

Introduction

The following forecast financial statements outline how the Council will be funded for the next 10 years and how that money will be spent from the point of view of the entire set of Council operations.

Volume 3 of this Plan includes income and expenditure details for each major activity of the Council, as well as a summary of Projects, Grants and Capital Expenditure.

These statements are based on estimates of costs into the future. It is likely that changes will be needed as events alter and actual quotes for work are obtained and as new Projects are added as the result of continuing Community consultation.

List of Included Financial Statements

Key Uncertainties	Page 2
Significant Forecasting Assumptions	Page 6
Projected Statement of Financial Performance	Page 13
Projected Statement of Financial Position	Page 14
Statement of Movement in Equity	Page 16
Statement of Cash Flow	Page 17
Activity Summaries	Page 18
Funding Impact Statement	Page 19

Key Uncertainties

Waimate 2020

Assumptions and Uncertainties

This LTCCP contains a ten year budget as a guide to likely levels of Council expenditure and revenue over the period from 2006 through to 2016.

Long projections of this type can only be made by including assumptions about what will happen in that period and those assumptions are, by their nature, susceptible to change. It also cannot allow for all possible occurrences without becoming so complex that it is, at best, very difficult to understand or, at worst, of no practical use at all.

This plan has been prepared by making assumptions about price inflation, interest rates, economic growth and the like that are all summarised in the next section. These are generally areas where change takes place over time producing variations that also usually have significant effects when considered over a number of years.

On the other hand, this section outlines possible changes that would have immediate impact on the projected expenditure or revenue and generally are beyond any control that can be exerted by the Council itself. These things could happen but the council cannot reasonably allow for them without a danger of collecting rates that will not be used for the purpose for which they were collected.

The following list are those that we see as having large impacts if they occur and which are reasonably likely to happen.

Drinking Water

A major expense within the ten-year period covered by the budget relates to upgrading water sources and treatment for all the water schemes under the Council's control. These include six rural water schemes plus the Waimate urban water scheme.

Central government has introduced new standards through the Ministry of Health and the Ministry for the Environment that all Councils are expected to meet and which require system upgrades to take place within the period covered by this plan. Some details of requirements are still lacking in detail.

Estimates have been included for treatment equipment but there is no guarantee that the budgeted measures will produce results that meet the standards. This cannot be known until the work is in progress. Therefore the budget may be understated.

The Downlands water scheme that services part of the northern area of the District is operated by the Timaru District Council and its estimates are outside the Waimate District Council's direct control.

A further complication exists in that we are still uncertain of what the final legislation will contain. It is possible that the council will be required to upgrade water supplies at its camping grounds on the Waitaki Lakes and other locations and these are not allowed for in this plan.

Roading

Roading expenditure does not budget for extreme weather effects that may wash out roads and/or bridges. It is impossible to foresee such events but they may have major cost impacts if they occur. Bridges, in particular, are very expensive to replace.

Roading can also be impacted by developing traffic patterns which necessitate upgrades of specific routes to handle the likes of milk tanker, logging truck or other similar service vehicle support of new or enlarged businesses.

The budget for 2006/7 has also been affected by a decrease in the funding assistance rates provided by Land Transport NZ. This is money from central government which matches the amount raised from rates to be spent on many of the roading activities. This is matched at a rate that is approximately 1:1, (one dollar from Land Transport NZ for every dollar raised from rates), but varies from District to District by a few percent. They also can change from year to year and we have seen a reduction of 1 percent for the 2006/7 year from the previous year's level.

Such changes in central government funding may occur at any time and are completely beyond our control. The situation where roading is our single greatest area of expenditure means that such changes have major affects.

Civil Defence

All emergency management budgeting is related to activity that helps the District be prepared in the event of an emergency occurring. It does not include any allowance for actually dealing with an emergency event as it is impossible to predict when they might occur.

