Absolutely POSITIVELY Wellington
Me Heke ki Pōneke
Wellington City Council

STRATEGY AND POLICY COMMITTEE
1 MARCH 2006

REPORT 7
(1215/52/IM)

"BUSINESS AS USUAL" FINANCIAL FORECASTS AND FUNDING IMPACT STATEMENTS

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1. Purpose of Report

The purpose of this report is to seek agreement that the following business as usual budgets, financial forecast and other financial information be included in the draft 2006/07 – 2014/15 Long Term Council Community Plan (LTCCP):

- Schedule of OPEX Projects and Programmes
- Schedule of CAPEX Projects and Programmes
- Funding and Borrowings Statements
- Budget and Financial Assumptions and
- Funding Impact Statement

2. Executive Summary

Following the completion of the Council's Strategic Outcomes and Priorities business units have developed their business as usual budgets and financial forecasts for incorporation into the draft LTCCP. These budgets are prepared on the basis that current planned service levels continue unless there is an approved / planned change in an activity / service (for example, if a project is scheduled to cease in 2008/09).

This year the Council has been under significant pressure to manage forecasted increases in its cost base. Cost pressures have been most significant around asset ownership (depreciation, interest, maintenance etc.) and the labour market price implications (principally salaries and wages). At the same time the Council has attempted to manage its budget within a level that is affordable to ratepayers.

The business as usual "real" rates funding requirement for 2006/07, as identified in the Funding and Borrowing Statements in appendix 5 is 2.53%. After adjusting for the impact of change in the Revenue and Financing Policy in respect of the treatment of LTNZ capital subsidies the business as usual "real" rates funding requirement increases to 5.15%. The forecasted business as usual CAPEX programme for 2006/07 is $96.835 million.

As these budgets have been prepared on a business as usual basis they do not yet include the following potential adjustments to the budget base that may result from the Committee's consideration of other Reports on the Agenda:

- New Initiatives / Strategic Priority Responses (refer report 5)
- Savings and revenue creation generation options (refer report 5.2)
- Amendments to Fees and Charges as a result of updates to the Revenue and Financing Policy (refer report 5.2)
- Amendments arising from the CAPEX programme review (refer report 5.1)

Any amendments arising from recommendations approved in these separate reports will be incorporated into the business as usual budget to establish the proposed draft budget for 2006/07 and the financial forecasts through to 2015/16 that will be incorporated into the draft LTCCP.

3. Recommendations

It is recommended that the Committee:

1. *Receive the information.*

2. *Agree that the inflation adjusted business as usual OPEX projects and programmes, as detailed in appendix 2, be included in the draft 2006/07 – 2015/16 Long Term Council Community Plan.*

3. *Agree that the inflation adjusted business as usual CAPEX project and programmes, as detailed in appendix 4, be included in the draft 2006/07 – 2015/16 Long Term Council Community Plan.*

4. *Note that the funding effect of the inflation adjusted business as usual OPEX and CAPEX projects and programmes are reflected in the Funding and Borrowings Statements included in appendix 5.*

5. *Note that the OPEX and CAPEX projects and programmes detailed in appendices 1 – 4, and the Funding and Borrowing Statements included in appendix 5, have been prepared on a business as usual basis and do not include the effect of the proposed new initiatives, service level options nor the CAPEX savings options detailed in reports 5, 5.1 and 5.2 of this agenda.*

6. *Note that the Funding and Borrowings Statements included in appendix 5 incorporate the proposed change to the Revenue and Financing Policy regarding the application of LTNZ capital subsidies.*

7. *Note that the business as usual "real" rates funding requirement for 2006/07 is 2.53%.*

8. *Note that the impact of the change in the Revenue and Financing Policy regarding the treatment of LTNZ capital subsidies is to increase the business as usual "real" rates funding requirement for 2006/07 to 5.15%.*

9. *Agree that the Budget and Financial Assumptions, as detailed in appendix 6, be included in the draft 2006/07 – 2015/16 Long Term Council Community Plan.*

10. *Agree that the inflation adjusted Funding Impact Statement, as detailed in appendix 8, be included in the draft 2006/07 – 2015/16 Long Term Council Community Plan.*

11. *Note that any amendments to the OPEX and CAPEX projects and programmes (including, new initiatives, service level changes, adjustments to proposed fees and user charges and changes to the Revenue and Financing Policy) in any other report on this agenda will be incorporated into the final schedules of OPEX and CAPEX projects and programmes, financial statements and Funding Impact Statement to be presented to Council.*

12. *Note that the financial statements approved by Council for incorporation in the draft 2006/07 – 2015/16 Long Term Council Community Plan will be prepared in accordance with the New Zealand equivalents of International Financial Reporting Standards and that the accounting policies and opening balance sheet reconciliations have been reviewed and approved by the Audit and Risk Management Sub-Committee.*

13. *Agree that having due regard to the requirements of section 100 of the Local Government Act 2002, the Council's forecasting assumptions and the Revenue and Financing Policy it is financially prudent not to set a level of revenue that meets the projected operating expenses of Council.*

14. *Agree that for 2006/07 it is financially prudent not to fund all, or part, of the depreciation on the following assets:*

    (a) Clearwater Sewerage Treatment plant ($2.356m)
    (b) Living Earth Joint Venture Plant ($0.755m)
    (c) Transport Assets ($6.720m)

15. *Agree that it is financially prudent not to apply the following revenue received for capital purposes, but recognised in the Income Statement, to offset the rates funding requirement for 2006/07:*

    (a) LTNZ capital subsidies ($9.487m)
    (b) Development contributions ($0.610m).

4. Background Information

As part of the planning process business units have completed the preparation of their business as usual budgets. Business as usual budgets assume the continuation of existing planned service levels, updated as appropriate to take account of planned future year changes in the current 2005/06 Annual Plan, Asset Management Plans etc. The Business as usual budgets provide the base from which new initiatives can be added, service level changes introduced and recommended fee and income changes incorporated as appropriate. Report 5 provides an overview as to where the business as usual budgets fit within the overall budgeting and LTCCP planning process.

The 2006/07 – 2015/16 business as usual budgets and financial information are contained in the following appendices:

- Appendix 1: Schedule of OPEX Projects and Programmes – 2006/07 – 2015/16

- Appendix 2: Schedule of OPEX Projects and Programmes – 2006/07 – 2015/16 (post inflation and revaluation adjustment)

- Appendix 3: Schedule of CAPEX Projects and Programmes – 2006/07 – 2015/16

- Appendix 4: Schedule of CAPEX Projects and Programmes – 2006/07 – 2015/16 (post inflation adjustment)

- Appendix 5: Funding and Borrowing Statements

- Appendix 6: Significant Budget and Forecasting Assumptions

- Appendix 7: Balanced Budget Requirement

- Appendix 8: Funding Impact Statement

From a financial perspective the preparation of the 2006/07 – 2015/16 LTCCP will differ significantly from those developed in previous years because of the requirement to now incorporate an annual inflation adjustment into all future financial forecasts. The financial forecasts are also required to forecast the financial impact of future revaluations of Council assets. Given the financial impact of the inflation and revaluation adjustments over the 10 year period we have included the business as usual financial information and forecasts on a "before" and "after" inflation adjustment basis. The post inflation OPEX budgets also forecast in the effect of future revaluations. This will enable Councillors to see the underlying movements in Council budgets. Once approved, only the inflation and revaluation adjusted financial forecasts will appear in the LTCCP.

For the avoidance of doubt the business as usual budgets **do not** include:

- proposed new initiatives / strategic priority responses set out in report 5
- service level and revenue options set out in report 5.2
- proposed amendments to fees and charges resulting from revisions to the Revenue and Financing Policy as set out in reports 2 and 5.2
- proposed amendments to the CAPEX programme that result from the CAPEX review and as set out in report 5.1
- the OPEX impacts of the proposed amendments to the CAPEX programme set out in report 5.1
- and, **with the exception of** the application of the change in the Revenue and Financing Policy regarding the application of LTNZ capital subsidies, the business as usual budgets do not incorporate the effect of other policy changes resulting from the revision of the Revenue and Financing Policy (for example, proposed amendments to the free weekend parking and housing activities)

5. Discussion

5.1 Business as Usual Budget Position - OPEX

The business as usual "real" rates funding requirement for 2006/07, as identified in the Funding and Borrowing Statements in appendix 5 is 2.53%. After adjusting for the impact of change in the Revenue and Financing Policy in respect of the treatment of LTNZ capital subsidies the business as usual "real" rates funding requirement increases to 5.15%.

During both the 12 December 2005 and 15 February 2006 workshops on the Long Term Council Community Plan (LTCCP) the Council has been briefed on the process for developing the business as usual budget and the significant cost pressures facing the Council. In particular, significantly increased asset ownership costs (depreciation, interest, insurance etc.), cost pressures in the labour market as well as general CPI price pressures have significantly affected the development of an OPEX budget that continues to maintain current service levels within an "affordable" rates funding requirement.

