



Pre-Election Report

2019

Contents

| | |
|-----------|---|
| 3 | Message from the Chief Executive |
| 4 | Introduction |
| 4 | Basis of preparation |
| 5 | Where to find out more |
| 5 | The Election Process |
| 6 | Challenges & Opportunities |
| 7 | Council Service |
| 10 | Major Projects - Current & Future |
| 12 | Council Income and Expenditure |
| 13 | Retrospective Funding Impact Statement |
| 15 | Prospective Funding Impact Statement |
| 17 | Retrospective Statement of Financial Position |
| 19 | Prospective Statement of Financial Position |
| 21 | Financial Strategy - How are we Performing? |

Message from *the Chief Executive*

It is my pleasure to provide the 2019 Pre-Election Report. As good governance relies on quality information as a basis for making decisions, this Pre-Election Report provides up-to-date information to help inform community discussion about the opportunities and issues facing the Council and the district.

This is a mandatory report for voters and those intending to stand for Council in the upcoming local government elections. With some of our current elected members already having publicly declared they will not seek re-election, this report sets out critical information for new candidates on how the Council stands financially and the key projects we have for the future.

Our district has come through a rapid growth period over the past fifteen years with the changing land use in the agricultural sector. With these changes we have experienced many positive benefits for the district as well as less favourable effects such as the impact of heavy traffic on our roads. As a Council our commitment remains to deliver quality infrastructure, public services and regulatory functions to promote the social, economic, environmental and cultural well-being of our communities, both now and in the future.

Council's key challenges include balancing growth and the demand for new and expanding services with affordability and financial prudence, and balancing the needs of residents and ratepayers with ensuring sustainability of our natural resources such as water.

Ashburton District Council has undertaken a number of interesting and significant projects in recent years that will contribute to the long-term prosperity of the district. Although at times controversial, projects such as the EA Networks Centre, the Ashburton Art Gallery and Heritage Centre, and the extension of Lake Hood are now seen as key attractions for residents and visitors alike. We intend to continue to support projects that encourage more investment and attract more economic growth for our district.

We have a number of significant projects to manage within this upcoming term of Council. This includes the construction of the new Ashburton Library and Civic Centre on Baring Square East. This is one of the biggest projects to happen in our district and it epitomises the role of Council in meeting both the current needs of the community and planning for future generations. Other major projects that we have planned through our 2018-

28 Long-Term Plan include the Ashburton Urban Second Bridge, CBD re-development and the swim school extension and splash deck at the EA Networks Centre.

Alongside these major projects we also plan on continuing our significant investment in our core infrastructure and services such as roading, water and waste management to ensure we retain a sound foundation on which to prepare for the future growth for our district.

The key financial information included in this document covers the retrospective funding impact statements and the summary balance sheets for the past three years and the projections of these for the next three years. It also contains the rates compliance and debt limits set in the financial strategy and the return on investments achieved compared to those forecast in the financial strategy for the past three years. All of the information in this report is collated from our Long Term Plan, Annual Plans, Annual Reports and the associated summaries. The Long-Term Plan and Annual Reports have been independently audited and received unqualified audit opinions.

In a world that is rapidly changing, local authorities are constantly planning and adapting to new legislation and new technology that changes the way we do business. Our 2019 Annual Residents Survey showed that 77% of residents are satisfied with our overall performance. This is a pleasing result and one that we wish to continue to improve on into the future.

As you can see by all the information in this report, Council has a great responsibility and a large work programme ahead of it. I trust you find this document useful and that it meets its prime purpose – to stimulate community interest in the business of Council and the future of our district. There are exciting times ahead for both Council and the wider community.

Why don't you join us?



A handwritten signature in black ink that reads "Hamish Riach".

Hamish Riach
Chief Executive



Basis of preparation

The preparation and timing of this report is a statutory requirement for all councils in New Zealand under the Local Government Act 2002. As is required by law, the Pre-Election Report is prepared by the Council's Chief Executive and not the current elected council members.

This Pre-Election Report brings together information previously published in other Council documents – including the Long Term Plan 2018-28, Annual Plans and Annual Reports. As such, the information reflects the policy and service delivery decisions of the current council.

The Pre-Election report provides:

- historic information for the last two years (2016/17 – 2017/18) and a projected 2018/19 financial performance
- an overview of the current election year (2019/20)
- Council's planned performance and financial position for the next three years (2020/21 – 2022/23).

Audit information

While the Pre-Election Report itself has not been audited, much of the information included has been audited by independent auditors. In particular:

- The first two years (2016/17 and 2017/18) retrospective financial data have been audited as they have been taken directly from the relevant Annual Report
- The next three years' (2020/21 – 2022/23) prospective financial data is from the Long-Term Plan 2018-2028, and Long-Term Plan Amendment 2019, and was audited when these documents were prepared.

The retrospective financial information from the 2018/19 financial year has not been audited, as the timeframe in which Council has to prepare this report is insufficient to complete an audit process.

Some information, including that of the current year, may have changed since it was audited in the Long Term Plan 2018-28.

Introduction

This 2019 Pre-Election Report has been prepared to provide information to promote public discussion about the issues facing Ashburton District Council in advance of the upcoming council elections.

It is intended to provide voters with information to help make an informed decision at the elections.

The Report has a particular focus on how the Council is performing financially, including the Council's current financial position and signals the key spending issues in coming years.

It also provides information on major projects the Council expects to deliver over the next three years.



Where to find out more

The information provided in this report is a summary of the more detailed information available in other Council documents.

If you want to know more about anything presented in this report contact our Customer Services Team or please visit our website at ashburtondc.govt.nz to find copies of the following documents:

- Long Term Plan 2018-28
- Annual Plan 2019-20
- Annual Reports 2016/17 and 2017/18



The election process

The following sets out the timeframe for the upcoming elections:

| | |
|------------------------|--|
| 19 July | Nominations Open |
| 23 July | ADC Candidate Information Evening (5.30pm at Council Chambers) |
| 16 August | Nominations close at midday |
| 20 September | Voter packs mailed to electors and voting opens |
| 12 October | Voting closes at midday. Progress results available as soon as possible afterwards. |
| By 17 October | Official result released |
| From 17 October | Official result advertised |

For more information on the Election Process please visit:
www.ashburtondc.govt.nz/our-council/elections/Pages/default.aspx

Challenges & Opportunities

Like other councils in New Zealand, we are preparing for a range of issues in the future. The following provides a high level review of the key issues for our district.

OUR PEOPLE

Population growth

The population of our district has experienced substantial growth since the mid 1990s when the projections for the district were forecasting a minimal population increase. The last Census showed that we are the 5th fastest growing district in the country and continue to be one of the fastest growing rural districts in New Zealand. Our population size ranks us 33rd out of the 67 districts in New Zealand.

Between 2006 and 2013, our population grew by 3,669 people, giving a 13% growth rate. Since 1996, our population has increased by 23% compared to 17% growth for the whole of New Zealand for the same period. Within the district, different areas have experienced different growth rates. Netherby, Methven, Hinds and Rakaia have all experienced large growth, whereas Ashburton central, west and east have had population declines.

