

financials

The Financials include a Prospective Statement of Financial Position, Financial Performance, Changes in Equity, Cashflows, and supporting notes on expenditure and revenue, Statement of Accounting Policies, and Funding Impact Statement.

Supplementary information is also provided which presents the Ten Year Plan 2006-16 estimates excluding the impact of inflation

MAJOR CHANGES TO YEAR THREE OF THE TEN YEAR PLAN 2006-16

Year three of the Ten Year Plan 2006-16 was the basis for the development of the Annual Plan 2008/09.

Information on the detailed changes can be seen within the individual cost of service statements in the Groups of Activities section of this document.

PROSPECTIVE FINANCIAL INFORMATION

Prospective Statement of Financial Position

Fixed assets are lower than previously estimated in the Ten Year Plan 2006-16 due to a reduction in the level of capital expenditure in 2006/07 and 2007/08 and lower actual inflation than the Ten Year Plan 2006-16 assumption.

Other investments are higher than estimated in the Ten Year Plan 2006-16 due to Council investing in property to manage the impact of future growth in the region under SmartGrowth.

Asset revaluation reserve is lower than previously estimated due to lower actual inflation than the Ten Year Plan 2006-16 assumption.

Prospective Statement of Financial Performance

Rates revenue requirements are lower than the Ten Year Plan 2006-16. This is due to increased revenue from other sources and lower expenditure compared to the Ten Year Plan 2006-16.

Development Contributions are lower than the Ten Year Plan 2006-16 as lower actual inflation and recognition of a slowing economy.

Vested assets revenue is higher than the Ten Year Plan 2006-16 due to the timing of subdivisions being completed and the assets being vested to Council.

SUPPLEMENTARY INFORMATION

Balance Sheet Excluding Inflation

Other investments are higher than estimated in the Ten Year Plan 2006-16 due to Council investing in property to manage the impact of future growth in the region under SmartGrowth.

There are no other major changes in the Balance Sheet compared to the Ten Year Plan 2006-16 estimates.

Revenue and Expenditure Excluding Inflation

Other revenue is higher than the Ten Year Plan 2006-16 due to an increase in some user fees and New Zealand Transport Authority subsidies.

Development Contributions are lower than the Ten Year Plan 2006-16 in recognition of a slowing economy.

Vested assets revenue is higher than the Ten Year Plan 2006-16 due to the timing of subdivisions being completed and the assets being vested to Council.

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STATEMENT OF FINANCIAL POSITION

	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
ASSETS			
CURRENT ASSETS			
Cash and Short-term Deposits	5,785	6,113	5,785
Accounts Receivable and Prepayments	12,590	13,305	12,590
Property Intended for Sale	6,765	7,233	6,765
Investments - Current Portion	0	0	0
Sinking Funds - Current Portion	0	0	0
Stock	556	587	556
Total Current Assets	25,696	27,238	25,696
NON-CURRENT ASSETS			
INVESTMENTS			
Term Deposits	0	0	0
Sinking Fund Investments	0	0	0
Investment Properties	32,043	34,259	32,043
Other Investments	5,852	287	6,713
Total Investments	37,895	34,546	38,756
OTHER NON -CURRENT ASSETS			
Goodwill	0	0	0
Forestry	1,803	1,928	1,803
Fixed Assets	2,224,607	2,530,677	2,322,771
Total Other Non- Current Assets	2,226,410	2,532,605	2,324,574
Total Non-Current Assets	2,264,305	2,567,151	2,363,330
TOTAL ASSETS	2,290,001	2,594,389	2,389,026
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdraft	0	0	0
Accounts Payable & Accruals	25,538	26,988	25,538
Deposits Held	2,412	2,549	2,412
Current Portion Term Debt	30,704	56,475	30,704
Total Current Liabilities	58,654	86,012	58,654
NON-CURRENT LIABILITIES			
Term Debt - External Debt	183,044	239,468	236,373
Total Non-Current Liabilities	183,044	239,468	236,373
TOTAL LIABILITIES	241,698	325,480	295,027
NET ASSETS	2,048,303	2,268,909	2,093,999
EQUITY			
PUBLIC EQUITY			
Restricted Reserves	9,710	10,049	10,097
Council Created Reserves	37,802	38,009	33,344
Fixed Asset Revaluation Reserve	1,369,266	1,525,563	1,369,266
Investment Property Revaluation Reserve	0	0	0
General Reserve	631,525	695,288	681,292
TOTAL PUBLIC EQUITY	2,048,303	2,268,909	2,093,999

STATEMENT OF FINANCIAL PERFORMANCE

	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
OPERATING REVENUE			
Rates Revenue *1	67,271	75,093	72,318
Other Revenue *2	49,733	51,301	55,425
Total Operating Revenue	117,004	126,394	127,743
OPERATING EXPENDITURE			
Depreciation	25,521	26,407	27,744
Debt Servicing	12,716	17,956	16,714
Other Council Expenditure *3	80,672	83,487	80,940
Council Operating Expenditure	118,909	127,850	125,398
NET SURPLUS (DEFICIT) BEFORE ASSET DEVELOPMENT REVENUE	(1,905)	(1,456)	2,345
ASSET DEVELOPMENT			
Development Contributions	27,159	33,038	18,002
Capital Gain on Asset Sales	0	0	0
Assets Vested to Tauranga City Council	16,724	20,544	25,299
Revaluations of Investment Properties	0	1,094	0
Total Asset Development Revenue	43,883	54,676	43,301
SURPLUS BEFORE TAXATION	41,978	53,220	45,646
Subsidiary Taxation Expense	0	0	0
NET SURPLUS AFTER TAXATION *4	41,978	53,220	45,646

*1 Rates revenue is net of rates remissions of \$1.2M per annum

*2 Refer to Note 2 on page 156

*3 Refer to Note 1 on page 156

*4 Included in the Net Surplus of Council is revenue that has been collected to fund Capital projects, not operational expenditure, for example grants and subsidies for Roading projects. Also included are Development Contributions and Vested Assets, which relate to the funding of Capital projects. Rates Revenue is previously estimated to meet the operational expenditure of the rate funded Activities.

