



Local Government (Financial Reporting and Prudence) Regulations 2014

Jerry Mateparae, Governor-General

Order in Council

At Wellington this 17th day of March 2014

Present:

His Excellency the Governor-General in Council

Pursuant to section 259(1)(da) to (dd) of the Local Government Act 2002, His Excellency the Governor-General makes the following regulations, acting—

- (a) on the advice and with the consent of the Executive Council; and
- (b) on the recommendation of the Minister of Local Government made, in relation to section 259(1)(dc) of that Act, after complying with the requirement specified in section 259(4) of that Act.

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Regulations

1 Title

These regulations are the Local Government (Financial Reporting and Prudence) Regulations 2014.

2 Commencement

These regulations come into force on 1 May 2014.

3 Interpretation

In these regulations, unless the context otherwise requires,—

Act means the Local Government Act 2002

borrowing cost has the same meaning as it does under generally accepted accounting practice

capital expenditure, in relation to network services, means the value of network services constructed by the local authority

depreciation has the same meaning as it does under generally accepted accounting practice

derivative financial instrument has the same meaning as it does under generally accepted accounting practice

development contribution has the meaning given to it in section 197(2) of the Act

disclosure statement means a statement that discloses a local authority's performance in relation to the benchmarks specified in regulation 10

financial contribution means a payment of money made to a local authority under section 108(2)(a) of the Resource Management Act 1991

high-growth local authority means a local authority whose population is expected to grow at or above the national population growth rate according to the projections of Statistics New Zealand that are the most recent projections at the commencement of—

- (a) the year to which an annual plan or annual report relates;
- (b) the first year to which a long-term plan relates

net debt means financial liabilities less financial assets (excluding trade and other receivables)

network services means infrastructure related to—

- (a) water supply;
- (b) sewerage and the treatment and disposal of sewage;
- (c) stormwater drainage;
- (d) flood protection and control works;

(e) the provision of roads and footpaths

other dedicated capital funding means funding received by a local authority that the local authority is required to apply to capital purposes

quantified limit means a quantified limit on rates, rates increases, or borrowing for a year that is included in a local authority's financial strategy in accordance with section 101A(3)(b)(i) of the Act

revaluation of property, plant, or equipment means an increase or decrease in the carrying amount of a class of property, plant, or equipment assets as a result of a revaluation

targeted rate for metered water supply means a targeted rate levied under section 19 of the Local Government (Rating) Act 2002

vested asset means an asset transferred to a local authority as a result of a subdivision or development and for which the local authority has given no consideration or reduced consideration in exchange for the asset

year means a period of 12 months ending on 30 June.

4 Application of provisions of these regulations

Schedule 1 contains application, savings, and transitional provisions that affect the other provisions of these regulations as from time to time amended, repealed, or repealed and replaced (*see* regulation 26).

Part 1 Financial reporting

5 Information to be disclosed in financial statements

- (1) This regulation applies to a local authority's financial statements in its annual plan, annual report, and long-term plan.
- (2) A local authority's statement of comprehensive income must disclose separately the amount of income received or to be received from each of the following sources:
 - (a) rates; and
 - (b) development and financial contributions; and
 - (c) subsidies and grants.
- (3) A local authority's statement of financial position must specify the sum of the amounts of the authority's investments in council-controlled organisations and in entities listed in section 6(4) of the Act.
- (4) The notes to a local authority's financial statements must specify, in relation to each group of activities, the combined depreciation and amortisation expense for assets used directly in providing the group of activities.

- (5) The notes to a local authority's financial statements must specify the amount of income received or to be received from targeted rates for metered water supply.

6 Information about core assets to be disclosed in financial statements in annual report

- (1) This regulation applies to a local authority's financial statements in its annual report.
- (2) The notes to a local authority's financial statements must disclose the financial information listed in subclause (3) in relation to the following assets:
- (a) water supply, distinguishing between—
 - (i) treatment plants and facilities; and
 - (ii) other assets (such as reticulation systems):
 - (b) sewerage, distinguishing between—
 - (i) treatment plants and facilities; and
 - (ii) other assets (such as reticulation systems):
 - (c) stormwater drainage:
 - (d) flood protection and control works:
 - (e) roads and footpaths.
- (3) The financial information that must be disclosed for each of the assets listed in subclause (2) is—
- (a) the closing book value:
 - (b) the value of acquisitions made during the relevant financial year, distinguishing between—
 - (i) assets constructed by the local authority; and
 - (ii) assets transferred to the local authority:
 - (c) the local authority's most recent estimate of the replacement cost, unless the asset is valued on a historic cost or deemed cost valuation basis.

7 Form of funding impact statement

- (1) The funding impact statement to be included in the annual plan in accordance with clause 20 of Schedule 10 of the Act must be in form 1 of Schedule 2.
- (2) The funding impact statement to be included in the long-term plan in accordance with clause 5 of Schedule 10 of the Act must be in form 2 of Schedule 2.
- (3) The funding impact statement to be included in the long-term plan in accordance with clause 15 of Schedule 10 of the Act must be in form 3 of Schedule 2.
- (4) The funding impact statement to be included in the annual report in accordance with clause 26 of Schedule 10 of the Act must be in form 4 of Schedule 2.
- (5) The funding impact statement to be included in the annual report in accordance with clause 30 of Schedule 10 of the Act must be in form 5 of Schedule 2.

8 Directions for preparation of funding impact statements

A funding impact statement prepared by a local authority must comply with the following accounting policies:

Timing

- (a) a method of accounting that is regarded as accrual accounting under generally accepted accounting practice must be used to record the effects of transactions when they occur:

Balance

- (b) the total sources of funding must equal the total applications of funding.

**Part 2
Financial prudence****9 Local authority must disclose performance in relation to benchmarks**

- (1) A local authority must include a disclosure statement in its annual plan, annual report, and long-term plan.
- (2) Each disclosure statement must—
 - (a) contain the information required by these regulations; and
 - (b) be in the same format as the disclosure statement in—
 - (i) Schedule 4, for an annual plan;
 - (ii) Schedule 5, for an annual report;
 - (iii) Schedule 6, for a long-term plan.

10 Benchmarks

The benchmarks are—

- (a) the rates affordability benchmark (regulation 17):
- (b) the debt affordability benchmark (regulation 18):
- (c) the balanced budget benchmark (regulation 19):
- (d) the essential services benchmark (regulation 20):
- (e) the debt servicing benchmark (regulation 21):
- (f) the debt control benchmark (regulation 22):
- (g) the operations control benchmark (regulation 23).

11 Disclosure statement in annual plan

- (1) A disclosure statement in an annual plan must disclose the planned performance for each benchmark specified in regulation 10(a) to (e) for the year of the annual plan.

- (2) A disclosure statement in an annual plan must present a local authority's planned performance in relation to the benchmarks in the same format as the table in the disclosure statement in Schedule 4.

12 Disclosure statement in annual report

A disclosure statement in an annual report must disclose the actual performance for each benchmark specified in regulation 10 for—

- (a) the year of the annual report; and
- (b) each of the 4 years preceding the year of the annual report.

13 Disclosure statement in long-term plan

A disclosure statement in a long-term plan must disclose the planned performance for—

- (a) the benchmarks specified in regulation 10(a) and (b) for each year covered by the long-term plan; and
- (b) the benchmarks specified in regulation 10(c) to (e)—
 - (i) for the year preceding the first year of the period covered by the long-term plan; and
 - (ii) for each year covered by the long-term plan.

