Section 5
Policies and other details

Details surrounding key policies specific to the Long-Term Plan alongside other relevant information.

Significance and Engagement Policy	291
Revenue and Financing Policy	292
Council Controlled Organisations	309
Water & Sanitary Assessment and Waste Management & Minimisation Plan	313
Statement of accounting policies	314

Significance and Engagement Policy

Our Significance and Engagement Policy outlines our approach to determining the significance of proposals and decisions, and includes criteria and procedures we will use in assessing which issues, proposals, decisions and other matters are significant.

This policy:

- Enables the Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities. Provides clarity about how and when communities can expect to be engaged in decisions made by Council.
- Informs the Council from the beginning of a decision-making process about the extent, form and type of engagement required.

The full policy can be found on the Council website.

Revenue and Financing Policy

Introduction

The Revenue and Financing Policy (RFP) outlines the Council's policies on the funding sources to be used to fund the operational and capital expenditure of Council's activities and the rationale for their use.

It is an important instrument of Council's financial management because how the activities are funded can have a significant impact on the financial viability of council services as well as on the overall impact of any allocation of liability for revenue needs on the community.

The Revenue and Financing Policy is required by section 102 of the Local Government Act 2002 (LGA). The policy requirements are included in sections 101 and 103 of the LGA.

The Revenue and Financing Policy identifies the sources of funding the Council has decided upon for its activities. In addition to identifying the sources of funding, the RFP must outline why the Council has determined that they should be used. A two-step process is required under section 101(3) of the LGA.

Step one involves determining the appropriate funding sources for each activity. In doing so, Council must consider the following under section 101(3)(a) of the LGA:

- *The community outcomes to which the activity primarily contributes* (why the service is provided) and how funding might promote the achievement of these outcomes.
- *The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals* (user/beneficiary pays principle). Those who benefit from a service or facility should be considered in determining who pays for it.
- *The period in or over which those benefits are expected to occur* (intergenerational equity principle). The benefits of some activities will occur over the entire life of an asset. This may benefit not only current generations but future generations who should also contribute toward the cost.
- *The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity* (exacerbator pays principle). Those who cause the need for an activity should contribute to the cost of that activity.
- *The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.* For example, the benefits of transparency and accountability may be outweighed by the cost of establishing systems to support cost recovery for small activities.

All of these matters must be considered, with no single criterion given a greater weight than the others. Council must use its judgement and balance often competing principles.

In step two, Council must consider the overall impact of this allocation of liability for revenue needs on the community under section 101(3)(b) of the LGA. Changes may be required where there are particularly negative effects. Matters the Council may consider could include:

- Does the overall outcome support the strategic direction of the Council?
- Does the funding approach support the community outcomes desired? Will the policy act as a barrier to the accessibility of the activity?
- Is the proposed funding approach legally compliant e.g. does it meet restrictions on the level of fixed rates able to be charged?
- Does the proposed funding approach take account of affordability issues e.g. the likely impact on ratepayers on fixed incomes?
- What incentives will the policy have for development of the district?
- How is the burden of funding distributed across differing sectors of the community?
- What are the size and materiality of any shifts in funding, and how do these affect the community?
- Is the mix of funding sources sustainable in the long term?
- Is the mix of funding sources fair and equitable?

Funding mechanisms

The sources of funding available to Council are as follows:

Rates – there are three main types of rates:

- General rates
- Uniform annual general charge (UAGC)
- Targeted rates

Rates are governed by the Local Government (Rating) Act 2002 (LGRA).

General rates are used to fund activities where Council believes there is benefit to the whole of the community across the district. The majority of Council's activities are funded by general rates.

General rates must be based on a property valuation system (land value, capital value or annual value) and assessed across all rateable properties in the district.

Council has reviewed its choice of valuation system and has determined to continue to use land value for the general rate.

Council uses differentials to alter the incidence of the land value based general rates. The differentials mitigate the effects of a valuation-based rate which would otherwise place an unfair burden on higher value properties, to ensure a fair and equitable proportion of the rates are paid by the various differential categories.

Setting a differential rate does not increase the rating income, it merely allocates the rates requirement in a different way from a pure value-based system.

For each differential category Council sets a rate per dollar of rateable land value.

Definitions of the differential categories and the rate per dollar of land value for each category are included in the Funding Impact Statement.

Uniform annual general charge (UAGC) is a fixed charge set per separately used or inhabited part of a rating unit (SUIP). The UAGC ensures all ratepayers make a minimum contribution to Council's costs for the services Council provides. It ensures that higher value properties do not carry a disproportionate amount of the cost burden. The UAGC, like the general rate, funds services that benefit the whole of the community across the district.

Council sets the UAGC each year during its Annual or Long Term Plan deliberations, giving consideration to the factors outlined above in step two of the process (section 101(3)(b) of the LGA) and the 30% cap on rates set on a uniform basis (excluding water and wastewater).

Targeted rates can be set in relation to all rateable land within the district, or one or more categories of rateable land outlined in Schedule 2 of the LGRA (e.g. the use to which the land is put, the area of land within the rating unit, where the land is situated). Targeted rates can be set on a uniform basis or differentially for different categories of rateable land.

Council uses targeted rates for activities where the benefits are clearly received by a specific group of ratepayers, where the activity warrants separate funding for transparency purposes or where Council believes a different rating basis than that used for general rates is appropriate (e.g. capital value rather than land value and UAGC).

Targeted rates apply to the following activities:

- Roading
- Footpaths and berms
- Wastewater
- Water supply
- Stormwater
- CBD maintenance
- Earthquake strengthening
- Waste minimisation and collection

In response to significant costs arising as a result of natural disasters, the Council may introduce an additional targeted rate for a specified period to fund the cost of reinstatement.

Fees and charges may be imposed to recover either the full or a part of the cost of services provided to reflect the private benefit to a specific user.