STATEMENT OF MOVEMENTS IN EQUITY

	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
Net Surplus for the Year	41,978	53,220	45,646
Net Impact of Revaluations on Revaluation Reserve	0	81,260	0
Net Impact of Revaluations on Investment Property Reserve	0	0	0
Other Adjustments			50
Movements in Equity for the period	41,978	134,480	45,696
EQUITY AT THE START OF THE YEAR	2,006,325	2,134,429	2,048,303
EQUITY AT THE END OF THE YEAR	2,048,303	2,268,909	2,093,999

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STATEMENT of CASH FLOWS

	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
CASH FLOWS FROM OPERATING ACTIVITIES			
Rates	66,147	73,897	71,205
Grants and Subsidies	6,173	6,080	8,545
User Charges and Fees	69,746	77,081	63,900
Interest Received	971	829	983
Dividends and Subventions Received	0	0	0
Deposits Received	0	67	0
Total Operating Cash Provided	143,037	157,954	144,633
Payments to Suppliers and Employees	79,546	81,595	79,777
Interest on Loans	12,716	17,956	16,714
Payments to/on Behalf of Other Authorities	0	0	0
Deposits Repaid	0	0	0
Total Operating Cash Applied	92,262	99,551	96,491
NET CASH FLOWS FROM OPERATING ACTIVITIES	50,775	58,403	48,142
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-Term Deposits Maturing	0	(2)	0
Realisation of Investments	(5,581)	(8)	(861)
Sale of Fixed Assets	1,375	108	2,830
Total Investing Cash Provided	(4,206)	98	1,969
Purchase of Fixed Assets	99,420	125,342	103,439
Total Investing Cash Applied	99,420	125,342	103,439
NET CASH FLOWS FROM INVESTING ACTIVITIES	(103,626)	(125,244)	(101,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans Raised	83,555	110,689	84,032
Total Financing Cash Provided	83,555	110,689	84,032
Loans Repaid	30,704	43,689	30,704
Total Financing Cash Applied	30,704	43,689	30,704
NET CASH FLOWS FROM FINANCING ACTIVITIES	52,851	67,000	53,328
NET INCREASE/(DECREASE) IN CASH	0	159	0
PLUS OPENING CASH	5,706	5,871	5,706
CLOSING CASH POSITION	5,706	6,030	5,706

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NOTE 1 – COST OF SERVICE STATEMENTS OPERATIONAL EXPENDITURE SUMMARY

OPERATING EXPENDITURE	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
DELIVERY			
Transportation	26,059	27,668	27,551
Airport	1,900	2,054	2,312
Arts & Heritage	2,057	2,253	1,753
Venues & Events	2,881	2,951	3,024
Libraries	7,091	7,226	7,471
Indoor Space & Active Living	3,457	4,305	3,160
Open Space	15,811	17,246	16,346
Aquatic	2,223	2,747	2,735
CBD & Neighbourhood Centre Revitalisation	465	650	501
Economic Development	1,600	1,659	1,616
Strategic Property	4,417	4,546	5,644
Elder Housing	1,269	1,354	1,283
Solid Waste	2,515	2,742	2,598
Stormwater	6,982	7,956	7,302
Wastewater	14,057	14,686	14,544
Water Supply	14,663	15,192	14,738
Environmental Policy	2,419	2,307	2,269
Environmental Planning	2,451	2,501	2,428
Building Services	3,301	3,303	3,594
Environmental Compliance & Monitoring	1,913	1,944	1,978
Animal Services	743	842	722
Civil Defence & Emergency Management	406	341	427
Customer Service Centre	1,477	1,669	1,628
Democracy & Civic Services	2,534	2,458	2,533
Support Services	15,278	15,360	15,967
TOTAL OPERATING EXPENDITURE	137,969	145,960	144,124
Head Office & Treasury	(7,743)	(6,843)	(6,485)
Non Significant Activities	3,431	3,539	3734
Less Internal Eliminations	(14,748)	(14,806)	(15,975)
TOTAL COUNCIL EXPENDITURE	118,909	127,850	125,398

HEAD OFFICE AND TREASURY INCLUDE:

External debt servicing

NON SIGNIFICANT ACTIVITIES INCLUDE:

Executive Team Administration, Insurance
City Projects, Plant Operating,
City Waters Support Services

NOTE 2 – COST OF SERVICE STATEMENTS OPERATIONAL REVENUE SUMMARY

OPERATING REVENUE	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
DELIVERY			
Transportation	10,021	10,433	10,434
Airport	3,814	3,742	3,990
Arts & Heritage	0	0	60
Venues & Events	1,339	1,260	1,366
Libraries	706	705	698
Indoor Space & Active Living	380	150	88
Open Space	1,923	2,335	2,193
Aquatic	615	785	1,048
CBD & Neighbourhood Centre Revitalisation	0	0	0
Economic Development	70	0	61
Strategic Property	4,939	4,833	6,232
Elder Housing	1,172	1,265	1,089
Solid Waste	441	638	482
Stormwater	18	10	18
Wastewater	1,022	718	955
Water Supply	13,178	13,286	13,883
Environmental Policy	16	290	16
Environmental Planning	1,243	1,048	1,259
Building Services	3,492	3,386	3,637
Environmental Compliance & Monitoring	476	537	563
Animal Services	730	730	759
Civil Defence & Emergency Management	84	17	84
Customer Service Centre	1,477	1,669	1,628
Democracy & Civic Services	25	26	25
Support Services	11,129	11,902	11,990
TOTAL OPERATING REVENUE	58,310	59,765	62,558
Head Office & Treasury	1,097	798	1,276
Non Significant Activities	2,582	2,632	2,918
Grants Received for Capital Expenditure	2,492	2,912	4,648
Less Internal Eliminations	(14,748)	(14,806)	(15,975)
TOTAL COUNCIL REVENUE	49,733	51,301	55,425

This excludes Rates, Internal Interest and Asset Development Revenue

NON SIGNIFICANT ACTIVITIES INCLUDE:

Executive Team Administration, Insurance
City Projects, Plant Operating,
City Waters Support Services

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SUPPLEMENTARY INFORMATION - BALANCE SHEET EXCLUDING INFLATION

	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)	
ASSETS	CURRENT ASSETS			
	Cash and Short-term Deposits	5,785	5,784	5,785
	Accounts Receivable and Prepayments	12,590	12,589	12,590
	Property Intended for Sale	6,765	6,765	6,765
	Investments - Current Portion	0	0	0
	Sinking Funds - Current Portion	0	0	0
	Stock	556	556	556
	Total Current Assets	25,696	25,694	25,696
	NON-CURRENT ASSETS			
	INVESTMENTS			
Term Deposits	0	0	0	
Sinking Fund Investments	0	0	0	
Investment Properties	32,043	32,043	32,043	
Other Investments	5,852	272	6,713	
Total Investments	37,895	32,315	38,756	
OTHER NON -CURRENT ASSETS				
Goodwill	0	0	0	
Forestry	1,803	1,803	1,803	
Fixed Assets	2,224,607	2,363,185	2,322,771	
Total Other Non-Current Assets	2,226,410	2,364,988	2,324,574	
Total Non-Current Assets	2,264,305	2,397,303	2,363,330	
TOTAL ASSETS	2,290,001	2,422,997	2,389,026	
LIABILITIES	CURRENT LIABILITIES			
	Bank Overdraft	0	0	0
	Accounts Payable & Accruals	25,538	25,538	25,538
	Deposits Held	2,412	2,412	2,412
	Current Portion Term Debt	30,704	30,704	30,704
	Total Current Liabilities	58,654	58,654	58,654
	NON-CURRENT LIABILITIES			
	Term Debt - External Debt	183,044	259,549	236,373
	Total Non-Current Liabilities	183,044	259,549	236,373
	TOTAL LIABILITIES	241,698	318,203	295,027
NET ASSETS	2,048,303	2,104,794	2,093,999	
EQUITY	PUBLIC EQUITY			
	Restricted Reserves	9,710	10,049	10,097
	Council Created Reserves	37,802	38,009	33,344
	Fixed Asset Revaluation Reserve	1,369,266	1,369,266	1,369,266
	Investment Property Revaluation Reserve	0	0	0
	General Reserve	631,525	687,470	681,292
	TOTAL PUBLIC EQUITY	2,048,303	2,104,794	2,093,999

