Te Kaunihera o Te Hiku o te Ika
Far North District Council

# PROPOSED FINANCIAL STRATEGY

This Financial Strategy outlines our approach to funding our activities in a way that is both sustainable and affordable for our communities. It determines the budgets we need for delivering projects and services in the LTP and Infrastructure Strategy. We use tools like debt and rates limits to secure the necessary financial resources for projects and services while also ensuring that costs are managed responsibly. To achieve our strategy, prioritisation is essential to make sure our communities receive the services it needs in a way that is both affordable and balanced.

## This strategy aims to:

- Achieve a balanced budget each year, ensuring that projected operating revenues are set at a level sufficient to meet that year's projected operating expenses
- Continue to moderate the impact of funding depreciation on strategic assets
- Ensure that no more than 90% of revenue will come from rates, with the balance coming from other sources such as subsidies from Government agencies including Waka Kotahi, and user fees and charges
- Limit annual overall rates increases to inflation (Local Government Cost Index) plus a declining addition of 15.0% in year 1, 8.0% in year 2, and 6.0% in year 3. This declining addition reflects higher upfront investment in repairing our transport network post the severe weather events (years 1 & 2), after which the addition reduces to more historical norms.
- Ensure that net debt does not exceed 280% of revenue.
- Maintain interest costs at less than 10% of rates revenue.

The Financial Strategy aims to support and enable the Infrastructure Strategy, which focuses on four strategic district infrastructure issues which were identified and are at the forefront of infrastructure planning and decision making.  These are:

- Sufficient evidence to make sound infrastructure decisions.
- Lack of integrated planning particularly for growth planning.
- Climate change impacts on the district and resilience of critical infrastructure.
- Wellbeing of our community for healthy and sustainable outcomes.

## The approach for the 2024 Financial Strategy is:

- Support the focus on recovery post severe weather events in repairing and building resilience into our transport infrastructure
- Recognise the financial implications of climate change and sea level rise in planning decisions, and provide sufficient funding to local and regional adaptation initiatives
- Continue to engage with the government on of local government reforms
- Adequately fund the infrastructure strategy to enable the achievement of its key focus areas
- Maintain the core services we currently provide as cost-effectively and efficiently as possible, ensuring that finding operational efficiencies remains of paramount importance
- Continue to use the method of funding the net depreciation value to provide for renewals. Once condition and capacity data is reliably available, Council will consider the future funding of renewals using rates, borrowing, and other contributions in place of funding depreciation
- Use borrowing to spread the cost of new capital expenditure over time to ensure that the cost of infrastructure today is spread equitably between the ratepayers of today and tomorrow.

## Towards sustainability, affordability and economic recovery

The overall focus of our Financial Strategy is financial sustainability, affordability and economic recovery within the context of community wellbeing.

The change of purpose for Local Government in May 2019, re-introduced the obligation on councils to promote the social, economic, environmental and cultural well-being of their communities.

To the Far North, taking a sustainable development approach means that our commitments to deliver infrastructure and services are funded in a way that is affordable for the community and that meet Council's obligation to be effective stewards of the District's assets now and into the future. Council has a good understanding of how its daily business contributes to and promotes community wellbeing, and as part of the work programme for the next 3 years will seek to more strongly embed the checks and balances that help Council to enhance and protect community wellbeing in decision-making and daily business.

In developing this Financial Strategy, Council reflected on several challenges the District faces:

- Overarching focus on recovery and repairing our transport network
- The security and resilience of water supply and storage
- Sustainable economic development
- Better asset management leading to enhanced delivery of core infrastructure
- Adaptation to the effects of climate change and sea level rise on communities and infrastructure
- Deepening sense of place and connection in the many communities, towns and settlements across the District
- Providing infrastructure and services in a way that is affordable to the District's ratepayers.

These challenges form the strategic priorities for the next three years. Although we recognise that it may not be possible to resolve all of these issues, and that progress is likely to be lengthy, Council commits to appropriately prioritised work programmes, careful decision-making and collaboration across all district and regional partners and stakeholders, and residents and ratepayers.

Where possible, this strategy ensures that:

- Revenues are sufficient to cover expenses (we have balanced our budget every year)
- Current service level targets are achievable within the funding envelope
- Subsidies and grants are used effectively to complete projects that benefit the community
- Funding allows for major capital projects the community wants, within reason
- The needs of current and future ratepayers have been considered.

Council acknowledges that:

- The severe weather events has taken its toll on our transport network, and that investment is desperately needed
- Balancing the need for repair and recovery of our transport network with affordability, whilst recognising the need to invest more upfront given the damage following the severe weather events
- The cost of providing services will not reduce without significant intervention
- Council will need to continue to make difficult trade-off decisions, compromise on delivering 'nice to haves' to ensure essential services are provided and costs are kept down
- Council will have to balance the affordability and prudence of increasing debt levels. Too much debt now could compromise future development projects.

Although we acknowledge that there is a lot of work to be done, we consider this Strategy to be a solid starting position, and prudent given our current situation.

### Funding sources

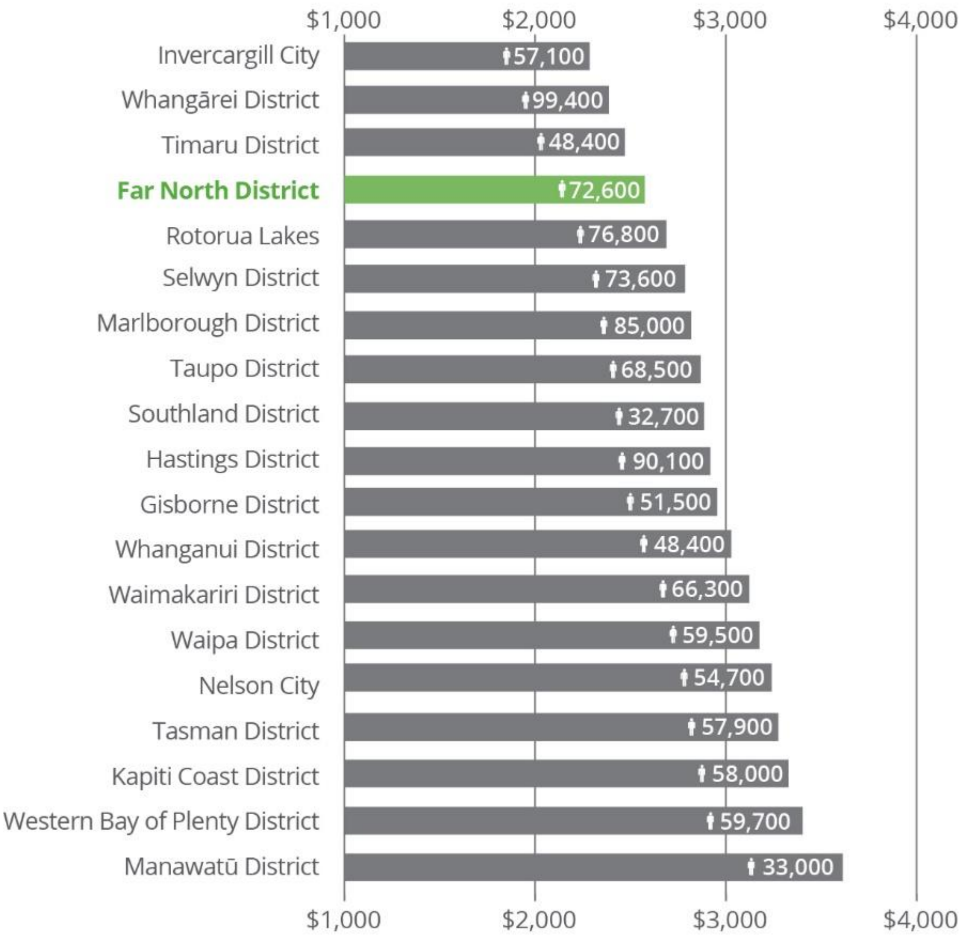
Council’s main source of funding is from rates. While we try to maximise Government subsidies and grants and have adopted a ‘user pays’ policy (exercised through targeted rates and consumption and user charges), for many services and assets the bulk is funded by rates.