As a consequence of these cost pressures business units were asked to review their budget assumptions and identify any savings and efficiencies that could be made without affecting current planned service levels. Business units were also asked to identify possible service level options to assist in funding the proposed new initiatives (as detailed in report 5). The proposed service level options are detailed in report 5.2 but until they are approved by the Committee they remain unadjusted in the business as usual budget.

During the 15 February 2006 workshop Councillors were advised of the initiatives that were put in place to balance the overall cost pressures that the organisation was under while still maintaining an overall "affordable" rates funding requirement. Included in these initiatives was a proposed reduction in the Council's corporate functions and activities of $2million. At the time of preparing this budget the source of these savings and reductions had yet to be finalised. The budget therefore contains an overall adjustment to reflect this proposed reduction. It is anticipated that the results of this exercise will be reported back to the Committee during the finalisation of the budget in June 2006.

Schedules of OPEX Projects and Programmes budgets 2006/07 – 2015/16

Appendices 1 and 2 provide the detailed business as usual OPEX project and programme budgets for the next 10 years. Appendix 2 contains the inflation and revaluation adjusted project and programme budgets detailed in Appendix 1. Once approved, the inflation and revaluation adjusted project and programme budgets will be included in the LTCCP.

The project and programme budgets are prepared on a full cost recovery basis and include:

- Income from user charges and other sources directly related to that project.
- Direct expenditure in the delivery of the activity / service (eg. direct personnel costs)
- Indirect labour and plant allocations where applicable.
- Depreciation on the assets employed in the delivery of the activity / service (eg. the swimming pools project includes the depreciation budget for all swimming pools)
- An allocation of interest expenditure. Interest is allocated to projects on the basis of the net book value of assets employed in the delivery of the activity / service.
- An allocation of organisational overhead expenditure. Organisational overheads are allocated to projects on the basis of the labour costs directly or indirectly charged to that project.

5.2 Business as Usual Budget Position – CAPEX

The business as usual CAPEX programme for 2006/07 – 2015/16 is detailed in appendices 3 and 4. Appendix 4 contains the inflation adjusted project and programme budgets detailed in appendix 3.

The proposed business as usual CAPEX programme for 2006/07 is $96.835 million. The proposed CAPEX programme has been principally been built up from the approved Asset Management Plans, adjusted for the price / cost increases etc. In addition, business units have forecasted the position of their current 2005/06 CAPEX programme at 30 June 2006 and the impact of any delays in the current programme on future periods. While the forecasted 2005/06 carry-forward projects are separate from the 2006/07 CAPEX programme business units have remained conscious of the overall deliverability of the consolidated CAPEX programme (the consolidated CAPEX programme will ultimately include; 2006/07 LTCCP projects, forecasted 2005/06 carry-forward projects and new initiatives) Where appropriate, timing adjustments have been made to ensure that the forecast CAPEX programme for the LTCCP is realistic and “deliverable”.

The funding of the 2006/07 CAPEX programme is outlined in the Funding and Borrowing Statements in appendix 5. During the 15 February 2006 workshop Councillors were briefed on the impact of the business as usual CAPEX programme on forecasted borrowings. Trend and scenario analysis were presented to identify the effect of potential uncertainties on future forecasts and the borrowing implications if the planned CAPEX programme either exceeded, or reduced below, the level planned. During these discussions Councillors discussed options to mange future uncertainty in the CAPEX programme and strategies for managing the overall level of borrowings. Included in these options were tools to cap the level of borrowings and / or CAPEX planned in any year.

The business as usual CAPEX programme has been prepared before the application of any reprioritisation tool. For example, if a cap were introduced then the current business as usual CAPEX programme will, most likely, need to be adjusted to fit within the defined limits. The effect of a cap on borrowings and the options for reprioritising the business as usual CAPEX programme are detailed in report 5.1.

5.3 Funding and Borrowing Statements

The funding implications of the business as usual OPEX and CAPEX projects and programmes are outlined in appendix 5. The funding and borrowing statements identify the business as usual:

- Rates funding requirement to fund the Council's OPEX programme
- level of unfunded depreciation
- funding for the planned CAPEX programme including, rates funded depreciation, new borrowings, development contributions and the use of LTNZ capital subsidies (the application of LTNZ capital subsidies for application to transport funded CAPEX arises from the change in the Revenue & Financing Policy regarding the use of this funding source)
- planned level of borrowings to fund the CAPEX programme and loans to external entities (such as the Marine Education Centre and Karori Wildlife Sanctuary Trust)

The funding and borrowing statements will be updated for decisions made in respect of new initiatives, service level options and the review of the planned CAPEX programme.

As with the detailed Project and Programme budgets we have completed the Funding and Borrowing Statements on a "before" and "after" inflation and revaluation adjustment basis.

5.4 Balanced Budget Requirement

Section 100 of the Local Government Act 2002 requires that a local authority must ensure that its revenues are at a sufficient level to meet the operating expenses for that year. However, in accordance with section 100(2) the Council can set its revenues at a different level from that required if it resolves that it is financially prudent to do so.

Traditionally, the Council has elected not to fund all of the depreciation on its assets. Section 100 requires the Council to have regard to the following in determining whether it is financially prudent not to fund part of its depreciation expenditure:

> *"a) the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the long-term council community plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and*
> *(b) the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and*
> *(c) the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and*
> *(d) the funding and financial policies adopted under section 102"*

It is expected that the Council will annually assess the factors above in setting its rates funding requirement.

The Council's approach to balancing its budget and in determining the level of non-funding of its depreciation expenditure is detailed in both the:

- Revenue and Financing Policy
- Significant Budget and Forecasting Assumptions, and
- Funding Impact Statement.

For the sake of completeness the analysis of the factors required to be taken into account when considering whether to fund all, or part, of the Council's expenditure is included in the appendix 7. A specific resolution is also required and this is contained in the recommendations.

5.4 Significant Budget and Forecasting Assumptions

Schedule 10 of the Local Government Act 2002 requires the Council to identify the significant forecasting assumptions used in the preparation of the long term financial forecasts. In addition to the forecasting assumptions applied the council is required to identify the risks associated with the financial forecasts and, in those cases where the assumptions involve a high level of uncertainty, an estimate of the financial effect of that uncertainty.

The significant forecasting assumptions used in the preparation of the business as usual financial forecasts (as detailed in appendices 1 -5) are contained in Appendix 6 to this report. For each significant forecasting assumption used we have identified the:

- details and specific nature of the forecasting assumption
- risks associated with that forecasting assumption
- level of uncertainty attributed to the financial forecast
- reasons and financial effect of the uncertainty

The majority of the significant forecasting assumptions are consistent with those applied in previous financial periods. However, consistent with all other local authorities, the business as usual budget position now includes an annual adjustment for inflation and a cyclical adjustment for the revaluation of Council property, plant and equipment (in accordance with the accounting policy for each class of property, plant and equipment). A discussion on each of these is detailed below:

Inflation Assumption

The Council has adjusted the base financial forecasts (that is the 2006/07 financial forecasts) to reflect the estimated impact of inflation in each year of the 10 year LTCCP. Across the local government sector there is a high level of subjectivity and uncertainty as to what would constitute a reasonable approach to future inflation projections. In discussions with other large local authorities and with Audit New Zealand we have recommended the adoption of the BERL price level change forecasts for use in our inflation assumptions. The key risk is that the actual rate of inflation will be significantly different from that forecast in the LTCCP. As a result we have assessed the level of uncertainty around the application of the inflation assumption on our financial forecasts in the short – medium term (1-3 years) as low to medium. The level of uncertainty around the financial forecasts in the medium to long term (4-10 years) has been assessed as high.

In addition, this is the first LTCCP that the Council has prepared that has included an inflation forecast assumption. Financial forecasts in the past have not been inflation adjusted and are therefore no longer a comparable base against which to assess the future cost of Council services and activities. The effect of the application of an inflation assumption is most notable in the forecast rates funding and borrowings requirements over the 10 year period of the LTCCP.

For readers of the Council's LTCCP the application of an inflation assumption will be a significant difference from the way that financial information and forecasts has been presented to them previously.

Revaluation of Council Assets

The Council's general accounting policy is that certain classes of property, plant and equipment (such as infrastructure assets, land and buildings etc.) are revalued on a cyclical basis. Historically, the effect of future revaluations has not been factored in to the forecast financial statements due to the high level of uncertainty associated with these revaluations (for example, the difficulty and uncertainty in predicting market movements for land and buildings).

As with all other local authorities we have reflected the effect of future revaluations in our LTCCP financial forecasts. The most significant effects of these forecast revaluations are:

- existing asset values will now be forecasted to increase throughout the period of the LTCCP in line with their planned revaluation cycles.
- the level of depreciation expenditure will now be forecast to increase in the year following the planned revaluation of the asset class. As a result, this will have a significant impact on the rates funding requirement for that financial year.

