THE ANNUAL PLAN

MAHERE Ā-TAU

2025-2026

South Waikato District Council

LONG TERM PLAN/ ANNUAL PLAN ROADMAP

The Council oversees community assets worth hundreds of millions, emphasising the importance of future planning.

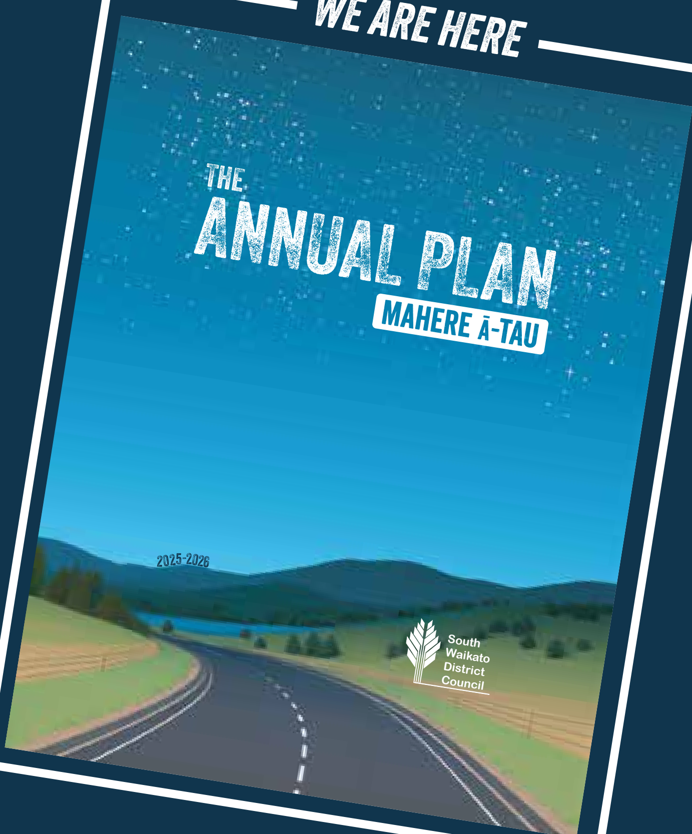
South Waikato's 10-year plan serves as our roadmap towards promoting social, economic, environmental and cultural wellbeing in our communities both now and in the future. It guides us on our journey towards resilience and sustainability.

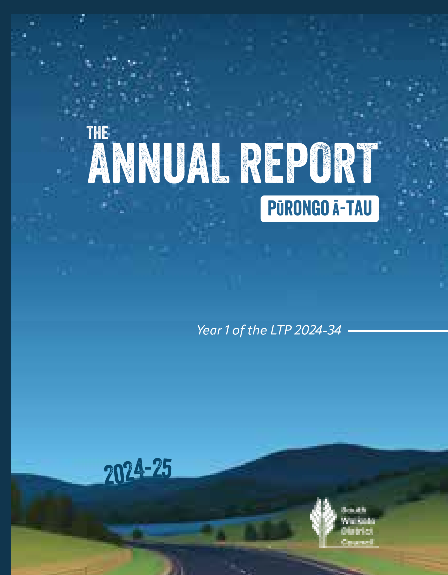
Outline our vision, community outcomes and strategic direction

OUR COMMUNITY VISION:

A THRIVING COMMUNITY AND ROBUST ECONOMY THAT OUTPACES THE REST OF NZ

WE ARE HERE





Annual Report 2024 - 25
Evaluating Our Progress

TABLE OF CONTENTS

INTRODUCTION

- Mayor's Message 4
- Our Councillors 6
- What is the Annual Plan? 7
- The Year Ahead 8
- Rates for Year 2 9
- How Will Your Rates be Spent in 2025-2026? 9

OUR SERVICES 10

- Transport & Roading Services 11
- Solid Waste and Recycling Services 12
- Water Supply Services 13
- Wastewater Services 14
- Stormwater Services 15
- Leisure and Wellbeing Services 16
- Governance Services 17
- Strategy Services 18
- Regulatory Services 19

FINANCES 20

OUR FINANCIAL INFORMATION 21

- The Funding Impact Statement 21
- The Rating Funding Impact Statement 21
- Financial Prudence Benchmark Disclosure for the Year Ending June 2026 36
- Where will Council Receive Funding from in 2025-2026 40

FORECAST FINANCIAL STATEMENT AND RESERVES 42

- Statement of Comprehensive Revenue and Expenses as at 30 June 43
- Prospective Statement of Cashflows 44
- Prospective Statement of Changes in Net Assets/ Equity 45
- Prospective Statement of Financial Position as at 30 June 46
- Whole of Council Funding Impact Statement 47
- Prospective Statement of Reserves as at 30 June 48

STATEMENT OF ACCOUNTING POLICIES 49

- Investments in Council Controlled Organisations (CCOs) 64

HOW TO OBTAIN A COPY OF THE 2025-2026 ANNUAL PLAN 70

MAYOR'S MESSAGE
He kōrero nā te Koromatua

As I look back on the 2024-2025 financial year, I'm proud to reflect on the work Council has achieved as we head into year two of the 2024-34 Long Term Plan. Significant decisions and actions have been taken for the betterment of the District and progress is being made.

In some instances, this has been about knuckling down and continuing to catch up on outstanding maintenance and projects which have been deferred and for far too long. Doing this, has however, placed added pressure on our already constrained financial position. Despite this, Council decided it would have been irresponsible to kick the can even further down the road.

In line with that, our priorities for 2025-26 remain focused on achieving financial sustainability in the near future, whilst still ensuring our assets are properly maintained and services continue to be delivered for our community. This is a careful balancing act. While not everyone will agree with where we have tipped the balance, that's where the hard decisions come in – staying true to our priority of ensuring future generations inherit a vibrant, growing District. Putting rates increases ahead of inflation was a difficult decision and one I acknowledge has been difficult for ratepayers, many of whom are already grappling with the rising cost of living.

On top of catching up on this work and maintaining core activity, we've been planning for the future, laying down the foundations for what the South Waikato will look like in years to come.
Included in that work have been key infrastructure upgrades which will facilitate the growth we know is coming, while supporting current developments which will add to our District in the more immediate term.

Everything we do is aimed at improving the wellbeing of our communities and reflects our vision for 'a thriving community and robust economy that outpaces the rest of New Zealand'.

The challenges presented by Government reform – which will change the way councils manage water, land and resources, including the Local Water Done Well and Resource Management Act (RMA) reforms – remain front of mind. We are being encouraged to collaborate regionally and are working hard to make sure these changes benefit our communities, while keeping people in our District informed.

We are continuing to deliver on our Growth Strategy for South Waikato and in 2025-26 Council's focus will be on introducing changes to our District Plan that will enable development of additional land for residential and industrial activities in Tīrau, Putāruru and Tokoroa.

We are continuing to look at how we manage and pay for our facilities, including our pensioner housing, community halls and transfer stations.

Planned capital work has reduced from $49.375m to $40.312m after reviewing the capital programme set in the LTP and using data available in the 2024-25 year to reassess and investigate what is needed in 2025-26.

A reduction in subsidies and grants in 2025-26 – primarily from the reduced funding from the New Zealand Transport Agency (NZTA) Waka Kotahi – has impacted the overall budget. We're working hard to find cost savings which will allow us to continue to deliver the same quality of service.

Amidst all this, Council will continue to deliver our everyday business as usual activities and we will continue to act in the best interests of the whole District.

- We are adopting an average rate increase of 8.9% in line with year two of the 2024-34 Long Term Plan (LTP).
- Council is focused on maintaining the financial strategy set in the Long Term Plan.
- In 2025-26 we are continuing the comprehensive renewal programme of our drinking water infrastructure, as well as identifying improvements to our reservoirs and implementing appropriate upgrades to protect our water security.
- The current upgrade to the South Waikato Indoor Pools facility will continue into the 2025-26 Annual Plan year.
- To keep operational costs affordable for ratepayers, Council has again budgeted for an operating efficiency of 1%. This amounts to a further $960,000.

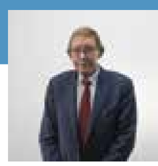
OUR COUNCILLORS

Mayor Gary Petley
0274 836 809
Gary.Petley@southwaikato.govt.nz

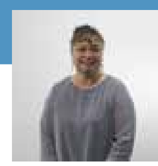
Deputy Mayor

Hamish Daine
0273 361 676
Hamish.Daine@southwaikato.govt.nz

Thomas Lee
0273 178 758
Thomas.Lee@southwaikato.govt.nz

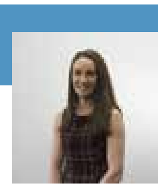


Bill Machen
0272 295 526
Bill.Machen@southwaikato.govt.nz



Maria Te Kanawa
0273 368 750
Maria.Tekanawa@southwaikato.govt.nz

Josiah Teokotai
0272 121 326
Josiah.Teokotai@southwaikato.govt.nz



Marie Farrell
0273 369 257
Marie.Farrell@southwaikato.govt.nz

Hans Nelis
0273 365 826
Hans.Nelis@southwaikato.govt.nz

Sandra Wallace
0273 365 094
Sandra.Wallace@southwaikato.govt.nz

Kerry Purdy
0273 364 541
Kerry.Purdy@southwaikato.govt.nz

Tīrau Community Board

Jessica Wanden (Chair)
Jessica.Wanden@southwaikato.govt.nz

Kevin Slater
Kevin@southwaikato.govt.nz

Graham Singers
Graham.Singers@southwaikato.govt.nz

Gaby Bond
Gaby.Bond@southwaikato.govt.nz

WHAT IS THE ANNUAL PLAN?

The Annual Plan is part of South Waikato District Council's (SWDC or Council) long-term planning process. Council is required to prepare and publish a ten-year Long Term Plan (LTP) that sets out its community vision, budgets and work programmes. Every 3 years the LTP is reviewed and every other year an Annual Plan is produced. In addition, an Annual Report reviewing performance against the LTP and Annual Plan is published annually.

Together, these three documents:
- Identify Council's priorities and outcomes (LTP)
- Outline our programme of work (Annual Plan) and
- Measure our performance (Annual Report).

LONG TERM PLAN 2024 - 2034 (LTP)
Council's plan for the next 10 years:
what Council will do, how much it will cost and how it will be funded.

ANNUAL PLAN ← WE ARE HERE
Produced every non-Long Term Plan year:
Council's work programme for the upcoming year and how it will be paid for.

ANNUAL REPORT
Produced every year: evaluating our progress whether the Council did what it said it was going to do.

To view Council's 2024-2034 Long Term Plan and associated documents click this link or scan the QR Code below:

https://www.southwaikato.govt.nz/our-council/strategies-plans-policies-bylaws/plans/long-term-plan

In September 2024, Council adopted the 2024-34 LTP. The 2025-26 Annual Plan (Year 2 of the LTP) outlines how we will progress our LTP in the coming year. We have reviewed our programme of work and identified operational savings as we said we would, and our budgets remain consistent with what was planned for this year.

WHY PREPARE AN ANNUAL PLAN?

The purpose of our Annual Plan is to:

- Outline the proposed annual budget and funding impact statement for Year 2 of the LTP year
- Identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year
- Provide integrated decision making and co-ordination of the resources of the Council
- Contribute to the accountability of Council to the community.

THE YEAR AHEAD

Everything we do is aimed at improving the well being of our communities and reflecting our vision of a 'thriving community and robust economy that outpaces the rest of New Zealand'. To do this, our priorities for 2025-26 firstly remain focused on achieving financial sustainability in the near future, whilst still ensuring our assets are properly maintained and our services deliver for our community.

Key challenges and projects for the year ahead include:

GOVERNMENT REFORM

The government is making changes to how councils manage water, land and resources including the Local Water Done Well and Resource Management Act (RMA) reforms. These reforms are changing how we do our work and we are being encouraged to collaborate regionally. We're working hard to make sure these changes benefit our communities. Engaging with you and keeping you informed is important as we adapt to these new ways of working.

ECONOMIC GROWTH

We are continuing to deliver on our Growth Strategy for South Waikato and in 2025-26 Council's focus will be on introducing changes to our District Plan that will enable development of additional land for residential and industrial activities in Tīrau, Putāruru and Tokoroa. Stage 1 of Maraetai Road Business Park in Tokoroa will also be completed in 2025-26. This will strengthen business confidence in the District encouraging further industrial development.

