

Local Government Report

Hon Rodney Hide
Minister of Local Government

Title: Analysis of main trends from draft 2009 long-term council community plans

Date: 25 May 2009

Key issues

- Councils are managing expenditure to keep cost increases down. However inflation, growth and community expectations are driving cost increases. To cover these costs rates and debt in particular are forecast to increase over the next 10 years.
- Councils will need to manage increasing community expectations and cost pressures against affordability and financial prudence.

Action sought	Timeframe
<p>Note the contents of this briefing.</p> <p>Agree that the Department of Internal Affairs will release the high level summaries to the local government sector.</p> <p>Agree that the Department of Internal Affairs will release this report on www.dia.govt.nz.</p>	<p>At your earliest convenience</p> <p>Within one week of your approval</p> <p>Within one week of your approval</p>

Contact for telephone discussion (if required)

Name	Position	Telephone		Suggested first contact
		direct line	after hours	
James Stratford	Senior Policy Analyst	(04) 494 5746	021 146 4794	✓
Rosalind Plimmer	Manager, Strategic Analysis and Information	(04) 494 0532	021 243 5690	

Return to: James Stratford
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Purpose of the briefing

1. This briefing provides you with information on trends in local government forecast income and expenditure, collected from draft 2009/19 long-term council community plans (LTCCPs). It outlines issues identified by the Department and provides some key messages you may wish to discuss with the local government sector.

Executive summary

2. Councils recognise the impact of current economic conditions. They appear to be trying to balance affordability with maintaining services and assets. There is evidence of cost cutting in the first year of the LTCCPs.
3. Operating expenditure (excluding depreciation) is expected to increase by 37% over the 10 years of the LTCCP, from \$5.4b to \$7.4b. National price adjusters calculated by Business and Economic Research Limited (BERL) for local government indicate that prices may increase by 31% over the same period. Much of the forecast increase in councils costs are likely to be related to changes in prices. This will be augmented by increased population to service by 2019. The sector as a whole is looking to manage its costs, whilst adapting to these population trends.
4. Local Government expenditure is also being driven by:
 - increased cost of maintaining existing levels of service
 - community expectations for current and improved levels of service to be provided
 - compliance with government standards
 - interest expenses associated with increased use of debt.
5. Total capital expenditure over the LTCCP period is forecast at \$30.9b. Accounting for inflation, this indicates councils are planning to undertake a reduced capital programme compared to that identified in their 2006/16 LTCCPs.
6. Total income over the ten years of the plan is forecast to increase by an average of 48% (from \$7.4b to \$10.9b). Rates remain the single largest source of income for most councils over the ten years of the plan, with some councils looking to become more reliant on rates over time. The average increase in rates income for the sector in 2009/10 is 6%. The cumulative increase in rates income over the ten years of the plan is forecast at 59% (47% when adjusted for population growth).
7. Total public debt for the sector is forecast to increase by 101%, from \$5.3b at the beginning of July 2009 to \$10.6b at the end June 2019. Many councils previously carried little debt. A number of councils have now revised their treasury/liability policies to reflect their intention to take on more debt. Possible reasons for the increased use of debt include the desire to keep rates down, the volatility of development contributions and reduced returns from investments.

8. Trends for Auckland councils appear to mirror those for the rest of the country, with variation across the region reflecting that seen across the local government sector as a whole.

Background

9. Our previous report (dated 11 May 2009) provided high-level observations of the draft LTCCPs. This report contains more detailed analysis (Appendix 1). As we noted in the previous report, because all draft LTCCPs have been prepared differently, we have had to make some assumptions in order to consistently interpret council financial and non-financial information. Copies of the financial and non-financial summary information extracted from individual LTCCPs are attached (Attachments 1 and 2).
10. The Department considers the information in this report provides a reasonable impression of the sector as a whole. Further information collection and analysis would be required if specific comment was to be made about individual councils. However, the Office of the Auditor-General has audited all the draft LTCCPs for statutory compliance.
11. Discussions about high-level findings in this report have also been held with the Office of the Auditor General, Local Government New Zealand, the Society of Local Government Managers and Treasury. Feedback from these agencies supports our findings. Feedback from seven councils (or their financial advisers) also indicates the financial and qualitative data collected by the Department is a fair representation of their plans.
12. A significant issue, which councils only had limited time to factor into their draft LTCCPs, is the impact of the international economic crisis on New Zealand's economy. The International Monetary Fund (IMF) projects global activity to contract by 1.3% in 2009. While 1.9% growth is projected globally for 2010, low economic growth is likely to be an issue in New Zealand for a number of years to come. A number of councils have reflected this in their changed expenditure decisions (compared to the 2006/16 LTCCPs).
13. General themes identified from the 2009/19 LTCCPs include:
 - councils are aiming to balance affordability with ongoing levels of service;
 - the economic downturn has impacted on the way councils are planning
 - the focus will be on maintaining core infrastructure;
 - councils recognise they have an important leadership role; and
 - long-term planning is important, particularly around major assets.

