ASHBURTON DISTRICT COUNCIL

Long-Term Plan

2018-28 Volume 2

Ashburton
DISTRICT COUNCIL

Contents

Mt Hutt
Ashburton District Council

Part 7

FINANCIAL POLICIES AND DISCLOSURES

Significant Forecasting Assumptions

THE LONG-TERM PLAN (LTP) 2018-28 AND ITS SUPPORTING DOCUMENTS ARE BASED ON FORECASTING ASSUMPTIONS FOR PROJECTED CHANGES IN THE DISTRICT.

Schedule 10 of the LGA (2002) requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in long-term plans.

In making these assumptions, there is a degree of uncertainty included in the planning. Where there is a high level of uncertainty, the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty is determined by reference to the likelihood of occurrence and the financial materiality. This means there will be a variation in the levels of reliability in the forecasting for the Long-Term Plan. This section presents the key assumptions with the level of risk and the possible effect of the uncertainty.

The financial information has been prepared on the basis of best estimate assumptions as to future events the Council expects to take place and recent economic shifts and conditions in the New Zealand economy and internationally.

The basis of the forecast cost indices comes from independent industry advice from Business and Economic Research Limited (BERL). This organisation specifically forecasts for price level change indices adjustors for local authorities to use in budget processes consistent with the LTP.

The BERL cost indices have been used for both operating and capital budgets as appropriate. These indices are based on a medium term view and may differ on a particular year.

Other assumptions have been based on information obtained from Statistics New Zealand, Infometrics, and Market Economics Ltd.

Summary of Assumptions

Assumption		Confidence Level	Risk	Consequence
GENERAL ASSUMPTIONS				
1	Population Change	Medium	Low	Minor
2	Household Change	Medium	Low	Minor
3	Demographic Change	High	Medium	Minor
4	Technological Advancements	High	Medium	Moderate
5	Legislative and Political Changes	High	Medium - High	Moderate - Major
6	Climate Change/Natural Hazards Disaster Events	Medium	Medium - High	Major
7	Forestry and Emissions Trading Scheme	Medium	Low - Medium	Minor
8	CCOs and Shareholdings	Medium - High	Low	Minor
9	Resource Consents	High	Low	Moderate
10	Service Levels	Medium	Medium - High	Minor
11	Availability of Contractors and Materials	Medium	Medium - High	Moderate
12	Strategic Assets	High	Low	Moderate
13	Development Contributions	Medium	Low	Minor - Moderate
FINANCIAL ASSUMPTIONS				
1	Inflation	High	Low	Moderate
2	Depreciation rates on planned asset acquisitions	High	Medium	Minor
3	External Borrowing	High	Low	Minor
4	New Zealand Transport Agency Subsidy Level	Low - Medium	Medium - High	Moderate - Major
5	Ashburton Second Urban Bridge Funding	Low	High	Moderate - Major
6	Loan Funding and Interest Rates	High	Medium	Minor - Moderate
7	Useful Lives of Assets	High	Medium	Moderate - Major
8	Funding of Asset Replacement	High	Low	Moderate - Major
9	Asset Revaluation	High	Low	Minor
10	Dividend Income	High	Medium	Moderate
11	Revenue from Freehold Forestry Land Sales	High	Low	Minor
12	Revenue from Residential Property Development	High	Low - Medium	Minor
13	Revenue from Ashburton Business Estate Development	High	Medium	Minor

General Assumptions

1. Population Change

Assumption

Long-term population projections have been developed based on consideration of historic trends, Statistics NZ projections (to 2043), drivers of growth and constraining factors. These projections are used to inform decision making and planning, particularly for long-term asset management. These figures are based entirely on Statistics NZ Census area units which are different from Council's rating areas.

Council has adopted a medium population projection for the district, with an expected 30% increase to 2043 (urban increase of 19%, rural increase of 45%), with the largest population increase projected for the Hinds area (most likely Lake Hood).

RATING INFORMATION	2013	2023	2033	2043
Ashburton Urban	19200	20880	21900	22830
Methven	1770	1970	2090	2170
Rakaia	1150	1250	1280	1290
Rural	10190	12200	13900	15610
District	32300	36300	39200	41900

Confidence Level

Medium

Consequence of Variation of Assumption

Any significant or sustained decline in population growth will affect the ability to set rates at an affordable level. Conversely, any significant or sustained increase above the projections could impact Council's service delivery levels.

