



Carterton District Council

2016 Pre-election Report





The vision

Carterton

a welcoming and vibrant community

where people enjoy living

The community outcomes

- **strong and positive leadership**
- **a vibrant and prosperous economy**
- **a safe district**
- **a healthy district**
- **a district that encourages lifelong learning**
- **a district that enjoys creativity and recreation**
- **a district that values and protects its natural environment**
- **a district that promotes sustainable infrastructure and services.**

Introduction

The preparation of a Pre-election Report is required by section 99A of the Local Government Act 2002 for all councils in New Zealand.

Its purpose is to provide information to promote public discussion about the issues facing Carterton District Council leading up to the 2016 local authority elections.

What goes in the report is dictated by the legislation. It focuses on financial information and key financial targets for the last three years and for the coming three years.

As required by law, the report has been prepared by me as the Chief Executive, and not by the current elected mayor and council members.

I hope that you find the information in this report helpful.

Jane Davis
Chief Executive



Basis of preparation

Independence

The preparation, the timing, and the content of this report are prescribed by legislation. It has been prepared by the Chief Executive and not by the current elected Council. It has been released in the pre-election period.

The Pre-election Report brings together information from previously published documents, including the 2015–2025 Long Term Plan, annual reports, and the 2016/17 Annual Plan. As such the information reflects the policy and service delivery decisions of the Council at the time this report is published.

Special care has been taken to ensure that this report is politically neutral. It is an apolitical document and is not a manifesto for any person or group taking part in the election.

Last three years

The actual results for 2013/14 and 2014/15 have been taken from the respective annual reports. The results for 2015/16 are not actual. As provided by the legislation, we have used the financial information from the Annual Plan 2015/16 as an estimate for the year-end results. Actual results may differ.

Plans for 2016/17 to 2019/20

The forecast information for 2016/17 is not required by law. However, we have included information from the published 2016/17 Annual Plan, without amendment, to provide a complete time series. Financial information for 2017/18 to 2019/20 is extracted from the 2015–2025 Long Term Plan.

Audit of information

While this report has not been audited, much of the information contained in it has been sourced from audited reports. The annual reports for 2013/14 and 2014/15, and the 2015–2025 Long Term Plan were audited. The annual report for 2015/16 has not been audited as the specified timeframe for publishing the 2016 Pre-election Report did not provide sufficient time to do so.

Financial strategy

In preparing the Long Term and Annual Plans to meet the reasonable needs of our community, the Council applied the following principles:

- be fair to our ratepayers and customers
- maintain service delivery and if required meet increasing demand
- balance the budget
- be good stewards of our assets and infrastructure, and of our funds
- spread the cost of assets across their useful lives.

Being fair to our ratepayers and customers means that our activities are cost-effective and necessary for the community's social, cultural, economic, and environmental well-being. It means that we allocate rates and charges to those who benefit and to those who have a negative impact on our community. It means that we spread costs across today's and tomorrow's users (intergenerational equity) to match when benefits arise. And it means being aware of not excessively burdening today's users with the impact of yesterday's users not having contributed enough.

Every three years we prepare a ten-year plan. Every year we prepare a detailed annual plan. We consult the community on what is proposed. And at the end of every year we report back to the community on how well we have done against the plans.

Under Section 100 of the Local Government Act 2002, the Council is required to ensure that it raises sufficient revenue to cover its projected operating expenses unless it considers it prudent not to do so.

Rates are set at a level to produce a desired surplus. Generally that surplus would be zero. Sometimes a surplus is needed to cover the repayment of loan principal, or to build up reserves for future year expenses (such as the three-yearly elections). Sometime a deficit is planned because not all expenses, especially depreciation, needs to or should be funded.

Depreciation is calculated on an annual basis to fund the renewal of assets over time. It is a major expense. It is currently over a quarter of total operating expenditure.

Charging depreciation each year spreads the cost of an asset over its useful life. Generally, depreciation is funded by income (including rates) in the same year that the depreciation is incurred. Funding of depreciation results in an increase in the Council's cash balance over time, held in depreciation reserves. These cash funds will earn interest and will provide funding for the replacement of relevant infrastructure assets in the future.

In the Long Term Plan, the Council fully funded the depreciation expense, except for the following:

- roads and footpaths
- Events Centre building and fitout
- the accelerated programme of sewerage renewals and treatment capacity.

This recognises that either we do not need to build up the full amount of funds for future replacement, or it would not be fair on the current generation of ratepayers.