The LTCCP Process

14. The process for undertaking an LTCCP is outlined in the Local Government Act 2002 (LGA). Councils show considerable variation in the way they interpret and present the requirements under the Act.
15. The main opportunities for citizen and ratepayer input into the draft LTCCPs are prior to the release of the draft, and as part of the consultative process outlined in the LGA.
16. A number of councils indicated they consulted citizens and ratepayers prior to the release of the draft LTCCP. Councils taking this approach were able to generate clear proposals and rationale for prospective changes to levels of service outlined in their draft LTCCPs.

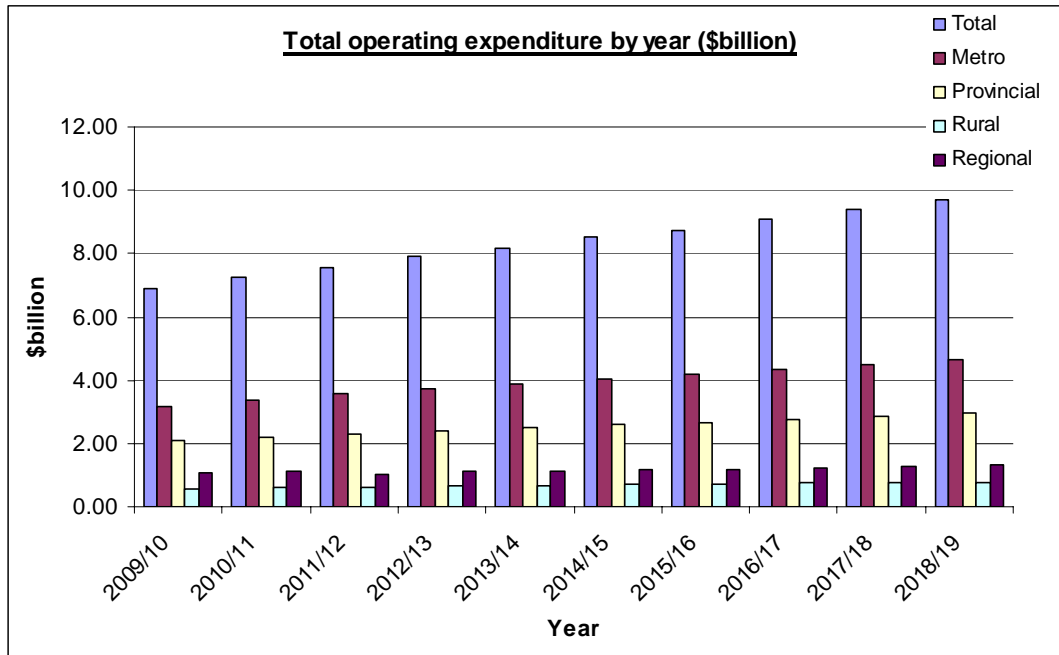
Costs

Table 1 – Summary expenditure (from draft 2009/19 LTCCPs)

	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b	\$b	change year 1 to year 3	\$b	change year 1 to Year 10
All councils					
Direct costs (salaries and payments to suppliers)	5.03	5.33	6%	6.65	32%
Interest expenses	0.41	0.58	40%	0.80	94%
Operating costs (excluding depreciation)	5.44	5.90	8%	7.45	37%
Depreciation	1.43	1.63	14%	2.23	56%
Total operating expenditure	6.87	7.53	9%	9.68	41%

17. Total operating costs (excluding depreciation) are forecast to increase by 8% over the first three years of the LTCCP (Table 1). When broken down, direct costs (which comprise most council expenditure) are forecast to rise by only 6%. The sector as a whole appears to be managing costs in areas where they have some control. The rest of the increase is due to interest expenses, which increase by 40% over the first three years, although they remain a small proportion (7%) of total operating costs.
18. A similar pattern is seen over the ten years of the plan (Figure 1). Direct costs are forecast to rise by 32%. The national price adjusters for local government calculated by BERL estimate an increase of 31% over the same period. This suggests much of the forecast increase may relate to adjustments in prices. This national price adjustor tracks at a significantly higher rate than the 20-25% forecast by the Consumer Price Index, for the same 10 year period. This reflects the different content of the two methods, with the CPI focusing on typical household spending.

