

Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee

Ngā Tāpiritanga – Mēneti | Attachments – Minutes

Attachments – Minutes of a meeting of an ordinary meeting of Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee held in the Council Chambers, 35 Kenrick Street, TE AROHA on 16 Jun 2026 at 9:00.

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RAC 13 June 202611

Note: *The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.*

Report to the Council

on the interim audit of Matamata-Piako District Council

For the year ending 30 June 2026



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Key messages

We have completed our interim visit in respect of our annual audit of Matamata-Piako District Council (the Council) for the year ending 30 June 2026. This report sets our findings from our interim audit work.

Purpose and scope of our interim audit

The primary purpose of our interim audit was to update our understanding of the Council's control environment and systems of internal control relevant to the audit. Our work included a review of information systems and processes. We have updated our understanding of the Council's key financial and non-financial systems and internal controls to gain an understanding of the matters facing the Council and how these are being addressed.

Secondly, we aimed to bring forward selected substantive testing with the aim of alleviating pressures for both the teams and the audit timeline during final audit. And thirdly, we planned to test the 2025 property, plant and equipment (PPE) transactions and balances for the purpose of verifying the 2026 PPE opening balances.

Acknowledging sector pressures

As auditors, we are acutely aware of the unprecedented environment of compounding pressures currently facing local government leadership. We recognise that your teams are navigating a high-inflation, low-growth economy while balancing complex operational challenges. These include maintaining fiscal sustainability under strict cost-of-living constraints, delivering resilient infrastructure renewals, and managing fast-moving

regulatory transitions. We appreciate that these factors create a highly demanding environment for Council management and governance alike. In response to this demanding operating environment, our audit approach remains proactive, risk and value focused. We remain committed to open dialogue and a "no surprises" partnership with Council.

Control environment

We carried out a high-level assessment of the Council's control environment and tested the relevant key financial and non-financial systems. This work has been completed for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the Council's financial statements and service performance information for the year ending 30 June 2026.

Focus areas: Risks and issues

At this stage of our audit the focus areas, risks and issues discussed in our audit plan and our audit approach to these matters are still appropriate. These focus areas will remain under review and updated based on the latest information gathered through our final audit.

The PPE area remains the most significant risk to achieving the proposed adoption date of 28 October 2026. This includes audit clearance over the fair value assessments planned for the year, as well as the overall audit conclusion over PPE transactions and balances for both 2025 and 2026. To help mitigate this risk, we have asked management to provide audit-ready information as early as possible. Please refer to page 6 for more information.



Local Water Done Well

The Government's Local Water Done Well reforms continue to evolve and are expected to have implications for how the Council delivers water services in the future, including potential impacts on its assets, liabilities, and future financial arrangements. We therefore expect the Council to include clear and transparent disclosures in the 2025/26 financial statements outlining the known and reasonably estimable impacts of the reforms. These disclosures should reflect decisions made up to balance date, as well as any relevant subsequent events up to the date the annual report is adopted by elected members. Please refer to page 8 for more information.

Adoption timeline

We have been requested to plan and schedule the 2026 audit to allow for an adoption date of 28 October 2026. We planned and resourced the audit with the aim of delivering an efficient audit in line with the agreed budget. To achieve that, the audit team need to work at a very high efficiency rate and there is minimal contingency built into our workplan due to the amount of work we need to deliver relevant to the available hours. We also planned to bring forward specific work that leans itself to being available at an earlier stage.

The audit team has experienced some delays with regards to Council's trial balance matter (see page 5) and is performing audit procedures over the 2025 PPE transactions and balances with the aim of testing the opening balances for the 2026 financial statements. Testing of the 2025 PPE has progressed slower than anticipated due to the need for multiple layers of clarification and iterative engagement between audit and Council staff, including input from the asset team (see page 6).

Acknowledging the current pressures Council staff is operating under, we will continue to work with management and the milestone delivery schedule to help ensure that information required for audit are delivered in a timely manner and in the quality expected. Based on realistic and achievable dates for the substantial amount of work still to be completed – especially for PPE - Council might need to reconsider the preferred adoption date particularly if it sees concerns in its ability to deliver information to schedule.

Audit costs

We are committed to keep the costs to Council as low as possible and continue to adjust and re-schedule our work based on the information delivered. The need to test both 2025 and 2026 PPE will have an audit cost implication for this year. Any indications of additional audit cost overruns will be communicated to management as we progress through the audit.

Thank you

We wish to extend our thanks to the Chief Executive, Council staff, and the Risk and Assurance Committee for their assistance and support during the first phases of the audit.



René van Zyl
Appointed Auditor
12 June 2026

System of internal control

The Council, with support from management, is responsible for the effective design, implementation, and maintenance of the system of internal control. The system of internal control may be reflected in policy and procedures manuals, systems, and forms, and is put into effect by people.

Our audit considers the system of internal control to the extent that it is relevant to preparing the financial statements and service performance information. We evaluate the system of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances. We did not consider matters unrelated to the audit that may be relevant to the Council and management.

Foundations of the system of internal control

The control environment sets the tone of the organisation and provides an overall foundation for the operation of the other components of the system of internal control. Similarly, your risk assessment process and process for monitoring the system of internal control are designed to operate in a manner that also supports the entire system of internal control. Because these components are foundational to your system of internal control, any deficiencies in their operation could have pervasive effects on the preparation of the financial statements and service performance information.

We performed an assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the tone set by the Council

and management, and whether the control environment provides an appropriate foundation for other components of the system of internal control. We also considered whether your risk assessment processes and process for monitoring the system of internal control are appropriate to your circumstances.

Based on our audit work completed to date, our conclusion is that the overall control environment remains effective for the purposes of our audit. We found no significant deficiencies to bring to your attention.

Controls

Controls are the policies and processes that are established to achieve the control objectives of the Council and management. Controls relevant to the audit are those designed to provide reasonable assurance over the reliability and accuracy of financial and service performance information reporting.

We reviewed your information systems, business processes, and control activities, focussing on information processing controls that directly address risks to the integrity of financial and service performance information. We evaluate the design of relevant controls and consider whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements.

Please note our assessment is not intended to provide you with assurance on internal control. As such, we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

Systems reviewed during the interim audit

We reviewed the following key financial and non-financial information systems:

- expenditure;
- payroll;
- revenue;
- fixed Assets and valuations;
- investments;
- general ledger reconciliations and journals; and
- systems used to capture and report service performance data for the performance measures that we have identified as material.

Based on our work to date, we are planning to take a substantive approach to our audit of the Council's financial and non-financial systems, either because we could not identify effective internal controls or because it would be less efficient for us to rely on those controls.

Trial balance

Council's financial system (Authority) has historically not been used to produce a complete system-generated trial balance in a format suitable for audit purposes. As a result, management has previously manually prepared an Excel trial balance each year, incorporating various adjustments and mappings.

To address the risk of omissions or inaccuracies arising from the manual preparation process, we requested a system generated trial balance during our interim audit. After converting the system's text file into a workable Excel file, we noted that due to a software related issue the trial balance didn't balance and commenced a time intensive process with management until the matter was resolved.

After management performed their investigation and worked with the service provider to resolve the issue, a balancing trial balance was generated from Authority. To keep existing practices and mappings, management informed audit that they will continue to prepare the trial balance manually but provide a reconciliation against the system generated trial balance to ensure accuracy and completeness of the financial reporting.

We have reviewed the interim reconciliation and are satisfied that the manually prepared trial balance reconciles to the system-generated data. For the final audit, we expect management to prepare and provide the 30 June 2026 system-generated trial balance, together with a reconciliation to the manual trial balance by 21 August 2026 to support the completeness and accuracy of the financial reporting and populations we will use for audit testing.



Substantive testing



To reduce pressure on both teams and Council's preferred adoption date of 28 October 2026, we have planned to bring forward selected substantive audit procedures where appropriate. During our pre-final audit visit, we aim to perform substantive testing up to 30 April 2026 (10-months) for selected revenue classes, other expenditure (including sensitive expenditure), and Key Management Personnel (KMP) disclosures.

We note that performing substantive testing before year end presents some challenges for Council due to the timing of the accounting processes and year-end adjustments. Management has advised that journals posted after the testing date can be clearly identified and isolated. However, there is still a risk that the listings provided at the pre-final audit may not be readily reconcilable to the final year-end listings due to cut-off. Management will need to reconcile the populations tested during the year to the final year-end totals to mitigate this risk.

The substantive audit procedures described above are ongoing, and any material issues identified during our testing will be communicated to Council.

Interim audit progress and key issues

Fair value assessment of PPE in a non-revaluation year

We are currently reviewing the fair value assessment performed by management for three waters assets, roading assets, land and building assets. From our initial review, management's assessment using valuation

information as at March 2026, did not indicate a material difference between the current carrying value and their approximate fair value.

We will re-assess management's assessment of the fair value movements from March to end of June during our final audit, and we request that management prepare and provide their final assessments as soon as possible after the June 2026 indices are available.

PPE – prior year transactions and balances

Management is of the view that sufficient evidence is now available for us to test the 2025 PPE transactions and balances to support the 2026 opening balances and to provide an appropriate starting point for the 2026 PPE audit. While the 2025 testing is in-progress, a significant number of audit queries have been raised with the assets team that require timely and comprehensive responses. There is a risk that delays in providing adequate supporting information, or an inability to satisfactorily address audit queries, may affect the outcome of the PPE testing.

To ensure sufficient and appropriate audit procedures can be performed over PPE movements for the 2026 financial year, accurate and complete transactional listings of PPE movements for the year is required, reconciling back to supporting evidence and the financial statement disclosures. The audit team will perform the current year PPE testing during our final audit in September 2026 and completion within the preferred timeline will require significant support from the finance and asset staff.

We reiterate that the audit of PPE poses the most significant timeline risk for Council's preferred adoption date of 28 October 2026.



Other matters

Local Water Done Well

The Local Water Done Well reforms are expected to have a significant future impact on how the Council delivers water services, and consequently on its assets, liabilities, and future financial transactions. We therefore expect the Council to include clear and transparent disclosures in the 2025/26 financial statements outlining the impact of these reforms. These disclosures should reflect decisions made up to balance date, as well as any relevant events occurring up to the date the annual report is adopted by elected members.

Due to the nature of the disclosure, we have requested management to provide draft disclosures prior to our final audit visit to enable the audit team to commence our review early and avoid delays during the final audit.

We understand the 2025/26 annual report will continue to be prepared in accordance with the Local Government Act 2002, with no additional reporting requirements prescribed by legislation for this reporting period. The Department of Internal Affairs (DIA) has issued guidance on relevant accounting considerations. While this guidance provides a useful framework, Councils may have unique circumstances, and our audit opinion may differ in certain areas. We will work with management as required.

Based on our current understanding, we expect the annual report disclosures to include the following, where relevant:

- A description of the agreed model or arrangement for delivering water services as described in the water services delivery plan, including clarity on the water services to transfer (e.g. clarity whether stormwater services are transferring or staying with the territorial authority).
- The planned timing of implementation and the status of implementation.
- A description of the type of the water organisation (e.g., single council-owned CCO, joint/multi council-owned CCO, sole/joint consumer trust owned, or explain that the territorial authority will continue to deliver the water services in future) and a description of the territorial authority's ongoing interest in the water organisation.
- An estimate of the financial effect of the decision to deliver water services differently (where relevant), including:
 - The carrying value of the assets and liabilities that will transfer. In most cases, we expect there to be sufficient information at the time of signing the territorial authority's annual report to reliably estimate these, particularly where transfers will occur soon after 2026 balance date.

- The current year (2025/26) revenue, expenses, and cash flows of the water services operations that will transfer. We note that in some cases similar information may be available from the funding impact statements for the relevant groups of activities, in which case cross-referencing may be an appropriate approach.
- Information about any material contingent liabilities or contingent assets expected to be transferred or created as part of the reform.
- Any other material financial impacts – for example, if the territorial authority has material water services capital or lease commitments that will transfer to the water organisation.
- Some uncertainty may exist and need to be described if founding agreements and transfer documentation are still being finalised or if the transfer date is not until 2027. In rare circumstances it may be that the reliable measurement hurdle is not met and some disclosures may not be able to be quantified. If this is the case, then this should be explained.
- Subsequent event disclosures under PBE IPSAS 14 Events after Reporting Date if any key decisions are made or events occur (such as transfer of assets/operations to the water organisation) between balance date and date of adoption of the annual report.



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MAHERE Ā-TAU DRAFT ANNUAL PLAN

2026-2027



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SECTION 1:

**Kupu whakataki |
Introduction.**



Nau mai | Welcome.

MAI TŌ KOUTOU KOROMATUA RĀUA | MESSAGE FROM YOUR MAYOR

This Annual Plan has been put together at a time when a lot of people are feeling the pinch – and Council is no different.

Things are rough right now. Costs are up across the board, fuel costs will only drive that further - and Local Government is working through reform around water, resource management (RMA) and how local government should be structured in future. None of that makes things simpler, and none of it is happening in isolation from what households and businesses are dealing with every day.

Rates are a tax, I don't know of anyone that particularly likes paying them. I am now in my 13th year in local government and I would not be able to count the times where people in our communities have told me "I don't get anything for my rates". So recently I put an ad in the paper that listed every service Council delivers using your rates money. It took two whole pages – and even then, it turned out I'd missed some. When you pay your power bill every month, you get power. When you pay your rates bill every three months, you're paying for a ridiculously long list of things that keep this community running. And I think we do a great job at delivering within the budget we have.

The Annual Plan includes a rates increase of 5.92%. Despite rising costs – including all the money being spent meeting governments ever changing demands – we have managed to keep this to the same level we projected and consulted on through the Long Term Plan in 2024. There are no surprises there. While rates increases are never welcome – sticking to what we said matters, especially when times are tough for a lot of people out there.

Just like many households, we've also made some tough decisions. A couple of significant projects - including the Te Aroha Library upgrade and spa improvements - have been deferred. That wasn't an easy call, but it was the responsible one. Deferring doesn't mean cancelling. It gives us 12 months to think carefully about how we approach those projects, look at costs and options, and come back to the community with clear proposals as part of our Long Term Plan.

A change we're preparing for now is our water and wastewater services moving to Waikato Waters Ltd from 1 October. We'll keep you updated as this transition progresses.

A lot of the work in this Plan won't be immediately visible, but it's critical. Every year it costs more just to deliver the same services – materials, insurance, interest, and contractor costs all continue to rise. We've focused hard on financial discipline and on the infrastructure that keeps the district running.