The district's population is projected to continue to grow over the next 25 years. Depending on the projection scenario used, the population could grow from between 5,000 to 15,000 people by 2043. Based on current trends in building consent data, we have determined that the 'medium-range' population projections are likely to be most appropriate for our district, and we have used them in developing our Long-Term Plan 2018 - 28.

While we are planning for a growing population, we are conscious that current levels of growth have occurred as a result of a relatively high level of migration into our district. This could be challenging to maintain in the future and we will monitor population trends closely over the coming years to identify any departure from the adopted projection series.

Household Change

A consequence of a growing population is changes to the number of households. The average household size for Ashburton District is 2.5. In 2013, there were 12,900 households. This is projected to rise to 16,200 by 2038 - an increase of 26% or 3,300 households.

One-person households are projected to increase by 42% (or 1,300) from the 2013 level of 3,100 to 4,400 by 2038. The highest increase is projected to be in family households, from 9,300 to 11,300 - an increase of 22% or 2,000 family households.

Existing infrastructure is being managed to address specific growth factors associated with an activity (i.e. traffic demand or wastewater connections). Additional infrastructure due to growth might be funded through development contributions.

Demographic Changes

We are experiencing growth in our older population with the projected number to increase by 77% in the 65+ age group from 5,300 in 2013 to 9,400 people by 2043. This is projected to be split evenly between urban and rural areas. There are also projected increases of 22% in the 0-14 age group, and 30% in the 15-39 age group for that same time period.

The ethnic diversity of the district continues to grow, with a projected increase to 2038 of 110% for Maori (an additional 2,730 people), 139% for Asians (1,940 additional people), and 147% for Pasifika (an additional 1,700 people). Europeans will still be the largest ethnic group, but the percentage of total population will change from 89% in 2013 to 82% in 2038.

A significant difference in ethnic minorities is that their median age is much lower than the European median age. This means ethnic minorities are much younger and will make up a larger percentage of the working age population and have higher birth rates. The largest projected increase in population is from Asian migration, with European migration expected to fall into negative figures by 2038.

Ashburton District has also seen an increase in the number of people attending citizenship ceremonies, from 45 people in 2010 to 237 in 2017.



OUR SPACE AND PLACES

Natural Hazard / Disaster Events

GNS Science (a NZ Crown Research Institute) puts the probability of the Alpine Fault rupturing in the next 50 years at around 30%. Serious natural hazard events, such as a civil defence emergency following the Alpine Fault rupturing, are events that can strike without warning but the assumption is there will be no significant event in the ten-year term of this Long-Term Plan.

Ashburton District Council is a member of the Local Authority Protection Programme which provides a variety of infrastructure insurance which would cover emergency works. Council also has a Disaster Insurance Fund for the replacement of infrastructural assets, excluding roading, in the event of a natural disaster. Central government also has a role in disaster recovery after a natural disaster.

NZTA (New Zealand Transport Agency) Subsidy Funding

We work closely with NZTA, who are responsible for looking after the State Highways in our district, to ensure appropriate transport strategies are implemented.

NZTA Investment allocate subsidised funding from the National Land Transport Fund for maintenance and renewal of the Nation's roads. Councils and NZTA (for State Highways) submit applications for monies from this fund. NZTA Investment review all applications and decides the amount given to each applicant. This approved amount is adjusted by the subsidy rate to

determine the actual dollar value provided.

Council's subsidy rate is governed by the Funding Assistance Rate (FAR) which is currently set at 51% of all NZTA-approved projects (i.e. 51 cents for every dollar Council spends on roads and footpaths). We rate for the other 49 cents through our general rates.

We are concerned that NZTA's One Network Road Classification (ONRC) system, which came into effect on 1 July 2018, will disadvantage our roading network. In this system 75.8% of the district's roads are classified either Access or Low Volume roads which mean they carry the least amount of traffic categorised by the customer-focussed ONRC. This makes it increasingly difficult to justify funding on these roads compared to higher-use routes, so the end result is they will be lower priority in the work programme and are likely to have reduced levels of service.

We believe the size of our roading network and relatively small population results in a disproportionate cost burden on ratepayers. With our local economy highly oriented towards producing export goods, it is vital our roading network provides an efficient and effective link between the district and ports. As roading is important to the community, we are asking NZTA for an increase in funding to help maintain the current levels of service.

With Ashburton District roads being considered by NZTA to be one of the better maintained networks, it is unlikely the full request for funding will be successful ahead of other districts with greater roading issues.

TECHNOLOGY CHANGES

Legislative Changes

Legislative changes to how we deliver activities and service occur regularly. Constantly striving to meet the new demands placed on us, while maintaining levels of service with existing resources, is challenging. We will continue to monitor these changes and plan work programmes and budgets to ensure the best outcomes for our residents.

Technological Advancement

Technology is advancing in the digital age, bringing change at an exponential rate which impacts on service delivery and information gathering and management. The fourth industrial revolution will fundamentally

transform our society, economy, and ways of doing business.

Monitoring technology changes through involvement with Association of Local Government Information Management (ALGIM) and liaising with other councils will assist us to keep current within our means. As new technology becomes more mainstream, costs go down. We currently introduce new technology platforms (apps, handheld devices, online processes, and increased use of social media for community engagement) as part of our core work programmes.

Additional resource has been allocated in this LTP to assist our Information Systems team to address the need to keep pace with new technology.

OUR ENVIRONMENT

Climate Change

Climate change may impact on our operations and require an appropriate response to adapt and prepare for potential impacts.

The predicted national changes, such as increased temperatures, rising sea levels, more heavy rainfall and a greater number of storms, will affect different parts of the community in various ways. More frequent drought conditions, being experienced throughout Canterbury, may see further land-use changes and pressure on water supply services. Conversely, more floods will put pressure on stormwater and land drainage services. On the basis of Ministry for the Environment guidelines, we have assumed a base value sea-level rise of 0.5m relative to the 1980-1999 average.

Our infrastructure planning takes into account the need to sustain extreme weather events and sea level rises. Civil Defence Emergency Management planning for community resilience is focusing on community response plans throughout the district. There are limited risks to Council assets due to sea level rise as few Council structures are located along the coast.

The very small communities located in hut settlements have evacuation plans in case of flooding. The District Plan takes into account any increased coastal hazards and other location specific climate hazards and extremes. This includes changing some infrastructure mechanisms such as the size of culverts in flood-prone

areas. We have recently adopted a Climate Change Policy to guide our approach to the effects of climate change.

Surface Water Strategy

We have developed a Surface Water Strategy to set high level outcomes for the management of surface water in the district. This includes the future management of the stockwater race network.

Our responsibilities under the Canterbury Water Management Strategy (CWMS); the Canterbury Land and Water Regional Plan (LWRP); and the Ashburton Zone Implementation Programme (ZIP) have required Council to investigate ways to increase efficiencies in the water race network and to make available, if possible, water from the network for other uses. The LWRP features a new flow and allocation regime for the Hakatere/ Ashburton River to be implemented by 2023. The LWRP also identifies a number of methods to achieve this, including decreasing abstraction from the river for the network.