Council also continues to work with developers and central government to advocate for quality affordable homes in our District.

WATER INFRASTRUCTURE IMPROVEMENTS

Our community relies on robust water infrastructure networks to deliver clean drinking water and to manage our urban stormwater and wastewater. In 2025-26 we are continuing the comprehensive renewal programme of our drinking water infrastructure, as well as identifying improvements to our reservoirs and implementing appropriate upgrades to protect our water security.

We are also progressing with ongoing improvements to our stormwater network, so that our urban areas have greater resilience against more frequent and intense storm events and continuing to invest in wastewater infrastructure to meet more stringent environmental requirements and improved cultural outcomes.

SOUTH WAIKATO INDOOR POOL UPGRADE

The current upgrade to the pool facility will continue into the 2025-26 Annual Plan year. When completed, the facility will feature significant improvements designed for all the community and provide a safe, affordable place for swimming, learning, relaxation and play.

CLIMATE CHANGE

Local Government is on the front line of climate change. Decisions we make today about how and where we develop really matter. Councils are being encouraged to fund for climate change in future budgets as part of today's ethical responsibility for future generations.

FACILITIES AND SERVICES

We are continuing to look at how we manage and pay for our facilities, including our pensioner housing, community halls and transfer stations. We will come back to our community when we have updates on these matters.

ANNUAL EFFICIENCY TARGETS

To keep operational costs affordable for ratepayers Council has again budgeted for an operating efficiency of 1%.

Amidst all this, Council will continue to deliver our everyday business as usual activities.

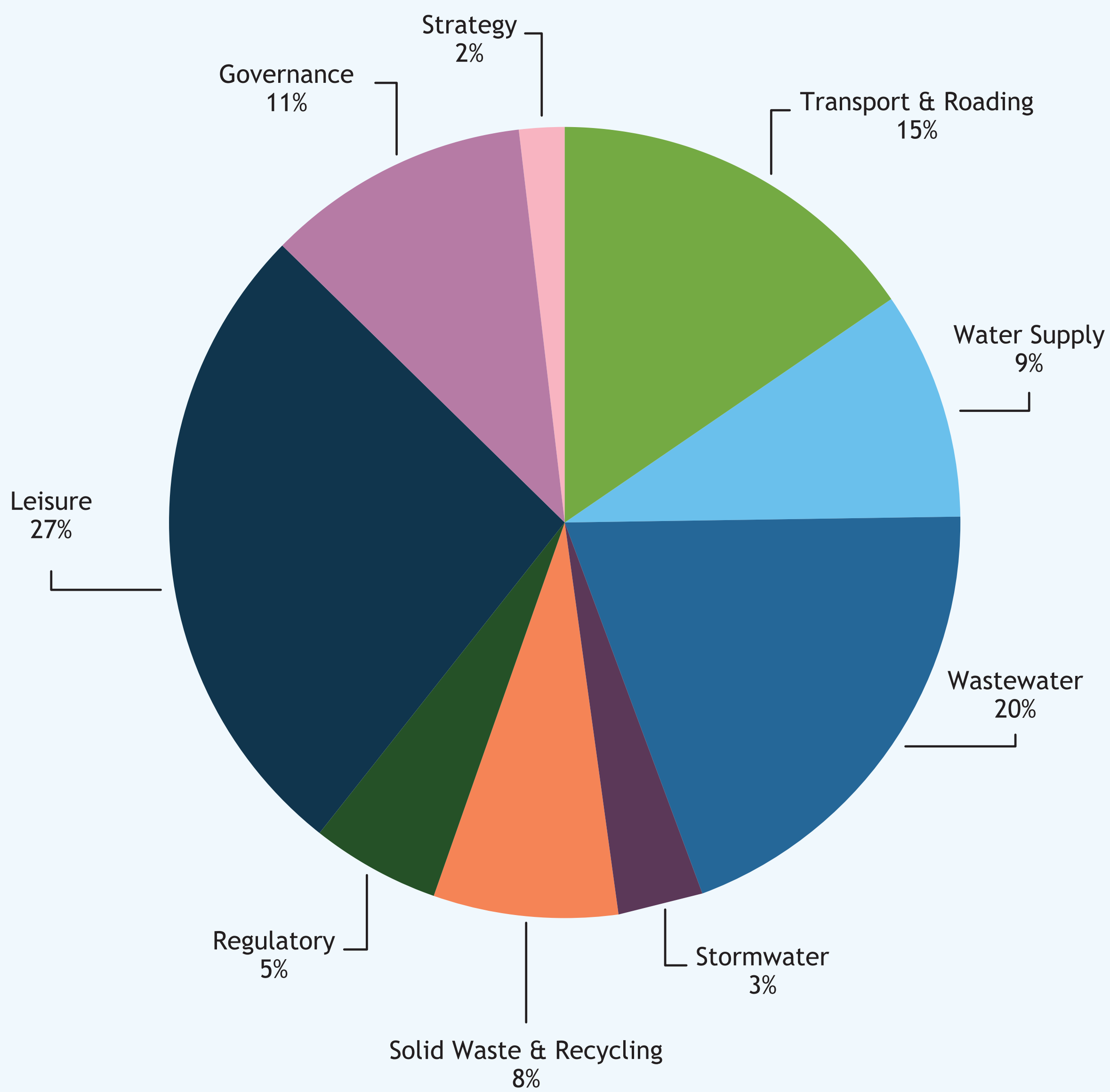
RATES FOR YEAR 2

The average rate increase for 2025-2026 is 8.9%. This is consistent with the approach set out for Year 2 of our Long Term Plan.

As stated in the LTP Council is still dealing with prior year operating deficits that started in the 2020-21 financial year. This impacts on our debt capacity and the ability to respond to future challenges quickly. Through ongoing prudent management and adhering to the course set out in the LTP we will be in a stronger and more financially sustainable operating position by Year 4 (2027-2028).

HOW WILL YOUR RATES BE SPENT IN 2025-26?

The chart below outlines where your rates will be spent in 2025-26 across the Council activities:



OUR SERVICES

Ā mātou ratonga

TRANSPORT & ROADING
NGĀ RATONGA MOMO WAKA ME NGĀ HUARAHI

SOLID WASTE & RECYCLING
NGĀ RATONGA PARA KORE ME TE HANGARUA?

WATER SUPPLY
NGĀ RATONGA WAI

WASTEWATER
NGĀ RATONGA WAIPARA

STORMWATER
NGĀ RATONGA WAIĀWHĀ

LEISURE & WELLBEING
NGĀ RATONGA PĀREKAREKA ME TO ORANGA TONUTANGA

GOVERNANCE
NGĀ RATONGA KĀWANATANGA

STRATEGY
NGĀ RATONGA RAUTAKI

REGULATORY
NGĀ RATONGA WHAKAHAERETANG

We have included a handy reference to the corresponding LTP page number for each activity.

Refer to LTP page 37-41

TRANSPORT & ROADING SERVICES

Ngā ratonga momo waka me ngā huarahi

One of SWDC's primary activities is owning and maintaining the roading and footpath network (excluding state highways). Ensuring our current infrastructure is appropriately maintained and renewed as required is a focus, alongside encouraging compliance with necessary standards. We also focus on ensuring that we maximise our NZTA funding to support our roading activity.

Council provides the roading network and associated roading services to ensure easy, safe and secure access to and around our District continues. It is an integral part of emergency management, business growth and community access.

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
PAVEMENT REHABILITATION	R	$1,518,00
DRAINAGE RENEWALS	R	$424,000
TRAFFIC SERVICES AND STREET LIGHTING RENEWALS	R	$266,000
FOOTPATH RENEWALS	R	$30,000
SEALED ROAD RESURFACING AND WIDENING	R	$1,836,000
TOKOROA AND TIRAU CBD - HAZARDOUS PAVING RENEWAL	LOS	$600,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

Refer to LTP page 42-45

SOLID WASTE & RECYCLING SERVICES

Ngā ratonga para kore me te hangarua?

Council owns, operates (under contracts), and maintains various assets and services to promote waste minimisation and environmental protection, as mandated by the Waste Minimisation Act 2008.

This includes encouraging waste minimisation, managing waste and recycling facilities and delivering an urban household collection service. These projects will further deliver on waste minimisation, renew necessary infrastructure for compliance standards and improve facility health and safety standards.

The Waste Minimisation Act 2008 promotes waste reduction to safeguard the environment and provide environmental, social, economic, and cultural benefits. This Act mandates the Council to prepare and regularly update a Waste Management and Minimisation Plan (WMMP). The current WMMP, established in 2022, outlines the Council's activities for the next six years and is scheduled for review in 2028.

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
SOLID WASTE RENEWALS	R	$105,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

**This project is funded largely by the waste levy from Central Government*

Refer to LTP page 47-51

WATER SUPPLY SERVICES

Ngā ratonga wai

Council manages four urban (Tokoroa, Putāruru, Tīrau, Arapuni) and two rural (Lichfield and Athol) water supplies, which include 10 reservoirs, 10 bore water pumps, and 228km of reticulation. Water is treated using various methods, including chlorination, filtration, pH correction, fluoridation, and ultraviolet disinfection, to ensure high quality and safety standards.

Ensuring a reliable and clean water supply is essential for public health, community safety, and supporting businesses. Council is committed to maintaining high-quality water services that meet all statutory and environmental standards.

The Government's "Local Water Done Well" Policy aims to ensure long term planning and financial sustainability for council-managed water services. Council is actively preparing to comply with upcoming legislation related to this Policy.

Council is exploring options to continue providing quality and value in water services while maintaining a local voice and achieving the best outcomes for communities

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
PLANT AND EQUIPMENT REPLACEMENT	R	$277,000
WATER SUPPLY RENEWALS	R	$1,463,000
HEALTH AND SAFETY IMPROVEMENTS	LOS	$42,000
RESERVOIR ASSESSMENTS AND UPGRADES	R / LOS	$1,426,000
WATER SUPPLY GROWTH UPGRADES	G	$2,398,000
WATER SUPPLY IMPROVEMENTS	LOS	$685,000
STANDBY GENERATOR	LOS	$158,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

Refer to LTP page 53-57

WASTEWATER SERVICES

Ngā ratonga waipara

Council owns, operates and maintains wastewater collection networks and disposal schemes for the communities of Arapuni, Tīrau, Putāruru, and Tokoroa as well as gravity and pumped delivery of the wastewater to the respective treatment plants for each town.

The wastewater undergoes rigorous treatment processes to achieve high-quality standards before being discharged into water bodies or land. The wastewater services provided to the community through these assets include wastewater collection throughout the urban areas of Tokoroa, Putāruru, Tirau, and Arapuni.

The provision of wastewater collection networks and treatment plants is vital to meet the needs of all District residents. These services ensure safe, reliable, and efficient disposal of wastewater from homes, schools, and businesses 24 hours a day, 365 days a year, in a manner that safeguards human health and the environment.

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
PLANT AND EQUIPMENT REPLACEMENT	R	$447,000
WASTEWATER PUMP STATION UPGRADES	LOS	$905,000
WASTEWATER RENEWALS	R	$632,000
HEALTH AND SAFETY UPGRADES	LOS	$42,000
PUTĀRURU WASTEWATER TREATMENT PLANT DENITRIFICATION	LOS	$5,263,000
WASTEWATER TREATMENT PLANT UPGRADES	R / LOS	$1,947,000
STANDBY GENERATOR	LOS	$2,000
MINOR WORKS	LOS	$75,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

Refer to LTP page 58-61

STORMWATER SERVICES

Ngā ratonga waiāwhā

Council owns, operates, and maintains 123km of stormwater collection networks and disposal schemes for the communities of Arapuni, Tīrau, Putāruru, and Tokoroa. These networks collect stormwater from homes and businesses through a system of pipes and channels, directing it by gravity to natural watercourses

The stormwater assets provide the community with a reticulated system of pipes and channels designed to cope with frequent rainfall events. The Council also employs gross pollutant traps or similar treatment devices to reduce debris and contaminant levels in stormwater discharge, safeguarding the receiving natural watercourses. The stormwater infrastructure plays a vital role in the District's wellbeing. It ensures the safe and efficient disposal of rainwater 24/7, protecting both residents and property.