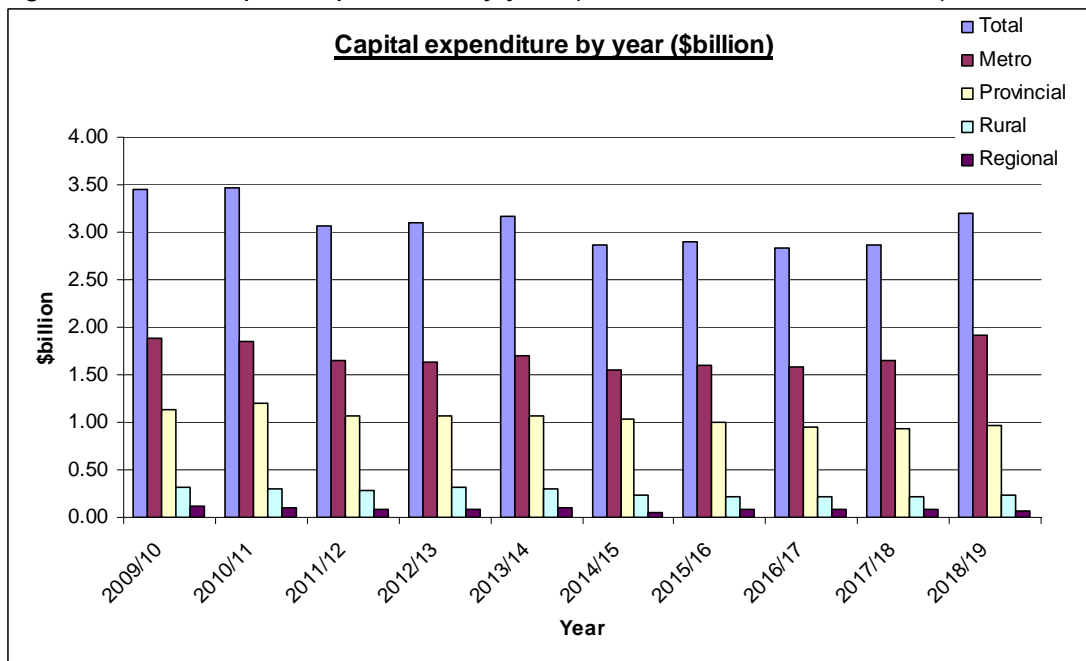
Figure 1 – Total operating expenditure by year (from draft 2009/19 LTCCPs)



19. In contrast to direct costs, interest expenses are forecast to rise 94% by 2018/19, with the proportion of council expenditure on interest rising to 10% of operating expenditure. This is a result of increased use of debt by councils (this is discussed further below).

20. Depreciation is also forecast to increase over the period of the plan. The larger rate of increase in the allowance for depreciation over the latter years of the LTCCPs reflects the completion of some capital projects early in the period of the plan.

Figure 2 – Total capital expenditure by year (from draft 2009/19 LTCCPs)



21. Total capital expenditure over the ten year period is forecast at \$30.9b. This is similar to the total forecast in the 2006/16 LTCCPs (\$29.5b). Accounting for inflation, this indicates councils are planning to undertake a reduced capital programme to that identified three years ago. It appears that a number of infrastructure and community facilities projects have been either deferred (in some cases outside the ten years of the plan) or cancelled in order to keep costs down. An example of this is Auckland City Council's decision not to fund \$100m expenditure on the upgrade of Eden Park.
22. The highest annual levels of capital expenditure are \$3.4b in 2009/10 and again in 2010/11. After that, the annual capital expenditure gradually decreases to a low of \$2.8b in 2016/17 before climbing slightly in the last two years of the plan. The increase toward the latter years of the plan is driven primarily by the expenditure plans of metro councils.
23. The trend toward reduced capital spending over time probably reflects uncertainty over future programmes, and the availability of funding as the higher levels of debt raised during the earlier years of the plan are repaid.
24. Most of the capital spending appears to be associated with roading, pipe networks and solid waste. In some cases new capital works may impact on operating expenditure if the new plant is more expensive to run. It has not been possible to undertake detailed analysis of capital expenditure by activity using information from the LTCCP. This type of analysis will be able to be undertaken using forecast information from the revised Local Authority Census (collected late in 2009).

Cost drivers

25. Councils have identified a range of factors contributing to increased expenditure, including:
 - *Price increases for councils*, as a 31% increase is forecast over the ten years of the LTCCP.
 - *Population growth*, which requires councils to increase expenditure to cater for the increased number of residents or, in some cases, tourists. Over the ten years of the 2009/19 LTCCPs, the population of New Zealand is projected to increase by 9%. Preliminary analysis suggests population growth could account for up to 10% of the total increase in expenditure by 2018/19, although the impact is likely to vary depending on location.
 - *Compliance with government standards* may mean councils have to supply a better level of service than they currently provide. The impact of these requirements is most noticeable in relation to drinking water standards and compliance with resource consent conditions for waste services. Preliminary estimates indicate up to \$230m of capital expenditure has been identified in LTCCPs for compliance with drinking water standards.

- *Levels of service* delivered by councils to their citizens and ratepayers, range from library opening hours to the quality of the seal on a road. Citizens and ratepayers have indicated to many councils that they expect to continue to receive their current levels of service, or enhanced service levels. If the costs of providing these services increases, this will impact on future council expenditure. In some cases council costs may also be driven by other factors not included in the Consumers Price Index (CPI), leading to greater than expected increases in expenditure.

Funding

26. Cash income includes rates, development contributions, subsidies (e.g. for roading) and income from investments. Under new accounting standards, total comprehensive income includes changes to asset values (Table 2). Income associated with asset revaluations fluctuates greatly over the period of the LTCCP. This income is dependent on the revaluation cycle, which explains the large decrease shown in Table 2. For this reason only cash income trends are analysed as part of this report.