In response to this, we are part of the Hinds/Hekeao Managed Aquifer Recharge (MAR) project, which aims to improve water quality in surface waters and aquifers by recharging an aquifer in the Hinds area. Our unused consented water from the Rangitata River has been diverted through the Rangitata Diversion Race and Valetta Irrigation Scheme to two infiltration basins, before seeping into an underlying shallow aquifer.

Council Services

Ashburton District Council provides a range of activities and services for the community. We organise these into 13 activities. Four of these are mandatory under the Local Government Act – roading and footpaths; drinking water; stormwater; and wastewater.

| Local Government Function | Group of Activities | Activities |
|-----------------------------|--|--|
| Local Infrastructure | District Water Management | <ul style="list-style-type: none"> • Drinking Water • Wastewater • Stormwater • Stockwater |
| | Transportation | Transportation includes roading and footpaths |
| | Waste Reduction & Recovery | Waste reduction and recovery includes collection, recycling and disposal |
| Public Services | Community Governance & Decision-Making | <ul style="list-style-type: none"> • Community Grants & Funding • Democracy |
| | Economic Development | Economic development includes commercial property, tourism and forestry |
| | Recreation & Community Services | <ul style="list-style-type: none"> • Community Services • Parks & Open Spaces • Recreation Facilities |
| Regulatory Functions | Regulatory Services | Regulatory services includes building regulation, district planning, emergency management, land information and regulatory compliance |



Major Projects - Current & Future

LOCAL INFRASTRUCTURE

Drinking Water Supply Upgrades

Water quality is extremely important, particularly in light of the campylobacter contamination incident in the Havelock North water supply in 2016 which led to an estimated 5,500 people contracting gastric illness. We are anticipating that regulatory standards will increase in the next 12 - 24 months, and therefore we are planning for scenarios which could impact our supply of safe drinking water.

Council has budgeted for upgrades to the Ashburton, Hakatere, Hinds, Methven, Mt Somers and Rakaia water supplies. These range from minor improvements to significant reservoir renewal and upgrades for the Methven water supply, budgeted at \$1.4 million in 2019/20.

Ashburton River Crossing and Pump Station

The Ashburton River Crossing and Pump Station project is a vital piece of work for ensuring our wastewater services are fit for purpose for future generations. We expect this project will be completed by the end of 2020, and have planned for it to cost \$6.3 million.

Ashburton Urban Second Bridge

We rely on the bridge over the Ashburton River to connect two sides of our district, and as the main route to travel on State Highway 1. We all know that in peak times, traffic can build up around the bridge. This can be frustrating, which is why we have been discussing the option of another bridge with you in recent years. While we are not undertaking capital expenditure work on this project this year, we are making progress. 2019/20 will see us complete an NZTA Detailed Business Case for funding which we hope will secure central government investment for the second Ashburton Bridge.

The Detailed Business Case has been co-funded between us, NZTA and the Provincial Growth Fund. The overall cost of the bridge is estimated at \$35 million (inflation adjusted). We have signalled through the LTP 2018-28 that we hope to fund 20% of this project, with the remaining 80% to be funded via NZTA and the Provincial Growth Fund.

PUBLIC SERVICES

Ashburton Library and Civic Centre Facility

Council has consulted with the community on the new Library and Civic Centre building, as during 2018/19 it became apparent that the \$22 million budgeted in the 2018-28 Long-Term Plan would not be adequate to provide a building that meets the needs of the current community and future generations. At the 9 May 2019 Council meeting, Council decided to amend the 2018-28 Long-Term Plan to construct a \$51.6 million Library and Civic Centre building located on Baring Square East.

Ashburton Business Estate

Due to strong interest and sales at the Ashburton Business Estate, Council has brought forward the development of Stage 2, 3a and b of the Ashburton Business Estate. This was scheduled for Year 3 of the Long-Term Plan but we will now undertake this work in 2019/20.

EA Networks Centre

Climbing Wall - We had included budget (\$307,000) in the 2018-28 Long-Term Plan for a Climbing Wall to be installed in the stadium. Council has decided to defer this project for a year due to an increase in court usage over 2018/19. We will reconsider a climbing wall when we develop the 2020/21 Annual Plan.

Stadium Indoor Inflatable - Council has included additional budget of \$50,000 to purchase an indoor

inflatable for the stadium in 2018/19. The inflatable will use court space in the stadium during periods of downtime. As well as providing an additional recreational activity for the community, the inflatable will provide additional revenue to the stadium area.

Swim School Extension and Splash Deck - We have budgeted \$5.2 million in Year Three (2020/21) to extend the current learn-to-swim pool and develop a splash deck to meet demand. This will be loan-funded.

EANC Sports Fields Project - We will proceed with fully scoping this proposal and develop accurate costings in 2019/20. We have planned for this project in years four – five of the LTP (on the proviso that the associated sports contribute \$2.4 million towards the \$4.8 million development). There will be extensive consultation with the community as there will be significant rating implications for this project.

Ashburton Town Centre Streetscape Renewals Project

Following consultation undertaken with the community in mid-2018, we are finalising plans for the revitalisation of the Ashburton CBD. Council will be progressing this work in 2019/20 with physical work expected to commence in this financial year. This project is being funded from Parking Reserves and Service Delivery operational budgets, including NZTA funding and other reserves as required.

REGULATORY FUNCTIONS

National Planning Standards / District Plan Review

Council will commence work on the District Plan Review in 2020/21, however, preparatory work and initial discussions will begin in 2019/20. Alongside this, work will begin in anticipation of the National Planning Standards which will include engaging with other Councils to maximise efficiencies. No additional budget is required for the work in 2019/20.

Building Consents

We are expecting more commercial building consent work than usual in 2019/20. This is largely due to the earthquake standards coming into force and the proposed upgrades by the Ministry of Education for a number of schools throughout the district.



Council Income and Expenditure

In the current year (2019/20) Council expenditure shows:

- **operating expenditure** (excluding depreciation) – what it costs Council to deliver its normal business operations. The budgeted operational expenditure for 2019/20 is \$43.8 million.
- **capital expenditure** – investment in new or replacement assets. The budgeted capital expenditure for 2019/20 is \$44.2 million.

Council’s operating expenditure is funded from rates, fees and charges and subsidies and grants. In 2019/20 the total rate requirement is \$37.1 million or around 62% of operating expenditure.

Investment in capital expenditure is funded primarily from development contributions and borrowing. Borrowing for capital expenditure enables the cost of assets with a long life to be spread across current and future generations, rather than making current residents fund the costs of assets that will provide services for future residents. This is called intergenerational equity. The current external borrowing is \$43.9 million as of 30 June 2019.

The following charts show how rates are allocated across the activities of Council in the current year.

For every \$100 of my rate bill in 2019-20, where is it spent?



KEY \$ are per \$100 spent

* The net contribution from forestry and property have been removed to show the rates required for the activity.