14 Form of disclosure in annual report and long-term plan

- (1) A disclosure statement in an annual report and in a long-term plan must present the local authority's performance in relation to a benchmark in a bar graph with the relevant year or years displayed on the horizontal axis.
- (2) For the benchmarks specified in regulation 10(a) and (b),—
 - (a) the disclosure statement must include a separate bar graph for the performance for each quantified limit on rates, rates increases, and borrowing; and
 - (b) the vertical axis of the bar graph must display the unit against which the relevant quantified limit is measured.
- (3) For the benchmarks specified in regulation 10(c) to (g),—
 - (a) the vertical axis of the bar graph must display percentage points; and
 - (b) each bar in a graph must be coloured, in accordance with the criteria specified in Schedule 3,—
 - (i) green, if the local authority has met or expects to meet the benchmark; or
 - (ii) orange, if the local authority has not met or does not expect to meet the benchmark.

15 Compliance with formats for disclosure statements

- (1) The information displayed in the graphs in the disclosure statements in Schedules 5 and 6 is included by way of example only. A local authority's disclosure statement must display the information required by these regulations that relates to the local authority's performance in relation to the benchmarks in place of the information displayed in the graphs in the disclosure statements in Schedules 5 and 6.
- (2) A disclosure statement may—
 - (a) contain additional information or comments on the disclosure required by these regulations if included where indicated in the appropriate disclosure statements in Schedules 4 to 6:
 - (b) contain minor variations from the format of the disclosure statements in Schedules 4 to 6 provided the variations are required to present clearly the local authority's performance in relation to the benchmarks.

16 Reporting basis

- (1) A local authority must disclose its performance in relation to the benchmarks as a single entity and not include subsidiaries.
- (2) However, Auckland Council must disclose, in its disclosure statements, the performance of Auckland Council and its subsidiaries as a single consolidated entity.

*Benchmarks***17 Rates affordability benchmark**

- (1) A local authority meets the rates affordability benchmark—
 - (a) if actual or planned rates income for the year equals or is less than each quantified limit on rates; and
 - (b) if actual or planned rates increases for the year equal or are less than each quantified limit on rates increases.
- (2) A local authority must disclose its actual or planned performance in relation to the rates affordability benchmark—
 - (a) by comparing—
 - (i) actual or planned rates income with each quantified limit on rates:
 - (ii) actual or planned rates increases with each quantified limit on rates increases:
 - (b) in its annual plan, in a table in the same format as the table in the disclosure statement in Schedule 4:
 - (c) in its annual report and long-term plan,—

- (i) for each quantified limit on rates, in a graph in the same format as the graph headed “*Rates (income) affordability*” in the disclosure statement in Schedule 5 or 6:
- (ii) for each quantified limit on rates increases, in a graph in the same format as the graph headed “*Rates (increases) affordability*” in the disclosure statement in Schedule 5 or 6.

18 Debt affordability benchmark

- (1) A local authority meets the debt affordability benchmark for a year if actual or planned borrowing for the year is within each quantified limit on borrowing.
- (2) A local authority must disclose its actual or planned performance in relation to the debt affordability benchmark—
 - (a) by comparing actual or planned borrowing with each quantified limit on borrowing:
 - (b) in its annual plan, in a table in the same format as the table in the disclosure statement in Schedule 4:
 - (c) in its annual report and long-term plan, for each quantified limit on debt, in a graph in the same format as the graph headed “**Debt affordability benchmark**” in the disclosure statement in Schedule 5 or 6.

19 Balanced budget benchmark

- (1) A local authority meets the balanced budget benchmark for a year if its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) for the year exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment) for the year.
- (2) A local authority must disclose its actual or planned performance in relation to the balanced budget benchmark—
 - (a) as a percentage calculated by using the following formula:
$$\text{performance} = \text{revenue} \div \text{operating expenses}$$
 - (b) in its annual plan, in a table in the same format as the table in the disclosure statement in Schedule 4:
 - (c) in its annual report and long-term plan, in a graph in the same format as the graph headed “**Balanced budget benchmark**” in the disclosure statement in Schedule 5 or 6.

20 Essential services benchmark

- (1) A local authority meets the essential services benchmark for a year if its capital expenditure on network services for the year equals or is greater than depreciation on network services for the year.

- (2) A local authority must disclose its actual or planned performance in relation to the essential services benchmark—
- (a) as a percentage calculated by using the following formula:
$$\text{performance} = \text{capital expenditure} \div \text{depreciation}$$
 - (b) in its annual plan, in a table in the same format as the table in the disclosure statement in Schedule 4:
 - (c) in its annual report and long-term plan, in a graph in the same format as the graph headed “**Essential services benchmark**” in the disclosure statement in Schedule 5 or 6.

21 Debt servicing benchmark

- (1) A local authority meets the debt servicing benchmark for a year if its borrowing costs for the year equal or are less than 10% of its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) for the year.
- (2) However, a high-growth local authority meets the debt servicing benchmark for a year if its borrowing costs for the year equal or are less than 15% of its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) for the year.
- (3) A local authority must disclose its actual or planned performance in relation to the debt servicing benchmark—
- (a) as a percentage calculated by using the following formula:
$$\text{performance} = \text{borrowing costs} \div \text{revenue}$$
 - (b) in its annual plan, in a table in the same format as the table in the disclosure statement in Schedule 4:
 - (c) in its annual report and long-term plan, in a graph in the same format as the graph headed “**Debt servicing benchmark**” in the disclosure statement in Schedule 5 or 6.

22 Debt control benchmark

- (1) A local authority meets the debt control benchmark for a year if its actual net debt at the end of the year is less than or equal to the net debt planned for the end of the year in its long-term plan.
- (2) A local authority must disclose its actual performance in relation to the debt control benchmark—
- (a) as a percentage calculated by using the following formula:
$$\text{performance} = \text{actual net debt} \div \text{planned net debt}$$

- (b) in a graph in the same format as the graph headed “**Debt control benchmark**” in the disclosure statement in Schedule 5.

23 Operations control benchmark

- (1) A local authority meets the operations control benchmark for a year if its actual net cash flow from operations for the year equals or is greater than its planned net cash flow from operations for the year.
- (2) A local authority must disclose its actual performance in relation to the operations control benchmark—
- (a) as a percentage calculated by using the following formula:
- $$\text{performance} = \frac{\text{actual net cash flow from operations}}{\text{planned net cash flow from operations}}$$
- (b) in a graph in the same format as the graph headed “**Operations control benchmark**” in the disclosure statement in Schedule 5.

Local government reorganisations and other matters

24 Local authority affected by reorganisation

- (1) A local authority that is affected or created by a local government reorganisation must comply with this Part as it applies to annual reports only to the extent that is reasonably practicable given the circumstances of the reorganisation.
- (2) To avoid doubt, this regulation applies subject to clause 43(c) of Schedule 3 of the Act.

25 Local Government (Financial Reporting) Regulations 2011 revoked

The Local Government (Financial Reporting) Regulations 2011 (SR 2011/249) are revoked.

26 Application, savings, and transitional provisions

The application, savings, and transitional provisions set out in Schedule 1 have effect for the purposes of these regulations.

Schedule 1

Application, savings, and transitional provisions

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1 Application of Part 1

Subject to clause 2, Part 1—

- (a) applies to an annual report that relates to the year that began on 1 July 2013:
- (b) applies to a long-term plan that covers a period beginning on 1 July 2014:

- (c) applies to an annual plan that relates to the year beginning on 1 July 2014.

