments on parks and reserves	340	56	Financial contributions	(174)	Land acquisitions for linkage parks	222
Bequests and trust funds	Funds set aside to be used for the nominated purposes of the bequest or trust fund.	Nominated purposes	25	-	No additional funding anticipated for the term of this LTP	-	No expenditure anticipated for the term of this LTP	25
Total restricted reserves			**365**	**56**		**(174)**		**247**
Asset revaluation reserves	Surpluses from the revaluation of property plant and equipment.	All Council activities	118,511	8,186	Assets revaluation	-		126,697

Reconciliation between the funding impact statement and statement of comprehensive revenue and expense

The funding impact statement is prepared in compliance with the requirements of clause 15, part 1, schedule 10 of the Local Government Act 2002. Unlike the statement of comprehensive revenue and expense, the funding impact statement is not compliant with generally accepted accounting standards (GAAP). The funding impact statement is intended to show in a transparent manner, how all sources of funding received by us are applied. It does not include "non-cash" that is classified as income on the statement of comprehensive revenue and expense (as required by GAAP) such as assets that are vested to us through the subdivision process, or unrealised gains on assets. The statement of comprehensive revenue and expense also requires "non-cash" expenses such as depreciation, amortisation, and unrealised losses of assets to be reflected, whereas these are excluded from the funding impact statement. The reconciliation below identifies the differences between these two statements.

LTP 2015/16		LTP 2016/17	Forecast 2016/17
($000)		($000)	($000)
	Funding sources as shown in the overall Council funding impact statement		
41,432	Total operating funding	43,096	41,818
18,208	Total capital funding	8,222	11,578
	Less capital movements		
14,438	Increase/(decrease) in debt	4,635	7,519
-	Gross proceeds from sale of assets	-	-
	Add non-funded income		
200	Vested and found assets	204	200
-	Other gains	-	-
509	Income from support activities	523	456
45,911	**Total funding sources**	**47,410**	**46,533**
45,911	**Total income as shown in the statement of comprehensive revenue and expense**	**47,410**	**46,533**
	Application of funding as shown in the overall Council funding impact statement		
32,961	Total applications of operating funding	31,930	31,171
26,679	Total applications of capital funding	19,388	22,225
	Less capital movements		
28,244	Capital expenditure	19,690	22,225
(1,565)	Increase (decrease) in reserves	(302)	-
-	Increase (decrease) in investments	-	-
	Add depreciation and non-funded expenditure		
13,640	Depreciation and amortisation	14,267	13,768
-	Other losses	-	-
509	Expenses from support activities	523	456
47,110	**Total funding application**	**46,720**	**45,395**
47,110	**Total expenditure as shown in the statement of comprehensive revenue and expense**	**46,720**	**45,395**

Funding impact statement

Funding impact statement for 1 July 2016 to 30 June 2017 for Council

LTP 2015/16 ($000)		LTP 2016/17 ($000)	Forecast 2016/ 17 ($000)	Explanation of significant variances to the original LTP budget
	Sources of operating funding			
19,718	General rates, uniform annual general charges, rates penalties	20,837	20,045	There are a number of factors contributing to the decrease in rates required for 2016/17; significantly inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated. The timing of the completion of major projects has changed from the LTP, resulting in decreased debt, interest and depreciation forecasted for the 2016/17 year.
13,333	Targeted rates	13,679	13,453	
2,579	Subsidies and grants for operating purposes	2,638	2,630	
5,213	Fees and charges	5,314	4,666	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated.
323	Interest and dividends from investments	357	758	
266	Local authorities fuel tax, fines, infringement fees, and other receipts	271	266	
41,432	**Total operating funding (A)**	**43,096**	**41,818**	
	Applications of operating funding			
31,251	Payments to staff and suppliers	29,742	29,412	Inflation of 2.24% was budgeted for in the LTP, but revised down in this forecast as it has not eventuated.
1,710	Finance costs	2,188	1,759	The timing of the completion of major projects has changed from the LTP, resulting in decreased debt and interest forecasted for the 2016/17 year.
-	Other operating funding applications	-	-	
32,961	**Total applications of operating funding (B)**	**31,930**	**31,171**	
8,471	**Surplus (deficit) of operating funding (A – B)**	**11,166**	**10,647**	
	Sources of capital funding			
3,294	Subsidies and grants for capital expenditure	3,102	3,583	The Te Aroha Events Centre project was started later than budgeted. As such, some of the grant revenue from the fundraising committee is now expected to be received in the 2016/17 year.
405	Development and financial contributions	414	405	
14,438	Increase (decrease) in debt	4,635	7,519	Changes to the estimated timing of major capital projects has changed the timing of the debt being raised to fund these, compared to the LTP.
-	Gross proceeds from sale of assets	-	-	
71	Lump sum contributions	71	71	
-	Other dedicated capital funding	-	-	
18,208	**Total sources of capital funding (C)**	**8,222**	**11,578**	
	Applications of capital funding			
	Capital expenditure			
4,447	—to meet additional demand	2,375	327	The $2 million project to increase the Te Aroha water supply capacity has been deferred as there has been no request from industry at this time.
12,115	—to improve the level of service	6,319	10,976	The timing of the Matamata-Piako Civic and Memorial Centre project has been brought forward compared to the LTP, and the Te Aroha Event Centre will be completed later than budgeted, increasing the debt to be raised in the 2016/17 year. Also, the Morrinsville reservoir project was scheduled to be completed in 2015/16, will now be completed in the 2016/17 year.
11,682	—to replace existing assets	10,996	10,922	
(1,565)	Increase (decrease) in reserves	(302)	-	
-	Increase (decrease) of investments	-	-	
26,679	**Total applications of capital funding (D)**	**19,388**	**22,225**	
(8,471)	**Surplus (deficit) of capital funding (C – D)**	**(11,166)**	**(10,647)**	
-	**Funding balance ((A-B)+(C-D))**	-	-	

