


Annual Plan 2017/18



OUR COMMUNITY
OUR FUTURE



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Contents

Part One: Introduction

➤ Message from the Mayor	5
➤ Your Council	6
➤ Annual Plan guide	7
➤ So what's changed from the Long Term Plan/last Annual Plan.....	7
➤ How much will my rates be?	8

Part Two: Financials

➤ Financial statements	10
➤ Financial statement notes.....	14
➤ Forecast depreciation and amortisation by group of activity	23
➤ Reserve funds	24
➤ Reconciliation between the funding impact statement and statement of comprehensive revenue and expense	25
➤ Funding impact statement	26
➤ Calculation of rates.....	27
➤ Annual Plan disclosure statement for year ending 30 June 2018.....	30

Part Three: What we do

➤ Community Facilities and Property.....	32
➤ Strategy and Engagement.....	34
➤ Roading.....	36
➤ Rubbish and Recycling.....	38
➤ Stormwater	40
➤ Wastewater	42
➤ Water.....	44
➤ Consents and Licensing.....	46



Annual Plan 2017/18

Part One: Introduction

► Staying on track with what we had planned

The Annual Plan 2017/18 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. We won't be re-consulting on the Annual Plan this year because we are not proposing any significant changes from what we planned in the Long Term Plan. We consulted extensively on the Long Term Plan with the community before it was put in place - however, we still want to keep our community informed on what our plans are. Over the next year we are focusing on a mostly 'business as usual' approach - providing core services and some nice to have's listed below.

► Major projects

We have some exciting projects going ahead this year -

- The Matamata-Piako Civic and Memorial Centre;
- The Morrinsville River Walkway project; and
- The Te Aroha to Matamata cycleway extension.

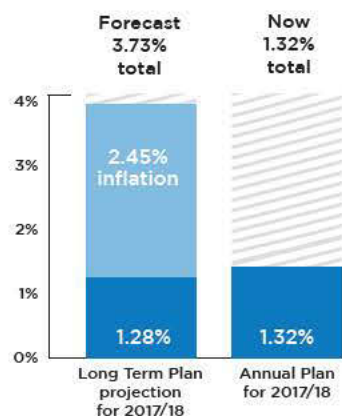
We look forward to the completion of these projects which will be fantastic assets for the district.

► Our financial position

We are in a strong, sustainable financial position and we want to keep it that way. We also want to keep overall rates increases at a sustainable level for our community. Our total rates increase for 2017/18 is 1.32%, this is a significant reduction from the 3.73% forecast in our Long Term Plan. This will affect everyone differently because of differences in the value of your property and the different services you receive, so I encourage you to read through our Annual Plan and to look at your rates on line at www.mppdc.govt.nz. If you have any questions please call our customer services centre for more information.

► Your new Council

2017 will be the first full year with our new Council following the 2016 local body elections. I would like to welcome both new and returning elected members to the Council and I encourage you to get to know your district councillors. We look forward to working together over the next three years on your behalf, to keep our district vibrant and growing.



The total rates increase for 2017/18 will be 1.32%



Jan Barnes
Mayor



Your Council

Mayor



Jan Barnes
JP

Deputy Mayor



James Thomas
Morrinsville, JP



James Sainsbury
Matamata



Kevin Tappin
Matamata



Adrienne Wilcock
Matamata



Brian Hunter
Matamata



Neil Goodger
Morrinsville



Paul Cronin
Morrinsville



Donna Arnold
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, Ngati Hinerangi 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, hearing and determining objections under the Dog Control Act 1996 and granting waivers or modifications in relation to means of restricting access to residential pools under the Building Act 2004. 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, are set out in the Ngati Haua Claims Settlement Act 2014.

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.

So what's changed from the Long Term Plan?

We are not consulting on the Annual Plan this year because we are not proposing any significant changes from what we planned in the Long Term Plan. We consulted extensively on the Long Term Plan with the community before it was put in place. However, we still want to keep our community informed on what our plans are for the next year.

▶ Major projects in 2017/18

Three major projects we have planned are still going ahead:






- Matamata-Piako Civic and Memorial Centre
- Morrinsville River Walkway project
- Te Aroha to Matamata cycleway extension



How much will my rates be?

The total rates increase will be 1.32% compared to the 2016/17 year. However, this will affect different property types to varying degrees. In our Long Term Plan rates were originally forecast to increase by 3.73% in 2017/18. In 2017/18 we will see a reduction in costs of providing specific services such as water and wastewater so this will be passed on to properties that pay for those services. On the other hand, larger projects such as the three detailed on the previous page are paid for by all properties so properties that are not on mains water and wastewater may see an increase in rates. Visit www.mpd.govt.nz/rates-property-search to see what your rates will be for 2017/18.

Below are examples of different types of properties throughout the district. Please note these are for 'average' property values and may not reflect your particular situation.