I want to acknowledge our staff, who are doing a great job in a challenging environment, and the community, who continue to engage, ask questions, and hold us to account. That matters.

Over the next 12 months, we'll also be preparing for the next Long Term Plan. There will be some big conversations ahead about the future of local government and what our community wants from Council. I'm up for those conversations, and I know the community will be too.



Ash Tanner
Mayor



Tō tātou kāwanatanga | Our governance.

Council has established the following governance structure:

COUNCIL

The Matamata-Piako district has four wards: Matamata, Morrinsville, Te Aroha and Te Toa Horopū ā Matamata-Piako.

Our Council consists of 12 Councillors, elected by their respective wards, and one Mayor, elected by all voters throughout the district. The Councillors and Mayor represent their communities and make decisions for the district.

Elected representatives are supported by the Council's Chief Executive Officer, and staff, who provide advice, implement Council decisions, and look after the district's day-to-day operations.

TE MANAWHENUA FORUM

Te Manawhenua Forum mō Matamata-Piako is a standing committee of Council that advises on cultural, economic, environmental and social issues of significance to manawhenua groups and provides feedback when Council is developing plans and policies, such as the Long Term Plan or District Plan.

The Forum includes representatives from Council, Ngāti Hauā, Ngāti Rāhiri-Tumutumu, Raukawa, Ngāti Maru, Ngāti Whanaunga, Ngāti Pāoa, Ngāti Hinerangi and Ngāti Tamaterā.

The Forum is chaired by Hinerangi Vaimoso. Council representatives include Mayor Ash Tanner and Councillors James Sainsbury (Deputy Mayor), Rewiti Vaimoso, and Gary Thompson (observer).

RISK AND ASSURANCE COMMITTEE

The Risk and Assurance Committee ensures we have appropriate risk management and internal and financial control systems.

This committee includes Jaydene Kana as independent chairperson, Mayor Ash Tanner, and Councillors James Sainsbury (Deputy Mayor), James Thomas, Bruce Dewhurst, Andrew McGiven.

DISTRICT LICENSING COMMITTEE

Council has a District Licensing Committee to consider and determine alcohol and license applications under the Sale and Supply of Alcohol Act 2012.

The Committee is chaired by Councillor Sue Whiting with Deputy Chair Greg Marshall. Members of the committee are appointed from a list of appropriately qualified people.

HEARINGS COMMISSION

The Hearings Commission is responsible for hearing and determining applications for resource consents under the Resource Management Act 1991, and objections under the Dog Control Act 1996.

The Hearings Commission consists of four Councillors, Councillor Sue Whiting, Councillor Andrew McGiven, Councillor Grace Bonnar and Councillor Tyrel Glass.

CHIEF EXECUTIVE OFFICER REVIEW COMMITTEE

The Chief Executive Officer Performance Committee undertakes a review of the performance and remuneration of the Chief Executive Officer on an annual basis in accordance with the Chief Executive Officer's employment agreement.

The Committee includes Mayor Ash Tanner, and Councillors James Sainsbury (Deputy Mayor), Vincent Anderson, Andrew McGiven, Bruce Dewhurst, Sue Whiting, and Dayne Horne.

WAHAROA AERODROME COMMITTEE

The Waharoa (Matamata) Aerodrome Committee was established in 2015 by legislation under the Ngāti Hauā Claims Settlement Act 2014.

The committee comprises of Mayor Ash Tanner (Co-Chair), Councillors James Sainsbury (Deputy Mayor) and James Thomas, along with three members appointed by the Ngāti Hauā Iwi Trust Board trustees, Muna Wharawhara (Co-

Chair), Rangitonga Kaukau and Deacon Paul. The functions of the Waharoa (Matamata) Aerodrome Committee, as set out in the Ngāti Hauā Claims Settlement Act 2014, are to:

- Make recommendations to Council in relation to any aspect of the administration of Waharoa Aerodrome land.
- Make final decisions on access and parking arrangements for the Waharoa Aerodrome land that affect Raungaiti Marae.
- Perform the functions of the administering body under section 41 of the Reserves Act 1977 in relation to any review of the reserve management plan that has been authorised by Council.
- Perform any other function delegated to the committee by Council.

GOVERNANCE GROUP FOR PLAN CHANGE 49 - WAHAROA

The PC49 Governance group of 4 includes two elected members, Councillor Vincent Anderson and Councillor Sue Whiting, and two members of Ngāti Hauā. The group provides advice and oversight into the development of the plan change.

SINGLE YEAR COMMUNITY GRANT COMMITTEE

The Single-year Community Grants Committee consists of one elected member per ward, meeting twice per year to distribute funds for projects/events in our district. Elected members alternate for each hearing. There is no chair for this committee.

CREATIVE COMMUNITIES SCHEME COMMITTEE

The Creative Communities Scheme Committee consists of 7-11 community arts representatives that meet twice a year to assess and distribute funding from Creative NZ to support local arts and cultural projects/events.. The current chairperson is Janelle Burnside. Councillors Greg Marshall, Grace Bonnar and Gary Thompson are members of the Committee.



Kaunihera | Council.

COUNCILLORS & MAYOR 2025/26

Council staff	Te Manawhenua Forum mo Matamata-Piako Chairperson	Hearings Commission	District Licensing Committee	Risk and Assurance Committee	Waharoa (Matamata) Aerodrome Committee	Chief Executive Officer Performance Committee
Council employs the Chief Executive Officer, who in turn employs Council staff	Tiamana Hinerangi Vaimoso	No chairperson	Councillor Sue Whiting	Jaydene Kana	Co-chair persons Mokoro Gillett and Mayor Ash Tanner	No chairperson



Ash Tanner
Koromatua | Mayor



Gary Thompson
Te Toa Horopū Ā Matamata-Piako



Tyrel Glass
Te Aroha Ward



Andrew McGiven
Te Aroha Ward



Greg Marshall
Te Aroha Ward



Vincent Andersen
Matamata Ward



Rewiti Vaimoso
Matamata Ward



Sue Whiting
Matamata Ward



James Sainsbury
Koromatua Tautoko | Deputy Mayor
Morrinsville Ward



Grace Bonnar
Morrinsville Ward



Bruce Dewhurst
Morrinsville Ward



Dayne Horne
Morrinsville Ward



James Thomas
Morrinsville Ward

Te aratohu o te mahere-ā-tāu | Annual plan guide.

The key elements of Council's three year planning cycle are outlined below.

WHAT IS AN ANNUAL PLAN?

Council's plans for how we manage delivery of services to the community are produced on a three-year cycle. In the first year of each three-year cycle, a Long Term Plan is produced which sets out a comprehensive plan for how Council will manage its budgets and services over the next ten years. In the second and third year of each cycle, the Annual Plan then provides any necessary updates and adjustments to the Long Term Plan.

WHY DO WE DO IT?

We are required to prepare an Annual Plan under the Local Government Act 2002. Apart from this legal requirement, it also makes good sense to revise our plans each year. While the budgeting and planning undertaken for the three-year period of the Long Term Plan is based on the best forecasting information available at the time, there are always changes. Higher inflation, increased costs and the wider economic and policy context all have an impact on what we do. The Annual Plan gives us the opportunity to update and revise our plan in response to these changes, and to seek community feedback on the plan when necessary.

WHAT IS A LONG TERM PLAN?

The Long Term Plan sets our direction for the next ten years, outlining our key aims, objectives and priorities for the Matamata-Piako district. A Long Term Plan:

- describes the type of district our communities have told us they want – our community outcomes
- identifies the key projects to take place over the next ten years
- provides an overview of each activity we will carry out and the services we will provide for the next ten years
- determines how much this will all cost and how we will fund it.

WHAT IS AN ANNUAL REPORT?

We produce an Annual Report every year. This is a review of our performance, letting the community know whether we did what we said we would. It also checks financial performance against the budget and Financial Strategy.

WHAT HAS CHANGED?

We didn't consult on the Annual Plan this year because we weren't proposing any significant or material changes from what we had planned in the Long Term Plan. In Section 2 of this Plan, you can read about any changes to the funding of our services outlined under Key Projects and Funding Impact Statements.

YOUR DISTRICT

Area 175,477 hectares	2023/24	2024/25	2025/26
Number of electors (enrolled)*	26,087	26,165	25,423
Number of rating units**	16,424	16,660	16,854
Value of improvements**	\$7,444,941,799	\$7,544,090,338	\$8,771,109,700
Net land value**	\$12,512,505,401	\$12,447,478,360	\$11,795,036,500
Total capital value**	\$19,957,447,200	\$19,991,568,698	\$20,566,146,200
Total rates***	\$47,160,000	\$54,153,000	\$57,421,000
Average total rates per rating unit	\$2,871	\$3,250	\$3,407

*Electoral enrolment centre.

** At the end of the preceding financial year.

*** Excludes metered water rates, targeted rates from industries, lump-sum contributions and penalties

HOW MUCH WILL MY RATES BE?

To keep our services running and cover rising costs, Council needs to collect 5.92% more in rates in total next year. Some of this cost is offset by growth – the total value of properties across district rose 1.71% over the last year (e.g. through new homes and subdivisions), and we added new connections to services such as kerbside collection and water supply.

5.92% is the district-wide figure – how much your own rates bill will change depends on what your property is worth (it's capital value) and which services you receive. For example, only properties connected to the wastewater network pay for it, so rising wastewater costs fall on those properties.

The wastewater increase is particularly high this year because of both rising costs and reduced income, as a long-standing funding agreement with industry partners – paid through rates – reached the end of its agreed term during 2026. In the example properties shown below, this impact is clearly reflected in the movement in the total rates bill for urban residential properties, and significantly for commercial/industrial properties with more than one wastewater charge.

To see the impact on your property, please visit www.mpd.govt.nz/rates/propertyrates-search.

Below are examples of different types of properties throughout the district. Please note these are for 'average' property values and may not reflect your particular situation.

Property type	Capital Value	2025/26 rates bill	2026/27 rates bill	Movement in total rates bill	
Urban residential – full services (eg water supply, wastewater, kerbside collection)	\$500,000	\$3,651	\$3,980	+\$329	+9.0%
	\$750,000	\$3,997	\$4,327	+\$330	+8.3%
	\$1,250,000	\$4,688	\$5,019	+\$331	+7.1%
Commercial/Industrial – with 2 additional toilets and no kerbside collection	\$1,000,000	\$5,661	\$6,460	+\$799	+14.1%
	\$2,000,000	\$7,045	\$7,846	+\$801	+11.4%
	\$3,000,000	\$8,428	\$9,231	+\$803	+9.5%
Rural lifestyle - no services (e.g. no water supply or kerbside collection)	\$1,000,000	\$2,342	\$2,418	+\$76	+3.2%
	\$2,500,000	\$4,417	\$4,496	+\$79	+1.8%
Rural - no services (e.g. no water supply or kerbside collection)	\$4,000,000	\$6,492	\$6,575	+\$83	+1.3%
	\$8,000,000	\$12,025	\$12,117	+\$93	+0.8%

SECTION 2:

Mahi ā rōpū | What we do



Ngā wāhi māna me ngā rawa ā-hapori (hui katoa) | Community facilities and property.

WHAT WE DO

Community Facilities and Property is about providing parks, open spaces and built facilities for sport, recreation, social and cultural activities as well as buildings that enable us to provide a range of services to the community, including affordable housing for elderly people.

The activities responsible for this are: Cemeteries, Housing and Property, Libraries, Parks and Open Spaces, Pools and Spas, Public Toilets, and Community Venues.

WHY WE DO THESE ACTIVITIES

Council is committed to providing open spaces and built facilities that promote healthy communities, enable social connections, look after our natural and cultural heritage, and provide economic opportunities.

- We support and improve public health by providing places and facilities where people can engage in play, active recreation, and sports activities which provide physical and mental health benefits. Our public toilet network also promotes public health.
- We provide open spaces (like parks) and built facilities (such as event centres and libraries) where people can gather to connect socially. We also provide affordable housing complexes for elderly people.
- Our network of parks and reserves helps protect and enhance our natural environment.
- We help preserve our cultural heritage by supporting museums as well as by managing historic sites, monuments, or buildings on parks and reserves.
- Our parks and community facilities provide economic opportunities through tourism and events.

PROJECTS FOR 2026/27

Projects within this group of activities are progressing as set out in the Long Term Plan 2024-2034.

Project ID	Project	LTP 2026/27	Annual Plan 2026/27	Explanation of variances to the LTP budget
		(\$000)	(\$000)	
357	Te Aroha Library	230		
247	Destination Playground (Te Aroha)	1,569		
375	Te Aroha Spa enhancement	5,229		

FUNDING IMPACT STATEMENT

COMMUNITY FACILITIES AND PROPERTY 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
13,798	General rates, uniform annual general charges, rates penalties	14,105	15,453	An increase in general rates is required to fund the budgeted shortfall in revenue from fees and charges and additional operating costs.
75	Targeted rates	78	73	
33	Subsidies and grants for operating purposes	34	33	
5,383	Fees and charges	5,511	4,936	Expected revenue from fees and charges has reduced compared to the LTP in line with reduced visitor numbers and use of pool and spa facilities experienced in the current financial year.
299	Internal charges and overheads recovered	302	344	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
19,588	Total operating funding (A)	20,030	20,839	
	Applications of operating funding			
13,011	Payments to staff and suppliers	13,112	14,176	Additional operating costs have been budgeted for the operation of the new Matamata Stadium that opened during 2025/26, as well as increased exterior/interior cleaning costs across facilities. Market movements in staff costs have been slightly higher than budgeted in the LTP. Under the 2024/25 organisation restructure, Events staff previously budgeted in the LTP under Communications have been reallocated to the Community Facilities team. Budgeted building maintenance costs have increased, and costs like catering that are on-charged to users of our events and meeting facilities have been budgeted for.
572	Finance costs	726	754	
3,185	Internal charges and overheads applied	3,244	3,507	Overhead costs are expected to increase compared to the LTP.
-	Other operating funding applications	-	-	
16,768	Total applications of operating funding (B)	17,082	18,437	
2,820	Surplus (deficit) of operating funding (A – B)	2,948	2,402	
	Sources of capital funding			

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
-	Subsidies and grants for capital expenditure	-	-	
56	Development and financial contributions	58	58	
(497)	Increase (decrease) in debt	5,651	2,394	The reduced capital programme for 2026/27 means that debt will not be raised as anticipated in the LTP.
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
(441)	Total sources of capital funding (C)	5,709	2,452	
	Applications of capital funding			
	Capital expenditure			
39	To meet additional demand	25	-	
1,179	—to improve the level of service	7,442	-	The LTP included \$5.2m for a project to develop the Te Aroha Spas in 2026/27. Council will reconsider this project in the upcoming LTP alongside other priorities.
1,105	—to replace existing assets	1,132	4,854	The Te Aroha destination playground is planned for 2026/27
56	Increase (decrease) in reserves	58	-	
-	Increase (decrease) of investments	-	-	
2,379	Total applications of capital funding (D)	8,657	4,854	
(2,820)	Surplus (deficit) of capital funding (C - D)	(2,948)	(2,402)	
-	Funding balance ((A - B) + (C - D))	-	-	

Te rautaki me te whakawhitiwhiti kōrero | Strategy and engagement.