Calculation of rates

For 1 July 2016 to 30 June 2017

These rates shown are inclusive of GST

		General rates		Targeted rates	
Source		General rate	Uniform annual general charge	Stormwater	Waste Management
Category		All rateable land in the Matamata-Piako District		Rating units within serviced areas	Rating units within serviced areas
How the rate will be calculated		Cents per dollar on capital value	Uniform charge per rating unit	Uniform charge per rating unit within the townships of Matamata, Morrinsville, Te Aroha and Waharoa	Uniform charge per separately used or inhabited part of a rating unit to which the service is available
LTP 2015/16	$	0.00146746	592.22	120.46	157.84
LTP 2016/17		0.00154078	627.97	120.64	160.51
Forecast 2016/17		0.0012291	583.19	110.53	156.17

		Targeted rates							
Source		Wastewater (sewage disposal)							
Category		Connected single residential house	Connected non-single residential, and non-residential properties						Serviceable properties within 30 metres of Council's Wastewater reticulation network
How the rate will be calculated		Uniform charge per connected rating unit	Uniform charge per rating unit for the first pan on all connected properties, and	Additional uniform charge per pan (excluding the first pan) for properties with up to 4 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 10 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 15 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 20 pans	Or additional uniform charge per pan (excluding the first pan) for properties with more than 20 pans	Uniform charge per rating unit to which the service is available (but not connected)
LTP 2015/16	$	701.37	701.37	701.37	596.17	561.10	526.03	490.96	350.69
LTP 2016/17		695.90	695.90	695.90	591.52	556.72	521.93	487.13	347.95
Forecast 2016/17		654.63	654.63	654.63	556.44	523.70	490.97	458.24	327.32

Targeted rates									
Source	Industry contributions to the Morrinsville wastewater treatment plant upgrade		Water supply		Water supply (metered)*				
Category	18 Allen Street, Morrinsville	38 Pickett Place, Morrinsville	Connected properties	Serviceable properties within 100 metres of Council's water reticulation network	Metered supply (general)	Metered supply raw water Te Aroha West	Metered supply Braeside Aquaria 1981	Inghams Enterprises (NZ) Pty Ltd supply**	Matamata farm properties***
How the rate will be calculated	Uniform charge per specified rating unit		Uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided	Uniform charge per separately used or inhabited part of a rating unit to which the service is available (but not connected)	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month in the Te Aroha West supply area	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month for Braeside Aquaria	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month for Inghams Factory, Waitoa	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month for Matamata farm properties that contain the Matamata trunk main from Tills Road
LTP 2015/16	611,767.52	194,204.95	320.97	160.49	1.25	0.90	0.65	0.59	1.25
LTP 2016/17	611,767.52	194,204.95	332.57	166.29	1.28	0.92	0.66	0.60	1.28
Forecast 2016/17	611,767.52	194,204.95	330.03	165.02	1.28	0.92	0.66	0.60	1.28

* Targeted rates for a metered water supply are charged in addition to a uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided.
** The balance (cost) is invoiced as per a separate contract with Inghams Enterprises (NZ) Pty. The current contract expires in 2018/19
*** A 50% discount will be applied to this rate if the invoice is paid by the due date

