

FUNDING AND FINANCIAL POLICIES

The Local Government Act 2002 requires the Council to have a number of funding and financial policies in order to provide consistency and clarity about sources and levels of funding and financial decisions.

This section of the *Long-Term Council Community Plan* includes the following funding and financial policies:

- a revenue and financing policy
- a community project funding policy
- a liability management policy
- an investment policy
- a policy on development contributions and financial contributions
- a significance policy
- a policy on partnerships between the local authority and the private sector
- a policy on the remission and postponement of rates on Māori freehold land (Appendix 3)
- a rates remission policy (Appendix 3)
- a rates postponement policy (Appendix 3).

REVENUE AND FINANCING POLICY

PURPOSE

To present the Council's policies for financing its planned groups of activities including proposed funding sources.

INTRODUCTION

The Taranaki Regional Council is required to manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. For the purposes of this *Revenue and Financing Policy*, the Taranaki Regional Council's policy is to fully fund all operational expenditure from the sources allowed under section 103(2) of the Local Government Act 2002. This *Plan* funds all the identified expenditure needs of the Council.

The following considerations were factors in determining the sources of revenue and finance for each of the Council's activities and functions:

- the community outcomes to which the activity primarily contributes
- the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals
- the period in or over which those benefits are expected to occur

- the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities
- the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

The Council is entitled to finance its activities and functions from the following sources:

- general rates
- targeted rates
- fees and charges
- interest and dividends from investments
- borrowing
- proceeds from asset sales
- development contributions
- financial contributions under the Resource Management Act 1991
- grants and subsidies
- any other source.

The policies and sources of funding for each of the Council's functions are outlined in the remainder of this *Policy*.

The Council is also entitled to fund its capital expenditure from the same sources identified

above. This Council funds depreciation on all of its assets. The Council's policy is to fund capital expenditure from accumulated cash surpluses arising from the full financing of depreciation. If for any capital project those accumulated operating cash surpluses are insufficient then the considerations outlined above will be applied to the project to determine the sources of financing appropriate for that project.

GENERAL RATES

The system of rating for general rate requirements is a combination of the capital value system equalised for the timing of valuations between districts and uniform annual general charges on each rating unit in the region. For the purposes of this *Policy* and the *Long-Term Council Community Plan*, general rates and investment revenue have been grouped together and as a funding mechanism are described as general funds.

RATES COLLECTION

The region's three district councils collect regional rates. The rates remission and rates discount policies of the Taranaki Regional Council are the same as those adopted by the respective district councils (refer to Appendix 3).

REVENUE AND FINANCING POLICY

The revenue and financing sources and mechanisms for the Council's activities are as follows:

Group of activities	Activities	Funding sources and mechanisms
Policy and planning This activity has a regional focus with the benefits accruing to the wider community. Accordingly, the activity is substantially funded from general funds.	Statutory policies, plans and strategies.	100% general funds.
	Advocacy and response.	100% general funds.
Civil defence emergency management The Council provides an administering role to the Civil Defence Emergency Management Group. The Group administers the provision of emergency management services. The region's four local authorities contribute to the provision of these services. All services benefit the wider community. Therefore, the Taranaki Regional Council's share of the Group's costs is funded from general funds.	Civil defence emergency management.	Government grants for national services. Fees and charges from the four local authority members of the Civil Defence Emergency Management Group. General funds for Taranaki Regional Council portion of these services.
Resource consents The processing and monitoring of resource consents is funded by direct charging those who specifically benefit from and/or cause the expenditure, namely, consent applicants and holders. General inquiries, administration and information requests are funded from general funds. This also recognises that certain compliance monitoring information is of benefit to the wider community. Pollution control is funded by general funds provided recovery from the polluter has been pursued. Marine oil spill contingency response is funded by government grant in compliance with the Marine Transport Act 1994.	Consent processing and administration.	60% fees and charges. 40% general funds.
	Compliance monitoring programmes.	70% fees and charges. 30% general funds.
	Pollution incidents and response.	100% fees and charges from the party responsible for the pollution. General funds when fees and charges are unable to be applied. Maritime Safety Authority grants for national services (oil spills).
Land management Land management services are funded by general funds. These services are principally of an advisory nature with physical works being funded by the landowners. There are sales of merchandise to support land management (e.g., riparian plants).	Sustainable land management plans.	100% general funds.
	General advice and facilitation.	General funds for the provision of advice and information. Fees and charges for the supply of poplar, willow poles and other plant materials.
River control and flood protection River control schemes are funded by targeted rate over the community benefiting from the protection. Advice, minor river works and flood response benefit the wider community and as such are funded from general funds.	River control schemes.	100% capital value based targeted rate over the New Plymouth district.
	Advice, minor works and flood response.	70% general funds. 30% capital value based targeted rate over the New Plymouth district.
Land transport and harbour management Regional land transport planning and safety issues and disabled persons passenger transport services benefit the wider community and as such are funded from general funds. Disabled persons' bus subsidies are provided in the New Plymouth district and accordingly are funded by that community. Harbour safety and navigational services benefit the wider community and are funded from general funds.	Regional land transport planning.	Government grants for national services. General funds for regional services.
	Passenger transport.	Government grants for national services. General funds for regional services. Capital value targeted rate for the New Plymouth disabled persons' bus subsidies.
	Harbour management.	100% general funds.