Retrospective Funding Impact Statement

For the year ended 30 June

OPERATING FUNDING

| | 2016/2017 | 2017/2018 | 2018/2019 |
|---|---------------|---------------|---------------|
| | Annual Report | Annual Report | Forecast |
| | \$000 | \$000 | \$000 |
| SOURCES OF OPERATING FUNDING | | | |
| General rate, UAGC ¹ , rates penalties | 12,235 | 12,697 | 13,334 |
| Targeted rates | 19,756 | 21,237 | 21,994 |
| Subsidies and grants for operating purposes | 2,282 | 3,172 | 2,084 |
| Fees and charges | 7,449 | 7,528 | 8,170 |
| Interest and dividends from investments | 1,579 | 1,514 | 2,230 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 10,585 | 7,124 | 8,491 |
| Total sources of operating funding | 53,885 | 53,272 | 56,303 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 26,769 | 28,160 | 30,542 |
| Finance costs | 1,837 | 1,624 | 1,989 |
| Other operating funding applications | 10,828 | 12,455 | 10,284 |
| Total applications of operating funding | 39,434 | 42,239 | 42,815 |
| Surplus/(deficit) of operating funding² | 14,451 | 11,033 | 13,488 |

1. UAGC: Uniform Annual General Charges

2. Surplus is used for capital expenditure, renewals, loan repayment, etc.

CAPITAL FUNDING

| | 2016/2017 | 2017/2018 | 2018/2019 |
|--|-----------------|-----------------|-----------------|
| | Annual Report | Annual Report | Forecast |
| | \$000 | \$000 | \$000 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 3,712 | 3,774 | 5,747 |
| Development and financial contributions | 1,581 | 1,114 | 1,342 |
| Increase/(decrease) in debt | (2,306) | (2,715) | 6,151 |
| Gross proceeds from sale of assets | 4,107 | 434 | 240 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| Total sources of capital funding | 7,093 | 2,607 | 13,480 |
| Application of capital funding | | | |
| Capital expenditure | | | |
| - to meet additional demand | 658 | 2,393 | 1,108 |
| - to improve the level of service | 3,621 | 4,815 | 9,021 |
| - to replace existing assets | 12,884 | 11,381 | 12,988 |
| Increase/(decrease) in reserves | 4,382 | (4,950) | 3,851 |
| Increase/(decrease) in investments | 0 | 0 | 0 |
| Total applications of capital funding | 21,545 | 13,640 | 26,968 |
| Surplus/(deficit) of capital funding ¹ | (14,451) | (11,033) | (13,488) |
| Funding Balance | 0 | 0 | 0 |

1. This deficit is met from the operating expenditure surplus (as shown on page 13).

Prospective Funding Impact Statement

For the year ended 30 June

OPERATING FUNDING

| | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|---|---------------|---------------|---------------|---------------|
| | AP Published | LTP 2018-28 | LTP 2018-28 | LTP 2018-28 |
| | \$000 | \$000 | \$000 | \$000 |
| Sources of operating funding | | | | |
| General rate, UAGC ¹ , rates penalties | 13,883 | 14,183 | 14,716 | 15,548 |
| Targeted rates | 23,218 | 25,006 | 24,612 | 25,190 |
| Subsidies and grants for operating purposes | 2,072 | 2,094 | 2,574 | 2,649 |
| Fees and charges | 8,043 | 8,620 | 9,058 | 9,288 |
| Interest and dividends from investments | 1,598 | 2,354 | 2,216 | 2,239 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 8,293 | 8,745 | 8,372 | 9,450 |
| Total sources of operating funding | 57,106 | 61,002 | 61,548 | 64,364 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 31,826 | 31,806 | 32,412 | 33,356 |
| Finance costs | 1,946 | 2,461 | 2,937 | 3,000 |
| Other operating funding applications | 10,027 | 10,899 | 11,083 | 11,376 |
| Total applications of operating funding | 43,799 | 45,166 | 46,432 | 47,732 |
| Surplus/(deficit) of operating funding² | 13,307 | 15,836 | 15,116 | 16,632 |

1. UAGC: Uniform Annual General Charges

2. Surplus is used for capital expenditure, renewals, loan repayment, etc.

CAPITAL FUNDING

| | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--|-----------------|-----------------|-----------------|-----------------|
| | Annual Plan | LTP | LTP | Annual Plan |
| | \$000 | \$000 | \$000 | \$000 |
| SOURCES OF CAPITAL FUNDING | | | | |
| Subsidies and grants for capital expenditure | 5,928 | 6,077 | 7,742 | 7,858 |
| Development and financial contributions | 1,359 | 1,399 | 2,761 | 2,548 |
| Increase/(decrease) in debt | 11,145 | 9,904 | (425) | 2,739 |
| Gross proceeds from sale of assets | 4,874 | 209 | 213 | 1,763 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 | 0 |
| Total sources of capital funding | 23,305 | 17,589 | 10,291 | 14,908 |
| APPLICATION OF CAPITAL FUNDING | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 1,331 | 2,402 | 146 | 2,837 |
| - to improve the level of service | 31,537 | 22,791 | 19,104 | 11,166 |
| - to replace existing assets | 11,349 | 16,305 | 13,506 | 13,476 |
| Increase/(decrease) in reserves | (7,604) | (8,074) | (7,350) | 4,061 |
| Increase/(decrease) in investments | 0 | 0 | 0 | 0 |
| Total applications of capital funding | 36,613 | 33,425 | 25,407 | 31,540 |
| Surplus/(deficit) of capital funding ¹ | (13,307) | (15,836) | (15,116) | (16,632) |
| Funding Balance | 0 | 0 | 0 | 0 |

1. This deficit is met from the operating expenditure surplus (as shown on page 15).

Retrospective Statement of Financial Position

As at 30 June

| | Annual Report | Annual Report | Forecast |
|--------------------------------------|----------------|----------------|----------------|
| | 2016/2017 | 2017/2018 | 2018/2019 |
| | \$000 | \$000 | \$000 |
| EQUITY | | | |
| Ratepayer equity | 449,996 | 457,349 | 470,761 |
| Other reserves | 278,197 | 302,401 | 317,831 |
| Total equity | 728,193 | 759,750 | 788,592 |
| Current liabilities | | | |
| Trade and other payables | 6,902 | 7,216 | 7,216 |
| Employee benefit liabilities | 1,593 | 1,628 | 1,628 |
| Borrowings | 15,136 | 12,136 | 0 |
| Tax payable | 106 | 0 | 0 |
| Landfill closure liability | 15 | 15 | 15 |
| Total current liabilities | 23,752 | 20,995 | 8,859 |
| NON-CURRENT LIABILITIES | | | |
| Payables & deferred revenue | 508 | 486 | 486 |
| Borrowings | 32,406 | 25,271 | 43,989 |
| Derivative financial instruments | 536 | 813 | 813 |
| Employee benefit liabilities | 441 | 462 | 409 |
| Landfill closure liability | 149 | 156 | 156 |
| Total non-current liabilities | 34,040 | 27,188 | 45,853 |
| Total liabilities | 57,792 | 48,183 | 54,712 |
| TOTAL EQUITY AND LIABILITIES | 785,985 | 807,933 | 843,304 |