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
PUTĀRURU STORMWATER GROWTH UPGRADES	LOS	$2,105,000
STORMWATER RENEWALS	R	$63,000
STORMWATER IMPROVEMENTS	LOS	$1,407,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

Refer to LTP page 63-67

LEISURE & WELLBEING SERVICES

Ngā ratonga pārekareka me to oranga tonutanga

Our Leisure and Wellbeing Services are diverse and include public swimming pools and library services in Tokoroa, Putāruru and Tīrau, the South Waikato Sport and Events Centre based in Tokoroa and parks and reserves across the District. Council also has economic and community development functions supporting the District’s long-term economic stability and community wellbeing.

Our Leisure and Wellbeing Services aim to enhance the overall wellbeing and vitality of the South Waikato community by providing services that contribute to physical, social, economic and cultural wellness.

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
PARKS AND RESERVES		
CEMETERY RENEWALS	LOS	$16,00
BRIDGES/BOARDWALKS, WALKWAYS AND INTERNAL ROAD RENEWALS	R	$79,000
SIGNAGE, FURNITURE, BINS AND FENCING RENEWALS	R	$47,000
PLAYGROUND RENEWALS	R	$60,000
COMMUNITY FACILITIES		
SOUTH WAIKATO INDOOR POOL RENEWAL AND UPGRADE	LOS	$11,579,000
SOUTH WAIKATO SPORT AND EVENT CENTRE RENEWALS	R	$89,000
LIBRARY COLLECTIONS AND INFORMATION RESOURCES	R	$158,000
LIBRARIES SHELVING AND EQUIPMENT UPGRADES	R	$16,000
ECONOMIC DEVELOPMENT		
MARAETAI ROAD INTERMODAL BUSINESS PARK	G	$1,800,000
GROWTH CELL 4 ACCESS - PRINCES ST, PUTĀRURU	G	$686,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

Refer to LTP page 68-71

GOVERNANCE SERVICES

Ngā ratonga kāwanatanga

Our governance services support democratic processes, encourage strong relationships, provide user-friendly services, maintain public facilities and ensure preparedness for emergencies. There are five activities in this group:

- Democracy - Supports local democracy by providing governance advice and democratic services to elected members, the public and staff.
- Iwi Liaison - Strengthens the Council's collaboration with Iwi and Māori, providing cultural guidance and preserving vital partnerships with our Treaty partners across the District.
- Business Support - Delivers reliable and user-friendly access to Council information and online services. Facilitates the smooth operation of all its activities.
- Property - Responsible for maintaining community facilities and pensioner housing. Managing leases and licences for community buildings and associated services.
- Civil Defence Emergency Management - Oversees Civil Defence Emergency Management to handle emergencies and recovery in the District.

Capital Works Programme for 2025-2026

PROJECT NAME	TYPE	ANNUAL PLAN 25/26 (YR2 LTP)
COUNCIL OFFICES AND DEPOT RENEWALS DRAINAGE RENEWALS	R	$157,00
COUNCIL VEHICLE FLEET	R	$316,000
GENERAL PROPERTY	R	$64,000
HALLS RENEWAL	R	$86,000
PENSIONER HOUSING RENEWALS	R	$166,000
HARDWARE AND SOFTWARE UPGRADES AND RENEWALS	R	$616,000

R= RENEWALS | LOS= LEVELS OF SERVICE | G=GROWTH

Refer to LTP page 72-73

STRATEGY SERVICES

Ngā ratonga rautaki

Our Strategy Services support the future planning and delivery of community's objectives and goals. There are three activities in this group:

Growth planning - Manages and plans the targeted growth and development of the community. A new Growth Plan was developed in 2023 to ensure that there is sufficient residential and business land to provide and encourage growth in the District. This will be incorporated into the District Plan to ensure certainty for those that wish to develop.

Strategic planning - Focuses on the development of plans, policies and strategies to ensure the community's aspirations and desired outcomes are defined and met. This includes identification of opportunities and threats, setting priorities and allocating resources.

Infrastructure strategy -Takes a long term view of our infrastructural assets. It plans for growth and renewal to ensure that investment in these assets is maximised. It works closely with Growth Planning to ensure our infrastructure projects fit our strategic goals

There are no capital projects for the Strategy Services activity.

Refer to LTP page 75-77

REGULATORY SERVICES

Ngā ratonga whakahaeretanga

Through our Regulatory Services, we prioritise the safety of our residents and the wellbeing of the environment. By providing guidance and support to communities in implementing safe planning and operations, we foster a culture of sustainability that builds resilience for our District's future. There are four activities in this group:

Resource Management - Supports sustainable management of the District's natural and physical resources.

Building Control - Processing and supervision of building consents and issuance of Code of Compliance Certificates. Monitor and enforce earthquake-prone building regulations.

Compliance - Provides animal control services related to dog registration, responding to complaints, managing wandering livestock and enforcing general animal control regulations.

Health and Alcohol - Oversees registration, licensing and inspections of food and alcohol businesses to ensure compliance with regulations, prioritising public health and safety in line with legislative mandates.

Our regulatory team ensures our environment and buildings are managed and provided for in a safe and sustainable way, our food outlets are safe, our dogs are looked after and our communities run smoothly for now and into the future.

There are no capital projects for the Regulatory Services activity.

FINANCES
Ngā Kaupapa ahumoni

OUR FINANCIAL INFORMATION
NGĀ MŌHIOHIO PŪTEA

FORECAST FINANCIAL STATEMENT & RESERVES
NGĀ TAUĀKĪ AHUMONI ME NGĀ TĀPUI

STATEMENT OF ACCOUNTING POLICIES
TAUĀKĪ MŌ NGĀ KAUPAPA HERE TAURANGI PŪTEA

OUR FINANCIAL INFORMATION

Ngā mōhiohio pūtea

THE FUNDING IMPACT STATEMENT

Please note that the Funding Impact Statement is presented for compliance with Local Government (Financial Reporting and Prudence) Regulations 2014. The information presented is not presented in compliance with New Zealand's generally accepted accounting practice (GAAP) and does not include depreciation and other items of a non-cash nature.

THE RATING FUNDING IMPACT STATEMENT

This is a summary of where money will come from for the year commencing 1 July 2025. The following rates have been set by the Council under the Local Government (Rating) Act 2002, on rating units in the District, for the financial year commencing 1 July 2025 and ending on 30 June 2026.

Note: All per unit rates are quoted inclusive of GST and rate revenue to be collected is GST exclusive. The rating system used for the general rate and some of the targeted rates is capital value, and property valuations produced by Opteon New Zealand Ltd effective 1 July 2024 are used for the 2025-26 rating year.

It should be noted that a separately used or inhabited part (SUIP) of a rating unit includes any portion inhabited or used by the owner/ a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

This definition includes separately used parts (SUIP), whether actually occupied at any particular time, which are provided by the owner for rental (or other form of occupation) on an occasional or Long Term basis by someone other than the owner.

Examples of separately used or inhabited parts include:

- A property containing two or more separately occupiable units, flats, or houses
- A residential, lifestyle or rural property containing separately occupiable areas with a separate business operating in that area or areas
- A commercial or otherwise non-residential property containing separate residential accommodation
- Commercial premises or office blocks containing separate shops, office areas, workshops, warehouses, or other areas, each operated as a separate business in those premises.

For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

GENERAL RATE

A general rate of $0.003427 per dollar of the rateable capital value of every separate rating unit in the District. The rate is expected to produce $27,084,878 (excluding GST).

(Pursuant to Section 13 of the Local Government (Rating Act) of 2002)

UNIFORM ANNUAL CHARGE

A uniform annual general charge of $430.00 on each separately used or inhabited part of each rating unit in the District. The rate is expected to produce $4,288,556 (excluding GST).

(Pursuant to Section 15 of the Local Government (Rating) Act 2002.

LIMITATION ON UNIFORM RATES

Section 21 of the Local Government (Rating) Act 2002 puts a legislative limit on the amount of rates that can be collected from certain uniformly charged rating mechanisms.

In relation to the requirements of that section, the forecast for the 2025-26 year is 12.266%. The maximum limit is 30%.

WATER SUPPLY CHARGE

WATER SUPPLY METERED

For Rating units that are solely and exclusively supplied via a metered water supply:

- A targeted rate on a uniform basis of $600.35 per metered supply
- Plus, water used in excess of 320m^3 per annum on an individual metered supply shall be charged at $1.75 m^3.
- Contiguous rating units with a single SUIP and multiple meters and total consumption less than 320m^3 per annum will be charged one targeted rate of $600.35. If consumption exceeds 320m^3 in total, excess consumption shall be charged at $1.75 m^3.

WATER SUPPLY - PARTLY METERED OR SHARING A METERED SUPPLY

For Rating units that have a mixture of metered and non-metered water supply, or that share a metered water supply with another rating unit:

- A targeted rate on a uniform basis of $600.35 for each separately used or inhabited part of a rating unit connected to the Council water supply
- Plus, for the metered supply, water used in excess of 320m^3 per annum per separately used or inhabited part of a rating unit, per meter connected to the Council water supply shall be charged at $1.75 m^3.

WATER SUPPLY – OTHER

For Rating units located within any area shown on the rating maps 2592, 2595, 2589, 2591, 2587, or 2594 that have a non-metered water supply:

- A targeted rate on a uniform basis of $600.35 for each separately used or inhabited part of a rating unit connected to the Council water supply
- A targeted rate on a uniform basis of $300.18 for each separately used or inhabited part of a rating unit that is not connected to the Council’s water supply being 50% of the standard charge.

For Rating units located outside any area shown on the rating maps described above that are serviceable but not connected to a Council water supply:

- A targeted rate on a uniform basis of $300.18 for each rating unit being 50% of the standard charge.

For Rates expected to produce $4,616,174 (excluding GST) from uniform targeted rates, and $700,000 (excluding GST) from charges for water used in excess of allowances, for the provision of water supply services.

(Pursuant to Section 16 and Section 19 of the Local Government (Rating) Act 2002)

WASTEWATER DISPOSAL CHARGE

For all rating units located within any area shown on the rating maps 2593, 2588, 2590 or 2586.

RESIDENTIAL USE:

- A targeted rate on a uniform basis of $1,088.01 on each separately used or inhabited part of a rating unit with a residential use that has a water closet or urinal connected directly or through a private drain to a Council wastewater network.
- Not connected: A targeted rate on a uniform basis of $544.01 on each separately used or inhabited part of a rating unit with a residential use that is not connected to a Council wastewater network. This is 50% of the standard charge.

SCHOOLS:

- For land used as a school: A targeted rate on a uniform basis of $728.97 on each water closet or urinal connected either directly or through a private drain to a Council wastewater network. School has the same meaning as contained in Clause 6 of Schedule 1 of the Local Government (Rating) Act 2002 with the exception that residential accommodation used by a school employee is not included. This is 67% of the standard charge.

ALL OTHER NON-RESIDENTIAL USE:

A targeted rate on a uniform basis on each water closet or urinal connected either directly or through a private drain to a Council wastewater network, as shown below.

In respect of the first five pans and/or urinals within the rating unit, a targeted rate on a uniform basis of $1,088.01 per pan. In respect of each pan and/or urinal within the rating unit in excess of five – a targeted rate on a uniform basis of $870.41 per pan. This is 80% of the standard charge.

Not connected: A targeted rate on a uniform basis of $544.01 on each separately used or inhabited part of a rating unit that is not connected to a Council wastewater network. This is 50% of the standard charge.

The rate is expected to produce $9,648,008 GST exclusive.

(Pursuant to Section 16 of the Local Government (Rating) Act 2002)

STORMWATER CHANGE

For all rating units located within any area shown on the rating maps 321, 319, 320 or 318: A targeted rate for stormwater disposal of $0.0005150 per dollar of the Rateable Capital Value.

The rate is expected to produce $1,640,412 (excluding GST) for the provision of stormwater services.

(Pursuant to Section 16 of the Local Government (Rating) Act 2002)

WASTE COLLECTION CHARGE

A targeted rate for waste collection to be charged on a uniform basis at $191.53 per separately used or inhabited part of a rating unit for rating units provided with a waste collection service. The rate is expected to produce $1,401.781 (excluding GST).