Some of the capital construction of roads and footpaths is funded from subsidies received from the New Zealand Transport Agency, and the capital construction of other assets was partly-funded from external funding. Therefore, we do not need to build up the full amount of replacement funds.

We need to borrow to fund other capital expenditure, including the planned accelerated programme of sewerage renewals and expansion of the sewage treatment capacity. This is because insufficient funds have built up in the past in depreciation reserves. Either it is a new asset, or rates have not previously covered the full cost of depreciation over the full life of the asset.

In these cases, the Council considers it would be unfair for the current generation of ratepayers to pay both the loan repayment (to fund the existing asset) and the depreciation (to fund its replacement). During the terms of the loans, rates will fund the principal repayment and interest expense, after which rates will fully fund the annual depreciation expense. At the end of the asset life, there will be some depreciation reserves built up to contribute to the replacement cost.

Compliance with the strategy

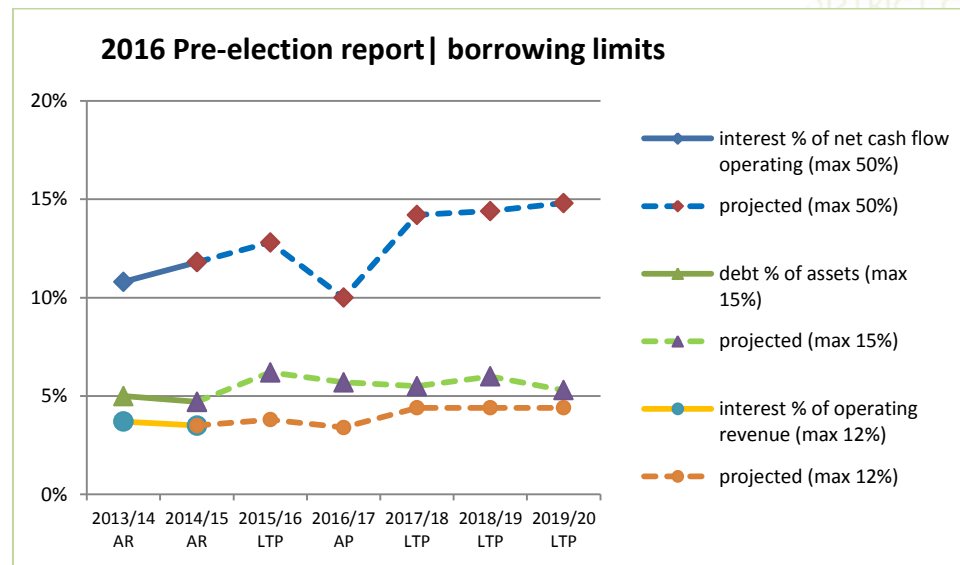
Borrowing limits

In 2015, the Council set limits on the level of borrowing. These are set out in its liability management policy. All three of the following conditions must be met:

- total debt as a percentage of total assets will not exceed 15 percent
- in any financial year, gross interest paid on term debt will not exceed 12 percent of gross operating revenue

- in any financial year, gross interest expense will not exceed 50 percent net cash inflow from operating activities.

The following graph illustrates actuals and projected results against the borrowing limits.



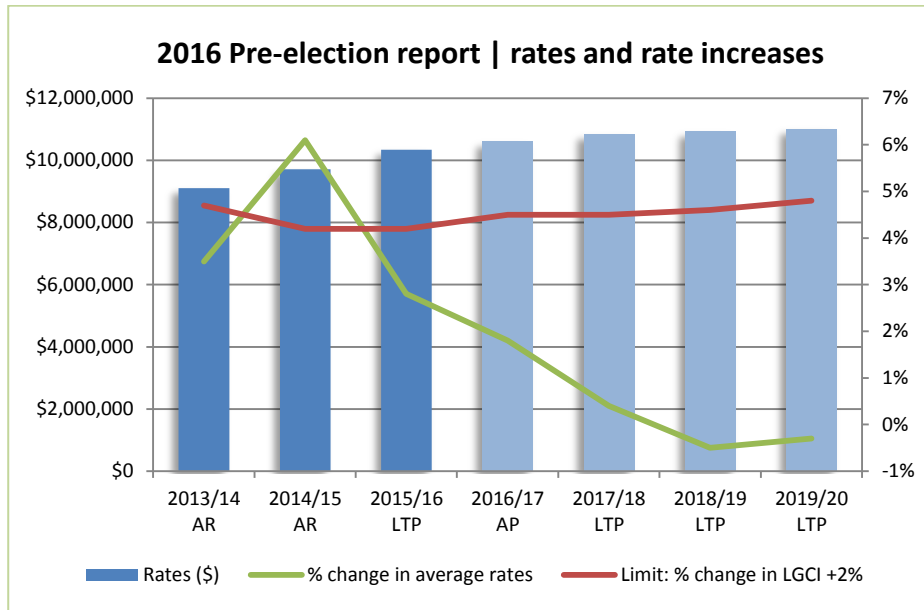
Capital expenditure in 2015/16 is likely to be significantly less than that envisaged in the Long Term Plan. This is reflected in the Annual Plan 2016/17 and the graph above. The dip in interest costs in 2016/17 reflects lower spend in 2015/16 and therefore less borrowing. Debt and interest costs should also be less than the LTP forecast in the outyears.