It has long been acknowledged that rates in general in New Zealand are high; the table below shows how we compared in 2021/22.

### Average residential rates*

| Far North District | Average for district councils | National average |
|---|---|---|
| $2,665.15 | $2,773.01 | $2,512.52 |

**Average residential rates include compulsory user charges (such as water) Source: 2023 Ratepayers' Report (www.taxpayers.org.nz)*



### Funding sources


### General rates

General rates are currently made up of two elements: a Uniform Annual General Charge (UAGC), which is a fixed amount that is charged for all Separately Used or Inhabited Parts of a rating unit (SUIPs), and a ‘rate in the dollar’ amount which is based on the land value of each rateable unit.

### Targeted rates

Targeted rates include operating and a combination of capital and operating rates. Council has several targeted rates, including:

### Ward rates

Council levies a targeted rate to all SUIPs in each ward to fund urban, recreational and other local services and activities within the ward. The ward rate is set on a differential basis according to the ward in which the rating unit is located:

- Bay of Islands-Whangaroa 45.7%
- Kaikohe-Hokianga 23.5%
- Te Hiku 30.8%

### Roading rates

Consisting of two elements: a UAGC, which is a fixed amount charged for all SUIPs, and a ‘rate in the dollar’ amount, which is based on the land value of each rateable unit, with differentials as follows:

| | | | |
|---|---|---|---|
| Residential | 29% | Dairy | 7% |
| Lifestyle | 20% | Horticulture | 1% |
| Commercial | 7% | Forestry | 13% |
| Industrial | 2% | Mining/quarry | 4% |
| Farming General | 16% | Other | 1% |

### Stormwater rates

Council levies a stormwater rate to fund specific stormwater capital developments within urban areas across the District.

Urban areas subject to the stormwater rate are:

| | | |
|---|---|---|
| Ahipara | Awanui | Kaikohe |
| Haruru Falls | Hihi | Houhora / Pukenui |

| | | |
|---|---|---|
| Ōkaihau | Ōpononi / Ōmāpere | Ōpua / Okiato |
| Kawakawa | Karikari communities | Kerikeri / Waipapa |
| Kaimaumau | Kaitāia | Kohukohu |
| Ngāwhā | Moerewa | Paihia / Te Haumi |
| Rāwene | Russell | Taipā |
| Taupō Bay | Tauranga Bay | Whangaroa / Kāeo |

Council is targeting 90% of stormwater charges to urban areas based on Capital value with the remaining 10% being charged District-wide based on land value.

**Sewerage rates**

Council's policy on funding wastewater infrastructure is that each scheme must pay its own capital costs.

To ensure this, we levy two targeted rates that fund the provision and availability of sewerage services from each of the District's 16 sewerage schemes:

- Capital rate: Each scheme has a targeted rate to fund capital costs (interest and depreciation) levied against all properties (SUIPs) connected to the scheme or properties where connection to the scheme is available.
- Operational rate: Operating costs for all schemes are charged district-wide to all properties (SUIPs) connected to any Council wastewater scheme.

Council also imposes a pan change on any property (SUIP) with more than three toilets (pans). This is a flat fee per additional pan.

**Water rates and charges**

As for wastewater, Council's policy on funding water infrastructure is that each scheme must pay its own costs.

Capital costs are funded through a targeted rate levied on all properties connected to (or capable of being connected to) a Council water scheme. Capital costs consist of interest and depreciation.

Operational costs for each scheme, however, are funded through a per cubic metre volumetric charge which is determined by meter or an assumed amount for those who do not have a meter.

**Targeted improvement rates**

We levy several targeted rates to fund improvement projects that have been requested across the District:

- Paihia Central Business District Development: used to fund Paihia central business area improvements. The rate is charged per SUIP in the area defined (see Council's Funding Impact Statement for more details). The rate is set on a differential basis, with all rating units assessed as commercial being charged a differential of 3 (300%) on the general differential.

- Kaitāia Business Improvement Development (BID): Allows for the Kaitāia Business Association to undertake improvement works in the Kaitāia business area. The rate is set on land value and is charged to commercial rating units in Kaitāia.
- Bay of Islands Recreation Centre: This is a targeted rate to provide funding for an operational grant to support the Bay of Islands Recreation Centre in Kawakawa. The Centre (formerly the ASB Recreation Centre) was built by the community on Ministry of Education land at Bay of Islands College in the 1970s and was initially run by a community trust that was wound up in 2004. Council ran the facility to 2017 when Sports Northland took over the management and maintenance of the centre which has a heated pool, squash court, fitness centre and gym and is used by about 33,000 people a year.

### Private roading contributions

Council's Community-Initiated Infrastructure Roading Contribution Policy provides a mechanism for residents to co-fund the sealing of their unsealed road (or part thereof). Provided that 75% of affected ratepayers agree, the resident's share is funded through lump sum contributions or targeted rates for a specific area of benefit. The remainder is funded through the general rate.

### Public Good rate

Council introduced in 2021 a public good rate of $15 per rating unit for water and for wastewater. Even though properties within the district may not be connected to services, they do place some burden on the systems. For water, Council must consider the volume of water required to fill private water tanks when considering capacity for each scheme. The same applies to properties that have septic tanks that need to be emptied as the waste from those systems is deposited into one of the existing wastewater schemes. Council decided that a small rate of $15 would be charged to all ratepayers to recognise these issues.

### Increases to rates

Due to the cost of infrastructure and service provision, which continues to rise faster than general inflation, Council assumes that its costs will increase in accordance with the Local Government Cost Index (LGCI). In the 2024-27 Long Term Plan, we intend to increase the general rate beyond the level of inflation, as shown in the table below.

| Financial year ended 30 June | 2025 | 2026 | 2027 |
|---|---|---|---|
| LGCI + addition | 17.9% | 10.2% | 8.3% |
| Proposed rates increase | 16.5% | 7.2% | 3.8% |

### Forecast rates $m

| Financial Year ended 30 June | 2025 | 2026 | 2027 |
|---|---|---|---|
| Proposed rates $m | $124 | $133 | $138 |

The projected number of rateable properties within the District at the end of each proceeding financial year is shown in the following table.