(Pursuant to Section 16 of the Local Government (Rating) Act 2002)

CLEAN HEAT

A targeted rate charged on a uniform basis as shown in the table below, based on the extent of service provided. The rate is calculated as cents per dollar (a percentage) of the initial cost of providing the service to a property and is charged for nine years. Different rates apply to a property depending on the rating year in which the clean heat rate starts/started. The rate is expected to produce $220,000 (excluding GST) for the provision of clean heat services.

FIRST YEAR RATED	FINAL RATING YEAR	RATE: CENTS PER DOLLAR
2023-24	2031-32	12.44248
2022-23	2030-31	12.44248
2021-22	2029-30	12.44248
2020-21	2028-29	12.58110
2019-20	2027-28	12.72321
2018-19	2026-27	12.86891
2017-18	2025-26	13.01825

(Pursuant to Section 16 of the Local Government (Rating) Act 2002)

The Clean Heat targeted rate applies to services that have been provided under Council’s ‘Heat Swap’, ‘Buy Now Pay Later’ and ‘Split the Bill’ schemes.

DUE DATES FOR PAYMENT OF RATES

INSTALMENT NO.	PERIOD	INVOICE DATE	DATE FOR LAST DAY OF PAYMENT
1	JULY - SEPT 2025	1 AUG 2025	8 SEPT 2025
2	OCT - DEC 2025	1 NOV 2025	8 DEC 2025
3	JAN - MAR 2026	1 FEB 2026	9 MAR 2026
4	APR - JUNE 2026	1 MAY 2026	8 JUNE 2026

ADDITIONAL CHARGES (PENALTIES)

An additional charge of 10% is to be added to all rates levied in respect of the 2025-26 financial year and which, although due, remain unpaid on the following dates:

Instalment No 1	8 September 2025
Instalment No 2	8 December 2025
Instalment No 3	9 March 2026
Instalment No 4	8 June 2026

A further additional charge of 8% is to be added to all rates levied in any financial year prior to the 2025-2026 financial year and which remain unpaid on 8 December 2025.

A further additional charge of 8% is to be added to all rates levied in any financial year prior to the 2025-2026 financial year and which remain unpaid on 8 June 2026.

(Pursuant to Sections 57 and 58 of the Local Government (Rating) Act 2002)

DUE DATES FOR PAYMENT OF INVOICES FOR METERED WATER RATES

Invoices for rates relating to water consumed in excess of allowances will be issued separately on 29 August 2025, 28 November 2025, 27 February 2026 and 29 May 2026, with due dates for payment of 22 September 2025, 19 December 2025, 20 March 2026 and 22 June 2026 respectively.

PAYMENT OF RATES

RATES SHALL BE PAYABLE AT ANY OF THE FOLLOWING LOCATIONS:

- Tokoroa Office, Torphin Crescent, Tokoroa
- Putāruru Office, Overdale Street, Putāruru
- Tīrau Information Centre (The Dog), Main Road, Tīrau.

Payment may also be made electronically via the ratepayer’s banks Bill Payments system (we are pre- registered with all major banks), or by direct credit to Council’s bank: BNZ 02 0464 0103382 00 (ensuring property valuation number or water account number is referenced), or by credit card (Visa or Mastercard), POLi or Real Time Debit via Council’s website (www. southwaikato.govt.nz).

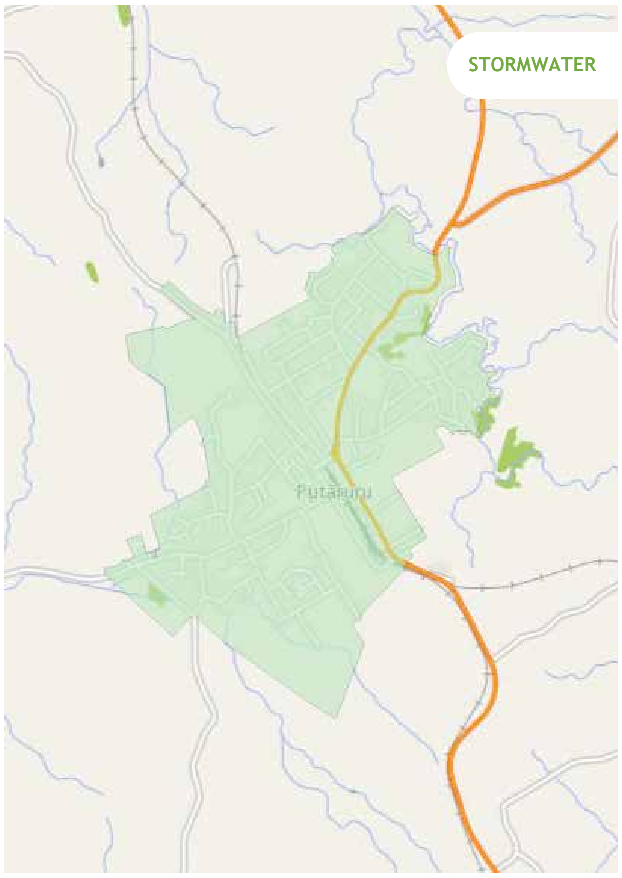
RATING MAPS

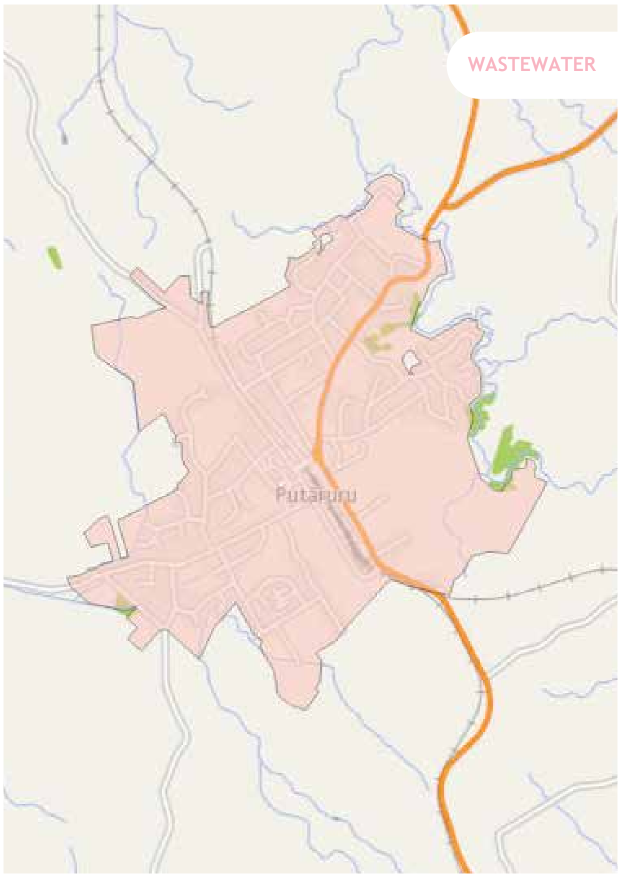
Ngā mahere reiti

ATHOL

LICHFIELD

PUTĀRURU

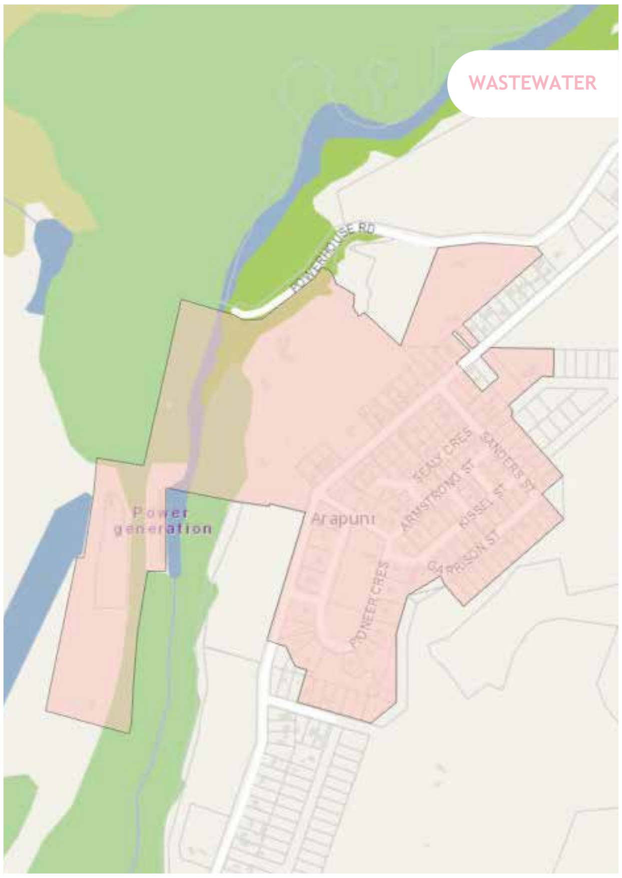




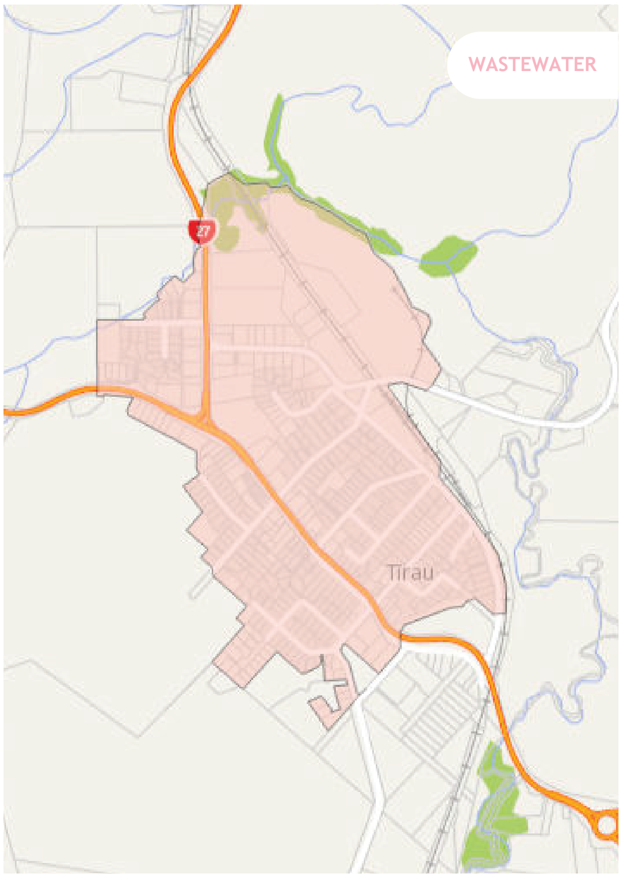
ARAPUNI


STORMWATER
Power generation
Arapuni
SEALY CRES
SANDERS ST
ARMSTRONG ST
KISSEL ST
PIONEER CRES


WATER
Power generation
Arapuni


WASTEWATER
Power generation
Arapuni
SEALY CRES
SANDERS ST
ARMSTRONG ST
KISSEL ST
PIONEER CRES

TĪRAU



TOKOROA


STORMWATER
Parkdale
Paraonui
Tokoroa Central
Papanui
Tokoroa
Matarawa
Amisfield
Strathmore
Aotea


WATER
Parkdale
Paraonui
Tokoroa Central
Papanui
Tokoroa
Matarawa
Amisfield
Strathmore
Aotea


WASTEWATER
Parkdale
Paraonui
Tokoroa Central
Papanui
Tokoroa
Matarawa
Amisfield
Strathmore
Aotea

RATES EXAMPLES

Kei raro iho nei ngā tauira mō ngā reiti

Please note these are examples using an average property value. Properties were revalued in 2024 resulting in these examples being different to those shown in the 2024-34 Long Term Plan. The residential examples assume a property with a single dwelling with all services such as water supply, wastewater and refuse collection. The farm and lifestyle examples assume a property with none of these services.