Fees and charges include:

- Entry fees
- Hireage
- Regulatory charges
- Memberships
- Trade waste fees
- Private works
- Permit and consent fees
- Rent, lease and licences for land and buildings
- Service charges
- Fines and penalties
- Connection fees
- Retail sales

Fees and charges may be influenced by:

- The costs involved in providing the activity.
- The estimate of private benefit in using the service.
- The ability to identify users and levy and collect fees and charges in an administratively efficient manner.
- The impact of fees and charges on the achievement of community outcomes. For example, swimming pool fees do not recover the full cost of the private benefits because this would discourage usage when Council wishes to promote usage for the recreation, health and aquatic safety of the community.
- The impact of fees and charges on demand for the service. Setting a fee too high may reduce usage of a facility and impose a greater cost on ratepayers e.g. venue hireage rates at Council venues such as the War Memorial Centre. For regulatory activities, setting fees too high for consents related to projects with key health and safety risks (e.g. consents for solid fuel heaters) may mean people avoid the consenting process and expose themselves to risk.
- Legislative provisions relating to the activity which may state fees must be based on principles such as "reasonable cost" or where the fees are specifically set by legislation e.g. the Sale and Supply of Alcohol Act 2012.

- Affordability.
- Acceptable market rates.
- The level of fees at other Councils.

Council reviews its fees and charges on a regular basis to ensure that increases in costs are reflected or to maintain the underlying basis for the setting of the fee.

Lump sum contributions are where ratepayers are asked to pay a capital (or lump sum) payment toward meeting the cost of providing an asset, rather than pay for those costs via an annual targeted rate. Council does not accept lump sum contributions.

Interest and dividends from investments are used to either reduce rates or repay debt. Council has resolved to apply income from its holding company to the Wastewater activity to reduce rates, and to repay loans in general rate funded activities. Income from other investments is applied to general rate funded activities to repay debt.

Borrowing is not a source of revenue but is rather a bridging mechanism to assist with the financing of long-term assets. Borrowings are repaid by other sources of revenue such as rates or proceeds from asset sales.

Borrowing spreads the cost of an asset over time. This enables the Council to match charges placed on the community against the period of benefits from the capital expenditure, so that current ratepayers pay for the share of the asset they use now, and future ratepayers pay their share too. This principle is that of intergenerational equity.

Council generally only uses borrowing to fund capital expenditure and does not borrow to fund its day to day operations. Borrowing may in rare circumstances be used to fund operational expenditure when it is financially prudent to do so, for example when there is a significant single year spike in operational costs, or where there are clearly benefits delivered beyond the immediate financial year in which the expenditure is incurred (e.g. three-yearly long-term plan development costs or the repainting of a Council building).

Borrowing is managed within the framework specified in the Liability Management Policy. While seeking to minimise interest costs and financial risks associated with borrowing is of primary importance, the Council seeks to match the term of borrowings with the average life of assets or period of benefits when practical.

Proceeds from asset sales are funds received from selling Council assets, such as plant and equipment or investments. Asset sale proceeds will in the first instance go to repay debt that may be associated with the activity. Wherever the sale proceeds are greater than the known debt or the replacement cost of the 'like' asset then the proceeds will be made available for debt reduction by Council resolution.

Development contributions allow local authorities to recover capital expenditure related to growth from developers who will benefit. Councils may require development contributions from developments where the effect, including the cumulative effect, of development is to require new or additional assets or assets of increased capacity, and as a consequence the Council incurs capital expenditure. This includes capital expenditure a Council has already incurred in anticipation of growth.

Council is anticipating some growth in household numbers over the period of this LTP. Areas are being developed for subdivision and infill development is being encouraged to accommodate this growth. Council considers that it is appropriate for developers to meet the costs resulting from development and that these costs should not fall to the existing ratepayer body. Council has adopted a Development Contributions Policy to recover costs from developers who create the need and benefit from the assets created.

Financial contributions are a mechanism provided for within the Resource Management Act 1991 (RMA). Essentially, paid by developers, financial contributions provide for managing the effects of development on the wider community by requiring money or land to be provided for the purpose of avoiding, remedying or mitigating adverse effects as a result of land use.

Council does not intend to use financial contributions as a funding source.

Grants and subsidies are funds received from external funding parties, usually for a specific purpose. Some of these items are predictable and can be budgeted (e.g. WINZ employment subsidies), whereas others may be unexpected or unpredictable (e.g. Civil Defence reimbursements following emergencies).

Council receives subsidies from the New Zealand Transport Agency (NZTA) which cover a substantial proportion of the capital and maintenance costs of our roading network. This is expected to continue into the future.

Other grants and subsidies from external funding agencies are available from time to time, particularly for capital projects such as the Sarjeant Gallery redevelopment project.

Other sources include special funds which have either been received by the Council from a third party to be used in a specific way (restricted funds e.g. bequests) or monies tagged by the Council to be applied for a specific purpose or area of benefit (non-restricted funds e.g. the Parking special fund).

Our funding approach

Council delivers a broad range of activities to district residents, ratepayers and visitors. We aim to fund these activities in a fair and equitable manner. To achieve this, we balance rates and other funding mechanisms.

Rates are a form of taxation and as such the amount paid does not necessarily reflect the level of benefit received. Rates are not a charge for the use of a service.

Transparency and accountability can be enhanced where the community can make a direct link between the services received and charges imposed. User charges and targeted rates are used when there is a degree of private benefit, or when services are available to some properties but not others (e.g. water supply).

We could create numerous targeted rates to separately fund each of Council's activities, but this would compromise our desire to that rates be simple and easily understood by the community. For this reason, most activities are funded from general rates. We provide further information on the amount of funding for each activity with the rate assessment to promote transparency.

There are some legislative constraints in using certain funding sources.

The Local Government (Rating) Act 2002 (LGRA) sets out the legal requirements for rating. It covers who is liable to pay rates, what land is rateable, what kind of rates may be set and how those rates are set, the valuation system which may be used and the various rating mechanisms available (such as targeted rates). The LGRA specifies that Council may only collect 30% of its total rates revenue from rates set on a uniform basis (excluding uniform rates for water or wastewater). This means that Council must use other mechanisms such as valuation-based rates.

There are also legislative restrictions on the level of fees and charges able to be charged in some activities. There is generally a requirement for Council to set its fees to be "actual and reasonable" and some legislation goes further to include "actual and reasonable costs" or to set the actual fees via statute e.g. in the Sale and Supply of Alcohol Act 2012.