Rates limits

In 2015, the Council decided when setting rates to limit the increase in the average rates in any one year, after taking into account growth in the rating base¹, to a maximum of the increase in the opening BERL local government cost index plus 2 percent.² The following chart shows the forecast rates in the LTP and the percentage increase compared with the rates cap.

¹ The average rates is the total forecast rates divided by the total number of forecast rates assessments.

² For example, for the rates limit in 2012/13 the BERL LGCI increased by 5.34% to June 2012.



Coming up over the next three years

Council reorganisation

In 2013 Carterton, Masterton, and South Wairarapa District Councils submitted an application to the Local Government Commission to establish a Wairarapa unitary authority, combining the three district councils and the Wairarapa activities of the Greater Wellington Regional Council. The Commission consulted on a proposal to combine all councils in the Wairarapa and Wellington regions as one single council. This was withdrawn by the Commission because it showed a lack of community support. The Commission is currently consulting again on potential reorganisation, which may involve the amalgamation of Carterton District Council into a wider Wairarapa district council.

At this stage, the timing and extent of any changes are not known. The 2015–2025 Long Term Plan and the 2016/17 Annual Plan were prepared on the assumption that there will be no significant changes to Carterton District Council. If however any changes arise from current governance proposals under consideration, it is likely that Carterton District Council will cease to exist at some time in future. There have been no decisions since the Long Term Plan and the Annual Plan that materially alter those assumptions.

Sewerage and the disposal of treated sewage

The Council’s objective is to have in place a regime that minimises the discharge of treated sewage to Mangatāre Stream and is affordable to the community.

In 2012, the Council purchased Daleton Farm, 65.7 hectares next to the sewage treatment plant. Since the resource consent in 2013, a long-term development programme is underway involving sustainable irrigation onto this land. The first irrigator was designed, implemented and commissioned in late 2014, and subsequently a dripline was installed for a native shelter belt on the boundary.

The development to date has included:

- significant modelling and analysis, and on-site research trials
- at-source pre-treatment of trade waste by significant clients
- design and installation of supplementary aeration chambers
- gases from the anaerobic digester diverted to a soil filter
- high-capacity ultra-violet final treatment
- centre-point irrigator for discharge to land in summer
- shelter belts of native plants and sacrificial pines to handle any drift of treated wastewater
- wetlands excavation and initial planting.

Future development planned focuses on irrigation and storage:

- sequential batch reservoirs
- preferential flowpath land treatment trenches
- deficit irrigation over ¼ of Daleton Farm
- ultra-violet disinfection
- expanded wetlands.

Over the past two dry summers irrigation has been limited by the storage capacity of the reservoirs. Greater storage and a second irrigator would allow the best use of the full land area available, and minimise the discharge to Mangatāre Stream during wet months. The period we do not discharge could be increased by as much as three months.

Following consultation on the proposed Annual Plan 2016/17, the Council decided to advance the programme in the 2015–2025 Long Term Plan. A 200,000m³ three-chamber reservoir (increased from the planned 100,000m³) would be designed in 2016/17, and constructed in 2017/18. The planned second UV plant would be deferred from 2016/17 until 2018/19.



Other capital projects

Major capital projects from the annual plan (2016/17) and from the 2015–2025 Long Term Plan (2017/18 to 2019/20) are shown in the tables below.