(GST Inclusive)

RESIDENTIAL

	Year 1	Year 2	LTP YEAR 1 (2024/25)	Change	LTP YEAR 2 (2025/26)
LOW VALUE	$295,000	$300,000	$3,195	9.3% change	$3,492
MEDIUM VALUE	$410,000	$415,000	$3,628	8.8% change	$3,946
HIGH VALUE	$565,000	$575,000	$4,211	8.7% change	$4,577

DAIRY FARM

	Year 1	Year 2	LTP YEAR 1 (2024/25)	Change	LTP YEAR 2 (2025/26)
LOW VALUE	$1,360,000	$1,425,000	$4,994	6.4% change	$5,314
MEDIUM VALUE	$3,790,000	$4,035,000	$13,579	8.2% change	$14,688
HIGH VALUE	$8,980,000	$9,590,000	$31,857	8.6% change	$34,585

LIFESTYLE

	Year 1	Year 2	LTP YEAR 1 (2024/25)	Change	LTP YEAR 2 (2025/26)
LOW VALUE	$400,000	$405,000	$1,772	2.6% change	$1,818
MEDIUM VALUE	$790,000	$810,000	$3,081	4.0% change	$3,206
HIGH VALUE	$1,245,000	$1,295,000	$4,608	5.6% change	$4,868

COMMERCIAL

LOW VALUE = LAND ONLY | HIGH VALUE = 3WC'S

	Year 1	Year 2	LTP YEAR 1 (2024/25)	Change	LTP YEAR 2 (2025/26)
LOW VALUE	$140,000	$140,000	$3,542	11.5% change	$3,950
MEDIUM VALUE	$415,000	$440,000	$5,733	10.8% change	$6,354
HIGH VALUE	$1,500,000	$1,650,000	$9,585	14.7% change	$10,990

PASTORAL FARM

MEDIUM VALUE = 1 DWG | HIGH VALUE = 2 DWGs

	Year 1	Year 2	LTP YEAR 1 (2024/25)	Change	LTP YEAR 2 (2025/26)
LOW VALUE	$151,000	$157,000	$937	3.3% change	$968
MEDIUM VALUE	$2,430,000	$2,565,000	$8,585	7.4% change	$9,220
HIGH VALUE	$6,500,000	$6,915,000	$22,674	8.3% change	$24,558

FINANCIAL PRUDENCE BENCHMARK DISCLOSURE FOR THE YEAR ENDING JUNE 2026

Ngā tauākī whākinga mō Te Mahere Pae Tawhiti

WHAT IS THE PURPOSE OF THIS STATEMENT ?

The purpose of this statement is to disclose the 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 Annual 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.

BENCHMARK		PLANNED	MET
RATES AFFORDABILITY BENCHMARK			
- INCOME	RATES NO MORE THAN 9% GREATER THAN PREVIOUS YEARS	8.90%	YES
- INCREASES	RATES NO MORE THAN 9% GREATER THAN PREVIOUS YEARS	8.90%	YES
DEBT AFFORDABILITY BENCHMARK	175% DEBT TO REVENUE RATIO	117%	YES
BALANCED BUDGET BENCHMARK	100%	97%	NO
ESSENTIAL SERVICES BENCHMARK	100%	209%	YES
DEBT SERVICING BENCHMARK	100%	5%	YES

RATES AFFORDABILITY BENCHMARK

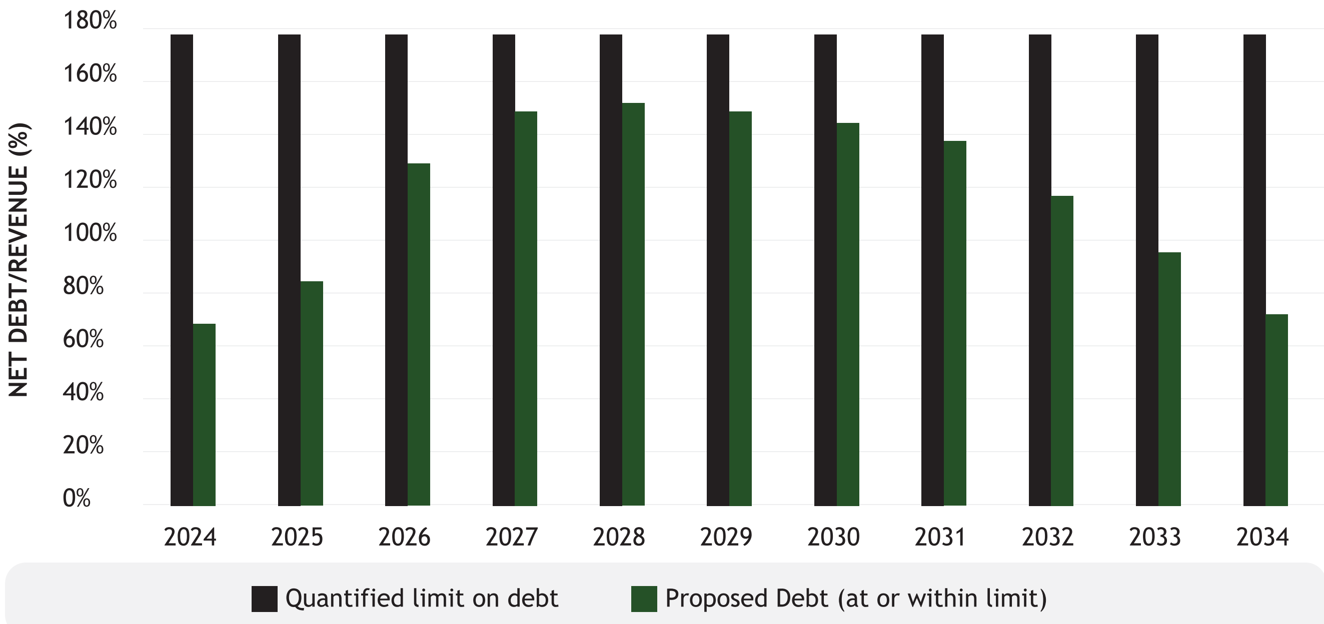
1. For this benchmark:
   a. the Council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan and
   b. the Council's planned rates increases for the year is compared with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan.

2. The Council meets the rates affordability benchmark if –
   a. its planned rates income equals or is less than each quantified limit on rates and
   b. its planned rates increases equal or are less than each quantified limit on rates increases.

DEBT AFFORDABILITY BENCHMARK

For this benchmark, the Council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the Council's Long Term Plan.

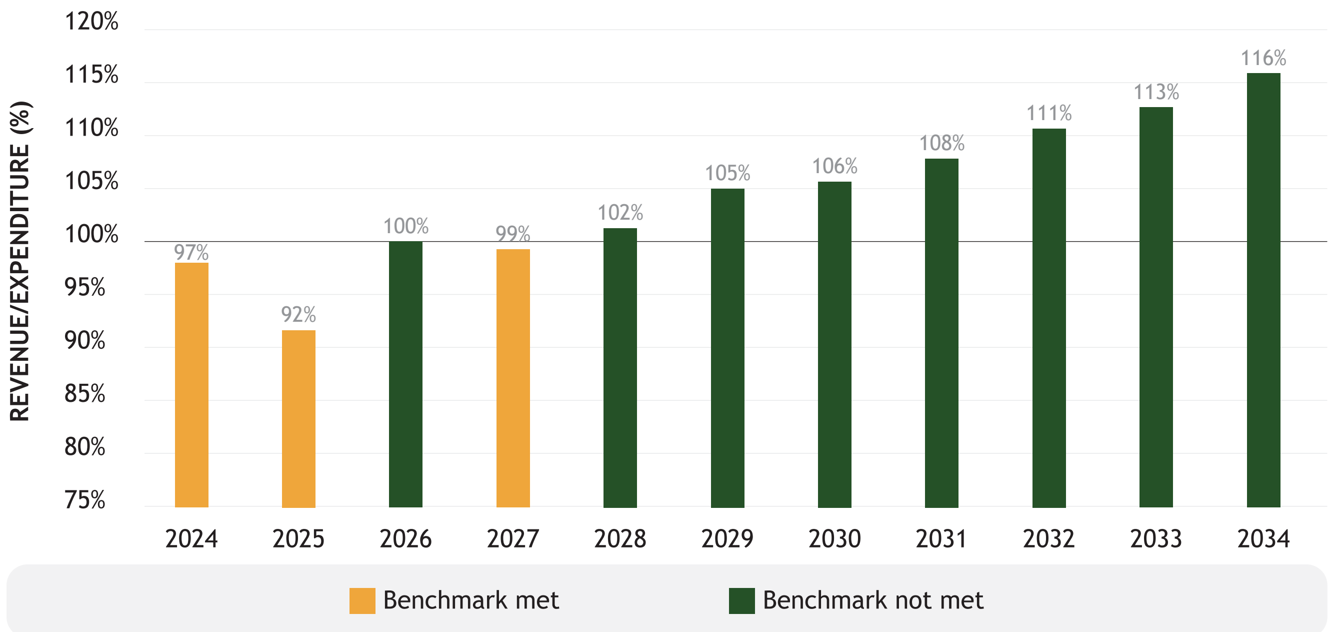
The Council meets the debt affordability benchmark if its planned borrowing is within the quantified limit on borrowing. The following graph compares Council's planned debt with a quantified limit on borrowing contained in the financial strategy included in Council's Long Term Plan. The quantified limit is net debt divided by revenue will not exceed 175%.



BALANCED BUDGET BENCHMARK

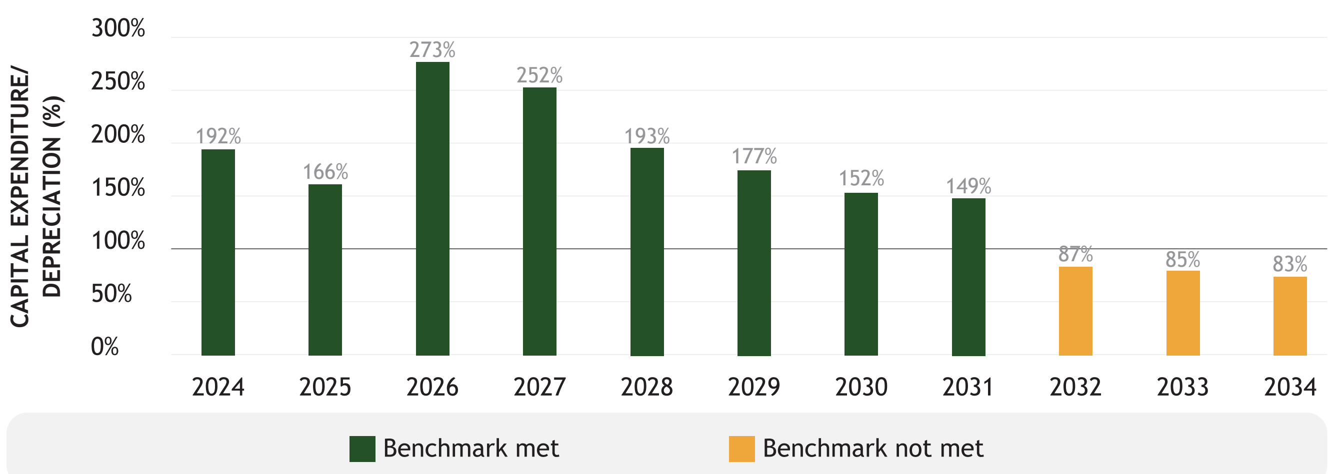
For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

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



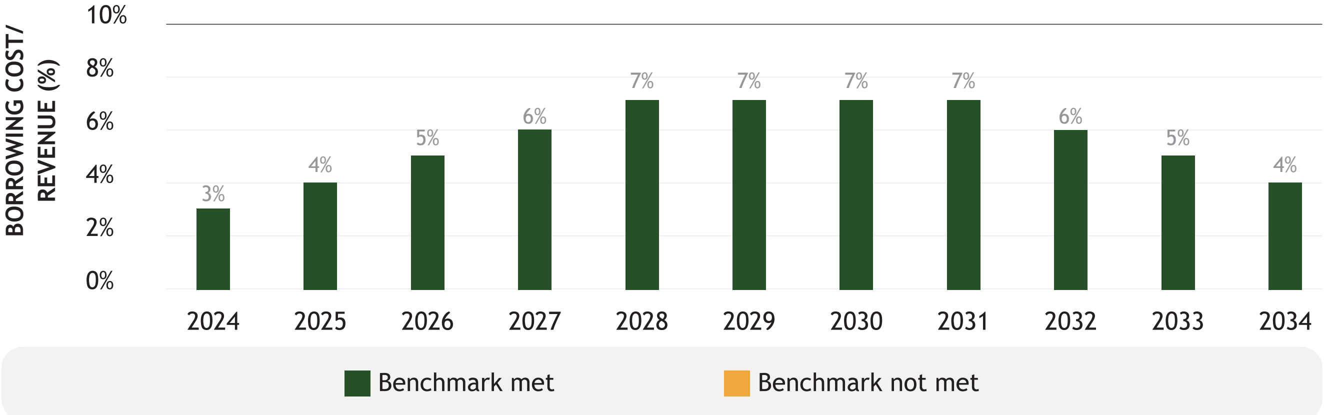
ESSENTIAL SERVICES BENCHMARK

This graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The Council meets this bench-mark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