Table 2 – Summary income (from draft 2009/19 LTCCPs)

	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b	\$b	change year 1 to year 3	\$b	change year 1 to year 10
All councils					
Rates	4.11	4.68	14%	6.52	59%
Development contributions	0.22	0.33	52%	0.52	140%
Subsidies	1.11	1.01	-9%	1.22	10%
Investment income	0.37	0.41	11%	0.48	28%
Other income	1.62	1.78	10%	2.21	37%
Total cash income	7.42	8.21	11%	10.95	48%
Vested assets	0.19	0.23	24%	0.25	36%
Asset revaluations	2.14	1.70	-21%	2.70	26%
Total comprehensive income	9.75	10.14	4%	13.90	43%

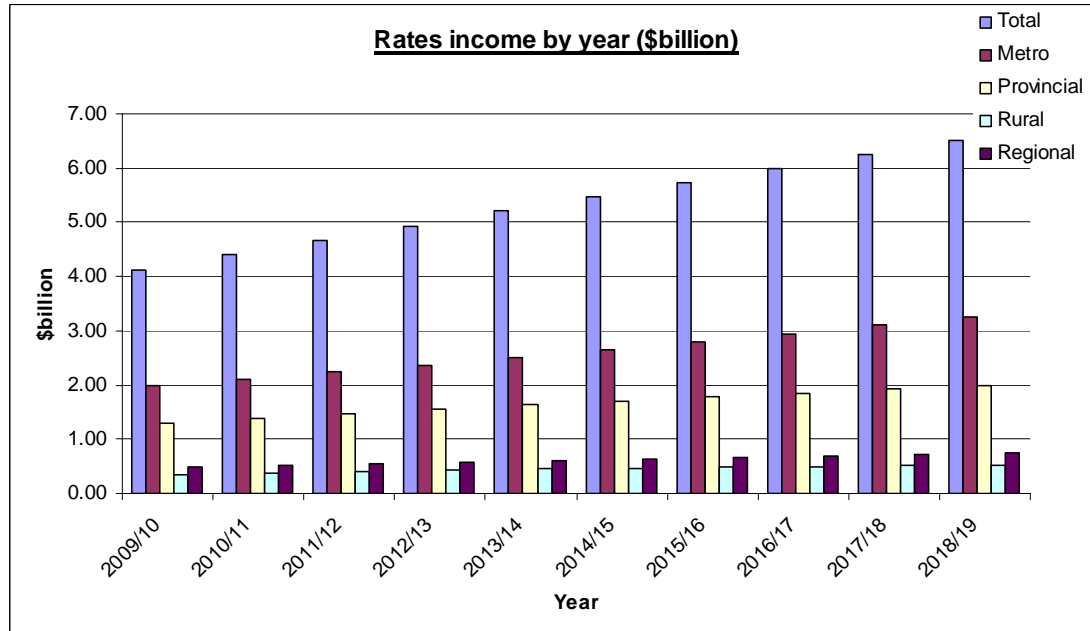
27. Total forecast cash income for the sector will increase by 11% over the first three years of the LTCCP. This is a slightly higher rate of increase than total operating expenditure over the same period. Total income over the ten years of the plan is forecast to increase by an average of 48%. Metro councils show a relatively higher rate of increase (60%), which probably reflects increased expenditure needed to cater for population growth and debt repayment.

Rates

28. Rates remain the single largest source of income for most councils. Councils look set to become somewhat more reliant on rates as a source of income, with the proportion of total cash income from rates rising from 55% to 60% in 2018/19.

29. Total rates income (Figure 3) includes both targeted and general¹ rates. Due to variation in rating practices and the costs of services, the actual increase or decrease for an individual ratepayer will vary markedly across a council, and between different types of councils.

Figure 3 – Total rates income by year (from draft 2009/19 LTCCPs)



30. The average increase in rates income for the sector in 2009/10 is 6%, with a range of -1% to 38²% for individual councils. A number of councils indicate they are deferring some maintenance and operational programmes for one to two years in order to keep rates down. These programmes include (but are not limited to): road resealing, minor road safety works, community arts and development funding, and environmental education.

31. Average rates income is forecast to increase further in 2010/11 (7.2%) and 2011/12 (6.2%), followed by consistent reductions in the percentage increases for the remaining years of the LTCCP. The years of highest percentage increases match those with the highest capital expenditure, suggesting much of the increase is related to infrastructure development.

32. Overall, councils appear to be making more use of targeted rates. Some councils also indicate they intend to spread more of the cost for individual water and wastewater schemes across all users of these services in a district by using more uniform charges. This will improve affordability for users of the smaller schemes. Further analysis will be undertaken when the final rates resolutions are published after 30 June 2009.

¹ General rates are set for the general purposes of the council, targeted rates are set for specific functions and often over specific areas.