2 Disclosing income from rates and income from targeted rates for metered water supply

- (1) This clause applies to the requirements—
 - (a) in regulation 5(2)(a) relating to income from rates; and
 - (b) in regulation 5(5) relating to income from targeted rates for metered water supply.
- (2) The requirements do not apply to an annual report that relates to the year that began on 1 July 2013. Subclause (8) applies to the annual report instead.
- (3) The requirements do not apply to—
 - (a) an annual report that relates to the year beginning on 1 July 2014;
 - (b) a long-term plan that covers a period beginning on 1 July 2014;
 - (c) an annual plan that relates to the year beginning on 1 July 2014.
- (4) A local authority must comply with the requirements in relation to an annual report or annual plan that relates to the year beginning on 1 July 2015 and to a long-term plan that covers a period beginning on 1 July 2015.
- (5) Despite subclause (3), a local authority may elect to comply with the requirements in relation to a plan or report specified in subclause (3).
- (6) However, a local authority may elect to comply with the requirements in relation to an annual report that relates to the year beginning on 1 July 2014 only if the local authority has complied with the requirements in relation to the annual plan that relates to that year.
- (7) If a local authority elects not to comply with the requirements in relation to a plan or report specified in subclause (3), subclause (8) applies to the plan or report.
- (8) A local authority must, in relation to a plan or report to which this subclause applies,—
 - (a) comply with regulation 4(2)(a) of the Local Government (Financial Reporting) Regulations 2011 as if those regulations were still in force; and
 - (b) disclose sources of operating funding in the funding impact statements in the manner set out in the Schedule of the Local Government (Financial Reporting) Regulations 2011 as if those regulations were still in force.

3 Application of Part 2

- (1) Part 2—
 - (a) applies to an annual report that relates to the year that began on 1 July 2013:

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- (b) does not apply to a long-term plan that covers a period beginning on 1 July 2014:
 - (c) does not apply to an annual plan that relates to the year beginning on 1 July 2014.
- (2) Subclause (3) applies to a disclosure statement in an annual report.
 - (3) Despite regulation 12(b), a local authority is not required to disclose the performance for a benchmark for any year preceding the year that began on 1 July 2013 if it is not reasonably practicable for the local authority to gather the data necessary to disclose the performance for the benchmark.

Schedule 2

Forms of funding impact statement

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Form 1

Funding impact statement for annual plan (whole of council)

Clause 20, Schedule 10, Local Government Act 2002

[Name of council]: Funding impact statement for [period] (whole of council)

	* <i>[Year -1]</i> Annual plan (\$000)	[<i>Year 1</i>] Long-term plan (\$000)	[<i>Year 1</i>] Annual plan (\$000)
Sources of operating funding			
General rates, uniform annual general charge, rates penalties			
Targeted rates			
Subsidies and grants for operating purposes			
Fees and charges			
Interest and dividends from investments			
Local authorities fuel tax, fines, infringement fees, and other receipts			
Total operating funding (A)			
Applications of operating funding			
Payments to staff and suppliers			
Finance costs			
Other operating funding applications			
Total applications of operating funding (B)			
Surplus (deficit) of operating funding (A – B)			
Sources of capital funding			
Subsidies and grants for capital expenditure			
Development and financial contributions			
Increase (decrease) in debt			
Gross proceeds from sale of assets			
Lump sum contributions			
Other dedicated capital funding			
Total sources of capital funding (C)			
Application of capital funding			
Capital expenditure			
• to meet additional demand			
• to improve the level of service			
• to replace existing assets			
Increase (decrease) in reserves			
Increase (decrease) of investments			

	* <i>[Year -1]</i> Annual plan (\$000)	<i>[Year 1]</i> Long-term plan (\$000)	<i>[Year 1]</i> Annual plan (\$000)
Total applications of capital funding (D)			
Surplus (deficit) of capital funding (C - D)			
Funding balance ((A - B) + (C - D))			

*Specify the actual year of the annual plan and the same year for the long-term plan. The actual year for *[year -1]* is the year before the year of the annual plan.

Other information to be included

[Include the information specified in clause 20(3) to (5) of Schedule 10 of the Local Government Act 2002 where relevant.]

Form 2
Funding impact statement for long-term plan (group of activities)
Clause 5, Schedule 10, Local Government Act 2002

[Name of council]: Funding impact statement for [period] for [group of activities]	* [Year -1]	[Year 1]	[Year 2]	[Year 3]	[Year 4]	[Year 5]	[Year 6]	[Year 7]	[Year 8]	[Year 9]	[Year 10]
	Annual plan (\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties											
Targeted rates											
Subsidies and grants for operating purposes											
Fees and charges											
Internal charges and overheads recovered											
Local authorities fuel tax, fines, infringement fees, and other receipts											
Total operating funding (A)											
Applications of operating funding											
Payments to staff and suppliers											
Finance costs											
Internal charges and overheads applied											
Other operating funding applications											
Total applications of operating funding (B)											
Surplus (deficit) of operating funding (A - B)											

	[Year -1]	[Year 1]	[Year 2]	[Year 3]	[Year 4]	[Year 5]	[Year 6]	[Year 7]	[Year 8]	[Year 9]	[Year 10]
	Annual plan										
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Sources of capital funding											
Subsidies and grants for capital expenditure											
Development and financial contributions											
Increase (decrease) in debt											
Gross proceeds from sale of assets											
Lump sum contributions											
Other dedicated capital funding											
Total sources of capital funding (C)											
Applications of capital funding											
Capital expenditure—											
• to meet additional demand											
• to improve the level of service											
• to replace existing assets											
Increase (decrease) in reserves											
Increase (decrease) of investments											
Total applications of capital funding (D)											
Surplus (deficit) of capital funding (C – D)											
Funding balance ((A – B) + (C – D))											

*Specify the actual years of the long-term plan. The actual year for [year -1] is the year before the first year of the long-term plan.

Form 3

Funding impact statement for long-term plan (whole of council)

Clause 15, Schedule 10, Local Government Act 2002

[Name of council]: Funding impact statement for [period] (whole of council)	[Year 1]	[Year 2]	[Year 3]	[Year 4]	[Year 5]	[Year 6]	[Year 7]	[Year 8]	[Year 9]	[Year 10]
*[Year -1]	[Year 1]	[Year 2]	[Year 3]	[Year 4]	[Year 5]	[Year 6]	[Year 7]	[Year 8]	[Year 9]	[Year 10]
Annual plan										
(S000)	(S000)	(S000)	(S000)	(S000)	(S000)	(S000)	(S000)	(S000)	(S000)	(S000)
Sources of operating funding										
General rates, uniform annual general charges, rates penalties										
Targeted rates										
Subsidies and grants for operating purposes										
Fees and charges										
Interest and dividends from investments										
Local authorities fuel tax, fines, infringement fees, and other receipts										
Total operating funding (A)										
Applications of operating funding										
Payments to staff and suppliers										
Finance costs										
Other operating funding applications										
Total applications of operating funding (B)										
Surplus (deficit) of operating funding (A - B)										
Sources of capital funding										

	*[Year -1] Annual plan (\$000)	[Year 1]	[Year 2]	[Year 3]	[Year 4]	[Year 5]	[Year 6]	[Year 7]	[Year 8]	[Year 9]	[Year 10]
Subsidies and grants for capital expenditure		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Development and financial contributions											
Increase (decrease) in debt											
Gross proceeds from sale of assets											
Lump sum contributions											
Other dedicated capital funding											
Total sources of capital funding (C)											
Application of capital funding											
Capital expenditure											
• to meet additional demand											
• to improve the level of service											
• to replace existing assets											
Increase (decrease) in reserves											
Increase (decrease) of investments											
Total applications of capital funding (D)											
Surplus (deficit) of capital funding (C - D)											
Funding balance ((A - B) + (C - D))											

*Specify the actual years of the long-term plan. The actual year for [year -1] is the year before the first year of the long-term plan.