CARTERTON DISTRICT COUNCIL

2016 PRE ELECTION REPORT

MAJOR CAPITAL PROJECTS

	Election Year Annual Plan 2016/17 \$	Prospective Information		
		LTP 2017/18 \$	LTP 2018/19 \$	LTP 2019/20 \$
Parks and reserves				
Amenities - Carrington Park and Sparks Park	-	12,588	-	-
Carrington Park - play equipment	8,500	-	-	27,575
Carrington Park - solar lighting	8,192	8,392	8,600	-
Soft fall matting	25,600	-	21,500	-
CCTV camera	6,144	6,294	6,450	5,625
Picnic Tables at Parks	-	1,574	1,613	-
Seating - Carrington Park and Howard Booth Park	-	4,196	4,300	4,412
Kaipaitangata multi-purpose all-terrain park	40,000	26,225	-	-
New playground - south end	372,050	-	-	-
Parks - paths and bins	34,720	-	-	-
Christmas lighting	5,000	-	-	-
Street reserves - 2 solar lights for Victoria St and Victoria St wal	-	-	-	-
CBD re-vitalisation stage IV - Broadway	500,000	-	-	-
Clock tower - earthquake strengthening	270,000	-	-	-
Total Parks and reserves	1,280,206	59,269	42,463	37,612
Community amenities				
Cemetery - concrete burial berms	-	-	15,735	-
Cemetery - rubbish bins	-	-	-	3,309
Cemetery - road extension and resealing	68,000	-	-	-
Holiday Park - beds	-	13,637	-	1,103
Holiday Park - office furniture	-	-	5,375	-
Swimming pool - Chemigem	-	-	10,750	-
Swimming pool - new changing rooms	100,000	314,700	-	-
Swimming pool - resurfacing	61,000	-	-	-
Swimming pool - shade sails	28,000	-	-	-
Swimming pool - Health and Safety rescue equipment	2,500	-	-	-
Swimming pool - ladder for elderly and disability users	15,000	-	-	-
Swimming pool - access ladders for pool	6,500	-	-	-
Swimming pool - pool vacuum	13,000	-	-	-
Events Centre - equipment eg chairs, crockery, cutlery	15,000	15,735	16,125	16,545
Events Centre - auditorium equipment	-	26,225	26,875	27,575
Events Centre - photocopier	-	15,735	-	-
Events Centre - library photocopier	-	16,784	-	-
Events Centre - library books	74,000	75,528	77,400	79,416
Events Centre - library computer upgrades	1,000	10,490	-	-
Events Centre - inner door	8,073	-	-	-
Total Community amenities	392,073	488,834	152,260	127,948



CARTERTON DISTRICT COUNCIL

2016 PRE ELECTION REPORT

MAJOR CAPITAL PROJECTS contd.

	Election Year	Prospective information		
	Annual Plan 2016/17 \$	LTP 2017/18 \$	LTP 2018/19 \$	LTP 2019/20 \$
Roads and footpaths				
Drainage renewals - kerb and channel replacement	123,200	100,285	109,604	112,189
New traffic management facilities		93,240	-	-
Components structures replacements	81,500	68,376	74,730	76,493
Footpath resurfacing	91,000	93,240	95,400	75,950
Minor improvements	300,000	310,800	318,000	325,500
Pavement rehabilitation	293,700	250,712	274,010	280,473
Reseals	448,400	382,906	418,488	428,358
Traffic services	86,800	72,934	79,712	81,592
Unsealed road metalling	360,100	300,854	328,812	336,567
Total Roads and footpaths	1,784,700	1,673,347	1,698,756	1,717,121
Sewerage				
Grout manholes	6,000	6,306	6,474	6,648
Road cones and signage upgrade	6,000	6,306	6,474	6,648
Camera	20,500	21,020	21,580	22,160
Main repairs/replacement based on CCTV results	400,000	315,300	215,800	221,600
Desludge Ponds	-	262,750	-	33,240
Sludge dewatering equipment	-	52,550	-	-
Small Dam on Daleton Farm - consent and then construct	-	52,550	269,750	277,000
Consents for treatment and disposal	350,000	-	-	-
Water balance mitigation measures - wetland upgrade or line p	100,000	-	-	-
AEE for Daleton Farm	10,000	-	-	-
New inlet works and flow metering	40,000	-	-	-
Second dam - design and consent	200,000	-	-	-
Replace Contra Sheer	50,000	-	-	-
New sewer main Norman Ave	400,000	-	-	-
New manhole Kent St for groundwater monitoring	10,000	-	-	-
Lining of wetland channels and flow distribution	200,000	-	-	-
Standby generator	30,000	-	-	-
Wetlands planting support	5,000	-	-	-
Total Sewerage	1,827,500	716,782	520,078	567,296
Water supply				
Mains upgrade / replacement	124,560	128,160	132,000	135,960
New valves (better network IS isolation)	6,500	6,942	7,150	7,365
Water races - weirs	15,000	16,020	16,500	16,995
Portable pump (3")	-	4,272	-	-
Taratahi - extend silt trap Waingawa	-	6,408	-	-
Taratahi - water pump and spray unit	-	-	3,300	-
Kaipaitangata - fish ladders	100,000	-	-	-
New chlorinator	1,000	-	-	-
Carrington - rocks at intake	7,000	-	-	-
Kaipaitangata - treatment wetland	30,000	-	-	-
Kaipaitangata - WTP chlorination	25,000	-	-	-
Taratahi - small pruning chainsaw	400	-	-	-
Access Ladders to Timber Tanks x3	13,500	-	-	-
New water main Norman Ave	200,000	-	-	-
Taratahi - box culvert under rail	60,000	-	-	-
Total Water supply	582,960	161,802	158,950	160,320