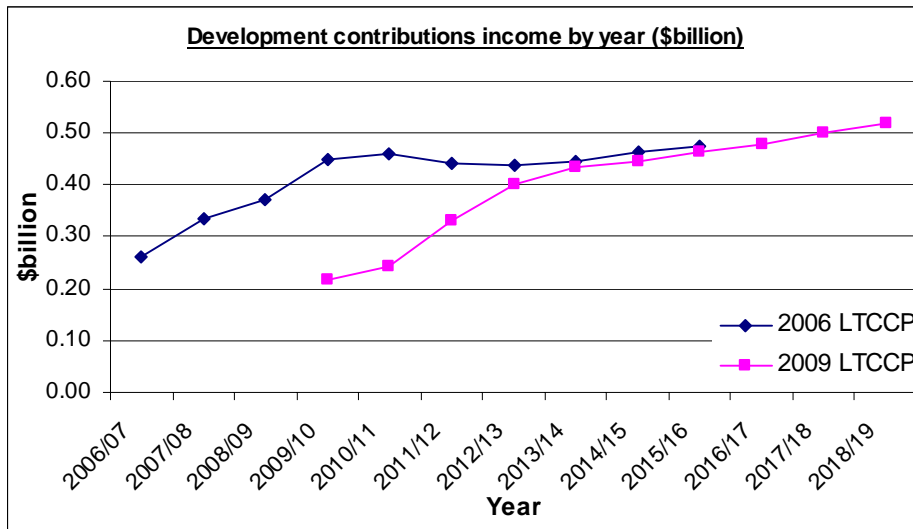
² This represents an increase in targeted rates collected by the Otago Regional Council for the Otago Stadium, flood works and public transport. Total rates income increases from \$11.7m (2008/09) to \$16.2m in 2009/10.

33. The amount of rates forecast to be collected by councils in 2009/10 is very similar to that forecast for the same period from the 2006/16 LTCCPs. The overlap between 2009/19 and 2006/16 LTCCPs shows overall rates income is forecast to increase by only 2.7% from that given in the 2006/16 LTCCPs.
34. The increase in rates needs to be considered in the light of population changes in 'growth councils', as there will be more ratepayers to share costs. Allowing for growth, the total increase in rates income over the ten years of the plan is estimated to be 47% (59% non-adjusted). When broken down to sector level (metro, provincial and rural) the adjustment for growth tends to even out the percentage increases, with all sectors forecasting a 48% population adjusted increase in rates. This reflects the fact that most population growth is predicted to occur in the metro sector.
35. It is uncertain how the economic downturn will impact on the forecast rates. If councils are able to access some services at reduced prices, this could reduce the need for rates funding. The Department will be monitoring the final LTCCPs and the following 2010/11 and 2011/12 Annual Plans to identify any cost reductions. Councils may also revise their forecasts for their final LTCCPs in the light of more recent macroeconomic data on the scale of the economic downturn.

Other income

36. Development (and financial) contributions are a relatively small part of total cash income at 2% in 2009/10, rising to 5% in 2018/19. The relative increase in the amount of funds collected from this source is 140% from \$0.22b to \$0.52b in 2018/19.
37. The impact of the economic downturn is reflected in the fact that forecast development contributions income for 2009/10 (from the 2009/19 LTCCP) is down 51% from the levels forecast for the same period from the 2006/16 LTCCPs (Figure 4). Over time the level of development contributions is forecast to rise to levels similar to those forecast in the 2006/16 LTCCPs. It is important to monitor if these assumptions are borne out.
38. Development contributions are a volatile source of capital funding for councils, particularly for growth councils with a heavy reliance on this source of funding. If the forecast increases in contributions do not eventuate, some councils will need to either defer spending or raise funds from other sources. This may impact on future debt profiles.
39. Forecast income from interest in the 2009/19 LTCCP appears to be less than for the same period in the 2006/16 LTCCPs. Further work is required to understand these observations. Some councils looking to sell assets to offset expenditure indicate they will wait until market conditions improve.

Figure 4 – Comparison of forecast income from development contributions (from draft 2009/19 and final 2006/16 LTCCPs)

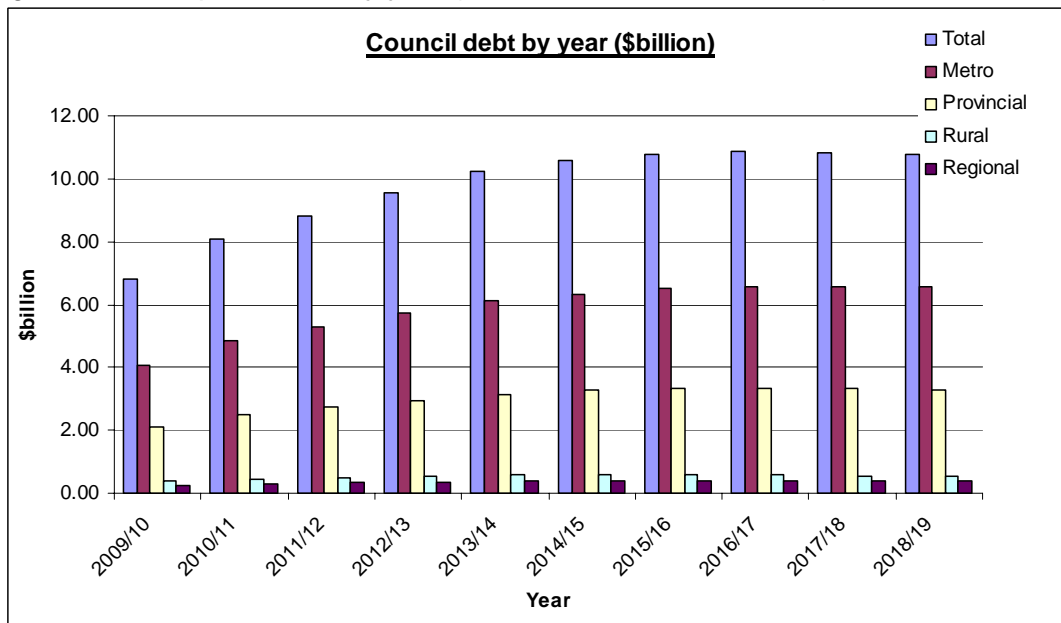


40. Most councils indicate they will be raising their fees and charges. This is being done to reflect cost increases, reduce the impact on general rates, and to more fairly reflect the benefits users receive from council services.