	Capital Value	2016/17 Rates		2017/18 Rates
Urban home 	\$225,000	\$2,111	-2.05%	\$2,068
	\$280,000	\$2,179	-1.80%	\$2,140
	\$450,000	\$2,388	-1.10%	\$2,362
Rural lifestyle 	\$430,000	\$1,112	4.53%	\$1,162
	\$540,000	\$1,247	4.70%	\$1,306
	\$865,000	\$1,646	5.05%	\$1,729
Commercial 	\$500,000	\$3,758	-1.37%	\$3,707
	\$630,000	\$3,918	-1.06%	\$3,876
	\$1.0 million	\$4,373	-0.31%	\$4,359
Rural pastoral 	\$1.9 million	\$2,918	5.52%	\$3,079
	\$2.4 million	\$3,533	5.62%	\$3,732
	\$3.8 million	\$5,254	5.79%	\$5,558
Rural dairy 	\$2.9 million	\$4,147	5.70%	\$4,383
	\$3.6 million	\$5,008	5.77%	\$5,297
	\$5.8 million	\$7,712	5.90%	\$8,167



Annual Plan 2017/18

Part Two: Financials

Financial statements

► Forecast statement of comprehensive revenue and expense for the year ending 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Revenue				
33,567	Rates	36,184	34,177	Rate increases of 3.73% were budgeted for the Long Term Plan. This has reduced in the Annual Plan budget to 1.32%. The level of debt at 1 July is less than budgeted in the Long Term Plan so the rate required for interest is reduced. Also depreciation is lower than forecast in the Long Term Plan as the timing of capital work has been delayed. (Note that total rates includes metered water income).
2,630	Subsidies and grants for operating purposes	2,703	2,689	
3,583	Subsidies and grants for capital expenditure	3,155	3,462	The New Zealand Transport Agency has approved additional subsidy for capital spending on lighting.
5,477	Fees and charges	5,890	5,647	Income from trade waste is forecast to decrease due to lower volumes of waste being received. In addition, the Long Term Plan forecast for planning income incorrectly included \$162,000 of internal revenue which has been eliminated from this 2017/18 forecast.
405	Interest and dividends from investments	397	257	
266	Local authorities fuel tax, fines, infringement fees, and other receipts	278	266	
405	Development and financial contributions	424	405	
200	Vested and found assets	209	200	
-	Other gains	-	-	
46,533	Total revenue	49,240	47,103	
Expenditure				
16,072	Payments to suppliers	17,235	16,050	Compounded inflation of 4.74% was budgeted in the Long Term Plan, but it has not eventuated to that extent. \$162,000 of internal expenses for the planning activity were incorrectly included in the Long Term Plan and have been eliminated from this 2017/18 forecast. A forecast increase in the cost to operate the Te Aroha water plant was reduced as the planned capacity upgrade has not been required to date.
13,795	Payments to staff	13,917	14,638	There have been some new staff positions created since the Long Term Plan was adopted, particularly in the areas of asset management, planning and Councils works unit, including bringing cleaning services in-house (previously externally contracted).
1,760	Finance costs	2,323	1,766	Lower debt at the beginning of financial year and the delayed completion of major projects (Matamata-Piako Civic Centre, Te Aroha water treatment and Morrinsville stormwater) from that forecast in the Long Term Plan has resulted in decreased debt and interest forecasted for the 2017/18 year.
13,768	Depreciation and amortisation	14,895	13,953	The timing of the completion of major projects (Matamata-Piako Civic Centre, Te Aroha water treatment and Morrinsville stormwater) has changed from the Long Term Plan, resulting in decreased depreciation forecasted for the 2017/18 year.
-	Other losses	-	-	
45,395	Total expenditure	48,370	46,407	
-	Share of joint venture surplus/ (deficit)	-	-	
1,138	Surplus/(deficit)	870	696	
Other comprehensive revenue and expense				
8,186	Gains/(losses) on property, plant and equipment revaluations	12,929	12,929	
8,186	Total other comprehensive revenue and expense	12,929	12,929	
9,324	Total comprehensive revenue and expense	13,799	13,625	

► Forecast statement of changes in equity for the year ending 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
577,562	Balance at 1 July	565,519	586,886	The projected opening equity has been updated to reflect our revised forecasts to the end of the 2016/17 year.
9324	Total comprehensive revenue and expense	13,799	13,625	
586,886	Balance at 30 June	579,318	600,511	
	Equity represented by:			
407,371	Retained earnings	415,494	405,026	
52,818	Other reserves	42,679	55,859	
126,697	Assets revaluation reserves	121,145	139,626	
586,886	Total equity	579,318	600,511	



Playground, Morrinsville

► Forecast statement of financial position as at 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
	Current assets			
4619	Cash and cash equivalents	303	835	
3,000	Receivables	3,142	3,000	
-	Derivative financial instruments	-	-	
5,410	Other financial assets	5,410	4,837	
174	Inventory	174	174	
-	Assets held for sale	-	-	
9,203	Total current assets	9,029	8,846	
	Non-current assets			
-	Derivative financial instruments	-	-	
3,062	Investments in Council Controlled Organisations and other similar entities	3,062	3,062	
2,112	Other financial assets	1,896	2,112	
619,727	Property, plant and equipment	617,359	632,848	Revaluations have increased the value of the existing asset base above what was budgeted in the Long Term Plan.
1,031	Intangible assets	918	918	
625,932	Total non-current assets	623,235	638,940	
635,135	Total assets	632,264	647,786	
	Liabilities			
	Current liabilities			
-	Derivative financial instruments	-	-	
5,199	Payables	2,373	4,184	The balance of trade creditors has been revised in line with the change in timing of the capital works programme.
1,300	Employee entitlements	1,329	1,300	
5,192	Borrowings	10,134	5,192	Forecast borrowings have been revised downwards as a result of delayed capital spending.
89	Provisions	88	89	
11,780	Total current liabilities	13,924	10,765	
	Non-current liabilities			
-	Derivative financial instruments	-	-	
613	Employee entitlements	628	613	
35,245	Borrowings	37,823	35,284	
611	Provisions	571	611	
36,469	Total non-current liabilities	39,022	36,508	
48,249	Total liabilities	52,946	47,273	
586,886	Net assets (assets minus liabilities)	579,318	600,513	
	Equity			
407,371	Retained earnings	415,494	405,026	
179,515	Other reserves	163,824	195,485	
586,886	Total equity	579,318	600,511	

