



Carterton District Council

2013 Pre-election Report





The vision

Carterton

*a welcoming and vibrant community
where people like to live*

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 a new requirement, introduced 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 2013 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.

Colin Wright
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 2012–2022 Long Term Plan, annual reports, and the 2013/14 Annual Plan. As such the information reflects the policy and service delivery decision of the Council at that time.

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 campaign.

Last three years

The actual results for 2010/11 and 2011/12 have been taken from the respective annual reports. The results for 2012/13 have been estimated by management, based on the latest monthly financial report to Council and the monitoring of performance during the year.

Plans for 2013/14 to 2016/17

The forecast information for 2013/14 is not required by law. However, we have included information from the published 2013/14 Annual Plan, without amendment, to provide a complete time series. Numbers for 2014/15 to 2016/17 are extracted from the 2012–2022 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 2010/11 and 2011/12, and the 2012–2022 Long Term Plan were audited. The annual report for 2012/13 has not been audited as the specified timeframe for publishing the 2013 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 (or exacerbate) 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.

And now, every three years in the lead-up to the local authority elections, the Chief Executive will prepare a Pre-election Report.

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
- housing for the elderly
- 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 covered the 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.

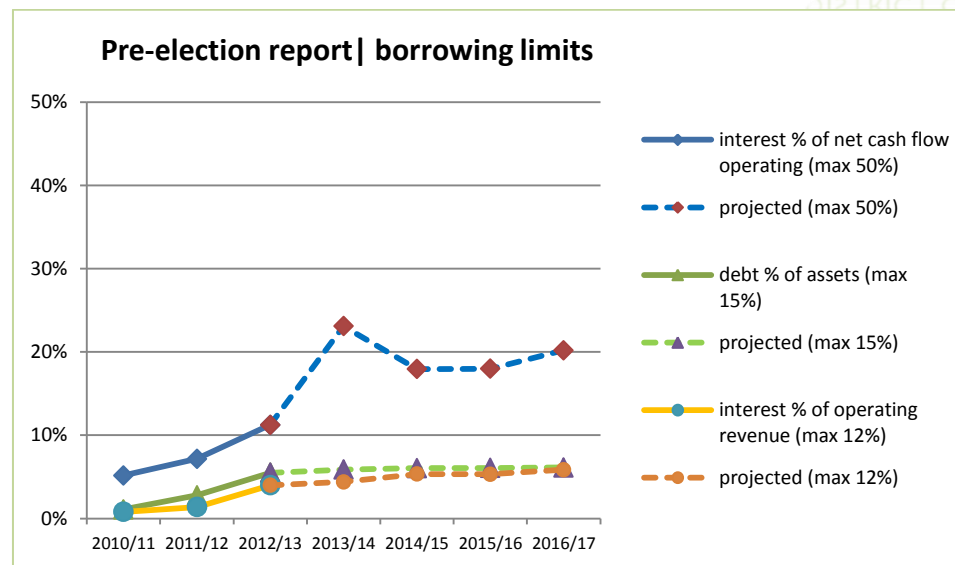
Compliance with the strategy

Borrowing limits

In 2012, 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.