Risk

Population change across the district occurs at a higher or lower rate than expected

Risk Level

Low

Approach to Mitigation of Risk

Council obtains robust data from Statistics NZ and Infometrics and monitors population growth regularly, making adjustments to service delivery or rates through annual plans if necessary. Any additional infrastructure due to growth can be funded through development contributions, but costs over these amounts would have to be funded by debt.

2. Household Change (incl Residential Growth)	**Assumption** Statistics NZ releases data on household projections to 2038. Council is following the **medium** projection stream. The average household size for Ashburton District is 2.5. In 2013 there were 12,900 total households. This is projected to increase 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) to 4,400 by 2038 (from the 2013 level of 3,100). The highest increase is projected to be in family households with an increase of 22% (or 2,000 family households) rising from 9,300 to 11,300 by 2038.	**Confidence Level** Medium
	Consequence of Variation of Assumption A slower rate of household growth may mean some activities have overinvested in infrastructure (having too much capacity too soon)	
	Risk Household change across the district occurs at a higher or lower rate than expected	**Risk Level** Low
	Approach to Mitigation of Risk Council will continue its monitoring of household change in the district. Existing infrastructure is being managed to address specific growth factors associated with an activity (i.e. traffic demand or wastewater connections) which may be generated from an increase in the number of households. Additional infrastructure due to growth can be funded through development contributions.	

3. Demographic Change	**Assumption** Ashburton District is experiencing growth in its older population with the projected rates 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% of Maori (an additional 2,730 people), 139% of Asians (1,940 additional people), and 147% of Pasifika (an additional 1,700 people). Europeans will still be the largest ethnic group, but the total percentage of total population will change from 89% in 2013 to 82% in 2038. The biggest difference in the ethnic minorities is the median age being much lower than Europeans, meaning the ethnic minorities are much younger and will make up a larger percentage of the working age population and have increased birth rates. Asian migrants make up the highest projected increase in population through migration, with European migration projected to fall into negative figures by 2038. Ashburton District has also seen an increase in the number of citizenship ceremony's from 45 people in 2010 to 237 in 2017.	**Confidence Level** Medium
	Consequence of Variation of Assumption Customer demand will exceed what Council can deliver for information, service delivery and put increased pressure on Council to introduce new technologies which will likely drive up costs and rates.	
	Risk Demographic changes across the district occur at a higher or lower rate than expected	**Risk Level** Low
	Approach to Mitigation of Risk Forecast demographic changes for an aging population have been projected for Canterbury have been projected for a number of years. Ashburton District's population is aging but not at the same pace as the rest of Canterbury. The effects of the changing demographics will be accommodated for by adapting or redirecting activity provision to meet needs where possible within reasonable costs.	

4. Technological Advancement (incl 4th industrial revolution, disruptive technology, social media)	**Assumption** 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. An example of the frenetic pace of technological change is the average household uses as much internet data that all of New Zealand used in 1998[1]. In the late 1980s, less than 1% of the world's technologically stored information was in digital format, while it was 94% in 2007. With more than 99% digitization occurred by 2014, information is now overtaking infrastructure as one of the largest assets councils own. Technology is advancing in areas such as transportation (electric/driverless vehicles), monitoring equipment (drones, sensors) and Artificial Intelligence which will continue to impact on Council business in future. With the growth in the use of social media, combined with the digitization and increase of multi-use devices, people have more access to information and technology. This results in increased demands for transparency and accountability on councils to fully engage the community in democratic processes. The downside of the increased access to social media is the speed at which misinformation, media manipulation, and distortion of public opinion through "alternative facts" can occur, creating new challenges for local authorities. Business model disruption is one of the main issues for councils currently and is the main cause of retail decline for retail shops. The move towards blockchain[2] technology and digital currency (i.e. Bitcoin) may impact on the commercial transactions of Council and the ability to charge for some services like information that can be accessed for free.	**Confidence Level** High
	Consequence of Variation of Assumption Customer demand will exceed what Council can deliver for information, service delivery and put increased pressure on Council to introduce new technologies which will likely drive up costs and rates.	
	Risk Technology advances faster than Council can adapt	**Risk Level** Medium
	Approach to Mitigation of Risk Monitoring technology changes through involvement with ALGIM and liaising with other councils will assist ADC to keep current as much as it can within its means. As new technology becomes more mainstream, costs go down. Council introduces new technology platforms (apps, handheld devices, online processes, and increased use of social media for community engagement) as part of its core work programs. Additional resource has been allocated in this LTP to enhance the Information Systems team within ADC to address the need to keep pace with new technology. Council has adopted an Information Strategy and is in the process of implementation. This includes the formation of the IS Steering Group. Effectus Ltd. has been retained to provide ongoing industry advice.	