SUPPLEMENTARY INFORMATION - REVENUE & EXPENDITURE EXCLUDING INFLATION

	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)
OPERATING REVENUE			
Rates Revenue *1	67,271	71,058	72,318
Other Revenue *2	49,733	48,545	55,425
Total Operating Revenue	117,004	119,603	127,743
OPERATING EXPENDITURE			
Depreciation	25,521	24,699	27,744
Debt Servicing	12,716	17,611	16,714
Other Council Expenditure *3	80,672	79,001	80,940
Council Operating Expenditure	118,909	121,311	125,398
NET SURPLUS (DEFICIT) BEFORE ASSET DEVELOPMENT REVENUE	(1,905)	(1,708)	2,345
ASSET DEVELOPMENT			
Development Contributions	27,159	30,903	18,002
Capital Gain on Asset Sales	0	0	0
Assets Vested to Tauranga City Council	16,724	19,215	25,299
Revaluations of Investment Properties	0	0	0
Total Asset Development Revenue	43,883	50,118	43,301
SURPLUS BEFORE TAXATION	41,978	48,410	45,646
Subsidiary Taxation Expense	0	0	0
NET SURPLUS AFTER TAXATION *4	41,978	48,410	45,646

*1 Rates revenue is net of rates remissions of \$1.2M per annum

*2 Refer to Note 4 on page 159

*3 Refer to Note 3 on page 159

*4 Included in the Net Surplus of Council is revenue that has been collected to fund Capital projects, not operational expenditure, for example grants and subsidies for Roading projects. Also included are Development Contributions and Vested Assets, which relate to the funding of Capital projects. Rates Revenue is previously estimated to meet the operational expenditure of the rate funded Activities.

SUPPLEMENTARY INFORMATION - MOVEMENT IN COMMUNITY VALUE EXCLUDING INFLATION

	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)
Net Surplus for the Year	41,978	48,410	45,646
Net Impact of Revaluations on Revaluation Reserve	0	0	0
Net Impact of Revaluations on Investment Property Reserve	0	0	0
Other Adjustments			50
Movements in Equity for the period	41,978	48,410	45,696
EQUITY AT THE START OF THE YEAR	2,006,325	2,056,384	2,048,303
EQUITY AT THE END OF THE YEAR	2,048,303	2,104,794	2,093,999

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SUPPLEMENTARY INFORMATION – MONEY IN, MONEY OUT EXCLUDING INFLATION

	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)
CASH FLOWS FROM OPERATING ACTIVITIES			
Rates	66,147	69,926	71,205
Grants and Subsidies	6,173	5,754	8,545
User Charges and Fees	69,746	72,908	63,900
Interest Received	971	785	983
Dividends and Subventions Received	0	0	0
Deposits Received	0	0	0
Total Operating Cash Provided	143,037	149,373	144,633
Payments to Suppliers and Employees	79,546	77,869	79,777
Interest on Loans	12,716	17,611	16,714
Payments to/on Behalf of Other Authorities	0	0	0
Deposits Repaid	0	0	0
Total Operating Cash Applied	92,262	95,480	96,491
NET CASH FLOWS FROM OPERATING ACTIVITIES	50,775	53,893	48,142
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-Term Deposits Maturing	0	0	0
Realisation of Investments	(5,581)	0	(861)
Sale of Fixed Assets	1,375	101	2,830
Total Investing Cash Provided	(4,206)	101	1,969
Purchase of Fixed Assets	99,420	117,234	103,439
Total Investing Cash Applied	99,420	117,234	103,439
NET CASH FLOWS FROM INVESTING ACTIVITIES	(103,626)	(117,133)	(101,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans Raised	83,555	93,944	84,032
Total Financing Cash Provided	83,555	93,944	84,032
Loans Repaid	30,704	30,704	30,704
Total Financing Cash Applied	30,704	30,704	30,704
NET CASH FLOWS FROM FINANCING ACTIVITIES	52,851	63,240	53,328
NET INCREASE/(DECREASE) IN CASH	0	0	0
PLUS OPENING CASH	5,706	5,706	5,706
CLOSING CASH POSITION	5,706	5,706	5,706

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NOTE 3 – SUPPLEMENTARY INFORMATION – EXPENDITURE SUMMARY EXCLUDING INFLATION

OPERATING EXPENDITURE	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)
DELIVERY			
Transportation	26,059	26,181	27,551
Airport	1,900	1,944	2,312
Arts & Heritage	2,057	2,132	1,753
Venues & Events	2,881	2,792	3,024
Libraries	7,091	6,838	7,471
Indoor Space & Active Living	3,457	4,073	3,160
Open Space	15,811	16,319	16,346
Aquatic	2,223	2,599	2,735
CBD & Neighbourhood Centre Revitalisation	465	615	501
Economic Development	1,600	1,570	1,616
Strategic Property	4,417	4,301	5,644
Elder Housing	1,269	1,281	1,283
Solid Waste	2,515	2,595	2,598
Stormwater	6,982	7,528	7,302
Wastewater	14,057	13,897	14,544
Water Supply	14,663	14,376	14,738
Environmental Policy	2,419	2,183	2,269
Environmental Planning	2,451	2,367	2,428
Building Services	3,301	3,126	3,594
Environmental Compliance & Monitoring	1,913	1,840	1,978
Animal Services	743	796	722
Civil Defence & Emergency Management	406	322	427
Customer Service Centre	1,477	1,580	1,628
Democracy & Civic Services	2,534	2,326	2,533
Support Services	15,278	14,535	15,967
TOTAL OPERATING EXPENDITURE	137,969	138,116	144,124
Head Office & Treasury	(7,743)	(6,143)	(6,485)
Non Significant Activities	3,431	3,349	3,734
Less Internal Eliminations	(14,748)	(14,011)	(15,975)
TOTAL COUNCIL EXPENDITURE	118,909	121,311	125,398

HEAD OFFICE AND TREASURY INCLUDE:

External debt servicing

NON SIGNIFICANT ACTIVITIES INCLUDE:

Executive Team Administration, Insurance
City Projects, Plant Operating,
City Waters Support Services