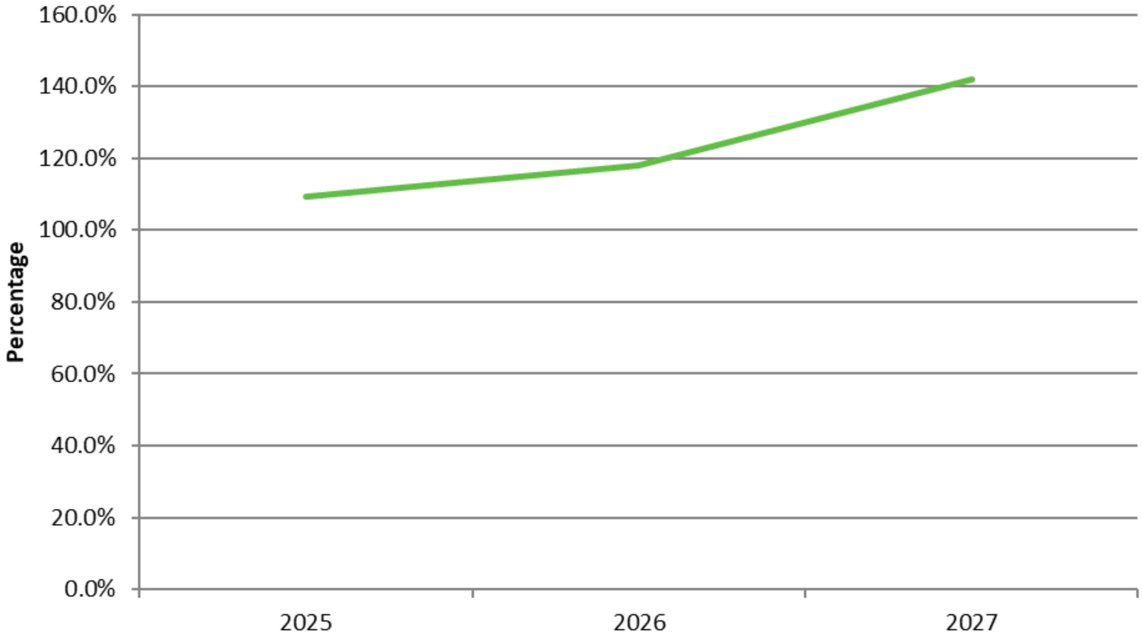
**Projected rating base information**

| 2025 | 2026 | 2027 |
|---|---|---|
| 38,128 | 38,319 | 38,511 |

**Debt, interest and internal funding**

External debt is planned to be $217 million at the end of the first year of this plan and is anticipated trend upwards to $322 million at the end of the 2027. The chart below compares net debt to revenue.

**Net debt as a % of revenue**



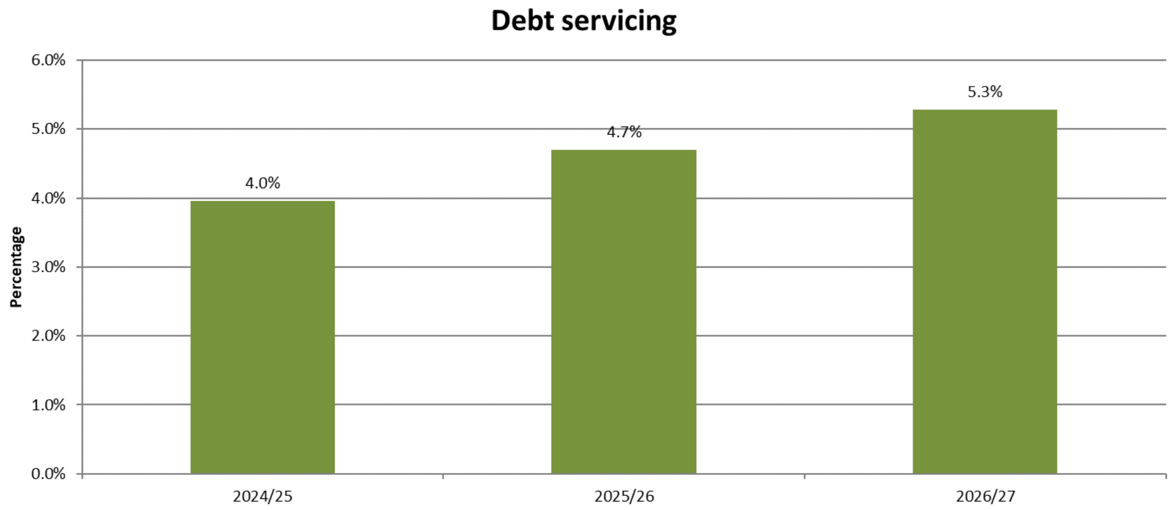

Council's intention is to ensure that net debt does not exceed 280% of revenue. Council has also considered the impacts of its borrowing against the debt servicing benchmark.

Council plans to continue to secure its borrowing and interest rate risk management instruments against rates and rates revenue as this lowers the cost of borrowing.

Council minimises its financing costs as a member of the Local Government Funding Agency (LGFA). This means that we can borrow at better rates than those available through direct lending from trading banks.

The 2024-27 Long Term Plan assumes an interest rate averaging 4.8%.

## Debt servicing




As part of treasury management, Council seeks to reduce overall interest costs by using funds held in reserve. Where Council has a cash surplus, rather than hold funds on deposit and borrowing all funds needed for capital works, reserve funds are used as short-term funding. Internal interest is not charged for this funding.

## Fees and charges

Most fees and charges will be adjusted annually to align with the Local Government Cost Index inflation factor (LGCI) which is expected to be relatively stable between 2.3% and 2.9% over the 2024-27 period. In some areas, actual costs will be recovered in accordance with the Revenue and Financing Policy. This may exceed the rate of LGCI. All fees and charges are reviewed annually.

## Subsidies

Government subsidies via Waka Kotahi NZ Transport Agency provide a significant source of funding for our transportation activities. In 2024/25 we expect to receive operating and capital subsidies of $46.1 million, representing 71% of the gross cost of both operating and capital expenditure on a wide range of approved items. At the time of completing this Strategy, Waka Kotahi NZ Transport Agency had provided an indicative allocation of $164m for maintenance and renewals for the first three years of the plan. No confirmation of the allocation for new capital works had been received.

## Development contributions and financial contributions

In 2003, a Development Contributions policy was introduced to assist with funding new infrastructure that is needed as a result of growth in the District. Over the years, we have invested in providing infrastructure for anticipated developments which would use and pay for this infrastructure. However due to many factors, including the global financial crisis, growth slowed dramatically, and Council decided in 2014 that it was not justifiable to continue to charge Development Contributions.

Sustainable growth has again become evident in some locations in the Far North, and to ensure that the implications of growth are funded in a fair and balanced way, Council is currently investigating both development contributions and financial contributions, and intends to introduce a new policy in future.

**Expenditure**

Note that total operating expenditure is net of remissions which ranges from $2.1 million to $2.3 million annually over the 3 years of the 2024-27 LTP. This expenditure is netted against rate income.

**Operating expenditure**

**Total annual operational expenditure (net of remissions) is forecast to increase from**

2024/25
196
MILLION

2026/27
214
MILLION

**Total annual revenue is forecast to increase from**

2024/25
198
MILLION

2026/27
231
MILLION

The forecast levels of operating expenditure and revenue across the 3 years of the Plan. This provides for an operating surplus in every year of the Plan sufficient to balance the budget in accordance with Section 100 of the Local Government Act 2002.

The following tables show the split of total forecast operating costs for each activity and expenditure type for the planning period.