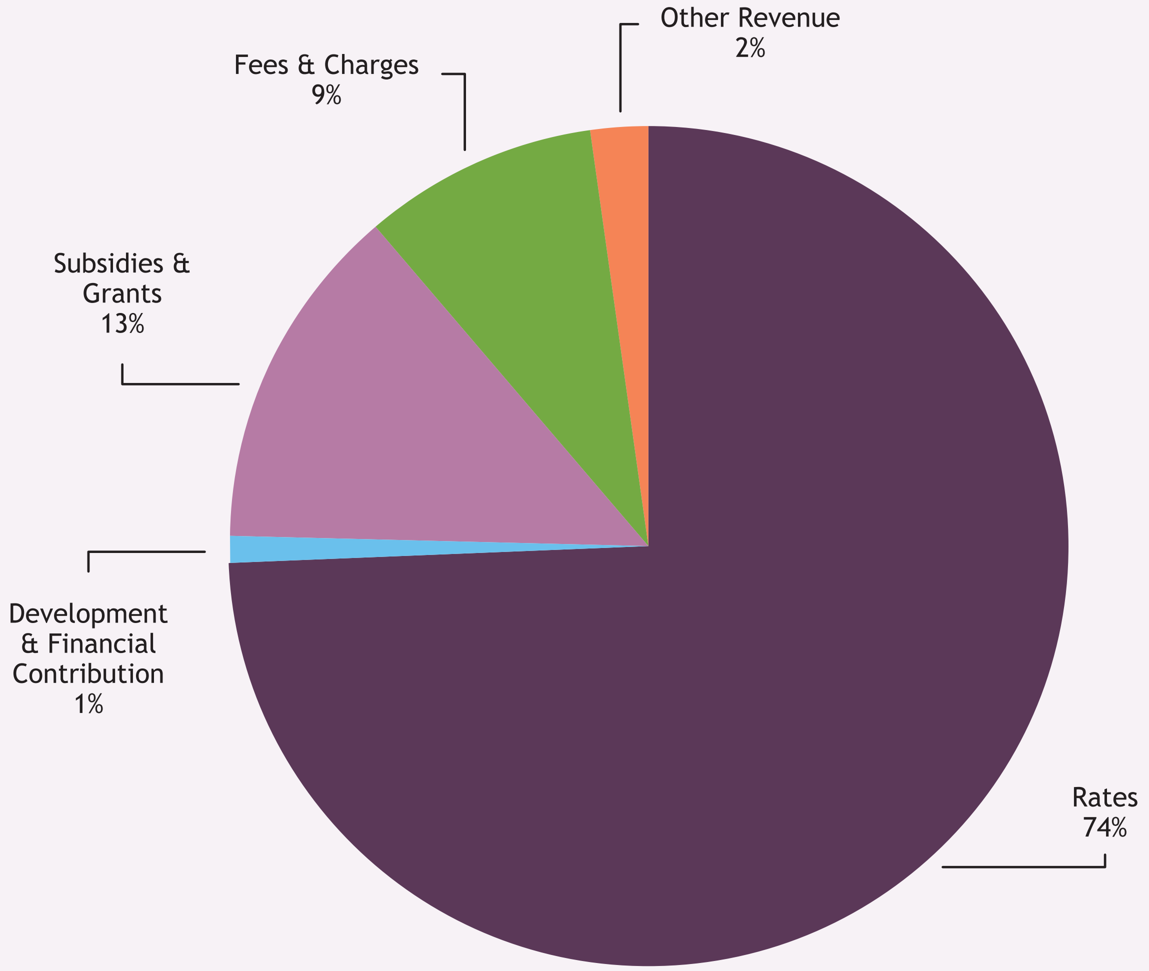
DEBT SERVICING BENCHMARK

The following graph 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 Council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.



WHERE WILL COUNCIL RECEIVE FUNDING FROM IN 2025-2026?

This section examines how Council sources its funds and allocates its expenditures. It also provides details on the rating policy, rate examples, and the proposed individual rate.



Development Contributions	Other Revenue	Fees & Charges	Subsidies & Grants	Rates
$705,000	$1,378	$5,722,000	$8,552,0000	$47,649,000

Refer to LTP page 100

FORECAST FINANCIAL STATEMENT AND RESERVES

Ngā tauākī ahumoni me ngā tāpui

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE AS AT 30 JUNE 2026

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FORECAST FOR THE YEAR ENDING 30 JUNE 2026	2024 - 25 Long Term Plan $000s	2025 - 26 Long Term Plan $000s	2025 - 26 Annual Plan $000s
REVENUE	43,363	47,355	47,649
Rates revenue	690	705	705
Development and financial contributions	7,817	10,252	8,552
Subsidies and grants	4,746	5,241	5,722
Fees and charges	560	480	480
Finance revenue	1,222	1,341	898
Other revenue	58,398	65,374	64,006
Total revenue			
EXPENDITURE			
Personnel costs	15,008	15,233	17,168
Finance expenses	2,052	3,011	2,932
Depreciation and amortisation	14,291	14,629	14,624
Other expenses	31,633	31,879	30,532
Total expenditure	62,984	64,752	65,256
NET SURPLUS/(DEFICIT)	(4,586)	622	(1,250)
OTHER COMPREHENSIVE INCOME			
Increase in asset revaluation reserves	5,019	6,336	6,336
Total other comprehensive revenue and expenses	5,019	6,336	6,336
Total comprehensive revenue and expense	433	6,958	5,086

PROSPECTIVE STATEMENT OF CASHFLOWS

PROSPECTIVE STATEMENT OF CASH FLOWS FORECAST FOR THE YEAR ENDING 30 JUNE 2026	2024 - 25 Long Term Plan $000s	2025 - 26 Long Term Plan $000s	2025 - 26 Annual Plan $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash will be provided from:			
Rates	43,363	47,355	47,649
Subsidies and grants	7,817	10,252	8,552
Development and financial contributions	690	705	705
Finance revenue	560	480	480
Fees, charges and other revenue	5,968	6,582	6,620
	58,398	**65,374**	**64,006**
Cash will be applied to:			
Payments to employees	15,008	15,233	17,168
Payments to suppliers	31,467	32,580	30,532
Finance expenses	2,052	3,011	2,932
	48,527	50,824	50,632
CASH FLOWS FROM OPERATING ACTIVITIES	**9,871**	**14,550**	**13,374**
Cash flows from investing activities			
Cash will be provided from:			
Proceeds from investments			
Proceeds from sale of property, plant & equipment	8,965		
	8,965		
Cash will be applied to:			
Purchase of investments			
Purchase of property, plant & equipment	38,318	49,375	40,312
	38,318	**49,375**	**40,312**
CASH FLOWS FROM INVESTING ACTIVITIES	**(29,353)**	**(49,375)**	**(40,312)**
Cash flows from financing activities			
Cash will be provided from:			
Loans raised	17,482	40,325	33,938
	17,482	**40,325**	**33,938**
Cash will be applied to:			
Loans repaid	6,000	7,500	9,000
	6,000	**7,500**	**9,000**
CASH FLOWS FROM FINANCING ACTIVITIES	**11,482**	**32,825**	**24,938**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(8,000)**	**(2,000)**	**(2,000)**
Cash and cash equivalents at start of year	22,000	14,000	14,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	**14,000**	**12,000**	**12,000**

PROSPECTIVE STATEMENT OF CHANGES IN NET ASSETS / EQUITY

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FORECAST FOR THE YEAR ENDING 30 JUNE 2026	2024 - 25 Long Term Plan $000s	2025 - 26 Long Term Plan $000s	2025 - 26 Annual Plan $000s
EQUITY AT BEGINNING OF YEAR	**574,414**	**574,847**	**589,717**
Net surplus/(deficit)	433	6,958	5,086
Total equity at end of year	**574,847**	**581,805**	**594,803**
COMPONENTS OF EQUITY			
ACCUMULATED SURPLUS/(DEFICIT) AT BEGINNING OF YEAR	173,939	169,353	169,353
Net surplus/(deficit)	(4,586)	622	(1,250)
Net other movements	-	-	-
Accumulated surplus/(deficits) at end of year	**169,353**	**169,975**	**168,103**
RESTRICTED AND COUNCIL CREATED RESERVES AT BEGINNING OF YEAR	**475**	**475**	**1,504**
Movements	-	-	-
Restricted reserves at end of year	**475**	**475**	**1,504**
REVALUATION RESERVES AT BEGINNING OF YEAR	400,000	405,019	412,802
Revaluation surplus/(deficit)	5,019	6,336	6,336
Revaluation reserves at end of year	**405,019**	**411,355**	**419,138**
INVESTMENT REVALUATION RESERVES AT BEGINNING OF YEAR	-	-	6,058
Valuation gains/(losses) taken to equity	-	-	-
Revaluation reserves at end of year	-	-	-
Total equity at end of year	**574,847**	**581,805**	**594,803**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2026

FORECAST AS AT 30 JUNE 2026	2024 - 25 Long Term Plan $000s	2025 - 26 Long Term Plan $000s	2025 - 26 Annual Plan $000s
ASSETS			
Current assets			
Cash and cash equivalents	14,000	12,000	12,000
Receivables	4,938	5,189	5,189
Inventory	123	126	126
Other financial assets	330	430	852
Total current assets	**19,391**	**17,745**	**18,167**
NON-CURRENT ASSETS			
Property, plant and equipment	629,187	670,269	667,864
Other financial assets	2,330	2,930	11,153
Intangible assets	-	-	500
Total non current assets	**631,517**	**673,199**	**679,517**
TOTAL ASSETS	**650,908**	**690,944**	**697,684**
LIABILITIES			
Current Liabilities			
Payables and deferred revenue	9,261	9,465	9,465
Employee entitlements - current	1,400	1,428	1,428
Borrowings - current	7,500	11,500	9,000
Provisions	51	53	53
Total current liabilities	**18,212**	**22,446**	**19,946**
NON CURRENT LIABILITIES			
Employee entitlements	250	255	255
Provisions	617	631	631
Borrowings	56,982	85,807	82,049
Total non-current liabilities	**57,849**	**86,693**	**82,935**
Total liabilities	**76,061**	**109,139**	**102,881**
Net assets	**574,847**	**581,805**	**594,803**
EQUITY			
Accumulated funds	169,353	169,975	168,103
Restricted and council created reserves	475	475	1,504
Asset revaluation reserves	405,019	411,355	419,138
Investment revaluation reserves	-	-	6,058
Total equity	**574,847**	**581,805**	**594,803**

WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	29,272	30,800	31,891
Targeted rates	14,571	17,078	17,306
Subsidies & grants for operating purposes	3,987	3,992	4,294
Fees, charges & targeted rates for water supply	5,220	5,792	5,722
Interest & dividends from investments	560	480	480
Local authorities fuel tax, fines, infringement fees, and other receipts	673	674	376
Total operating fuunding (A)	**54,283**	**58,816**	**60,069**
APPLICATION OF OPERATING FUNDING			
Payments of staff & suppliers	45,042	45,781	47,731
Finance costs	2,140	3,101	2,932
Other operating funding applications	1,511	1,241	996
Total application of operating funding (B)	**48,693**	**50,123**	**51,659**
SURPLUS/(DEFICIT) OF OPERATING FUNDING (A-B)	**5,590**	**8,693**	**8,410**
SOURCES OF CAPITAL FUNDING			
Subsidies & grants for capital expenditure	3,425	5,855	4,259
Development & financial contributions	691	704	705
Increase (decrease) in debt	19,647	34,122	24,938
Gross proceeds from sale of assets	8,965	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	**32,728**	**40,681**	**29,902**
APPLICATION OF CAPITAL FUNDING			
Capital expenditure:			
- to meet additional demand	7,699	7,779	4,884
- to improve the level of services	18,988	30,587	11,928
- to replace existing assets	11,631	11,008	23,500
Increase (decrease) in reserves	-	-	-
Increase (decrease) in investments	-	-	(2,000)
Total application of capital funding (D)	**38,318**	**49,374**	**38,312**
SURPLUS/(DEFICIT) OF CAPITAL FUNDING (C-D)	**(5,590)**	**(8,693)**	**(8,410)**
FUNDING BALANCE ((A-B)+(C-D))	-	-	-