REVENUE AND FINANCING POLICY

Group of activities	Activities	Funding sources and mechanisms
<p>Resource investigations, monitoring and enhancement</p> <p>The State of the environment monitoring and Resource investigations and projects activities provide the necessary regional scientific information for Council to be informed and make defensible decisions across its range of functions. Consequently, the activity is funded from general funds. Environmental enhancement grants involve the promotion of the protection of the region's environment through the use of enhancement grants. The protection of the environment is a combined effort between the Council and landowners. Landowners do not forgo ownership rights to the land but they incur opportunity costs in respect of potential land development. The Council provides grants for the long-term preservation and protection (e.g., fencing) of the land. Consequently, the activity is funded from general funds. Waste minimisation is an advocacy, encouragement and facilitation role. The results of this work are implemented and funded by third parties. The wider community, through enhanced environmental quality, is the beneficiary of this work. The project is a joint exercise of the region's four local authorities. The region's three district councils contribute to the cost of the activity with the Taranaki Regional Council's portion being funded by general funds.</p>	State of the environment monitoring.	100% general funds.
	Resource investigations and projects.	100% general funds.
	Environmental enhancement grants.	100% general funds.
	Waste minimisation	Fees and charges from the region's three territorial authorities. General funds for Taranaki Regional Council portion of these services.
<p>Pest management</p> <p>Pest management services, with some minor exceptions that are directly charged for or funded by government grant, are funded from general funds. The basis of this approach was developed in accordance with section 76 of the Biosecurity Act 1993 and is provided in detail in Council's adopted <i>Pest Management Strategy for Taranaki: Animals</i> and <i>Pest Management Strategy for Taranaki: Plants</i>.</p>	Pest animal management.	Government grants for national services (Crown agencies' contributions). Fees and charges for bait stations and enforcement operations. General funds for other services.
	Pest plant management.	Government grants for national services (Crown agencies' contributions). Fees and charges for enforcement operations. General funds for other services.
<p>Recreation, culture and heritage</p> <p>For major expenditure projects such as the Yarrow Stadium, more specific targeting of beneficiaries is proposed as confirmed by independent expert analysis. Generally, the provision of regionally significant recreation, culture and heritage services provides "public good" benefits to the wider community and, as such, they maybe expected to be funded from general funds. Projects under this significant activity will have varying funding sources depending upon the specifics of each project.</p>	Yarrow Stadium.	Targeted rates that recover 78% of the costs from the New Plymouth district, 5% of the costs from the Stratford district and 17% of the costs from South Taranaki district.
	Regional gardens.	100% general funds.
<p>Regional representation, information and investments</p> <p>The public information activity involves the promotion of the Council's functions and activities and in particular community awareness and understanding of sustainable resource management. This function benefits all of the ratepayers and residents of the region. The Council has a policy of charging for information requests and Official Information Act requests where the information requested is specific in nature and requires significant time and resources to compile. Managing the Council's interest in its investment is an activity without direct beneficiary and is conducted on behalf of the whole region. Accordingly, general funds finance this activity. The Representation activity benefits all of the ratepayers and residents of the region. There are neither separately identifiable individual beneficiaries nor those who clearly cause the expenditure to be incurred. Accordingly, general funds finance this activity.</p>	Public information.	Fees and charges for specific large information requests. General funds for regional services.
	Investment management.	100% general funds.
	Representation.	100% general funds.

COMMUNITY PROJECT FUNDING POLICY

PURPOSE

To present the Council's policy for considering requests for funding for community projects.

POLICY

Having considered the purpose of local government and the role of the Council in achieving this purpose, the Taranaki Regional Council considers that its primary or core role is one of:

- promoting the sustainable use, development and protection of Taranaki's natural and physical resources
- safeguarding Taranaki's people and resources from natural and other hazards
- representing and advocating Taranaki's regional interests.

The Council will generally decline applications for funding for activities outside its core activities or where funds are available from

district councils or funding trusts. In this respect the Council is not a general funder or grant provider.

However, the Council recognises that there will be exceptions when it may wish to or may be called upon to play a broader role in promoting the well-being of the Taranaki community. This may include support for policies, programmes, activities or individual projects in areas of social, economic, environmental or cultural well-being. The Council will only consider involvement in areas outside of its primary or core roles where:

- there is strong and widespread community support for such involvement
- there is support from the district councils in the region
- the proposal is of regional rather than local significance and "funding justice" requires regional intervention or assistance

- the proposal does not conflict with or reduce the Council's ability to carry out its primary role
- the proposal does not conflict with other policies of the Council including the *Revenue and Financing Policy*, the *Investment Policy* and the *Liability Management Policy*
- the proposal does not represent a shifting on to the Council of a duty or responsibility that is properly that of another agency. On this matter however, the Council may consider fair and equitable partnership arrangements where such arrangements promote the interests of the regional community and meet the Council's other statutory obligations.

INVESTMENT POLICY

PURPOSE

To present the Council's policies in respect of investments, including:

- investment objectives
- the mix of investments
- the acquisition of new investments
- an outline of the procedures by which investments are managed and reported on to the Council
- an outline of how risks associated with investments are assessed and managed.

INTRODUCTION

The Council has a significant portfolio of investments comprising:

- equity investments
- treasury investments
- property investments.

As at 30 June 2005 these investments were valued at:

Equity	\$26,001,000	46%
Treasury	\$18,186,259	32%
Property	\$12,015,000	22%

The Council's investment activity is a risk management function. The Council's approach is to manage investments to optimise returns in the long-term while balancing risk and return considerations. The Council recognises that as a responsible public authority any investments that it holds should be prudently managed. It also recognises that lower risk generally means lower returns. The Council also seeks to optimise investment returns, ensure investments are liquid and manage potential losses due to interest rate movements if investments need to be liquidated before maturity.

OBJECTIVES

The Council's objectives in relation to its investments are as follows:

- to optimise returns in the long-term
- balancing the minimisation of risk and the maximisation of returns
- to utilise investments to produce a revenue stream that reduces the Council's reliance on general rates revenue
- to maintain revenue streams rather than growing the value of investments
- to hold certain investments for the strategic rather than financial benefits of the region.

EQUITY INVESTMENTS

PORT TARANAKI LIMITED

The Council owns 100% of Port Taranaki Ltd (Port Taranaki). Port Taranaki is a port operator established under the Port Companies Act 1988. The shares are recorded in the Council's *Statement of Financial Position* at their par value of \$26 million.

The Council will continue to maintain the current risk management procedures and exercise ongoing governance through the constitution, statement of corporate intent, half-year report, annual report and the appointment of the Board of Directors. The Council will continue reviewing ownership options while maintaining control and minimising risk. During the life of this *Plan*, the Council may assist Port Taranaki Ltd by providing a guarantee of its obligations, on appropriate terms and conditions, in respect of any proposed expansion.

CIVIC ASSURANCE

The Council owns 1,000 shares in Civic Assurance and they are recorded in the Council's *Statement of Financial Position* at their par value of \$1,000. The shares in Civic Assurance were acquired by virtue of the Council being a local authority. The purpose of the company, in which almost all local authorities are shareholders, is to ensure that adequate insurance arrangements are available to local authorities at the lowest possible cost.

The shares in Civic Assurance continue to be held, as the shares are not readily transferable. The amount involved is immaterial relative to the Council's total investment holdings.

Annual reports are received and reviewed by the Council. The election of Directors takes place at the annual general meeting held at the time of the Local Government New Zealand annual conference. The Council votes by proxy or by delegated authority to the Chairperson.

TREASURY INVESTMENTS

The Council maintains daily, monthly and annual cash flow projections that form the basis of its cash management activity. The Council manages its working capital balances by matching expenditure closely to its revenue streams, and managing cash flow timing differences to its favour. The Council minimises its credit exposure by:

- ensuring all investment, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that have a strong credit rating
- limiting total exposure to prescribed amounts and set percentages of total cash investments
- monitoring compliance against set limits.

The Council ensures that all investment, interest rate risk management as well as any foreign exchange activity is undertaken with institutions that are of high quality credit rating to ensure amounts owing to the Council are paid fully on the due date.