CARTERTON DISTRICT COUNCIL

2016 PRE ELECTION REPORT

MAJOR CAPITAL PROJECTS contd.

	Election Year	Prospective Information		
	Annual Plan 2016/17 \$	LTP 2017/18 \$	LTP 2018/19 \$	LTP 2019/20 \$
Administration and support services				
Administration - equipment contingency	5,000	5,255	5,390	5,535
Administration - software upgrade	5,000	5,255	5,390	5,535
Photocopiers	-	56,755	-	-
Computer renewals	31,200	58,436	124,401	33,653
Motor vehicle renewals	31,200	216,086	302,271	232,913
Wackers, compactors, weeders	5,000	-	-	4,428
Weedster/chainsaw - parks and reserves	5,000	-	4,312	-
GIS - contingency	5,000	5,255	5,390	5,535
Aerial mapping	15,000	-	16,170	-
Regulatory equipment - contingency	5,000	5,255	5,390	5,535
Regulatory software	5,000	5,255	5,390	5,535
Administration - generator	50,000	-	-	-
Asset management system	30,000	-	-	-
Motor vehicle - water treatment plan operator	38,000	-	-	-
Weed bucket for cleaning water races and SW drains	2,500	-	-	-
Trimble GPS unit	25,000	-	-	-
Generator for water van	5,000	-	-	-
Mowers	1,000	1,051	10,780	1,107
Total Administration and support	263,900	358,602	484,884	299,776
TOTAL CAPITAL EXPENDITURE	6,131,339	3,458,636	3,057,391	2,910,072

Financial statements

CARTERTON DISTRICT COUNCIL

2016 PRE ELECTION REPORT FUNDING IMPACT STATEMENT

	Retrospective Information			Election Year	Prospective Information		
	Annual Report 2013/14 \$	Annual Report 2014/15 \$	Annual Plan 2015/16 \$	Annual Plan 2016/17 \$	LTP 2017/18 \$	LTP 2018/19 \$	LTP 2019/20 \$
OPERATING FUNDING							
Sources of operating funding							
General rates, UAGC and rates penalties	6,297,178	6,621,578	6,932,816	7,062,401	7,286,652	7,298,444	7,434,161
Targeted rates	2,869,479	3,123,722	3,454,509	3,558,254	3,805,187	3,890,674	3,855,018
Subsidies and grants - operating	774,095	843,787	779,173	752,049	837,357	810,796	837,074
Fees and charges	1,492,085	1,599,964	1,314,549	1,486,100	1,330,154	1,366,272	1,405,855
Interest and dividends from investments	146,052	175,910	203,856	128,984	287,692	360,482	445,790
Local authorities fuel tax, fines, infringement fees and other	648,838	605,088	350,749	361,499	302,545	310,398	368,941
Total operating funding	12,227,727	12,970,049	13,035,651	13,349,287	13,849,588	14,037,065	14,346,840
Applications of operating funding							
Payments to staff and suppliers	8,798,296	9,082,617	9,324,643	9,707,320	9,684,933	9,853,541	10,224,906
Finance costs	500,919	489,820	553,094	499,549	663,172	676,012	689,153
Other operating funding applications	-	-	-	-	-	-	-
Total applications of operating funding	9,299,215	9,572,437	9,877,737	10,206,869	10,348,105	10,529,553	10,914,059
Surplus/(deficit) of operating funding	2,928,512	3,397,612	3,157,914	3,142,418	3,501,483	3,507,512	3,432,780
CAPITAL FUNDING							
Sources of capital funding							
Subsidies and grants - capital	791,671	815,947	996,608	954,751	837,457	849,779	869,821
Development and financial contributions	731,873	339,092	310,000	317,200	325,147	333,840	343,210
Increase/(decrease) in debt	(238,482)	(328,722)	2,493,058	2,463,139	(578,349)	996,758	(631,345)
Gross proceeds from sale of assets	38,425	33,706	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-
Total capital funding	1,323,487	860,023	3,799,666	3,735,090	584,255	2,180,377	581,686
Applications of capital funding							
Capital expenditure - meet additional demand	599,592	10,539	216,600	440,050	108,975	-	3,309
Capital expenditure - improve level of service	338,505	2,332,070	1,210,000	2,008,364	229,096	296,625	376,270
Capital expenditure - replace existing assets	2,905,887	2,312,098	2,951,600	3,661,725	3,130,413	2,622,786	2,540,961
Increase/(decrease) in reserves	408,015	(397,072)	2,579,380	766,369	617,253	2,768,479	1,093,927
Increase/(decrease) of investments	-	-	-	1,000	-	-	-
Total applications of capital funding	4,251,999	4,257,635	6,957,580	6,877,508	4,085,737	5,687,889	4,014,466
Surplus/(deficit) of Capital Funding	(2,928,512)	(3,397,612)	(3,157,914)	(3,142,418)	(3,501,483)	(3,507,512)	(3,432,780)
FUNDING BALANCE	-	-	-	-	-	-	-