Waimate 2020

Therefore, any emergency event that occurs will incur costs that lie outside the planned budget and a major flood event similar to those that have occurred in recent years in the Manawatu, or the onset of a disease pandemic, would require a major review of forward budgets in all activities which have been directly affected by the event.

Government Legislation

Over recent years we have seen significant impacts on resources as the result of central government legislation. We have been given extra work to do that might, at some other time, have been handled by a government department or agency such as with the revised rates rebate scheme, and we have seen some of our regulatory functions given expanded responsibilities such as has happened with Dog Control and Building Control.

We believe that there are similar changes in the pipeline and that we will experience more resource demands from this source that are not currently budgeted for but we have not included any extra cost in the 10 year budget as it is impossible to predict the impact of any such legislation.

Forestry

From time to time, Council may review its practices for maintenance or holding of forestry interests. A significant change away from Council's current maintenance program or current holdings could have a significant effect on projected forestry income.

Investment Income

The Council obtains revenue from its investments that is used to avoid additional rates input. The major sources are from Alpine Energy Ltd and from its forestry holdings.

The Alpine Energy shares provide dividends which can alter from year to year and can be different from the amounts budgeted. The 10 year plan included here assumes a level similar to those currently experienced.

Forestry income is subject to market prices which are currently considered to be depressed. The level of support for rates is determined from a long term plan which is subject to periodic review. This may affect this level of rates support.

Solid Waste Management

The District has no landfill sites that are still operative and transports its solid waste to Timaru District for disposal in their landfill at Redruth. It is extremely expensive to meet the requirements for landfills and it is unlikely that the Council could afford to open any new sites within the district. It has, therefore, worked co-operatively with Timaru and MacKenzie to share a facility.

The life of the Redruth landfill is limited but unknown at the time of publishing. Once it becomes impossible to use this facility, the Council will have to use an alternative that is expected to result in significant cost increases. One likely option is the Kate Valley site near Amberley that most other Canterbury Councils will use. The additional transport cost would be substantial. We cannot budget for this because of the basic current uncertainty over the landfill life.

Downlands Water Supply, Future Capital Expenditure

Downlands water supply provides water to a group of Waimate properties on the northernmost boundary of Waimate District, adjacent to the Pareora River. Downlands Water Supply is owned jointly between Timaru District Council 81%, Mackenzie District Council 4% and Waimate District Council 15%. However the principle administration and future planning for Downlands is conducted by Timaru District Council alone. Due to the future planning of the Downlands supply being out of the hands of Waimate District Council, Council wishes to identify that it does not have certainty about the extent, cost or timing of future capital expenditure, or future rating impacts in relation to the Downlands Supply. Council is conscious that significant future capital expenditure on the Downlands supply may be required in relation to the new Ministry of Health drinking water standards.

Interest Cost

Interest cost to Council is calculated on a base of weighted average of debt load at commencement of each financial year and at conclusion of same year at a rate of 7% per annum, modified by reduction of \$40,000 which is an estimate of the reduction in interest liability gained by known uneven spending patterns of Council throughout each year, ie; significant expenditure in roading, always falls into Council's last quarter.

Revaluation of Assets

The value of certain Council Assets determines the amount of depreciation that is budgeted for in each year.

Depreciation rates are set based on the expected life of the Assets so that an item that is expected to last for 50 years would incur 2% depreciation, that is 1/50th of its value. Depreciation has been allowed in the budgets contained in this LTCCP based on current projections supplied by the Business and Economic Research Limited, (BERL), as part of the assumptions referred to in the next section of this document.

It is emphasised that forward predictions of value are necessarily susceptible to many possible changes in the national economy.

AFFECTED ASSETS

This list of Assets includes;

- Waimate Urban Water Supplies – water sources and reticulation system
- Rural Water Supplies – water sources, treatment and reticulation system
- Waimate Sewerage System – treatment plant and reticulation system
- Waimate Stormwater – reticulation
- Buildings – main buildings owned and used by the Council

These do not include Roothing which constitutes the largest single category of Assets by value or bare land and forestry blocks.