WHAT WE DO

Strategy and Engagement supports our community to get involved in the democratic process, and provides the strategic direction needed to ensure our community thrives and is prosperous.

The activities responsible for this are Emergency Management, Communications and Events, Community Leadership, and Strategies and Plans.

WHY WE DO THESE ACTIVITIES

These activities ensure our community are informed of Council activities and can be involved in open and transparent decision making. This helps us plan for the long term to ensure that our communities grow and develop in an integrated and sustainable way.

The Local Government Act 2002, Resource Management Act 1991, and Civil Defence Emergency Management Act 2002 also have a significant impact on these activities, as they set a number of legislative requirements that we must meet.

PROJECTS FOR 2026/27

Projects within this group of activities are progressing as set out in the Long Term Plan 2024-2034.



FUNDING IMPACT STATEMENT

STRATEGY AND ENGAGEMENT 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
7,687	General rates, uniform annual general charges, rates penalties	7,795	7,794	
-	Targeted rates	-	-	
199	Subsidies and grants for operating purposes	204	94	
397	Fees and charges	410	1,768	Following the transfer of Water and Wastewater activities to Waikato Waters Limited (WWL) from 1 October 2026, Council will continue to provide some services related to the new entity, including billing and customer services. WWL will reimburse Council for these services. In addition, Council expects to earn additional interest on funds received in the WWL settlement from 1 October.
710	Internal charges and overheads recovered	705	868	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
8,993	Total operating funding (A)	9,114	10,524	
	Applications of operating funding			
6,986	Payments to staff and suppliers	6,949	7,550	Compared to the LTP, there were some savings in employee costs to this activity due to the 2024/25 restructure, and a reduction in staff numbers funded from Better-off funding. These savings were offset by the addition of \$150,000 in funding for Future-proof activities that was overlooked in the LTP budget, and additional funding for Iwi participation for Te Manawhenua Forum and Council remuneration that is set by legislation. Market movements in staff costs were also higher than anticipated in the LTP.
295	Finance costs	291	214	
2,629	Internal charges and overheads applied	2,695	3,925	Overhead costs are expected to increase compared to the LTP.
-	Other operating funding applications	-	-	
9,910	Total applications of operating funding (B)	9,935	11,689	
(917)	Surplus (deficit) of operating funding (A – B)	(821)	(1,165)	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
-	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	-	
1,615	Increase (decrease) in debt	1,601	(169)	The reduced capital programme for 2026/27 means that debt will not be raised as anticipated in the LTP.
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
1,615	Total sources of capital funding (C)	1,601	(169)	
	Applications of capital funding			
	Capital expenditure			
-	—to meet additional demand	-	-	
-	—to improve the level of service	-	-	
1,673	—to replace existing assets	1,660	1,088	Plans in the LTP to begin an upgrade of Council's software system in 26/27 have been deferred.
(975)	Increase (decrease) in reserves	(880)	(2,422)	Anticipated stranded overheads in the first year of transfer of water and wastewater activities to WWL are budgeted to be funded from reserves unless other offsets or opportunities are identified during this transitional year.
-	Increase (decrease) of investments	-	-	
698	Total applications of capital funding (D)	780	(1,334)	
917	Surplus (deficit) of capital funding (C - D)	821	1,165	
-	Funding balance ((A - B) + (C - D))	-	-	

Ngā rori | Roading.

WHAT WE DO

Our transport network consists of 967km of sealed roads, and 55km of unsealed roads. It also includes 377 bridges, street lights, road markings, signs and road drainage assets.

In addition to providing access to properties, the road corridor is also where utilities are usually located (e.g. gas, power, telecommunications, water, sewer and stormwater).

WHY WE DO THIS ACTIVITY

Roads provide for a wide variety of users with diverse needs, including private and commercial car drivers and passengers, freight operators, dairy tankers, stock trucks, quarry trucks/ machinery, public transport, harvesting contractors/ farm machinery, cyclists and pedestrians. They also support and enable economic growth, and when designed appropriately, enhance living environments and amenity.

PROJECTS FOR 2026/27

Projects within this group of activities are progressing as set out in the Long Term Plan 2024-2034.

Project ID	Project	LTP 2026/27	Annual Plan 2026/27	Explanation of variances to the LTP budget
		(\$000)	(\$000)	
326-330	NZTA subsidised – local road improvements	633		

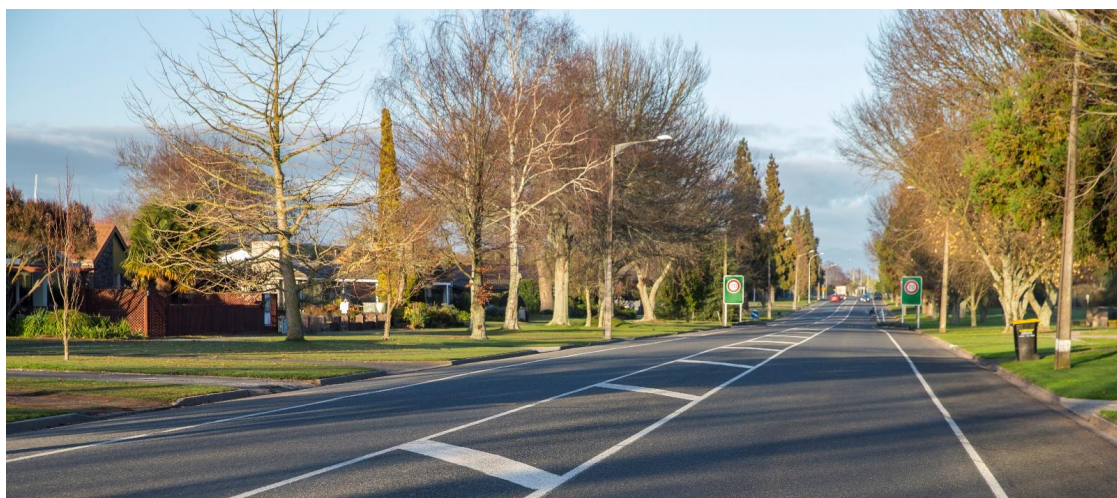


FUNDING IMPACT STATEMENT

ROADING 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
9,501	General rates, uniform annual general charges, rates penalties	9,664	9,189	Funding (through rates) for the future replacement of our roading assets has reduced to align with Council's share of planned renewal work.
-	Targeted rates	-	-	
4,162	Subsidies and grants for operating purposes	4,285	3,471	The NZTA approved budget has changed from that signalled at the time the LTP budget was approved.
309	Fees and charges	304	287	
270	Internal charges and overheads recovered	266	683	
225	Local authorities fuel tax, fines, infringement fees, and other receipts	230	220	
14,467	Total operating funding (A)	14,749	13,850	
	Applications of operating funding			
8,155	Payments to staff and suppliers	8,323	8,058	
365	Finance costs	395	336	
1,424	Internal charges and overheads applied	1,444	1,551	Overhead costs are expected to increase compared to the LTP.
-	Other operating funding applications	-	-	
9,944	Total applications of operating funding (B)	10,162	9,945	
4,523	Surplus (deficit) of operating funding (A – B)	4,587	3,905	
	Sources of capital funding			
3,821	Subsidies and grants for capital expenditure	4,089	4,080	
226	Development and financial contributions	230	230	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
192	Increase (decrease) in debt	1,017	1,247	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
4,239	Total sources of capital funding (C)	5,336	5,557	
	Applications of capital funding			
	Capital expenditure			
690	–to meet additional demand	1,071	-	
579	–to improve the level of service	834	-	Roading capital budgets have been aligned to available funding assistance from NZTA
7,493	–to replace existing assets	8,018	9,462	
-	Increase (decrease) in reserves	-	-	
	Increase (decrease) of investments		-	
8,762	Total applications of capital funding (D)	9,923	9,462	
(4,523)	Surplus (deficit) of capital funding (C – D)	(4,587)	(3,905)	
-	Funding balance ((A – B) + (C – D))	-	-	



Te para me te whakahōu | Rubbish and recycling.

WHAT WE DO

Our Rubbish and Recycling activity (which is sometimes referred to as our Solid Waste activity) currently provides kerbside rubbish and recycling collection services to approximately 10,000 households across the district, as well as operating three transfer stations located at Matamata, Morrinsville and Waihou.

We provide waste minimisation and sustainability education to schools across the district. We also have three closed landfills at Matamata, Morrinsville and Te Aroha that we monitor under the terms of their resource consents to ensure they do not endanger the environment or public health.

WHY WE DO THIS ACTIVITY

Our day to day lives generate a lot of waste that must be managed for the health of our community and our environment. As part of the Matamata-Piako District Council Waste Management and Minimisation Plan 2021-2027 (WMMP), we have committed to reducing the total amount of general waste sent to landfill from our district.

In September 2023, Council transitioned to a new kerbside collection service that incorporated food scrap collection to reduce both waste to landfill and methane emissions. The collection area now includes rural residential properties that were previously excluded. We also separate e-waste and batteries at our three Refuse Transfer Stations which are sent for recycling.

PROJECTS FOR 2026/27

Projects within this group of activities are progressing as set out in the Long Term Plan 2024-2034.

Project ID	Project	LTP 2026/27	Annual Plan 2026/27	Explanation of variances to the LTP budget
		(\$000)	(\$000)	
365	New resource recovery centre	523		



FUNDING IMPACT STATEMENT

RUBBISH AND RECYCLING 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
2,047	General rates, uniform annual general charges, rates penalties	2,137	1,650	The allocation of contracted costs between kerbside activities (which is funded from targeted rates) and other refuse activities is now better reflected, and overall costs are expected to be lower than anticipated in the LTP.
2,650	Targeted rates	2,766	2,809	
266	Subsidies and grants for operating purposes	272	260	
899	Fees and charges	921	943	
1	Internal charges and overheads recovered	1	1	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
5,863	Total operating funding (A)	6,097	5,663	
	Applications of operating funding			
5,212	Payments to staff and suppliers	5,336	4,897	Staff and contract costs are anticipated to be lower than set out in the LTP.
129	Finance costs	166	103	
380	Internal charges and overheads applied	388	429	
-	Other operating funding applications	-	-	
5,721	Total applications of operating funding (B)	5,890	5,429	
142	Surplus (deficit) of operating funding (A – B)	207	234	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	-	
1,388	Increase (decrease) in debt	314	998	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
1,388	Total sources of capital funding (C)	314	998	
	Applications of capital funding			
	Capital expenditure			
-	–to meet additional demand	-	-	
1,532	–to improve the level of service	523	-	The 2024-34 LTP included a resource recovery centre project in 2026/27, but this has been deferred for further consideration as part of the upcoming LTP.
-	–to replace existing assets	-	1,232	An upgrade of the Morrinsville transfer station is planned for 2026/27
(2)	Increase (decrease) in reserves	(2)	-	
-	Increase (decrease) of investments	-	-	
1,530	Total applications of capital funding (D)	521	1,232	
(142)	Surplus (deficit) of capital funding (C - D)	(207)	(234)	
-	Funding balance ((A - B) + (C - D))	-	-	



Te waimarangai | Stormwater.

WHAT WE DO

We have stormwater discharge consents to collect and dispose stormwater from urban areas of Matamata, Morrinsville, Te Aroha and Waharoa. Stormwater from these urban areas are collected and treated appropriately to comply with discharge consents before discharging into surface water bodies or ground. We ensure stormwater discharge from new developments is complying with our resource consent conditions.

We work collaboratively with Waikato Regional Council and our roading team as they also own, manage and maintain parts of the drainage system. Some drains of the urban stormwater network are situated in private properties. Maintenance of these drains are the responsibility of the property owners. We liaise with the property owners on matters related to these drains. Maintaining all of our assets involves undertaking scheduled and unscheduled maintenance and repair work. We have renewal strategies to allow for the progressive replacement of assets as they are required.

WHY WE DO THIS ACTIVITY

We ensure stormwater systems are managed safely and efficiently to drain surface water to minimise flooding in our communities and stormwater discharged from urban areas does not pollute the receiving environment. We work with property owners and other partners to achieve best outcomes.

The main purpose is to ensure that we are looking after our environment in a sustainable but also affordable manner for the short and long term and minimise the hazards from stormwater on public and private properties.

PROJECTS FOR 2026/27 – LONG TERM PLAN

There are no major projects for Stormwater outlined in the LTP.

PROJECTS FOR 2026/27 - WATER SERVICES DELIVERY PLAN

Project ID	Project	WSDP 2026/27	Annual Plan 2026/27	Explanation of variances to the WSDP budget
		(\$000)	(\$000)	
	Districtwide treatment device renewals	100		



FUNDING IMPACT STATEMENT

STORMWATER 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
161	General rates, uniform annual general charges, rates penalties	169	163	
992	Targeted rates	1,036	1,003	
-	Subsidies and grants for operating purposes	-	-	
-	Fees and charges	-	-	
168	Internal charges and overheads recovered	165	167	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
1,321	Total operating funding (A)	1,370	1,333	
	Applications of operating funding			
650	Payments to staff and suppliers	665	682	
86	Finance costs	97	42	
282	Internal charges and overheads applied	289	326	
-	Other operating funding applications	-	-	
1,018	Total applications of operating funding (B)	1,051	1,050	
303	Surplus (deficit) of operating funding (A – B)	319	283	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	11	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
(32)	Increase (decrease) in debt	(35)	1,778	Debt requirements are higher than anticipated in the LTP due to the revised capital programme
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
(32)	Total sources of capital funding (C)	(35)	1,789	
	Applications of capital funding			
	Capital expenditure			
128	—to meet additional demand	-	-	
434	—to improve the level of service	-	-	
511	—to replace existing assets	105	2,072	Morrinsville CBD stormwater upgrades
(802)	Increase (decrease) in reserves	179	-	
-	Increase (decrease) of investments	-	-	
271	Total applications of capital funding (D)	284	2,072	
(303)	Surplus (deficit) of capital funding (C - D)	(319)	(283)	
-	Funding balance ((A - B) + (C - D))	-	-	



Te waipara | Wastewater.