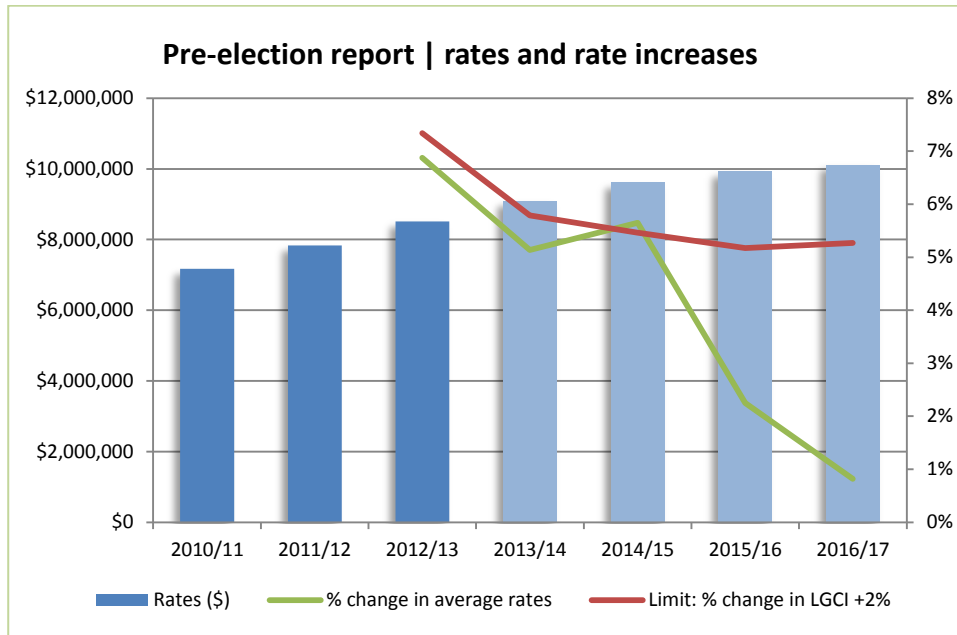
In 2012/13, the Council decided to purchase some land adjacent to the sewage treatment station. Additional borrowing of \$2,400,000 to fund the purchase will result in an increase of about 5% in the interest to net cash flow ratio. This was not included in the Long Term Plan, and is not shown in the chart above for the years 2014/15 to 2016/17.

Rates limits

In 2012, 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

Carterton, Masterton, and South Wairarapa District Councils have 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.

At this stage, the timing and extent of any changes is not known. The 2012–2022 Long Term Plan and the 2013/14 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.

Resource consents

In order to provide some infrastructural services, the Council must hold appropriate resource consents. A number of these are in the process of being renewed—some have already expired, some are about to, and most have been more lengthy and costly than expected.

There are renewal processes currently underway to take water for town water supply, to take water for water races, and to dispose of treated sewage.

Delays in finalising the consents and uncertainty about their conditions have meant that a number of significant capital works have been carried forward from 2012/13 to 2013/14. None of these delays are currently impacting on the ability of the Council to deliver its infrastructural services.

Sewerage and the disposal of treated sewage

Currently, treated sewage is disposed to Mangatāre Stream during winter and to land adjacent to the treatment station during summer. For a long time, the Council has signalled its desire to increase the volume of treated sewage being disposed to land.

Late last year, the opportunity arose for the Council to purchase land adjacent to the treatment station that would meet the needs of land disposal now and into the future, and this was seen by the Council as an important strategic move to take.

The purchase of this land was not in the 2012–2022 Long Term Plan and has been funded by an interest-only loan. Similarly, the development of the land (eg shelter belts and irrigators) will require further capital expenditure and operating costs. This will likely be offset somewhat by selling off a portion of the property that will not be needed.

This land purchase and follow-up actions have resulted in a significant increase in the sewerage rates for urban ratepayers.

Other capital projects

Major capital projects from the annual plan (2013/14) and from the 2012–2022 Long Term Plan (2014/15 to 2016/17) are shown in the table below.



CARTERTON DISTRICT COUNCIL

2013 PRE ELECTION REPORT

MAJOR CAPITAL PROJECTS

	2013/14 Annual Plan \$	2014/15 LTP \$	2015/16 LTP \$	2016/17 LTP \$
Community support—parks and reserves				
Soft fall matting	-	21,260	-	-
Nursery - replace tunnel house	39,000	-	-	-
Security camera upgrade	50,000	-	-	11,340
New playground - south end	-	372,050	65,820	-
Carrington Park - path seating and lighting	24,744	-	-	11,340
Howard Booth Park - play equipment	-	42,520	-	-
Millennium Park - upgrade	-	159,450	-	-
CBD re-vitalisation stage IV - Broadway	-	212,600	-	-
Investigate multi-purpose all-terrain park at Kaipaitangata	5,000	21,260	21,940	22,680
Total Parks and reserves	118,744	829,140	87,760	45,360