- Rates are a tax. They do not directly reflect benefit, use, or income.
- Separate rates may make for greater transparency of costs but increase complexity and may restrict future expenditure decisions and lead to large fluctuations in movements.
- Differential rating is a valid means of achieving an overall allocation of benefit.
- Uniform charges are not the only funding option when benefits from a Council service are not related to property value.

Funding of operating expenditure

Operating expenditure is the day-to-day spending that maintains the services provided by Council.

Council has determined the following basic principles to guide the appropriate use of funding sources for operating expenditure:

- User charges are preferred when a private benefit can be identified, it is efficient to collect the revenue and charging does not detract from achieving the desired community outcomes.
- Interest and dividends from investments may offset rates requirements.
- Subsidies, grants and other income options are fully explored prior to rates being used.
- Borrowing will only be used when it is financially prudent to do so, for example when there is a significant single year spike in operational costs, or where there are clearly benefits delivered beyond the immediate financial year in which the expenditure is incurred.
- General or targeted rates will fund any shortfall.

Funding of capital expenditure

Capital expenditure is the category of spending which creates a new asset or extends the lifetime of an existing asset.

Council generally borrows to fund one-off capital expenditure projects to smooth rates input and account for intergenerational equity. Capital expenditure items of a consistent annual nature are rate funded.

The Council's overall borrowing requirement may be reduced to the extent that other funds are available to finance capital expenditure. Such other funds include:

- Grants and subsidies towards capital expenditure from external parties such as New Zealand Transport Agency. Council will maximise grants, subsidies and other external revenue sources wherever available.
- Development contributions
- Council special funds
- Proceeds from the sale of assets
- Operating surpluses
- Rates

The following funding sources are used for each category of capital expenditure under normal circumstances, with any alternative funding sources specifically resolved by the Council.

To replace existing assets projects

These are projects to replace existing assets restore or replace components of an asset or the entire asset to meet the current level of service (to its original size, condition or capacity).

These projects will be funded from rates and if applicable subsidy from NZTA for Roading. Other grants are available from time to time. Special funds are available to fund capital costs in some activities e.g. parking meter replacements. Borrowing may be used to smooth rates input and reflect the expected life of the asset.

To improve the level of service projects

These are projects to create a new asset or alter an existing asset leading to a higher level of service being delivered.

These projects will be funded by borrowing and if applicable subsidy from NZTA for Roading. Grants are available from time to time for some projects, for example the Sarjeant Gallery redevelopment.

To meet additional demand projects

These are projects to meet additional demand or provide additional capacity to accommodate growth.

These projects will be funded by borrowing in the first instance. The borrowing will be repaid by development contributions and rates.

Summary of funding mechanisms

Council utilises the following funding mechanisms for operating and capital expenditure:

Funding mechanism	Operating	Capital
General rates (including the UAGC)	✓	✓
Targeted rates	✓	✓
Lump sum contributions		
Fees and charges	✓	✓
Interest and dividends from investments	✓	✓
Borrowing	✓*	✓
Proceeds from asset sales		✓
Development contributions		✓
Financial contributions (under the RMA 1991)		
Grants and subsidies	✓	✓
Any other source	✓	✓

** In limited circumstances as outlined under the Borrowing section of the policy.*

Funding mechanisms for each Council activity

Council has undertaken a review to determine the appropriate sources of funding for each of its activities.

The Revenue and Financing Policy summarises the sources of funding the Council has decided upon for each activity.

Council's full consideration of the LGA section 101(3) factors in selection of the appropriate funding mechanisms for each activity is available in the Revenue and Financing Policy Funding Needs Analyses which are available at www.whanganui.govt.nz/long-term-plan. The attached summary reflects the outcome of the funding needs analysis considerations.

Overall impact adjustments

Council is required by section 101(3)(b) of the LGA to consider the overall impact of its allocation for liability for revenue needs on the community. Council may, as a final measure, modify the overall funding mix because of these considerations.

Council considers the general rate differentials resulting from the activity based funding allocations each year to ensure that the overall funding mix is appropriate and effects on ratepayer groups are managed. This may involve adjustments to differentials which may be transitioned over a number of years.

The UAGC ensures that all properties pay a minimum contribution to Council's services. Council sets the UAGC each year during its Annual or Long Term Plan deliberations, giving consideration to the overall impact for revenue needs on the community and the 30% cap on rates set on a uniform basis (excluding water and wastewater) under the Local Government (Rating) Act 2002.

Proceeds from asset sales that are surplus to replacement asset or debt repayment requirements of the activity may be considered for allocation to debt in other activities. The overall funding impact will be considered by Council in making any decision.

Support for principles relating to Māori

Section 102(3A) of the Local Government Act 2002 provides that this policy must support the principles set out in the preamble to the Te Ture Whenua Maori Act 1993 (that requirement is effective from 1 July 2024).