► Forecast statement of cashflows for the year ending 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Cashflows from operating activities				
31,436	Rates	33,742	31,921	Rate increases of 3.73% were budgeted for the Long Term Plan. This has reduced in the Annual Plan budget to 1.32%. The level of debt at 1 July is less than budgeted in the Long Term Plan so the rate required for interest is reduced. Also depreciation is lower than forecast in the Long Term Plan as the timing of capital work has been delayed. (Note that total rates includes metered water income).
2,060	Metered water income	2,442	2,256	A water capacity upgrade for Te Aroha industrial users, planned in the Long Term Plan, has not been required to date, resulting in a reduction in forecast metered water income.
71	Lump sum contributions	-	-	
6,213	Subsidies and grants	5,858	6,151	
5,477	Fees and charges	5,890	5,647	
405	Interest from investments	397	257	
266	Local authorities fuel tax, fines, infringement fees and other receipts	278	266	
405	Development and financial contributions	424	405	
-	Net GST	-	-	
29,867	Payments to staff and suppliers	(31,152)	(30,687)	Reduced inflationary pressures, reduced costs in water and the elimination of internal planning costs included in the Long Term Plan budget in error have reduced forecast payments to suppliers. This is offset by increased staff costs due to additional positions created.
1,760	Finance costs	(2,323)	(1,765)	The timing of the completion of major projects has changed from the Long Term Plan, resulting in decreased debt and interest forecasted for the 2017/18 year.
14,706	Net cashflow from operating activities	15,556	14,451	
Cashflows from Investing activities				
203	Repayment of loans and advances	216	216	
-	Sale of assets	-	-	
-	Proceeds from sale/maturity of investments and dividends received	-	573	
21,990	Purchase of property, plant and equipment	(16,583)	(22,316)	Major projects like the Matamata-Piako Civic Centre, Te Aroha Water treatment upgrade and Hauraki Rail Trail have been carried forward to 2017/18.
235	Purchase of intangible assets	(97)	(97)	
-	Acquisition of investments	-	-	
(22,022)	Net cashflows from investing activities	(16,464)	(21,624)	
Cashflows from financing activities				
7,700	Proceeds from borrowings	6,085	7,389	
181	Repayment of borrowings	(5,192)	-	
7,519	Net cashflows from financing activities	893	7,389	Net borrowing will increase to fund major projects like the Matamata-Piako Civic Centre and Hauraki Rail Trail which was carried forward from 2016/17.
203	Net increase/(decrease) in cash and cash equivalents	(15)	214	
416	Opening cash and cash equivalents	318	619	
619	Closing cash and cash equivalents	303	835	

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 Local Government Act 2002 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 2017/18 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 2018. The forecast financial statements were authorised for issue as part of the Annual Plan by Council on 10 May 2017. 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 2017. 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.

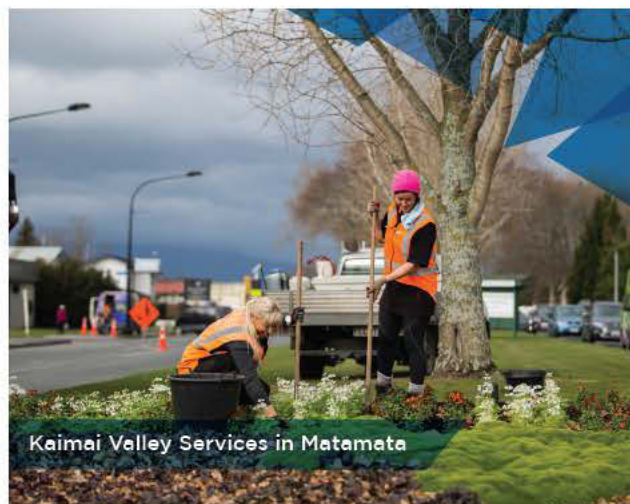
Intangible assets

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

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
2,042	Community Facilities and Property	2,338	2,263	Useful lives of assets were extended in the latest revaluation, reducing the depreciation forecast.
5,804	Roading	6,533	6,011	
23	Rubbish and Recycling	24	23	
598	Stormwater	613	568	Useful lives of assets were extended and stormwater projects are not going ahead at the moment
2,464	Wastewater	2,550	2,474	
1,827	Water	1,890	1,670	
1	Strategy and Engagement	1	1	
8	Consents and Licensing	2	9	
1001	Corporate assets*	944	934	
13,768	Total depreciation and amortisation	14,895	13,953	

*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.