**Breakdown by activity**

| Expenditure Breakdown by activity | Total over 3 years ($000s) | % of Total |
|---|---|---|
| **Network** | | |
| Roading & Footpaths | 200,402 | 32.2% |
| Wastewater | 82,397 | 13.2% |
| Water Supply | 48,441 | 7.8% |
| Solid Waste Management | 21,247 | 3.4% |
| Stormwater | 13,366 | 2.1% |
| **Total** | **365,853** | **58.7%** |
| **Other** | | |

| | | |
|---|---|---|
| District Facilities | 83,907 | 13.5% |
| Environmental Management | 61,512 | 9.9% |
| Customer Services | 27,137 | 4.4% |
| Governance & Strategy | 13,792 | 2.2% |
| Drainage | 5,739 | 0.9% |
| Community & Engagement | 37,433 | 6.0% |
| Planning & Policy | 27,618 | 4.4% |
| **Total** | **257,138** | **41.3%** |
| **Total activity expenditure** | **622,991** | **100.0%** |

## Capital expenditure

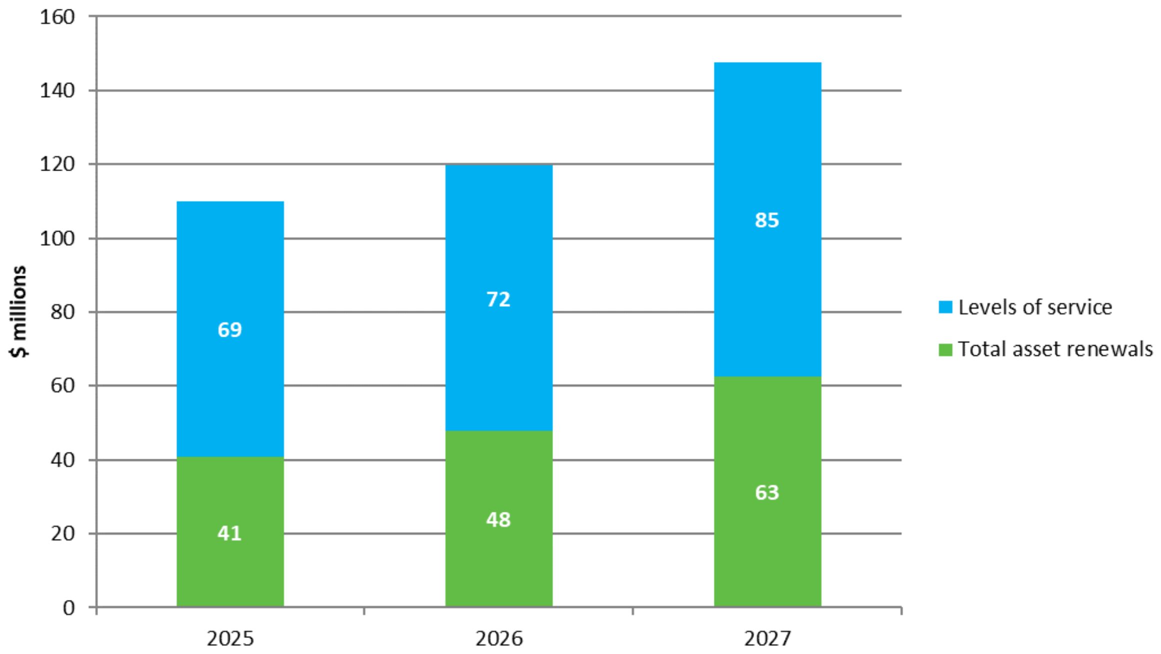
Total annual spend on capital projects ranges from $110 million to $148 million.

Expenditure is funded by:

- a combination of operating surpluses;
- rates collected for depreciation; and
- Government subsidies and debt.

The graph below illustrates planned capital expenditure over the 3 years of the Plan of $377 million. 40% of total expenditure is for the renewal of existing assets, with 60% for improving levels of service.

**Capital expenditure per year**




Council has undertaken a comprehensive review of all funding mechanisms (including rates). We have committed to developing an Asset Management System to ensure that asset information is provided that will allow for improved planning for asset replacement. Until the work required to implement the system has been completed, Council is planning a business-as-usual approach which includes funding depreciation rather than renewals.

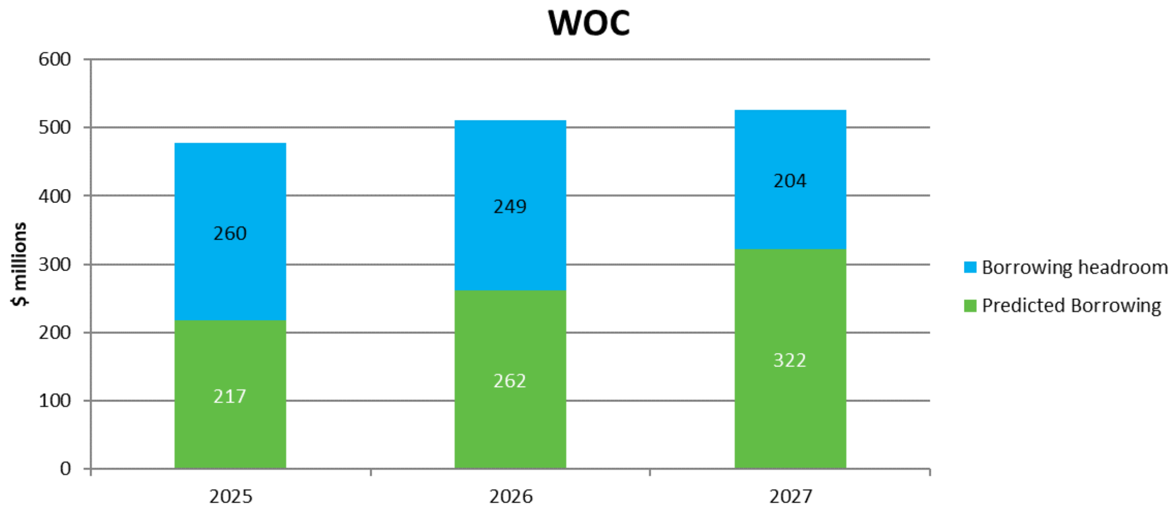
**Limiting our capital works programme**

Council remains committed to strengthening its capacity and capability to maintain and renew assets, to ensure that the continued provision of effective service now and into the future. This is imperative in proposing a capital works programme that is affordable, realistic and achievable.

Council's commitment to capital works delivery is an average annual programme of $109.6 million in the first 3 years of the plan across network infrastructure groups. This includes work that is subject to Government support.

| **Breakdown by activity** | **Total over 3 years ($000s)** | **Average** |
|---|---:|---:|
| **Network** | | |
| Roading and Footpaths | 164,682 | |
| Water Supply | 63,428 | |
| Wastewater | 87,500 | |
| Solid Waste Management | 900 | |
| Stormwater | 12,166 | |
| **Total** | **328,677** | **109,559** |
| Other | | |
| District Facilities | 25,668 | |
| Environmental Management | 224 | |
| Community & Engagement | 15,757 | |
| Governance & Strategy | 6,688 | |
| **Total** | **48,337** | **16,112** |
| **Total activity expenditure** | **377,014** | **125,671** |

## Borrowing levels




## Renewals and depreciation

Council recovers the expense of depreciation through rates. The depreciation expense is determined by spreading the value of the asset being depreciated across its useful remaining life. For complex assets such as a wastewater system, depreciation is calculated for each category of the component parts that make up the complete system, as each category of component asset may have a different useful life.

Council maintains its assets on an annual basis and periodically renews (replaces or overhauls) the assets that make up the component parts of the larger systems so that, generally, the asset is kept in a condition to provide the required level of service over the long term.

Over the lifetime of our assets, the amount of depreciation charged, and the amount spent on renewals should be equal.