ASSETS

| | Annual Report | Annual Report | Forecast |
|--|----------------|----------------|----------------|
| | 2016/2017 | 2017/2018 | 2018/2019 |
| | \$000 | \$000 | \$000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 11,078 | 12,514 | 16,169 |
| Other financial assets - term deposits > 90 days | 10,000 | 0 | 0 |
| Trade and other receivables | 4,378 | 4,653 | 4,653 |
| Receivables from non-exchange transactions | 0 | 0 | 0 |
| Local Authority stocks and bonds | 5,642 | 3,112 | 3,112 |
| Inventories | 98 | 91 | 91 |
| Income tax receivable | 0 | 3 | 3 |
| Property intended for sale | 0 | 379 | 379 |
| Property inventory | 244 | 441 | 441 |
| Total current assets | 31,440 | 21,193 | 24,848 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 4 | 0 | 31 |
| Deferred taxation asset | 0 | 31 | 0 |
| Investment in CCOs and similar entities | 4,595 | 4,595 | 4,595 |
| Investment in associate | 1,795 | 1,795 | 1,795 |
| Other financial assets | 935 | 935 | 935 |
| Property inventory | 3,388 | 3,172 | 2,768 |
| Investment properties | 35,485 | 35,851 | 36,620 |
| Biological assets - forestry | 4,751 | 5,243 | 5,243 |
| Intangible assets - software | 695 | 1,075 | 1,091 |
| Property, plant and equipment | 700,377 | 731,135 | 762,470 |
| Work in progress | 2,520 | 2,908 | 2,909 |
| Total non-current assets | 754,545 | 786,740 | 818,457 |
| TOTAL ASSETS | 785,985 | 807,933 | 843,304 |

Prospective Statement of Financial Position

As at 30 June

| | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | Annual Plan | LTP 2018-28 | LTP 2018-28 | LTP 2018-28 |
| | \$000 | \$000 | \$000 | \$000 |
| EQUITY | | | | |
| Ratepayer equity | 477,948 | 491,216 | 505,234 | 514,898 |
| Other reserves | 337,845 | 342,887 | 357,126 | 377,368 |
| Total equity | 815,793 | 834,103 | 862,360 | 892,266 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 9,676 | 9,092 | 9,499 | 8,651 |
| Employee benefit liabilities | 1,628 | 1,869 | 1,910 | 1,949 |
| Borrowings | 3,100 | 3,697 | 3,907 | 4,251 |
| Landfill closure liability | 15 | 15 | 15 | 15 |
| Total current liabilities | 14,419 | 14,673 | 15,331 | 14,866 |
| NON-CURRENT LIABILITIES | | | | |
| Borrowings | 53,662 | 68,537 | 69,890 | 74,249 |
| Derivative financial instruments | 813 | 536 | 536 | 536 |
| Employee benefit liabilities | 462 | 517 | 529 | 540 |
| Landfill closure liability | 156 | 104 | 89 | 74 |
| Total non-current liabilities | 55,093 | 69,694 | 71,044 | 75,399 |
| Total liabilities | 69,512 | 84,367 | 86,375 | 90,265 |
| TOTAL EQUITY AND LIABILITIES | 885,305 | 918,470 | 948,735 | 982,531 |

ASSETS

| | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--|----------------|----------------|----------------|----------------|
| | Annual Plan | LTP 2018-28 | LTP 2018-28 | LTP 2018-28 |
| | \$000 | \$000 | \$000 | \$000 |
| Current assets | | | | |
| Cash and cash equivalents | 8,787 | 7,382 | 2,666 | 6,457 |
| Other financial assets - term deposits > 90 days | 0 | 10,000 | 10,000 | 10,000 |
| Trade and other receivables | 4,041 | 4,220 | 3,943 | 4,595 |
| Local Authority stocks and bonds | 3,112 | 5,642 | 5,642 | 5,642 |
| Inventories | 91 | 102 | 102 | 102 |
| Property inventory | 159 | 404 | 468 | 200 |
| Total current assets | 16,190 | 27,750 | 22,821 | 26,996 |
| Non-current assets | | | | |
| Trade and other receivables | 0 | 4 | 4 | 4 |
| Investment in CCOs and similar entities | 4,595 | 4,595 | 4,595 | 4,595 |
| Investment in associate | 1,795 | 1,795 | 1,795 | 1,795 |
| Other financial assets | 935 | 935 | 935 | 935 |
| Property inventory | 2,450 | 1,750 | 4,160 | 3,960 |
| Investment properties | 37,628 | 41,064 | 42,049 | 43,100 |
| Biological assets - forestry | 5,280 | 4,414 | 4,498 | 4,502 |
| Intangible assets - software | 1,203 | 796 | 701 | 604 |
| Property, plant and equipment | 815,229 | 835,367 | 867,177 | 896,040 |
| Total non-current assets | 869,115 | 890,720 | 925,914 | 955,535 |
| TOTAL ASSETS | 885,305 | 918,470 | 948,735 | 982,531 |

Financial Strategy

How are we performing?



The Council adopted its financial strategy as part of the Long-Term Plan 2018-28. The financial strategy includes limits on rates levels, rates rises and borrowing and aims to promote financial stability, affordability and value for money over the short, medium and long term.

Financial Goals

1. Ensure Council remains financially stable, while financing key priorities
2. Spend money prudently to deliver agreed levels of service, cater for growth and manage assets soundly
3. Ensure rates and fees are kept to a reasonable level
4. Provide clear financial parameters for Council work programmes.

Financial Benchmarking – Local Government (Financial Reporting Prudence) Regulations 2014

Rates Affordability

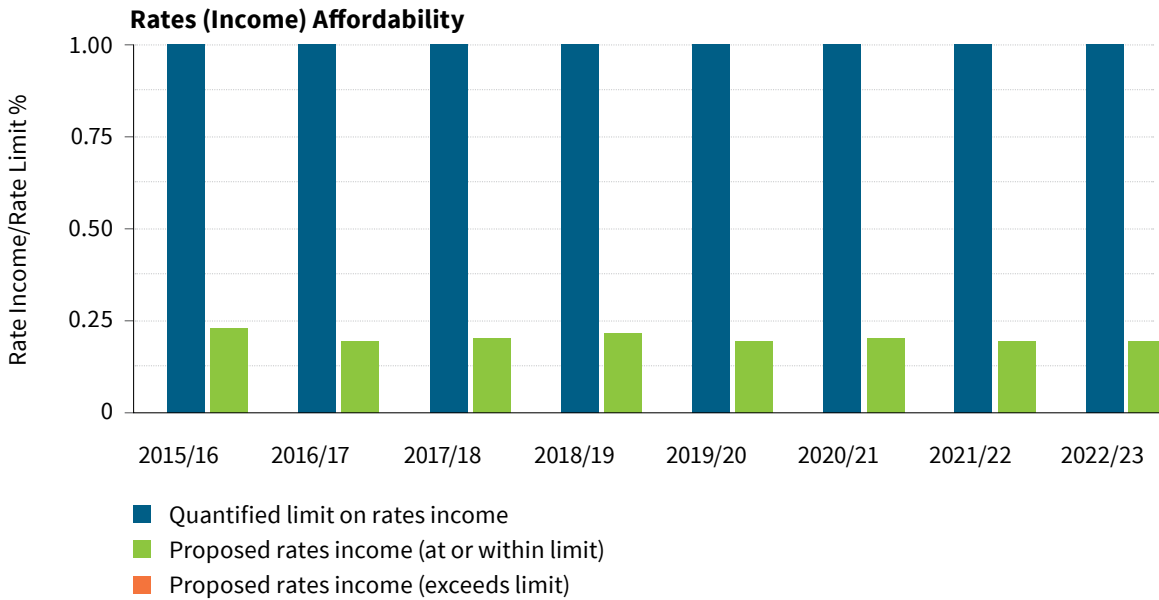
Council has set limits for its annual rate requirement and for the annual change in rates compared with the previous year.