Debt

41. Total public debt for the sector is forecast to increase by 101%, from \$5.3b at the beginning of July 2009 to \$10.6b at the end June 2019. The peak in total debt (\$10.8b) occurs in 2016/17 (Figure 5). The peak in debt coincides with the years of lowest capital expenditure. This suggests that councils will be consolidating their position and focusing on repayment in the latter years of the LTCCP. The majority of debt, and the largest percentage increases, occur in the metro council sector.

Figure 5 – Total public debt by year (from draft 2009/19 LTCCPs)



42. Six councils with little or no debt in 2008/09 are looking to raise debt over the period of their 2009/19 LTCCP. Over the same time, eight councils intend to reduce debt and at least seven will remain essentially debt-free.
43. Excluding councils starting from no debt (as they distort the percentage increase), over 15 (mostly provincial) councils indicate they intend to increase their debt by over 150%. A number of councils have revised their treasury/liability policies to reflect their intention to take on more debt than previously. Tauranga City Council and Queenstown-Lakes District Council both received adverse audit opinions on their draft LTCCPs due to questions over the financial prudence of their forecast levels of debt.
44. Since 2004 local government has been making increased use of debt. Debt is used for a range of purposes including helping to keep rates down, or replacing income from 'volatile' sources such as development contributions and investments.
45. While debt is a prudent way to achieve intergenerational equity, the increased levels being taken on by some councils will reduce their ability to respond to future issues. This may be relevant to those councils proposing to delay repayment of loan principal in order to lessen the impact on rates.

Trends for Auckland

46. As a proportion of all Auckland councils, Auckland City dominates most of the income and expenditure statistics collected. Details of expenditure and selected income sources for individual councils in the Auckland region are given in Appendix 2.
47. Operating expenditure (excluding depreciation) for the Auckland councils is forecast to rise by 42% from \$1.6b in 2009/10 to \$2.3b in 2018/19. This is slightly above the 37% increase for the local government sector as a whole. Given that a large proportion of future population growth is likely to occur in the Auckland region, this level of increase is not unexpected. Most Auckland councils indicate they have undertaken a range of initiatives to reduce operating costs.
48. Forecast capital expenditure has decreased significantly (by around \$2b) from forecasts made in the 2006/16 LTCCPs. This is reflected in the number of projects cancelled or deferred.
49. The increase in rates needs to be considered in the light of a projected 16% increase in population. Allowing for growth, the combined increase in rates income over the ten years of the Auckland council plans is forecast at 50% (70% with no adjustment for projected growth). The regional amenities rate (1% increase in rates in 2009/10) has also impacted on Auckland councils.

50. Several Auckland councils are planning to increase rates above the average of 47% over 10 years. In the case of the Waitakere City Council, the rates increase of 112% (140% increase non-adjusted) reflects a decision to increase rates as a way to reduce reliance on borrowing.
51. Debt carried by Auckland councils is forecast to rise by 105% from \$1.9b in 2009/10 to \$3.9b in 2018/19. The range of increase in projected debt for individual councils is 32% to 311%³.

Comments

52. Councils recognise in their LTCCPs that they have a responsibility to their citizens and ratepayers to keep costs down, and they have generally indicated in their summaries that they have carefully reviewed costs and made cuts as necessary. Their focus appears to be on maintaining their core functions, and as such a number of community projects have been deferred.
53. As further predictions on the prolonged impact of the economic downturn are made, councils will doubtless be further reviewing their programmes as they prepare their final LTCCP. It is becoming clearer that the economic downturn is likely to be longer than first thought, which will impact negatively on future growth. The focus for councils may therefore be on the timing of programmes, rather than total level of expenditure.
54. Councils are indicating reductions and deferrals of programmes in the first few years of the LTCCP to keep rates down. This is likely to see rates increase in later years when the programmes are re-introduced. If the deferred programmes are related to maintenance, the short-term savings may result in higher costs associated with rehabilitation at a later date.
55. Councils may therefore need to take a longer-term view of the viability of some of their programmes and the flow-on this might have to community expectations about the service levels provided by their councils. Councils will need to discuss the levels of service they provide in relation to the cost to citizens and ratepayers in a clear and transparent manner. Where councils have little discretion (required by legislation), further discussion will be needed with citizens and ratepayers as to their priorities for the future.
56. Growth has a major impact on costs. Councils with very low or negative population growth may experience difficulty maintaining existing levels of services while holding rates at acceptable levels, as the rising costs will need to be met by reduced population numbers. Affordability may be an issue for the (often older) residents in these areas, particularly for councils with a high reliance on rates.

³ The 311% increase for the Auckland Regional Council represents a change from \$20m to \$85m by 2018/19. This is a comparatively small amount of debt compared to the \$1.12b worth of assets forecast for the council in 2009/10.