Capital expenditure by activity type is allocated as shown in the following table. This shows that over the 3-year period 87.2% of capital expenditure is focused on network infrastructure.

Although the focus of this LTP 2024-27 is primarily focused on network infrastructure, it also recognised that our community facilities such as playgrounds and reserves are important to our District promoting the vision of Creating Great Places, Supporting Our People. To that end, our proposed capital expenditure includes District Facilities spend of 6.8% of the remaining total capital budget in the 'other' category.

| **Breakdown by activity** | **Total over 3 years ($000s)** | **Average** |
|---|---:|---:|
| **Network** | | |
| Roading and Footpaths | 164,682 | 43.7% |
| Water Supply | 63,428 | 16.8% |
| Wastewater | 87,500 | 23.2%d |

| | | |
|---|---|---|
| Solid Waste Management | 900 | 0.2% |
| Stormwater | 12,166 | 3.2% |
| **Total** | **328,677** | **87.2%** |
| **Other** | | |
| District Facilities | 25,668 | 6.8% |
| Environmental Management | 224 | 0.1% |
| Community & Engagement | 15,757 | 4.2% |
| Governance & Strategy | 6,688 | 1.8% |
| **Total** | **48,337** | **12.8%** |
| **Total activity expenditure** | **377,014** | **100%** |

## Assets

**Fixed assets valued as at 30 June 2023**

2.547 BILLION FIXED ASSETS

COMPRISE OF CORE NETWORK ASSETS

2.233 BILLION ROADING WATER SUPPLY WASTEWATER STORMWATER

314 MILLION OTHER

Council also holds a number of operational and investment assets including property (land, buildings and ground leases) and small forestry blocks held for sewage soakage/ponds.

Assets are revalued according to the accounting polices set by Council.

**Minimising risk**

Council carries comprehensive insurance for reasonably foreseeable risks for infrastructure (other than underground assets, which are generally undamaged by weather events). The premiums remain high and we have a high excess for weather related events to help keep the premiums more affordable. For significant storm-related roading damage, we are generally able to access emergency funding through central government which helps to offset the costs of restoration and rehabilitation, but there can be substantial delays in receiving funds and they are not always enough to return services to the state they were in before the event.

In previous years, Council prudently decided to rate 1% for emergency flood related works, and that rate has been continued in this plan. The funds raised contribute to the emergency roading works subsidy received, and where possible, provide funds for replacement of other damaged assets. Where costs arising from a major event exceed available funding, we re-prioritise our work programmes as necessary to address the short-fall.

## Limits and policies

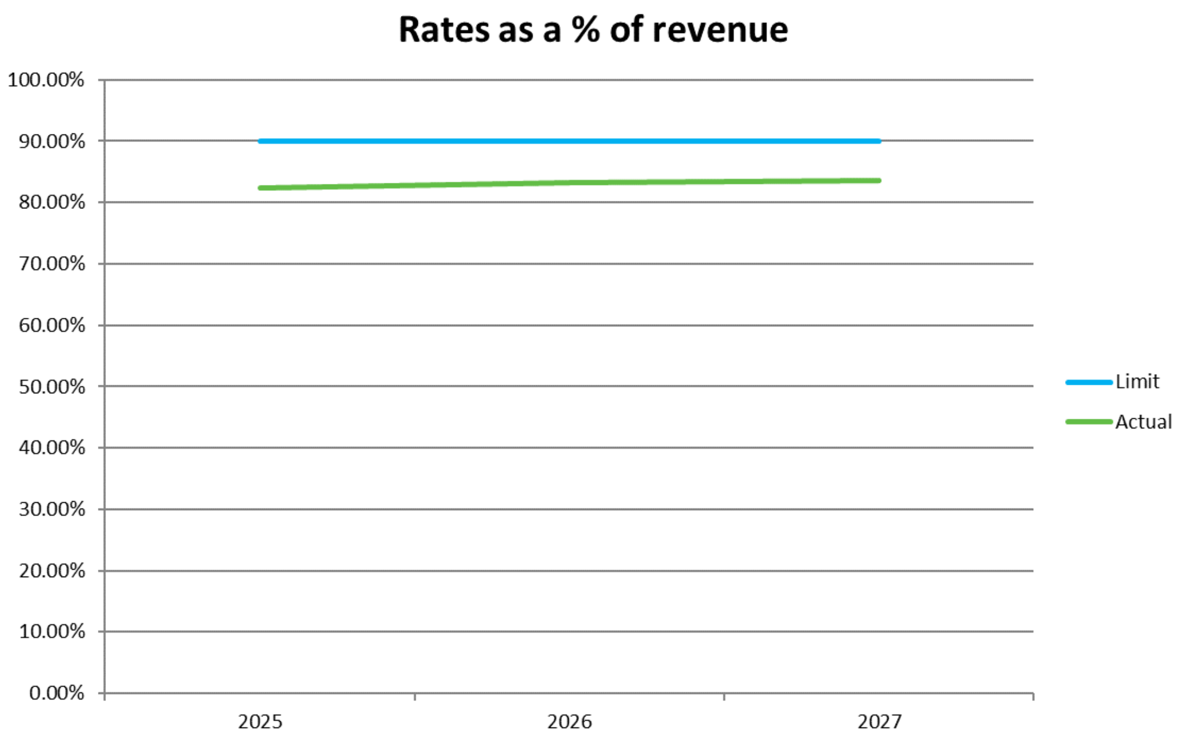
### Limit on rates (excluding water) as a percentage of revenue

Council does not have a diverse income stream, with the main source being rates and contributions from fees and charges and government subsidies (e.g. transportation).

Council will limit rates (excluding water) collected each year to a maximum of 90% of total Council revenue.

As part of every Annual Plan and LTP this limit will be reviewed to ensure it remains appropriate considering Council's financial position and the global economic conditions at that time.