More specifically, the Council minimises its credit exposure by:

- ensuring all investment, cash management, interest rate risk management and any foreign exchange transactions are undertaken with entities that have a very strong credit rating
- limiting total exposure to prescribed amounts and set percentages of total cash investments as set out below
- monitoring compliance against set limits.

INVESTMENT POLICY

The following table summarises credit requirements and limits:

Institution	Total Exposure Limits \$ Value	% of Total Cash Investments
Government stock and treasury bills	Unlimited	Unlimited
Registered banks and local authority and corporation stocks	\$6 million	40%

If any of these organisation's credit rating falls below an "A" rating as defined by Standard and Poors, then all practical steps will be taken to eliminate the Council's exposure to that registered bank as soon as possible. An "A" rating is defined as a "strong capacity to pay".

PROPERTY INVESTMENTS

The Council owns properties in New Plymouth. These transferred to the Council at the time it assumed the role of the previous Taranaki Harbours Board in 1989. Properties are leased on long-term basis to external parties. As at 30 June 2005 these properties were valued at \$12,015,000. The Council will continue to hold its properties unless there is a conflict of interest between the Council's role as a regulator and its role as a landlord. The Council will continue to maximise returns from its properties.

ACQUISITION OF NEW INVESTMENTS

The Council will not seek to acquire any new equity or property investments unless they are identified in its *Long-Term Council Community Plan*. Treasury investments are acquired and disposed off as they reach maturity or surplus funds are available for investment.

MONITORING INVESTMENTS

Investments are monitored and reported on in the *Monthly Financial Reports*. An annual report on the performance of all investments is also produced.

INVESTMENT RETURNS

Returns from the Council's investments over the next ten years are planned to be:

	2006/07 Estimate \$	2007/08 Indicative \$	2008/09 Indicative \$	2009/10 Forecast \$	2010/11 Forecast \$
Total investment revenue	2,459,687	2,876,326	3,925,886	4,843,349	5,412,279
	2011/12 Forecast \$	2012/13 Forecast \$	2013/14 Forecast \$	2014/15 Forecast \$	2015/16 Forecast \$
Total investment revenue	5,812,776	6,439,109	6,655,484	6,869,132	7,089,608

LIABILITY MANAGEMENT POLICY

PURPOSE

To present the Council's policies for managing potential debt liabilities. The Council currently has no long-term debt. The policies in relation to borrowing are established to enable the Council to utilise borrowing facilities should the need arise from unforeseen circumstances.

INTRODUCTION

The Council borrows as it considers appropriate and exercises its flexible and diversified funding powers pursuant to the Local Government Act 2002. The Council approves, by resolution, the borrowing requirement for each financial year during the annual planning process. The arrangement of precise terms and conditions of borrowing is delegated to the Chief Executive. The Council has no requirement or plans to raise debt during the life of this *Plan*.

BORROWING LIMITS

Total interest expense on net external public debt will not exceed 40% of total annual rates and levies. Net external public debt per capita will not exceed \$300.00. These limits may be exceeded if the Council is required to meet the obligations of Port Taranaki Ltd under a guarantee in respect of any proposed expansion.

BORROWING MECHANISMS

The Council will be able to borrow through a variety of market mechanisms including issuing stock and debentures, direct bank borrowing or accessing the short and long-term capital markets directly.

LIQUIDITY RISK MANAGEMENT

The Council minimises its liquidity risk by:

- matching expenditure closely to its revenue streams and managing cash flow timing differences to its favour
- avoiding concentration of debt maturity dates
- maintaining a mixture of committed and uncommitted credit lines with its identified registered banks.

INTEREST RATE RISK MANAGEMENT

Generally, given the Council's desire to have predictable, certain interest costs, the need to avoid large adverse impacts on annual rates arising from interest rate related rises, and the long-term nature of the Council's assets and intergenerational factors, the Council tends to have a high percentage of fixed rate or hedged borrowing.

SECURITY

The Council does not offer assets other than targeted rates as security for general borrowing programmes. In unusual circumstances security may be offered over specific assets, only with prior Council approval.

REPAYMENT

Rates, surplus funds and proceeds from the sale of investments and assets may be used to repay borrowing unless the Council determines otherwise.

CREDIT RISK MANAGEMENT

While the Council will only borrow from reputable financial institutions, there is no minimum credit rating requirements imposed by the Council on its lenders. Also, there is no limit on the level of borrowing to which the Council may commit from any one lender.

OTHER POTENTIAL LIABILITIES

During the life of this *Plan* the Council may decide to guarantee the obligations of Port Taranaki Ltd in respect of financing any proposed expansion of the port. The Council will only do so on terms and conditions which enable it to closely monitor Port Taranaki's performance of its obligations, and otherwise protect the Council's position. In the event that such a guarantee was ever called upon, the Council would finance the liability through borrowing and rates.

DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY

PURPOSE

To present the Council's policy for development and financial contributions.

POLICY

The Council is required to have a policy in relation to the purposes for which development contributions or financial contributions may be required. Only territorial authorities have the statutory ability to charge development contributions. Accordingly, the Taranaki Regional Council cannot charge development contributions. However, the Council is able to charge for financial contributions pursuant to the Resource Management Act 1991. The following policy outlines the Council's specific policies in relation to financial contributions.

Where the Taranaki Regional Council grants a resource consent under the rules in one of its Regional Plans, it may impose a condition requiring that a financial contribution be made for the purposes specified in the *Plan*. The Council has four regional plans namely:

- Regional Air Quality Plan for Taranaki 1997
- Regional Coastal Plan for Taranaki 1997
- Regional Fresh Water Plan for Taranaki 2001
- Regional Soil Plan for Taranaki 2001.

The term 'financial contribution' is defined in section 108(9) of the Resource Management Act 1991 to mean:

"...a contribution of:

(a) money; or

(b) land, including an esplanade reserve or esplanade strip (other than in relation to a subdivision consent), but excluding Maori land within the meaning of the Maori Land Act 1993 unless that Act provides otherwise; or

(c) a combination of money and land".

Further matters relating to financial contributions are contained in section 108(10) of the Act. Under this section of the Act, a consent authority must not include a condition in a resource consent requiring a financial contribution unless:

- (a) the condition is imposed in accordance with the purpose specified in the *Plan* (including the purpose of ensuring positive effects on the environment to offset any adverse effect); and
- (b) the level of contribution is determined in the manner described in the *Plan*.

Financial contributions may be required for various purposes, including for the purposes of ensuring positive effects on the environment to offset any adverse effects and to mitigate adverse effects on the environment of use and development (environmental compensation).

Financial contributions will only be taken where other mechanisms will not adequately address community concerns or where circumstances of an individual case point clearly to a financial contribution as being the most appropriate option. The requirement for and amount of a financial contribution are determined during pre-hearing consultation on an application for a resource consent. Thus the use and appropriateness of financial contributions in any given circumstance is determined through consultation involving the Taranaki Regional Council, the applicant for a resource consent and any submitters to the application.