Other information to be included

[Include the information specified in clause 15(3) to (5) of Schedule 10 of the Local Government Act 2002 where relevant.]

Form 4

Funding impact statement for annual report (group of activities)

*Clause 26, Schedule 10, Local Government Act 2002***[Name of council]: Funding impact statement for [period] for [group of activities]**

	* [Year -1] Long-term plan (\$000)	[Year 1] Long-term plan (\$000)	[Year 1] Actual (\$000)
Sources of operating funding			
General rates, uniform annual general charge, rates penalties			
Targeted rates			
Subsidies and grants for operating purposes			
Fees and charges			
Internal charges and overheads recovered			
Local authorities fuel tax, fines, infringement fees, and other receipts			
Total operating funding (A)			
Applications of operating funding			
Payments to staff and suppliers			
Finance costs			
Internal charges and overheads applied			
Other operating funding applications			
Total applications of operating funding (B)			
Surplus (deficit) of operating funding (A – B)			
Sources of capital funding			
Subsidies and grants for capital expenditure			
Development and financial contributions			
Increase (decrease) in debt			
Gross proceeds from sale of assets			
Lump sum contributions			
Other dedicated capital funding			
Total sources of capital funding (C)			
Application of capital funding			
Capital expenditure			
• to meet additional demand			
• to improve the level of service			
• to replace existing assets			
Increase (decrease) in reserves			
Increase (decrease) of investments			
Total applications of capital funding (D)			
Surplus (deficit) of capital funding (C – D)			
Funding balance ((A – B) + (C – D))			

*Specify the actual years.

The actual year for [*year - 1*] is the year before the current year of the long-term plan.

The actual year for [*year 1*], in both cases, is the year of the long-term plan to which the annual report relates.

Form 5

Funding impact statement for annual report (whole of council)

*Clause 30, Schedule 10, Local Government Act 2002***[Name of council]: Funding impact statement for [period] (whole of council)**

	* [Year –1] Annual plan (\$000)	[Year –1] Annual report (\$000)	[Year 1] Annual plan (\$000)	[Year 1] Actual (\$000)
Sources of operating funding				
General rates, uniform annual general charge, rates penalties				
Targeted rates				
Subsidies and grants for operating purposes				
Fees and charges				
Interest and dividends from investments				
Local authorities fuel tax, fines, infringement fees, and other receipts				
Total operating funding (A)				
Applications of operating funding				
Payments to staff and suppliers				
Finance costs				
Other operating funding applications				
Total applications of operating funding (B)				
Surplus (deficit) of operating funding (A – B)				
Sources of capital funding				
Subsidies and grants for capital expenditure				
Development and financial contributions				
Increase (decrease) in debt				
Gross proceeds from sale of assets				
Lump sum contributions				
Other dedicated capital funding				
Total sources of capital funding (C)				
Application of capital funding				
Capital expenditure				
• to meet additional demand				
• to improve the level of service				
• to replace existing assets				
Increase (decrease) in reserves				
Increase (decrease) of investments				

	*[Year -1] Annual plan (\$000)	[Year -1] Annual report (\$000)	[Year 1] Annual plan (\$000)	[Year 1] Actual (\$000)
Total applications of capital funding (D)				
Surplus (deficit) of capital funding (C - D)				
Funding balance ((A - B) + (C - D))				

*Specify the actual years.

The actual year for [year -1], in both cases, is the year before the year of the annual plan.

The actual year for [year 1], in both cases, is the year of the annual plan to which the annual report relates.

Schedule 3
**Criteria for measuring benchmark performance in annual report
and long-term plan**

r 14(3)

Benchmark	Met	Not met
	<i>Green</i>	<i>Orange</i>
<i>Balanced budget</i>	Greater than or equal to 100%	Less than 100%
<i>Essential services</i>	Greater than or equal to 100%	Less than 100%
<i>Debt servicing—high-growth local authorities</i>	Less than or equal to 15%	Greater than 15%
<i>Debt servicing—other local authorities</i>	Less than or equal to 10%	Greater than 10%
<i>Debt control</i>	Less than or equal to 100%	Greater than 100%
<i>Operations control</i>	Greater than or equal to 100%	Less than 100%

Schedule 4

Annual plan disclosure statement

r 9(2)(b)(i)

Annual plan disclosure statement for year ending 30 June [*specify year*]

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.

The 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			[Yes/No]
• income	[quantified limit on rates]	[]	
• increases	[quantified limit on rates increases]	[]	
Debt affordability benchmark	[quantified limit on borrowing]	[]	[Yes/No]
Balanced budget benchmark	100%	[]%	[Yes/No]
Essential services benchmark	100%	[]%	[Yes/No]
Debt servicing benchmark	[10/15]%	[]%	[Yes/No]

[Include a row in the table in this statement for each quantified limit on rates, for each quantified limit on rates increases, and for each quantified limit on borrowing.]

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/quantified limits*] 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/quantified limits*] 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

- (1) For this benchmark, the council's planned borrowing is compared with [*a quantified limit/quantified limits*] on borrowing contained in the financial strategy included in the council's long-term plan.
- (2) The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

3 Balanced budget benchmark

- (1) 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).
- (2) The council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

4 Essential services benchmark

- (1) For this benchmark, the council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.
- (2) 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

- (1) 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).
- (2) Because Statistics New Zealand projects that the council's population will grow [*as fast as, or faster than, slower than*] the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than [*10%/15%*] of its planned revenue.

Additional information or comment

[*Insert any additional information or comment on the disclosure statement here.*]

Schedule 5

Annual report disclosure statement

r 9(2)(b)(ii)

Annual report disclosure statement for year ending 30 June [*specify year*]

[In the graphs in this statement, specify the actual years on the horizontal axis. The actual year for [n] is the year of the annual report. The actual year for [n-1] is the year before the year of the annual report, and so on. In the graphs that have [] above each bar, specify the percentage represented by the bar, rounded to the nearest whole per cent, immediately above the bar. For the graph relating to the debt servicing benchmark, specify the percentage represented by the bar, rounded to 1 decimal place.]*

What is the purpose of this statement?

The purpose of this statement is to disclose the council's 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.

The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

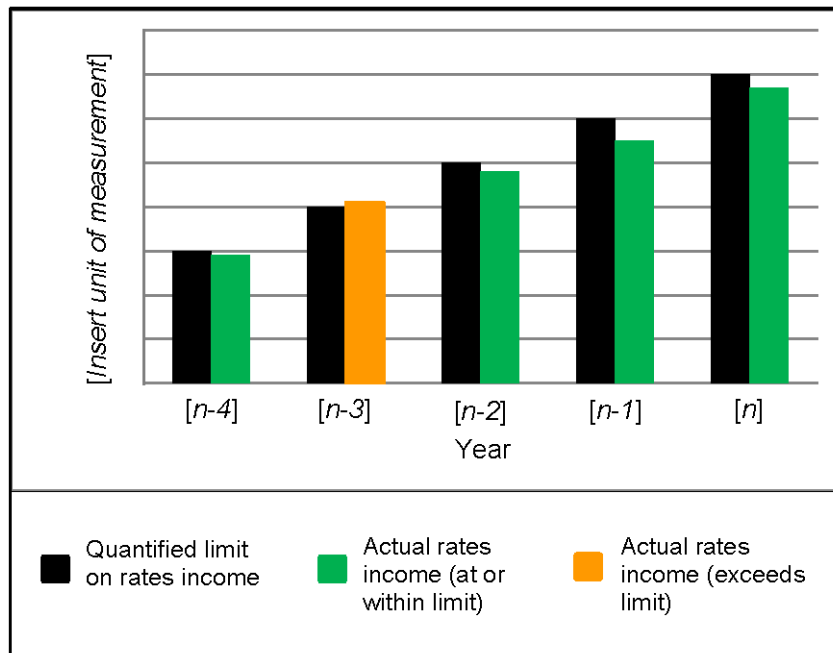
The council meets the rates affordability benchmark if—

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

[Include a graph and an explanatory paragraph for each quantified limit on rates.]