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 2017 (\$000)	Transfers in (\$000)	Funds will come from	Transfers out (\$000)	Funds will be applied to	Forecast balance 30 June 2018 (\$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	3,760	-	No additional funding anticipated for the term of this LTP	-		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	1,308	External interest from the invested portion of the fund, and internal interest from the internally borrowed portion of the fund.	(1,275)	Annual Economic Development funding plus subsidy of rates	26,765
Wastewater capital contribution reserve	Capital contributions funds received from industry and set aside to offset future depreciation.	Wastewater	687	220	Annual targeted rates charged to Fonterra and Greenlea Morrinsville	-		907
Depreciation reserves	Funds set aside for the replacement of assets and used to fund internal borrowing.	All Council activities	20,991	13,619	Depreciation funding and interest	(10,659)	Replacement of assets (renewals) and repayment of loans	23,951
Stormwater improvement reserve	Funds set aside to fund stormwater projects.	Stormwater	101	50	Targeted rates funding	-		151
Te Aroha Wastewater de-sludging project	Funds set aside to pay for the Te Aroha de-sludging project.	Wastewater	300	-	No additional funding anticipated	-		300
Total Council created reserves			52,571	15,197		(11,934)		55,834
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	-	-		-		-
Reserves development reserve	Funds set aside from reserves contributions to be used on parks and reserves.	Developments on parks and reserves	222	55	Financial contributions	(277)	Land acquisitions for linkage parks	-
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			247	55		(277)		25
Asset revaluation reserves								
Asset revaluation reserves	Surpluses from the revaluation of property plant and equipment.	All Council activities	126,697	12,929	Assets revaluation	-		139,626

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.

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18
(\$000)		(\$000)	(\$000)
	Funding sources as shown in the overall Council funding impact statement		
41,818	Total operating funding	44,917	42,600
11,578	Total capital funding	4,473	11,256
	Less capital movements		
7,519	Increase/(decrease) in debt	894	7,389
-	- Gross proceeds from sale of assets	-	-
	Add non-funded income		
200	Vested and found assets	209	200
-	- Other gains	-	-
456	Income from support activities	535	436
46,533	Total funding sources	49,240	47,103
46,533	Total income as shown in the statement of comprehensive revenue and expense	49,240	47,103
	Application of funding as shown in the overall Council funding impact statement		
31,171	Total applications of operating funding	32,940	32,016
22,225	Total applications of capital funding	16,450	21,840
	Less capital movements		
22,225	Capital expenditure	16,681	22,413
-	- Increase (decrease) in reserves	(231)	(573)
-	- Increase (decrease) in investments	-	-
	Add depreciation and non-funded expenditure		
13,768	Depreciation and amortisation	14,895	13,953
-	- Other losses	-	-
456	Expenses from support activities	535	436
45,395	Total funding application	48,370	46,407
475,395	Total expenditure as shown in the statement of comprehensive revenue and expense	48,370	46,407

Funding impact statement

Funding impact statement for 1 July 2017 to 30 June 2018 for Council

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
20,045	General rates, uniform annual general charges, rates penalties	21,742	21,146	Rate increases of 3.73% were budgeted for the Long Term Plan. This has reduced in the Annual Plan budget to 1.32%. The level of debt at 1 July is less than budgeted in the Long Term Plan so the rate required for interest is reduced. Also depreciation is lower than forecast in the Long Term Plan as the timing of capital work has been delayed. Note that total rates includes metered water income.
13,453	Targeted rates	14,443	13,031	
2,630	Subsidies and grants for operating purposes	2,703	2,689	
4,666	Fees and charges	5,404	5,211	Income from trade waste is forecast to decrease due to lower volumes of waste received. In addition the Long Term Plan forecast for planning income incorrectly included \$162,000 of internal revenue which has been eliminated from this 2017/18 forecast.
758	Interest and dividends from investments	347	257	
266	Local authorities fuel tax, fines, infringement fees, and other receipts	278	266	
41,818	Total operating funding (A)	44,917	42,600	
Applications of operating funding				
29,412	Payments to staff and suppliers	30,616	30,250	Reduced inflationary pressures, reduced costs in water and the elimination of internal planning costs included in the Long Term Plan budget in error have reduced forecast payments to suppliers. This is offset by increased staff costs due to additional positions created.
1,759	Finance costs	2,324	1,766	The timing of the completion of major projects has changed from the LTP, resulting in decreased debt and interest forecasted for the 2017/18 year.
-	Other operating funding applications	-	-	
31,171	Total applications of operating funding (B)	32,940	32,016	
10,647	Surplus (deficit) of operating funding (A - B)	11,977	10,584	
Sources of capital funding				
3,583	Subsidies and grants for capital expenditure	3,155	3,462	New Zealand Transport Agency has approved additional subsidy for capital spending on lighting.
405	Development and financial contributions	424	405	
7,519	Increase (decrease) in debt	894	7,389	Net borrowing will increase to fund major projects like the Matamata Civic Centre and Hauraki Rail Trail which have been carried forward from 2016/17.
-	Gross proceeds from sale of assets	-	-	
71	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
11,578	Total sources of capital funding (C)	4,473	11,256	
Applications of capital funding				
Capital expenditure				
327	—to meet additional demand	294	282	
10,976	—to improve the level of service	5,722	11,734	Major projects like the Matamata Civic centre and Hauraki Rail Trail have been carried forward from 2016/17.
10,922	—to replace existing assets	10,665	10,397	Long Term Plan forecasts included inflation of 4.74% which has not eventuated to that extent.
-	Increase (decrease) in reserves	(231)	(573)	
-	Increase (decrease) of investments	-	-	
22,225	Total applications of capital funding (D)	16,450	21,840	
(10,647)	Surplus (deficit) of capital funding (C - D)	(11,977)	(10,584)	
-	Funding balance ((A-B)+(C-D))	-	-	

Calculation of rates

For 1 July 2017 to 30 June 2018

These rates shown are inclusive of GST

Source	General rates		Targeted rates	
	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 of 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
Annual Plan 2016/17	0.0012291	583.19	110.53	156.17
LTP 2017/18	0.00162172	639.94	124.54	163.53
Annual Plan 2017/18	0.00129741	599.92	102.89	153.08