Roothing is not included as the depreciation collected is part of the general rates appropriation which covers all expenditure. In this case an increase in value followed by an increase in depreciation does not change the rates appropriation but merely alters the ratio between the part of that appropriation that covers depreciation and the part that covers other expenditure items. To make this as clear as possible an increase in depreciation on Roothing Assets will not increase the rates requirement.

Bare land does not incur depreciation and is therefore excluded. Forestry blocks are subject to an Asset Management Plan that is long term in nature and again changes in valuation will not impact rates required in a particular year. The long term Asset Plan is reviewed periodically.

Waimate 2020



Significant Forecasting Assumptions

Waimate 2020

Introduction

The Financial values expressed in the Statements of Financial Performance and Statements of Financial Position, for future years beyond 30 June 2007, are (necessarily) subject to estimation. In order to promote integrity of these estimated values, they have been drawn up under a set of transparent assumptions about future cost. Future Cost estimates for Waimate District Council are based on a weighted average of different cost types incurred by Council, separating out those cost types which are particularly large in size, and those which have specific inflationary nature. Specifically identified cost types that fit these criteria are roading expenditure and labour costs. Partially, underlying cost information is drawn from interviews with Waimate District Council's suppliers of goods and services (where this has a special local character that is materially different from national trends), partially it relates to general price inflation as measured by the Consumer Price Index (CPI), and partially it is drawn from Local Government specific cost forecasting conducted by the Business and Economic Research Ltd (BERL). Use of BERL estimates has been promoted by the Society of Local Government Managers and Audit New Zealand as best practice.

Council has assessed that its chosen method of estimating future values, uses averaging methods that will not materially distort forecast financial information for any group of Council activities.

Inflationary Factors applied to Waimate District Council's Prospective Financial Information.

Expenditure Factors

Major Cost Areas: (figures shown as percentages.)

Year Ended 30 June	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
A - Staff Costs	3.0	2.5	2.4	2.2	2.0	1.8	1.7	1.5	1.3	1.3
B - Road contracting Transfund Subsidy	5.0	2.6	2.3	2.3	2.0	1.9	1.6	1.5	1.3	1.4
C - Other Expenditure	5.6	3.1	3.0	2.6	2.5	2.3	2.1	1.8	1.7	1.6

Other cost areas (being those where inflationary factor differs from C above)

Expected interest rates on borrowing

The interest rate applied to all years in the LTCCP for 2006 to 2016 is assumed as 7% per annum.

Forestry

No inflationary factors have been recognised for forestry expenditure or income, due to forestry being a self funding activity of Council, hence having no impact on Rates requirement.

Waimate 2020

Income Factors

Transfund subsidy

For the years 2007 and beyond, this is assumed at the current subsidy rate of 52% of eligible Rooding contracting expenditure.

Development Contribution

Future income shown in the category of Development Contributions, relates to Councils historical ability to charge Financial Contributions under the Resource Management Act, although Council proposes to revise its existing Development Contributions Policy in 2007. Council has taken a conservative approach to budgeting in this regard and no income is projected from Council's proposed new Development Contributions Policy.

Other Income

Is modelled on the factors given as for other expenditure at C above.

Factual Aspects are known for some future values, these are used in preference to Assumptions

It is also useful to identify aspects of future values that Council have certainty over because they are related to known Council practices and assumptions within Councils prerogative to direct, (described for this disclosure as "Factual Aspects"). Although the distinction between facts and estimates is not absolute, the following lists give the most likely scenarios:

Useful Lives of Significant Assets

Council's assessment of the useful lives of its significant assets, will directly impact annual depreciation charges to be provided and the annual diminution of asset values to be recognised, hence directly impacts on statements of Financial Performance and Position for future years. Useful life assumptions are contained in Council's Statement of Accounting Policies in Volume 4.