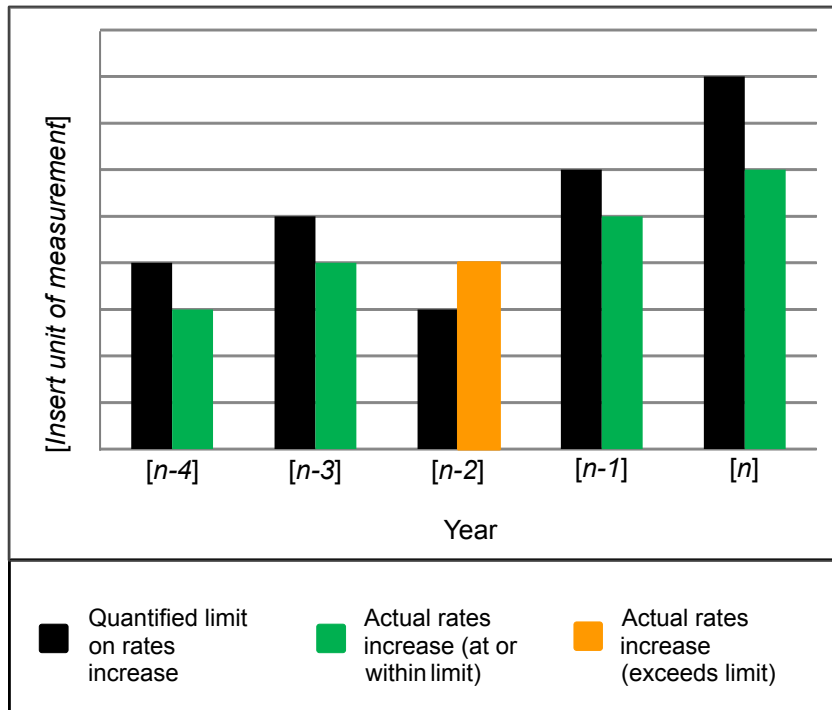
The following graph compares the council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the council’s long-term plan. The quantified limit is [specify quantified limit on rates, including the unit of measurement].



Rates (increases) affordability

[Include a graph and an explanatory paragraph for each quantified limit on rates increases.]

The following graph compares the council’s actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council’s long-term plan. The quantified limit is [specify quantified limit on rates increases, including the unit of measurement].

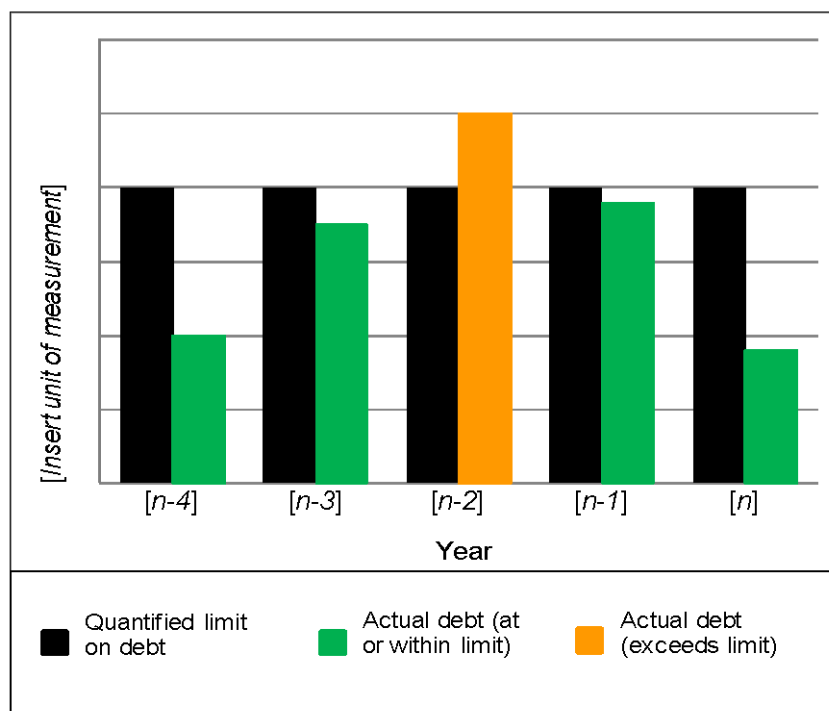


Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

[If there is more than 1 quantified limit on borrowing, include a graph and an explanatory paragraph for each quantified limit.]

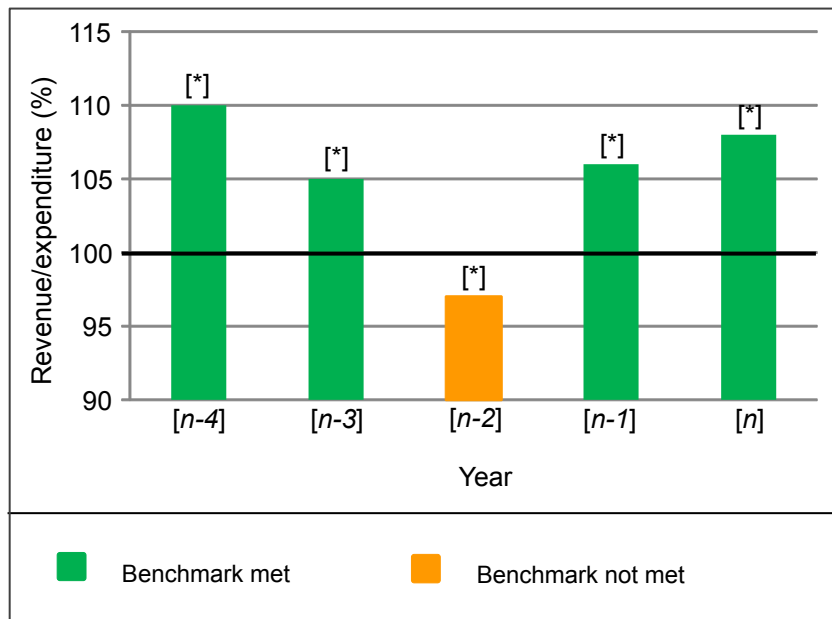
The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is *[specify quantified limit on rates, including unit of measurement]*.