PROSPECTIVE STATEMENT OF RESERVES AS AT 30 JUNE 2026

PROSPECTIVE RESERVE MOVEMENTS FORECAST FOR THE YEAR ENDING 30 JUNE 2026	Note	Opening Balance $000s	Transfers In $000s	Transfers Out $000s	Closing Balance $000s
Council created reserves					
National waste levy	A	957	405	(405)	957
Riverside access	B	547	-	-	547
Total Council created reserves		**1,504**	**(405)**	**(405)**	**1,504**
Restricted reserves					
District water supply	C	-	4,616	(4,616)	-
District sewerage	C	-	9,648	(9,648)	-
District stormwater	C	-	1,640	(1,640)	-
Waste collection	C	-	1,402	(1,402)	-
Total restricted reserves		-	**17,306**	**(17,306)**	-
Total reserves		**1,504**	**17,711**	**(17,711)**	**1,504**

Purpose of reserves

A. National waste levy: To encourage a reduction in the amount of waste generated and disposed of in New Zealand, and to lessen the environmental harm of waste. Enabled by the Waste Minimisation Act 2008, funds are received from the Ministry of Environment and applied to waste minimisation activities and initiatives.

B. Riverside access: To use the sale proceeds from some stopped roads to open up public access to the Waikato river in the South Waikato.

C. Restricted reserves: Ensure that the targeted rates collected for these activities from specific groups of ratepayers are used for the supply of those services.

STATEMENT OF ACCOUNTING POLICIES

Tauāki mō ngā kaupapa kaute

REPORTING ENTITY

The South Waikato District Council is a territorial authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of Council is to provide services and social benefits to the community rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity for the purposes of financial reporting.

BASIS OF PREPARATING

STATEMENT OF COMPLIANCE

The prospective financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The prospective financial statements comply with Tier 1 Public Benefit Entity (PBE) Standards.

MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis, modified by the revaluations of land and buildings, certain infrastructural assets, and certain financial instruments (including derivative instruments).

PRESENTATION CURRENCY AND ROUNDING

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

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

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

SIGNIFICANT ACCOUNTING POLICIES OF PREPARATING

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria must also be met before revenue is recognised.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

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. Rates revenue is recognised when payable. Rates charged to Council properties are excluded from rates income in the profit or loss.

WATER METERS

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

GOVERNMENT GRANTS

Government grants are recognised when:

- claimed, for work completed on previously approved programmes
- eligibility has been established by the grantor.

Council receives government grants from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. These subsidies are recognised upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

PROVISION OF SERVICES

Revenue from the provision of services (fees and charges) is recognised as income when the obligation to pay, by reference to the stage of completion of the transaction at balance date, arises.

INTEREST AND DIVIDENDS

Interest income is recognised as it accrues using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Dividends are recognised as revenue when the right to receive payment have been established.

VESTED ASSETS

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in the Council are recognised as income when control over the asset is obtained.

FINANCIAL AND DEVELOPMENT CONTRIBUTIONS BORROWING COSTS

Financial and Development contributions are recognised as revenue when the Council provides, or is able to provide, the services for which the contribution was charged. Otherwise, the financial and development contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

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

GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

COST ALLOCATION POLICY

Direct costs are charged directly to significant activities.

Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Direct costs are those costs directly attributable to a specific activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

SINGLE STEP ALLOCATION OF INDIRECT COSTS

The cost of internal services not directly charged to activities are allocated as support costs using appropriate cost drivers such as actual usage, staff numbers and floor area.

CURRENT ASSETS HELD FOR SALE

Current assets are classified as held for sale if the carrying amount will be recovered through a sale rather than continuing use. This condition is met only when the sale is highly probable, and the asset is available for sale in its present condition. Council must be committed to the sale, and a completed sale is expected within one year from the date of classification. Current assets classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell. Any impairment losses for write-downs of non-current assets held for sale are recognised in profit or loss. Any increase in fair value, less costs to sell, are recognised in profit or loss up to the level of any impairment losses that have been previously recognised. Current assets held for sale are not depreciated or amortised while they are classified as held for sale.

PROPERTY, PLANT AND EQUIPMENT
(including Critical Accounting Estimates and Assumptions)

OPERATIONAL ASSETS
These are tangible assets and include land, buildings and improvements, motor vehicles, major non infrastructural plant and equipment including swimming pools and library collections.

INFRASTRUCTURAL ASSETS
These are fixed utility systems that provide a continuing service to the community and are not generally regarded as tradeable.

They include:
- all property, plant and equipment associated with water supply, wastewater, storm water and waste disposal, including the land that they are located upon.
- all roads, service lanes, footpaths, streetlights, car parks and associated street furniture
- all public toilets and restrooms, public halls, and the land they are situated on

RESTRICTED ASSETS
These assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

They include:
- all property (excluding South Waikato Indoor Pools) associated with recreation, scenic, historic purposes, esplanade, and local purpose reserves, including the reserve land
- all cemeteries
- all land contained within road reserves.

MEASUREMENT AT RECOGNITION

All items of property, plant and equipment that qualify for recognition as assets are initially measured at cost. An item of property, plant and equipment is recognised as an asset only if it is probable that any future economic benefits or service potential associated with them will flow to Council and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

MEASUREMENT AFTER RECOGNITION

Property, plant, and equipment are shown at cost or revalued amount, less accumulated depreciation, and impairment losses. Those asset classes that are revalued are generally valued on a three-year rotational basis to ensure revalued assets are carried at a value that is not materially different from fair value. All revaluations are either performed by independent and qualified valuers or in-house and peer-reviewed by independent and qualified valuers. All other asset classes are carried at depreciated historical cost.

LIBRARY COLLECTION, MOTOR VEHICLES, PLANT & EQUIPMENT, FURNITURE & FITTINGS, STREET FURNITURE

Valuation is at cost less accumulated depreciation and any accumulated impairment losses.

LAND AND BUILDINGS

Land and buildings including land underneath roads were revalued effective 30 June 2024 by CBRE Limited, Rotorua, at current market value.

LAND

Land has been valued based on its current zoning, making allowance for any recent changes and designations effective from the new Operative Plan. Comparable sales have been analysed from a wide range of land sales and applied dependent on the location, use and zoning of the property. Adjustments have been made for contour, size, and other factors.

Where a property is designated, adjustment for the lifting of the designation has been made. Where a property is zoned Reserve, these assets have been valued on an underlying zoning basis. From this has been deducted the base valued as Rural, and to the difference applied, a change of which is added back to the base value to arrive at the Reserve value. This is the normally accepted method for the valuation of Reserve land.

SPECIALISED BUILDINGS

Where there is no reliable market data available for such specialised buildings, the valuations have been prepared on a Depreciated Replacement Cost Approach.

The replacement cost of the assets is adjusted, where required, for optimisation due to over-design or surplus capacity. The replacement cost is derived from analysis of costing information held on the valuer's files, costing information derived from the marketplace, and costing information provided by Quantity Surveyors and other building experts. Construction costs vary dramatically dependent on the building.

NON-SPECIALISED BUILDINGS

Non-specialised buildings are those where there are known and active markets eg, residential houses, office buildings, industrial workshops, warehouses, and residential flats. These have been valued at fair value using market-based sales evidence.

PARKS AND RESERVES

Parks and reserves assets were revalued effective 30 June 2024 at depreciated replacement value. The revaluation was undertaken using an external consultant, Beca Projects NZ Limited. The external consultant has an extensive knowledge base and background in parks and reserves asset management.

The external consultant reviewed the useful lives and replacement cost unit values on Council's fixed assets register. The replacement cost unit values were updated to current market values by using either:

- available current contract-supplier unit rates for equivalent asset types (giving the highest level of confidence) or
- the 2021 asset values/purchase cost adjusted for industry-specific inflation indices to represent estimated replacement costs for modern equivalent asset (MEA) components as at 30 June 2024 (giving a high level of confidence).

As part of the revaluation process, where assets that continue to be in commission are found to have a remaining life of nil (on Council's fixed assets register), an adjusted remaining useful life of 2.5% of the original base life has been made.

LAND UNDER ROADS

The valuation methodology used for land underneath roads is the assessment of the value based upon an indicated value of the land adjoining the roads. Rural and urban roads have been separated and the average land value for adjoining land for each separate division applies. In some cases, a discount has been applied to the land value.

CLOSED LANDFILL

Closed landfill cells and sites, pipes and pumps are valued at cost less accumulated depreciation and any impairment costs.

ROADS, FOOTPATHS, STREETLIGHTS, LARGE CULVERTS, AND BRIDGES

Roads, footpaths, streetlights, large culverts, and bridges were revalued effective 30 June 2023 by Beca Projects New Zealand Limited, Auckland at optimised depreciated replacement value. Each asset component was valued considering its remaining useful life.

The valuation was performed in accordance with the International Accountancy Standard (IAS 16) modified to New Zealand requirements (IPSAS 17), and with New Zealand Local Authority Asset Management Practice, New Zealand Infrastructure Asset Management Manual (NZIAMM) and Valuations/Depreciation Guidelines. The RAMM valuation module has been used to complete the valuation.

Replacement cost is the cost of building the existing infrastructure using present day technology, but maintaining the originally designed level of service, assuming current technology ensures that no value results from the additional cost of outdated and expensive methods of constructions. Maintaining the original level of service ensures that the existing asset with all its faults is valued, not the currently desirable alternative.

Replacement cost was calculated by multiplying asset quantities by unit cost rates factored to allow for other direct costs such as professional fees.

Unit rates are obtained from a variety of sources, including the following:

- Recent maintenance contracts for SWDC
- Recent capital works undertaken for SWDC.

Costs have been used which reflect the increased difficulties and constraints of undertaking construction, maintenance, and renewal work simultaneously with continued operation of the infrastructure networks. Operational constraints include access, delivery, safety, security, material handling and storage, traffic control and hours available for construction work. The unit cost rates used for valuing the SWDC assets reflect an average cost rate for local construction.

Paper roads with a total length of 151.378km are recorded at land value.

WASTEWATER, STORMWATER, AND WATER

Wastewater, stormwater disposal and water supply property, plant and equipment were revalued on 30 June 2022 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited at optimised depreciated replacement value.

The underground reticulation pipework was also revalued on 30 June 2022 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited, at optimised depreciated replacement value.

These assets have been valued by the Optimised Depreciated Replacement Cost approach reflecting factors such as technical obsolescence, overengineering and surplus capacity where these have been specifically identified by the asset manager.

Assets that have reached the end of their base life (design life) have been inspected, a condition-based assessment carried out and a decision to replace an asset or defer replacement made based on the condition assessment. Allowance has been made for the costs of bringing the asset into working condition for its intended use and these costs include engineering fees and resource consent costs.

These assets were revalued in the Assetfinda database using replacement unit costs based on actual costs from recent contracts and where required an inflation adjustment applied.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined, then all capitalised costs are written off.

ACCOUNTING FOR REVALUATIONS

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

The results of revaluing are recognised in other comprehensive income and accumulated as a separate component of equity in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed through profit or loss.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in profit or loss will be recognised first in profit or loss up to the amount previously expensed and then credited to other comprehensive income.

DEPRECIATION

Property, plant, and equipment are depreciated on a straight-line basis at rates that reflect their estimated useful lives.

Depreciation is charged to write off the cost or valuation of assets, other than land and properties under construction and road formation cost, over their estimated useful lives. The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component.

