

FINANCIAL REGULATIONS BENCHMARKS

Tasman's 10-Year Plan 2021–2031 disclosure statement for period commencing 1 July 2021

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose Council's planned financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

RATES AFFORDABILITY BENCHMARK

Council meets the rates affordability benchmark if its actual rates increases equals, or are less than, each quantified limit on rates increases.

RATES (INCREASES) AFFORDABILITY

Figure 1 (on page 224) compares Council's planned rate increases with a quantified limit on rates increases contained in the Financial Strategy (refer to Supporting Information). The quantified limit is 4.5% for years one to three, 7.0% for years four to five and 4.5% for years six to ten of Tasman's 10-Year Plan 2021 – 2031. Growth ranges from 1.57% to 2.0% per annum over the 10 years of the Plan.

DEBT AFFORDABILITY BENCHMARK

Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The definitions contained in the regulations differ from those used in Council's Treasury Risk Management Policy and Financial Strategy. The quantified limits on borrowings contained in the Financial Strategy are taken from Council's Treasury Policy, and as such were formulated in relation to the definition of net external debt. Planned results are reported using both the prescribed definitions contained in the regulations, and the definition intended by the Financial Strategy, explained below.

Net external debt is defined in the Treasury Policy as total external debt less liquid financial assets and investments.

Net debt is defined in the regulations as financial liabilities less financial assets (excluding trade and other receivables).

Financial liabilities, as defined by Generally Accepted Accounting Principles (GAAP), include gross external debt (aggregate borrowings of the Council, excluding debt of Council's associate organisations, including any capitalised finance leases, and financial guarantees provided to third parties), plus trade payables and derivative financial instruments (interest rate swaps).

Financial assets, as defined by GAAP, include cash or near cash treasury investments held from time to time, and equity instruments of other entities (e.g. investments in CCOs).

EXTERNAL DEBT LIMIT

These graphs compare Council's planned borrowing with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt not to exceed \$250 million per annum.

Figure 2 (on page 224) represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 3 (on page 224) represents the planned results based on the prescribed definitions in the regulations.

NET DEBT TO EQUITY

These graphs compare Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt to not exceed 20% of equity.

Figure 4 (on page 225) represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 5 (on page 225) represents the planned results based on the prescribed definitions in the regulations.

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NET DEBT TO TOTAL OP NET DEBT TO TOTAL OPERATING REVENUE

These graphs compare Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net external debt to not exceed 225% of total operating revenue.

(Total operating revenue is defined as earnings from rates, government grants and subsidies, user charges, levies, interest, dividends, financial and other revenue, but excludes non-government capital contributions, (e.g. developer contributions and vested assets), gains on derivative financial instruments, and revaluations of property, plant, or equipment.)

Figure 6 (on page 225) represents the planned results based on the intended definitions contained in the Financial Strategy.

Figure 7 (on page 226) represents the planned results based on the prescribed definitions in the regulations.

NET INTEREST TO TOTAL OPERATING REVENUE

Figure 8 (on page 226) compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net interest on external debt to not exceed 15% of total annual operating revenue.

NET INTEREST TO TOTAL RATES INCOME

Figure 9 (on page 226) compares the net interest costs of Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy. The quantified limit is net interest on external debt to not exceed 25% of total annual rates income.

BALANCED BUDGET BENCHMARK

Figure 10 (on page 227) displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

The operating deficit in 2022/2023 and 2023/2024 is driven by Council's decision to loan fund operating expenditure for the Digital Innovation Programme and the review of the Tasman Resource Management Plan across the Plan. These programmes are being loan funded, as the benefit to the community extends beyond a single year. For more detail please refer to the Revenue and Financing Policy. Loan funding is not included under the regulations for the calculation of operating revenue leading to an operating deficit. The balanced budget does not reflect the cash operating position of Council.

ESSENTIAL NETWORK SERVICES BENCHMARK

Figure 11 (on page 227) displays the Council's planned capital expenditure on essential network services as a proportion of expected depreciation on network services. Essential network services are defined as infrastructure relating to water, wastewater, stormwater, flood protection, roads and footpaths.

Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services. Capital expenditure excludes vested assets.

DEBT SERVICING BENCHMARK

Figure 12 (on page 227) displays Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

Because Statistics New Zealand projects the population of Tasman District will grow more slowly than the national population growth rate, Council meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

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FIGURE 1: Rates (Increases) Affordability

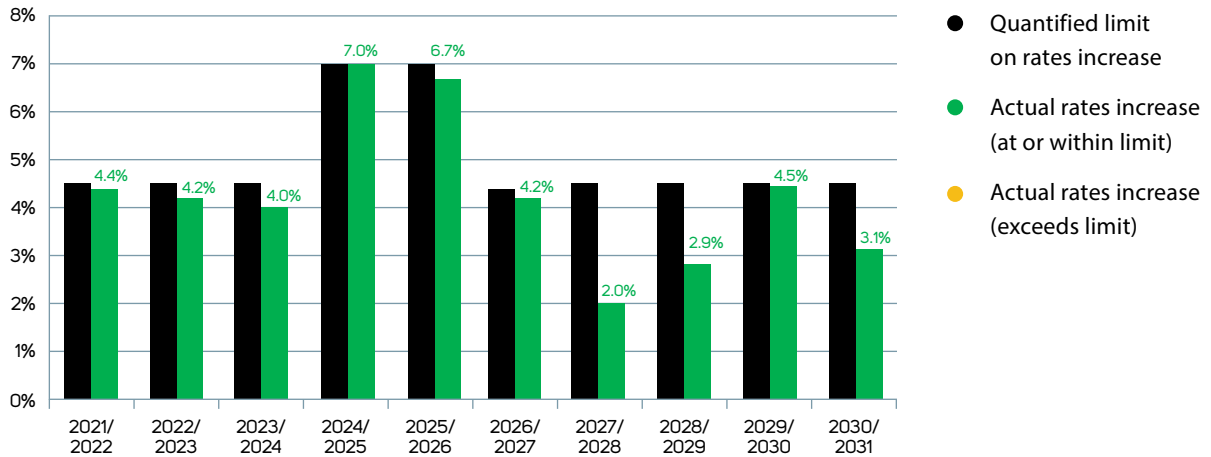


FIGURE 2: Debt Affordability – Council External Debt Limit

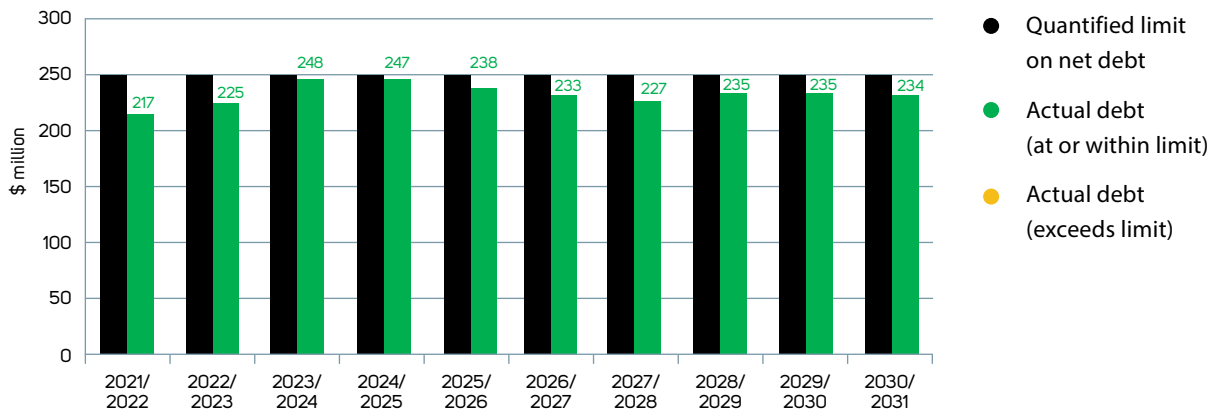
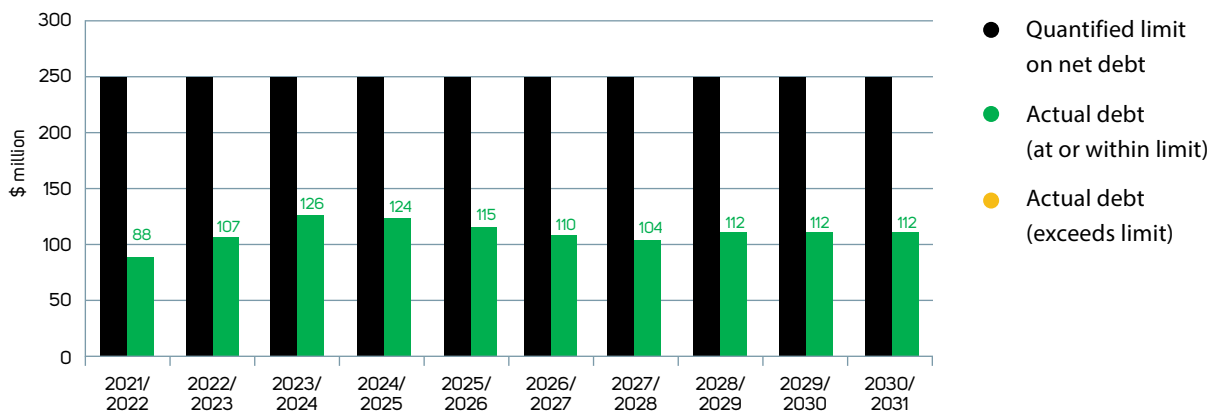