WHAT WE DO

We supply wastewater services to the urban areas of Matamata, Morrinsville, Te Aroha, Waihou, Tahuna, Rukumoana, Raungaiti and Waharoa by collecting the wastewater from these communities and treating it through five treatment plants.

Treatment plants are situated in Matamata (which also treats wastewater from Waharoa and Raungaiti), Morrinsville (which also treats wastewater from Rukumoana), Te Aroha and Tahuna. The Morrinsville treatment plant also treats and disposes of rural septic tank waste. All plants have discharge consents with conditions that we have to meet that specify the required treatment at each plant.

Approximately 50% of the wastewater treated in Morrinsville is from local industry. Industrial and commercial wastewater is regulated through tradewaste agreements and our Tradewaste Bylaw 2020. Under our tradewaste agreements, companies pay for the cost of processing their waste.

The efficient operation and maintenance of our wastewater network is achieved by providing adequate backup facilities, equipment, machinery and staff to handle any break down of the service. Corrective and preventative maintenance programmes are in place to ensure our systems remain in good condition.

On 1 October 2026 Council's water and wastewater services transfer to Waikato Waters Ltd. Council does not intend to report on the performance measures for the water and wastewater activities for the 2026/27 year.

WHY WE DO THIS ACTIVITY

The Wastewater service ensures that wastewater (sewerage and the "grey" water that goes down your drains) is collected, treated and disposed of appropriately. The treatment is particularly important, as after wastewater is treated it is discharged into waterways or to land.

We aim to ensure wastewater is well managed for the wellbeing of our community and our environment.

PROJECTS FOR 2026/27 - LONG TERM PLAN

Projects within this group of activities are progressing as set out in the Long Term Plan 2024-2034.

Project ID	Project	LTP 2026/27	Annual Plan 2026/27	Explanation of variances to the WSDP budget
		(\$000)	(\$000)	
337	District wide inflow and infiltration reduction	523		
369	Morrinsville wastewater treatment plant upgrade	7,321		
370	Te Aroha wastewater treatment plant resource consent upgrades	3,138		

PROJECTS FOR 2026/27 - WATER SERVICES DELIVERY PLAN

Project ID	Project	WSDP 2026/27	Annual Plan 2026/27	Explanation of variances to the LTP budget
		(\$000)	(\$000)	
	Te Aroha wastewater pipe size increases associated with new subdivisions	12		
	District wide inflow and infiltration reduction	500		
	Matamata wastewater treatment plant upgrade (consent driven)	15,000		
	Allen St wastewater pump station upgrade	1,000		
	Other investment in wastewater assets	3,969		



FUNDING IMPACT STATEMENT

WASTEWATER 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
-	General rates, uniform annual general charges, rates penalties	-	-	
9,940	Targeted rates	11,683	11,130	The decrease in rates compared to the LTP is reflective of the completion of the significant Matamata Wastewater Treatment plant upgrade being behind the timing anticipated in the LTP, leading to reduced finance and other costs. In addition, a greater portion of this activity has been funded through fees charged to industries who have a high impact on the network.
-	Subsidies and grants for operating purposes	-	-	
1,311	Fees and charges	1,343	638	Funding from fees and charges is only recognised up to the date that Wastewater services will be transferred to Waikato Waters Limited on 1 October 2026. Compared to the LTP, a greater portion of this activity has been funded through fees charged to industries who have a high impact on the network.
581	Internal charges and overheads recovered	572	13	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
11,832	Total operating funding (A)	13,598	11,781	
	Applications of operating funding			
5,885	Payments to staff and suppliers	6,025	1,897	Payments to staff and suppliers are only recognised up to the date that Wastewater services will be transferred to Waikato Waters Limited on 1 October 2026.
2,345	Finance costs	3,149	621	The delayed progress of the Matamata Wastewater Treatment Plant project and the uncertainty around the operational desludging projects at the Morrinsville and Te Aroha plants (which were to be financed) has led to a decrease in anticipated finance costs for the 26/27 year. Finance costs are only recognised up to the date that Wastewater services will be transferred to Waikato Waters Limited on 1 October 2026.
732	Internal charges and overheads applied	754	167	Internal charges and overhead costs are only recognised up to the date that Wastewater services will be transferred to Waikato Waters Limited on 1 October 2026.
-	Other operating funding applications	-	7,598	From 1 October 2026, Council will pay rates collected in respect of the Wastewater service across to Waikato Waters Limited.
8,962	Total applications of	9,928	10,283	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	operating funding (B)			
2,870	Surplus (deficit) of operating funding (A – B)	3,670	1,498	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
1,728	Development and financial contributions	1,763	539	Development contributions are only recognised up to the date that Wastewater services will be transferred to Waikato Waters Limited on 1 October 2026.
23,999	Increase (decrease) in debt	13,010	4,790	Wastewater operations will be transferred to WWL from 1 October 2026. The forecast increase in debt is for the first 3 month period only.
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
25,727	Total sources of capital funding (C)	14,773	5,329	
	Applications of capital funding			
	Capital expenditure			
7,449	–to meet additional demand	7,208	-	The progress of the Matamata Wastewater Treatment Plant project has been delayed, but also the cost of the final project was significantly more than budgeted in the LTP. WWL will take over the capital programme for our Wastewater assets from 1 October 2026
14,832	–to improve the level of service	5,459	-	
5,874	–to replace existing assets	6,014	10,643	
442	Increase (decrease) in reserves	(238)	(3,816)	\$1 million in rates funding will be collected and applied to the Wastewater desludging reserve to fund future work required. All Wastewater reserves will be transferred to WWL on 1 October 2026.
-	Increase (decrease) of investments	-	-	
28,597	Total applications of capital funding (D)	18,443	6,827	
(2,870)	Surplus (deficit) of capital funding (C – D)	(3,670)	(1,498)	
-	Funding balance ((A – B) + (C – D))	-	-	

Te wai | Water.

WHAT WE DO

We own and operate six water supply schemes in the district - in Matamata (including Waharoa and Raungaiti), Morrinsville, Te Aroha (including Te Aroha West) and three small schemes in Te Poi, Tahuna, and Hinuera. Each area has one or more treatment plants, and the district has a total of 410 km of pipes (excluding service lines).

We provide water 24 hours a day, seven days a week, which means operating and maintaining equipment, machinery and backup facilities, and training staff to respond rapidly in the event of a problem. We need to meet drinking water standards and undertake reporting for the new regulator, Taumata Arowai.

We have corrective and preventative maintenance programmes in place to ensure our systems remain in good condition. We also monitor the lifecycles of our assets (such as water mains) and renew them when necessary.

On 1 October 2026 Council's water and wastewater services transfer to Waikato Waters Ltd. Council does not intend to report on the performance measures for the water and wastewater activities for the 2026/27 year. .

WHY WE DO THIS ACTIVITY

The Water activity provides our communities with clean, safe drinking water to ensure the health and wellbeing of our residents. Our approach to managing our Water activity and network aligns with national and regional drivers. It recognises that the use of water is not unlimited and it is a very valuable resource that needs to be protected and managed in a sustainable manner for the community today and tomorrow.

PROJECTS FOR 2026/27 – LONG TERM PLAN

Projects within this group of activities are progressing as set out in the Long Term Plan 2024-2034.

PROJECTS FOR 2026/27 - WATER SERVICES DELIVERY PLAN

Project ID	Project	WSDP 2026/27	Annual Plan 2026/27	Explanation of variances to the WSDP budget
		(\$000)	(\$000)	
	Hinuera water treatment plant DWQAR compliance upgrades	500		
	Te Aroha water treatment plant Rolleston Street permanent intake upgrade	650		
	Other investment in water assets	6,809		

FUNDING IMPACT STATEMENT

WATER 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
-	General rates, uniform annual general charges, rates penalties	-	-	
11,287	Targeted rates	11,777	12,319	Increased rates required to fund anticipated operating cost increases to deliver a safe and compliant water supply.
-	Subsidies and grants for operating purposes	-	-	
11	Fees and charges	11	3	
68	Internal charges and overheads recovered	67	14	
-	Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	
11,366	Total operating funding (A)	11,855	12,336	
	Applications of operating funding			
5,320	Payments to staff and suppliers	5,447	1,461	Budgeted operating costs increased compared to the LTP, particularly for electrical maintenance contract, contractor and chemical costs. Payments to staff and suppliers are only recognised up to the date that Water services will be transferred to Waikato Waters Limited on 1 October 2026.
1,286	Finance costs	1,391	282	Finance costs are only recognised up to the date that Water services will be transferred to Waikato Waters Limited on 1 October 2026.
1,157	Internal charges and overheads applied	1,166	281	Overhead costs are only recognised up to the date that Water services will be transferred to Waikato Waters Limited on 1 October 2026.
-	Other operating funding applications	-	9,239	From 1 October 2026, Council will pay rates collected in respect of the Water service across to Waikato Waters Limited.
7,763	Total applications of operating funding (B)	8,004	11,263	
3,603	Surplus (deficit) of operating funding (A – B)	3,851	1,073	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
193	Development and financial contributions	197	188	
3,721	Increase (decrease) in debt	1,714	1,286	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
3,914	Total sources of capital funding (C)	1,911	1,474	
	Applications of capital funding			
	Capital expenditure			
-	—to meet additional demand	-	-	
2,401	—to improve the level of service	785	-	
5,116	—to replace existing assets	4,977	2,548	WWL will take over the capital programme for our Water assets from 1 October 2026
	Increase (decrease) in reserves		-	
-	Increase (decrease) of investments	-	-	
7,517	Total applications of capital funding (D)	5,762	2,548	
(3,603)	Surplus (deficit) of capital funding (C - D)	(3,851)	(1,074)	
-	Funding balance ((A - B) + (C - D))	-	-	

Ngā whakaaetanga me ngā raihana | Consents and licensing.

WHAT WE DO

Consents and Licensing is about carrying out the regulatory functions that we have an obligation to perform under legislation.

The functions that fall within this activity group are Animal Control, Building Consents and Monitoring, Licensing and Enforcement, and Resource Consents and Monitoring.

WHY WE DO THESE ACTIVITIES

The Consents and Licensing activity group ensures we are protecting the natural resources of the district, keeping our communities safe and healthy, and balancing the different needs and interests of people and businesses in our community.

Legislation has a significant impact on these activities, as it sets a number of requirements that we must meet.

PROJECTS FOR 2026/27

There are no mayor projects for this group of activities in the LTP.



FUNDING IMPACT STATEMENT

CONSENTS AND LICENSING 1 JULY 2026 TO 30 JUNE 2027

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Sources of operating funding			
4,103	General rates, uniform annual general charges, rates penalties	4,206	4,405	
-	Targeted rates	-	-	
-	Subsidies and grants for operating purposes	-	-	
4,177	Fees and charges	4,276	4,296	
-	Internal charges and overheads recovered	-	-	
39	Local authorities fuel tax, fines, infringement fees, and other receipts	40	39	
8,319	Total operating funding (A)	8,522	8,740	
	Applications of operating funding			
5,774	Payments to staff and suppliers	5,912	5,988	
61	Finance costs	60	69	
2,214	Internal charges and overheads applied	2,274	2,555	Overhead costs are expected to increase compared to the LTP.
-	Other operating funding applications	-	-	
8,049	Total applications of operating funding (B)	8,246	8,612	
270	Surplus (deficit) of operating funding (A – B)	276	128	
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	
-	Development and financial contributions	-	-	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
(270)	Increase (decrease) in debt	(276)	(228)	
-	Gross proceeds from sale of assets	-		
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
(270)	Total sources of capital funding (C)	(276)	(228)	
	Applications of capital funding			
	Capital expenditure			
-	–to meet additional demand	-	-	
-	–to improve the level of service	-	-	
-	–to replace existing assets	-	-	
-	Increase (decrease) in reserves	-	(100)	
-	Increase (decrease) of investments	-	-	
-	Total applications of capital funding (D)	-	(100)	
(270)	Surplus (deficit) of capital funding (C – D)	(276)	(128)	
-	Funding balance ((A – B) + (C – D))	-	-	

SECTION 3:

**Mahi ā rōpū |
What we do**



FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE 2027

Annual Plan 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
Revenue from continuing operations				
62,249	Rates	65,416	42,538	
8,065	Subsidies and grants	8,884	7,937	NZTA subsidies have been updated to match current approved budgets.
12,225	Fees and charges	12,386	11,324	Water and wastewater fees are only recognised up to the WWL transfer on 1 October 2026.
2,203	Development and financial contributions	2,248	299	Water and Wastewater contributions are only recognised up until the transfer date.
531	Interest revenue	544	1,259	Council expects to earn additional interest on funds received in the WWL settlement from 1 October.
463	Other revenue	479	463	
85,736	Total revenue from continuing operations	89,957	63,820	
Expenses from continuing operations				
31,237	Personnel costs	29,478	30,240	An organisational restructure finalised after the LTP resulted in some additional positions to manage increasing compliance requirements and to ensure service and project delivery. Personnel costs for Water and Wastewater activities are only recognised up until these activities are transferred to WWL
23,932	Depreciation and amortisation	25,006	17,756	Depreciation is higher than the LTP because recent revaluations increased asset replacement costs. This is partly offset as water and wastewater depreciation stops at the 1 October 2026 transfer.
3,471	Finance costs	6,482	1,697	Water and wastewater finance costs are only counted up to the transfer.
30,318	Other expenses	32,414	22,683	Water and wastewater operating costs are only recognised up to the transfer date.
88,958	Total expenses from continuing operations	93,380	72,376	
(3,222)	Surplus/(deficit) from continuing operations	(3,423)	(8,556)	
-	Surplus/(deficit) from discontinued operations	-	27,309	See Note A: Discontinued operations (Water and Wastewater)
(3,222)	Surplus/(deficit) for the year	(3,423)	18,753	
Other comprehensive revenue and expense				
-	Financial assets at fair value through other comprehensive revenue and expense	-	-	
25,637	Property, plant and equipment revaluations	26,352	13,046	Council will no longer revalue water and wastewater assets.
25,637	Total other comprehensive revenue and expense	26,352	13,046	

22,415	Total comprehensive revenue and expense	22,929	31,798
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Note A: Discontinued operations (Water and Wastewater)

Council's drinking water and wastewater services will be classified as a discontinued operation in the year ended 30 June 2027, and the transfer to Waikato Waters Limited will be completed on 1 October 2026. Because Council will no longer deliver water and wastewater services from that date, none of the water and wastewater revenue or expenditure will form part of Council's operations from the 2027/28 year onwards. Accordingly, all water and wastewater revenue and expenditure for the 2026/27 year is presented within discontinued operations.