Community support—community amenities

Cemetery - concrete burial berms	12,372	-	10,970	-
Cemetery - road extension and resealing	16,000	-	-	-
Holiday Park	10,310	24,449	-	6,237
Housing for the elderly units	-	31,890	32,910	28,350
Swimming pool - toys	-	5,315	-	-
Events Centre - computer upgrades	2,887	12,650	18,430	3,175
Events Centre - theatre services requirements	-	53,945	34,978	114,466
Events Centre - library books	61,860	63,780	65,820	68,040
Total Community amenities	103,429	192,029	163,108	220,268

Regulatory and planning

GIS system	5,000	5,345	5,535	5,735
Aerial mapping	-	-	16,605	-
Regulatory equipment and software	10,000	10,690	11,070	11,470
Total Regulatory and planning	15,000	16,035	33,210	17,205

CARTERTON DISTRICT COUNCIL

2013 PRE ELECTION REPORT

MAJOR CAPITAL PROJECTS

	2013/14 Annual Plan \$	2014/15 LTP \$	2015/16 LTP \$	2016/17 LTP \$
Roads and footpaths				
Kerb and channel replacement	94,560	123,133	127,264	131,281
Associated improvements	20,760	20,520	21,209	21,878
Components structures replacements	75,978	134,421	138,931	143,316
Footpath resurfacing	90,927	94,448	97,616	100,697
Minor improvements	322,000	257,520	266,160	274,560
Pavement rehabilitation	271,400	307,834	318,162	328,203
Reseals	437,000	461,751	477,243	492,304
Traffic services	63,040	82,089	84,843	87,521
Unsealed road metalling	357,821	373,505	386,036	398,220
Total Roads and footpaths	1,733,486	1,855,220	1,917,464	1,977,979

Sewerage

Grout manholes	5,764	6,001	6,254	6,540
Road cones and signage upgrade	5,240	5,455	5,685	5,945
Main repairs/replacement	300,000	578,230	591,240	130,790
Consents for treatment and disposal	30,000	-	113,700	118,900
Replace motor for damaged contra sheer	5,000	-	-	-
Daleton Farm shelter belt	40,000	-	-	-
Daleton Farm preparations for resource consent	150,000	-	-	-
Additional oxidation pond (carried forward)	500,000	-	-	-
UV unit and associated plant (carried forward)	504,040	-	-	-
Extend office at treatment plant	30,000	-	-	-
Treatment to reduce phosphorus	209,600	218,200	227,400	-
Total Sewerage	1,779,644	807,886	944,279	262,175

Water supply

Mains upgrade / replacement	104,200	108,200	112,500	117,200
Information system data	6,252	6,492	6,750	7,032
Leak detection	-	-	12,375	-
Water race weirs	15,000	10,820	11,250	11,720
Portable pump	3,960	-	-	-
Renewals	-	-	-	586,000
Carrington—intake control gates	80,000	-	-	-
Kaipaitangata—fish ladders	50,000	-	-	-
Kaipaitangata—line concrete tank and install seismic baffles	40,000	-	-	-
Taratahi—intake control gates	120,000	-	-	-
Total Water supply	419,412	125,512	142,875	721,952

Administration and support services

Administration - office equipment	5,000	5,345	5,535	5,735
Administration - software upgrade	5,000	5,345	5,535	5,735
Administration - building refurbishment and strengthening	50,000	-	-	-
Computer upgrades	26,300	49,495	104,833	12,846
Motor vehicles	151,530	72,415	86,346	96,348
Diggers and tractors	55,000	89,796	-	-
Laser level	4,000	-	-	-
Mowers	19,000	26,725	7,439	-
Total Operations overheads	315,830	249,121	209,688	120,664

Total Capital expenditure	4,485,545	4,074,943	3,498,384	3,365,603
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Financial statements