## Rates as a percentage of revenue

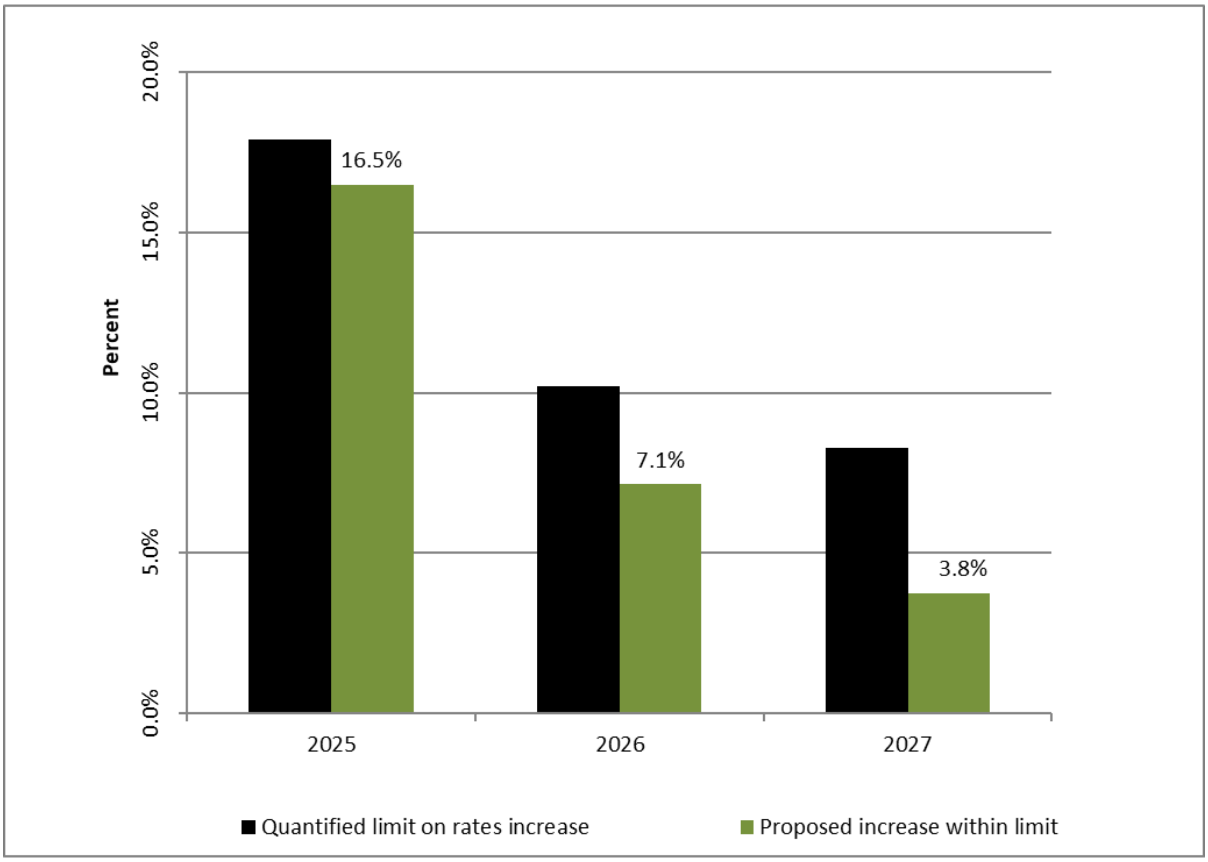



## Limit on rates increases

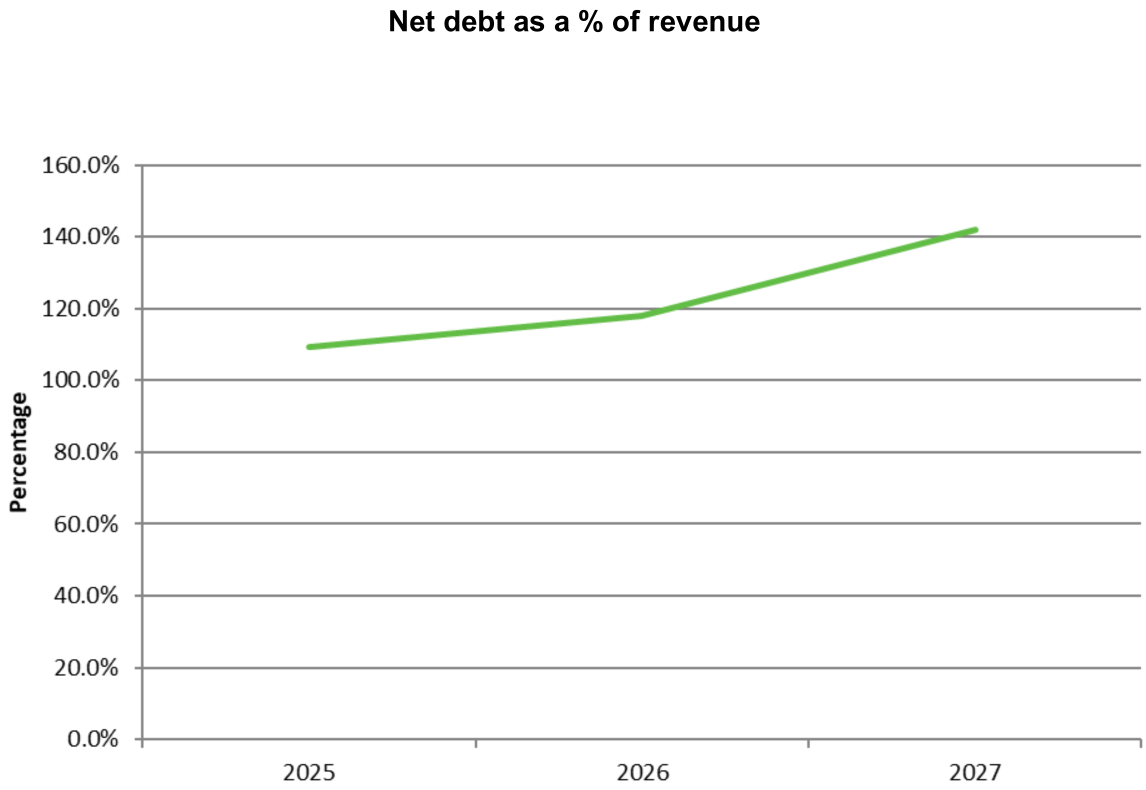
The limit on rates increases is set at LGCI plus a declining addition of 15.0% in year 1, 8.0% in year 2, and 6.0% in year 3. This declining addition reflects higher upfront investment in repairing our transport network post the severe weather events (years 1 & 2), after which the addition reduces to more historical norms.

There may be extraordinary circumstances in which Council may choose to go outside this limit, for example, funding a clean-up from a catastrophic event. These occasions cannot be planned and therefore have not been provided for in this Plan.

## Rates (increase) affordability



**Limits on borrowing**




External debt is planned to be $217m in year 1 of this plan and then peak at $322m by 2026/27. Council has also considered the impacts of its borrowing against the debt servicing benchmark.

**Securities for borrowing**

Council currently secures its external borrowing against the total of rates revenue via a registered Debenture Trust Deed.

**Council organisation**

The Council-Controlled Trading Organisation (CCTO) Far North Holdings Limited (FNHL) is a wholly owned subsidiary of Council. FNHL serves as Council's commercial function, therefore facilitating and developing commercial and infrastructural assets with the aim of maximising profit for its shareholder, the Council.

FNHL's income from investments is paid to Council in the form of a dividend. In the past two years, Council has allowed FNHL to reinvest the net profit (after tax), minus the dividend, in new commercial projects. Future opportunities for this re-investment will be considered by Council based on merit.

While we acknowledge that the amount of return on financial investment is the responsibility of the lender and therefore outside of Council's control, it is a legal requirement to identify targets for the returns received on its investments and equity securities. In keeping with Council's objective: 'To invest in a secure, low risk vehicle which will result in lower return in investment but does not compromise on the principle', the quantified financial investment target is to achieve a return equivalent to the five-year government stock rate. Targeting returns for equity securities is not applicable.

### Monitoring and reviewing the strategy

As part of business as usual we constantly scan both the financial environment and our own performance to monitor:

- The sustainability of our financial performance and position
- Any emerging risks
- Whether the Strategy is being implemented as intended
- Any trends in the community's ability to pay.

The Strategy will be reviewed tri-annually as part of the LTP process. Consideration will also be given to the impacts of any significant changes in local, national or global economic conditions during each year's Annual Plan process.

### Supporting information

The strategies and policies listed have been developed in conjunction with the LTP and can be obtained from our website:

- Revenue and Financing Policy
- Treasury Policies
- Infrastructure Strategy

### Long Term Plan disclosure statement for the period commencing 1 July 2024

### The purpose of this statement

The purpose of this statement is to disclose Council's planned financial performance to enable the assessment of whether we are prudently managing revenues, expenses, assets, liabilities and general financial dealings. We are required to make this disclosure under the Financial Reporting and Prudence Regulations 2014. Refer to these regulations for more detail, including definitions of some of the terms used in this statement (www.legislation.govt.nz).