The things Council needs to spend money on are significantly different than for a domestic household. Therefore we need to include a local government price index (LGPI) when looking at rates rather than the more familiar consumer price index (CPI). The forecast LGPI is prepared for the local government sector by Business & Economic Research Limited (BERL).

Council's rate limits are as follows:

RATES INCOME

The following graph compares council's actual rates income with a quantified limit on rate as contained in our Financial Strategy in our Long-Term Plan. The total rates required in any one year are to be no greater than 1% of the total capital value of the district.

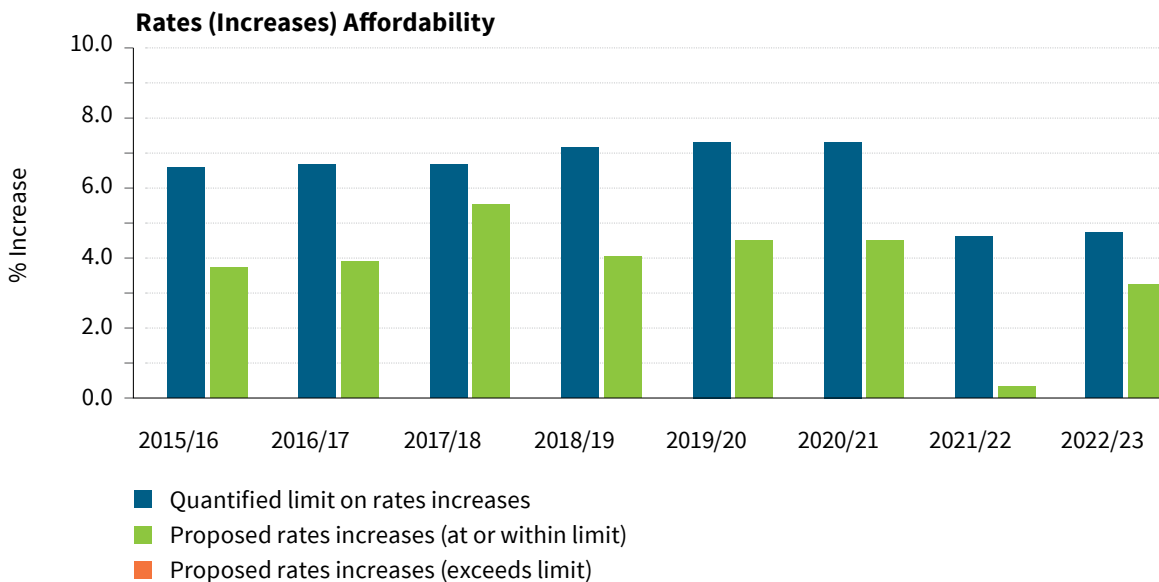


RATES INCREASE

The following graph compares council's actual rates increase with a quantified limit on rates included in the Financial Strategy in our Long-Term Plan. Total rates increase for the 2018/19, and 2019/20 to be no greater than 6% plus LGPI each year.

(The reason for the higher limit in 2018/19 – 2019/20 is due in part part to changes to the increased operating costs of five activities - roading, drinking water, wastewater, economic development and the EA Networks Centre).

- Total rates increase for the years 2020/21 – 2027/28 to be no greater than 3.0% plus LGPI each year.