57. Councils experiencing high population growth face significant costs to provide services to new residents, particularly as development frequently needs to occur prior to the receipt of either development contributions or rates from the new residents.
58. Forecast annual capital expenditure remains relatively constant while levels of debt are seen to be increasing significantly. This indicates that councils are using debt to a greater extent than previously, particularly for funding new works. They may also be using debt to cover reduced levels of income from other sources. As total council debt levels were not high previously, this is not necessarily a problem. However, it does call into question what prudent debt levels for councils might be.
59. Development contributions are a volatile source of income. If population growth does not occur at the predicted rate, councils will have to defer or fund works from existing sources. This is likely to impact on future rates and the ability to undertake other projects.
60. While debt is an equitable way to spread cost across generations, councils need to be sure they have a clear financial strategy concerning the way in which they fund future service delivery. Excessive debt may constrain the ability of some councils to deal with unforeseen events.
61. Overall councils have approached the LTCCP process looking to engage citizens and ratepayers in determining their future direction. Questions remain as to the ability of some councils to manage community expectations and other cost pressures against affordability and financial prudence in the future.

Key messages

62. We consider that councils may benefit if the Department makes this briefing and the background summary reports (Attachments 1 and 2) available to the local government sector before the final LTCCPs are adopted.
63. Based on information from the analysis of the LTCCPs, a number of key messages have been identified. You may wish to talk with the sector about the following:
- the OECD indicates that the economic downturn is likely to last longer than expected, so there will be need for continued vigilance over cost increases;
 - some councils have made strenuous efforts to reduce costs, but all councils are urged to carefully review expenditure before producing their final LTCCP;
 - councils should think hard about sustainability of funding and the extent to which they can control costs in the future; and

- citizens and ratepayers should have ongoing discussions over the revision of current levels of service and expectations of council activities with a view to affordability.

Next Steps

64. The Department will continue to analyse trends in high level financial data from draft LTCCPs, particularly in the various sectors within local government. This will inform further work on the final LTCCPs, which will be available from early July 2009.

65. In addition the Department will:

- analyse rates resolutions, which will be available after 30 June 2009;
- undertake research into the use of targeted and general rating tools during 2009 and 2010;
- look more closely at the impacts of the changes in the use of debt as a funding tool, after the final LTCCPs have been released; and
- analyse capital expenditure by activity in 2010, after forecast information has been collected from councils in the revised Local Authority Census (late in 2009).

Recommendations

66. The recommendations are that you:

- a) **Note** the contents of this report.
- b) **Agree** that the Department of Internal Affairs will release the high level summaries to the local government sector within one week of your approval.
- c) **Agree** that the Department of Internal Affairs will release this report on www.dia.govt.nz within one week of your approval.

Rosalind Plimmer
Manager, Strategic Analysis and Information
Local Government and Community Branch

Hon Rodney Hide
Minister of Local Government

Appendix 1 – Summary financial tables (from 2009/19 LTCCPs)

In the tables below, the Asset revaluation and Capital expenditure categories display negative trends. These can be explained as follows:

- capital expenditure generally decreases throughout the course of the plan; and
- asset revaluation income varies depending on the revaluation cycle used by councils.

Metropolitan sector councils	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b's	\$b's	change up to Year 3	\$b's	change up to Year 10
Rates	1.98	2.25	13%	3.26	64%
Development contributions	0.12	0.22	80%	0.36	199%
Subsidies	0.33	0.33	0%	0.50	52%
Investment income	0.15	0.18	15%	0.22	41%
Other income	0.87	0.96	11%	1.18	36%
Total cash income	3.45	3.94	14%	5.51	60%
Vested assets	0.10	0.13	32%	0.15	50%
Asset revaluations	1.17	0.84	-28%	1.41	21%
Total comprehensive income	4.72	4.91	4%	7.08	50%
Direct costs	2.20	2.40	9%	3.00	36%
Interest	0.23	0.33	43%	0.48	110%
Operating costs (excluding depreciation)	2.44	2.73	12%	3.48	43%
Depreciation	0.73	0.84	15%	1.17	60%
Total operating expenditure	3.16	3.56	12%	4.65	47%
Capital expenditure	1.89	1.64	-13%	1.92	2%
Debt	3.20	5.30	66%	6.56	105%

The Department of Internal Affairs
Te Tari Taiwhenua

Provincial sector councils	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b's	\$b's	change up to Year 3	\$b's	change up to Year 10
Rates	1.29	1.47	14%	1.99	55%
Development contributions	0.09	0.10	15%	0.15	66%
Subsidies	0.33	0.34	5%	0.36	11%
Investment income	0.07	0.08	4%	0.10	36%
Other income	0.49	0.53	8%	0.64	31%
Total cash income	2.26	2.52	11%	3.24	43%
Vested assets	0.08	0.09	14%	0.10	24%
Asset revaluations	0.55	0.62	12%	0.88	59%
Total comprehensive income	2.89	3.22	12%	4.21	46%
Direct costs	1.43	1.54	8%	1.92	34%
Interest	0.14	0.18	32%	0.24	73%
Operating costs (excluding depreciation)	1.57	1.72	10%	2.16	38%
Depreciation	0.51	0.58	13%	0.79	54%
Operating expenditure	2.18	2.30	11%	2.94	42%
Capital expenditure	1.13	1.07	-5%	0.97	-14%
Debt	1.74	2.72	56%	3.27	87%