These principles include recognition that land is a taonga tuku iho of special significance to Māori people, and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whanau, and their hapū. Council considers that this policy supports those principles, particularly when viewed in conjunction with Council's Policy on the Remission and Postponement of Rates on Māori Freehold Land, Rates Remission Policy, Rates Postponement Policy and Development Contributions Policy.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Water supply		✓✓✓	✓		Borrowing Targeted rates Fees and charges Development contributions	Area of service	Targeted rates to properties in serviced areas. Water by meter charges set as targeted rates to properties using more than residential volume. Fees and charges to recover cost of new connections and minor rental income. Development contributions to fund debt incurred for the expansion of services to cater for growth.
Stormwater		✓✓✓✓			Borrowing Targeted rates Fees and charges Development contributions	Area of service	Targeted rates to properties in serviced area. Development contributions to fund debt incurred for the expansion of services to cater for growth.
Stormwater - waterways and natural drainage	✓✓✓✓				Borrowing General rates Development contributions	District	Fully funded by the general rate. Development contributions may be used if debt incurred for the expansion of services to cater for growth.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Wastewater		✓✓✓	✓	✓	Borrowing Targeted rates Fees and charges Development contributions Proceeds from asset sales	Area of service	Targeted rates to properties in serviced areas. Trade waste targeted rates and fees and charges apply to reflect the costs involved in conveying, treating and disposing of trade wastes. Fees and charges to recover cost of new connections. Dividend income offsets rates requirement for the Wastewater network. Development contributions to fund debt incurred for the expansion of services to cater for growth.
Roading		✓✓	✓	✓✓	Borrowing Targeted rates Grants and subsidies Development contributions	District	Partially funded by targeted rates and partially funded by New Zealand Transport Agency (NZTA) subsidies and petrol taxes. Minor user fees income from rental and consultancy. Development contributions to fund debt incurred for the expansion of services to cater for growth.
Footpaths		✓✓✓	✓	✓	Targeted rates Borrowing Development contributions	District	Majority funded by targeted rates. Subsidy income from NZTA. Minor amount of rental income relating to road reserves. Development contributions may be used if debt incurred for the expansion of services to cater for growth.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)							
Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Durie Hill elevator	✓✓✓		✓	✓	Borrowing General rates	District	Net operating costs 50% funded by Horizons Regional Council. Remaining 50% and asset related costs funded by general rates and user fees.
Aquatics	✓✓✓		✓	✓	General rates Borrowing	District	Fees and charges minority fund the aquatic centres as we wish to keep fees reasonable to promote usage. The majority of funding is from general rates.
Cooks Gardens and Velodrome	✓✓✓		✓	✓	Borrowing General rates Fees and charges	District	Majority general rate funded. Rental income, sponsorship income and revenue from the venue. Other income e.g. grants and subsidies is available from time to time.
NZ Glassworks	✓✓✓		✓	✓	General rates Borrowing Grants, bequests and donations	District	Majority general rate funded. Fees and charges for retail sales, courses and rental of the space to glass artists.
Libraries	✓✓✓		✓	✓	General rates Borrowing Proceeds from asset sales Development contributions	District	Majority general rate funded, with minor fees and charges. Other income e.g. grants and subsidies is available from time to time. Asset sale proceeds may be used to fund capital expenditure.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)							
Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Te Whare o Rehua Sarjeant Gallery	✓✓✓		✓	✓	Borrowing General rates Grants, bequests, donations, sponsorship Development contributions	District	Majority general rate funded. Some donations and income from the Gallery shop, tours, events etc. Other income e.g. grants and subsidies are available from time to time. Funding from the Sarjeant Gallery Trust. External funding sources (e.g. central government, grants, donations, sponsorship) will provide a significant contribution toward the capital cost of the Sarjeant Gallery redevelopment.
Royal Whanganui Opera House	✓✓✓		✓	✓	Borrowing General rates Fees and charges Grants, bequests and donations	District	Majority general rate funded. Fees and charges for exclusive access. Other income e.g. grants and subsidies is available from time to time.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Whanganui War Memorial Centre	✓✓✓		✓		Borrowing General rates Fees and charges Grants, bequests and donations	District	Majority general rate funded. Fees and charges for exclusive access. Other income e.g. grants and subsidies is available from time to time.
Whanganui Regional Museum	✓✓✓		✓		Borrowing General rates	District	Majority general rate funded. Small amount of rental income.
Cemeteries	✓		✓✓✓		Borrowing Fees and charges General rates Development contributions	User pays District	Majority funded by fees and charges. Minor contribution from the general rate.
Central Business District	✓✓✓	✓	✓		Borrowing General rates Targeted rates	District CBD properties	Majority funded by the general rate. Targeted rates levied to properties in the CBD. Minor rental income.

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Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Older persons' housing			✓✓✓✓		Borrowing Fees and charges	User pays	Fully funded by rental income.
Property - community buildings	✓✓✓		✓	✓	Borrowing General rates Proceeds from asset sales	District	Majority general rate funded. Fees and charges for exclusive access. Other income e.g. grants and subsidies is available from time to time.
Property - City Endowment	✓		✓✓✓		Borrowing Special fund Proceeds from asset sales Fees and charges	User pays	Rental income aims to funds expenses. Surplus or deficit offsets general rates.
Property - community and operational property	✓✓✓		✓		Borrowing General rates Fees and charges Proceeds from asset sales	District	Majority general rate funded. Rental income offsets some costs.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Parks and open spaces	✓✓✓		✓	✓	Borrowing General rates Grants, bequests and donations Special funds Development contributions	District	Majority general rate funded. Fees and charges for exclusive access. Other income e.g. grants and subsidies is available from time to time. Some special funds are available. Development contributions to fund debt incurred for the expansion of services to cater for growth.
Community	✓✓✓		✓	✓	General rates Borrowing Special funds	District	Majority general rate funded. Other income e.g. grants and subsidies are available from time to time. Some special funds are available.
Emergency management	✓✓✓✓				Borrowing General rates	District	Fully funded by the general rate. Other income e.g. grants and subsidies is available from time to time following an emergency event.
Economic development	✓✓✓		✓	✓	Borrowing General rates	District	Majority general rate funded. Some grants available. I-Site charges commissions and sells products.
Airport	✓✓		✓✓		Borrowing General rates Fees and charges	District User pays	Council funds 50% of this activity, with the remainder funded by the Crown as joint venture partner. Council's share is partially funded by the general rate and partially funded by user fees and charges (aircraft landing fees, car parking, rental income).

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Seaport	✓✓✓		✓		Borrowing General rates External funds	District	Any Port shortfall and the River control aspects of the activity are funded via the general rate. Contracting income for Council staff supporting the SPV is a minor funding source for this activity. External funds e.g. from central government may be available from time to time for capital projects.
Waste minimisation and collection	✓✓✓		✓	✓	Borrowing General rates	District	Majority general rate funded. Income from waste disposal levies is used to fund waste reduction initiatives.
Waste minimisation and collection - kerbside recycling and food scraps		✓✓✓	✓	✓	Borrowing Targeted rates Fees and charges Grants and subsidies	Area of service	Majority funded by targeted rates to properties to which the services are provided. Waste levies and other grants and subsidies may be available and will be maximised to offset the cost to ratepayers. Fees and charges may be used as a minor funding source e.g. for replacement bins.
Animal management	✓✓		✓✓	✓	Borrowing General rates Fees and charges	User pays District	Partially funded by fees and charges and partially by the general rate. Income from other sources from time to time.
Building control	✓✓		✓✓		Borrowing General rates	User pays District	Partially funded by fees and charges and partially from the general rate.