	Annual Plan 2026/27	
Revenue from discontinued operations	(\$000)	
Rates	23,449	Council has set water and wastewater rates for the full 2026/27 financial year. From 1 July 2027, it is anticipated that WWL will set and collect their own water charges.
Fees and charges	641	
Development and financial contributions	727	
Other revenue	25,570	Cash received on WWL settlement in respect of internally borrowed funds will be recognised as a gain on transfer in 2026/27
Total revenue from discontinued operations	50,387	
Expenses from discontinued operations		
Personnel costs	783	
Depreciation and amortisation	1,982	
Finance costs	903	
Payment of rates to WWL	16,836	From 1 October 2026, Council will collect and pay water and wastewater rates to WWL until they have necessary structures in place to set and collect their own charges.
Other expenses	2,575	
Total expenses from discontinued operations	23,078	
Surplus/(deficit) from discontinued operations	27,309	

FORECAST STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2027

Annual Plan 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
982,765	Balance at 1 July	1,010,031	1,230,464	
22,415	Total comprehensive revenue and expense for the year	22,929	31,798	The transfer of Water and Wastewater activities to WWL has a significant impact on the total revenue and expenses recognised in this transitional year.
1,005,180	Balance at 30 June	1,032,960	1,262,262	

FORECAST STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2027

Annual Plan 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Assets			
	Current Assets			
570	Cash and cash equivalents	341	20,166	Council expects to receive additional cash in the WWL settlement in respect of internally borrowed funds. This will be held in reserves and Council will determine the future purpose of the reserve.
7,144	Receivables	7,413	8,451	
700	Prepayments	700	1,373	
919	Inventory	941	358	Spare plant related to Wastewater treatment activities will be transferred on transition to WWL.
-	Non-current assets held for sale	-	270	
-	Derivative financial instruments	-	-	
	Other financial assets:		-	
14,079	- Term deposits	12,808	13,500	
273	- Investments in CCO's and other similar entities	265	311	
-	- Investments in other entities	-	-	
23,685	Total current assets	22,469	44,430	
	Non-current assets			
-	Derivative financial instruments	-	-	
	Other financial assets:			
37,029	- Investments in CCO's and other similar entities	37,389	44,335	The value of Council's investment in Waikato Regional Airport Limited has increased significantly since the LTP was adopted
111	- Investments in other entities	111	111	
1,066,462	Property, plant and equipment	1,139,139	1,026,230	The value of infrastructural assets has increased significantly since the LTP was adopted. Water and Wastewater assets are transferred to Waikato Waters Limited from 1 October 2026
609	Intangible assets	556	221,895	Represented here is Council's expected interest in the Waikato Waters Limited entity.
1,104,211	Total non-current assets	1,177,195	1,292,571	
1,127,897	Total assets	1,199,664	1,337,002	
	Liabilities			
	Current liabilities			
10,297	Payables and deferred revenue	12,501	14,790	

Annual Plan 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
-	Derivative financial instruments	-	12	
13,500	Borrowings	13,500	25,000	\$25m reflects current debt maturities, however this will depend on what tranches of debt are novated in the settlement with WWL during the year.
2,669	Employee entitlements	2,733	2,786	The liability for employee entitlements has increased compared to the LTP due to higher staff numbers and market movements. Offsetting this, entitlements due to staff transferring to WWL will also transfer on settlement.
80	Provisions	38	42	
26,546	Total current liabilities	28,772	42,630	
	Non-current liabilities			
-	Derivative financial instruments	-	599	
95,584	Borrowings	137,347	30,823	Debt in respect of Water and Wastewater assets will be transferred to WWL on 1 October 2026
370	Employee entitlements	379	411	
216	Provisions	205	277	
96,170	Total non-current liabilities	137,931	32,110	
122,716	Total liabilities	166,703	74,740	
1,005,180	Net assets	1,032,961	1,262,262	
	Equity			
474,635	Accumulated funds	463,303	595,309	
530,545	Other reserves	569,657	666,953	Revaluation reserves from water and wastewater assets transferred to WWL will be shifted to accumulated funds upon transition.
1,005,180	Total equity	1,032,960	1,262,262	

FORECAST STATEMENT OF CASHFLOWS FOR THE YEAR ENDING 30 JUNE 2027

Annual Plan 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Cashflow from operating activities – continuing operations			
61,919	Receipts from rates revenue	64,937	42,538	From 1 October 2026, Council will collect and pay water and wastewater rates to WWL until they have necessary structures in place to set and collect their own charges.
8,053	Subsidies and grants received	8,884	7,937	
12,180	Fees and charges received	12,386	11,324	Council will act as an agent in collecting fees and charges on behalf of WWL from 1 October 2026. These fees are not represented in Council's cashflow.
2,066	Development and financial contributions received	2,248	299	Council will act as an agent in collecting development contributions on behalf of WWL from 1 October 2026. These fees are not represented in Council's cashflow.
531	Interest received	544	1,259	Council expects to earn additional interest on funds received in the WWL settlement from 1 October.
463	Receipts from other revenue	479	573	Council will continue to provide some services related to the new entity, including billing and customer services. WWL will reimburse Council for these services. Other receipts related to the settlement transaction are expected to be received.
(30,629)	Payments to suppliers	(31,623)	(31,853)	Forecast operating costs in some activities have increased compared to the LTP. Payments to suppliers for Water and Wastewater activities are only recognised up until these activities are transferred.
(30,951)	Payments to employees	(29,405)	(30,240)	An organisational restructure finalised after the LTP resulted in some additional positions to manage increasing compliance requirements and to ensure service and project delivery. Personnel costs for Water and Wastewater activities are only recognised up until these activities are transferred to Waikato Waters Limited
(3,500)	Interest paid	(6,482)	(1,697)	Finance costs for Water and Wastewater activities are only recognised up until these activities are transferred.
-	GST (net)	-	-	
20,132	Net cashflow from operating activities – continuing operations	21,968	140	
-	Net cashflow from operating activities – discontinued operations	-	5,613	See Note B: Discontinued operations (Water and Wastewater)
	Cashflow from investing activities – continuing operations			
(58,493)	Purchase of property, plant and equipment	(45,082)	(18,708)	Capital spending on Water and Wastewater assets will become WWL's responsibility from 1 October 2026.
(280)	Purchase of intangible assets	(170)	-	

Annual Plan 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
(96)	Purchase of investments	(385)	-	
(58,869)	Net cashflows from investing activities - continuing operations	(45,637)	(18,708)	
-	Net cashflow from investing activities - discontinued operations	-	(13,191)	See Note B: Discontinued operations (Water and Wastewater)
	Cash flows from financing activities - continuing operations			
52,466	Proceeds from borrowings	43,669	41,887	
(13,500)	Repayment of borrowings	(20,000)	(27,000)	
38,966	Net cashflow from financing activities - continuing operations	23,669	14,887	
-	Net cashflow from financing activities - discontinued operations	-	22,516	See Note B: Discontinued operations (Water and Wastewater)
229	Net increase/(decrease) in cash and cash equivalents - continuing operations	-	(3,681)	
-	Net increase/(decrease) in cash and cash equivalents - discontinued operations	-	14,938	See Note B: Discontinued operations (Water and Wastewater)
229	Net increase/(decrease) in cash and cash equivalents	-	11,258	
341	Cash and cash equivalents at the beginning of the year	341	8,907	
570	Cash and cash equivalents at the end of the year	341	20,166	

Note B: Discontinued operations (Water and Wastewater)

Council's drinking water and wastewater services will be classified as a discontinued operation in the year ended 30 June 2027, and the transfer to Waikato Waters Limited will be completed on 1 October 2026. Because Council will no longer deliver water and wastewater services from that date, none of the water and wastewater revenue or expenditure will form part of Council's operations from the 2027/28 year onwards. Accordingly, all water and wastewater cashflows for the 2026/27 year are presented within discontinued operations.

	Annual Plan 2026/27	
Cashflow from operating activities – discontinued operations	(\$000)	
Receipts from rates revenue	23,448	Council has set water and wastewater rates for the full 2026/27 financial year. From 1 July 2027, it is anticipated that WWL will set and collect their own water charges.
Fees and charges received	641	
Development and financial contributions received	727	
Receipts from other revenue	1,894	
Payment of rates collected to Waikato Waters Limited	(16,836)	From 1 October 2026, Council will pay collected water and wastewater rates to WWL to fund their operation of the assets for the remainder of the 2026/27 year
Payments to suppliers	(2,575)	
Payments to employees	(783)	
Interest paid	(903)	
Net cashflow from operating activities – discontinued operations	5,613	
Cashflow from investing activities – discontinued operations		
Purchase of property, plant and equipment	(13,191)	The forecast capital spend for Water and Wastewater up to 1 October is significant compared to the timing in the LTP, particularly with the Matamata Wastewater treatment plant upgrade in full construction mode.
Net cashflow from investing activities – discontinued operations	(13,191)	
Cashflow from financing activities – discontinued operations		
Settlement of internal debt and reserves in transfer to WWL	22,516	Over many years, the Water and Wastewater activities have internally borrowed surplus funds from available reserves and accumulated funds to fund both capital expenditure and on occasion to fund annual operating deficits. On transfer of the Water and Wastewater activities to WWL, these internally borrowed funds will be repaid to Council to settle these debts. At the same time, cash reserves collected in respect of Water and Wastewater activities will be paid to WWL on settlement.
Net cashflow from financing activities – discontinued operations	22,516	
Net increase/(decrease) in cash and cash equivalents – discontinued operations	14,938	



STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Matamata-Piako District Council (the Council) is a local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Council provides local infrastructure, local public services, and performs regulatory functions for the community. Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial information contained within this document is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Statements (PBE). The purpose for which this has been prepared is to provide a broad accountability mechanism of the Council to the community. The financial information in the Annual Plan may not be appropriate for purposes other than those described.

The forecast financial statements of the Council are for the year ended 30 June 2027. The draft forecast financial statements were authorised for issue as part of the Annual Plan by Council on 24 June 2026. Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Basis of Preparation

The forecast financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently to all periods presented in these forecast financial statements.

Transfer of Water and Wastewater Services to Waikato Waters Limited

On 1 October 2026, Council will transfer its drinking water and wastewater services to Waikato Waters Limited (WWL), a council-controlled organisation jointly established by Matamata-Piako District Council and five other Waikato councils under the Local Government (Water Services) Act 2024. From that date, Council will no longer recognise the operating assets, liabilities, or expenditure relating to drinking water and wastewater service delivery. Council retains full responsibility for the management and delivery of stormwater services.

The transfer includes water and wastewater infrastructure, associated land and buildings, plant and equipment, capital work in progress, assumed contracts, resource consents, employees primarily engaged in water services, and Council Water Infrastructure Debt. In consideration, Council receives a Settlement Amount equal to its Water Infrastructure Debt (including internally funded water debt) and Stage 2 Shares in WWL.

Council has set water and wastewater rates (including targeted rates, metered water charges, penalties, and remissions) for the full 2026/27 financial year under section 23 of the Local Government (Rating) Act 2002. Council is the principal in respect of these rates – it sets them under its own statutory authority, collects them in its own name, and bears the collection risk. Accordingly, water and wastewater rates revenue is recognised as Council revenue for the full 12-month period. Any of these water and wastewater rates invoiced and collected from 1 October 2026 are remitted to WWL and recognised as an expense (water services funding remitted to WWL).

Council has also set water and wastewater fees and charges for the full 2026/27 year. However, as these fees relate to specific water services to be delivered by WWL from 1 October 2026, Council acts as agent for WWL in respect of any fees and charges invoiced from that date. Fees and charges revenue is therefore recognised as Council revenue for the period 1 July to 30 September 2026 only. Amounts invoiced and collected from 1 October 2026 are held and remitted to WWL and are not recognised as Council revenue.

The 2026/27 forecast financial statements therefore reflect: water and wastewater rates revenue for the full year (12 months, as principal); water and wastewater fees and charges revenue for 3 months only (1 July to 30 September 2026); and water and wastewater service delivery costs for 3 months only (1 July to 30 September 2026), with the remaining 9 months recognised as water services funding remitted to WWL. Where an accounting policy has been affected by the transfer, this is noted below.

Implementation of new and amended standards

All standards, interpretations and amendments approved but not yet effective in the current year are either not applicable to the Council or are not expected to have a material impact on the financial statements of the Council and, therefore, have not been disclosed.

Statement of compliance

The forecast financial statements have been prepared in accordance with the requirements of the LGA, and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These forecast financial statements have been prepared in accordance with and comply with PBE Standards.

Presentation currency and rounding

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

Opening balances

The actual results for the 2024/25 financial year and the Annual Plan financial performance and cash flows for the 2025/26 financial year, as modified by known changes, have been used to arrive at the forecast opening balances for the plan as at 1 July 2026.

A cautionary note

The information in the forecast financial statements is uncertain and the preparation requires the exercising of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or we may subsequently take actions that differ from the proposed courses of action on which the forecast financial statements are based. The information contained within these forecast financial statements may not be suitable for use in another capacity.

Revenue

Revenue is measured at fair value. The specific accounting policies for significant revenue items are explained below.

Rates revenue

The following policies for rates have been applied:

- General Rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised as it is invoiced. Council has set water-by-meter rates for the full 2026/27 year under section 23 of the Local Government (Rating) Act 2002. Council is the principal in this arrangement and accordingly water-by-meter revenue is recognised as Council revenue for the full year.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Water and wastewater targeted rates

Council has set targeted rates for water supply and wastewater services for the full 2026/27 financial year under section 23 of the Local Government (Rating) Act 2002. Council is the principal in this arrangement – it sets the rates under its own statutory authority, collects the rates in its own name, and bears the collection risk. Accordingly, water and wastewater targeted rates are recognised as Council revenue for the full 12-month period. Penalties on overdue water and wastewater rates are also recognised as Council revenue for the full year.

Fees and Charges

Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of license fees, upon renewal of the license.