As with inflation, the level of uncertainty around the revaluation assumptions increases the further out into the LTCCP the forecasts go.

5.5 Funding Impact Statement

Schedule 10 of the Local Government Act 2002 requires the Council to include a Funding Impact Statement in its LTCCP. The business as usual funding impact statement for 2006/07 – 2015/16 is included in appendix 8. In essence, the Funding Impact Statement summarises the funding sources for all of the Council's activities. In particular it provides a detailed breakdown of the various rates funding tools and mechanisms applied by the Council.

The Funding Impact Statements have been prepared on a "before" and "after" inflation and revaluation adjustment basis.

5.6 GAAP Financial Statements

Schedule 10 of the Local Government Act 2002 requires that forecast financial statements be included in the LTCCP. These financial statements must be prepared in accordance with generally accepted accounting practice (GAAP). For the 2006/07 – 2015/16 financial statements these will need to be prepared for the first time to comply with the New Zealand equivalents to International Financial Reporting Standards (NZIFRS). NZIFRS represent a significant change to the current basis for preparing GAAP compliant financial statements.

The NZIFRS compliant financial statements will include an opening balance sheet reconciliation that reflects the transition from the current basis of accounting to the new NZIFRS compliant basis. The process of transition to NZIFRS has been managed by the Audit and Risk Management Sub-Committee because of its relationship to the preparation of the Council's Annual Report and Financial Statements.

Given the nature and extent of possible amendments to the business as usual budget (including the impact of inflation and revaluations assumptions) the first draft set of NZIFRS compliant financial statements will be finalised following the Committee's deliberations on 1-3 March. These financial statements will be presented to the Council meeting on 8 March 2006 and will incorporate the effect of all amendments approved to the business as usual budget.

6. Conclusion

The forecast financial statements and information attached in Appendices 1 – 8 comprise the business as usual OPEX and CAPEX budget positions for the draft 2006/07 – 2015/16 LTCCP. Once amended for approved new initiatives, service level and revenue options and for adjustments arising from the CAPEX programme review these become the 10 year draft financial budgets and forecasts that will be consulted on during April – June.

The business as usual "real" rates funding requirement for 2006/07, as identified in the Funding and Borrowing Statements in appendix 5 is 2.53%. After adjusting for the impact of change in the Revenue and Financing Policy in respect of the treatment of LTNZ capital subsidies the business as usual "real" rates funding requirement increases to 5.15%. The business as usual forecasted CAPEX programme for 2006/07 is $96.835 million.

The funding impacts of the OPEX and CAPEX programme are detailed in the Funding Impact Statement contained in appendix 8. This Statement forecasts how the Council's forecast OPEX and CAPEX programme will be funded in each year of the LTCCP.

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APPENDIX 1

Schedule of OPEX Projects and Programmes: 2006/07 – 2015/16
(pre inflation and revaluation adjustment)

APPENDIX 2

Schedule of OPEX Projects and Programmes: 2006/07 – 2015/16
(post inflation and revaluation adjustment)

APPENDIX 3

Schedule of CAPEX Projects and Programmes: 2006/07 – 2015/16
(pre inflation adjustment)

APPENDIX 4

Schedule of CAPEX Projects and Programmes – 2006/07 – 2015/16 (post inflation adjustment)

APPENDIX 5

Funding and Borrowing Statements
(includes both pre and post inflation and revaluation adjustments Statements)

APPENDIX 5

2006/07 Draft Annual Plan - Operating Statement

Appendix 5 (a) (i)

(Incorporating the Long Term Council Community Plan)

Excluding inflation adjustment and asset revaluations

Annual Plan 2005/06 $000		Forecast 2006/07 $000	Forecast 2007/08 $000	Forecast 2008/09 $000	Projection 2009/10 $000	Projection 2010/11 $000	Projection 2011/12 $000	Projection 2012/13 $000	Projection 2013/14 $000	Projection 2014/15 $000	Projection 2015/16 $000
	Revenue										
38,369	General rates - base	42,014	47,884	52,776	58,112	59,987	59,964	61,297	61,514	61,156	62,354
54,439	General rates - commercial, industrial & business	56,327	55,177	52,354	49,624	50,999	50,979	52,112	52,297	51,992	53,010
	Targeted rates:		-								
6,837	Base sector targeted rate	5,289	5,494	5,414	5,238	5,259	5,281	5,303	5,392	5,468	5,488
2,447	Commercial sector targeted rate	3,608	3,587	3,665	3,668	3,697	3,666	3,687	3,626	3,633	3,630
23,592	Water rates (including meter income)	25,901	26,201	26,440	26,566	26,652	26,692	26,707	26,669	26,629	26,593
27,985	Sewerage rate	29,794	29,944	30,262	30,447	30,582	30,680	30,733	30,710	30,689	30,690
10,123	Stormwater rate	11,786	12,255	12,645	12,883	13,060	13,187	13,229	13,188	13,142	13,085
6,091	Downtown levy	6,808	6,808	6,808	6,804	6,804	6,804	6,804	6,804	6,788	6,789
22	Tawa driveway levy	22	22	22	22	22	22	22	22	22	22
13	Marsden Village levy	13	13	13	13	13	13	13	13	13	13
169,918	**Rates and levies**	**181,561**	**187,384**	**190,398**	**193,376**	**197,074**	**197,287**	**199,907**	**200,235**	**199,530**	**201,673**
77,801	**User charges**	**82,516**	**83,535**	**83,253**	**83,296**	**82,859**	**82,764**	**82,186**	**82,975**	**82,837**	**82,914**
11,276	**Transfund subsidy**	**2,655**	**2,655**	**2,655**	**2,655**	**2,655**	**2,655**	**2,655**	**2,655**	**2,655**	**2,655**
4,200	**Dividends**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**
14,295	**Revenue from investment properties**	**15,907**	**15,353**	**14,841**	**14,374**	**12,423**	**12,053**	**11,906**	**11,885**	**11,837**	**11,837**
1,400	**Interest on investments**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**
1,000	**Petrol tax**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
1,556	**Special funds and other income**	**1,662**	**1,662**	**1,662**	**1,662**	**1,662**	**1,662**	**1,662**	**1,662**	**1,662**	**1,662**
-	**Income for Capital projects:**										
-	**Transfund (capex)**	**9,487**	**9,793**	**10,004**	**9,981**	**8,944**	**8,944**	**9,815**	**8,070**	**8,070**	**8,070**
305	**Development contributions**	**610**	**1,220**	**2,134**	**3,354**	**4,878**	**6,098**	**6,098**	**6,098**	**6,098**	**6,098**
-	**Vested assets**										
-											
111,833	**Total other revenue**	**119,436**	**120,818**	**121,149**	**121,922**	**120,021**	**120,776**	**120,922**	**119,945**	**119,759**	**119,836**
281,751	**Total revenue**	**300,997**	**308,202**	**311,546**	**315,298**	**317,095**	**318,062**	**320,829**	**320,179**	**319,289**	**321,508**
		-	-	-	-	-	-	-	-	-	
	Expenditure										
285,679	**Project expenditure**	**300,232**	**306,827**	**309,221**	**311,896**	**313,322**	**313,187**	**315,042**	**316,265**	**315,489**	**317,822**
285,679	**Total expenditure**	**300,232**	**306,827**	**309,221**	**311,896**	**313,322**	**313,187**	**315,042**	**316,265**	**315,489**	**317,822**
(3,928)	**NET SURPLUS/(DEFICIT)**	**765**	**1,375**	**2,325**	**3,402**	**3,773**	**4,875**	**5,787**	**3,914**	**3,800**	**3,686**
	Rates increase on previous year	**6.85%**	**3.21%**	**1.61%**	**1.56%**	**1.91%**	**0.11%**	**1.33%**	**0.16%**	**-0.4%**	**1.1%**
	Less growth	**-1.70%**									
	Underlying increase	**5.15%**									

APPENDIX 5

Summary Statement of Borrowings

Appendix 5 (a) (ii)

2006/07 DRAFT ANNUAL PLAN
Excluding inflation adjustment and asset revaluations

	2006/07 $000	2007/08 $000	2008/09 $000	2009/10 $000	2010/11 $000	2011/12 $000	2012/13 $000	2013/14 $000	2014/15 $000	2015/16 $000
Opening Gross Borrowings	**212,000**	**278,388**	**320,490**	**343,504**	**359,870**	**375,544**	**384,575**	**382,333**	**379,703**	**378,724**
Captial expenditure	117,876	99,548	90,859	87,093	87,659	82,031	72,989	71,353	74,220	69,231
New borrowings to fund loans to external organisations	9,000	6,000	-	-	-	-	-	-	-	-
Less:										
Rates funded depreciation	(50,392)	(52,433)	(55,107)	(56,792)	(57,563)	(57,358)	(58,718)	(59,215)	(60,431)	(62,656)
Utilisation of development contributions	(610)	(1,220)	(2,134)	(3,354)	(4,878)	(6,098)	(6,098)	(6,098)	(6,098)	(6,098)
Utilisation of LTNZ subsidies	(9,487)	(9,793)	(10,004)	(9,981)	(8,944)	(8,944)	(9,815)	(8,070)	(8,070)	(8,070)
Utilisation of other reserves	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	-	-	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Closing Gross Borrowings	**278,387**	**320,490**	**343,504**	**359,870**	**375,544**	**384,576**	**382,333**	**379,704**	**378,724**	**370,532**
Closing Total Investments	69,262	75,762	75,662	75,562	75,462	75,362	75,262	75,162	75,062	74,962
Closing Net Borrowings	**209,126**	**244,728**	**267,843**	**284,308**	**300,082**	**309,214**	**307,072**	**304,542**	**303,663**	**295,570**