Legend: ✓✓✓✓ = Full (100%) ✓✓✓ = Majority (> 67%) ✓✓ = Partial (33% - 67%) ✓ = Minority (< 33%)

Activity	Funding of operating expenditure				Funding of capital expenditure	Catchment	Commentary
	General rates	Targeted rates	Fees and charges	Other (grants, subsidies, interest, dividends)			
Environmental health	✓✓✓		✓		Borrowing General rates	District User pays	Majority general rate funded. Some fees and charges income.
Parking services	✓		✓✓✓		Special fund Borrowing General rates Fees and charges	User pays District	Primarily funded by parking fees and charges. Shortfall (if any) funded from general rate. Surplus (if any) to special fund for parking meter replacement or to general rates.
Resource consenting	✓✓		✓✓		Borrowing General rates	User pays District	Funded partially by fees and charges and partially by the general rate.
District planning	✓✓✓			✓	Borrowing General rates	District	Majority to fully funded by the general rate. Grants are available from time to time which provide a minor source of income. Fees for privately initiated plan changes (if any).
Governance	✓✓✓			✓	Borrowing General rates Donations	District	Majority general rate funded. Income from other sources from time to time.
Corporate services			✓	✓✓✓	Borrowing	Activities	Majority funded by overhead allocation to other Council activities. Minor amount of fees and charges and interest income.
Investments	✓		✓	✓✓✓	Borrowing General rates	District	Investment dividends and interest income offset the general rate. Minor funding from user fees and charges e.g. rental income.

Council Controlled Organisations

Section 6 of the Local Government Act 2002 (the Act) defines a council controlled organisation (CCO) and Schedule 10 of the Act requires the following disclosures to be made in relation to each CCO.

GasNet Limited is not a CCO according to section 6 of the Act as it is an energy company.

Whanganui Airport Joint Venture (WAJV)

The Joint Venture Airport is a 50/50 joint venture between Whanganui District Council and the Crown. It has been operating the Whanganui Airport since the late 1950s. Part of the financial information is included within the main financial statements of the Council. Under the Act, WAJV is classified as a CCO.

Objectives

WAJV's primary objectives are to:

- Provide high quality facilities and service commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations in line with the size of Whanganui Airport.
- Operate the airport in a sound and business-like manner.
- Improve the long-term value and financial performance of the airport while improving the economic value of the airport to Whanganui.

Nature and scope of activities

- The airport provides takeoff, landing, ground handling and passenger terminal facilities for scheduled airline services.
- It also provides a base for commercial, training and recreational aviation activity.
- The ongoing development of aviation and associated services and infrastructure is subsequently intended to support activity, business and employment.

Key performance targets

- Reduction of the current loss position to 'break even' or to a level acceptable to the partners in light of the CCO's economic value to Whanganui.
- Compliance with all aspects of Part 139 of the Civil Aviation Rules.
- Delivery of an activity plan and subsequent achievement of the individual targets outlined within that plan.

Whanganui District Council Holdings Limited

Whanganui District Council Holdings Limited (WDCHL or the Company) was formed in March 2002 to provide a commercial overview of the Council's investment portfolio.

The Company is 100% owned by Whanganui District Council (the Council). WDCHL owns 100% of the shares in GasNet Limited, 100% of the shares in New Zealand Commercial Pilot Academy Limited and 100% of the shares in Whanganui Port General Partner Limited. The Company provides a monitoring service to Council for the following activities:

- GasNet Limited
- New Zealand International Commercial Pilot Academy Limited
- Whanganui Port General Partner Limited

Note – at the Council meeting on 26 March 2024, Council passed a resolution to transfer all assets and liabilities of WDCHL including the shares in its subsidiaries, to Council, and then to close the Company by way of amalgamation with one of its subsidiaries. This process is expected to be completed by the end of December 2024, however at the time of adoption of this Long Term Plan WDCHL is still in operation.

Objectives

The Board intends to operate as a successful business in relation to its investments and to the monitoring roles assigned to it under contract by the Council.

The objectives relating to the ownership of the company are to oversee individual investments and to advise Council on:

- The mix of investments in the portfolio
- The risk of investments in the portfolio
- The management of individual investments in the portfolio
- The overall strategy for investments in the portfolio
- To identify opportunities to enhance investments and returns
- To identify potential new investments that meet council investment objectives
- To identify opportunities to sell investments that no longer meet Council's investment objectives
- To identify appropriate structures that may better enhance focus and management of particular investments

It is the sole responsibility of Council, by resolution, to purchase or sell assets owned by WDCHL.

WDCHL has a 100% interest in GasNet Limited, New Zealand International Commercial Pilot Academy Limited and Whanganui Port General Partner Limited, which is owned by the company.

Nature and scope of activities

The Company's business will primarily be to hold shares in GasNet Ltd, NZICPA, Whanganui Port General Partner Ltd and other subsidiaries or undertakings transferred to the Company, to provide strategic planning advice to Council when required and to undertake such other matters as shall be determined by the Board, in conjunction with the Council.

Key performance targets

WDCHL's intended performance targets for the planned period are:

- To meet the dividend expectations of its shareholder while still maintaining sufficient cashflows to meet its own working capital needs.
- To facilitate its subsidiary Companies to achieve the performance targets identified in its Statement of Intent.

New Zealand International Commercial Pilot Academy Limited (NZICPA)

NZICPA's parent entity is Whanganui District Council Holdings Limited, a Council Controlled Organisation of Whanganui District Council. Therefore the company is a Council Controlled Organisation as defined by section 6 of the Local Government Act 2002.

NZICPA has one subsidiary, Aero Care Limited.

Objectives

Council objectives for investing in NZICPA are to provide investment returns for Council, to stimulate economic benefits for the Whanganui district, and to deliver financial and economic benefits for the Whanganui Airport Joint Venture.