For the period spanning 2024 to 2027, we expect to meet all of these benchmarks, and by doing so, debt ratios will remain low, limits on rates revenue, rates increases and borrowing will stay within our self-imposed limits, demonstrating a strong and prudent financial position.

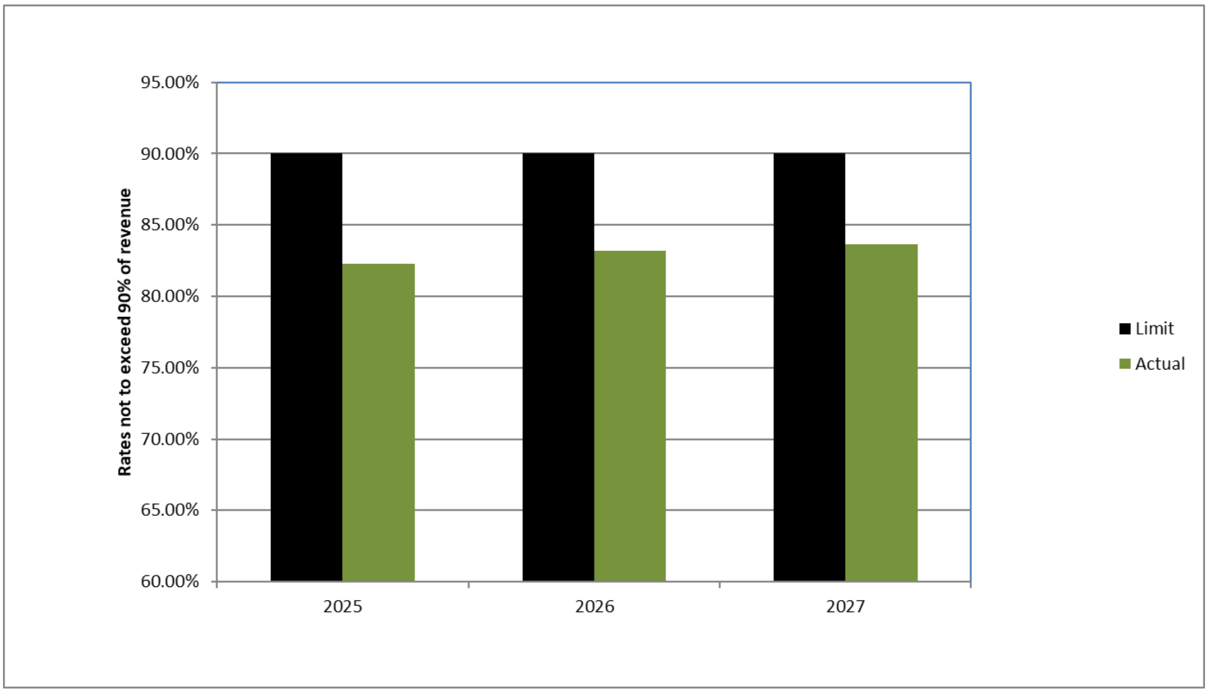
### Rates affordability benchmarks

We meet the rates affordability benchmark if:

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

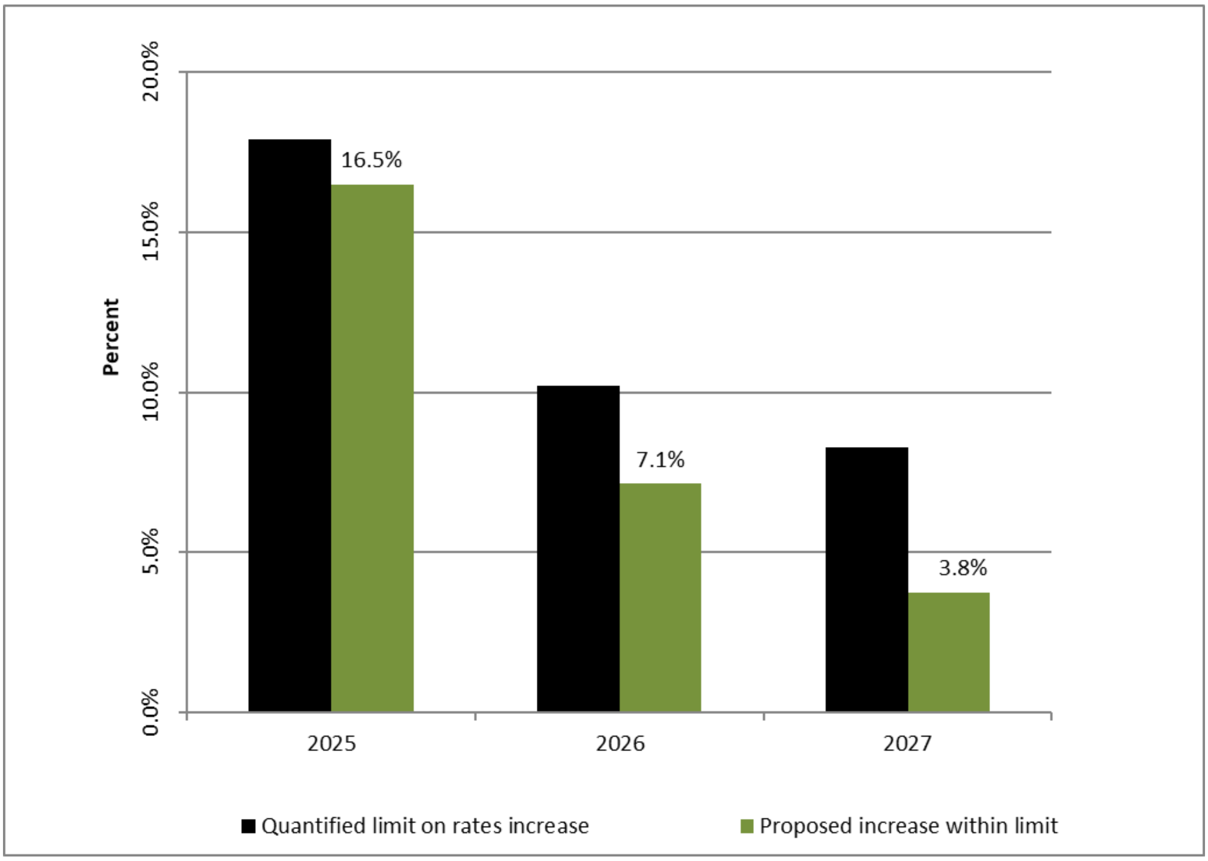
### Rates (income) affordability

This graph compares planned rates with a quantified limit on rates contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that rates income (excluding water) will not exceed 90% of total revenue. Council forecasts rates income within this limit for the period of the LTP.