NOTE 4 – SUPPLEMENTARY INFORMATION – OPERATIONAL REVENUE SUMMARY EXCLUDING INFLATION

OPERATING REVENUE	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)
DELIVERY			
Transportation	10,021	9,873	10,434
Airport	3,814	3,541	3,990
Arts & Heritage	0	0	60
Venues & Events	1,339	1,192	1,366
Libraries	706	667	698
Indoor Space & Active Living	380	142	88
Open Space	1,923	2,210	2,193
Aquatic	615	743	1,048
CBD & Neighbourhood Centre Revitalisation	0	0	0
Economic Development	70	0	61
Strategic Property	4,939	4,573	6,232
Elder Housing	1,172	1,197	1,089
Solid Waste	441	603	482
Stormwater	18	10	18
Wastewater	1,022	679	955
Water Supply	13,178	12,572	13,883
Environmental Policy	16	275	16
Environmental Planning	1,243	991	1,259
Building Services	3,492	3,204	3,637
Environmental Compliance & Monitoring	476	508	563
Animal Services	730	691	759
Civil Defence & Emergency Management	84	16	84
Customer Service Centre	1,477	1,580	1,628
Democracy & Civic Services	25	25	25
Support Services	11,129	11,263	11,990
TOTAL OPERATING REVENUE	58,310	56,555	62,558
Head Office & Treasury	1,097	754	1,276
Non Significant Activities	2,582	2,491	2,918
Grants Received for Capital Expenditure	2,492	2,756	4,648
Less Internal Eliminations	(14,748)	(14,011)	(15,975)
TOTAL COUNCIL REVENUE	49,733	48,545	55,425

This excludes Rates, Internal Interest
and Asset Development Revenue

NON SIGNIFICANT ACTIVITIES INCLUDE:

Executive Team Administration, Insurance
City Projects, Plant Operating,
City Waters Support Services

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Statement of Accounting Policies

REPORTING ENTITY

Tauranga City Council (TCC) is a local authority under Schedule 2, Part 2 of the Local Government Act 2002. 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 the prospective financial statements in the Annual Plan, is to provide users with information about the changes that have been made to the Ten Year Plan for the financial year under review and as a consequence, how much the Council requires by way of rates to fund any changes. The level of rates funding required is not effected 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.

The primary objective of TCC is to provide goods and services for the community or social benefit, rather than making a financial return. Accordingly, TCC has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

BASIS OF PREPARATION

The financial statements of Tauranga City Council have been prepared in accordance with the Local Government Act 2002 Part 6, Section 98 and Part 3 of Schedule 10,

which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). They comply with the New Zealand equivalent to International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards as appropriate for Public Benefit Entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on an historical costs basis, modified by the revaluation of land buildings, certain infrastructural assets, investment property and financial instruments.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of TCC is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Financial Performance.

ACCOUNTING POLICES

The following accounting policies, which materially effect the measurement of surplus and the financial position, have been applied consistently to all years presented.

REVENUE RECOGNITION

- Revenue is measured at fair value of the consideration received.
- **Rates** - Rates are set annually by a Resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rating revenue is recognised when payable.
- **Water-by-Meter** - Water-by-meter revenue is determined on the basis of actual amounts billed to the customer during the year as determined by meter readings with an accrual for unbilled sales.
- **Traffic and Parking revenue** - Parking revenue is recognised when received. Traffic and parking fines revenue is recognised when tickets are issued.
- **Grants and Subsidies** - Grants and subsidies are recognised when the conditions of the grants or subsidy have been met.
- **Dividends** - Dividends are recognised on an accrual basis, net of imputation credits.
- **Vested Assets** - Vested assets are recognised when legally vested to Council. The fair value of the asset is recognised as revenue (S 224, Resource Management Act 1991).
- **Development Contributions** - Development contributions and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise development contributions and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide the service.

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Agencies

- **Environment BOP:** Council collects rating revenue on behalf of Environment BOP (Bay of Plenty Regional Council) on an ongoing basis. This income is not included in the Statement of Financial Performance as it does not belong to Council. It is, however, included as a receipt and payment in the Statement of Cash Flows.
- **Transit New Zealand:** Council performs certain roading works pertaining to state highways on behalf of Transit New Zealand. Neither the costs nor recoveries related to this work are included in the Statement of Financial Performance. They are however, included as a receipt (Grants and Subsidies) and payment (Payments to and on behalf of other Authorities) in the Statement of Cash Flows.

PROSPECTIVE FINANCIAL INFORMATION

The financial information contained within this document is prospective financial information in terms of accounting standard FRS42. The purpose for which it has been prepared is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cashflow of Tauranga City Council.

The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially, depending on the circumstances that arise during the period.

Estimates and judgements are continually evaluated and

are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following assumptions have been made in preparing this plan:

- Interest earned on investments is 7.5%
- Interest rates on new loans raised, range from 7.35% to 7.65%
- Forecasts are prepared in New Zealand dollars

These assumptions are subject to the normal volatility of the financial markets.

SIGNIFICANT FORECASTING ASSUMPTIONS & RISKS

- **Dollars**
 - all amounts are in New Zealand dollars
- **Nature of Business**
 - It is assumed there will be no changes in the nature of Tauranga City Council's business over the period of the Long Term Council Community Plan (LTCCP)
- **Growth**
 - Projections have been made about City growth which influence financial estimates including Development Contributions received, vested assets and building consents granted. Growth rates differing from these assumptions will impact on both revenue and expenditure results.
- **Risk**
 - There is no material risk underlying the forecast financial estimates, apart from the effect on revenue and expenditure of the assumptions listed.

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consists of:

- **Infrastructural Assets**
 - Infrastructural assets are the fixed utility systems owned by Council. Each asset type includes all items that are required for the network to function, e.g. wastewater reticulation includes reticulation piping and wastewater pump stations.
- **Restricted Assets**
 - Restricted assets are buildings, parks and reserves owned by Council which cannot be disposed of because of legal or other restrictions, and provide a benefit or service to the community.
- **Other Assets**
 - Other assets include land, buildings, plant, library books, artefacts, equipment and motor vehicles.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

VALUATION

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Assets acquired or constructed after the 1st July 2005 revaluation are carried at cost less accumulated depreciation. All Council assets are valued at historic cost, except;

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- (a) Land, buildings and improvements were valued at fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Maunsell Ltd and Quotable Value NZ, effective as at 1 July 2005.
- (b) Roading and infrastructural network assets were revalued based on the “depreciated replacement cost basis” by independent qualified valuers. Maunsell Ltd and Quotable Value NZ, effective 1 July 2006.
- (c) Land under roads was valued as unimproved for both rural and urban areas by Quotable Value NZ, effective 1 July 2006. This assumes land in its bare state without the benefit of roading, water supply, sewer, etc. The valuation took into consideration the sales of vacant land in the area which was suitably adjusted to reflect an unimproved state.
- (d) The library book stock was valued effective 1 July 2004, based on a depreciated replacement cost basis. The permanently retained collection was valued by independent valuers at net current value, effective 1 July 2004.
- (e) Plantation forests are not held as a biological asset but are kept primarily for conservation purposes in the vicinity of TCC water reservoirs. TCC do not intend to log and sell substantial portions of the plantation forest in order to earn income. Therefore, plantation forests are valued on a three year rotation and were last valued by reference to current market

evidence as at 1 July 2004. Gains and losses as a result of a change in value, less estimated point of sale costs are recognised in the Statement of Financial Performance.