FIGURE 3: Debt Affordability – Prescribed External Debt Limit



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FIGURE 4: Debt Affordability – Council Net Debt to Equity

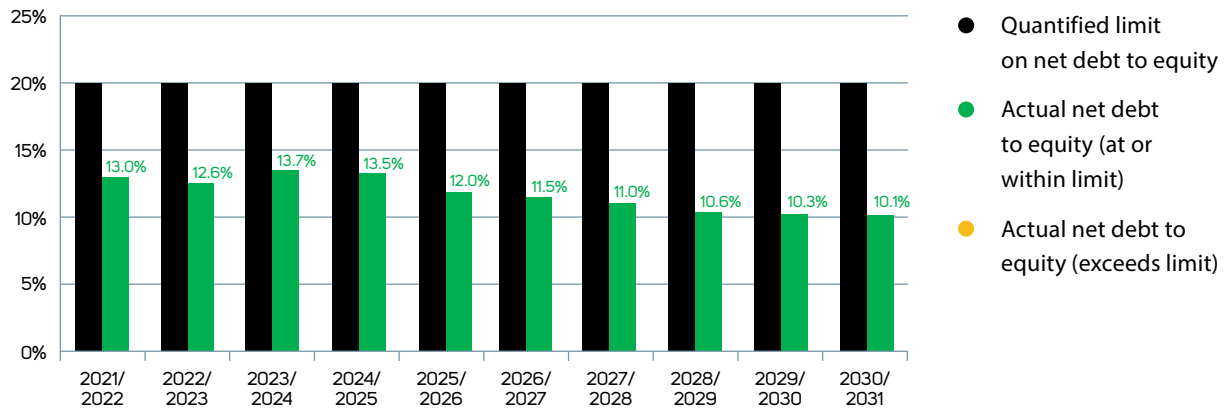


FIGURE 5: Debt Affordability – Prescribed Net Debt to Equity

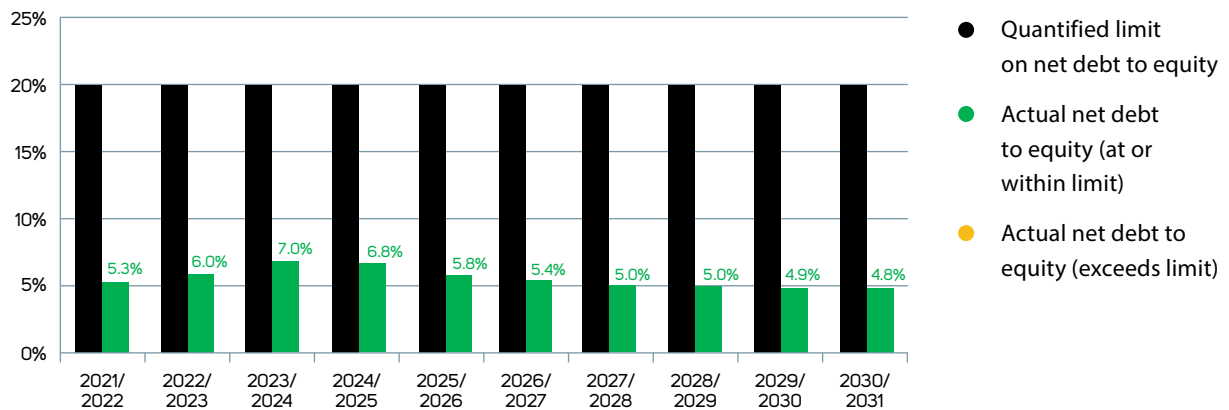
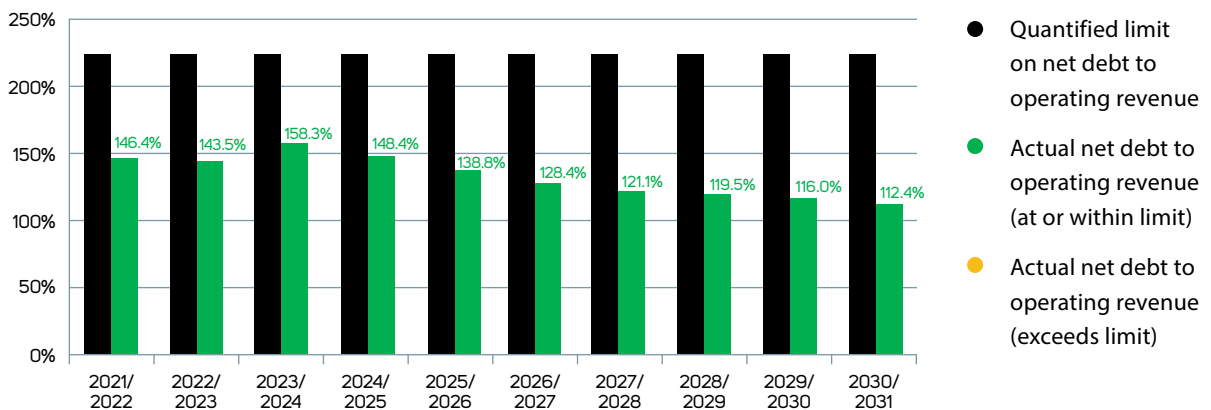


FIGURE 6: Debt Affordability – Council Net Debt to Operating Revenue



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FIGURE 7: Debt Affordability – Prescribed Net Debt to Operating Revenue