Sources of Funds for Future Replacement of Significant Assets

Council's Policies and assumptions on this matter are contained within Council's

Financial Policy # 401 "Revenue and Financing Policy", in Volume 4. Relevant references within the Revenue and Financing Policy are:

Section 3. Capital expenses are paid for over the lifetime of the asset they create, by means of an annual depreciation charge.

and

Section 3.2.8 - Proceeds from asset sales, which differentiates between asset sales of an operational nature and those of a strategic nature, or those causing a significant change to a Service Level.

The Levels of Service on Which Waimate District's Financial Forecasts are based / Projected Growth Change Factors

Waimate District's LTCCP 2006-16 shows Levels of Service for future years 2008-16, based on Levels of Service current for year ended 30 June 2007. No adjustment has been made for changes in the quality of service provision, nor the quantity of service provision. Current Population projections for Waimate District by Statistics New Zealand predict continuing decreases in numbers of Waimate District residents.

Revaluation of Non-Current Assets

Council expects that application of its applied inflationary factors in relation to deemed cost of assets will produce resultant asset values which will closely approximate asset revaluations.

Planned asset revaluation cycle is

Downlands Water Supply	June 2005
Rooding Assets	June 2006
Cattlecreek and Hakataramea Water Supplies	June 2006
Cannington, Hook, Lower Waihao, Otaio, Waihaorunga, Waikakihi and Waimate Urban Water Supplies	June 2007
Wastewater Network	June 2007
Stormwater Network	June 2008
Solidwaste Network	June 2008

Forecast Return on Investments

Waimate District Council holds or may hold a range of investments during the period 2006-16. The following table sets out the major investment types and the assumptions upon which return on these investments is calculated.

Type of Investment	Method of Forecasting Return
Short term bank deposit	Assume interest of 7.0% per annum
Non current bank deposit	Assume interest of 7.0% per annum
Convertible Note, Waimate Timber Processing Ltd	Trust Deed provides for interest of 7.5% per annum. Term of Deed expires May 2007
Advance to Waimate Medical Centre Ltd	Assume interest of 7.0% per annum
Shareholding in Alpine Energy Ltd	Council's dividend income in relation to its shareholding in Alpine Energy Ltd is in line with predictions received by Council from Alpine Energy Ltd. Dividend income for years 2008 and beyond is assumed conservatively, on a basis of no decrease to 2007 dividend level.

Renewability or otherwise of External Funding

Council assumes renewal of current funding arrangements with its principal bankers, ANZ, both in regard to the quantum of the funding and the terms and conditions of the funding.

Ownership of a Significant Asset to be Transferred to Council

Council assumes that the planned and agreed transfer of Land and Buildings from Land Information New Zealand (LINZ) in relation to its Waitaki Lakes Camping operations, will take place. Receipt of these assets is to be enacted upon completion of agreed upgrading work, including compliance with NZ Drinking Water Standards. Receipt of these assets is assumed to have no significant impact on Service Levels provided by Council.

Resource Consents

Council have a number of Resource Consents which impact on its ability to conduct day to day operations and to meet agreed Service Levels. Council assumes renewal of the Resource Consents listed on the next three pages.