Source	Targeted rates							
	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)
Annual Plan 2016/17	654.63	654.63	654.63	556.44	523.70	490.97	458.24	327.32
LTP 2017/18	718.38	718.38	718.38	610.63	574.71	538.79	502.87	359.19
Annual Plan 2017/18	636.86	636.86	636.86	541.33	509.48	477.64	445.80	318.43

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
Annual Plan 2016/17	\$	611,767.52	194,204.95	330.03	165.02	1.28	0.92	0.66	0.60	1.28
LTP 2017/18		611,767.52	194,204.95	335.48	167.74	1.34	0.96	0.70	0.63	1.34
Annual Plan 2017/18		606,640.72	192,577.46	273.92	136.96	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 of land value						
Annual Plan 2016/17		0.00009363	0.00002682	0.00001481	0.00001951	0.00003045	0.00001934
LTP 2017/18	\$	0.00011306	0.00003378	0.00002330	0.00001211	0.00003748	0.00002687
Annual Plan 2017/18		0.00009487	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	Okaia	Hinuera	Piarere	
How the rate will be calculated	Uniform charge per rating unit					Cents per dollar of capital value			
Annual Plan 2016/17	38.20	34.80	41.50	61.80	20.25	0.00001549	0.00001401	0.00001781	
LTP 2017/18	\$ 39.80	36.14	42.94	64.42	20.95	0.00001926	0.00001771	0.00002212	
Annual Plan 2017/18	38.20	34.80	41.50	61.80	30.00	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							
Annual Plan 2016/17	12.65	-	25.70	20.20	21.60	25.80	36.90	
LTP 2017/18	\$ 13.09	11.00	26.76	20.95	22.52	26.76	38.54	
Annual Plan 2017/18	12.65	-	-	20.20	21.60	25.80	36.80	

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.mpd.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 2018

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%	\$31,921,000	Yes
• increases	Annual rates increases* will not be more than 4%	1.32%	Yes
Debt affordability benchmark	Net debt as a percentage of total revenue^ will not exceed 150%	85%	Yes
Balanced budget benchmark	100%	100%	Yes
Essential services benchmark	100%	173%	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.



Annual Plan 2017/18

Part Three: 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?

Projects within this group of activities are still progressing as planned in our Long Term Plan. Projects such as the Matamata-Piako Civic and Memorial Centre are progressing. This project is currently scheduled to be completed in 2017.

Please see our Long Term Plan 2015-25 available on our website at www.mpd.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.



Funding Impact Statement

Funding impact statement for Community Facilities and Property for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
7,984	General rates, uniform annual general charges, rates penalties	8,527	8,203	The Long Term Plan forecasts included inflation that has not eventuated to the extent assumed.
60	Targeted rates	63	65	
-	Subsidies and grants for operating purposes	-	-	
2,674	Fees and charges	2,762	2,837	The increase in fees and charges is mainly due to an increase in rental received from Elderly Person Housing and higher income from Council pools. This is offset partially by lower rental income due to the sale of surplus property and library income.
133	Internal charges and overheads recovered	136	167	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
10,851	Total operating funding (A)	11,488	11,272	
Applications of operating funding				
6,745	Payments to staff and suppliers	7,010	7,079	
448	Finance costs	458	336	Finance costs are lower than budgeted as the Matamata-Piako Civic Centre project timing is delayed compared to the Long Term Plan.
1,781	Internal charges and overheads applied	1,866	1,821	
-	Other operating funding applications	-	-	
8,974	Total applications of operating funding (B)	9,334	9,236	
1,877	Surplus (deficit) of operating funding (A - B)	2,154	2,036	
Sources of capital funding				
300	Subsidies and grants for capital expenditure	-	-	
55	Development and financial contributions	58	55	
4,726	Increase (decrease) in debt	478	324	Changes to the estimated timing of projects has changed the timing of the debt being raised to fund these, compared to the Long Term Plan.
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
5,081	Total sources of capital funding (C)	536	379	
Applications of capital funding				
Capital expenditure				
195	—to meet additional demand	157	150	
5,650	—to improve the level of service	2,239	1,492	The timing of the Matamata-Piako Civic Centre project has changed compared to the Long Term Plan.
1,119	—to replace existing assets	847	873	
(6)	Increase (decrease) in reserves	(553)	(100)	
-	Increase (decrease) of investments	-	-	
6,958	Total applications of capital funding (D)	2,690	2,415	
(1,877)	Surplus (deficit) of capital funding (C - D)	(2,154)	(2,036)	
-	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.

Please see our Long Term Plan 2015-25 available on our website at www.mpd.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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Business Night Out held in Matamata