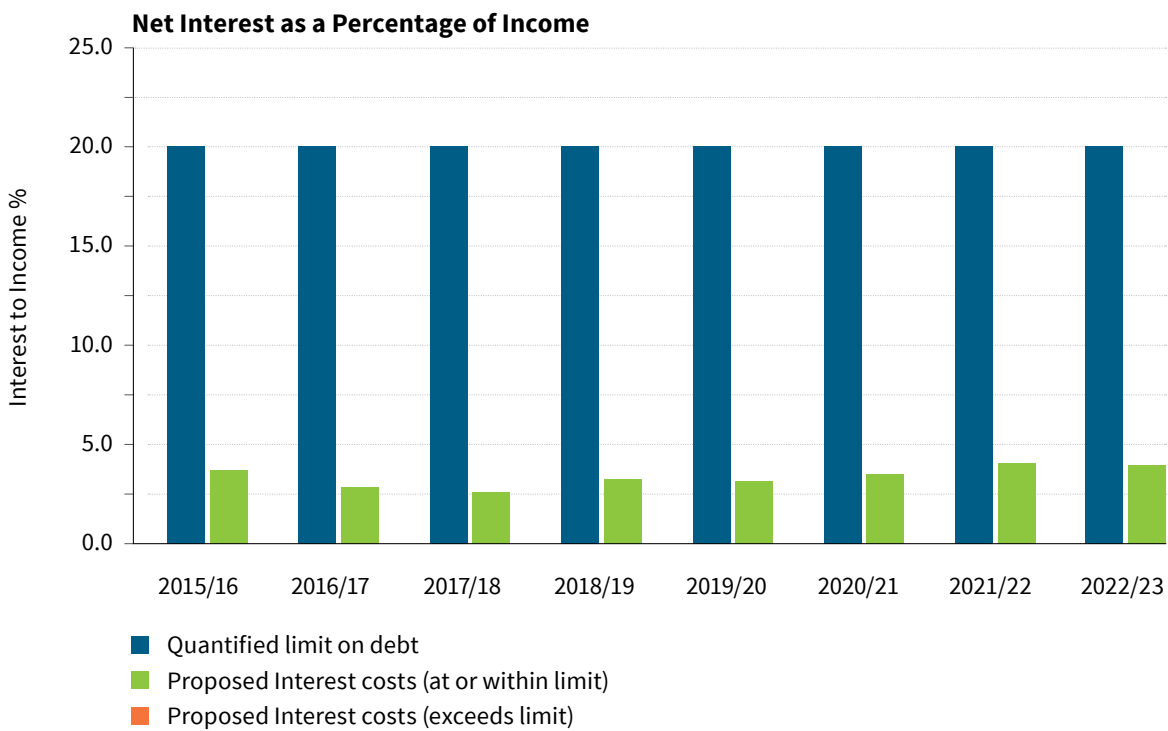




DEBT AFFORDABILITY

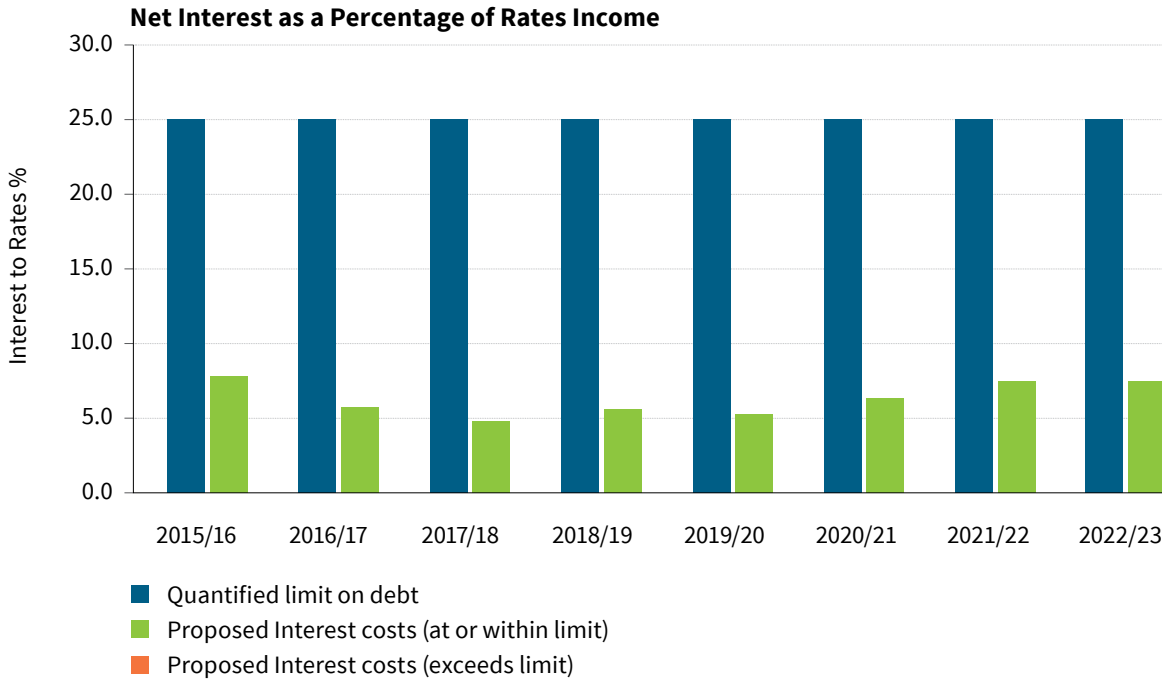
The debt affordability benchmark is met if Council’s planned borrowing is within each quantified limit on borrowing. The following graph compares council’s actual rates borrowing with a quantified limit on borrowing as determined in the Financial Strategy in our Long-Term Plan.

- Net interest payments to service external debt must be less than 20% of total Council revenue (excluding vested assets, infrastructure revaluations and other gains).



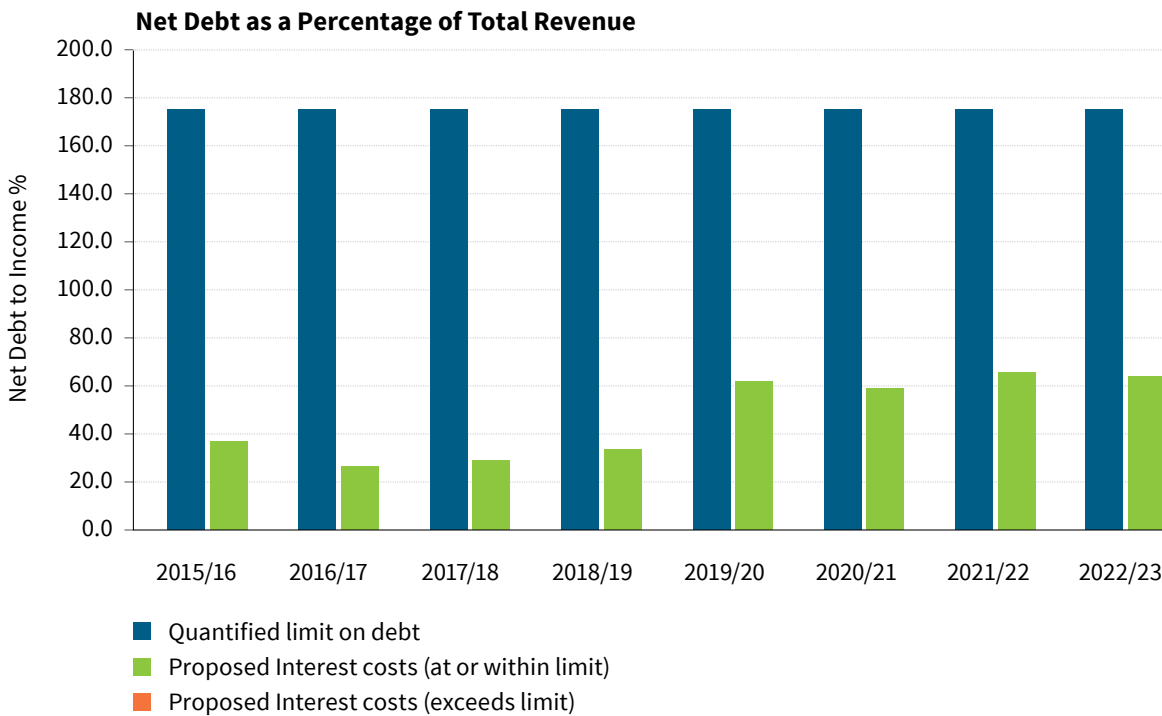
The following graph compares council’s actual borrowing with a quantified limit on borrowing as stated in the Financial Strategy included in our Long-Term Plan.

- Net interest payments to service external debt must be less than 25% of total rates for the year.



The following graph compares council’s actual borrowing with a quantified limit on borrowing as stated in the Financial Strategy included in our Long-Term Plan.

- Net debt shall not exceed 175% of total revenue for the year.



Council also has a policy of a liquidity level of no less than 110%.