All monies collected under the financial contributions regime of the *Plan* are collected by the Taranaki Regional Council for use in such a manner as the Taranaki Regional

Council deems fit in order to avoid, remedy or mitigate, or offset, the adverse effects on the environment of the activity that the financial contribution is levied on. When deciding how those contributions should be levied or allocated, consideration will be given to matters contained in public submissions on a resource consent application.

Clause 5 of Part I of the Second Schedule to the Resource Management Act 1991 further requires the Taranaki Regional Council to specify in the *Plan* the circumstances when a financial contribution of money or land may be imposed, the manner in which the level of the contribution that may be imposed will be determined, and the general purposes for which the contribution may be used.

The provisions, which reflect the requirements of the Act, are set out in each Regional Plan. The provisions include:

- the circumstances when such contributions may be imposed
- the purposes for which such contributions may be required and used
- the manner in which the amount of the contribution will be determined
- matters which the Taranaki Regional Council will have particular regard to when deciding whether to impose a financial contribution, the type or types of contribution, and the amount of any contribution.

No significant financial contributions are expected to be received or have been provided for over the life of this *Plan*.

Copies of the Regional Plans are available by contacting the Taranaki Regional Council or by reference to the Council's website (www.trc.govt.nz).

SIGNIFICANCE POLICY

PURPOSE

To present the Council's policy in relation to determining the significance of proposals and decisions in relation to issues, assets, or other matters; and any thresholds, criteria, or procedures that are to be used by the Council in assessing the extent to which issues, proposals, decisions, or other matters are significant. The Council's assessment of the significance of a decision is important for the following reasons:

- degree of compliance—the assessment of significance will determine the nature, extent and degree of compliance necessary with the decision making process set out in Part Six of the Local Government Act 2002 (the Act). In essence, the more significant the issue the higher the standard of compliance required
- separate consultation—the degree of significance will assist in determining whether, in the Council's opinion, it is necessary to embark on the special consultative procedure with the persons likely to be affected or interested in the decision or matter, or whether it is sufficient to rely on information already gathered and held by the Council
- disclosure—the degree of significance will assist in determining the extent and detail of information to be disclosed by the Council when reporting to the region, or the amount of information included in consultation papers
- inclusion in Long-Term Council Community Plan—the degree of significance may also determine whether a decision on a matter must be explicitly included in the Long Term Council Community Plan, and in a statement of proposal which has been considered under a special consultative procedure, before the decision can be made.

DEFINITIONS

As set out in the Act, significance means: *Significance, in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of*

importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:

- (a) the current and future social, economic, environmental, or cultural well-being of the district or region*
- (b) any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter*
- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.*

GENERAL APPROACH TO DETERMINING WHICH PROPOSALS AND DECISIONS ARE SIGNIFICANT

When determining the question of the significance of proposals and decisions in relation to issues, assets or other matters the Council will determine the extent to which:

- the consequences or impacts of the issue, assets, or other matters, affect a large number of residents and ratepayers to a moderate extent
- the consequences or impacts of the issue, assets, or other matters, affect a small number of residents and ratepayers to a large extent
- The issue, asset, or other matters have a history of generating wide public interest within the Taranaki region or New Zealand generally.

THRESHOLDS, CRITERIA AND PROCESSES FOR DETERMINING WHICH PROPOSALS AND DECISIONS ARE SIGNIFICANT

When undertaking a process to determine the extent to which issues, proposals, decisions or other matters are significant, the Council will use the following thresholds, criteria and procedures.

THRESHOLDS

- Issues, assets or other matters that incur more than \$3,000,000 of budgeted and \$1,000,000 of unbudgeted expenditure

- Any transfer of ownership or control, or the construction, replacement or abandonment of a strategic asset as defined by the Act or listed in this policy
- The sale of the Council's shareholding in any council controlled trading organisation, or council controlled organisation
- A decision that will significantly affect the capacity of the Council to carry out any activity identified in the operative Long-Term Council Community Plan.

CRITERIA

- Whether the asset is a strategic asset within the meaning of the Act or listed in this policy
- The extent to which there is, or is likely to be a change in the level of service in carrying out any significant activity
- The extent to which there is, or is likely to be a change in the way in which any significant activity is carried out
- The extent to which there is, or is likely to be a change in the capacity of the Council to provide any significant service or carry out any significant activity.

PROCEDURES

- Decisions on significance will be made by the Council in an Ordinary or Special Meeting in light of the recommendation of the Chief Executive
- The Council has delegated powers to the Chairperson and Chief Executive to act in emergency situations. Nothing in this policy will affect those delegations.

IDENTIFIED STRATEGIC ASSETS

The assets and groups of assets that the Taranaki Regional Council holds and considers to be strategic are:

- Port Taranaki Limited
- Flood and river control assets on the Waitara and Waiwhakaiho rivers.

PARTNERSHIPS WITH THE PRIVATE SECTOR POLICY

PURPOSE

To present the Council's policy in respect of the commitment of resources to partnerships between the Council and the private sector.

DEFINITIONS

Partnership with the private sector means any arrangement or agreement that is entered into between one or more local authorities and one or more persons engaged in business; but does not include any such arrangement or agreement to which the only parties are local authorities or one or more local authorities and one or more council organisations. A contract for the supply of any goods or services to, or on behalf of, a local authority is not defined as a partnership with the private sector.

CIRCUMSTANCES

The Taranaki Regional Council will consider partnerships with the private sector where:

- a need has been defined in measurable output terms
- outcomes for the community, measured on cost, quality and timeliness exceed any other provision
- the project is structured to optimise risk allocation in order to generate incentives for cost effective, high quality services
- there is an identifiable market of bidders prepared to compete for the opportunity to undertake the project
- there is scope for the private sector to demonstrate particular skills and/or innovative capacity
- the project size justifies the transaction and ongoing management costs.

These provisions will apply where the Council is considering a partnership and the partnership will involve the Council providing funding or other resources whether by way of grant, loan, or investment, or by way of acting as a guarantor for any such partnership.

CONSULTATION

Where the Council is considering any partnerships with the private sector, it will undertake appropriate consultation with the community using the special consultative procedure. Where possible, this consultation will be undertaken through the long-term council community plan and/or annual plan process.

CONDITIONS

Any public private sector partnership will be subject to the following conditions before the Council will agree to the provision of funding or other resources:

- private participation will be subject to competitive tendering processes with an emphasis on transparency and disclosure of processes and outcomes, acknowledging the need to protect commercial confidentiality where appropriate
- any proposed partnership will be assessed against the public interest in terms of effectiveness, accountability and transparency
- outputs and outcomes will be clearly defined including measurable performance standards
- all contractual obligations and responsibilities will be defined and agreed to
- all legislative and regulatory obligations and responsibilities will be defined and agreed to.