Rural sector councils	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b's	\$b's	change up to Year 3	\$b's	change up to Year 10
Rates	0.35	0.41	15%	0.52	47%
Development contributions	0.01	0.01	57%	0.01	71%
Subsidies	0.16	0.15	-3%	0.13	-16%
Investment income	0.01	0.02	14%	0.03	101%
Other income	0.12	0.13	11%	0.15	24%
Total cash income	0.65	0.72	11%	0.84	29%
Vested assets	0.00	0.01	77%	0.00	-7%
Asset revaluations	0.39	0.17	-56%	0.34	-14%
Total comprehensive income	1.05	0.90	-14%	1.18	13%
Direct costs	0.39	0.43	9%	0.52	33%
Interest	0.02	0.03	40%	0.05	94%
Operating costs (excluding depreciation)	0.41	0.46	11%	0.57	37%
Depreciation	0.15	0.17	13%	0.22	47%
Total operating expenditure	0.57	0.64	11%	0.80	39%
Capital expenditure	0.32	0.28	-11%	0.24	-25%
Debt	0.31	0.47	54%	0.56	82%

The Department of Internal Affairs
Te Tari Taiwhenua

Regional councils	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b's	\$b's	change up to Year 3	\$b's	change up to Year 10
Rates	0.48	0.55	14%	0.75	55%
Development contributions	-	-	-	-	-
Subsidies	0.29	0.18	-38%	0.22	-25%
Investment income	0.13	0.14	8%	0.13	2%
Other income	0.15	0.16	8%	0.26	74%
Total cash income	1.06	1.04	-2%	1.36	29%
Vested assets	0.00	0.00	-	0.00	-
Asset revaluations	0.03	0.07	131%	0.07	127%
Total comprehensive income	1.09	1.11	2%	1.43	31%
Direct costs	1.01	0.96	-5%	1.21	20%
Interest	0.02	0.03	54%	0.04	65%
Operating costs (excluding depreciation)	1.03	0.99	-3%	1.25	21%
Depreciation	0.04	0.05	11%	0.06	31%
Total operating expenditure	1.07	1.04	-3%	1.31	22%
Capital expenditure	0.12	0.08	-36%	0.07	-42%
Debt	0.14	0.34	136%	0.37	157%

Auckland councils	Year 1 2009/10	Year 3 2011/12		Year 10 2018/19	
	\$b's	\$b's	change up to Year 3	\$b's	change up to Year 10
Rates	1.31	1.48	13%	2.23	70%
Development contributions	0.08	0.13	62%	0.21	166%
Subsidies	0.23	0.19	-19%	0.25	7%
Investment income	0.10	0.10	2%	0.11	6%
Other income	0.51	0.54	7%	0.68	35%
Total cash income	2.23	2.44	10%	3.48	56%
Vested assets	0.06	0.09	49%	0.08	44%
Asset revaluations	0.79	0.36	-54%	0.83	5%
Total comprehensive income	3.08	2.89	-6%	4.39	43%
Direct costs	1.47	1.57	7%	2.00	36%
Interest	0.14	0.20	49%	0.29	113%
Operating costs (excluding depreciation)	1.61	1.78	11%	2.29	42%
Depreciation	0.40	0.47	16%	0.65	61%
Total operating expenditure	2.01	2.25	12%	2.94	46%
Capital expenditure	1.12	0.94	-16%	1.00	-11%
Debt	1.92	3.30	72%	3.93	105%

Appendix 2 – Selected financial details for Auckland councils (from 2009/19 LTCCPs)

Councils	Rates income			Debt			Operating costs*			Capital expenditure		
	Year 1 2009/10 \$m's	Year 10 2018/19 \$m's	change up to Year 10	Year 1 2009/10 \$m's	Year 10 2018/19 \$m's	change up to Year 10	Year 1 2009/10 \$m's	Year 10 2018/19 \$m's	change up to Year 10	Year 1 2009/10 \$m's	Year 10 2018/19 \$m's	change up to Year 10
Rodney District Council	98	164	67%	287	379	32%	115	174	51%	79	92	17%
North Shore City Council	211	389	84%	367	659	80%	221	324	46%	156	227	45%
Waitakere City Council	138	331	141%	468	972	108%	217	347	60%	176	111	-37%
Auckland City Council	433	631	46%	461	1,183	157%	484	691	43%	475	311	-34%
Manukau City Council	195	344	76%	220	425	93%	249	334	34%	133	188	41%
Papakura District Council	28	50	76%	26	88	240%	31	48	56%	36	26	-28%
Franklin District Council	50	75	51%	70	141	101%	52	73	40%	43	33	-23%
Auckland Regional Council	155	244	58%	20	85	311%	241	303	26%	22	8	-63%
All Auckland councils	1,308	2,228	70%	1,920	3,933	105%	1,611	2,295	42%	1,121	997	-11%

* excluding depreciation