Funding Impact Statement

Funding impact statement for Strategy and Engagement for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
3,941	General rates, uniform annual general charges, rates penalties	4,024	4,249	
-	- Targeted rates	-	-	
-	- Subsidies and grants for operating purposes	-	-	
148	Fees and charges	148	124	
608	Internal charges and overheads recovered	774	515	The internal interest allocation has been reviewed.
-	- Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
4,697	Total operating funding (A)	4,946	4,888	
Applications of operating funding				
2,551	Payments to staff and suppliers	2,521	2,589	
31	Finance costs	44	-	
1,359	Internal charges and overheads applied	1,399	1,426	
-	- Other operating funding applications	-	-	
3,941	Total applications of operating funding (B)	3,964	4,018	
756	Surplus (deficit) of operating funding (A – B)	982	870	
Sources of capital funding				
-	- Subsidies and grants for capital expenditure	-	-	
-	- Development and financial contributions	-	-	
59	Increase (decrease) in debt	148	371	
-	- Gross proceeds from sale of assets	-	-	
-	- Lump sum contributions	-	-	
-	- Other dedicated capital funding	-	-	
59	Total sources of capital funding (C)	148	371	
Applications of capital funding				
Capital expenditure				
-	- –to meet additional demand	-	-	
-	- –to improve the level of service	-	-	
998	- –to replace existing assets	1,409	1,345	Renewal costs in the Long Term Plan forecast assume a level of inflation that has not eventuated.
(183)	Increase (decrease) in reserves	(279)	(104)	
-	- Increase (decrease) of investments	-	-	
815	Total applications of capital funding (D)	1,130	1,241	
(756)	Surplus (deficit) of capital funding (C – D)	(982)	(870)	
-	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 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.mpd.govt.nz/plans/long-term-plan or at any Council Office or Library for more information on this group of activities including:

- our vision
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Funding Impact Statement

Funding impact statement for Rooding for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
5,660	General rates, uniform annual general charges, rates penalties	6,699	6,174	The Long Term Plan forecast included inflation that has not eventuated to the extent assumed.
-	Targeted rates	-	-	
2,538	Subsidies and grants for operating purposes	2,607	2,577	
146	Fees and charges	147	146	
590	Internal charges and overheads recovered	590	321	The internal interest allocation has been reviewed.
230	Local authorities fuel tax, fines, infringement fees, and other receipts	241	230	
9,164	Total operating funding (A)	10,284	9,448	
Applications of operating funding				
5,639	Payments to staff and suppliers	5,792	5,756	
221	Finance costs	303	344	
739	Internal charges and overheads applied	831	821	
-	Other operating funding applications	-	-	
6,599	Total applications of operating funding (B)	6,926	6,921	
2,565	Surplus (deficit) of operating funding (A - B)	3,358	2,527	
Sources of capital funding				
3,283	Subsidies and grants for capital expenditure	3,155	3,462	\$300,000 of capital works budgeted as unsubsidised expenditure in the Long Term Plan has since been approved as subsidised expenditure.
126	Development and financial contributions	132	126	
1,862	Increase (decrease) in debt	847	3,463	Changes to the timing of the Hauraki Rail Trail project has changed the timing of the debt required.
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
5,271	Total sources of capital funding (C)	4,134	7,051	
Applications of capital funding				
Capital expenditure				
62	—to meet additional demand	64	62	
3,001	—to improve the level of service	3,171	4,647	The Hauraki Rail Trail project was deferred to 2017/18.
5,820	—to replace existing assets	6,009	5,949	
(1,047)	Increase (decrease) in reserves	(1,752)	(1,080)	
-	Increase (decrease) of investments	-	-	
7,836	Total applications of capital funding (D)	7,492	9,578	
(2,565)	Surplus (deficit) of capital funding (C - D)	(3,358)	(2,527)	
-	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

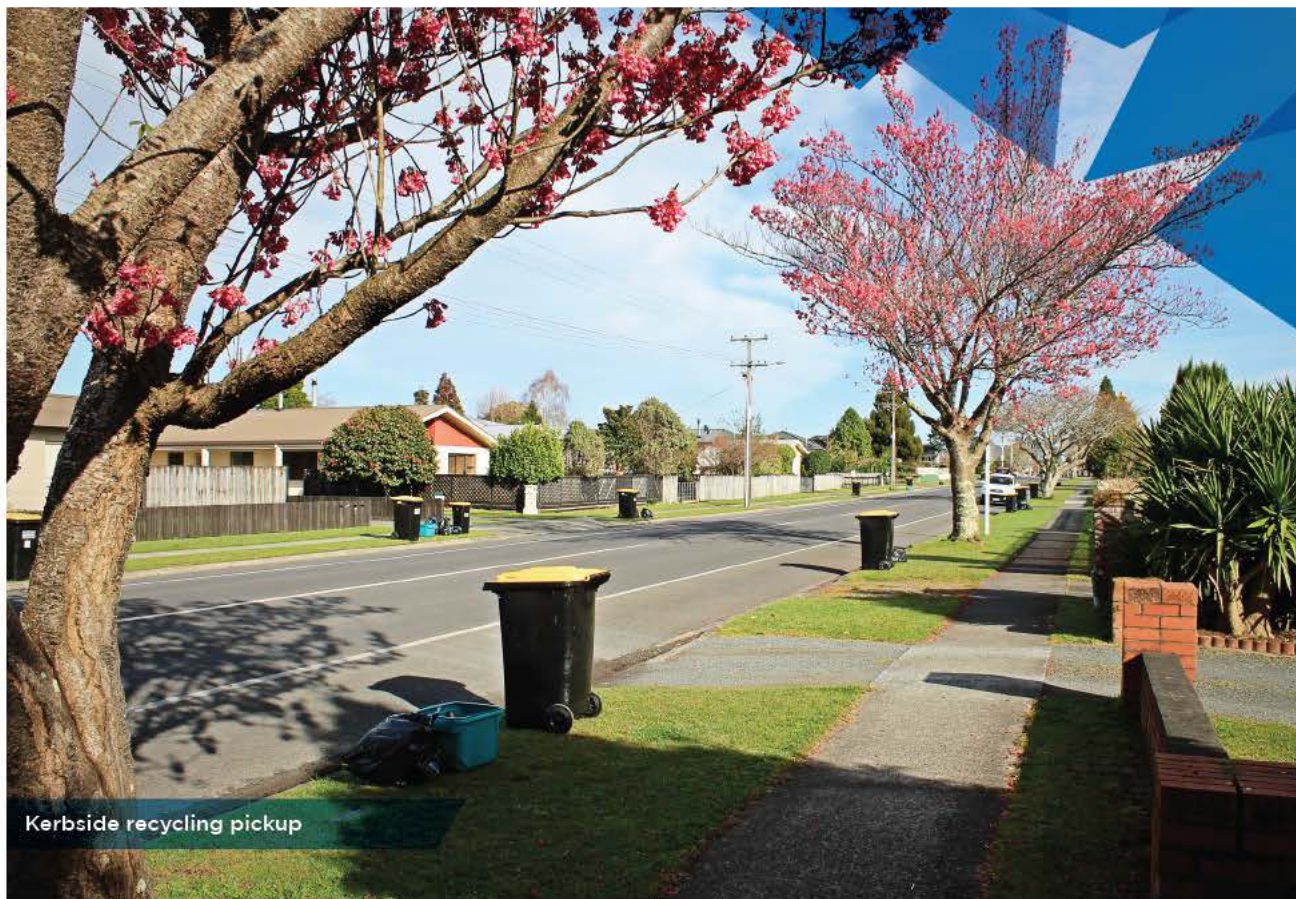
We also have three closed landfills at Matamata, Morrinsville and Te Aroha that are monitored under the terms of their resource consents to ensure they do not endanger the environment or public health. Our day to day lives generate a lot of waste that must be managed for the health of our community and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