1 McCrindle Research, 2017.

2 Blockchain technology is a continuously growing list of records, linked using secure communication – a digital ledger that is recorded chronologically and publicly (Dictionary.com)

	Assumption	Confidence Level
5. Legislative and Political Changes	Council will be performing in an increasingly volatile and uncertain geo-political and economic environment, coupled with rising citizen activism and demands from residents and ratepayers for more transparency and openness. Conversely, there is also political unrest with an environment of deteriorating rule of law and declining respect for basic civil rights. This makes the work of local authorities increasingly challenging at a time when the pressure is on to keep rates affordable. Local Government NZ commissioned Simpson Grierson to review the disparities between the RMA, LGA and LTMA. The overriding conclusion is councils have to work with outdated and ill-suited legislation and the recommendation was for more work to be done at central government level to address the disparities between these different Acts. Devolution of responsibility from central to local government is expected to continue, along with significant reform in the resource management space. Early indications from the new government are that the proposed local government reforms from the previous government are not expected to result in any forced amalgamation of Council with other territorial authorities, but the compulsory establishment of CCOs are still an unknown. This Long-Term Plan has been prepared based on the assumption that during this ten year cycle, Council will retain the ownership and delivery of services for roading, water services, and regulatory services as per the current LGA02. RMA changes will limit Council's ability to charge financial contributions for reserves and open spaces from 2021 and Council will need to plan for this change. Earthquake-prone building legislation changes has stipulated the timeframes that building owners throughout the district need to comply with to remediate any EQ-prone buildings. With the Representation Review process underway at the time of the development of this LTP, it is possible that the Council structure may change to decrease the number of elected members for the 2019 local body elections. In light of the Havelock North determination (Dec 2017), the potential legislative changes to abolish ground water security status is a factor that will impact on Council's water supply operations. The National Policy Statement for Freshwater Management (2014) has implications for our district's rivers as we await the new government's regional targets to be set for swimmibility measures. Currently Ashburton's rivers usually show reasonable levels of E.coli that are below the national limits for swimmibility; however, with the drive to consider the *average* E.coli readings for the country, this forces districts such as Ashburton to over-compensate for the poor levels of E.coli found in urban areas such as Christchurch, Wellington, Hamilton and Auckland and to meet stricter targets. This comes at a cost to Council. The Government has also announced an intention to review the three waters activity to determine how to improve the management of drinking water, wastewater and stormwater. This may result in a change to the delivery model of these services and by whom in future.	High

<table>
<tr><td rowspan="3">5. Legislative and Political Changes</td><td colspan="2">Consequence of Variation of Assumption

Most legislative changes are signalled with enough time for planning, if urgent legislation is passed then it could impact Council's ability to implement these changes and its service delivery. This includes legislation around water supply in light of the Havelock North determination, particularly for ground water security status.</td></tr>
<tr><td>Risk

Legislation changes under urgency in Parliament that Council must implement immediately (including drinking water supply changes).

New NPS regional water abstraction targets are set for river swimmibility.</td><td>Risk Level

Medium - High</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Changes to any statute involving local government will have an impact on some of the Council's functions and expenditure at different times. The Council will continue to monitor the nature of proposed change and degree of likely impact on the Council's functions to inform any alteration needed.

The Council will continue to participate in the planning, development, revision, implementation, monitoring and reporting related to regional strategies and policies and to represent the district's interests and contribution to the region.