Waimate 2020

	Consent No	ECan File No	Area	Activity	Status	Expiry
1	CRC000167	CO6C/09254	Urban Sewerage	Construct a pipeline under Waimate Creek for the Wastewater Treatment Works	Current	10-Oct-36
2	CRC000168	CO6C/09254	Urban Sewerage	Discharge contaminants to air, being odour from the wastewater treatment plant and disposal area	Current	10-Oct-36
3	CRC000169	CO6C/09254	Urban Sewerage	Discharge secondary treated effluent from the WTP to land	Current	10-Oct-36
4	CRC000170	CO6C/09254	Urban Sewerage	Discharge secondary treated effluent from the WTP to Waimate Creek (in emergencies)	Current	10-Oct-36
5	CRC000171	CO6C/09254	Urban Sewerage	Discharge of stormwater from Wastewater Treatment Plant area to Waimate Creek	Current	10-Oct-36
6	CRC000234	CO6C/15714	Stormwater	Discharge of Stormwater at Mill Road	Current	19-Nov-34
7	CRC020225	CO6C/15714	Urban Water	Discharge of filter backwash water from Timaru Road bore	Current	11-Sep-36
8	CRC021092	CO6C/18935	Property	Construct a stop bank on Waimate Creek at Queen Street / Gorge Road	Current	18-Jan-37
9	CRC021152	CO6C/11886	Solid Waste / Recycling	Discharge of stormwater & greywater at Resource Recovery Park	Current	06-Oct-35
10	CRC030072.1	CO6C/11571-03	Sewage disposal at St Andrews	Discharge of Human Effluent from 60 allotments via septic tank	Current	25-Oct-17
11	CRC040334	CO6C/20786	Rural Water-Waikakahi	New bore at Pikes Point (project abandoned)	Current	28-Aug-06
12	CRC051513	CO6C/22719	Urban Sewerage	Install new connections to the sewer network	Initial investigation, On hold with applicants approval	
13	CRC940263A	CO6C/09561	Rural Water-Waihaorunga	Construct a weir and infiltration gallery across a tributary of Waihaorunga Creek at Tavendales Road	Current	01-Dec-08

Waimate 2020

	Consent No	ECan File No	Area	Activity	Status	Expiry
14	CRC940263B	CO6C/09561	Rural Water-Waihaorunga	Take Surface Water for Waihaorunga water scheme	Current	01-Dec-08
15	CRC940845	CO6C/09559	Rural Water- Cattle Creek	Take Surface Water for Cattle Creek Scheme from a tributary of the North Branch of the Waihao River at Cattle Valley, Hakataramea	Current	23-Feb-29
16	CRC940846	CO6C/09558	Rural Water- Lower Waihao	Take Groundwater for Lower Waihao Scheme at Ferry Road, Waihao	Current	23-Feb-29
17	CRC952515	CO6C/09062	Roading	Construct / use a ford, Sinclairs Creek at Crows Road	Current	04-Oct-30
18	CRC962154.1	CO6C/11512	Rural Water-Waikakahi	Take Surface Water from a tributary of Waitaki River for the Waikakahi Scheme	Current	29-May-31
19	CRC970320	CO6C/11512	Rural Water-Waikakahi	Construct and maintain a weir for Waikakahi Scheme intake	Current	29-May-31
20	CRC970321	CO6C/11512	Rural Water-Waikakahi	Dam surface water for Waikakahi scheme intake	Current	29-May-31
21	CRC972267	CO6C/11886	Solid Waste / Landfill	Discharge of Leachate from Waimate Landfill / transfer station at Race Course Road	Current	06-Oct-35
22	CRC972269	CO6C/11887	Solid Waste / Landfill	Glenavy landfill-Discharge of Leachate	Current	13-Aug-34
23	CRC972271	CO6C/11888	Solid Waste / Landfill	Hook landfill-Discharge of Leachate	Current	13-Aug-34
24	CRC972273	CO6C/11889	Solid Waste / Landfill	Makikihi landfill-Discharge of Leachate	Current	13-Aug-34
25	CRC972275	CO6C/11890	Solid Waste / Landfill	Morven landfill-Discharge of Leachate	Current	13-Aug-34
26	CRC972277	CO6C/11891	Solid Waste / Landfill	Otaio landfill-Discharge of Leachate	Current	13-Aug-34
27	CRC972279	CO6C/11892	Solid Waste / Landfill	Upper Perora landfill-Discharge of Leachate	Current	13-Aug-34