**Rates (increases) affordability**

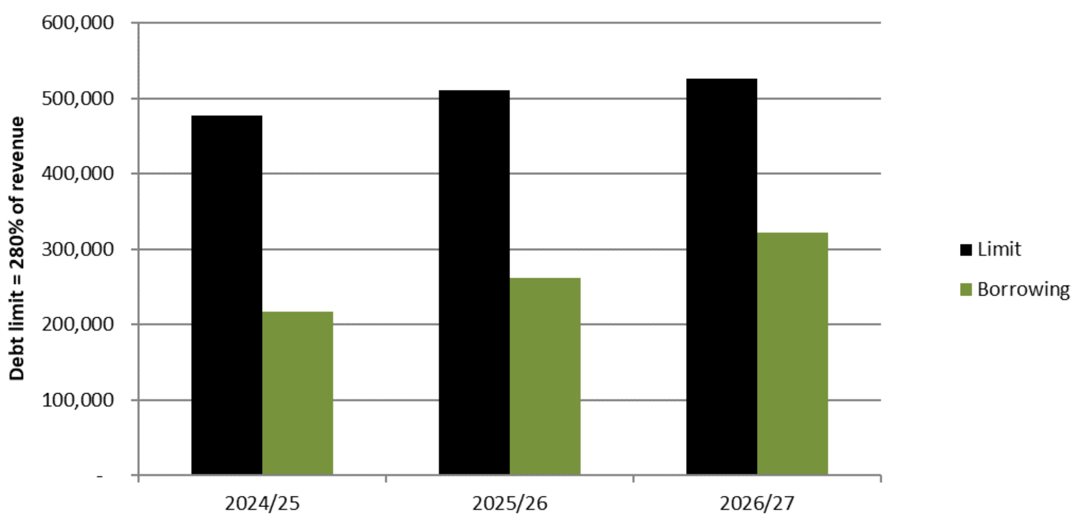
This graph compares planned rates increases with a quantified limit on rates increases contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that the rates increase should not exceed LGCI plus a declining addition of 15.0% in year 1, 8.0% in year 2, and 6.0% in year 3. Council forecasts rates increases within this limit in all years of the LTP.




## Debt affordability benchmarks

### External debt

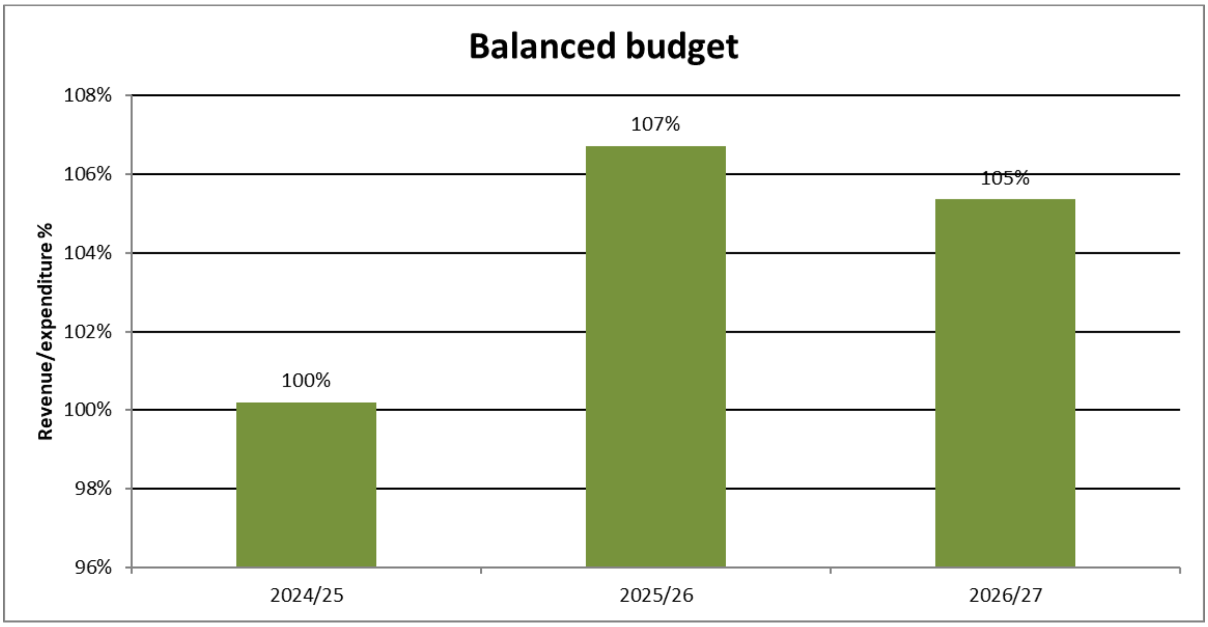
This graph compares planned debt with a quantified limit on borrowing contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that net debt be no higher than 280% of revenue excluding capital subsidies. Council forecasts external debt levels within this limit for the period of the LTP.



### Balanced budget benchmark

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

We meet the balanced budget benchmark if planned revenue equals or is greater than planned operating expenses. Council will achieve this benchmark in all years of the LTP.

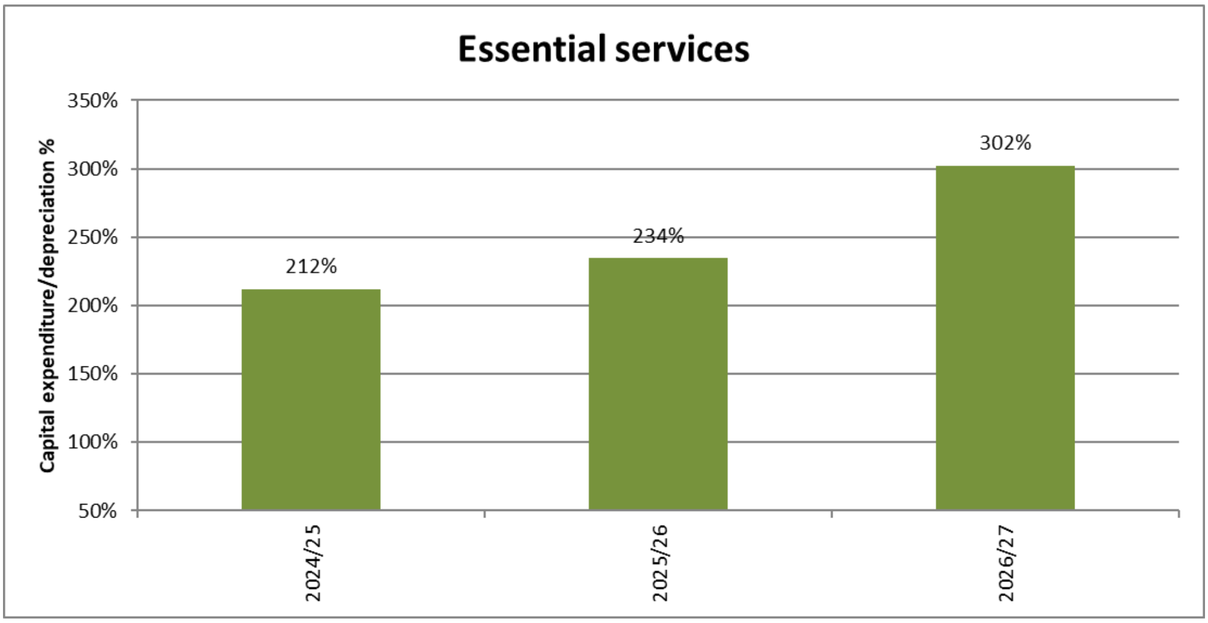



### Essential services benchmark

The following graph displays our planned capital expenditure on network services as a proportion of expected depreciation on those same network services.

We meet the essential services benchmark if planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Council will achieve this benchmark in all years of the LTP.




## Debt servicing benchmark

The following graph displays 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 and equipment). Council meets the debt servicing benchmark if planned borrowing costs equal or are less 10% of planned revenue. Council expects to achieve this benchmark in all years of the LTP.