Please see our Long Term Plan 2015-25 available on our website at www.mpd.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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- significant effects
- how we fund it
- key legislation, policies and plans
- projects
- levels of service and performance measures.



Kerbside recycling pickup

Funding Impact Statement

Funding impact statement for Rubbish and Recycling for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	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	479	455	The Long Term Plan forecast included inflation that has not eventuated to the extent assumed.
1,300	Targeted rates (other than a targeted rate for water supply)	1,362	1,294	
92	Subsidies and grants for operating purposes	96	112	
425	Fees and charges	493	409	Lower volumes of waste are expected compared to the Long Term Plan forecast.
-	Internal charges and overheads recovered	-	2	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
2,274	Total operating funding (A)	2,430	2,272	
Applications of operating funding				
1,988	Payments to staff and suppliers	2,140	1,988	Lower volumes of waste are expected compared to the Long Term Plan forecast.
4	Finance costs	5	3	
228	Internal charges and overheads applied	231	228	
-	Other operating funding applications	-	-	
2,220	Total applications of operating funding (B)	2,376	2,219	
54	Surplus (deficit) of operating funding (A – B)	54	53	
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	-	-	
-	—to replace existing assets	8	-	
54	Increase (decrease) in reserves	44	53	
-	Increase (decrease) of investments	-	-	
54	Total applications of capital funding (D)	52	53	
(54)	Surplus (deficit) of capital funding (C – D)	(54)	(53)	
-	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 new capital projects planned for this activity. We do plan on increasing the capacity of the existing stormwater system where feasible.

Please see our Long Term Plan 2015-25 available on our website at www.mpd.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
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- projects
- levels of service and performance measures.



Stormwater drain

Funding Impact Statement

Funding impact statement for Stormwater for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
139	General rates, uniform annual general charges, rates penalties	158	130	The Long Term Plan forecast included inflation that has not eventuated to the extent assumed.
855	Targeted rates	970	800	
-	Subsidies and grants for operating purposes	-	-	
78	Fees and charges	68	-	
38	Internal charges and overheads recovered	38	62	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
1,110	Total operating funding (A)	1,234	992	
Applications of operating funding				
179	Payments to staff and suppliers	192	139	
45	Finance costs	148	64	
272	Internal charges and overheads applied	276	214	
-	Other operating funding applications	-	-	
496	Total applications of operating funding (B)	616	417	
614	Surplus (deficit) of operating funding (A - B)	618	575	
Sources of capital funding				
-	Subsidies and grants for capital expenditure	-	-	
23	Development and financial contributions	24	23	
(50)	Increase (decrease) in debt	(56)	-	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
(27)	Total sources of capital funding (C)	(32)	23	
Applications of capital funding				
Capital expenditure				
-	—to meet additional demand	-	-	
100	—to improve the level of service	105	150	
-	—to replace existing assets	-	-	
487	Increase (decrease) in reserves	481	448	
-	Increase (decrease) of investments	-	-	
587	Total applications of capital funding (D)	586	598	
(614)	Surplus (deficit) of capital funding (C - D)	(618)	(575)	
-	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/last Annual Plan, this activity primarily provides a service to the community. There are a few capital projects planned for 2017/18 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.

Please see our Long Term Plan 2015-25 available on our website at www.mpd.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.