RISK ASSESSMENT AND MANAGEMENT

The Council will continually identify, manage, measure, monitor and report risk factors associated with any public private sector partnership. As part of the establishment of the partnership all parties will:

- identify and assess risk factors for the project
- develop an implement strategies to manage the risk factors

- assign responsibility for the measurement, monitoring and reporting of risk factors

The risk factors to be considered include:

- health and safety
- reputation
- financial
- future capacity
- property—physical and intellectual
- demand/volume
- service delivery.

MONITORING AND REPORTING

The Council will continually assess and monitor any public private sector partnerships to ensure that funding and other resources are being used effectively and to ensure that desired community outcomes are furthered by the arrangement. Specifically, monitoring and reporting will include the following where applicable:

- quarterly financial, operational and risk reports
- annual financial, operational and risk reports
- annual report on specifically agreed outcomes and objectives in social, economic and cultural terms.

FINANCIAL STATEMENTS

The following pages present the financial projections of the Council for 2006/2007, in indicative terms for the two following years and in forecast terms for the following seven years. In particular, the following information is presented:

- the practices and assumptions used in preparing the financial information
- the sources of income and where it is planned to be spent
- the effect of the planned income and expenditure on the overall net worth of the Council
- what the Council owes and owns
- the forecast cash payments and receipts for each year
- additional supporting information.

The *Statement of Financial Position* includes the estimated financial position as at 1 July 2006. These figures differ from the estimated financial position as at 30 June 2006 included in the *2005/2006 Annual Plan*.

The forecast prospective financial information presented is based upon best-estimate assumptions. Whilst every care has been taken in the preparation of the forecast prospective financial information, the actual results are likely to differ. These differences may be material.

The forecasts are based upon assumptions and information available to the Taranaki Regional Council as at February 2006. Actual financial results have been incorporated to the extent that they affect the opening forecast prospective financial position as at 1 July 2006. There is no intention to update the forecast prospective financial information prior to the finalisation of this *Plan*.

The Council is required to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. For 2006/2007 the Council's projected operating revenues are not sufficient to cover projected operating expenses. The difference between the budget and a balanced budget is \$1,603,407.

A balanced budget occurs where revenue and expenditure are matched. That is an operating surplus of \$0, all other things being equal. However, for the Council in 2006/2007 a balanced budget is a surplus of \$876,000 being revenue matching expenditure except for the Yarrow Stadium targeted rate. This targeted rate is the repayment of the contribution to the capital construction of Yarrow Stadium. The balanced budget deficit for 2006/2007 is made up of the following items:

Operating deficit	(\$100,731)
Less asset revaluations	(\$680,250)
Plus river and flood control reserve transfers	\$82,203
Less interest transfers to reserves	(\$28,629)
	(\$727,407)
Balanced budget	\$876,000
Balanced budget deficit	(\$1,603,407)

For 2006/2007 the Council has decided to operate a deficit and fund it by a transfer from the Dividend Equalisation Reserve.

Prior to 1996/1997, the Council used dividends received from Port Taranaki Ltd to repay debt that the Council inherited upon the corporatisation of the new port company. Since then the Council has used the dividend returns to reduce the general rate requirement. In most years, the Council has received more dividend returns than it budgeted for. These extra dividends have accumulated in the Dividend Equalisation Reserve and contributed to a substantial unbudgeted improvement in the Council's financial situation.

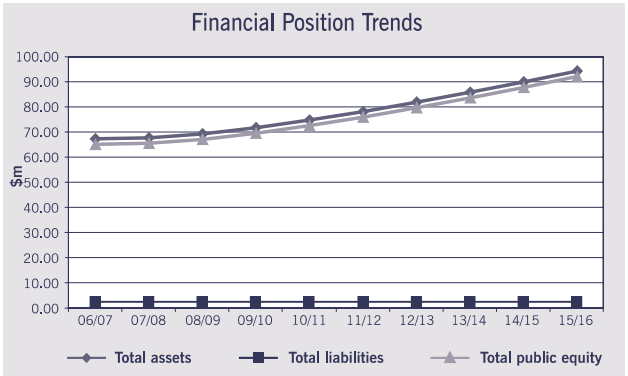
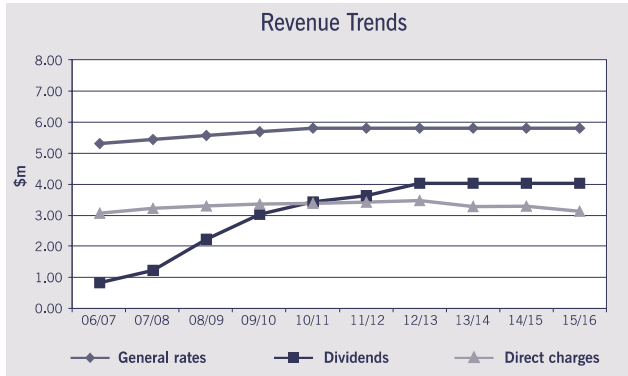
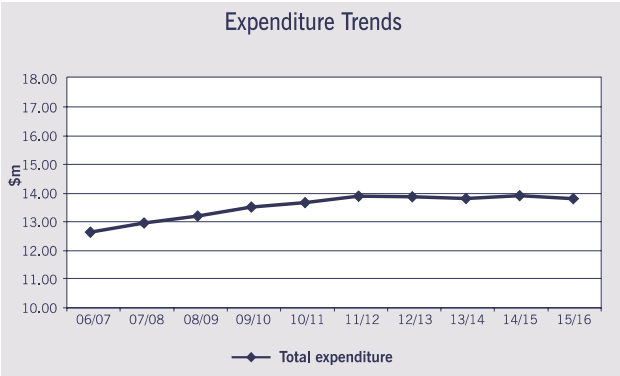
Port Taranaki's current strategic planning indicates that, in the short term dividend flows may not be sustainable at the levels achieved in recent years. However, in the medium term the planning indicates that dividend levels will return to current levels.

The decision will mean that:

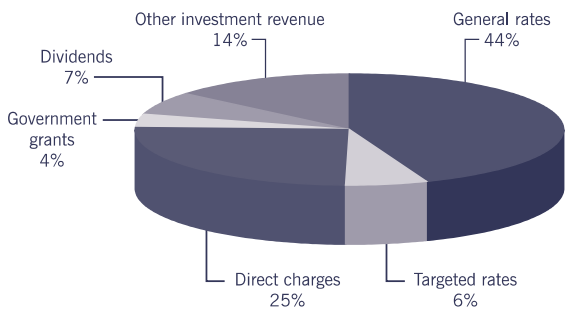
- in 2006/2007 the Council will have an operating deficit of \$1,603,407 that will have the effect of reducing the Dividend Equalisation Reserve and cash balances by a similar amount
- there will be no adverse effect on the levels of service provided by the Council or the service capacity and integrity of the Council's assets
- there is sufficient revenue to fund the maintenance of service levels and the capacity and integrity of the Council's assets
- the proposal has no impact on the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life
- the proposal is consistent with the Council's funding and financial policies
- there will be negligible impact on the current and future social, economic, environmental and cultural well-being of the community.