The RMA changes impacts will be reviewed in year two to plan for the change in revenue for the next LTP 2021-2031.

Council has resourced its building team to enforce the EQP legislation, and is assessing and reviewing its own assets to comply with EQP building requirements.

The Council will submit on legislation where appropriate to encourage reduced or improved impacts on Council operations and value for money for ratepayers.

Where legislation requires review of Council processes or staffing, the Council will seek to achieve the most efficient and cost effective way forward.

Where legislation requires Councils to provide additional services or increased levels of service, this may require cost recovery through increases to rates or user fees.

Any changes in political structure will occur via the representation review processes or through formal processes driven either by the community, Council or central government.

The regional water abstraction targets for Ashburton District's rivers have not only been met, but have been exceeded by Council.

Council currently addresses drinking water quality through online monitoring of key water quality parameters. In some schemes in the district such as the Methven Gallery, Council ensures protozoan compliance with chlorination and UV filters, thus reducing the reliance on ground water security status. However, Council has planned for water supply infrastructure upgrades to the Ashburton District's water supply schemes that still rely upon ground water security status. Most of the improvements/upgrades are scheduled for years 1-3 in the LTP.</td></tr>
</table>

6. Climate Change/ Natural Hazard Disaster Events	**Assumption** Climate change will impact on Council's operations and will require an appropriate response to adapt and prepare for potential impacts. The predicted national changes such as increased temperatures, increased sea level, increased heavy rainfall and storm events will impact on different parts of the community in various ways. The increased drought conditions being experienced throughout Canterbury may see further land-use changes and pressures on water supply services; conversely, the increased frequency of flooding events puts 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. GNS put 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 in the case of the breach of the Alpine Fault, are events that can strike without warning and the assumption is there will be no significant event in the ten-year term of this Long-Term Plan.	**Confidence Level** Medium
	Consequence of Variation of Assumption Potentially the effects of climate change, such as natural hazard events, occur more frequently and more severely than projected in the short term.	
	Risk Natural hazard events (including flooding, erosion and drought) will increase over time.	**Risk Level** Medium-High
	Approach to Mitigation of Risk Council's infrastructure planning takes into account the need to sustain extreme weather events and sea level rise. The CDEM planning for community resilience is focusing on community response plans throughout the district. There are less risks to Council's assets due to sea level rise as few structures are located along the coast, and there are very small communities located in hut settlements with 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. Council is also monitoring the geological science updates provided by GNS, such as Project AF8, which is a risk scenario-based earthquake response planning project focused on the Alpine Fault. Council is a member of the Local Authority Protection Programme Disaster Fund Trust (LAPP) and has a variety of insurance cover which would cover emergency works. Council also has a Disaster Relief Fund for the replacement of infrastructural assets excluding roading in the event of a natural disaster. Central government has a role in disaster recovery after a natural disaster.	