CARTERTON DISTRICT COUNCIL

2013 PRE ELECTION REPORT

STATEMENT OF FINANCIAL POSITION

	Retrospective Information			Election Year	Prospective Information		
	Annual Report 2010/11 \$	Annual Report 2011/12 \$	Estimated 2012/13 \$	Annual Plan 2013/14 \$	LTP 2014/15 \$	LTP 2015/16 \$	LTP 2016/17 \$
ASSETS							
Current assets							
Cash and cash equivalents	2,979,494	2,542,282	3,936,000	2,942,755	3,581,852	4,457,169	6,443,132
Debtors and other receivables	1,815,616	1,530,810	1,524,750	1,436,906	1,328,443	1,365,498	1,401,991
Inventory	2,805	2,535	3,686	3,686	3,645	3,645	3,645
Investments	-	-	-	-	-	-	-
Non-current assets held for sale	51,400	-	-	-	-	-	-
Total current assets	4,849,315	4,075,627	5,464,436	4,383,347	4,913,940	5,826,312	7,848,768
Non-current assets							
Property, plant and equipment	144,885,172	148,581,394	153,807,000	171,025,833	171,451,467	173,181,077	187,475,264
Forestry assets	294,213	146,401	146,401	146,401	294,213	294,213	294,213
Investment property	15,000	-	-	-	16,997	17,507	18,050
Intangible assets	11,461	7,189	7,189	5,687	9,878	11,203	11,581
Investments	40,226	43,089	43,089	43,089	346,865	348,865	350,865
Total non-current assets	145,246,072	148,778,073	154,003,679	171,221,010	172,119,420	173,852,865	188,149,973
Total assets	150,095,387	152,853,700	159,468,115	175,604,357	177,033,359	179,679,176	195,998,741
LIABILITIES							
Current liabilities							
Creditors and other payables	2,300,575	1,505,694	1,275,000	1,538,582	1,299,917	1,326,754	1,366,651
Borrowings	939,819	2,107,865	475,000	425,011	569,870	630,740	660,406
Employee entitlements	418,840	458,816	325,000	309,818	285,918	293,352	300,979
Total current liabilities	3,659,234	4,072,375	2,075,000	2,273,411	2,155,706	2,250,846	2,328,037
Non-current liabilities							
Provisions	63,829	56,730	55,865	24,157	23,759	20,365	16,971
Borrowings	696,431	2,150,272	8,295,000	10,069,222	10,151,538	10,259,916	11,336,656
Total non-current liabilities	760,260	2,207,002	8,350,865	10,093,379	10,175,296	10,280,280	11,353,626
Equity							
Public equity	108,080,271	110,766,693	111,134,750	108,673,940	107,708,404	107,212,833	105,584,357
Restricted reserves	5,191,375	3,784,164	3,832,500	1,881,112	6,008,275	6,907,890	8,904,913
Asset revaluation reserves	32,404,247	32,023,466	34,075,000	49,628,502	50,979,678	53,019,327	67,817,809
Other reserves	-	-	-	3,054,013	6,000	8,000	10,000
Total equity	145,675,893	146,574,323	149,042,250	163,237,567	164,702,358	167,148,050	182,317,079
Total liabilities and equity	150,095,387	152,853,700	159,468,115	175,604,357	177,033,359	179,679,176	195,998,741