- (f) Council has vested to it, certain infrastructural assets and land as part of the subdivisional approval process. Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and the actual cost of the asset.

ACCOUNTING FOR REVALUATIONS

TCC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial Performance up to the amount previously expensed and then credited to the revaluation reserve for that class of asset.

INTANGIBLE ASSETS

Software Acquisition and Development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when

incurred. Costs that are directly associated with the development of software for internal use by TCC are recognised as an intangible asset.

Easements, Resource Consents and Rights of Use.

Easements, consents and rights of use are capitalised to the asset to which they relate on the basis of the costs incurred to acquire.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is de-recognised. Amortisation charge for each period is recognised in the statement of financial performance.

Intangible assets capitalised to infrastructural assets are amortised at the rate of the principal asset to which they have been capitalised.

The useful lives for associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software > 3 years > 33%

Additions

The cost of an item of property plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to TCC and the cost of the item can be measured reliably.

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In most cases an item of property plant and equipment is recognised at its cost.

Costs incurred subsequent to initial recognition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to TCC and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for minimal cost, it is recognised at fair value as at the date of acquisition. Assets vested to Council are recognised in the Statement of Financial Performance as revenue and in the Statement of Financial Position as fixed assets.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Impairment

The carrying values of assets are reviewed for impairment as part of the valuation process or when events or changes in circumstances indicate the carrying value may

not be recoverable. Impairment losses are recognised in the Statement of Financial Performance.

Depreciation

All assets are depreciated over their expected useful lives. Depreciation is provided on a straight line (SL) or diminishing value (DV) basis, at rates calculated to allocate the asset cost less estimated residual value over the estimated useful life.

(Property Plant and Equipment Depreciation Rates Tables over page).

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PROPERTY PLANT AND EQUIPMENT DEPRECIATION RATES

	Useful Life (Years)	Depreciation Method		Useful Life (Years)	Depreciation Method
NON-INFRASTRUCTURAL ASSETS					
Artefacts	N/A	N/A			
Land	N/A	N/A			
Buildings	50-100	SL			
Improvements	10-25	SL			
Computer Equipment	2.5-4	SL			
Motor Vehicles	5-10	DV			
Office Equipment	5-10	SL			
Other Plant and Equipment	8-20	SL			
Library Books	1-10	SL			
Infrastructural Assets					
Water Reticulation					
Freshwater Pipework	50-100	SL			
Freshwater Pump stations					
Mechanical Plant	1-20	SL			
Electrical & Control Equipment	1-20	SL			
Structural & Buildings	30-70	SL			
Pipework & Valves	10-50	SL			
Generator Set	1-20	SL			
Freshwater Treatment Plants					
Mechanical Plant	1-20	SL			
Electrical & Control Equipment	1-20	SL			
Structural & Buildings	30-70	SL			
Pipework & Valves	10-50	SL			
Generator Set	1-20	SL			
Freshwater Reservoirs					
Reservoirs & Foundation	30-70	SL			
Pipework Valves & Connections	15-50	SL			
Telemetry & Controls	1-10	SL			
INFRASTRUCTURAL ASSETS					
Wastewater Reticulation					
Wastewater Pipework	50-100	SL			
Wastewater Pump stations					
Structures & Civil Works	30-70	SL			
Electrical Controls & Cabling	1-20	SL			
Telemetry	14-20	SL			
Pumps & Motors	1-20	SL			
Pipework Valves & Connections	20-50	SL			
Wastewater Treatment Plants					
Mechanical Plant	1-20	SL			
Electrical & Control Equipment	1-20	SL			
Structural Buildings	40-70	SL			
Pipe work & Valves	20-50	SL			
Stormwater Reticulation					
Storm water Pipe work	50-100	SL			
Roading Network					
Roads less than 200 Vehicles per day					
Formation	Infinite	N/A			
Pavement	96-1000	SL			
Surfacing	1-40	SL			
Roads more than 200 Vehicles per day					
Formation	Infinite	N/A			
Pavement	1-60	SL			
Surfacing	1-30	SL			
Roading Reseals	8-15	SL			
Infrastructural Assets – Bridges	50-70	SL			

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

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ASSETS UNDER CONSTRUCTION

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

INVESTMENT PROPERTIES

Properties classified as investment properties are measured initially at cost including transaction costs. After initial recognition TCC measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Financial Performance.

PROPERTIES HELD FOR SALE

Non-current assets held for sale are classified as held for sale if they meet all of the following conditions:

- their carrying amount will be recovered principally through a sale transaction and not through continuing use.
- the intention is to sell them within 12 months of the end of year.
- they are being actively marketed or their sale is under negotiation.

Properties intended for sale are valued at their carrying amount and are not depreciated or amortised while they are classified as held for sale. Interest and other expenses relating to the liabilities of properties held for sale continue to be recognised.

CLASSIFICATION OF PROPERTY

TCC owns a number of properties which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding the properties. These properties are held for service delivery objectives as part of the TCC's social housing policy and are accounted for as property, plant and equipment.

LEASES

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to Council, are classified as finance leases.

At the commencement of the lease term, TCC recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The amount is recognised as an asset and a liability and amortised over its useful life. If there is no certainty as to whether TCC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and benefits of ownership of the leased item to the lessee.

Lease payments under an operating lease are recognised as expenses in the Statement of Financial Performance on a straight-line basis over the lease term.

INVESTMENT IN SHARES

Where Council holds shares that are publicly traded, these are revalued to market value as at 30 June each year.

TRADE AND OTHER RECEIVABLES

Trade and Other Receivables are included at their net realisable value after deduction of a provision for doubtful debts.

The provision for doubtful debts is based on expected losses for Tauranga City Council's pool of debtors. Expected losses are determined by using an analysis of Tauranga City Council's losses in previous periods and a review of specific debtors.

EMPLOYEE BENEFITS

Provision is made in respect of Council's liability for salaries and wages, annual leave and long-service leave accrued up to balance date. Salaries and wages and annual leave are calculated on an actual entitlement basis at current rates of pay. Long-service leave is calculated on an actuarial basis.

Superannuation schemes

Defined Contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Financial Performance as incurred.

Defined Benefit schemes

TCC belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of

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Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will effect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services not supplied on a commercial basis, are measured at the lower of cost and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost basis is either weighted average or on a first-in first-out basis.

TAXATION

All taxes are fully provided for.

Income tax charged to the Statement of Financial Performance includes both current and deferred tax and is calculated after allowing for permanent differences.