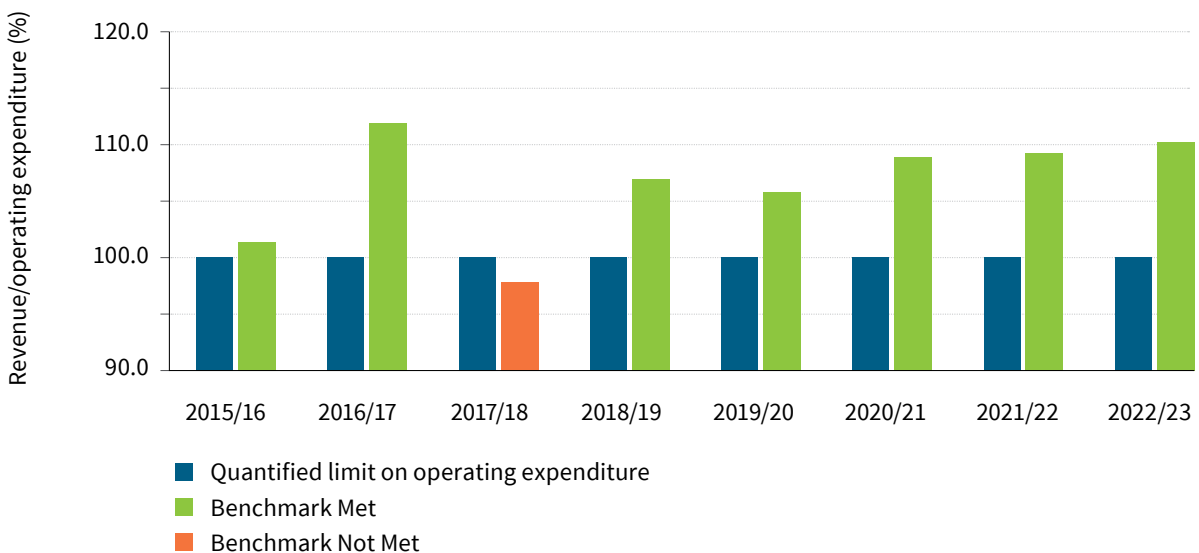


BALANCED BUDGET

Council is required by law to ensure that our budgeted operating revenue is enough to meet our operating expenses each year (a balanced budget).

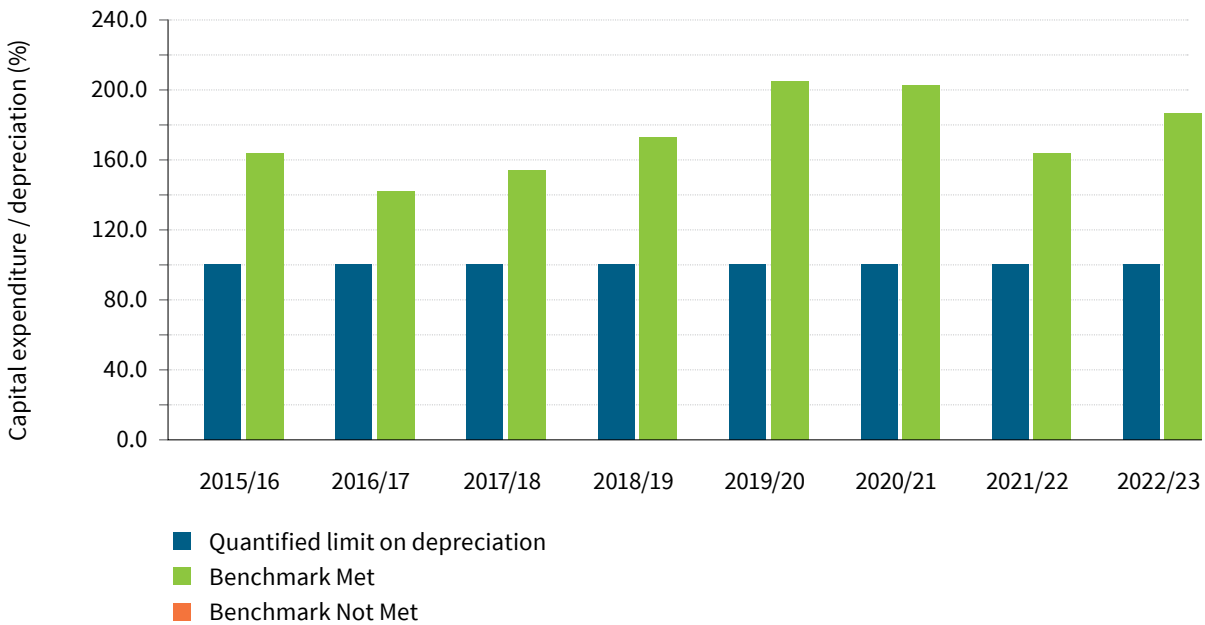
Council revenue excludes development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment. Operating expenditure excludes losses on derivative financial instruments and revaluations of property, plant or equipment.

Council meets this benchmark if its revenue equals or is greater than its operating expenditure.



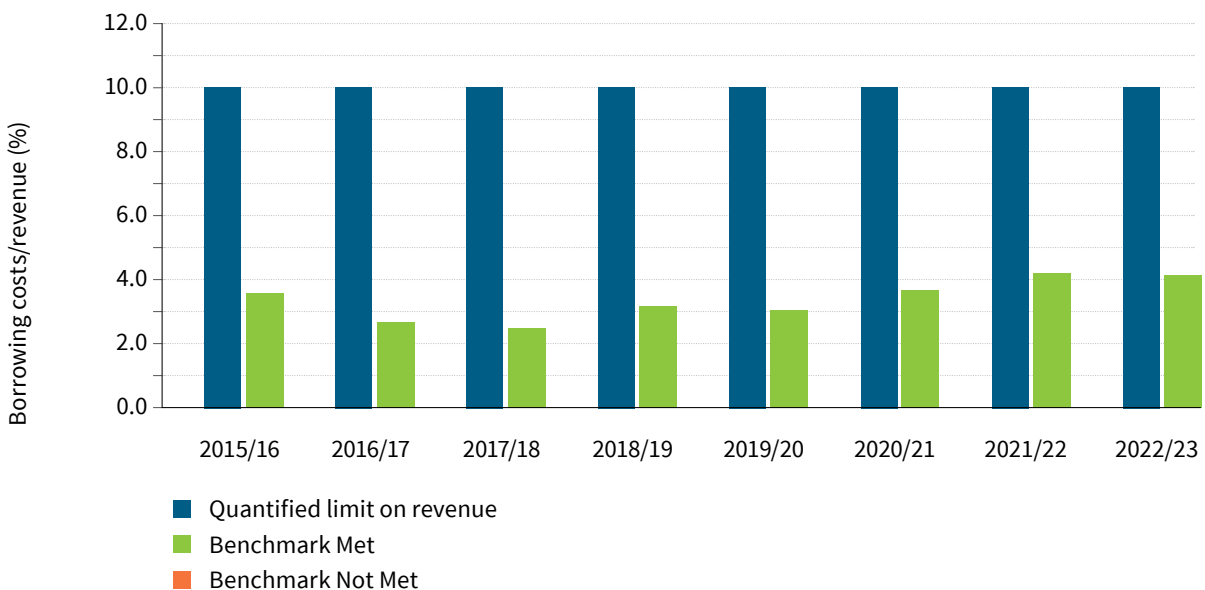
ESSENTIAL SERVICES

The following graph shows council's capital expenditure on infrastructure as a proportion of depreciation on infrastructure. The Council meets this benchmark if its capital expenditure on infrastructure equals or exceeds its expenditure on depreciation. Infrastructure includes roading and footpaths, water supplies, wastewater and stormwater.



DEBT SERVICING

The following graph shows council's borrowing cost as a proportion of revenue (excluding development contributions, financial contributions, rested assets, gains on derivative financial instruments, and revaluation of property, plant and equipment). The Council meets this benchmark if its borrowing costs for the year are less than or equal to 10% of its revenue excluding development contributions, financial contributions, vested assets and revaluation of property, plant or equipment.





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