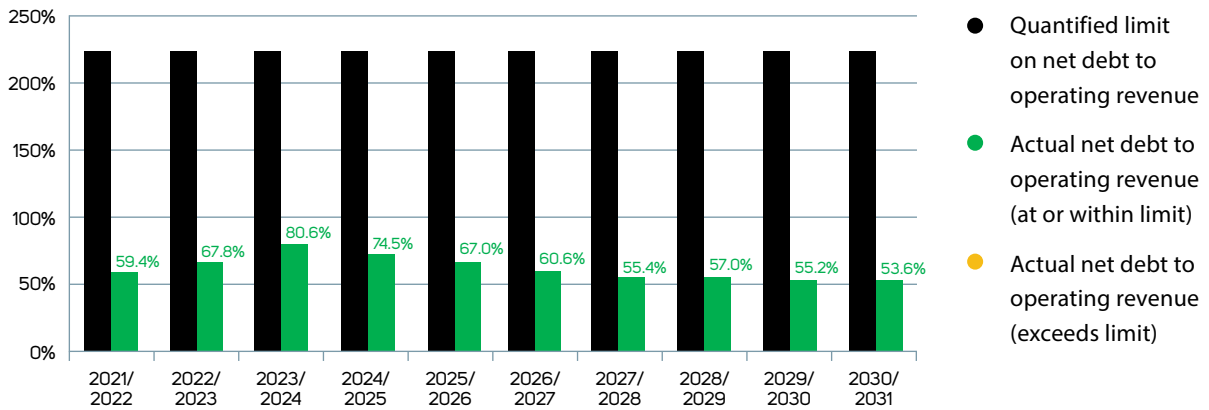


FIGURE 8: Debt Affordability – Net Interest to Operating Revenue

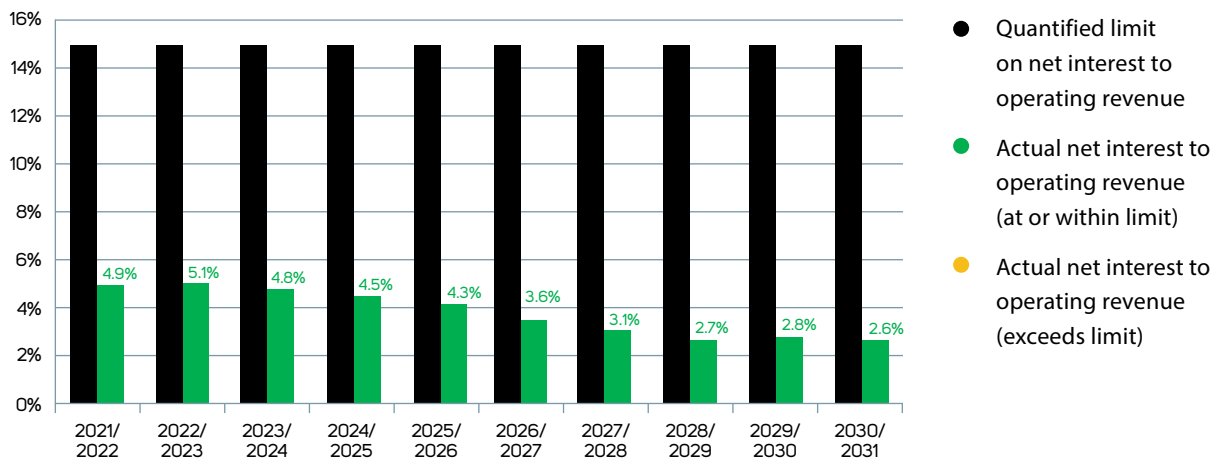
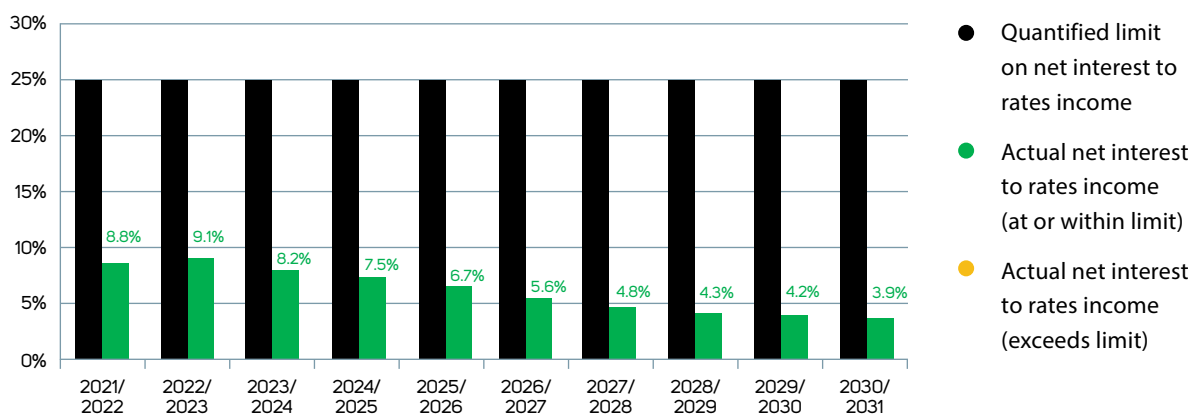