Targeted rates							
Source		Targeted rural hall rates will apply to all land within the hall rating area, as listed					
Category		Tauhei	Hoe-o-Tainui	Springdale	Kiwitahi	Patetonga	Wardville
How the rate will be calculated		Cents per dollar on land value					
LTP 2015/16	$	0.00010794	0.00003225	0.00002225	0.00001156	0.00003578	0.00002565
LTP 2016/17	$	0.00011036	0.00003297	0.00002275	0.00001182	0.00003658	0.00002622
Forecast 2016/17	$	0.00009363	0.00002682	0.00001481	0.00001951	0.00003045	0.00001934

Targeted rates									
Source		Targeted rural hall rates will apply to all land within the hall rating area, as listed							
Category		Tahuna	Mangateparu	Kereone	Tatuanui	Walton	Okauia	Hinuera	Piarere
How the rate will be calculated		Uniform charge per rating unit					Cents per dollar on capital value		
LTP 2015/16	$	38.00	34.50	41.00	61.50	20.00	0.00001839	0.00001691	0.00002112
LTP 2016/17	$	38.85	35.27	41.92	62.88	20.45	0.00001880	0.00001729	0.00002159
Forecast 2024/25	$	38.20	34.80	41.50	61.80	20.25	0.00001549	0.00001401	0.00001781

Targeted rates								
Source		Targeted rural hall rates will apply to all land within the hall rating area, as listed						
Category		Mangaiti	Waharoa	Waitoa	Waihou	Elstow	Manawaru	Te Poi
How the rate will be calculated		Uniform charge per separately used or inhabited part of a rating unit						
LTP 2015/16	$	12.50	10.50	25.55	20.00	21.50	25.55	36.80
LTP 2016/17	$	12.78	10.74	26.12	20.45	21.98	26.12	37.62
Forecast 2016/17	$	12.65	-	25.70	20.20	21.60	25.80	36.90

Lump sum contributions			
Source		Waharoa/ Raungaiti Wastewater Scheme	
Category		Connected properties	Serviceable properties
How the rate will be calculated		Uniform charge per connected rating unit (where the ratepayer elected to pay their lump sum contribution to the scheme by way of a targeted rate)	Uniform charge per rating unit to which service is available (but not connected) (where the ratepayer elected to pay their lump sum contribution to the scheme by way of a targeted rate)
LTP 2015/16	$	669.84	401.88
LTP 2016/17	$	669.84	401.88
Forecast 2016/17	$	669.84	401.88

GST - The calculation of rates is shown inclusive of GST at the current rate of 15%. Any future changes in the rate of GST would need to be applied to these rates as appropriate.

Revenue and Financing Policy - The rationale for the selection of various funding sources is set out in our Revenue and Financing Policy.

Separately used or inhabited part of rating unit - A separately used or inhabited part of a rating unit is any part of a rating unit that is or is able to be separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

Hall Rating Areas - Please visit our website www.mpdc.govt.nz and refer to the Hall Rating Areas (1989) for this information.

Stormwater Serviced Areas - These are the rating units within the residential, business and industrial zones in Council's Operative District Plan within the townships of Matamata, Morrinsville, Te Aroha and Waharoa.

Solid Waste Serviced Areas - These areas are detailed in the Solid Waste Serviced Areas Map (June 2015) which can be found on our website.

Annual Plan disclosure statement for year ending 30 June 2017

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 annual 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.

Benchmark		Planned	Met
Rates affordability benchmark			
• income	Annual rates income* will not increase by more than 4%	$31,507,000	Yes
• increases	Annual rates increases* will not be more than 4%	0.67%	Yes
Debt affordability benchmark	Net debt as a percentage of total revenue^ will not exceed 150%	87%	Yes
Balanced budget benchmark	100%	101%	Yes
Essential services benchmark	100%	133%	Yes
Debt servicing benchmark	10%	3.8%	Yes

*For the purpose of these calculations, rates income excludes penalties (which are not budgeted for), and metered water revenue (the majority of which comes from a few large industrial users). These items are excluded as the level of income received is not within Councils' direct control.

^Consistent with our Liability Management Policy, total revenue excludes development and financial contributions, vested and found assets and other gains.

Notes

1 Rates affordability benchmark

(1) For this benchmark,—
   (a) the council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the council's long-term plan; and
   (b) the council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the council's long term plan.

(2) The council meets the rates affordability benchmark if—
   (a) its planned rates income for the year equals or is less than the quantified limit on rates; and
   (b) its planned rates increases for the year equal or are less than the quantified limit on rates increases.

2 Debt affordability benchmark

(1) For this benchmark, the council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the council's long-term plan.

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

3 Balanced budget benchmark

(1) For this benchmark, the council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

(2) The council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

4 Essential services benchmark

(1) For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

(2) 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.

5 Debt servicing benchmark

(1) For this benchmark, the council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

(2) Because Statistics New Zealand projects that the council's population will grow as fast as the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.