Balanced budget benchmark

The following graph displays the council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

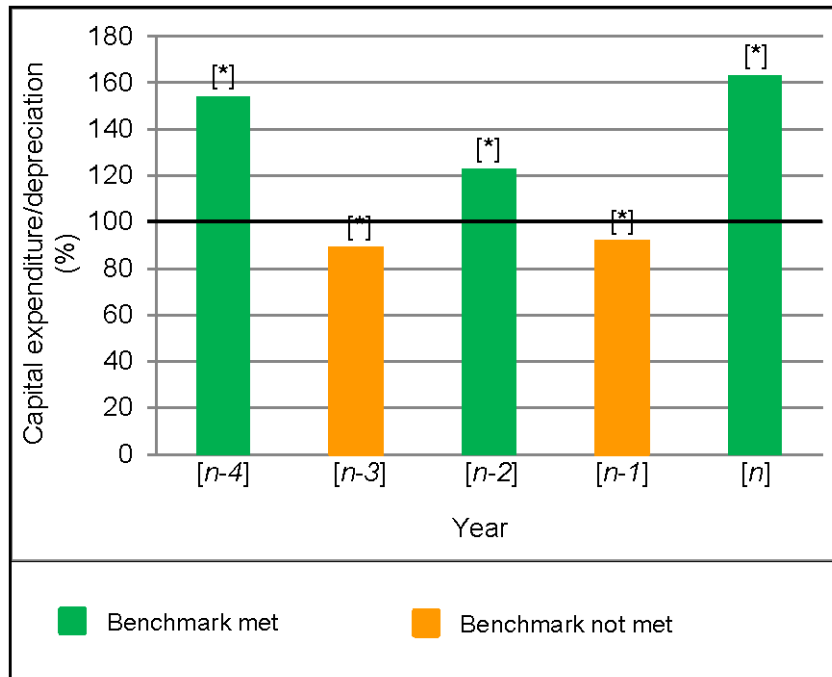
The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

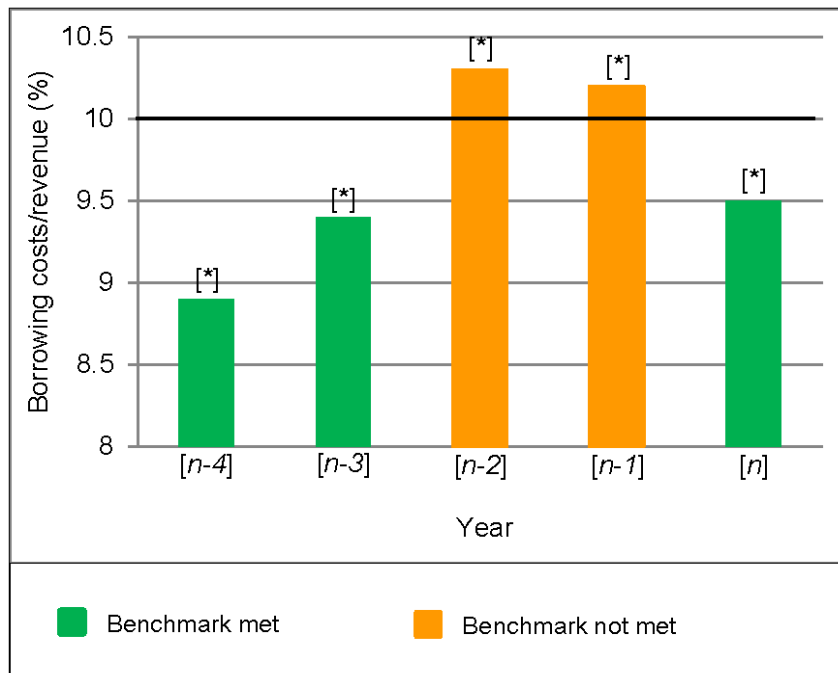
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the council’s borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

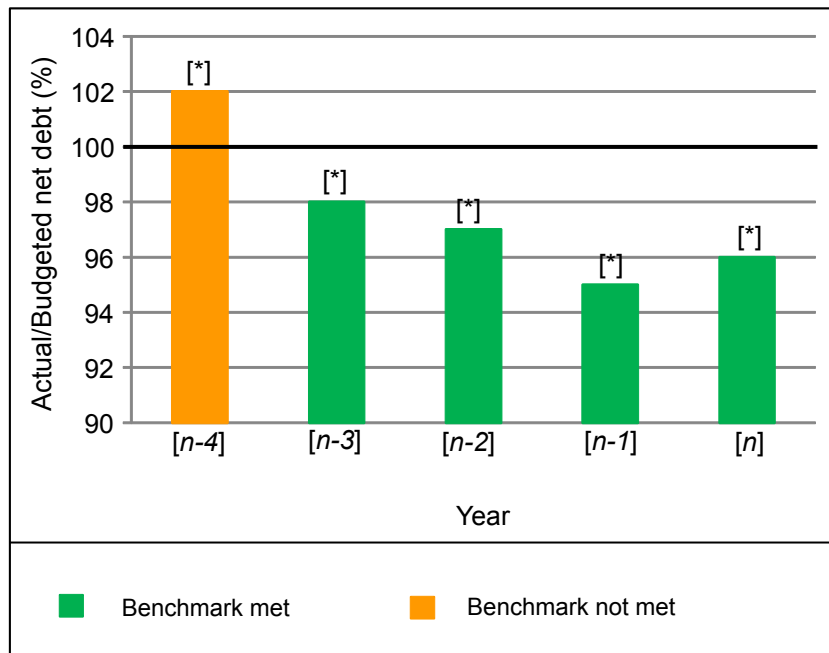
Because Statistics New Zealand projects the council’s population will grow [*as fast as, or faster than, /more slowly than*] the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than [*10%/15%*] of its revenue.



Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

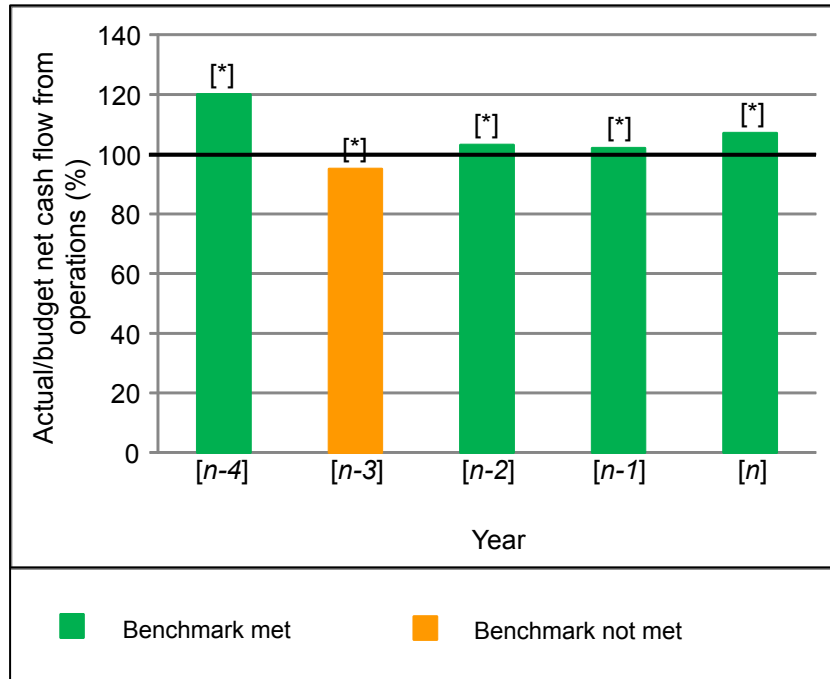
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Additional information or comment

[Insert any additional information or comment on the disclosure statement here.]

Schedule 6

Long-term plan disclosure statement

r 9(2)(b)(iii)

Long-term plan disclosure statement for period commencing 1 July [*specify year*]

[In the graphs in this statement, specify the actual years on the horizontal axis. The actual year for [n-1] is the year before the first year of the long-term plan. The actual year [n] is the first year of the long-term plan, and so on. In the graphs that have [] above each bar, specify the percentage represented by the bar, rounded to the nearest whole per cent, immediately above the bar. For the graph relating to the debt servicing benchmark, specify the percentage represented by the bar, rounded to 1 decimal place.]*

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.