FIGURE 9: Debt Affordability – Net Interest to Annual Rates Income



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FIGURE 10: Balanced Budget Benchmark

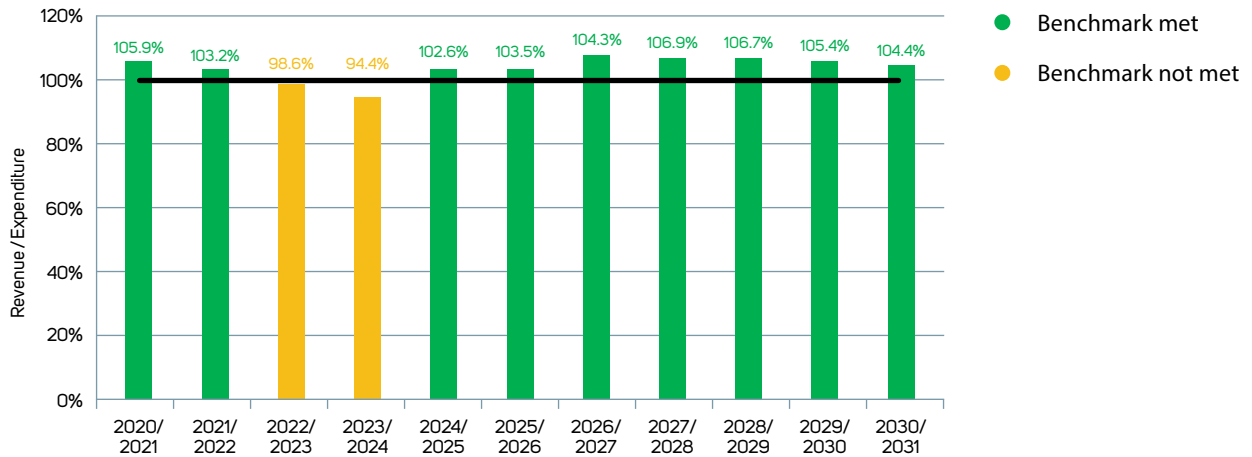


FIGURE 11: Essential Services Benchmark

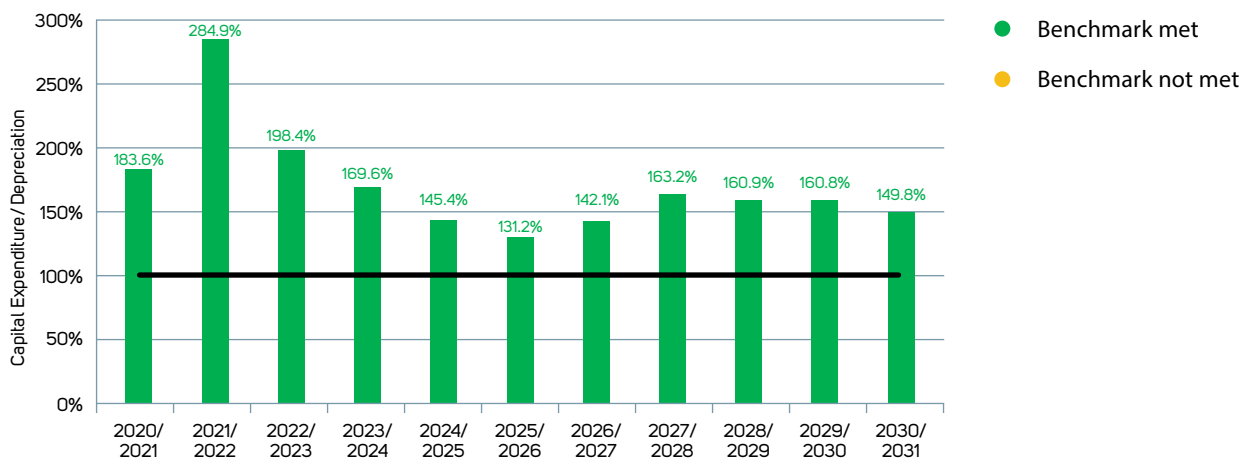


FIGURE 12: Debt Servicing Benchmark