The liability method of accounting for tax is applied on a comprehensive basis. A debit balance in the deferred tax account, arising from timing differences or income

tax benefits from income tax losses, is only recognised if realisation is probable.

GOODS AND SERVICES TAX

These accounts have been prepared on a goods and services tax (GST) exclusive basis with the exception of trade and other receivables and accounts payable, which are shown GST inclusive. When GST is not recoverable as input tax, it is recognised as part of the related asset expense.

OVERHEAD ALLOCATION

Support Services net costs have been charged to each significant activity. These overheads have been allocated by determining the most appropriate basis e.g. staff numbers, floor space used etc, applicable to the service provided to each significant activity.

Internal Transactions

Each significant activity is stated after the recording of internal costs and revenues. In order to present a true and fair view in the cost of services statements of Council these transactions have not been eliminated. This method has no effect on the operating result for the year. All significant transactions have been eliminated in the financial statements.

SINKING FUNDS

Under the Local Authorities Loans Act 1956, Tauranga City Council established sinking funds for each loan. Funds were set side each year to meet future repayments of loans. This Act was repealed as at 1 July, 1998. Sinking

funds are therefore only maintained for those loans established before this date. The funds are included in the Statement of Financial Position and any associated interest is included in the Statement of Financial Performance.

CASHFLOW STATEMENT

The following definitions have been used for the preparation of the Statement of Cash Flows:

- **Cash** - Coins, notes, demand deposits, or highly liquid investments for which there is a recognised ready market and which are unconditionally convertible to coins and notes at Council's option, within 3 months or less and which Council regards as part of its day-to-day cash management.
- **Operating Activities** - Transaction and other events that are not investing or financial activities.
- **Investing Activities** - Activities relating to the acquisition, holding and disposal of fixed assets and of investments, such as securities, not falling within the definition of cash.
- **Financial Activities** - Activities which result in changes in the size and composition of the capital structure of Council, both equity and debt not falling within the definition of cash.

FINANCIAL ASSETS AND LIABILITIES

Council is party to financial instruments as part of its everyday operations including those which have been recognised in financial reports. These financial instruments include bank accounts, investments, accounts receivable and accounts payable.

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TCC and its subsidiaries, classify financial assets as loans and receivables at fair value through profit and loss. Financial assets and liabilities are initially measured at fair value plus transaction costs; unless they are carried at fair value through profit and loss in which case the transaction costs are recognised in Statement of Financial Performance.

Assets at fair value through profit and loss consist of derivative financial instruments, and no interest loans.

Assets classified as loans and receivables consist of accounts payable and receivable.

The purchase and sale of investments are recognised at trade-date, the date on which TCC commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and TCC has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. TCC uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt

instruments held. Other techniques, such as estimated cash flows, are used to determine fair value for the remaining financial instruments.

Generally, financial assets (excluding investments in subsidiaries and associates) are held to maturity.

After initial recognition they are measured at their fair values and any gains or losses resulting from revaluation, impairment or de-recognition are recognised in the Statement of Financial Performance.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS

TCC uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from investing and financing activities. In accordance with its treasury policy, TCC does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each balance date. Gains or losses in fair value and those resulting from re-measuring are recognised in the Statement of Financial Performance.

FINANCIAL GUARANTEES

A financial guarantee contract is a contract that requires TCC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to meet a payment when due.

PROVISIONS

Tauranga recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating leases.

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

FOREIGN EXCHANGE POLICY

Council has foreign exchange exposure through the occasional purchase of foreign-exchange-denominated plant and equipment.

Generally, all significant commitments for foreign exchange are hedged using foreign exchange contracts, once expenditure is approved. Both spot and forward foreign exchange contracts are used by Council.

REVENUE AND FINANCING POLICY

Council's Revenue and Financing Policy was adopted on 27 May 2003, as required by the Local Government Act 2002 and became operational on 27 May 2003.

This Revenue and Financing Policy outlines the funding sources of Council activities. Tauranga City Council undertook a review of all its activities to determine the most appropriate funding source for

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these activities that complies with applicable legislation and generally accepted accounting practice. Effective financial management promotes the current and future benefits of the community. Assessment of appropriate funding sources takes into account impacts on community, economic, social, cultural and environmental wellbeing.

TREASURY POLICY

Council adopted the Treasury Policy in June 2006. This policy provides the policy framework for all Council's treasury activities and defines the operating framework within which borrowing, investment and risk management activities are to be carried out.

BORROWING POLICY

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.

BORROWING COSTS

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

LANDFILL POST-CLOSURE COSTS

As operator of the Cambridge Road and Te Maunga landfills, Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill sites after closure. A calculation of the future costs of this monitoring has been discounted and offset to the current period against the value of the land. Both landfill sites are closed.

PUBLIC EQUITY

Public equity is the community's interest in Council as measured by the value of total assets less total liabilities. Public equity is segregated and classified into a number of reserves to enable clearer identification of the specified uses Council makes of its accumulated surpluses. The components of public equity are:

- General Reserve
 - Accumulated Surplus
- Council-Created Reserves
 - Asset Revaluation Reserve
- Restricted Reserves
 - Trusts and Bequests
 - Sinking Funds
 - Restricted Special Funds

RESTRICTED AND COUNCIL CREATED RESERVES

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

Restricted Reserves are those reserves subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the courts or a third party. Restricted reserves may be legally restricted (e.g. Barton Trust Funds Reserve). Transfers from these reserves may be made only for certain specified purposes or if certain specified conditions are met.

Council-Created Reserves are part of the accumulated balance and are established at the will of Council (e.g. Risk

Management Reserve). Council may alter them without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

GOODWILL

Goodwill is fully amortised at date of acquisition

CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policy other than the adoption of the New Zealand equivalent to IFRS.

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FUNDING IMPACT STATEMENT

The Funding Impact Statement is set out pursuant to Section 95 (b) (c) and schedule 10 of the Local Government Act 2002.

REVENUE AND FINANCING MECHANISMS			
	Budget 2007/08 (000's)	LTCCP 2008/09 (Inflation Figure) (000's)	Budget 2008/09 (000's)
General Rates	54,135	59,662	57,966
Wastewater UAC	11,857	14,061	13,056
Water UAC	1,279	1,370	1,296
Water by Meter	13,067	13,194	13,826
User Fees & Charges	29,717	31,365	32,278
Grants & Subsidies	5,453	5,320	7,825
Petrol Tax	720	761	720
Interest Income	776	661	776
Development Contributions	27,159	33,038	18,002
Sale of Assets	1,375	108	2,830
Loans Raised	52,851	67,000	53,328
	198,389	226,540	201,903

SUPPLEMENTARY INFORMATION

- FUNDING SOURCES EXCLUDING INFLATION

The Funding Impact Statement is set out pursuant to Section 95 (b) (c) and schedule 10 of the Local Government Act 2002.

