Financial Prudence Benchmarks

Financial Prudence Benchmarks

Annual plan disclosure statement for year ending 30 June 2021

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 the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Benchmark			Annual Plan	Met	Note
Rates affordability benchmark					1
- income ($m)	<	557.6	557.2	Yes	
- increases	<	6.9%	5.5%	Yes	
Debt affordability benchmark ($m)	<	2,715	2,193	Yes	2
Net debt as a percentage of equity	<	20%	11%	Yes	
Net debt as a percentage of total revenue	<	300%	186%	Yes	
Net interest as a percentage of total revenue	<	20%	9%	Yes	
Net interest as a percentage of annual rates income	<	30%	12%	Yes	
Liquidity	>	110%	117%	Yes	
Balanced budget benchmark	>	100%	90%	No	3
Essential services benchmark	>	100%	119%	Yes	4
Debt servicing benchmark	<	10%	12%	No	5

Notes

1. **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 are compared with a quantified limit on rates increases for the year 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 for the year equals or is less than each quantified limit on rates; and

   (b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

2. **Debt affordability benchmark**

   (3) For this benchmark, the Council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy in the Council's long term plan.

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

3. **Balanced budget benchmark**

   (5) 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).

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

   (7) The Council has not met this benchmark due to the need to borrow for the loss of revenue including CCHL dividend in 2019/20 and 2020/21 as a result of COVID-19. In addition Council's policy is to rate for renewals rather than depreciation. Council is increasing its rating for renewals over the LTP period to better match long run renewal projections, within the confines of ratepayer affordability.

4. **Essential services benchmark**

   (8) For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

   (9) The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

5. **Debt servicing benchmark**

   (10) For this benchmark, the Council's planned borrowing costs are presented 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).

   (11) Statistics New Zealand projects the Council's population will grow more slowly than the national population, and will meet the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

   (12) The Council has exceeded this benchmark due to the amount of borrowing required to fund the rebuild. There is no concern around Council's ability to service the debt.

This statement is included 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.