The council is required to include this statement in its long-term plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

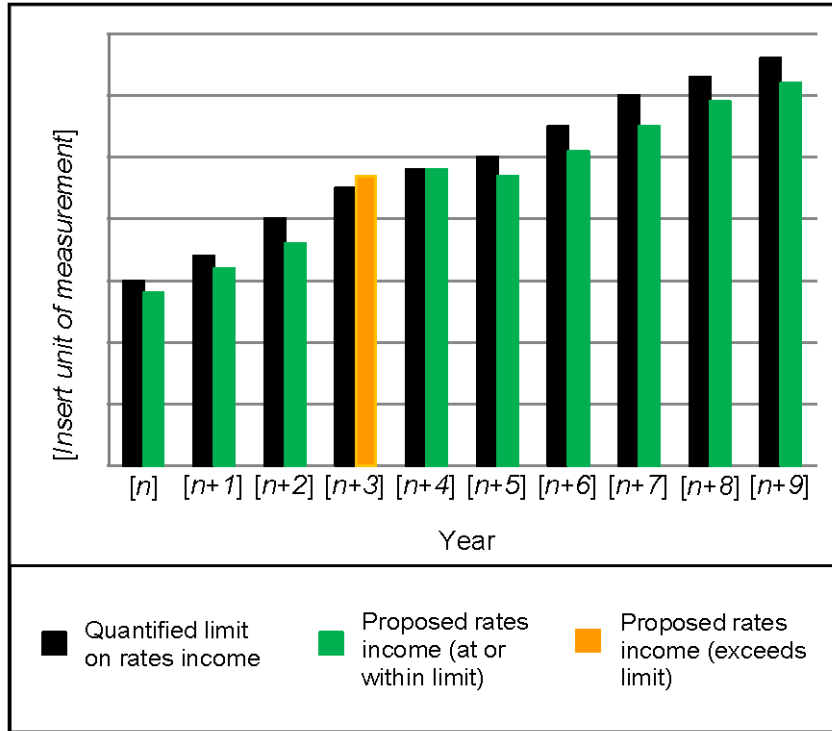
The council meets the rates affordability benchmark if—

- its planned rates income equals or is less than each quantified limit on rates; and
- its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

[Include a graph and an explanatory paragraph for each quantified limit on rates.]

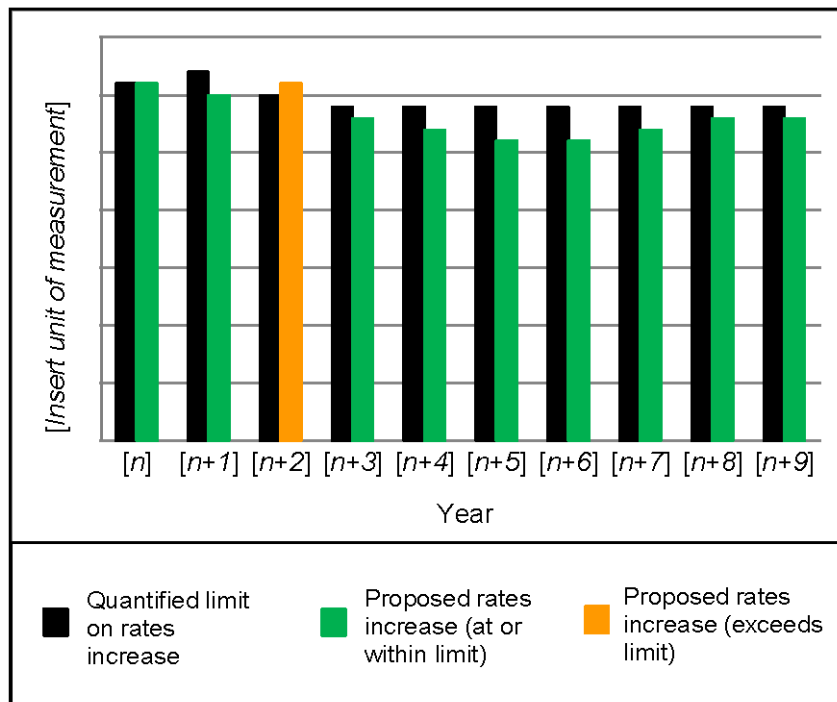
The following graph compares the council’s planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is [specify quantified limit on rates, including the unit of measurement].



Rates (increases) affordability

[Include a graph and an explanatory paragraph for each quantified limit on rates increases.]

The following graph compares the council’s planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is [specify quantified limit on rates increases, including the unit of measurement].

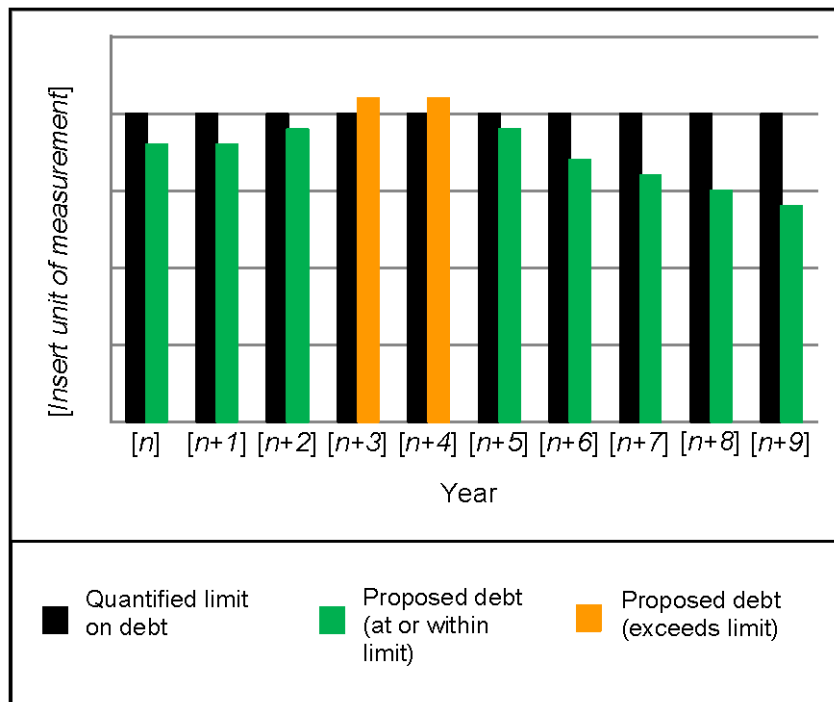


Debt affordability benchmark

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

[If there is more than 1 quantified limit on borrowing, include a graph and an explanatory paragraph for each quantified limit.]

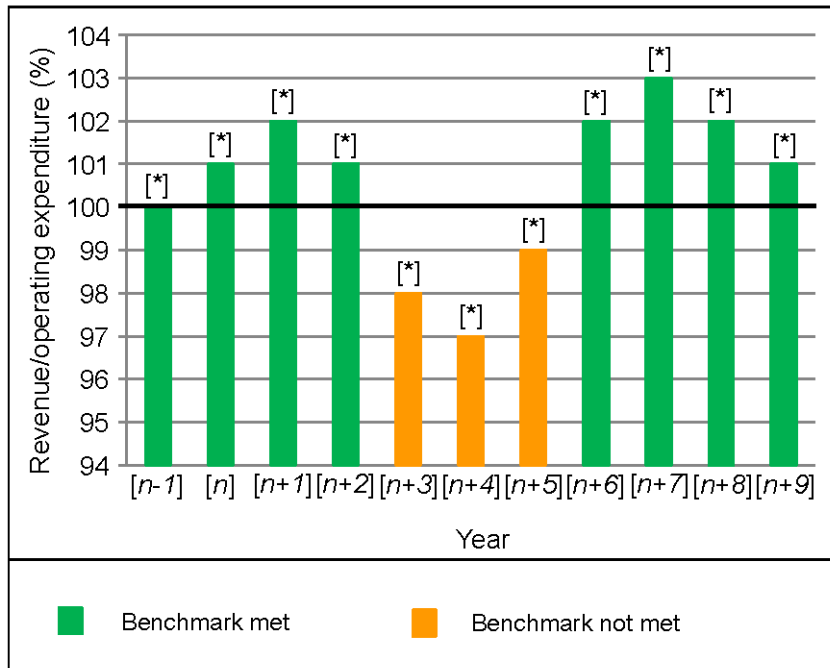
The following graph compares the council’s planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is *[specify quantified limit on borrowing, including the unit of measurement]*.