The use of the Dividend Equalisation Reserve will be revisited annually in light of Port Taranaki Limited's performance and subsequent dividend flows.

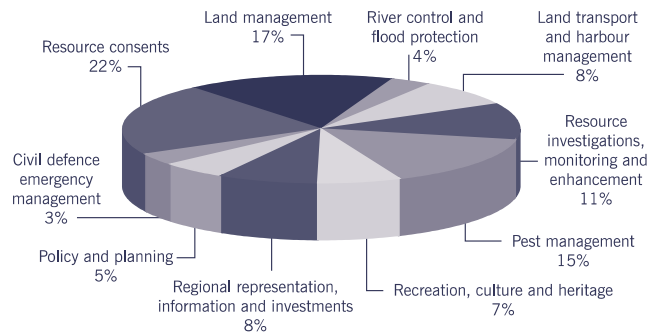
FINANCIAL TRENDS



Proposed Revenue 2006/2007



Proposed Expenditure 2006/2007



STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Taranaki Regional Council (the Council) is a regional local authority governed by the Local Government Act 2002. The group consists of the Regional Council and its 100% owned subsidiary, Port Taranaki Ltd. The prospective financial statements have been prepared in terms of section 111 of the Local Government Act 2002 and New Zealand International Financial Reporting Standards (NZIFRS).

Under NZ IFRS, Taranaki Regional Council is a public benefit entity (PBE) and will be subject to policies and exemptions that may not apply to other entities within the group. Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

The Council has adopted the New Zealand equivalents to the International Financial Reporting Standards commencing from the 1 July 2006 financial year.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of results and financial position, have been applied consistently to all years presented from 1 July 2006, unless otherwise stated.

BUDGET FIGURES

The budget figures have been prepared in accordance with NZIFRS and are consistent with the accounting policies adopted by the Taranaki Regional Council for the preparation of the financial statements.

CONSOLIDATION

Consolidated prospective financial statements have not been prepared for the purposes of the *Plan*. The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the *Long-Term Council Community Plan* is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council.

GOODS AND SERVICES TAX

All items are exclusive of goods and services tax (GST), excluding accounts receivable and payable, which are recorded inclusive of GST in the *Statement of Financial Position*.

REVENUE

Rates and other revenue excluding grants are recognised when rates are struck and/or invoices have been issued. Grant revenue is recognised as income when conditions of entitlement have been met. Dividends are recognised in the period that they are authorized and approved. Interest income is recognised in the *Statement of Financial Performance* as it accrues, using the effective interest method.

OVERHEAD ALLOCATION

Overheads have been allocated against activity centres on the basis of staff numbers. However, in the case of Councillors (*Representation*), they have been allocated on a 0.5:1 ratio.

INCOME TAX

The Taranaki Regional Council is not liable to pay tax as it is tax exempt, except for income received from Port Taranaki Ltd.

INVESTMENT PROPERTIES

Investment properties which are held to earn rental income and/or for capital appreciation are stated at fair value. An external, independent valuer revalues investment property portfolio on an annual basis. Any gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises. There is no depreciation on investment properties.

PROPERTY, PLANT AND EQUIPMENT

These assets consist of:

- Operational assets. These include land, buildings, motor vehicles, plant & equipment, office furniture, computer equipment and improvements.
- Infrastructure assets. These are fixed utility systems owned by the Regional Council such as the Waitara and Waiwhakaiho River Flood Protection Scheme assets. Each asset type includes all items that are required for the network to function.

Valuation. Unless stated valuations are carried out or reviewed by independent qualified valuers and are carried at least on three yearly cycles. Valuations will be undertaken more regularly if necessary to ensure no individual item of property, plant and equipment within a class has a carrying value that is materially different from its fair value.

Public Benefit Entity Revaluation. Revaluation increases and decreases relating to individual assets within a class of assets are offset. Revaluation increases and decreases in respect of assets in different classes are not offset. Where the carrying amount of a class of assets is increased as a result of a revaluation, the net revaluation increase is credited to the revaluation reserve. The net revaluation increase shall be recognised in the *Statement of Financial Performance* to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the *Statement of Financial Performance*. A net revaluation decrease for a

STATEMENT OF ACCOUNTING POLICIES

class of assets is recognised in the *Statement of Financial Performance*, except to the extent that it reverses a revaluation increase previously recognised in the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of the same class of asset.

DEPRECIATION

Depreciation is fully funded on a straight-line basis, which writes off the value of the assets over their expected remaining lives after allowing for residual values where applicable. The depreciation rates are as follows:

Buildings	5 to 50 yrs	2 to 20%
Motor vehicles	5 yrs	20%
Plant and equipment	2.5 to 25 yrs	4 to 40%
Office furniture and fittings	5 to 10 yrs	10 to 20%
Computer equipment	3 to 5 yrs	20 to 33%

Rates are based on the assumption that no catastrophic events will occur that will materially affect the useful lives of the assets

Flood scheme assets – the nature of these assets is equivalent to land improvements and, as such, they do not incur a loss of service potential over time. Land and flood scheme assets are not depreciated.

IMPAIRMENT

The carrying amount of the Council's assets, other than investment property are reviewed at each *Statement of Financial Position* date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the future economic benefits of an asset are not primarily dependant on the asset's ability to generate net cash flows, and where the Council, if deprived of the asset, replace its remaining future economic benefits, value in use shall be determined as the depreciated replacement cost of the asset.

Where the Council accounts for revaluations of property, plant and equipment on a class of asset basis, an impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

Where the Council accounts for revaluations of property, plant and equipment on a class of asset basis, a reversal of an impairment loss on a revalued asset is credited directly to the revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the *Statement of Financial Performance*.

EMPLOYEE ENTITLEMENTS

Provision is made in respect of the liability for annual leave, long service leave, retirement gratuities and short-term compensated absences.

The provision for annual leave has been calculated on an actual entitlement basis at current rates of pay.

The provision for long service leave and retirement gratuities has been calculated on an actuarial basis bringing to account what is likely to be payable in the future in respect of service that employees have accumulated up until twelve months after balance sheet date.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Council's *Statement of Financial Position* when the Council becomes a party to the contractual provisions of the instrument.