NZICPA's primary objectives are to:

- Provide high quality, professional, safety-focused flight training commensurate with performance targets.
- Actively increase the student roll internationally and maintain the domestic roll.
- Aim to be cash flow positive.

Nature and scope of activities

The Company's business will primarily be to provide flight instruction to both national and international students and to undertake such other matters as shall be determined by the Board, in conjunction with Whanganui District Council Holdings Limited.

The Aero Care business will primarily provide maintenance to aircraft used by NZICPA and utilise spare capacity to service third party aircraft.

Key performance targets

NZICPA's key performance targets are:

- NZICPA and Aero Care to produce a positive EBITDA.
- To maintain Civil Aviation Authority (CAA) accreditations necessary to deliver the outputs.
- To make sure that NZICPA maintains its registration on NZQA list of Code approved education providers for the Pastoral Care of international students.

Whanganui Port Limited Partnership (WPLP)

The Whanganui Port operations involves three entities:

- Whanganui Port General Partner Limited (WPGPL): 100% owned by WDCHL
- Whanganui Port Operating Company Limited (WPOCL): 100% owned by WPGPL
- Whanganui Port Limited Partnership (WPLP). Council is the Limited Partner and WPGPL is the General Partner. The Crown has a convertible loan interest in the Partnership.

Whanganui Port Limited Partnership is a CCO of Council. The other two entities are subsidiaries of Whanganui District Council Holdings Ltd.

Note: Once Whanganui District Council Holdings Limited is closed, the shares in the Whanganui Port General Partner Limited will be transferred to Council.

Objectives

The objective relating to the ownership of the Port assets are to:

- Oversee the rejuvenation and continued viability of the Whanganui port
- Operate the port in a sound and business-like manner
- Improve the long-term value and financial performance of the port while improving the economic value of the port to Whanganui.

While the long-term objective of the port investment is to provide financial returns, initially this investment is for strategic purposes such as retaining local businesses and providing opportunities for new businesses to invest in Whanganui.

In addition to the above objectives, the following objectives relate to the ownership of the Harbour Endowment property portfolio:

- To provide revenue for harbour maintenance operations
- To help fund infrastructure for harbour development
- To maintain the value of the portfolio
- To maintain investment in land and property
- To enhance opportunities for economic development on a commercial basis
- To act as a prudent investor

The Harbour Endowment requires that funds must be invested in property. However, proceeds from investment must be used for harbour purposes. Not all properties within the Harbour Endowment are regarded as investment properties as some are used for operational purposes or are owned for strategic reasons. Proceeds from property sales for the Harbour Endowment are not used for harbour maintenance but remain in the capital fund for the purchase of property.

Nature and scope of activities

The company's business includes:

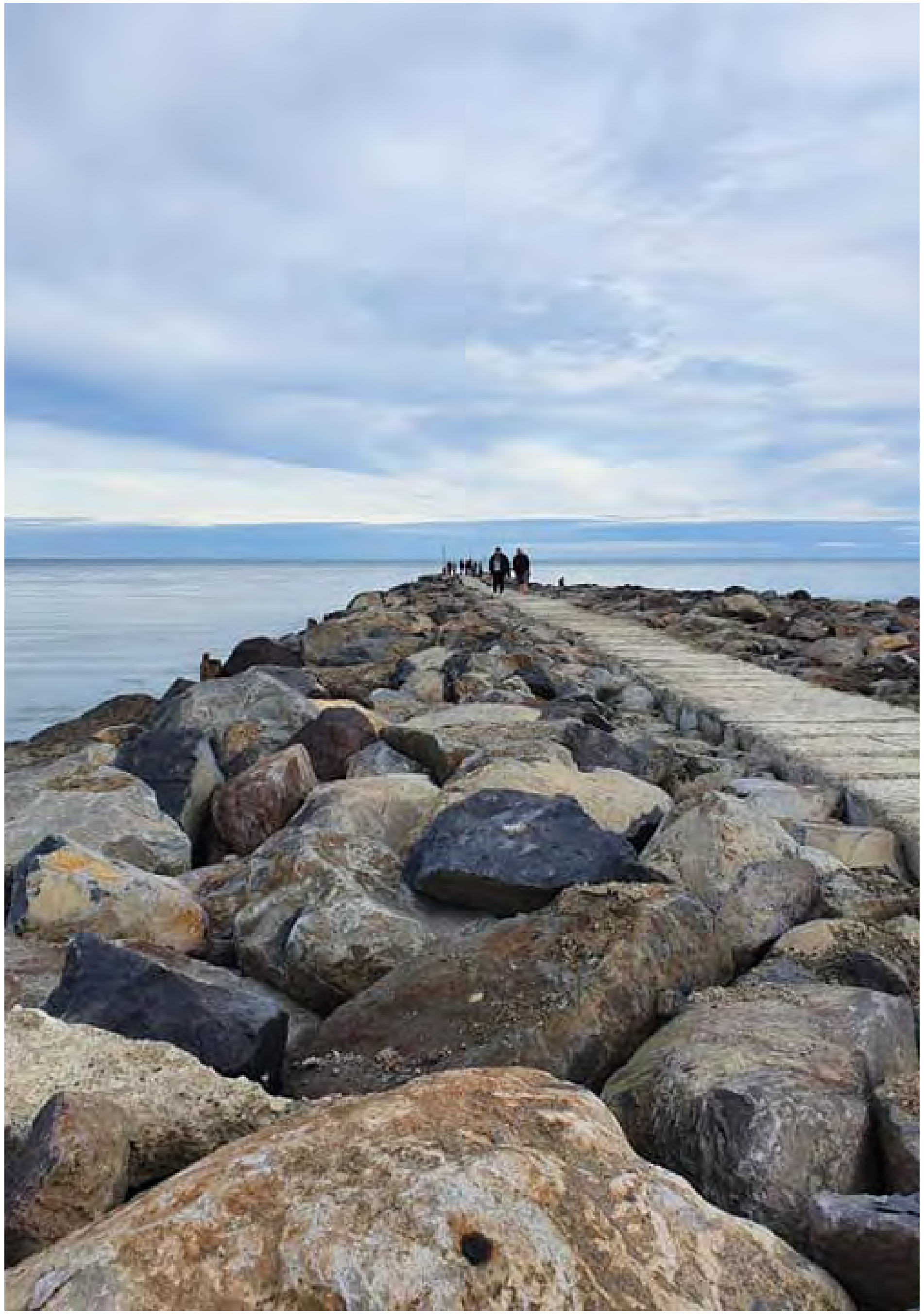
- Sea port operations: managing and operating the Whanganui Port.
- Te Pūwaha project: managing capital upgrades and developments as part of the large Whanganui Port Infrastructure Revitalisation Project.
- Harbour Endowment: managing the Harbour Endowment investment property portfolio.