Wastewater treatment pond

Funding Impact Statement

Funding impact statement for Wastewater for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
-	General rates, uniform annual general charges, rates penalties	-	-	The Long Term Plan forecast included inflation that has not eventuated to the extent assumed.
6,290	Targeted rates (other than a targeted rate for water supply)	6,665	6,193	
-	Subsidies and grants for operating purposes	-	-	
630	Fees and charges	659	640	
61	Internal charges and overheads recovered	61	99	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
6,981	Total operating funding (A)	7,385	6,932	
Applications of operating funding				
2,893	Payments to staff and suppliers	3,036	3,069	
694	Finance costs	808	656	There is a lower opening balance of debt than budgeted in the Long Term Plan.
687	Internal charges and overheads applied	703	540	
-	Other operating funding applications	-	-	
4,274	Total applications of operating funding (B)	4,547	4,265	
2,707	Surplus (deficit) of operating funding (A - B)	2,838	2,667	
Sources of capital funding				
-	Subsidies and grants for capital expenditure	-	-	
110	Development and financial contributions	115	110	
(271)	Increase (decrease) in debt	(308)	-	
-	Gross proceeds from sale of assets	-	-	
71	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
(90)	Total sources of capital funding (C)	(193)	110	
Applications of capital funding				
Capital expenditure				
30	—to meet additional demand	31	30	
345	—to improve the level of service	207	730	Some projects including the Matamata permanent bio-remediation container and Matamata wastewater treatment plant upgrade funding have been carried forward from 2016/17.
1,489	—to replace existing assets	1,060	1,009	
753	Increase (decrease) in reserves	1,347	1,008	
-	Increase (decrease) of investments	-	-	
2,617	Total applications of capital funding (D)	2,645	2,777	
(2,707)	Surplus (deficit) of capital funding (C - D)	(2,838)	(2,667)	
-	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?

Water services are planned to continue as planned in our Long Term Plan.

There are a number of minor capital projects going ahead in 2017/18 such as installing alarm systems and online monitoring equipment.

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- our vision
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Funding Impact Statement

Funding impact statement for Water for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
-	General rates, uniform annual general charges, rates penalties	-	-	
4,948	Targeted rates (other than a targeted rate for water supply)	5,383	4,679	An increase in metered water income from industry was forecast as a result of the planned Te Aroha water plant capacity upgrade, which has not been required to date. Also inflation budgeted in the Long Term Plan has not eventuated to the extent assumed.
-	Subsidies and grants for operating purposes	-	-	
47	Fees and charges	34	36	
43	Internal charges and overheads recovered	43	50	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
5,038	Total operating funding (A)	5,460	4,765	
Applications of operating funding				
2,261	Payments to staff and suppliers	2,515	2,231	Operating costs were forecast to increase as a result of the planned Te Aroha water plant capacity upgrade, which has not been required to date. Also inflationary pressures have not eventuated to the extent assumed.
316	Finance costs	558	360	The Te Aroha water treatment plant capacity upgrade planned in the Long Term Plan has not been required, resulting in lower debt and finance costs than forecast.
613	Internal charges and overheads applied	619	527	
-	Other operating funding applications	-	-	
3,190	Total applications of operating funding (B)	3,692	3,118	
1,848	Surplus (deficit) of operating funding (A - B)	1,768	1,647	
Sources of capital funding				
-	Subsidies and grants for capital expenditure	-	-	
91	Development and financial contributions	95	91	
1,193	Increase (decrease) in debt	(213)	3,232	The \$3.3 million budgeted for the Te Aroha water treatment capacity upgrade has been carried forward to 2017/18 (industry funded).
	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
1,284	Total sources of capital funding (C)	(118)	3,323	
Applications of capital funding				
Capital expenditure				
40	—to meet additional demand	42	40	
1,880	—to improve the level of service	-	4,715	The Te Aroha water treatment plant (\$3.3 million) and other projects such as the Matamata treatment plant upgrade and additional source projects of \$1.5 million have been carried forward to 2017/18.
1,496	—to replace existing assets	1,332	1,221	
(284)	Increase (decrease) in reserves	276	(1,006)	
-	Increase (decrease) of investments	-	-	
3,132	Total applications of capital funding (D)	1,650	4,970	
(1,848)	Surplus (deficit) of capital funding (C - D)	(1,768)	(1,647)	
-	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 capital projects planned for this activity.

Please see our Long Term Plan 2015-25 available on our website at www.mpd.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 Consents and Licensing for 1 July 2017 to 30 June 2018

Annual Plan 2016/17		LTP 2017/18	Annual Plan 2017/18	Explanation of significant variances to the original LTP budget
(\$000)		(\$000)	(\$000)	
Sources of operating funding				
1,864	General rates, uniform annual general charges, rates penalties	1,855	1,935	Rates are forecast to increase for this activity to fund additional staff and costs as a result of significant development activity in the district.
-	Targeted rates	-	-	
-	Subsidies and grants for operating purposes	-	-	
1,276	Fees and charges	1,440	1,276	The Long Term Plan forecast for planning income incorrectly included \$162,000 of internal revenue which has been eliminated from this 2017/18 forecast.
-	Internal charges and overheads recovered	-	-	
36	Local authorities fuel tax, fines, infringement fees, and other receipts	37	36	
3,176	Total operating funding (A)	3,332	3,247	
Applications of operating funding				
1,768	Payments to staff and suppliers	1,921	1,809	\$162,000 of internal expenses for the planning activity were incorrectly included in the Long Term Plan, and have been eliminated from this 2017/18 forecast.
-	Finance costs	-	-	
1,182	Internal charges and overheads applied	1,206	1,229	
-	Other operating funding applications	-	-	
2,950	Total applications of operating funding (B)	3,127	3,038	
226	Surplus (deficit) of operating funding (A – B)	205	209	
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	-	-	
226	Increase (decrease) in reserves	205	209	
-	Increase (decrease) of investments	-	-	
226	Total applications of capital funding (D)	205	209	
(226)	Surplus (deficit) of capital funding (C – D)	(205)	(209)	
-	Funding balance ((A – B) + (C – D))	-	-	