Waimate 2020

	Consent No	ECan File No	Area	Activity	Status	Expiry
28	CRC972281	CO6C/11893	Solid Waste / Landfill	Waihao landfill-Discharge of Leachate	Current	13-Aug-34
29	CRC980385	CO6C/09557	Rural Water-Hook Waituna	Construct and maintain a rock weir in the Hook river near Upper Hook Road	Current	21-May-34
30	CRC980386	CO6C/09557	Rural Water-Hook Waituna	Dam & take surface water from Hook River	Current	21-May-34
31	CRC980708	CO6C/06698	Erosion / Flood Control	Construct & maintain erosion control structures on the bed of Hakataramea River and Wrights Crossing; clear / introduce vegetation	Current	21-Jan-08
32	CRC981015	CO6C/06698	Erosion / Flood Control	Divert surface water from Hakataramea River at Wrights Crossing	Current	21-Jan-33
33	CRC981066	CO6C/09570	Rural Water-Otaio Makikihi	Modify river bed of Otaio River near Blue Cliffs Road to improve flows to intake	Current	28-Jan-33
34	CRC981876.1	CO6C/14508	Rural Water-Otaio Makikihi	Take surface water for Otaio Makikihi Scheme	Current	22-Apr-34
35	CRC992050	CO6C/09570	Rural Water-Otaio Makikihi	Construct and maintain an intake structure near Backline Road, St Andrews	Current	21-May-34
36	CRC992171.1	CO6C/15714	Urban Water	Take groundwater from the two bores at Manchesters Road and Timaru Road	Current	14-Jun-34
37	CRC992589	CO6C/15941	Forestry	Clear vegetation; install / remove a culvert in Athlone Forest	Current	15-Feb-35
38	SCY730170	CO6C/09566	Rural Water-Waihaorunga	Take surface water from Waihaorunga Creek	Current	01-Dec-08
39	SCY760105	CO6C/09565	Rural Water- Cannington	Take surface water from White Rock River	Current	01-Jun-09
40	CRC980709		Erosion / Flood Control	To erect, place and reconstruct erosion control structures on the bed of the Pareora River at Martins Crossing		21-Jan-33

Other Assumptions

The following are the other assumptions that have been applied to this LTCCP.

- That planned costs exclude any financial implications of natural disasters.
- That the financial statements are not consolidated. i.e. The financial statements are for the parent Council only, the Financial Statements for Council's Controlled Trading Organisation (Waimate Medical Centre Ltd) are not included in these forecast assumptions.
- Council Structure remains as status quo - no change in Councillor numbers/wards anticipated.
- The LTCCP is based on current Council Policies. i.e. status quo assumed for key policies that effect the Financial Statements.
- Project costs exclude overheads.
- In matters of judgement the "accounting principle of prudence" has been applied.
- Asset development projections from 2007/08 are best-estimates based on current knowledge but will be reviewed before the next LTCCP is adopted in 2009.
- All figures are in New Zealand dollars.
- Working capital will remain at the 30 June 2006 level.
- All carry forward expenditure will be spent in the following year.
- The Council has set its projected revenue including rates at a level sufficient to meet the projected operating expenditure, except where the Council has resolved that it is financially prudent not to do so. (i.e. the "balancing the books" within each rating year principle of good financial management)
- There will be no change in nature of the Council's business dictated by a change in legislation or central government policy, e.g. change in water quality or Resource Management Act requirements.
- There will be no significant asset disposal that will impact substantially on the

LTCCP:

- Depreciation costs have been included in the model. Most assets are maintained to specified standards and most roading, water and sewerage scheme budgets allow for the establishment and maintenance of a fund to cover the unexpected or provide renewals expenditure.

Operating expenditure is programmed to include increased operating costs associated with the implementation of asset management plan and strategic objectives. Other operating costs are generally assumed constant. Costs associated with new debt are included.

It is assumed there will be no changes in the nature of the District's business.