7. Forestry and the Emissions Trading Scheme (FETS)	**Assumption** Council's forestry assets have produced some significant income from the sale of carbon credits. After some smaller sales when the carbon market was first launched the Council sold 92,000 units for $18/unit which netted $1.656M of income. Council will continue to sell credits to its best advantage and when returns are acceptable while managing harvesting liabilities. Net income from the forestry activity is used to offset rates. For forests planted prior 1990, the Council has an allocation of 85,560 NZU's all of which have now been sold. The Council has also earned carbon credits for forests planted after 1989 which are registered in the ETS. The Council registered 165 hectares of post 1989 forests in the ETS which has been reduced to 39 hectares following the sale of the Cavendish Farm Forest. The sale of the Cavendish Farm has reduced the Council's ability to earn further carbon credits but it has also reduced the Council's future liabilities. Following the ban on Eastern European Units from the New Zealand ETS scheme, removal of the 1 for 2 liability for emitters and a Labour government the price for NZUs has risen over the last 2 years by more than $10/unit. The price of NZUs is effectively capped below $25/unit with the ability to meet liabilities with a payment of $25/tonne. If this cap is removed the carbon price could go even higher. The market for carbon credits has been volatile with the price drop in 2012 and recovery since then. Most recently the carbon price seems more settled around the $20/tonne mark. The Council has a further 24539 NZUs currently worth over $500K. With regard to future liabilities the level of risk depends on how Council chooses to sell its credits and the level of forestry land sales. As NZ has signed the Paris Agreement to commit to reduce greenhouse gas emissions (GGE), the implementation to reach the target of reducing the GGE by 30% commences in 2021. This may result in Council having to invest more in forestry, but not necessarily by the ways and means of having to plant more trees or retain forestry land as Council could consider investing in North Island forests.	**Confidence Level** Medium
	Consequence of Variation of Assumption Less forestry means less carbon credits for sale, which would reduce Council's income potential from the sale of NZUs. Volatile market rates on the NZU sales could reduce Council's income potential as well. A higher carbon price will either reduce the value of the forestry land being sold or reduce the number of future sales.	
	Risk Physical risks such as fire and wind damage could affect the Council's plantations which could mean the Council faces unexpected liabilities. Volatile market prices could impact on Council's rate of return on NZUs.	**Risk Level** Low - Medium
	Approach to Mitigation of Risk Revenue from carbon credits in the current market would be significant and has therefore been budgeted. Council can choose to sell only its 'safe' level of carbon where carbon credits are retained and future tree growth and replanting will cover liabilities. Council can also structure sales of land to include the carbon liability amount. These risks can be managed by adjusting how plantations are harvested, having plantations in varied locations and/or through initiating new planting.	

8. CCOs and Shareholdings	**Assumption** Council currently has a number of Council Controlled Organisations (CCOs), including (but not limited to) Ashburton Contracting Ltd., Ashburton Stadium Complex Trust, Transwaste Canterbury and Experience Mid Canterbury. Council also has shareholdings in a number of entities including (but not limited to) Eastfields Investments Ltd, Electricity Ashburton, and the Rangitata Diversion Race. The assumption is Council will retain the majority of these CCOs and existing shareholdings, subject to its periodic assessment of returns to ensure they outweigh the risks inherent with investing in these activities in accordance with the LGA. The exception to this is the Ashburton Stadium Complex Trust, which is likely to be wound up within Year One. There is no expectation that additional CCOs will be established for the term of this LTP.	**Confidence Level** Medium-High
	Consequence of Variation of Assumption The establishment of new CCOs to provide core services will impact Council and increase costs of setting these up, will change the delegations of service provision, and the organisational structure for those current internal teams providing the services to the external entity.	
	Risk If the new government passes a revision of the proposed local government reforms from the previous government, the new legislation may enable the government to establish CCOs or force councils to have joint ventures for some core services such as water and transportation. Early indications are this is not likely, but it is still a remote possibility.	**Risk Level** Low
	Approach to Mitigation of Risk Council has made submissions to the proposed central government legislation changes to the LGA and is carefully monitoring the progress of the Bill through Parliament under the new government. It is expected there would be sufficient lead-in time to enable the implementation of these legislative changes should they occur. Council receives Board reports on a quarterly basis of the CCOs and annual reports from shareholding entities to monitor its investments. LGA Amendment Act requires councils to review these arrangements periodically under Section 14(fa)(i & ii); this is scheduled to occur in Year Four of this LTP under the Economic Development activity.	

9. Resource Consents	**Assumption** New resource consents will be obtained with appropriate conditions and expiring resource consents will be renewed with similar conditions during the period of the Long-Term Plan. Resource consents due for renewal can be found within the relevant Activity Management Plan for individual activities. There are no major resource consent renewals during the period of this Long-Term Plan.	**Confidence Level** High
	Consequence of Variation of Assumption The non-granting or non-renewal of a major resource consent for a Council activity would have significant impacts on costs and the ability to provide that activity. A major non-renewal may mean an entirely new approach to the activity would be required. Non-granting of resource consents may delay project benefits.	
	Risk A resource consent is not obtained or renewed or conditions imposed are unacceptable.	**Risk Level** Low
	Approach to Mitigation of Risk Appropriate planning for resource consent applications/renewals should ensure that they are obtained. Existing monitoring of compliance with existing resource consent conditions will provide a record of compliance for future processes. The renewal of consents is dependent upon the legislative and environmental standards and expectations that exist at that time.	