CARTERTON DISTRICT COUNCIL

2016 PRE ELECTION REPORT

STATEMENT OF FINANCIAL POSITION

	Retrospective Information			Election Year	Prospective Information		
	Annual Report 2013/14 \$	Annual Report 2014/15 \$	Annual Plan 2015/16 \$	Annual Plan 2016/17 \$	LTP 2017/18 \$	LTP 2018/19 \$	LTP 2019/20 \$
ASSETS							
Current assets							
Cash and cash equivalents	4,637,793	4,589,904	6,595,617	6,505,928	7,706,673	10,474,881	11,573,177
Debtors and other receivables	1,664,058	1,975,407	1,381,422	1,609,451	1,445,979	1,466,146	1,498,863
Investments	-	13,517	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Total current assets	6,301,851	6,578,828	7,977,039	8,115,379	9,152,652	11,941,027	13,072,039
Non-current assets							
Property, plant and equipment	163,996,963	166,520,230	165,283,226	169,963,436	169,921,818	170,670,897	179,511,352
Forestry assets	394,524	413,053	394,524	413,053	394,524	394,524	394,524
Intangible assets	474,239	531,011	329,433	447,087	308,388	296,462	283,574
Investments	39,794	42,252	41,144	43,252	43,844	45,194	46,544
Total non-current assets	164,905,520	167,506,546	166,048,327	170,866,828	170,668,574	171,407,077	180,235,994
Total assets	171,207,371	174,085,374	174,025,366	178,982,207	179,821,226	183,348,104	193,308,034
LIABILITIES							
Current liabilities							
Creditors and other payables	1,797,412	1,672,344	1,179,621	1,703,916	1,103,196	1,122,976	1,159,938
Borrowings	914,770	344,195	503,666	257,373	644,082	631,345	635,641
Employee entitlements	258,103	288,493	261,322	535,411	261,532	261,648	261,772
Provisions	9,455	-	-	-	-	-	-
Total current liabilities	2,979,740	2,305,032	1,944,609	2,496,700	2,008,810	2,015,969	2,057,351
Non-current liabilities							
Employee entitlements	69,355	76,851	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
Borrowings	7,671,409	7,913,262	10,270,408	9,820,987	9,277,202	10,286,697	9,651,056
Total non-current liabilities	7,740,764	7,990,113	10,270,408	9,820,987	9,277,202	10,286,697	9,651,056
Equity							
Public equity	112,831,897	114,927,184	110,441,420	114,230,510	110,799,872	108,918,845	108,667,479
Restricted reserves	1,479,963	1,187,016	1,734,225	1,306,373	2,372,223	2,799,529	3,207,424
Asset revaluation reserves	42,241,753	44,284,100	43,627,940	46,920,075	48,698,294	50,298,115	59,986,167
Other reserves	3,933,254	3,391,929	6,006,764	4,207,562	6,664,826	9,028,950	9,738,556
Total equity	160,486,867	163,790,229	161,810,349	166,664,520	168,535,214	171,045,438	181,599,627
Total liabilities and equity	171,207,371	174,085,374	174,025,366	178,982,207	179,821,226	183,348,104	193,308,034