Council has set fees and charges for water and wastewater services for the full 2026/27 financial year. Fees and charges relating to water and wastewater services are recognised as Council revenue for the period 1 July 2026 to 30 September 2026 only, being the period during which Council will be the water service provider. Amounts invoiced and collected from 1 October 2026 are collected by Council as agent for WWL – the fees relate to services delivered by WWL, and the amounts collected are held and remitted to WWL. They are not recognised as Council revenue. This

treatment differs from water and wastewater rates, where Council is the principal for the full year (refer to the rates revenue policy above).

Transitional services revenue

Council provides post-completion transition services to WWL (which may include billing services, call centre operations, IT, and other back-office support) under agreed service arrangements. Revenue from these services is recognised when the services are provided.

NZ Transport Agency roading subsidies

The Council receives funding assistance from the NZ Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Private works

The revenue from private works is recognised as revenue by reference to the stage of completion of the work at balance date.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised when received or invoiced.

Infringement fees and fines

Infringement fees and fines related to animal control are recognised when the payment of the fee or fine is received.

Lease and rental revenue

Lease and rental revenue arising on property owned by us is accounted for on a straight line basis over the lease term.

Development and financial contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service. From 1 October 2026, development contributions relating to water supply and wastewater services are collected by Council as agent for WWL – the fees relate to services delivered by WWL, and the amounts collected are held and remitted to WWL.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer. An exception to this is land under roads which is valued using the average land values for the urban and rural areas of the whole district as at 1 July 2001. For long-lived assets that must be used for a specific use (for example, land that must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

From 1 October 2026, water supply and wastewater assets vested through subdivision development are vested directly in WWL and are not recognised by Council.

Found assets

Found asset revenue recognises the value of assets that we own, or where we have full control and management of the asset (and that asset is not recorded as such by any other entity), and these assets have not been previously accounted for. These assets are recognised at their fair value from the time that they are identified.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (for example, as the funds are spent for the nominated purpose).

Interest and dividends

Interest revenue is recognised using the effective interest method. Dividends are recognised when the right to receive the payment has been established.

Personnel costs

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Defined contribution superannuation scheme

Employer contributions to KiwiSaver, the Government Superannuation Fund, are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Finance costs

Finance/borrowing costs are recognised as an expense in the financial year in which they are incurred.

Other expenses

Grant expenditure

The Council's grants awarded have no substantive conditions attached. Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council have no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

Operating leases

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

Water services funding remitted to Waikato Waters Limited

Any water and wastewater rates invoiced and collected from 1 October 2026 relate to water services delivered by WWL and are remitted to that entity. As Council is the principal in the rates collection arrangement (setting the rates under its own statutory authority and bearing the collection risk), the amounts remitted to WWL are recognised as an expense when payable. This expense is presented within continuing operations, as it relates to Council's ongoing role in setting and collecting water rates under section 23 of the Local Government (Rating) Act 2002.

Stormwater services

Council retains full responsibility for the management and delivery of stormwater services. Stormwater is not included in the transfer of water and wastewater services to WWL. Costs of managing and delivering stormwater services are recognised as expenditure when incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Short-term receivables are recorded at the amount due, less an allowance for Expected Credit Losses (ECL). The Council applies the simplified ECL model of recognising lifetime ECL for short-term receivables. In measuring ECLs, receivables have been grouped into rates and other general receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

As Council is the principal in the water rates collection arrangement for the full 2026/27 year, outstanding water and wastewater rates at 30 June 2027 remain Council receivables. A corresponding payable to Waikato Waters Limited is recognised for amounts invoiced and collected (or invoiced and due to be collected) from 1 October 2026 that are payable to WWL. Outstanding water and wastewater fees and charges at 30 June 2027 that relate to services provided by WWL from 1 October 2026 are not Council receivables – these amounts are collected as agent and any amounts outstanding are receivable on behalf of WWL.

Rates are 'written-off':

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

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

Inventory

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first. Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost. Costs directly attributable to the developed land are capitalised to inventory with the exception of infrastructural asset costs, which are capitalised to property, plant and equipment.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets are not depreciated or amortised while they are classified as held for sale (including those that are part of a disposal group).

A discontinued operation is a component of Council that either has been disposed of or is classified as held for sale, and represents a separate major activity or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major activity. The results of discontinued operations are presented as a single line in the statement of comprehensive revenue and expense, with prior period comparatives re-presented on the same basis. The net cash flows attributable to discontinued operations are disclosed separately.

Council's drinking water and wastewater services will be classified as a discontinued operation in the year ended 30 June 2027, and the transfer to Waikato Waters Limited will be completed on 1 October 2026. Because Council will no longer deliver water and wastewater services from that date, none of the water and wastewater revenue or expenditure will form part of Council's operations from the 2027/28 year onwards. Accordingly, all water and wastewater revenue and expenditure for the 2026/27 year is presented within discontinued operations. This includes water and wastewater rates revenue for the full year (recognised by Council as principal); water and wastewater fees and charges revenue for the period 1 July to 30 September 2026; water and wastewater service delivery costs for the period 1 July to 30 September 2026; water services funding remitted to WWL for the period 1 October 2026 to 30 June 2027; and any gain or loss on derecognition of the water and wastewater assets and liabilities transferred. No water and wastewater revenue or expenditure is presented within continuing operations.

Derivative financial instruments

Council uses derivative financial instruments to manage exposure to interest rate risk arising from financing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit. Council's derivative financial instruments are not designated as hedging instruments for accounting purposes. Accordingly, derivative financial instruments are reported as financial instruments at fair value through surplus or deficit. The fair value of the derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise derivatives are classified as non-current.

Other financial assets

PBE Standards classify financial assets into three categories: financial assets mandatorily measured at fair value through surplus or deficit, amortised cost and financial assets at fair value through other comprehensive revenue. The classification depends on the Council's management model for the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are measured at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Short term investments

Short term investments are initially measured at the amount invested. Interest is subsequently accrued and added to the investment and loan balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

Equity investments

Equity investments are irrevocably designated at fair value through other comprehensive revenue and expense at initial recognition. After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to general funds.

Interest in Waikato Waters Limited

From 1 October 2026, Council will hold Stage 2 Shares in WWL, a council-controlled organisation jointly owned by six Waikato councils. WWL was established for the purpose of providing drinking water and wastewater services.

The Stage 2 Shares issued by WWL do not meet the definition of an equity instrument, because the shares do not carry any right to a dividend or distribution (WWL Constitution clause 8), cannot be sold or transferred other than as expressly provided for in the Shareholders' Agreement, and do not evidence a residual interest in the net assets of WWL in the traditional sense. The shares are a governance mechanism that provides Council with voting rights proportional to its Total Water Connections, and the right to participate in the oversight and direction of WWL through the Shareholder Representative Forum.

Accordingly, Council's interest in WWL is not classified as a financial asset. Instead, Council's interest is recognised as an intangible asset, described as an "Interest in Waikato Waters Limited" (or "WWL participation right"). The interest is identifiable as it arises from binding arrangements – being the Shareholders' Agreement, the WWL Constitution, the Transfer Agreement, and the Local Government (Water Services) Act 2024.

Initial measurement

The intangible asset is initially measured at cost. The cost of the interest in WWL is the carrying amount of the net water operations (assets less directly associated liabilities) transferred to WWL on the Completion Date. This is on the basis that the transfer of water operations to WWL is an exchange transaction – Council exchanges its water operations for an interest in WWL that delivers equivalent service potential (being the ongoing provision of water services to the Matamata-Piako District by WWL).

Subsequent measurement

After initial recognition, the intangible asset is carried at cost less any accumulated impairment losses. It is not revalued, as there is no active market for this type of intangible asset.

Useful life

The interest in WWL has an indefinite useful life. There is no foreseeable limit to the period over which WWL is expected to provide water services (and hence generate service potential) to Council's communities. The Shareholders' Agreement and Constitution do not specify an exit date, and the arrangement is intended to be permanent. The indefinite life assessment is reviewed each reporting period. As the useful life is indefinite, the intangible asset is not amortised.

Impairment testing

The intangible asset is tested for impairment annually by comparing its carrying amount with its recoverable service amount, irrespective of whether there is any indication of impairment. The asset is a non-cash-generating asset, as Council does not receive dividends, distributions, or other direct financial returns from WWL. The recoverable service amount is determined based on the asset's value in use (service potential), being the value of ongoing access to the provision of water services for the Matamata-Piako District and the right to receive or direct the use of water assets and operations in the event of liquidation of WWL or other agreed exit from the arrangement.

Financial guarantee contracts

Council has entered into a deed of guarantee with the New Zealand Local Government Funding Agency (LGFA) in respect of Waikato Waters Limited's debt liabilities to LGFA, limited to Council's Agreed Proportionate Amount in the guarantee documentation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value. The guarantee is subsequently measured at the higher of: (a) the amount of the loss allowance for expected credit losses; and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised as revenue. Where the guarantee is provided at no or nominal consideration (a non-exchange transaction), and no reliable measure of fair value can be determined, the financial guarantee contract is measured at the amount of the loss allowance for expected credit losses.

Where the likelihood of any payment under the guarantee is considered remote, the guarantee is disclosed as a contingent liability in the notes to the financial statements rather than recognised as a liability.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets

These include land, buildings, plant and machinery, furniture and equipment, computer equipment, and library collections.

Restricted assets

Restricted assets are mainly parks, reserves and cycleways owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets

Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, the stormwater system includes the stormwater mains, manholes, pumps, service lines, and swale drains. Following the transfer of water and wastewater services to WWL on 1 October 2026, Council's infrastructure assets comprise roading and stormwater networks, and the associated land and buildings, only.

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

Revaluations

Infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. Following the transfer of water and wastewater infrastructure to WWL on 1 October 2026, Council's revaluation programme for infrastructure assets relates to roading and stormwater networks, (and associated buildings), only.

Land and Buildings (operational and restricted) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every five years.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Derecognition of water and wastewater assets

On 1 October 2026, all property, plant and equipment relating to water supply and wastewater services (including infrastructure, land, buildings, plant, vehicles, equipment, and capital work in progress) will be derecognised from Council's statement of financial position on transfer to WWL. On derecognition, Council will recognise an intangible asset (Interest in WWL) at cost, being the carrying amount of the net water operations transferred (refer to the accounting policy for "Interest in Waikato Waters Limited" above). The Settlement Amount from WWL will extinguish Council's corresponding external borrowings. To the extent that the Settlement Amount includes repayment of internally funded water debt not recorded as a liability in Council's financial statements, the cash received is recognised as a gain within discontinued operations.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment (other than land and the library collection), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The library collection is depreciated on a diminishing value basis.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Asset class	Useful Life	Depreciation rate
Operational assets		
Buildings	2 to 100 years	1% - 50%
Restricted assets (buildings)	2 to 100 years	1% - 50%
Restricted assets (cycleways)	2 to 50 years	2% - 50%
Restricted assets (walkways)	2 to 50 years	2% - 50%
Plant and machinery	2 to 15 years	6% - 50%
Furniture and equipment	2 to 20 years	5% - 50%
Computer equipment	3 to 10 years	10% - 33%
Server hard drives	1 year	100%
Library collection	2 to 9 years	11% - 50%
Infrastructural assets		
Roading network		
Street lighting	10 to 25 years	4% - 10%
Formation carriageway	100 years	1%
Pavement surfacing	5 to 50 years	2% - 20%
Pavement structure	60 to 90 years	1% - 2%
Footpaths	5 to 50 years	2% - 20%
Drainage	60 to 80 years	1% - 2%
Bridges	60 to 90 years	1% - 2%
All other	1 to 70 years	1% - 100%
Utility assets		
Buildings	2 to 100 years	1% - 50%
Wastewater mains	50 to 100 years	1% - 2%
Wastewater other	80 to 100 years	1% - 2%
Wastewater pump station equipment	1 to 120 years	1% - 100%
Wastewater service lines	50 to 100 years	1% - 2%
Water mains	40 to 88 years	1% - 3%
Water valves	35 to 80 years	1% - 3%
Water hydrants	80 years	1%
Water nodes	80 years	1%
Water pump station equipment	3 to 100 years	1% - 33%
Water service lines	40 to 88 years	1% - 3%
Stormwater mains	51 to 100 years	1% - 2%
Stormwater manholes	100 years	1%
Stormwater pumps	15 years	7%
Stormwater service lines	60 to 100 years	1% - 2%
Swale drains	Indefinite	0%

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

Impairment of non-financial assets

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount.

For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

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

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash generating assets is the present value of expected future cash flows.

Intangible assets

Also refer to the "Interest in Waikato Waters Limited" policy above.

Intangible assets are defined as identifiable non-monetary assets without physical form. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. Computer software is estimated to have a useful life of 1 to 15 years and is amortised at a rate of 6.67% to 100%.

Impairment

Refer to the policy for impairment of property, plant and equipment. The same approach applies to the impairment of intangible assets.

Payables and deferred revenue

Short-term creditors and other payables are recorded at their face value.

From 1 October 2026, Council recognises a payable to WWL for water and wastewater rates collected by Council that are due to be remitted to WWL. This payable is measured at the amount invoiced and collected (or invoiced and due to be collected) in respect of the period from 1 October 2026. Water and wastewater fees and charges collected as agent for WWL from 1 October 2026 are not recognised as a payable – they are held and passed through to WWL as agent collections.

Borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and recognised in accrued expenses. Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

On 1 October 2026, Council Water Infrastructure Debt will be transferred to WWL as part of the water services transfer. From that date, Council's total borrowings exclude water-related external debt. The Settlement Amount from WWL will extinguish Council's corresponding external borrowings.

Employee entitlements

Short term employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

Long term employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and the present value of the estimated future cash flows.

Transfer of employee entitlements to Waikato Waters Limited

On 1 October 2026, employees primarily engaged in water and wastewater services will transfer to WWL, with continuity of service recognised. All accrued employee benefit liabilities relating to transferring employees (including annual leave, sick leave, long service leave, and retirement gratuities) will be assumed by WWL on the transfer date and derecognised from Council's statement of financial position. From that date, Council's employee benefit liabilities relate only to employees engaged in Council's continuing operations.

Presentation of employee entitlements

Sick leave, annual leave, long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as current liabilities. All other employee entitlements are classified as non-current liabilities.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

- There is a present obligation (either legal or constructive) as a result of a past event
- It is probable that an outflow of future economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Accumulated funds

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

Other reserves include:

Council created reserves - reserves established by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at Council's discretion.

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

Asset revaluation reserves - represent unrealised gains on assets owned by Council. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

Fair value through other comprehensive revenue and expense reserve – this reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

Goods and service tax (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZ\$ (the functional currency) using the spot exchange rate at the dates of the transactions.