Key performance targets

- Deliver the port revitalisation as specified by the Security holders Agreement.
- Manage port operations and property endowment portfolio as set out in the Partnership Agreement.
- Manage revenue and cost lines to enable the partnership to be at least break even.

Council policies and objectives relating to CCOs

Council does not have any significant policies in regard to ownership and control of the organisations. Council has a policy on the appointment and remuneration of directors, which is available on request.



Water and sanitary assessment and Waste Management & Minimisation Plan

The Water and Sanitary Services Assessment was undertaken in 2005, reviewed in 2009 with the Rural Water being updated in 2012.

Given the establishment of Taumata Arowai (the water services regulator) and the new water services bill (currently going through Parliament) we have decided that any update is deferred until the implications and responsibilities of these major pieces of work are known.

Significate improvements to ensure public health since the assessment are listed below:

Water supply

- New production bore developed
- Water Safety Plan and Improvement Plan implemented for Taumata Arowai to approve
- Water sampling schedules implemented to meet new requirements under the Drinking Water Quality Assurance Rules (DWQAR)
- Fordell and Westmere joined to the urban water supply network
- Renewals of critical assets

Wastewater

- Wastewater Treatment Plant commissioned
- Landguard camp connected to Wastewater network
- Two campervan effluent disposal facilities installed at Springvale Park
- Trade waste Bylaw developed

Stormwater

- Healthy Streams Initiative initiated
- Condition assessment and modelling of in-ground assets undertaken

Cemeteries

- New cemetery extension at Aramoho Cemetery

Airport

- Connected Airport wastewater system to network
- Separated stormwater from wastewater at Airport
- Connected Airport to city water supply

Public toilets

- Additional public toilet facilities provided in the CBD, and in Wanganui East to meet demand

Waste management and minimisation

Our Waste Management and Minimisation Plan was reviewed in 2021 and can be found on the Council website: www.whanganui.govt.nz

Statement of Accounting Policy

Reporting entity

Whanganui District Council ("the Council" and "WDC") is a territorial local authority established and governed by the Local Government Act 2002, and is domiciled and operates in New Zealand.

The Whanganui District Council group (WDCG) consists of the ultimate parent Whanganui District Council (the council) and its subsidiaries, Whanganui and Partners Limited (100% owned), Whanganui Port Limited Partnership (95% owned), Whanganui District Council Holdings Limited (100% owned) which in turn owns 100% of GasNet Limited and the New Zealand International Commercial Pilot Academy (NZICPA), and Whanganui Airport Joint Venture (50%). Its 49% equity share of New Zealand Masters Games Limited, its 15% interest in the Manawatu Wanganui LASS Limited and its 33% interest in the Whanganui River Enhancement Trust are equity accounted. All WDC subsidiaries and associates are domiciled in New Zealand.

The Council's financial statements are for Whanganui District Council and the Wanganui Airport Joint Venture (50%) as an activity of Council. The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in the Long Term Plan is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council. The financial information contained within the Long Term Plan may not be appropriate for purposes other than those described.

Statement of compliance and basis of preparation

The prospective financial statements have been prepared on a going concern basis and accounting policies have been applied consistently throughout the period of the Plan.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 (LGA), which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and the Long Term Plan requirements of section 93 of the LGA. It is audited under section 94 of the LGA. The primary purpose of WDC is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, for reporting purposes, the Council is a public benefit entity.

The prospective financial statements comply with the standards for public sector public benefit entities reporting under tier 1 of the framework and have been prepared in accordance with public benefit entity financial reporting standard 42; Prospective Financial Statements (PBE FRS 42).

The Council authorised the prospective financial statements on 16 July 2024.

The Council, who are authorised to do so and believe that the assumptions underlying these prospective financial statements on pages 31-43 are appropriate, has approved the Long Term Plan for distribution.

No actual financial results have been incorporated within the prospective financial statements. Actual financial results achieved for the period covered are likely to vary from the information presented. These variations may be material. The final prospective financial statements were adopted by the Council on 16 July 2024.

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

Measurement base

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

Specific accounting policies

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from an exchange transaction arises where the Council supplies goods or services at a market rate, and where equal value, usually in the form of cash, is received. A non-exchange transaction is where the Council receives goods or services from another entity without giving approximate equal value in return. Many services Council provides are subsidised by rates and are thus non-exchange. An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Rates revenue

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.

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.

Rates revenue is a non-exchange transaction.

Government grants

WDC receives government grants from the New Zealand Transport Agency, which subsidises part of WDC's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. Government grants are generally regarded as a non-exchange transaction.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. The provision of services is regarded as a non-exchange transaction where the activity is subsidised by rates.

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 WDC are recognised as revenue when control over the asset is obtained.

Vested assets revenue is a non-exchange transaction.

Sale of goods

Revenue from sales of goods is recognised when a product is sold to the customer. Revenue from the sale of goods is an exchange transaction where the sale is at market value and no subsidy from rates is given.

Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

Interest and dividends

Interest income is recognised using the effective interest method. Interest income is exchange revenue.

Dividends are recognised when the right to receive payment has been established. Dividend income is exchange revenue.

Development contributions

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

Borrowing costs

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

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, WDC recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether WDC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and group apply the simplified ECL model of recognising lifetime ECL for receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are “written-off”:

- when remitted in accordance with the Council’s rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002

Other receivables are written-off when there is no reasonable expectation of recovery.

Other Financial assets

WDC's investments in its subsidiary and associate companies are held at cost.