APPENDIX 5

Statement of Prospective Capital Expenditure and Capital Expenditure Funding

Appendix 5 (a) (iii)

2006/076 DRAFT ANNUAL PLAN

(Incorporating the Long Term Council Community Plan)

Excluding inflation adjustment and asset revaluations

	Forecast 2006/07 $000	Forecast 2007/08 $000	Forecast 2008/09 $000	Projection 2009/10 $000	Projection 2010/11 $000	Projection 2011/12 $000	Projection 2012/13 $000	Projection 2013/14 $000	Projection 2014/15 $000	Projection 2015/16 $000
Capital expenditure:										
Renewals	56,928	59,689	57,324	54,033	54,720	55,609	54,080	54,778	55,651	53,684
New assets	39,907	30,044	28,885	33,060	32,939	26,422	18,909	16,575	18,569	15,547
Total annual capital expenditure programme	96,835	89,733	86,209	87,093	87,659	82,031	72,989	71,353	74,220	69,231
Carried forward capital expenditure	21,041	9,815	4,650							
Total capital expenditure	**117,876**	**99,548**	**90,859**	**87,093**	**87,659**	**82,031**	**72,989**	**71,353**	**74,220**	**69,231**
Renewals funded by:										
Depreciation	50,392	52,433	55,107	54,033	54,720	55,609	54,080	54,778	55,651	53,684
Borrowings	6,536	7,256	2,217	- 0	- 0	0	0	0	- 0	0
New assets funded by:										
Borrowings	50,852	28,846	21,397	19,725	19,117	11,380	2,996	2,407	4,401	1,379
Development contributions	610	1,220	2,134	3,354	4,878	6,098	6,098	6,098	6,098	6,098
LTNZ subsidies	9,487	9,793	10,004	9,981	8,944	8,944	9,815	8,070	8,070	8,070
Sale of assets and investments	-	-	-	-	-	-	-	-	-	-
Funded by Wellington City Council	**117,876**	**99,548**	**90,859**	**87,093**	**87,659**	**82,031**	**72,989**	**71,353**	**74,220**	**69,231**
Reserve funds	-	-	-	-	-	-	-	-	-	-
Bequests	-	-	-	-	-	-	-	-	-	-
Total capital expenditure	**117,876**	**99,548**	**90,859**	**87,093**	**87,659**	**82,031**	**72,989**	**71,353**	**74,220**	**69,231**

Assumptions:

1. For LTCCP purposes it is assumed that Development contributions , Reserve fund and Bequests income is utilised in the year it is received.

APPENDIX 5

2006/07 Draft Annual Plan - Operating Statement

Appendix 5 (b) (i)

(Incorporating the Long Term Council Community Plan)
Including inflation adjustments and asset revaluations

Annual Plan 2005/06 $000		Forecast 2006/07 $000	Forecast 2007/08 $000	Forecast 2008/09 $000	Projection 2009/10 $000	Projection 2010/11 $000	Projection 2011/12 $000	Projection 2012/13 $000	Projection 2013/14 $000	Projection 2014/15 $000	Projection 2015/16 $000
	Revenue										
38,369	General rates - base	42,014	49,085	55,863	62,781	66,004	69,085	71,724	73,078	75,578	78,017
54,439	General rates - commercial, industrial & business	56,327	56,561	55,416	53,610	56,113	58,732	60,976	62,127	64,252	66,325
	Targeted rates:		-								
6,837	Base sector targeted rate	5,289	5,642	5,727	5,668	5,813	6,030	6,163	6,370	6,618	6,734
2,447	Commercial sector targeted rate	3,608	3,683	3,878	3,972	4,090	4,189	4,291	4,292	4,403	4,463
23,592	Water rates (including meter income)	25,901	26,766	27,827	28,498	29,113	30,367	30,842	31,235	32,177	32,529
27,985	Sewerage rate	29,794	30,544	31,643	32,410	33,113	34,464	35,012	35,452	36,450	36,873
10,123	Stormwater rate	11,786	12,467	13,219	13,684	14,111	14,874	15,117	15,276	15,752	15,866
6,091	Downtown levy	6,808	7,025	7,243	7,442	7,632	7,817	7,987	8,143	8,268	8,410
22	Tawa driveway levy	22	22	22	22	22	22	22	22	22	22
13	Marsden Village levy	13	13	13	13	13	13	13	13	13	13
169,918	**Rates and levies**	**181,561**	**191,808**	**200,850**	**208,101**	**216,023**	**225,592**	**232,146**	**236,008**	**243,531**	**249,250**
77,801	**User charges**	**82,516**	**86,208**	**88,582**	**91,126**	**92,967**	**95,095**	**96,486**	**99,321**	**100,895**	**102,730**
11,276	**Transfund subsidy**	**2,655**	**2,740**	**2,825**	**2,905**	**2,979**	**3,051**	**3,117**	**3,178**	**3,234**	**3,290**
4,200	**Dividends**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**	**4,200**
14,295	**Revenue from investment properties**	**15,907**	**15,493**	**15,122**	**14,788**	**12,961**	**12,711**	**12,674**	**12,755**	**12,800**	**12,892**
1,400	**Interest on investments**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**
1,000	**Petrol tax**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
1,556	**Special funds and other income**	**1,662**	**1,694**	**1,726**	**1,756**	**1,784**	**1,811**	**1,836**	**1,859**	**1,880**	**1,901**
-	**Income for Capital projects:**										
-	**Transfund (capex)**	**9,487**	**10,107**	**10,644**	**10,920**	**10,035**	**10,277**	**11,523**	**9,660**	**9,829**	**9,999**
305	**Development contributions**	**610**	**1,220**	**2,134**	**3,354**	**4,878**	**6,098**	**6,098**	**6,098**	**6,098**	**6,098**
-	**Vested assets**										
-											
111,833	**Total other revenue**	**119,436**	**124,061**	**127,633**	**131,448**	**132,204**	**135,642**	**138,334**	**139,470**	**141,336**	**143,509**
281,751	**Total revenue**	**300,997**	**315,869**	**328,483**	**339,549**	**348,227**	**361,235**	**370,480**	**375,478**	**384,867**	**392,760**
		-	-	-	-	-	-	-	-	-	
	Expenditure										
285,679	**Project expenditure**	**300,232**	**314,181**	**325,925**	**335,620**	**343,778**	**356,148**	**364,103**	**371,103**	**380,531**	**388,375**
285,679	**Total expenditure**	**300,232**	**314,181**	**325,925**	**335,620**	**343,778**	**356,148**	**364,103**	**371,103**	**380,531**	**388,375**
(3,928)	**NET SURPLUS/(DEFICIT)**	**765**	**1,688**	**2,558**	**3,929**	**4,449**	**5,087**	**6,377**	**4,375**	**4,336**	**4,385**
	Rates increase on previous year	**6.85%**	**5.64%**	**4.71%**	**3.61%**	**3.81%**	**4.43%**	**2.91%**	**1.66%**	**3.2%**	**2.3%**
	Less growth	**-1.70%**									
	Underlying increase	**5.15%**									

APPENDIX 5

Summary Statement of Borrowings

Appendix 5 (b) (ii)

2006/07 DRAFT ANNUAL PLAN
Including inflation adjustments and asset revaluations

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Opening Gross Borrowings	**212,000**	**278,388**	**323,048**	**349,253**	**371,128**	**394,641**	**407,386**	**408,794**	**411,224**	**411,844**
Captial expenditure	117,876	102,419	96,376	95,280	98,353	94,254	85,689	85,410	90,400	85,778
New borrowings to fund loans to external organisations	9,000	6,000	-	-	-	-	-	-	-	-
Less:										
Rates funded depreciation	(50,392)	(52,433)	(56,793)	(58,532)	(59,327)	(64,535)	(66,060)	(66,623)	(73,253)	(75,931)
Utilisation of development contributions	(610)	(1,220)	(2,134)	(3,354)	(4,878)	(6,098)	(6,098)	(6,098)	(6,098)	(6,098)
Utilisation of LTNZ subsidies	(9,487)	(10,107)	(10,644)	(10,920)	(10,035)	(10,277)	(11,523)	(9,660)	(9,829)	(9,999)
Utilisation of other reserves	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	-	-	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)
Closing Gross Borrowings	**278,387**	**323,048**	**349,253**	**371,127**	**394,641**	**407,385**	**408,795**	**411,223**	**411,844**	**404,994**
Closing Total Investments	69,262	75,762	75,662	75,562	75,462	75,362	75,262	75,162	75,062	74,962
Closing Net Borrowings	**209,126**	**247,286**	**273,591**	**295,566**	**319,179**	**332,024**	**333,533**	**336,062**	**336,782**	**330,032**