CARTERTON DISTRICT COUNCIL

2013 PRE ELECTION REPORT CASH FLOW STATEMENT

	Retrospective Information			Election Year
	Annual Report 2010/11 \$	Annual Report 2011/12 \$	Estimated 2012/13 \$	Annual Plan 2013/14 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was received from:				
Receipts from rates income	6,797,944	8,246,317	8,510,000	9,073,488
Grants, subsidies and donations	2,151,506	1,738,297	1,760,000	1,623,244
Petrol tax	57,056	36,584	65,000	57,736
Finance income	158,837	70,969	103,000	134,550
Regional council rates	884,902	915,184	990,000	1,042,549
Other income	1,673,749	2,995,695	2,125,628	963,994
	11,723,994	14,003,046	13,553,628	12,895,561
Cash was applied to:				
Payments to suppliers & employees	8,459,857	10,185,623	7,515,560	8,799,299
Regional council rates	879,801	915,048	990,000	1,042,549
Finance expenditure	117,484	190,253	510,000	577,087
	9,457,142	11,290,924	9,015,560	10,418,935
Net cash flow from operating activities	2,266,852	2,712,122	4,538,068	2,476,626
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was received from:				
Sale of property, plant and equipment	30,468	400	650	-
Term investments, shares & advances	-	-	-	-
Forestry investment	2,409,522	939,142	-	-
	2,439,990	939,542	650	-
Cash was applied to:				
Purchase of property, plant and equipment	6,303,226	6,700,124	7,720,000	4,502,824
Term investments, shares & advances	-	10,639	-	-
Forestry capital expenditure	-	-	-	-
	6,303,226	6,710,763	7,720,000	4,502,824
Net cash flow from investing activities	(3,863,236)	(5,771,221)	(7,719,350)	(4,502,824)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was received from:				
Proceeds from borrowings	80,241	2,769,667	5,070,000	1,653,640
	80,241	2,769,667	5,070,000	1,653,640
Cash was applied to:				
Repayment of borrowings	69,630	147,780	495,000	425,011
	69,630	147,780	495,000	425,011
Net cash flow from financing activities	10,611	2,621,887	4,575,000	1,228,629
Net increase/(decrease) in cash held	(1,585,773)	(437,212)	1,393,718	(797,569)
Add cash at start of year (1 July)	4,565,267	2,979,494	2,542,282	3,740,324
Balance at end of year (30 June)	2,979,494	2,542,282	3,936,000	2,942,755
REPRESENTED BY				
Cash and cash equivalents and bank overdrafts	2,979,494	2,542,282	3,936,000	2,942,755

CARTERTON DISTRICT COUNCIL

2013 PRE ELECTION REPORT FUNDING IMPACT STATEMENT

	Election Year	Prospective Information		
	Annual Plan 2013/14 \$	LTP 2014/15 \$	LTP 2015/16 \$	LTP 2016/17 \$
OPERATING FUNDING				
Sources of operating funding				
General rates, UAGC and rates penalties	6,229,113	6,850,889	7,011,485	7,242,784
Targeted rates (other than water supply)	2,844,375	2,820,260	2,976,125	2,928,710
Grants, subsidies and donations	700,170	737,275	708,390	708,498
Fees, charges and target rates for water supply	1,394,810	1,549,301	1,602,347	1,659,521
Interest and dividends from investments	135,100	155,195	174,070	235,988
Local authorities fuel tax, fines, infringement fees and other	511,120	436,201	449,594	512,669
Total operating funding	11,814,688	12,549,121	12,922,010	13,288,170
Applications of operating funding				
Payments to staff and suppliers	8,733,006	8,931,804	9,201,993	9,452,693
Finance costs	577,087	740,816	756,579	857,062
Other operating funding applications	-	-	-	-
Total applications of operating funding	9,310,093	9,672,620	9,958,572	10,309,755
Surplus/(deficit) of operating funding	2,504,595	2,876,501	2,963,438	2,978,415
CAPITAL FUNDING				
Sources of capital funding				
Grants, subsidies and donations	923,074	906,320	906,320	906,320
Development and financial contributions	310,000	330,157	341,383	353,331
Increase/(decrease) in debt	1,228,629	437,177	169,248	1,106,406
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Total capital funding	2,461,703	1,673,654	1,416,951	2,366,057
Applications of capital funding				
Capital expenditure - meet additional demand	558,372	375,026	82,933	-
Capital expenditure - improve level of service	1,263,640	527,265	284,318	137,146
Capital expenditure - replace existing assets	2,680,812	3,172,651	3,131,132	3,228,458
Increase/(decrease) in reserves	463,474	475,214	882,006	1,978,869
Increase/(decrease) of investments	-	-	-	-
Total applications of capital funding	4,966,298	4,550,156	4,380,389	5,344,472
Surplus/(deficit) of Capital Funding	(2,504,595)	(2,876,501)	(2,963,438)	(2,978,415)
Funding balance	-	-	-	-