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

OPERATIONAL AND RESTRICTED ASSETS

HERITAGE ASSETS	NOT DEPRECIATED
Land	Not Depreciated
Buildings	40 -100 years
Plant and Equipment	5 - 30 years
Swimming Pools	40 - 100 years
Motor Vehicles	5 years
Computer Equipment & furniture	3 - 10 years
Library Equipment	5 - 10 years

ROADING NETWORK

Top surface - rural	1 - 18 years
Top surface – urban	1 – 22 years
Pavement – rural	40 - 70 years
Pavement - urban	40 - 99 years
Culverts	25 - 80 years
Footpaths	10 - 80 years
Kerbs	80 years
Signs	6- 9 years
Streetlights and poles	25 - 70 years
Bridges	78 - 118 years
Land (including land under roads)	Not depreciated

SOLID WASTE

Closed landfills, pipes, and pumps	7 -100 years

WASTEWATER SYSTEMS

Manholes	80 years
Treatment Plant	5 - 80 years

STORMWATER SYSTEMS

Reticulated pipework	50 - 90 years
Manholes and cesspits	90 years
Detention dams	60 years

WATER SYSTEMS

Reticulated pipework	55 - 95 years
Valves and hydrants	80 years
Pump stations	Up to 100 years (dependent on componentry)
Storage Tanks	25 - 80 years

OTHER ASSETS

Infrastructural Buildings	40 - 100 years
street Furniture	3 - 10 years

DEPRECIATION

All assets, current and non-current, are tested annually for indicators of impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where an entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised in other comprehensive income. Where that results in a debit balance in other comprehensive income, the balance is recognised in profit or loss.

For assets not carried at a revalued amount, the total impairment loss is recognised in profit or loss. The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for the class of asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss. For assets not carried at a revalued amount the reversal of an impairment loss is recognised in profit or loss.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to general equity.

SUBSEQUENT COST

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

ASSETS UNDER CONSTRUCTION

Capital works under construction are valued at cost. The total cost of the project is transferred to the relevant asset class on its completion and then depreciated.

VESTED ASSETS

Certain infrastructure assets have been vested in Council and are recognised in profit or loss at fair value. These assets have been valued based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services. On initial recognition the fair value of vested assets is recognised in profit or loss. Subsequent to these vested assets are revalued together with other property, plant and equipment, and surpluses or deficits arising on revaluation are treated in the same way as other property, plant, and equipment.

RENTAL PROPERTY

Rental property is included in property, plant, and equipment in accordance with PBE IPSAS, as the rental property is held to provide a social service rather than for rental income, capital appreciation or both.

INTANGIBLE ASSETS

COMPUTER SOFTWARE

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

CARBON CREDITS

Purchased carbon credits are recognised at cost on acquisition. They are not amortised but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

EASEMENTS

No value is attached to easements due to the difficulty in establishing their original cost or fair value.

AMORTISATION OF INTANGIBLE ASSETS

The carrying amount 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 that the asset is derecognised. The amortisation charge for each period is recognised in profit or loss. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Computer software | 3 – 7 years

FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value plus transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FINANCIAL ASSETS AT FAIR VALUE

Financial assets in this category are either financial assets held for trading or financial assets designated as at fair value through profit or loss.
A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future or,
- it is a part of an identified portfolio of financial instruments that the Council manages together and has a recent actual pattern of shortterm profit-taking or,
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss includes any dividend or interest earned on the financial asset.

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments including interest rate swaps to hedge exposure to foreign exchange fluctuations.

Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss. Council does not currently hold any of these investments.

AMORTISED COST

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are ‘solely payments of principal and interest (SPPI) on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL).

Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

IMPAIRMENT OF FINANCIAL ASSETS

At initial recognition of the financial asset, an entity recognises a loss allowance equal to 12 months expected credit losses which consist of expected credit losses from default events possible within 12 months from the entity’s reporting date. An exception is purchased or originated credit impaired financial assets.
The impairment requirements are applied to:

- Financial assets measured at amortised cost (including trade receivables)
- Financial assets measured at FVTOCRE
- Loan commitments at below market interest rate
- Financial guarantees contracts which are not insurance contracts under the scope of PBE IFRS 4 Insurance Contracts
- Lease Receivables

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FSTVD)

Transaction costs are included in the value of the financial asset at initial recognition unless the item has been designated at FVTSD, in which case it is recognised in surplus or deficit. The classification of a financial asset depends on its cash flow characteristics and Council's management model for managing them.

FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE (FVTOCRE)

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cashflows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cashflows and selling financial assets.

FINANCIAL LIABILITIES

Financial liabilities including debt instruments issued by Council are classified according to the substance of the contractual arrangements entered into.

The accounting policies adopted for specific financial liabilities are as follows:

BANK BORROWING

Interest bearing bank loans are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

DEBT INSTRUMENTS

Council issues bonds from time to time to raise funds. These are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

INVENTORIES

Inventories held for distribution or consumption in the provision of services are measured at the lower cost or current replacement cost.

The cost to these inventories is assigned by using the weighted average cost formula. The write down from cost to current replacement cost is recognised in profit or loss.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from Council's operational activities and interest rate risks arising from Council's financing activities. In accordance with its Treasury Management Policy, Council 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 remeasured to their fair value at each balance date. The associated gains or losses on derivatives that are not hedge accounted are recognised in surplus or deficit.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

The use of financial derivatives is governed by Council's policies as approved by Council resolution and provides written principles on the use of financial derivatives consistent with Council's risk management strategy.

INVESTMENTS IN COUNCIL CONTROLLED ORGANISATIONS (CCOS)

Council has an interest (2.7%) in a Council Controlled Organisation (CCO), Waikato Local Authority Shared Services Limited. Council has no significant influence on operational or financial policies.

As this investment is not traded on an active market and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

FOREIGN CURRENCIES

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction. Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains, and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to the Inland Revenue (IRD) is included as part of receivables or payables in the Balance Sheet. The net amount of GST paid or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flow. Commitments and contingencies are disclosed exclusive of GST.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlement earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

LONG-TERM ENTITLEMENTS

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave have been calculated on actuarial basis using the service of professional actuaries. The actuarial calculations are based on an assumed salary increase of 3% (2023: 4.3%) per annum and a discount rate between 4.25% and 5.3% (2023: 4.19% - 5.34%) per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods.

It’s also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in profit or loss.

Employees appointed to the staff prior to 31 December 1989 who retire from Council with not less than ten years continuous service are eligible for retirement leave. Employees appointed to the staff prior to 1 April 1992 are eligible for long service leave unless excluded under individual employment contracts.

PRESENTATION OF EMPLOYEE ENTITLEMENT

Sick leave, annual leave, vested long service leave and non-vested long service leave, and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

SUPERANNUATION SCHEMES

DEFINED CONTRIBUTION SCHEME

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in profit or loss.

PUBLIC EQUITY

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

- General Equity (retained earnings)
- Restricted Reserves
- Council-created Reserves
- Property Revaluation Reserves
- Investment Revaluation Reserves.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

COUNCIL CREATED RESERVES

Council-created reserves are a part of the accumulated balance and are established at the will of Council. 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.

ASSET (PROPERTY) REVALUATION RESERVES

Revaluation reserves arise from certain asset classes being revalued.

GENERAL EQUITY (RETAINED EARNINGS).

General equity refers to reserves that do not fall into any of the four categories below.

RESTRICTED RESERVES

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party.

Transfers from these reserves may be made only for certain specific purposes or if certain specified conditions are met. The reserves represent balances held from the collection of targeted rates and charges on activities that are funded from targeted rating or those same activities funding depreciation.

INVESTMENT REVALUATION RESERVE

The investment revaluation reserve contains cumulative unrealised gains and losses in investments classified as 'available for sale'.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

OPERATING LEASES

COUNCIL AS LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

COUNCIL AS LESSOR

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

PROVISIONS

Council recognises a provision for future expenditure of uncertain amount when there is a present obligation (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 measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments the time at value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.
Financial guarantee contracts are disclosed as contingent liabilities. The amount of these contingent liabilities is equal to the loan balances guaranteed.

LANDFILL CLOSURE AND POST-CLOSURE PROVISION

Council, as operator of the Tokoroa landfill, has a legal obligation under its resource consent, to provide on-going maintenance and monitoring services at the landfill site after closure. A provision for closure and post-closure costs is recognised as a liability when the obligation for closure and post-closure expenses arises.

A calculation of these future costs has been discounted and is measured based on the present value of future cash flows expected to be incurred, taking into account future events, including new legal requirements, and known improvements in technology. The discount rate used is a pre-tax rate that reflects current market assessments of the time, value of money and the risks specific to Council. Amounts provided for landfill closure and postclosure are capitalised in the landfill asset where they give rise to future economic benefit to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

Assumptions about the future have been made in the calculation of the landfill closure and post closure cost provisions. These are disclosed in the notes to the financial report.

CRITICAL JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformance with PBE IPSAS requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenditures.

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

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

Management has made the following judgments and estimations that have the most significant effect on the amounts recognised in the financial statements:

LONG SERVICE LEAVE PROVISIONS

Key assumptions concerning the future have been made in the actuarial calculation of long service leave and retiring leave. These are disclosed in the notes of the financial report.

PROPERTY, PLANT, AND EQUIPMENT

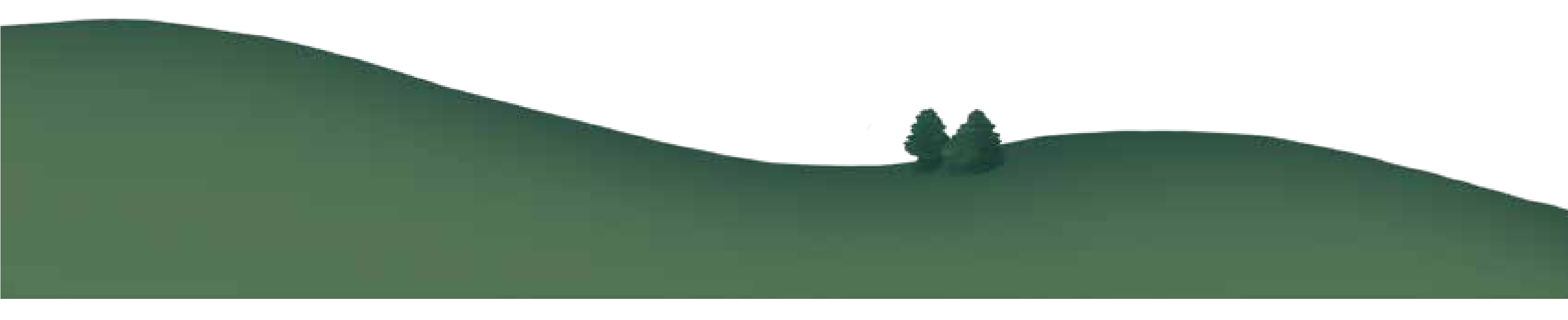
As the Council is a Public Benefit Entity, property plant and equipment are valued at depreciated replacement cost that is based on an estimate of either fair value or current gross replacement costs of improvement less allowances for physical deterioration and optimisation for obsolescence and relevant surplus capacity. There are certain assets such as wastewater or stormwater related assets which may be affected by changes in the measurement of qualitative standards which could affect the results of future periods.

The depreciation method used reflects the service potential of assets and is reviewed each year to ensure that there is no under maintenance of assets which could affect the results of future periods.

CLASSIFICATION OF INVESTMENTS

Council has designated all its bond investments as ‘available for sale’, rather than ‘held to maturity’, although they all have specific maturity dates. This was due to significant disposals within this class of financial asset before maturity in previous financial years. Therefore, unrealised gains and losses on these investments are recognised as a movement in other comprehensive income.

The carrying amount of the available for sale financial assets is disclosed in the notes to the financial report.



HOW TO OBTAIN A COPY OF THE 2025-2026 ANNUAL PLAN

The full Annual Plan is one of Council's key accountability documents.
Full copies of the Annual Plan can be obtained by:

- Visiting our website: www.southwaikato.govt.nz to download a copy
- Calling our Customer Services staff on (07) 885 0340 during normal business hours
- Emailing us at: info@southwaikato.govt.nz
- Writing to us at: South Waikato District Council, Private Bag 7, Tokoroa 3444
- Viewing a hard copy at our Council offices and library sites (located in Tokoroa, Putāruru or Tīrau)

South
Waikato
District
Council