APPENDIX 5

Statement of Prospective Capital Expenditure and Capital Expenditure Funding

Appendix 5 (b) (iii)

2006/07 DRAFT ANNUAL PLAN

(Incorporating the Long Term Council Community Plan)

Including inflation adjustments and asset revaluations

	Forecast 2006/07 $000	Forecast 2007/08 $000	Forecast 2008/09 $000	Projection 2009/10 $000	Projection 2010/11 $000	Projection 2011/12 $000	Projection 2012/13 $000	Projection 2013/14 $000	Projection 2014/15 $000	Projection 2015/16 $000
Capital expenditure:										
Renewals	56,928	61,598	60,993	59,112	61,395	63,895	63,490	65,570	67,784	66,516
New assets	39,907	31,006	30,733	36,168	36,958	30,359	22,199	19,840	22,616	19,262
Total annual capital expenditure programme	96,835	92,604	91,726	95,280	98,353	94,254	85,689	85,410	90,400	85,778
Carried forward capital expenditure	21,041	9,815	4,650							
Total capital expenditure	**117,876**	**102,419**	**96,376**	**95,280**	**98,353**	**94,254**	**85,689**	**85,410**	**90,400**	**85,778**
Renewals funded by:										
Depreciation	50,392	52,433	56,793	58,532	59,327	63,895	63,490	65,570	67,784	66,516
Borrowings	6,536	9,165	4,200	580	2,068	- 0	0	- 0	- 0	- 0
New assets funded by:										
Borrowings	50,852	29,495	22,605	21,895	22,045	13,985	4,578	4,083	6,689	3,166
Development contributions	610	1,220	2,134	3,354	4,878	6,098	6,098	6,098	6,098	6,098
LTNZ subsidies	9,487	10,107	10,644	10,920	10,035	10,277	11,523	9,660	9,829	9,999
Sale of assets and investments	-	-	-	-	-	-	-	-	-	-
Funded by Wellington City Council	**117,876**	**102,419**	**96,376**	**95,280**	**98,353**	**94,254**	**85,689**	**85,410**	**90,400**	**85,778**
Reserve funds	-	-	-	-	-	-	-	-	-	-
Bequests	-	-	-	-	-	-	-	-	-	-
Total capital expenditure	**117,876**	**102,419**	**96,376**	**95,280**	**98,353**	**94,254**	**85,689**	**85,410**	**90,400**	**85,778**

Assumptions:

1. For LTCCP purposes it is assumed that Development contributions , Reserve fund and Bequests income is utilised in the year it is received.

APPENDIX 6

Significant Budget and Forecasting Assumptions

APPENDIX 6

Significant Forecasting Assumptions

Budget and Forecasting Assumptions and Risk Assessment

Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the ten year Long Term Council Community Plan (LTCCP). Where there is a high level of uncertainty the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty is determined by reference to both the likelihood of occurrence and the financial materiality.

The Council has made a number of assumptions in preparing this LTCCP. These assumptions are necessary as the plan covers a 10 year period, and it is important to ensure that all estimates and forecasts are made on the same basis. Significant forecasting assumptions are included in the table below.

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
General Assumptions			
Projected growth change factors City growth assumptions underpin the Council's Asset Management Plans and capital expenditure budgets in the LTCCP. These assumptions are informed by forecasts based on Greater Wellington Regional Council's MERA projection modelling on population, dwellings and employment based on Statistics NZ census data.	That population growth is higher than projected thereby putting pressure on Council to provide additional infrastructure and services.	Low	Low to moderate increases in population can be accommodated within the present level of Council infrastructure. Where growth requires additional infrastructure, Council will collect development contributions to meet a portion of the cost of new or upgraded investment. Capital costs over this amount will result in additional Council expenditure which will need to be funded through new

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
These projections indicate a ten year equivalent household unit growth assumption of 10%.			borrowings.
	That population is lower than projected thereby resulting in surplus capacity in existing or planned infrastructure and services.	Low	Decreases in population may not necessarily result in a lower number of ratepayers as on average the number of people per household is decreasing. A consistent and significant decline in population would likely result in moderate increases in rates.
Growth in ratepayer base The estimated growth in the city's ratepayer base between 2005/06 and 2006/07 is 1.70%. As a result the "real" average rates funding increase will be reduced by an equivalent amount.	The growth in the ratepayer base is higher or lower than projected.	Low	The Council has used current property information from its valuation service provider (Quotable Value) to assess the level of growth in rating units. The projected 1.70% growth is considered robust.
Levels of Service Demand for Council Services and customer expectations regarding levels of service will not significantly change and therefore there will be no significant effect	There are significant changes in customer expectations regarding demand for services or levels of service.	Low	The Council has well defined service levels for its planned activities. Customer Satisfaction Surveys generally support this key assumption and therefore there are currently no areas of the Council's

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
on asset requirements or operating expenditure.			current service that require significant modification.
Resource consents Conditions for existing resource consents held by Council will not be significantly altered. Any resource consents due for renewal during the 10 year period will be renewed accordingly.	Conditions of resource consents are altered significantly. Council is unable to renew existing resource consents upon expiry.	Low	The financial effect of any change to resource consent requirements would depend upon the extent of the change. A significant change in requirements could result in the Council needing to spend additional funds to enable compliance. Generally, the Council considers that it is fully compliant with existing Resource Consents and does not contemplate any material departure from these requirements over the next 10 years.
Financial Assumptions			
Inflation The Council has adjusted base financial projections to reflect the estimated impact of inflation. The inflation adjusted numbers are presented in today's dollars.	That actual inflation will be significantly different from the assumed inflation.	Low -Medium Years (1-3) Medium - High Years (4-10)	Inflation is affected by external economic factors, most of which are outside of the Council's control and influence. Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.

APPENDIX 6

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Inflation rates have been estimated using the BERL price level change forecasts to calculate an average inflation rate for each year of the LTCCP. Where expenditure is subject to inflation, the following rates have been applied: Year 2 3.2% Year 3 3.1% Year 4 2.8% Year 5 2.6% Year 6 2.4% Year 7 2.2% Year 8 1.9% Year 9 1.7% Year 10 1.7%			While individual indices will at times vary from what has been included in this LTCCP, the Council has relied on the Reserve Bank use of monetary controls to keep inflation within the 1.5 to 3% range.
The inflation rates above have been applied across all items within the financial statements with the exception of: **Revenue from investment properties** – forecast to remain constant as most ground leases are subject to fixed rentals across the period. **Petrol tax** – forecast to remain	That revenues arising from the items listed do not remain constant.	Low	The assumption is considered reasonable in these cases due to the specific circumstances noted.

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
constant. Revenue from petrol tax is driven by tax rates and volumes – both of which are expected to remain constant over the 10 year period. **Interest revenue and expenditure –** Interest rates do not increase annually in line with rates of inflation. Interest rates have been forecast to remain constant. Refer section below. **Dividends –** Although rates of inflation will affect the revenues and expenditures of those entities distributing dividends to the Council it is not anticipated that the level of dividend will be influenced by rates of inflation in the future.			
Expected return on investments Council has forecast the following returns for significant investments: **Wellington International Airport Limited subordinated debt –** interest is constant across the 10 year period at 11.75%. This represents an assumed average	That prevailing interest rates will differ significantly from those estimated.	Mod	The interest rate is set at 4% above the bank bill rate. Interest revenue will increase/decrease by $137,500 per annum for every 1% movement in interest rates.