Accounts Receivable. Accounts receivable are stated at estimated realizable value after providing for debts where collection is doubtful.

Loans and Receivables. Loans and receivables, such as general loans and deposits, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at initial recognition, at fair value, and subsequently carried at amortised cost less impairment losses.

Held-to-maturity investments. Held-to-maturity investments, such as corporate bonds, are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

Other investments. Investments other than held-to-maturity are classed as either investments held-for-trading or as available-for-sale and are stated at fair value, such as shares in Port Taranaki Ltd and NZ Local Government Insurance Corporation Limited which are equity instruments. For assets designated as held-for-trading, any resultant gain or loss from changes in the fair value are recognised in the *Statement of Financial Performance*. For assets designated as available-for-sale, any resultant gain or loss from changes in the fair value is recognised in equity.

Cash and cash equivalents. Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities.

STATEMENT OF ACCOUNTING POLICIES

Bank borrowings. Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

PUBLIC EQUITY

Retained earnings comprise accumulated surpluses over the years.

Asset revaluation reserves comprise accumulated revaluation increments/decrements.

Reserves are formally imposed designations of public equity that indicate Council's intention to use a certain level of resources for a special purpose.

STATEMENT OF CASH FLOWS

The following is the definition of terms used in the *Statement of Cash Flows*:

- cash means deposits with banks
- investing activities comprise the purchase and sale of property, plant and equipment, investment properties and investments
- financing activities comprise the change in equity and debt structures
- operating activities include all transactions and events that are not investing or financial activities.

CRITICAL JUDGEMENTS AND ESTIMATIONS IN APPLYING THE COUNCIL'S ACCOUNTING POLICIES

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods.

CHANGES IN ACCOUNTING POLICIES

The group has changed its accounting policies to comply with NZIFRS for periods on or after 1 July 2006.

The only financial effects from these changes have been to reduce the asset revaluation reserves and increase retained earnings by \$7,669,500 for the elimination of the investment property revaluation reserve. Revenue has increased by \$660,250 (2006/2007) as investment property revaluation is now recognised as revenue in the *Statement of Financial Performance* rather than as an equity movement in the *Statement of Movements in Equity*.

FORECAST STATEMENT OF FINANCIAL PERFORMANCE

2005/06 Estimate \$		2006/07 Estimate \$	2007/08 Indicative \$	2008/09 Indicative \$	2009/10 Forecast \$	2010/11 Forecast \$	2011/12 Forecast \$	2012/13 Forecast \$	2013/14 Forecast \$	2014/15 Forecast \$	2015/16 Forecast \$
Cost of services											
653,810	Policy and planning	643,459	661,242	704,628	683,192	691,725	711,073	727,407	718,340	723,385	762,170
467,094	Civil defence emergency management	432,903	433,061	441,206	454,334	450,845	458,274	473,119	506,708	509,628	485,396
2,617,328	Resource consents	2,805,268	2,884,543	2,929,995	2,983,562	3,026,369	3,076,493	3,113,568	3,147,850	3,169,713	3,195,416
1,906,599	Land management	2,131,950	2,260,866	2,284,121	2,357,860	2,373,224	2,394,898	2,409,742	2,224,599	2,233,756	2,043,042
332,694	River control and flood protection	454,845	389,267	392,268	415,671	398,237	401,264	423,639	405,905	407,546	404,208
804,731	Land transport and harbour management	1,051,410	1,059,959	1,092,053	1,133,585	1,169,888	1,195,318	1,219,016	1,249,440	1,267,765	1,288,381
1,317,480	Resource investigations, monitoring & enhancement	1,459,463	1,500,716	1,522,084	1,547,144	1,569,026	1,591,867	1,610,511	1,628,134	1,638,713	1,650,407
1,907,569	Pest management	1,916,370	1,961,793	1,986,035	2,021,961	2,042,409	2,075,545	1,890,120	1,914,571	1,926,765	1,944,125
630,064	Recreation, culture and heritage	863,892	883,850	892,158	919,749	928,641	939,313	946,109	953,070	956,913	960,809
981,084	Regional representation, information & investments	1,014,127	1,037,192	1,051,275	1,068,042	1,080,063	1,095,134	1,106,400	1,117,328	1,124,820	1,132,414
11,618,452	Total expenditure	12,773,687	13,072,489	13,295,823	13,585,100	13,730,427	13,939,179	13,919,631	13,865,945	13,959,004	13,866,368
Revenue											
4,273,975	General rates	5,273,975	5,405,824	5,535,564	5,657,347	5,770,494	5,770,494	5,770,494	5,770,494	5,770,494	5,770,494
629,500	Targeted rates	746,160	748,824	754,923	760,767	766,323	743,063	387,958	392,479	396,359	400,300
2,742,885	Direct charges	3,056,084	3,207,730	3,283,545	3,346,106	3,370,002	3,408,941	3,458,251	3,266,145	3,280,503	3,114,714
370,164	Government grants	456,800	458,496	470,554	487,941	503,515	513,486	522,799	536,402	543,785	551,285
2,400,000	Dividends	800,000	1,200,000	2,200,000	3,000,000	3,400,000	3,600,000	4,000,000	4,000,000	4,000,000	4,000,000
1,654,508	Other investment revenue	1,659,687	1,676,326	1,725,886	1,843,349	2,012,279	2,212,776	2,439,109	2,655,483	2,869,132	3,089,608
5,000	Asset revaluations	680,250	714,262	749,975	787,475	826,846	868,191	911,599	957,180	1,005,037	1,055,291
12,076,032	Total revenue	12,672,956	13,411,462	14,720,447	15,882,985	16,649,459	17,116,951	17,490,210	17,578,183	17,865,310	17,981,692
457,580	Operating surplus/(deficit)	(100,731)	338,973	1,424,624	2,297,885	2,919,032	3,177,772	3,570,579	3,712,238	3,906,306	4,115,324

FORECAST STATEMENT OF MOVEMENTS IN EQUITY

2005/06 Estimate \$		2006/07 Estimate \$	2007/08 Indicative \$	2008/09 Indicative \$	2009/10 Forecast \$	2010/11 Forecast \$	2011/12 Forecast \$	2012/13 Forecast \$	2013/14 Forecast \$	2014/15 Forecast \$	2015/16 Forecast \$
64,550,575	Equity at the start of the period	65,008,155	64,907,424	65,246,397	66,671,021	68,968,906	71,887,938	75,065,710	78,636,289	82,348,527	86,254,833
457,580	Operating surplus/(deficit)	(100,731)	338,973	1,424,624	2,297,885	2,919,032	3,177,772	3,570,579	3,712,238	3,906,306	4,115,324
457,580	Comprehensive income/expenditure	(100,731)	338,973	1,424,624	2,297,885	2,919,032	3,177,772	3,570,579	3,712,238	3,906,306	4,115,324
65,008,155	Equity at the end of the period	64,907,424	65,246,397	66,671,021	68,968,906	71,887,938	75,065,710	78,636,289	82,348,527	86,254,833	90,370,157

These statements should be read in conjunction with the *Statement of Accounting Policies* and the *Explanatory Notes*.