Foreign exchange gains and losses resulting for the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Cost allocation

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area. The allocation of indirect costs to the activities of Council has also been benchmarked against neighbouring local authorities for moderation.

Critical accounting estimates and assumptions

In preparing these forecast financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the period of the forecast financial statements are as follows.

Infrastructural and building assets

Roading, stormwater assets and buildings are valued using the depreciated replacement cost method.

Following the transfer of water and wastewater services to WWL on 1 October 2026, Council's infrastructure asset valuations relate to roading and stormwater networks, and the associated land and buildings, only. There are a number of estimates and assumptions exercised when valuing assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location. If recent contract cost information is considered out of date for infrastructural assets, it is indexed using Statistics New Zealand's capital Goods Price Index (based on a forecasted June quarter index) for civil constructions or the Waka Kotahi Index for road and bridge construction to convert them to current dollar value at the valuation date.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To

minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over the useful life estimates.

Provisions for landfill aftercare and Tui Mine site monitoring

The cash outflows for landfill post closure costs and Mine site monitoring costs are expected to occur over the next 12 to 30 years. The long-term nature of these liabilities means that there are inherent uncertainties in estimating costs that will be incurred. The provisions have been estimated taking into account existing technology and known changes to legal requirements.

The following significant assumptions have been made in calculating the provision:

- Obligations for the post closure work are for 30 years after landfill closure
- Costs have been estimated based on best information and technology known at this point.
- Discount rates have been used to discount the estimated future cash overflows determined using New Zealand Government bond yield information and extrapolated beyond the available market data.

Water reform

Under the Local Government (Water Services) Act 2024, councils are required to develop a financially sustainable and regulatory-compliant model for delivering water services. Council, together with five other Waikato councils, jointly established Waikato Waters Limited (WWL) as a council-controlled organisation for the delivery of drinking water and wastewater services. Council's water and wastewater services will transfer to WWL on 1 October 2026. Council retains full responsibility for the management and delivery of stormwater services.

Key estimates and assumptions relating to the transfer include:

- The carrying amount of water and wastewater assets and directly associated liabilities transferred to WWL, which determines the cost of the intangible asset (Interest in WWL) recognised by Council;
- The amount of Council Water Infrastructure Debt (including any internally funded water debt), determined through historical two-water activity ringfencing in accordance with the Shareholders' Agreement;
- The allocation of shared costs and overheads between water/wastewater (discontinued) and continuing operations for the purpose of presenting discontinued operations in the income statement;
- Any gain on transfer arising from the Settlement Amount received in respect of internally funded water debt that is not recorded as a liability in Council's financial statements;
- The apportionment of water and wastewater fees and charges revenue between the period 1 July to 30 September 2026 (Council revenue) and 1 October 2026 to 30 June 2027 (agency collections – not Council revenue); and

Interest in Waikato Waters Limited – impairment assessment

Council's intangible asset (Interest in WWL) is a non-cash-generating asset with an indefinite useful life and is tested for impairment annually. The recoverable service amount is based on the asset's value in use (service potential), being the value to Council of ongoing access to the provision of water services for its citizens. Assessing the recoverable service amount of this asset involves significant judgment, as there is no active market for such interests and the benefits are primarily non-financial in nature. Council may need to engage a professional valuer with public sector infrastructure experience to support the annual impairment assessment.

LGFA guarantee exposure

Council has provided a guarantee to the NZ Local Government Funding Agency (LGFA) in respect of WWL's borrowings, limited to Council's Agreed Proportionate Amount. The estimated exposure under this guarantee is subject to change as WWL's borrowing levels change over time. Management has assessed the likelihood of any payment under the guarantee as remote, and accordingly the guarantee is disclosed as a contingent liability rather than recognised as a provision. This assessment is based on the expectation that WWL will meet its debt obligations from its own revenue streams.

Critical judgments in applying accounting policies

Management has exercised the following critical judgments in applying accounting policies:

Classification of property

We own a number of properties held to provide housing to elderly persons. The receipt of rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of our social housing policy. The properties are therefore accounted for as property, plant and equipment.

Classification of water and wastewater services as a discontinued operation

Council will classify its water supply and wastewater services as a discontinued operation. This classification reflects management's judgment that: (a) water and wastewater services constitute a separate major activity of Council, with distinct operations, revenue streams, infrastructure assets, and dedicated staff that can be clearly distinguished from the rest of Council's activities; and (b) the transfer to WWL forms part of a single co-ordinated plan to dispose of this major activity.

Nature of Council's interest in Waikato Waters Limited

Council has assessed the nature of its interest in WWL and concluded that the Stage 2 Shares issued by WWL do not meet the definition of an equity instrument. This is because:

- The WWL Constitution (clause 8) prohibits the payment of any dividend or distribution of surplus to shareholders;
- Stage 2 Shares cannot be sold or transferred other than as expressly provided for in the Shareholders' Agreement and the Local Government (Water Services) Act 2024;
- The shares do not evidence a residual interest in the net assets of WWL in the traditional sense – on any exit from the arrangement, a Council would receive back its water operations (per the LG(WS) Act), not a proportionate share of any accumulated surplus; and
- The shares function as a governance mechanism (providing voting rights proportional to Total Water Connections) rather than as a financial instrument providing economic returns.

As the shares are not equity instruments, Council's interest is not classified as a financial asset, and questions of significant influence and equity accounting do not arise. Instead, Council's interest is recognised as an intangible asset, measured at cost (being the carrying amount of the net water operations transferred), with an indefinite useful life and annual impairment testing.

Water and wastewater rates – Council as principal

Council has set water and wastewater rates for the full 2026/27 financial year under section 23 of the Local Government (Rating) Act 2002. Management has assessed whether Council is acting as principal or agent in respect of water and wastewater rates. Management has concluded that Council is the principal for the full year, on the basis that: (a) Council sets the rates under its own statutory authority and rates resolution – this is not a delegated or outsourced function; (b) Council collects the rates in its own name, using its own billing and collection systems; (c) Council bears the credit risk on uncollected amounts; and (d) the rates are legally Council rates, set under Council's rating powers, not charges imposed by WWL. From 1 October 2026, the funds invoiced and collected are remitted to WWL and recognised as an expense. The net effect on Council's surplus or deficit from the post-1 October water rates revenue and corresponding expense is nil.

Water and wastewater fees and charges – Council as agent from 1 October 2026

Council has set water and wastewater fees and charges for the full 2026/27 year. However, management has assessed that Council acts as agent (not principal) in respect of water and wastewater fees and charges invoiced from 1 October 2026. This is because: (a) fees and charges are directly linked to specific water services, which are delivered by WWL from that date – Council does not provide the service the fee relates to; (b) the economic benefit of the fees flows to WWL, not to Council; and (c) Council has no discretion over the use of the fees collected – they are remitted to WWL. This treatment differs from water rates, where Council is the principal because rates are set under Council's own statutory rating authority and are not directly linked to specific service transactions.

Waikato Regional Airport Limited

The fair value for the investment in WRAL has been determined based on Council's proportion of ownership of the WRAL's net assets (15.625%). Net assets are considered to provide an appropriate estimate of the WRAL's fair value, this is because WRAL's fair value derives mainly from the underlying fair value of its assets net of liabilities.

FORECAST DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

Annual Plan 2025/26		LTP 2026/27	Annual Plan 2026/27
(\$000)		(\$000)	(\$000)
Directly attributable depreciation and amortisation expense by group of activity			
2,198	Community facilities	2,364	2,275
11,883	Roading	11,413	13,000
161	Rubbish and recycling	110	202
1,139	Stormwater	1,136	1,281
3,693	Wastewater	4,906	982
3,628	Water	3,777	999
1	Strategy and engagement	2	1
17	Consents and licensing	9	17
1,212	Depreciation and amortisation not directly related to groups of activities	1,289	979
23,932	Total depreciation and amortisation expense	25,006	19,737

FORECAST TARGETED RATES FROM METERED WATER SUPPLY

Council has set targeted rates for metered water supply for the full 2026/27 financial year under section 23 of the Local Government (Rating) Act 2002. Council will continue to invoice and collect metered water rates for the full 12-month period. From 1 October 2026, following the transition of water and wastewater services to Waikato Waters Limited (WWL), the rates collected from that date will be remitted to WWL.

Annual Plan 2025/26		LTP 2026/27	Annual Plan 2026/27
(\$000)		(\$000)	(\$000)
3,851	Targeted rates from metered water supply	4,034	3,998

Reserve funds

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by us. Restricted reserves are those reserves subject to conditions accepted as binding by us which may not be revised by us without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met.

Council created reserves are established by Council decision. We may alter them without reference to any third party or the Court. Transfers to and from these reserves are at our discretion. Asset revaluation reserves represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings. Details of specific reserve funds held by us are as follows:

	Purpose	Activities related to	Forecast balance 1 July 2026	Transfers in	Funds will come from	Transfers out	Funds will be applied to	Forecast balance 30 June 2027
			(\$000)	(\$000)		(\$000)		(\$000)
Council created reserves								
Community purposes reserve	Funds received and set aside for use on community	All Council activities	2,910	-	No additional funding anticipated for this year	(1,201)	Digital enablement projects and climate	1,709

	Purpose	Activities related to	Forecast balance 1 July 2026 (\$000)	Transfers in (\$000)	Funds will come from	Transfers out (\$000)	Funds will be applied to	Forecast balance 30 June 2027 (\$000)
	facilities or for community purposes eg grants.						change initiatives	
Power New Zealand reserve fund	Funds received and set aside on behalf of the community from the dissolution of the local power board co-operative for internal borrowing or external investment, with returns used to subsidise rates.	All Council activities	23,562	831	Internal interest and external interest from the invested portion of the fund	(651)	Returns are offset against rates requirements	23,742
Wastewater capital contribution reserve	Capital contribution funds received from industry and set aside to offset future depreciation.	Wastewater	2,437	-	Annual targeted rates charged to Fonterra and Greenleas Morrinsville (ended 2025/26)	(2,437)	Funds transferred to Waikato Waters Limited on 1 October 2026.	-
Stormwater funding reserve	Surplus funds (mainly depreciation) set aside for application to future capital needs.	Stormwater	2,278	256	Depreciation funding	(2,072)	Replacement of assets	462
Stormwater improvement reserve	Funds set aside to fund stormwater projects.	Stormwater	109	-	No additional funding anticipated for this year	-	Stormwater projects	109
Te Aroha wastewater desludging	Funds set aside for the desludging of wastewater ponds.	Wastewater	1,379	1,000	Targeted wastewater rates collected for future desludging projects	(2,379)	Funds transferred to Waikato Waters Limited on 1 October 2026.	-
Te Aroha Spa development reserve	Funds set aside for the investigative stages of the Te Aroha Spa development project	Strategy & Engagement	320	-	No additional funding anticipated for this year	-	Spa development investigations	320

	Purpose	Activities related to	Forecast balance 1 July 2026 (\$000)	Transfers in (\$000)	Funds will come from	Transfers out (\$000)	Funds will be applied to	Forecast balance 30 June 2027 (\$000)
Town Centre revitalisation reserve	Funds set aside for the district Town Centre revitalisation (POP) project	Community facilities	630	-	No additional funding anticipated for this year.	-	Funding resources to deliver the POP project outcomes	630
Waters settlement funds	Funds set aside from the 1 October 2026 Waikato Waters Ltd (WWL) settlement	Strategy & Engagement	-	25,435	WWL settlement (effectively the value of waters internal borrowing on settlement)	(1,321)	Fund anticipated stranded overheads in the first year of transition of water and wastewater activities to WWL	24,114
Total Council created reserves			33,625	27,522		10,061		51,086
Restricted reserves								
Endowment land sales reserve	Funds set aside in respect of the sale of endowment land in Te Aroha. The proceeds must be used for the improvement of services and public amenities for the benefit of the inhabitants of Te Aroha.	Community facilities	313	-	No additional funding anticipated for this year.	-		313
Reserves development	Funds set aside from reserves contributions to be used for parks and reserves.	Development of parks and reserves	1,576	58	Financial contributions	-		1,634
Bequests and trust funds	Funds set aside to be used for the nominated purpose of the bequest or trust fund.	Nominated purposes	184	-	No additional funding anticipated for this year	-		184
Waste minimisation	Funds set aside for the purpose of initiatives encouraging the minimisation of waste	Nominated purposes	1,811	260	Government funding of waste minimisation	(262)	Apply to waste minimisation programme	1,809

	Purpose	Activities related to	Forecast balance 1 July 2026 (\$000)	Transfers in (\$000)	Funds will come from	Transfers out (\$000)	Funds will be applied to	Forecast balance 30 June 2027 (\$000)
Youth Ambassadors	Funds set aside for initiatives that empower the youth of our district	Nominated purposes	29	10	General rates	(10)	Youth initiatives	29
Civil Defence fund	Funds set aside for the purpose of Civil Defence activities	Nominated purposes	65	-	No additional funding anticipated for this year.	-		65
Total restricted reserves			3,978	328		(272)		4,034
Asset revaluation reserves	Surpluses from the revaluation of property plant and equipment	All Council activities	671,594	13,046	Asset revaluations	(111,954)	Reserve is transferred to accumulated funds upon transfer of assets to WWL	572,686
Fair value through other comprehensive revenue and expense reserve	Net change in fair value of financial assets	All Council activities	39,147	-	Financial asset revaluations	-		39,147
Total reserve funds			748,344	40,896		(122,287)		666,953

RECONCILIATION BETWEEN THE FUNDING IMPACT STATEMENT AND STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

The funding impact statement is prepared in compliance with the requirements of clause 15, part 1, schedule 10 of the Local Government Act 2002. Unlike the statement of comprehensive revenue and expense, the funding impact statement is not compliant with generally accepted accounting standards (GAAP). The funding impact statement is intended to show in a transparent manner, how all sources of funding received by us are applied. It does not include "non-cash" that is classified as income on the statement of comprehensive revenue and expense (as required by GAAP) such as assets that are vested to us through the subdivision process, or unrealised gains on assets. The statement of comprehensive revenue and expense also requires "non-cash" expenses such as depreciation, amortisation, and unrealised losses of assets to be reflected, whereas these are excluded from the funding impact statement. The reconciliation below identifies the differences between these two statements.