APPENDIX 6

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
interest rate of 6.75% plus the margin of 4%.			
Wellington International Airport Limited shareholding – it is assumed that the Council will retain its existing investment in WIAL of 34% and that a regular flow of revenue will be received by way of dividend.	That Council will not achieve the forecast level of dividends	Mod	The forecast annual dividend from Wellington International Airport Limited is $4 million. Wellington International Airport Limited does not have a dividend policy in place. The level of dividend is dependent on the financial performance of the company. The Council has utilised historical results and future projections of the company to determine the forecast return.
Wellington Cable Car Limited – it is assumed that the Council will retain its existing investment at the same level. Dividends are assumed to remain constant across the 10 year period.	That Council will not achieve the forecast level of dividends	Mod	The forecast dividend from Wellington Cable Car Limited is $200,000 per annum The level of dividend is dependent on the financial performance of the company. The Council has utilised historical results and future projections of the company to determine the forecast return.
Wellington Regional Stadium Trust loan – in accordance with the terms of the loan, no interest has been forecast across the 10 year period.	The loan will not be repaid	Low	The loan is due to be repaid in 2015. The repayment has been included within the LTCCP forecast financial statements. As the Trust is currently servicing its

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
			other loan obligations to commercial lenders, the Council has no reason to believe that the loan will not be repaid.
Expected interest rates on borrowings Interest is calculated as follows: Existing borrowings 6.75% New borrowings 7.00%	That prevailing interest rates will differ significantly from those estimated.	Mod	Interest rates are largely driven by factors external to the NZ economy. Council is predicting a significant increase in borrowings over the 10 year period. Based on Council projected borrowings levels, interest costs will increase/decrease by between \$2.1m - \$4.1m per annum for every 1% movement in interest rates.
LTNZ subsidies LTNZ requirements and specifications for the performance of subsidised work and subsidy rates will not alter to the extent that they impact significantly on operating costs.	Changes in the subsidy rate and variation in criteria for inclusion in the subsidised works programme.	Low	LTNZ funding priorities may change as a result of the Land Transport Management Act 2003. Variations in subsidy rates will increase/decrease Council's operational revenue by \$260k to \$330k for every 1% change in subsidy.
Vested assets No vesting of assets is forecast across the 10 year period.	That Council will have assets vested thereby increasing the depreciation expense in subsequent years.	High	The level of vested assets fluctuates considerably from year to year. Historical levels have not been material. The recognition of

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
			vested assets in the income statement is non-cash in nature and will have no effect on rates. The financial effect of the uncertainty is expected to be low.
Sources of funds for the future replacement of significant assets Sources of funds for operating and capital expenditure are as per the Revenue and Earnings Policy (refer page xx)	That sources of funds are not achieved	Low	User charges have been set at previously achieve levels. Depreciation is funded through rates. The Council is able to access borrowings at levels forecast within the LTCCP.
Useful lives of significant assets The useful lives of significant assets is shown in the Statement of Accounting Policies (refer page xx). It is assumed that there will be no reassessment of useful lives throughout the 10 year period.	That assets wear out earlier or later than estimated.	Low - Asset lives are based upon estimates made by engineers and registered valuers.	The financial effect of the uncertainty is likely to be immaterial. Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. However, these impacts could be mitigated as capital projects could be reprioritised in the event of early expiration of assets.
With the exception of the Living Earth joint venture, it is assumed that all other assets will be replaced at the end of their useful life.	That Council activities change, resulting in decisions not to replace existing assets.	Low	Council has a comprehensive asset management planning process. Where a decision is made not to replace an asset, this will be

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Planned asset acquisitions (as per the capital expenditure programme) shall be depreciated on the same basis as existing assets.	That more detailed analysis of planned capital projects may alter the useful life and therefore the depreciation expense.	Low	factored into capital projections. Asset capacity and condition is monitored, with replacement works being planned accordingly. Depreciation is calculated in accordance with accounting and asset management requirements.
Revaluation of property, plant and equipment These forecasts include a three yearly estimate to reflect the change in asset valuations for property, plant and equipment in accordance with the Council's accounting policies (refer page xx). The following assumptions have been applied to projected asset revaluations: • Revaluation movements shall equate the inflation rates applied for all depreciable property, plant and equipment (refer section "Inflation") • The depreciation impact of inflation shall be in the year following revaluation.	That actual revaluation movements will be significantly different from those forecast	Mod	The majority of Council's depreciable property, plant and equipment assets is valued on a depreciated replacement cost basis. Therefore, using the projected inflation rate as a proxy for revaluation movements is appropriate and consistent with the treatment of price changes generally within the LTCCP. For land assets valued at market value (based on sales evidence), values have been assumed to remain constant. This reflects the wide disparity in views on the sustainability of current residential market prices. This assumption has no impact on depreciation as these assets are not depreciated.

Forecasting Assumptions	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
• The value of non-depreciable assets (eg land) is forecast to remain constant.			
Revaluation of other assets It is assumed that the value of all other assets (eg investment properties) accounted for at fair/market value will remain constant across the 10 year plan.	That actual revaluation movements will be significantly different from those forecast	Mod	For assets valued at market value (based on sales evidence), values have been assumed to remain constant. This reflects the wide disparity in views on the sustainability of current residential market prices. This assumption has no impact on depreciation as these assets are not depreciated.
Renewal of External Funding It is assumed that Council will be able to renew existing borrowings on equivalent terms	That new borrowings cannot be accessed to fund future capital requirements	Low	The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Investment and Liability Management Policy. The Council also ensures that committed borrowing facilities are maintained at a level that exceeds 110% of peak borrowing levels over the next 12 months.

Other Forecasting Information

In addition to the significant forecasting assumptions outlined above, the Council makes a number of other judgements and estimates in preparing the LTCCP. This section details other relevant forecasting information.

1. Funding Principles

Funding Policy

Assumptions and principles in relation to funding are included within the Council's Revenue and Financing Policy (refer page xx). It is assumed that the Revenue and Financing Policy will apply to the 10 year period covered by the LTCCP.

Capital Expenditure Programme

All significant capital expenditure is included within the LTCCP.

Asset Sales

No asset sales are planned except as disclosed in the LTCCP.

2. Non-Funding of Depreciation

a. The Council will set its projected operating revenue at a level sufficient to meet the current year's projected operating expenditure, except where the Council resolves that it is financially prudent not to do so.

b. *Non-funding of depreciation on Council assets.* The Council may elect not to fund all or part of the depreciation expenditure on specific assets in those circumstances where it is not financially prudent to do so. In accordance with section 100 of the Local Government Act 2002, the Council considers that it is not financially prudent to fund depreciation in the following circumstances:

- Where the original asset purchase was not funded by borrowings, or the original borrowings have been repaid, and
    - Where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party, or
    - Where the Council has elected not to replace the asset at the end of its useful life.

- Where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.

In accordance with section 100 of the Local Government Act 2002 and the principles outlined above, the Council has previously satisfied itself that it is not financially prudent to fund all/part of the depreciation on the following assets:

- Clearwater Sewage Treatment Plant.
- Living Earth Joint Venture
- Transport assets funded by LTNZ.

The rationale for the continuation of non-funding depreciation expenditure for each asset is outlined below:

Clearwater sewage treatment plant
United Water has a 21-year contract to operate and maintain the Clearwater plant, so the Council has no need to put aside extra maintenance money. United Water is required to fund any repairs over this period. United Water is also required to return the plant to the Council after the end of its 21-year contract with a future life expectancy of at least 25 years. Despite this contractual arrangement, the Council still owns the Clearwater plant assets and is required to cover all operating expenses associated with the plant, including depreciation and financing costs.

The Council has estimated that $2.356 million of depreciation charged on the Clearwater assets should not be funded through rates as the obligation is on United Water to fund the replacement of these assets.

Living Earth joint venture
Living Earth is expected to have only a short life (21 years) and during this time the Council will have no maintenance costs, as these are being covered by the contractors. In addition to maintenance costs there are also costs associated with the depreciation of the asset. The Council has elected not to fund $0.755m of depreciation on these assets for the following reasons:

- the Council has considered that the Living Earth asset is not critical to the Council's long term treatment and disposal of sewage
- the Council has not planned to replace it at the end of its useful life, and
- not funding depreciation will not alter the planned life of the Council's landfills, nor will it affect the environmental objectives the Council is achieving with Living Earth.

Transport assets funded by LTNZ
Each year the Council receives funding from LTNZ as part of the overall replacement and renewal programme for the City's roading infrastructure. The Council recognises the subsidies as income in accordance with GAAP. As the subsidies are received for capital purposes, they cannot be used to offset the rates requirement. Therefore the Council shall recognise a surplus equivalent to the amount of LTNZ subsidies for capital purposes, and account for this as a special reserve to be applied against funding the depreciation expense that results on completion of the associated asset. For 2006/07, the required transfer to reserves is $9.487m.

A non-funding exemption is available in respect of the associated depreciation to the extent that replacement is funded by LTNZ. It is financially prudent for the Council not to fund this depreciation through rates, as it would be inequitable to place the funding burden on ratepayers when LTNZ is already contributing the overall cost of replacement. The Council has elected not to fund $6.720m of depreciation relating to the city's roading infrastructure in the 2006/07 year. The net impact of the funding adjustments in respect of LTNZ is $2.767m

3. Financial Reporting Standard 42: *Prospective Financial Statements*

In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42: *Prospective Financial Statements*, the following information is provided in respect of the LTCCP:

(i) Description of the nature of the entity's current operations and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined on pages XX to XX.

(ii) Purpose for which the prospective financial statements are prepared
It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 10 years, and that these are presented in the Council's LTCCP. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council.

(iii) Bases for assumptions, risks and uncertainties

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place. The principal assumptions underlying the forecasts are noted on page xx.

(iv) Cautionary Note
The financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(v) Other Disclosures
The prospective financial statements were authorised for issue on xx March 2006 by Wellington City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures.