REVENUE AND FINANCING MECHANISMS			
	Budget 2007/08 (000's)	LTCCP 2008/09 (000's)	Budget 2008/09 (000's)
General Rates	54,135	56,455	57,966
Wastewater UAC	11,857	13,306	13,056
Water UAC	1,279	1,297	1,296
Water by Meter	13,067	12,485	13,826
User Fees & Charges	29,717	29,680	32,278
Grants & Subsidies	5,453	5,034	7,825
Petrol Tax	720	720	720
Interest Income	776	626	776
Development Contributions	27,159	30,903	18,002
Sale of Assets	1,375	101	2,830
Loans Raised	52,851	63,240	53,328
	198,389	213,847	201,903

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FUNDING IMPACT STATEMENT – CONTINUED

RATING INFORMATION

All rating policies should be read in conjunction with the Revenue and Financing Policy which can be obtained from our website.

Figures in this statement are GST inclusive.

OVERVIEW OF RATES

Councils rating policy, pursuant to the Local Government (Rating) Act 2002, for the 2008/09 year are:

- A general rate
- A uniform annual general charge
- Targeted rates for water supply
- Targeted rates for wastewater disposal
- Targeted rates for economic development
- Targeted rates for Mainstreet activities
- Targeted rates for The Lakes

As indicated above, there are several parts to a typical rates bill, some of which are fixed and others variable. The fixed rates (where everybody across the city is charged the same amount) are:

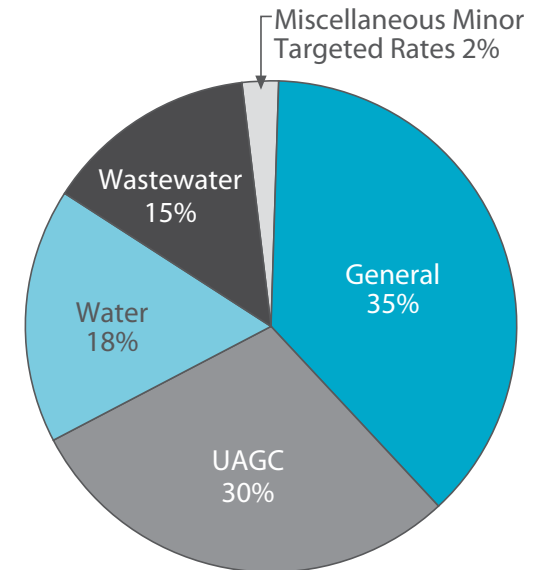
- **Wastewater rates** – if you are connected to Council’s wastewater system you will incur this fixed rate.
- **Uniform Annual General Charge (UAGC)** – this rate ensures a minimum contribution from every ratepayer in the City.

The variable rates (where you are charged differently from your neighbour) are:

- **General rates** - this rate is used for general public good services that are not collected through any other rate
- **Economic development rates** - this is a rate charged to commercial properties only for development of Tauranga’s economy.
- **Mainstreet rates** - commercial properties located around the three ‘main streets’ in Tauranga City incur this rate for the continued promotion and up-keep of these areas.
- **Water rates** - water rates are invoiced separately from your land rates. The amount charged is dependent on the amount of water used, and the size of the water meter connected to each property.
- **The Lakes targeted rate** - a rate to specific significant subdivisions in the City where the level of service required to maintain the subdivision is higher than usual across the City.

You can see from the graph (right) that a significant proportion of a rates invoice is generally based on fixed charges. The impact of this rating structure is that the spread, between the lowest rates and the highest rates is minimised, while ensuring everyone contributes a minimum amount to the services provided by Council.

THE DIFFERENT PARTS OF YOUR RATES INVOICE



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FUNDING IMPACT STATEMENT – CONTINUED

The following rating mechanisms are to be used for the 2008/09 year. All figures shown are inclusive of GST, unless otherwise stated.

GENERAL RATES

The general rate is assessed on the Capital Value of all applicable properties in the City.

Capital value represents the market value of land and improvements to a property. In other words, it reflects what the total property would sell for in an open market. The values are assessed by independent valuers who are required to follow legal procedures and guidelines. Their results are audited by the Office of the Valuer General. City-wide valuations are performed once every three years. The last revaluation was performed in July 2006 and this valuation will be used to assess rates from 1 July 2008. The rates (per dollar of capital value) for 2008/09 are:

CATEGORY	FACTOR		RATES PER \$ OF CV		REVENUE SOUGHT (EXCL GST)	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
Residential	1.00	1.00	0.00126	0.001310	\$23,464,000	\$25,381,000
Commercial	1.00	1.00	0.00126	0.001310	\$5,427,000	\$5,608,000

UNIFORM ANNUAL GENERAL CHARGE (UAGC)

A UAGC is assessed on every separately used or inhabited part of a property. The definition of a separately used or inhabited part of a property is:

Separately used or inhabited - for a commercial rating unit means a building or part of a building that is, or intended to be, separately tenanted, leased or subleased for commercial purposes.

Separately used or inhabited - for a residential rating unit: includes a building or part of a building that is, or intended to be used as, an independent residence, including apartments, semi-detached or detached houses, units, town houses, caravans (where used as a place of residence, or occupied for a period of time exceeding six months in a calendar year); but excludes premises, or parts thereof complying with the visitor accommodation provisions of the Tauranga District Plan or with resource consent to operate as visitor accommodation, except where those parts have independent ownership & comprise separate rating units.

Independent residence means a self contained dwelling comprising of separate cooking facilities; separate living facilities; separate entrance; and separate toilet and bathroom facilities.

This simply means each separate dwelling on a residential property, or each separate tenant on a commercial property will receive a UAGC.

The UAGC is set at 30% of total rates revenue, being the maximum allowed by law. This ensures that every ratepayer contributes a fixed amount to Council, irrespective of the property value or services used. Additionally, it reduces the variability of the general rate assessed between properties.

BASIS OF RATE	RATE		REVENUE SOUGHT (EXCL GST)	
	2007/08	2008/09	2007/08	2008/09
Per separately used or inhabited part of a rating unit	\$500	\$525	\$23,704,000	\$25,382,000

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FUNDING IMPACT STATEMENT – CONTINUED

TARGETED RATES

Targeted rates are used where a Council service provides a benefit to a specific group of people and consequently it is these beneficiaries that are charged the cost of providing the service. It may apply to all ratepayers or a specific group of ratepayers. Below are the activities or services where a targeted rate is applied.

WATER RATES

Water rates are charged to all households connected, or able to be connected, to Council's water supply system. These rates are invoiced separately from your land rates.

BASIS OF RATE	RATE		TOTAL REVENUE SOUGHT (EXCL GST)	
	2007/08	2008/09	2007/08	2008/09
Volume of water consumed.	\$1.30 per cubic metre	\$1.35 per cubic metre	\$13,067,000	\$13,826,000
Dependent on size and number of water meters supplying a property.	A flat charge of between \$25-\$1,000 per meter per annum.	no change	\$1,279,000	\$1,297,000

Most properties in the City are connected to Council's water supply system. For those properties that are not yet connected, where a supply is available, a charge of \$535 (\$535 2007/08) per dwelling is incurred. Refer rates remission policy for variations to the above.