Balanced budget benchmark

The following graph displays the council’s planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

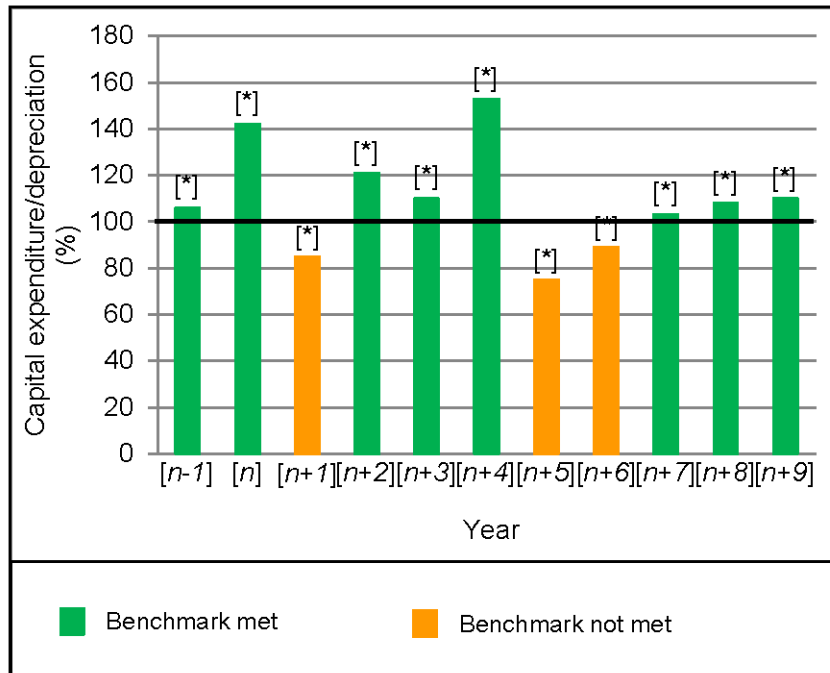
The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

The following graph displays the council’s planned capital expenditure on network services as a proportion of expected depreciation on network services.

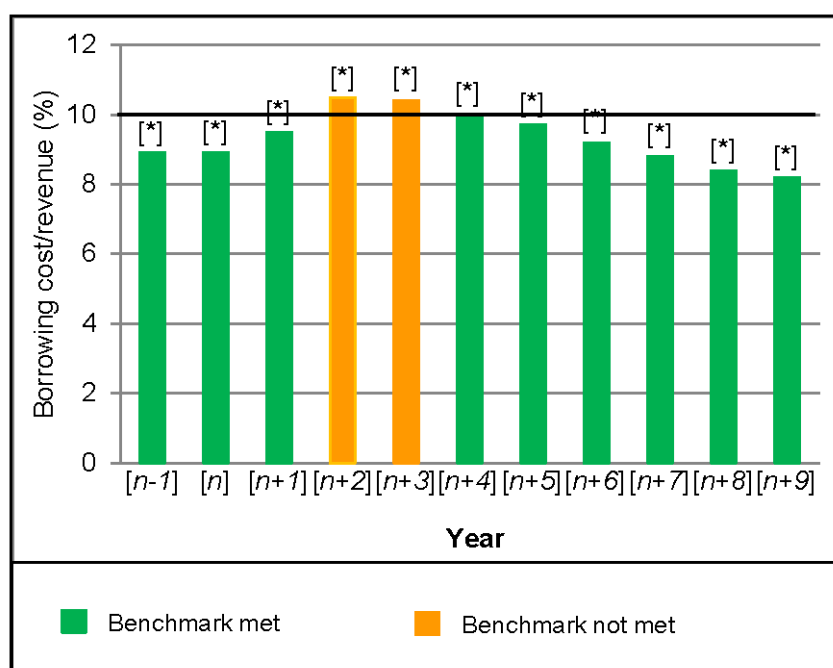
The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the 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 [*as fast as, or faster than, 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%/15%*] of its planned revenue.



Additional information or comment

[Insert any additional information or comment on the disclosure statement here.]

Michael Webster,
for Clerk of the Executive Council.

Explanatory note

This note is not part of the regulations, but is intended to indicate their general effect.

These regulations, which come into force on 1 May 2014, require each local authority to disclose certain information in its annual plan, long-term plan, and annual report. *Schedule 1* contains detailed provisions relating to the application of these regulations to plans and reports for the current financial year and subsequent years.

Part 1—Financial reporting

Part 1 prescribes matters that must be specified in the financial statements of local authorities and forms for funding impact statements required by Schedule 10 of the Local Government Act 2002. *Part 1* also includes directions for the preparation of funding impact statements. *Part 1* replaces the Local Government (Financial Reporting) Regulations 2011 and largely replicates the existing reporting requirements in those regulations. Changes to the existing reporting requirements include—

- the local authority's statement of comprehensive income must disclose the amount of income from all rates. Previously, the requirement was for the statement to disclose the income from rates other than a targeted rate for water supply:
- the notes to the local authority's financial statements must specify the amount of income from targeted rates for metered water supply:
- the local authority's funding impact statement must identify a new category of capital funding being other funding received by the local authority that the local authority is required to apply to capital purposes.

Part 2—Financial prudence

Part 2 of the regulations requires local authorities to include a disclosure statement in every annual report, annual plan, and long-term plan which discloses the local authority's actual or planned performance in relation to certain benchmarks.

For a year, a local authority achieves—

- the rates affordability benchmark if its actual or planned rates income and rates increases for the year do not exceed the local authority's quantified limits on rates and rates increases:
- the debt affordability benchmark if its actual or planned borrowing for the year does not exceed the local authority's quantified limits on borrowing:
- the balanced budget benchmark if its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) exceeds its operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment):
- the essential services benchmark if its capital expenditure on network services equals or is greater than depreciation on network services:
- the debt servicing benchmark if its borrowing costs equal or are less than 10% (or 15% in the case of high-growth local authorities) of its revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment):

- the debt control benchmark if its actual net debt at the end of the year is less than or equal to the net debt planned for the end of the year in its long-term plan:
- the operations control benchmark if its actual net cash flow from operations for the year equals or is greater than its planned net cash flow from operations.

Schedules 4 to 6 specify the format of the disclosure statement required in an annual plan, an annual report, and a long-term plan respectively. A disclosure statement in—

- an annual plan must disclose the local authority’s planned performance for the first 5 benchmarks listed above, in the same format as the table in *Schedule 4*, for the year of the annual plan:
- an annual report must disclose the local authority’s actual performance for all 7 benchmarks, in the same format as the bar graphs in *Schedule 5*, for the year of the annual report and each of the 4 years preceding the year of the annual report:
- a long term plan must disclose the local authority’s planned performance for the first 5 benchmarks, in the same format as the bar graphs in *Schedule 6*.

Issued under the authority of the Legislation Act 2012.

Date of notification in *Gazette*: 20 March 2014.

These regulations are administered by the Department of Internal Affairs.