The period covered by the LTCCP contains no actual operating results. It is intended to update the prospective financial statements during the preparation of the final LTCCP by 30 June 2006.

APPENDIX 7

Balanced Budget Requirement

Balanced Budget Requirement

Section 100 of the Local Government Act 2002 (LGA) requires local authorities to set each year's operating revenue at a level sufficient to meet its operating expenditure for that year. This is known as the balanced budget requirement.

However, the LGA provides local authorities with a level of discretion to vary its operating revenues where it resolves that it is financially prudent to do so. In reaching this decision a local authority must have regard to:

> *"(a) the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the long-term council community plan, including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and*
> *(b) the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and*
> *(c) the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and*
> *(d) the funding and financial policies adopted under section 102."*

The overriding principles for application of the balanced budget requirement are contained in the Council's Revenue and Financing Policy. The financial impact of these principles is detailed in both the Funding Impact Statement and within the Significant Forecasting Assumptions.

The Revenue and Financing Policy recommends that the Council resolve that it is financially prudent to depart from the balanced budget requirement in the following circumstances:

Accounting for fair value changes

Principle

Under New Zealand equivalents of International Financial Reporting Standards (NZ IFRS), changes in the fair value of certain assets must be accounted for within the Income Statement. In accordance with Section 100 of the Local Government Act 2002, it is not considered financially prudent to fund changes in the fair value of assets or liabilities as these are essentially "unrealised" accounting adjustments.

Rationale

Changes in the fair value of assets and liabilities are non cash in nature but are required to be recorded in the income statement for accounting purposes. The associated gains and losses will remain unrealised until disposal of the underlying assets. The proposed exemption will ensure that non cash income and expenditure movements are excluded from the assessment of the level of rates funding required to pay for the projected operating expenditure. Further, in the event that the gains / losses are realised during the disposal of the underlying assets / liabilities then the proceeds from disposal will be used for the purposed of repayment of borrowings in accordance with the Council's Investment Policy.

No inter-generational equity issues have been identified in applying this exemption. Therefore, having had regard to the principles in section 100 (2), it is recommended that it is financially prudent not to fund, or account for, unrealised gains and losses arising from the change in fair value of underlying assets and liabilities.

Non-funding of depreciation on Council assets

Principle

In accordance with section 100 of the Local Government Act 2002 the Council has previously satisfied itself that it is not financially prudent to fund all/part of the depreciation expenditure on the following assets:

- Clearwater Sewerage Treatment Plant.
- Living Earth Joint Venture
- Transport assets funded by LTNZ.

In principle the Council will fund depreciation on existing assets as a way of either replacing the asset at the end of its useful life or to repay the borrowings on the original construction or purchase of the asset. Accordingly, as a matter of principle the Council considers that it is not financially prudent to ask ratepayers to fund all / part of the depreciation expenditure on an asset.

- Where the original asset purchase was not funded by borrowings, or the original borrowings have been repaid, and
    - Where, on an ongoing basis, the replacement of the asset at the end of its useful life will be funded by a third party, or
    - Where the Council has elected not to replace the asset at the end of its useful life.

- Where a third party has a contractual obligation to either maintain the service potential of the asset throughout all or part of its useful life (or to replace the asset at the end of its useful life) and the Council already effectively funds this through operating grants/tariffs payable to the third party.

Rationale

With respect to the specific assets identified above the Council considers that it is not financially prudent to fund all / part of the depreciation on these assets because:

Clearwater Sewerage Treatment Plant

United Water has a 21-year contract to operate and maintain the Clearwater plant, so the Council has no need to put aside extra maintenance money. United

Water is required to fund any repairs over this period. United Water is also required to return the plant to the Council after the end of its 21-year contract with a future life expectancy of at least 25 years. Despite this contractual arrangement, the Council still owns the Clearwater plant assets and is required to cover all operating expenses associated with the plant, including depreciation and financing costs.

The Council has estimated that $2.356 million of depreciation charged on the Clearwater assets should not be funded through rates as the obligation is on United Water to fund the replacement of these assets.

Living Earth joint venture

Living Earth is expected to have only a short life (21 years) and during this time the Council will have no maintenance costs, as these are being covered by the contractors. In addition to maintenance costs there are also costs associated with the depreciation of the asset. The Council has elected not to fund $0.755m of depreciation on these assets for the following reasons:

- the Council has considered that the Living Earth asset is not critical to the Council's long term treatment and disposal of sewage
- the Council has not planned to replace it at the end of its useful life, and
- not funding depreciation will not alter the planned life of the Council's landfills, nor will it affect the environmental objectives the Council is achieving with Living Earth.

Transport assets funded by LTNZ

Each year the Council receives funding from LTNZ as part of the overall replacement and renewal programme for the City's roading infrastructure. The Council recognises the subsidies as income in accordance with GAAP. As the subsidies are received for capital purposes, they cannot be used to offset the rates requirement. Therefore the Council shall recognise a surplus equivalent to the amount of LTNZ subsidies for capital purposes, and account for this as a special reserve to be applied against funding the depreciation expense that results on completion of the associated asset. For 2006/07, the required transfer to reserves is $9.487m.

A non-funding exemption is available in respect of the associated depreciation to the extent that replacement is funded by LTNZ. It is financially prudent for the Council not to fund this depreciation through rates, as it would be inequitable to place the funding burden on ratepayers when LTNZ is already contributing the overall cost of replacement. The Council has elected not to fund $6.720m of depreciation relating to the city's roading infrastructure in the 2006/07 year. The net impact of the funding adjustments in respect of LTNZ is $2.767m.

The exemptions from the balanced budget requirement in respect of the non funding of depreciation on the assets identified above will not impact on the predicted levels of service provision set out in the LTCCP. No inter-generational equity issues have been identified in applying this exemption. Therefore, having had regard to the principles in section 100 (2), it is recommended that it is financially prudent not to fund all / part of the depreciation expenditure on the assets identified above.

Receipt of Capital Revenues

Principle

The financial forecasts in the LTCCP include a level of projected revenue that will be received for the purpose of funding capital projects. For example, the Council receives subsidies from LTNZ in respect of its transport capital projects and from development contributions for growth related capital expenditure. The receipt of this revenue is recognised as income in the Income Statement in accordance with generally accepted accounting practice even though the subsidies represent an inflow of cash specifically for capital, rather than operating, purposes. As a result, it is inappropriate for these capital subsidies to be treated as income for rates funding purposes. The Council shall therefore recognise an operating surplus equivalent to the amount of LTNZ subsidies and development contributions received for capital purposes in each year.

Rationale

The proposed exemption from the balanced budget requirement will not impact on the predicted levels of service provision set out in the LTCCP. The proposed approach of applying capital subsidies for the purpose for which they were received (ie, to fund capital expenditure projects) supports the concept of inter-generational equity as it ensures that funding received for capital projects is not utilised to offset the rates requirement in a particular year but instead the benefit is spread over the life of the asset by way of reduced borrowings.

Therefore, having had regard to the principles in section 100 (2), it is recommended that it is financially prudent not to apply the receipt of capital subsidies, recognised as income in the Income Statement, to offset the rates funding requirement in each year.

APPENDIX 8

Funding Impact Statement
(includes both pre and post inflation and revaluation adjustments
Statements)

APPENDIX 8

2006/07 DRAFT ANNUAL PLAN

Appendix 8 (a) (i)