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); or
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the carrying value of the financial asset at initial recognition, unless it 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 the Council and group's management model for managing them.

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.

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

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost

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

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. The Council and group do not hold any debt instruments in this category.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and group designate into this category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Instruments in this category include the Council and group's investment fund portfolio (comprising of listed shares, bonds, and units in investment funds) and LGFA borrower notes.

Expected credit loss allowance (ECL)

The Council and group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and group's historical experience and informed credit assessment and including forward-looking information.

The Council and group considers a financial asset to be in default when the financial asset is more than 90 days past due. The Council and group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council and group's operational activities and interest rate risks arising from the Council's and group's financing activities. In accordance with its treasury policies, the Council and group 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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in surplus or deficit.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

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.

Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are recorded at lower of their 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 the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consists of:

Operational assets – these include land, buildings, motor vehicles, plant and equipment and library books.

Restricted assets – these include artworks, cultural assets and parks and reserves. These assets provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – these include the fixed utility systems comprising the roading, airport runway, water reticulation and drainage systems, and infrastructure land (including land under roads). Each asset type includes all items that are required for the network to function.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land, buildings (operational and restricted) and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

WDC assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

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

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and recognised in other comprehensive income.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

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

Derecognition and Disposals

An asset is derecognised on disposal or when no future economic benefits or service potential is expected from its use or disposal. Gains and losses on derecognition are determined by comparing the proceeds, or future economic benefits, with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. The revaluation surplus included in net assets/equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are derecognised.

Subsequent Costs

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 the Council and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and art works, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset type	Useful life	Depreciation rate
Land (including Restricted properties)		Not a Depreciable item
Buildings and leasehold improvements (including Restricted properties)	5 to 50 years	2-20%
Plant, vehicles and equipment	3 to 20 years	5-33%
Furniture & Fittings	5 to 10 years	10-20%
Library books	10 years	10%
Art Works		Not a Depreciable item
Aircraft & simulators	10 years	10%
Infrastructural assets		
Roading network		Weighted average 4.6%
Pavement	4-18 years	
Basecourse	80-100 years	
Formation and Berms		Not a Depreciable item
Footpaths	8-50 years	
Bridges & large culverts	100 years	
Kerb and channel	20-100 years	
Retaining Walls	50-100 years	
Street lighting	15-50 years	
Culverts	80 years	
Traffic signals and under road assets	5-50 years	
Wastewater system	20 to 120 years	2.0%
Storm water system	20 to 120 years	1.5%
Water system	9 to 100 years	1.9%
Gas distribution network mains and services	7 to 100 years	1% - 15%
Gas distribution network condition renewals	50 years	2%
Gas measurement systems and distribution network customer stations	10 to 100 years	1% - 10%
Airport runway	10 years	8.6%

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of WDC's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

Carbon credits

Carbon credits are initially recognised at cost. After initial recognition they are not amortised but all carbon credits are measured, annually, at fair value.

The net revaluation result is credited or debited to other comprehensive revenue and expense and is accumulated to fair value through general reserve. Where this results in a debit balance in the reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase in revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense. They are derecognised when they are used to satisfy carbon emission obligations.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by WDC, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

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

Asset type	Useful life	Amortisation rate
Computer software	3 - 10 years	10% - 33%

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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 for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash generating assets are those held for the primary purpose of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

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. The total impairment loss is recognised in the surplus or deficit. Where an impairment loss is reversed this is recognised in the surplus or deficit.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, WDC measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are recorded at the amount payable.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless WDC has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Employee entitlements

Short-term employee entitlements

Employee benefits that WDC expects 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 to, but not yet taken at, balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

WDC recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements 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 WDC anticipates it will be used by staff to cover those future absences.

WDC recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders service, such as long service leave and retiring leave; have been calculated on an actuarial basis. The calculations are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and the present value of the estimated future cash flows.

Presentation of employee entitlements

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 schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Equity

Equity is the community's interest in WDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- retained earnings
- restricted reserves
- asset revaluation reserves
- other reserves

Restricted reserves

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

Restricted reserves are those subject to specific conditions accepted as binding by WDC and which may not be revised by WDC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Revaluation Reserves

These relate to the revaluation of land, buildings and infrastructural assets to fair value.

Other Reserves

These relate to the revaluation of financial assets (shares and bonds) to fair value and the revaluation of carbon credits to fair value.

Goods and Service 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 Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, 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 flows.

Commitments and contingencies are disclosed exclusive of GST.

Landfill post-closure costs

WDC, as past operator of the Balgownie landfill, has a legal obligation under the resource consent to provide on-going monitoring of the landfill after its closure. Post-closure monitoring costs are recognised as expenses when the obligation for post-closure arises.

Cost allocation

WDC has derived the cost of service for each significant activity of WDC using the cost allocation system outlined below.

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

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as operating expenditure net of NZTA subsidies.

Critical accounting estimates and assumptions

In preparing these financial statements WDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this Plan are discussed below:

WDC infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset;
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then WDC could be over or under estimating the annual depreciation charge recognised as an expense in the surplus or deficit. To minimise this risk, WDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the WDC's asset management planning activities, which gives WDC further assurance over its useful life estimates.

Experienced independent valuers perform or review the Council's infrastructural asset revaluations.

Critical judgements in applying WDC's accounting policies

Management has exercised the following critical judgements in applying the WDC's accounting policies:

Classification of property

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

Impairment of shares in subsidiary

Management reviews its share investment in its subsidiary and has made estimates and assumptions concerning the future. These estimates and assumptions include revenue growth, future cash flows and future economic and market conditions. These estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. WDC minimises the risk of this estimation uncertainty by annually reviewing the value of its share investment.

Comparative Information

The Annual Plan 2023/2024 adopted by the council on 27 June 2023 has been provided as a comparator for these consolidated prospective financial statements. The closing balance in this comparative differs from the opening position used to prepare these consolidated prospective financial statements which is based on the most up-to-date forecast information.

WHANGANUI DISTRICT COUNCIL
LONG-TERM PLAN
2024-2034

WHANGANUI
DISTRICT COUNCIL
Te Kaunihera a Rohe o Whanganui