FORECAST STATEMENT OF FINANCIAL POSITION

2005/06 Estimate \$		2006/07 Estimate \$	2007/08 Indicative \$	2008/09 Indicative \$	2009/10 Forecast \$	2010/11 Forecast \$	2011/12 Forecast \$	2012/13 Forecast \$	2013/14 Forecast \$	2014/15 Forecast \$	2015/16 Forecast \$
Current assets											
1,874,612	Bank and call deposits	633,957	151,769	151,669	151,480	152,424	151,605	151,685	151,644	152,311	150,444
1,200,000	Accounts receivable	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
100,000	Prepayments	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
3,174,612	Total current assets	1,933,957	1,451,769	1,451,669	1,451,480	1,452,424	1,451,605	1,451,685	1,451,644	1,452,311	1,450,444
Non current assets											
40,481,093	Investments	40,481,093	41,141,093	42,519,093	43,479,093	45,310,093	48,111,093	51,188,093	54,279,093	57,274,093	60,423,093
13,604,995	Investment properties	14,285,245	14,999,507	15,749,482	16,536,956	17,363,804	18,231,995	19,143,594	20,100,774	21,105,813	22,161,103
9,897,455	Property, plant and equipment	10,357,129	9,804,028	9,360,777	9,651,377	9,911,617	9,421,017	9,002,917	8,667,017	8,572,617	8,485,517
63,983,543	Total non current assets	65,123,467	65,944,628	67,369,352	69,667,426	72,585,514	75,764,105	79,334,604	83,046,884	86,952,523	91,069,713
67,158,155	Total assets	67,057,424	67,396,397	68,821,021	71,118,906	74,037,938	77,215,710	80,786,289	84,498,528	88,404,384	92,520,157
Current liabilities											
1,000,000	Accounts payable	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
700,000	Employee entitlements	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
1,700,000	Total current liabilities	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Non current liabilities											
450,000	Employee entitlements	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
450,000	Total non current liabilities	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
2,150,000	Total liabilities	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
Public equity											
51,431,485	Retained earnings	52,987,734	54,577,997	56,203,972	57,867,446	59,570,294	61,314,484	62,226,084	63,183,263	64,188,302	65,243,593
11,534,869	Reserves	9,877,889	8,626,599	8,425,248	9,059,659	10,275,843	11,709,425	14,368,404	17,123,464	20,024,731	23,084,763
2,041,801	Asset revaluation reserves	2,041,801	2,041,801	2,041,801	2,041,801	2,041,801	2,041,801	2,041,801	2,041,801	2,041,801	2,041,801
65,008,155	Total public equity	64,907,424	65,246,397	66,671,021	68,968,906	71,887,938	75,065,710	78,636,289	82,348,528	86,254,834	90,370,157
67,158,155	Total liabilities and equity	67,057,424	67,396,397	68,821,021	71,118,906	74,037,938	77,215,710	80,786,289	84,498,528	88,404,834	92,520,157

FORECAST STATEMENT OF CASH FLOWS

2005/06 Estimate \$		2006/07 Estimate \$	2007/08 Indicative \$	2008/09 Indicative \$	2009/10 Forecast \$	2010/11 Forecast \$	2011/12 Forecast \$	2012/13 Forecast \$	2013/14 Forecast \$	2014/15 Forecast \$	2015/16 Forecast \$
Cash flows from operating activities											
Cash was provided from:											
3,620,049	Customers	4,055,784	4,250,126	4,340,999	4,445,448	4,515,916	4,564,827	4,634,450	4,455,948	4,481,686	4,323,400
4,903,475	Rates	6,020,135	6,154,648	6,290,488	6,418,113	6,536,817	6,513,557	6,158,452	6,162,973	6,166,853	6,170,794
1,147,508	Interest	1,116,787	1,092,426	1,138,986	1,231,949	1,369,879	1,570,376	1,785,709	2,002,084	2,211,732	2,432,208
2,400,000	Dividends	800,000	1,200,000	2,200,000	3,000,000	3,400,000	3,600,000	4,000,000	4,000,000	4,000,000	4,000,000
12,071,032		11,992,706	12,697,200	13,970,473	15,095,510	15,822,612	16,248,760	16,578,611	16,621,005	16,860,271	16,926,402
Cash was applied to:											
10,356,027	Employees and suppliers	11,414,361	11,712,003	11,979,124	12,196,899	12,378,228	12,633,979	12,628,931	12,591,746	12,717,304	12,650,669
320,000	Goods and services tax	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000
10,676,027		11,734,361	12,032,003	12,299,124	12,516,899	12,698,228	12,953,979	12,948,931	12,911,746	13,037,304	12,970,669
1,395,005	Net cash flows from operating activities	258,345	665,197	1,671,349	2,578,610	3,124,384	3,294,781	3,629,680	3,709,259	3,822,967	3,955,733
Cash flows from investing activities											
Cash was provided from:											
2,124,000	Investments	0	0	0	0	0	0	0	0	0	0
87,500	Property, plant and equipment	187,500	73,500	75,000	119,000	225,000	55,000	74,500	136,500	205,500	55,500
2,211,500		187,500	73,500	75,000	119,000	225,000	55,000	74,500	136,500	205,500	55,500
Cash was applied to:											
0	Investments	0	660,000	1,118,000	1,220,000	1,831,000	2,801,000	3,077,000	3,091,000	2,995,000	3,149,000
2,460,994	Property, plant and equipment	1,686,500	560,885	628,449	1,477,800	1,517,440	549,600	627,100	754,800	1,032,800	864,100
2,460,994		1,686,500	1,220,885	1,746,449	2,697,800	3,348,440	3,350,600	3,704,100	3,845,800	4,027,800	4,013,100
(249,494)	Net cash flows from investing activities	(1,499,000)	(1,147,385)	(1,671,449)	(2,578,800)	(3,123,440)	(3,295,600)	(3,629,600)	(3,709,300)	(3,822,300)	(3,957,600)
1,145,511	Net increase/(decrease) in cash	(1,240,655)	(482,188)	(100)	(190)	944	(819)	80	(41)	667	(1,867)
729,101	Opening cash balance	1,874,612	633,957	151,769	151,669	151,480	152,424	151,605	151,685	151,644	152,311
1,874,612	Closing cash balance	633,957	151,769	151,669	151,480	152,424	151,605	151,685	151,644	152,311	150,444

These statements should be read in conjunction with the *Statement of Accounting Policies* and the *Explanatory Notes*.