Funding impact statement - operating expenditure

Excluding inflation adjustment and asset revaluations

(All figures shown exclusive of GST)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Operating Statement										
Total project expenditure	300,232	306,827	309,221	311,896	313,322	313,187	315,042	316,265	315,489	317,822
Self-insurance reserve	500	500	500	500	500	500	500	500	500	500
Total operating expenditure	**300,732**	**307,327**	**309,721**	**312,396**	**313,822**	**313,687**	**315,542**	**316,765**	**315,989**	**318,322**
Less expenditure not funded under section 100 of LGA:										
LTNZ Transport funded projects	(6,720)	(7,027)	(7,201)	(7,322)	(7,438)	(7,555)	(7,515)	(7,642)	(7,757)	(7,870)
Clearwater sewerage treatment plant	(2,356)	(2,356)	(2,356)	(2,356)	(2,356)	(2,356)	(2,356)	(2,356)	(2,356)	(2,356)
Living Earth joint venture	(755)	(755)	(755)	(755)	(755)	(755)	(755)	(755)	(755)	(755)
Total operating expenditure to be funded	**290,901**	**297,189**	**299,409**	**301,963**	**303,273**	**303,021**	**304,916**	**306,012**	**305,121**	**307,341**
Funded by:										
General rates	**98,341**	**103,061**	**105,130**	**107,736**	**110,986**	**110,943**	**113,409**	**113,811**	**113,148**	**115,364**
Targeted rates:										
Sewerage rate	29,794	29,944	30,262	30,447	30,582	30,680	30,733	30,710	30,689	30,690
Water rate	25,901	26,201	26,440	26,566	26,652	26,692	26,707	26,669	26,629	26,593
Stormwater rate	11,786	12,255	12,645	12,883	13,060	13,187	13,229	13,188	13,142	13,085
Base (residential) sector targeted rate	5,289	5,494	5,414	5,238	5,259	5,281	5,303	5,392	5,468	5,488
Commercial sector targeted rate	3,608	3,587	3,665	3,668	3,697	3,666	3,687	3,626	3,633	3,630
Downtown levy	6,808	6,808	6,808	6,804	6,804	6,804	6,804	6,804	6,788	6,789
Tawa driveways levy	22	22	22	22	22	22	22	22	22	22
Marsden Village levy	13	13	13	13	13	13	13	13	13	13
Total targeted rates	**83,220**	**84,323**	**85,268**	**85,640**	**86,088**	**86,343**	**86,497**	**86,423**	**86,382**	**86,308**
Total rates	**181,561**	**187,384**	**190,398**	**193,376**	**197,074**	**197,287**	**199,906**	**200,234**	**199,530**	**201,672**
User charges	82,516	83,535	83,253	83,296	82,859	82,764	82,186	82,975	82,837	82,914
Other income										
Ground and commercial leases	15,907	15,353	14,841	14,374	12,423	12,053	11,906	11,885	11,837	11,837
Dividends	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Transfund subsidies	2,655	2,655	2,655	2,655	2,655	2,655	2,655	2,655	2,655	2,655
Interest on investments	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Petrol tax	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	1,662	1,662	1,662	1,662	1,662	1,662	1,662	1,662	1,662	1,662
Total funding for operating expenditure	**290,901**	**297,189**	**299,409**	**301,963**	**303,273**	**303,021**	**304,916**	**306,012**	**305,121**	**307,341**

APPENDIX 8

2006/07 DRAFT ANNUAL PLAN

Appendix 8 (a) (ii)

Funding impact statement - capital expenditure

Excluding inflation adjustment and asset revaluations

(All figures shown exclusive of GST)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Renewal capital expenditure	56,928	59,689	57,324	54,033	54,720	55,609	54,080	54,778	55,651	53,684
Upgrade capital expenditure	39,907	30,044	28,885	33,060	32,939	26,422	18,909	16,575	18,569	15,547
Capital expenditure carried forward from 2005/06	21,041	9,815	4,650	0	0	0	0	0	0	0
Total capital expenditure to be funded	**117,876**	**99,548**	**90,859**	**87,093**	**87,659**	**82,031**	**72,989**	**71,353**	**74,220**	**69,231**
Funded by:										
Rates funded depreciation	50,392	52,433	55,107	56,792	57,563	57,358	57,076	57,186	60,052	55,064
LTNZ transport subsidies	9,487	9,793	10,004	9,981	8,944	8,944	9,815	8,070	8,070	8,070
Development contributions	610	1,220	2,134	3,354	4,878	6,098	6,098	6,098	6,098	6,098
Borrowings	57,387	36,102	23,614	16,966	16,274	9,632	0	0	0	0
Total funding for capital expenditure	**117,876**	**99,548**	**90,859**	**87,093**	**87,659**	**82,031**	**72,989**	**71,353**	**74,220**	**69,231**

APPENDIX 8

2006/07 DRAFT ANNUAL PLAN

Appendix 8 (b) (i)

Funding impact statement - Operating expenditure

Including inflation adjustments and asset revaluations

(All figures shown exclusive of GST)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Operating Statement										
Total project expenditure	300,232	314,181	325,925	335,620	343,778	356,148	364,103	371,103	380,531	388,375
Self-insurance reserve	500	500	500	500	500	500	500	500	500	500
Total operating expenditure	**300,732**	**314,681**	**326,425**	**336,120**	**344,278**	**356,648**	**364,603**	**371,603**	**381,031**	**388,875**
Less expenditure not funded under section 100 of LGA:										
LTNZ Transport funded projects	(6,720)	(7,027)	(7,432)	(7,556)	(7,676)	(8,213)	(8,169)	(8,307)	(8,277)	(8,398)
Clearwater sewerage treatment plant	(2,356)	(2,356)	(2,509)	(2,509)	(2,509)	(2,728)	(2,728)	(2,728)	(2,910)	(2,910)
Living Earth joint venture	(755)	(755)	(779)	(779)	(779)	(847)	(847)	(847)	(904)	(904)
Total operating expenditure to be funded	**290,901**	**304,543**	**315,705**	**325,276**	**333,314**	**344,860**	**352,859**	**359,721**	**368,940**	**376,663**
Funded by:										
General rates	**98,341**	**105,646**	**111,279**	**116,391**	**122,117**	**127,817**	**132,701**	**135,204**	**139,829**	**144,343**
Targeted rates:										
Sewerage rate	29,794	30,544	31,643	32,410	33,113	34,464	35,012	35,452	36,450	36,873
Water rate	25,901	26,766	27,827	28,498	29,113	30,367	30,842	31,235	32,177	32,529
Stormwater rate	11,786	12,467	13,219	13,684	14,111	14,874	15,117	15,276	15,752	15,866
Base (residential) sector targeted rate	5,289	5,642	5,727	5,668	5,813	6,030	6,163	6,370	6,618	6,734
Commercial sector targeted rate	3,608	3,683	3,878	3,972	4,090	4,189	4,291	4,292	4,403	4,463
Downtown levy	6,808	7,025	7,243	7,442	7,632	7,817	7,987	8,143	8,268	8,410
Tawa driveways levy	22	22	22	22	22	22	22	22	22	22
Marsden Village levy	13	13	13	13	13	13	13	13	13	13
Total targeted rates	**83,220**	**86,162**	**89,571**	**91,710**	**93,906**	**97,775**	**99,446**	**100,803**	**103,702**	**104,908**
Total rates	**181,561**	**191,808**	**200,850**	**208,101**	**216,023**	**225,592**	**232,146**	**236,008**	**243,531**	**249,251**
User charges	82,516	86,208	88,582	91,126	92,967	95,095	96,486	99,321	100,895	102,730
Other income										
Ground and commercial leases	15,907	15,493	15,122	14,788	12,961	12,711	12,674	12,755	12,800	12,892
Dividends	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Transfund subsidies	2,655	2,740	2,825	2,905	2,979	3,051	3,117	3,178	3,234	3,290
Interest on investments	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Petrol tax	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	1,662	1,694	1,726	1,756	1,784	1,811	1,836	1,859	1,880	1,901
Total funding for operating expenditure	**290,901**	**304,543**	**315,705**	**325,276**	**333,314**	**344,860**	**352,859**	**359,721**	**368,940**	**376,663**

2006/07 DRAFT ANNUAL PLAN

Appendix 8 (b) (ii)

Funding impact statement - Capital expenditure

Including inflation adjustments and asset revaluations

(All figures shown exclusive of GST)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Renewal capital expenditure	56,928	61,598	60,993	59,112	61,395	63,895	63,490	65,570	67,784	66,516
Upgrade capital expenditure	39,907	31,006	30,733	36,168	36,958	30,359	22,199	19,840	22,616	19,262
Capital expenditure carried forward from 2005/06	21,041	9,815	4,650	0	0	0	0	0	0	0
Total capital expenditure to be funded	**117,876**	**102,419**	**96,376**	**95,280**	**98,353**	**94,254**	**85,689**	**85,410**	**90,400**	**85,778**
Funded by:										
Rates funded depreciation	50,392	52,433	56,793	58,532	59,327	64,535	66,060	66,623	73,253	69,681
LTNZ transport subsidies	9,487	10,107	10,644	10,920	10,035	10,277	11,523	9,660	9,829	9,999
Development contributions	610	1,220	2,134	3,354	4,878	6,098	6,098	6,098	6,098	6,098
Borrowings	57,387	38,660	26,805	22,474	24,113	13,344	2,009	3,029	1,220	(0)
Total funding for capital expenditure	**117,876**	**102,419**	**96,376**	**95,280**	**98,353**	**94,254**	**85,689**	**85,410**	**90,400**	**85,778**

Supporting Information

1)Strategic Fit / Strategic Outcome

The financial forecasts and budget support the Strategic Outcomes and Priorities of the Council by providing the costing for the projects and programmes in the LTCCP.

2) LTCCP/Annual Plan reference and long term financial impact

The project and programme budgets will replace the current LTCCP / Annual Plan.

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi considerations.

4) Decision-Making

The preparation of the Business as Usual budgets require the Council's agreement to include in the draft LTCCP and to then consult with ratepayers.

5) Consultation

a)General Consultation

General consultation will occur as part of the LTCCP consultation process.

b) Consultation with Maori

Mana whenua will be consulted with during the LTCCP consultation process.

6) Legal Implications

The preparation of the budgets, financial forecasts and the various funding statements are required under the Local Government Act 2002.

7) Consistency with existing policy

These business as usual budget is consistent with that planned in the current Annual Plan.