WASTEWATER RATES

Wastewater rates are charged to all properties connected to Council's sewerage system, or if located in an area where connection is available.

CATEGORY	BASIS OF RATE	RATE		TOTAL REVENUE SOUGHT (EXCL GST)	
		2007/08	2008/09	2007/08	2008/09
Commercial	On each water closet or urinal connected to wastewater scheme	\$235	\$255	\$11,857,000	\$13,056,000
Residential	Per separately used or inhabited part of a rating unit	\$235	\$255		

Any serviceable property not yet connected to Council's wastewater scheme will receive a rate of \$127.50 (\$117.50 2007/08).

Refer rates remission policy for variations to the above. A copy of this policy can be obtained at www.tauranga.govt.nz or by calling Council on (07) 577 7000.

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FUNDING IMPACT STATEMENT – CONTINUED

ECONOMIC DEVELOPMENT RATE

The economic development rate relates to the activities of Priority One, Tourism BOP, the Visitor Information Centre, and general economic development costs. Council has determined that the primary beneficiary of these activities is the commercial sector, and so this rate is only charged to commercial properties.

BASIS OF RATE	RATES PER \$ OF CV		TOTAL REVENUE SOUGHT (EXCL GST)	
	2007/08	2008/09	2007/08	2008/09
On capital value of commercial properties	0.0003836	0.000370	\$1,530,000	\$1,555,000

MAINSTREET RATES

An initiative involving three Mainstreet organisations and Tauranga City Council has resulted in the assessment of Mainstreet rates to commercial properties located in specific areas around the Mainstreets of Mt Maunganui, Tauranga Central Business District and Greerton. The recommended total rate to be collected for each Mainstreet organisation is arrived at from decisions made by each individual Mainstreet Board/Committee in accordance with their own policies and rules and accepted by members at their Annual General Meeting. This means Council collects the amount of rates requested by each organisation.

BASIS OF RATE	LOCATION	RATES PER \$ OF CV		TOTAL REVENUE SOUGHT (EXCL GST)	
		2007/08	2008/09	2007/08	2008/09
On capital value of commercial properties in specified area	Mt Maunganui	0.000748	0.000808	\$117,000	\$126,700
	Greerton	0.001442	0.001539	\$80,300	\$84,800
	CBD	0.000426	0.000485	\$212,700	\$244,500

THE LAKES TARGETED RATE

A rate charged only to the properties within 'The Lakes' subdivision at Pyes Pa West. This rate recovers the additional level of service required by council to maintain and renew street gardens, street trees, footpaths and removal of litter from ponds.

BASIS OF RATE	RATES PER \$ OF CV		TOTAL REVENUE SOUGHT (EXCL GST)	
	2007/08	2008/09	2007/08	2008/09
Fixed charge per rating unit within The Lakes subdivision	\$54	\$122	\$9,000	\$40,000

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FUNDING IMPACT STATEMENT – CONTINUED SUMMARY OF RATING METHOD

Note 1: 1 SUIP = Separately used or inhabited part of a rating unit
CV = Capital Value
LV = Land Value
RU = Rating Unit

Note 2: Residential = residential, rural and conservation activities.
Note 3: Commercial = commercial, industrial and Port related activities

RATE TYPE	BASIS OF RATE (NOTE 1)	2007/08 incl GST		2008/09 incl GST
GENERAL RATES				
Rate in \$		Rate per \$		Rate per \$
Residential (Note 2)	CV	0.00126		0.001310
Commercial (Note 3)	CV	0.00126		0.001310
UAGC				
Fixed Charge		Per annum		Per annum
Uniform Annual General Charge	SUIP	\$500		\$525
TARGETED RATES				
Water				
- consumption	Volume of water consumed	\$1.30 per cubic metre		\$1.35 per cubic metre
- base charge	Size and number of water connections	Meter Size	Base Charge	Meter Size
		20mm	\$25	20mm
		25mm	\$50	25mm
		40mm	\$200	40mm
		50mm	\$400	50mm
		80mm	\$800	80mm
		100mm	\$1000	100mm
		150mm	\$1000	150mm
		200mm	\$1000	200mm
		Per annum		Per annum
		\$535		\$535
		Per annum		Per annum
		\$235		\$255
		\$235		\$255
		\$117.50		\$127.50
		Rate per \$		Rate per \$
		0.0003836		0.000370
Economic development rate				
Commercial properties	CV	Rate per \$		Rate per \$
		0.000748		0.000808
		0.001442		0.001539
		0.000426		0.000485
Mainstreet rates				
Rate in \$, location		Rate per \$		Rate per \$
Mt Maunganui	CV	0.000748		0.000808
Greerton	CV	0.001442		0.001539
CBD	CV	0.000426		0.000485
The Lakes targeted rates				
All rating units in specified area	Fixed charge per rating unit	Per annum		Per annum
		\$54		\$122

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2008/09 SUMMARY OF RATES REVENUE						
	Rate in the \$ (incl GST)			Revenue (excl GST)		
	2007/08	2008/09	% change	2007/08	2008/09	% change
GENERAL RATES						
Residential	0.00126	0.001310	3.9%	\$23,464,000	\$25,381,000	8.2%
Commercial	0.00126	0.001310	3.9%	\$5,427,000	\$5,608,000	3.3%
UAGC	500	525	5.0%	\$23,704,000	\$25,382,000	7.1%
TARGETED RATES						
Water consumption per cubic metre	1.30	1.35	3.8%	\$13,067,000	\$13,826,000	5.8%
Base charge - minimum	25+	25+	0.0%	\$1,279,000	\$1,297,000	1.4%
Wastewater	235	255	8.5%	\$11,857,000	\$13,056,000	10.1%
Economic Development	0.0003836	0.000370	(3.5%)	\$1,530,000	\$1,555,000	1.6%
THE LAKES TARGETED RATE	\$54	\$122	126%	\$9,000	\$40,000	344%
TOTAL RATES REVENUE REQUIREMENT (EXCL GST)				\$80,337,000	\$86,145,000	7.2%
Growth - as represented by increase in new rating units, UAGC's and development						2.5%
TOTAL RATES REVENUE MOVEMENT AFTER GROWTH						4.7%
TOTAL GENERAL RATES AND UAGC REVENUE AFTER GROWTH						4.6%
STATISTICS						
Capital Value	(values as at July 2007)					
Residential	\$21,599,060,000	\$22,159,678,000	2.6%			
Commercial	\$4,898,232,000	\$5,135,529,000	4.8%			
UAGC						
Number of separate dwellings	53,334	54,594	2.4%			
GENERAL RATES						
Number of rating units	48,370	49,384	2.1%			