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)
	Funding sources as shown in the overall Council funding impact statement		
79,652	Total operating funding		83,257
36,140	Total capital funding		17,204
	Less capital movements		
(30,116)	(Increase)/decrease in debt		(22,996)
-	Gross proceeds from sale of assets		-
	Add non-funded income		
204	Vested assets		209
-	Other gains		25,373

LTP 2025/26		LTP 2026/27	Annual Plan 2026/27
(\$000)		(\$000)	(\$000)
150	Income from support activities	154	633
86,030	Total funding sources	89,957	114,205
86,030	Total income as shown in the statement of comprehensive revenue and expense	89,957	114,207
	Application of funding as shown in the overall Council funding impact statement		
66,038	Total applications of operating funding	68,220	74,535
49,754	Total applications of capital funding	44,370	25,561
	Less capital movements		
(51,035)	Capital expenditure	(45,253)	(31,898)
1,281	(Increase)/decrease in reserves	883	6,338
-	(Increase)/decrease in investments	-	-
	Add non-funded expenditure		
22,764	Depreciation and amortisation	25,006	19,737
-	Other losses	-	550
150	Expenses from support activities	154	633
88,952	Total funding application	93,380	95,455
88,952	Total expenditure as shown in the statement of comprehensive revenue and expense	93,380	95,455

FORECAST FUNDING IMPACT STATEMENT FOR 1 JULY 2026 TO 30 JUNE 2027 FOR WHOLE OF COUNCIL

LTP 2025/26		LTP 2026/27	Annual Plan 2026/27	Explanation of significant variances to LTP budget
(\$000)		(\$000)	(\$000)	
	Sources of operating funding			
37,297	General rates, uniform annual general charges, rates penalties	38,076	38,654	
24,944	Targeted rates	27,340	27,334	
4,660	Subsidies and grants for operating purposes	4,795	3,858	NZTA subsidy income is aligned with approved budgets which have been updated since the LTP was adopted.
11,890	Fees and charges	12,146	12,337	Fees and charges for Water and Wastewater activities are recognised up until these activities are transferred to Waikato Waters Limited (WWL) on 1 October 2026.
597	Interest and dividends from investments	630	449	
264	Local authorities fuel tax, fines, infringement fees, and other receipts	270	259	
79,652	Total operating funding (A)	83,257	82,891	

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
	Applications of operating funding			
60,899	Payments to staff and suppliers	61,945	55,278	An organisational restructure finalised after the LTP resulted in some additional positions to manage increasing compliance requirements and to ensure service and project delivery. Personnel costs for Water and Wastewater activities are only recognised up until these activities are transferred to WWL
5,139	Finance costs	6,275	2,421	Finance costs for Water and Wastewater activities are only recognised up until these activities are transferred to WWL
-	Internal charges and overheads applied	-	-	
-	Other operating funding applications	-	16,836	From 1 October 2026, Council will pay collected water and wastewater rates to WWL to fund their operation of the assets for the remainder of the 2026/27 year
66,038	Total applications of operating funding (B)	68,220	74,535	
13,614	Surplus (deficit) of operating funding (A – B)	15,037	8,356	
	Sources of capital funding			
3,821	Subsidies and grants for capital expenditure	4,089	4,080	
2,203	Development and financial contributions	2,248	1,026	
30,116	Increase (decrease) in debt	22,996	12,099	
-	Gross proceeds from sale of assets	-	-	
-	Lump sum contributions	-	-	
-	Other dedicated capital funding	-	-	
36,140	Total sources of capital funding (C)	29,333	17,205	
	Applications of capital funding			
	Capital expenditure			
8,306	–to meet additional demand	8,304	-	
20,957	–to improve the level of service	15,043	-	
21,772	–to replace existing assets	21,906	31,898	
(1,281)	Increase (decrease) in reserves	(883)	(6,338)	Wastewater reserves were paid over to WWL on settlement date. Reserves have been earmarked to fund any shortfall in funding of stranded overheads that may

LTP 2025/26 (\$000)		LTP 2026/27 (\$000)	Annual Plan 2026/27 (\$000)	Explanation of significant variances to LTP budget
				result from the shift of the waters activities to WWL in this transitional year.
-	Increase (decrease) of investments	-	-	
49,754	Total applications of capital funding (D)	44,370	25,561	
(13,614)	Surplus (deficit) of capital funding (C – D)	(15,037)	(8,356)	
-	Funding balance ((A – B) + (C – D))	-	-	

CALCULATION OF RATES

For 1 July 2026 to 30 June 2027. These rates shown are inclusive of GST unless otherwise stated.

Council has set targeted rates for water and wastewater (including metered water charges) for the full 2026/27 financial year under section 23 of the Local Government (Rating) Act 2002. Council will continue to invoice and collect water and wastewater rates for the full 12-month period. From 1 October 2026, following the transition of water and wastewater services to Waikato Waters Limited (WWL), the rates collected from that date will be remitted to WWL.

Source	General rates		Targeted rates	
	General Rate	Uniform Annual General Charge	Stormwater	Rubbish and Recycling - Kerbside collection
Funded activity			Stormwater disposal activities	Kerbside collection services
Category	All rateable land in the Matamata-Piako District	All rateable land in the Matamata-Piako District	Rating units within serviced areas	Rating units within serviced areas
Forecast revenue 2026/27 (excluding GST) (\$000)	24,557	14,229	1,020	2,809
How the rate will be calculated	Per dollar of capital value	Uniform charge per rating unit	Uniform charge per rating unit within the townships of Matamata, Morrinsville, Te Aroha and Waharoa	Uniform charge per separately used or inhabited part of a rating unit to which the service is available
Annual Plan 2025/26 (\$)	0.00138321	958.99	110.25	307.68
Annual Plan 2026/27 (\$)	0.00138560	1032.43	110.44	311.27

Source	Targeted rates		
Source	Wastewater (sewage disposal)		
Funded activity	Wastewater disposal activities		
Category	Connected single residential house	Connected non-single residential and non-residential properties	Serviceable properties within 30 metres of Council's wastewater reticulation network

	Targeted rates							
Source	Wastewater (sewage disposal)							
Funded activity	Wastewater disposal activities							
Forecast revenue 2026/27 (excluding GST) (\$000)	9,371				1,326			283
How the rate will be calculated	Uniform charge per connected rating unit	Uniform charge per rating unit for the first pan on all connected properties and:	Additional uniform charge per pan (excluding the first pan) for properties with up to 4 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 10 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 15 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 20 pans	Or additional uniform charge per pan (excluding the first pan) for properties with more than 20 pans	Uniform charge per rating unit to which the service is available (but not connected)
Annual Plan 2025/26 (\$)	813.21	813.21	813.21	691.23	650.57	609.91	569.25	406.61
Annual Plan 2026/27 (\$)	1049.12	1049.12	1049.12	891.75	839.30	786.84	734.39	524.56

	Targeted rates							
Source	Industry contributions to the Morrinsville wastewater treatment plant upgrade		Water supply		Water supply (metered)*			
Funded activity	Wastewater disposal activities		Water activities		Water activities			
Category	18 Allen Street, Morrinsville	38 Pickett Place Morrinsville	Connected properties	Serviceable properties within 100 metres of Council's water reticulation network	Metered supply (general)**	Metered supply raw water Pohomihi (Te Aroha West) water Line	Metered supply Braeside Aquaria	Matamata farm properties***
Forecast revenue 2026/27 (excluding GST) (\$000)	-	-	8,057	208	3,883	48	17	51
How the rate will be calculated	Uniform charge per specified rating unit		Uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided	Uniform charge per separately used or inhabited part of a rating unit to which the service is available (but not connected)	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21 cubic metres consumed

Targeted rates								
Source	Industry contributions to the Morrinsville wastewater treatment plant upgrade		Water supply		Water supply (metered)*			
Funded activity	Wastewater disposal activities		Water activities		Water activities			
					cubic metres consumed per month	cubic metres consumed per month in the Pohomihi (Te Aroha West) supply area	cubic metres consumed per month for Braeside Aquaria	per month for Matamata farm properties that contain the Matamata trunk main from Tills Road
Annual Plan 2025/26 (\$)	591,499.54	187,712.08	769.28	384.64	3.01	2.20	1.60	3.01
Annual Plan 2026/27 (\$)	-	-	784.14	392.07	3.12	2.28	1.65	3.12

Footnotes

* Targeted Rates for a metered water supply are charged in addition to a uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided.

**Excluding the other categories of metered supplies listed (being Pohomihi, Braeside Aquaria and Matamata farm properties).

***A 50% discount will be applied to this rate if the invoice is paid by the due date.

Targeted rates							
Source	Community Facilities and Property Targeted rural hall rates will apply to all land within the hall rating area as listed.						
Funded activity	Expenditure on rural halls						
Category	Tauhei	Hoe-O-Tainui	Springdale	Kiwitahi	Patetonga	Wardville	
Forecast revenue 2026/27 (excluding GST) (\$000)	9.05	3.00	2.76	3.43	0.29	3.77	
How the rate will be calculated	Per dollar of land value						
Annual Plan 2025/26 (\$)	0.00013188	0.0000279	0.00001541	0.0000203	0.00003423	0.00003173	
Annual Plan 2026/27 (\$)	0.00013619	0.00002790	0.00001541	0.00002030	0.00003535	0.00003332	

Targeted rates							
Source	Community Facilities and Property Targeted rural hall rates will apply to all land within the hall rating area as listed.						
Funded activity	Expenditure on rural halls						
Category	Tahuna	Mangateparu	Kereone	Tatuanui	Walton	Okauia	Hinuera
Forecast revenue 2026/27	7.21	5.88	4.17	4.65	5.87	3.39	5.70

	Targeted rates						
Source	Community Facilities and Property Targeted rural hall rates will apply to all land within the hall rating area as listed.						
(excluding GST) (\$000)							
How the rate will be calculated	Uniform charge per rating unit					Per dollar of capital value	
Annual Plan 2025/26 (\$)	58.71	39.82	44.43	69.47	32.11	0.00001862	0.00001530
Annual Plan 2026/27 (\$)	68.71	39.82	44.43	71.74	32.11	0.00001922	0.00001580

	Targeted rates			
Source	Community Facilities and Property Targeted rural hall rates will apply to all land within the hall rating area as listed.			
Funded activity	Expenditure on rural halls			
Category	Mangaiti	Waihou	Elstow	Manawaru
Forecast revenue 2026/27 (excluding GST) (\$000)	0.81	5.48	2.98	4.93
How the rate will be calculated	Uniform charge per separately used or inhabited part of a rating unit			
Annual Plan 2025/26 (\$)	14.22	29.97	24.29	37.01
Annual Plan 2026/27 (\$)	14.68	29.97	25.08	38.22

GST

The calculation of rates is shown inclusive of GST at the current rate of 15%. Any future changes in the rate of GST would need to be applied to these rates as appropriate.

Revenue and Financing Policy

The rationale for the selection of various funding sources is set out in our Revenue and Financing Policy.

Separately used or inhabited part of rating unit

A separately used or inhabited part of a rating unit is any part of a rating unit that is or is able to be separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

Targeted rates - serviced areas

Detailed maps showing the serviced areas for our targeted rates can be found on our website. These include stormwater serviced areas, kerbside collection serviced areas, and Hall rating areas.

Lump sum contributions

The Council does not invite lump sum contributions for any targeted rates.

ANNUAL PLAN DISCLOSURE STATEMENT FOR YEAR ENDING 30 JUNE 2027

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 we are prudently managing our revenues, expenses, assets, liabilities, and general financial dealings.

We are required to include this statement in our LTP 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	Comments
Rates (income) affordability benchmark	Rates income for three water activities (including metered water) will not increase by more than 11%	\$24,447,000	Yes	The planned rates income for three water activities is \$395,000 less than the limit set in the LTP for 2026/27.
	Rates income for other rate funded activities will not increase by more than 5%	\$41,540,000	Yes	The planned rates income for other rate funded activities is \$314,000 less than the limit set in the LTP for 2026/27
Rates (increases) affordability benchmark	Rates income for three water activities (including metered water) will not increase by more than 11%	11.0%	Yes	The planned rates increase for three water activities is exactly in line with the limit set in the LTP for 2026/27 of 11.0%.
	Rates income for other rate funded activities will not increase by more than 5%	3.3%	Yes	The planned rates increase for other rates funded activities is 3.3% compared to the limit set in the LTP for 2026/27 of 5.0%.
Debt affordability benchmark	Net external debt* as a percentage of total revenue** will not exceed 175%	34%	Yes	In this transitional year, Council continues to recognise rates revenue for water and wastewater assets for the full year, despite having transferred the assets and debt to WWL after the first quarter. This skews the debt affordability benchmark, making it appear much more favourable. If it were calculated for 2026/27 excluding any revenue from the Water activities, then Council's net debt to revenue is forecast to sit around 56% which is still comfortably within the limit.
Balanced budget benchmark	>100%	91%	No	Council have resolved that it is prudent to not fully fund depreciation on some assets including Rooding, Stormwater, and some community buildings and assets that will not be replaced in the future. This is the main reason for the forecast unbalanced budget.
Essential services benchmark	>100%	152%	Yes	In the 2026/27 year Council expects to spend \$25m on capital work on essential infrastructure, compared to the depreciation expense for those networks of \$16m. WWL will take over the maintenance and renewal of water and wastewater assets from 1 October 2026.
Debt servicing benchmark	<10%	3.0%	Yes	Again this benchmark is skewed due to the transitional nature of this year. If it were calculated for 2026/27 excluding any revenue from the Water activities, then Council's debt servicing benchmark is forecast to sit at 4.1% which is still comfortably within the 10% limit.

Footnote

Net external debt is defined as external debt less liquid financial assets and investments. Liquid financial assets and investments are defined as cash, bank deposits and any fixed interest and equity investments that are held for other than strategic purposes.

1 Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes non-government developer contributions and vested assets (including found assets and the revaluation of derivatives and assets).¹ Net external debt is defined as external debt less liquid financial assets and investments. Liquid financial assets and investments are defined as cash, bank deposits and any fixed interest and equity investments that are held for other than strategic purposes.

2 Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes non-government developer contributions and vested assets (including found assets and the revaluation of derivatives and assets).

Notes

Rates affordability benchmark

- (1) For this benchmark
 - a) the Council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan; and
 - b) the Council's planned rate increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the Council's Long Term Plan.
- (2) The Council meets the rates affordability benchmark if
 - a) its planned rates income for the year equals or is less than the quantified limit on rates; and
 - b) its planned rate increases for the year equal or are less than the quantified limit on rates increases.

Debt affordability benchmark

- (1) For this benchmark, the Council's planned borrowing is compared with a quantified limit 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 the quantified limit on borrowing.

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.

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.

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 the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.