10. Service Levels	**Assumption** Council's assumption for the term of this LTP is that the levels of service do not significantly change. Where there are increased community expectations or demand or a need to vary level of service across the district, there may be changes to levels of service. Government legislation may also impose significant new service levels on the Council, particularly if the NPS for Freshwater Management sets new regional targets that Council has to meet for the rivers in Ashburton District.	**Confidence Level** Medium
	Consequence of Variation of Assumption Increased or improved service levels inevitably require additional cost and/or resources to provide them.	
	Risk Significantly enhanced service levels are demanded by the community or imposed by the government on councils in one or more area of activity	**Risk Level** Medium - High
	Approach to Mitigation of Risk The Council regularly monitors existing service provision within its operation on a day to day basis and through activity management planning. Minor changes may be made to service levels where budget, contracts and resources allow. These will generally occur within existing budgets. Major changes in service levels will be confirmed with the community via consultation. These will generally require increases to fees or rates, depending on how the service involved is funded.	

11. Availability of Contractors, Adequate Staffing, and Other Resources	**Assumption** The asset planning for this LTP is based on the assumption that contractors and materials will be available to undertake the work required to agreed standards, deadlines and cost. Staff recruitment and retention to get the best candidates with suitable skills and qualifications will continue.	**Confidence Level** Medium
	Consequence of Variation of Assumption Might increase cost and/or delay projects	
	Risk Projects could be delayed if there is a shortage of contractors, Council staff, or resources. Additionally, if contractors do not deliver to agreed standards, cost and timeframes, project completion times could be extended and deadlines missed.	**Risk Level** Medium – High
	Approach to Mitigation of Risk Council's procurement policy aims to protect Council when contracting for major projects through a robust tendering process. Where possible, Council aims to spread projects amongst different providers and ensures robust contracts are in place. Recruitment, retention and remuneration are core priorities for People & Capability to ensure Council is well resourced to maintain the levels of service to meet the needs of the community. Annual performance reviews and salary benchmarking through Strategic Pay ensures Council remains competitive in the employment market to help retain staff.	

12. Strategic Assets	**Assumption** Council has a number of strategic assets including land parcels, buildings, and infrastructure assets. It is assumed that Council will remain involved in all activities involving strategic assets and continue to own and control all its strategic assets.	**Confidence Level** High
	Consequence of Variation of Assumption Changes in control or ownership of strategic assets will likely affect the level of service provided to the community.	
	Risk Changes in control or ownership of strategic assets are required.	**Risk Level** Low
	Approach to Mitigation of Risk Changes in control or ownership of strategic assets must occur as part of an LTP development or amendment, with a full Special Consultative Procedure process required.	
13. Development Contributions	**Assumption** Development contributions have been budgeted based on medium population growth projections.	**Confidence Level** High
	Consequence of Variation of Assumption Higher growth rates could create the need for additional infrastructure or bringing capital projects forward. Lower growth rates could result in under-utilised facilities or the need to delay some capital projects.	
	Risk Growth is higher or lower than projected.	**Risk Level** Low
	Approach to Mitigation of Risk Given past demand, growth for infrastructure it is considered the estimated revenue from development contributions is realistic. Most infrastructure projects are able to be adjusted in terms of scale and timing if required, as the percentage of project funding from DCs is relatively small.	

Financial Assumptions

1. Price Level Changes / Inflation

Assumption

For the first year of the Long-Term Plan (2018/19), all financial statements have been prepared using 2018 dollars. Price level adjustments for inflation have been included in all financial statements for the following nine years of the Long-Term Plan.

Price level adjustments for the years 2019/2020 onwards have been derived from forecasts prepared for Local Government New Zealand by Business and Economic Research Limited (BERL) and deal primarily with areas of expenditure local authorities are exposed to through their business.

The capital inflation rate used by Council is a LGCI (Local Government Cost Index) capex category.

The operational inflation rates used by Council is a mixture of staff and LGCI (Local Government Cost Index) opex.

Inflation rates used in the prospective statement of financial position and cashflow are a mixture of GCI earthmoving and site, PPI inputs – water, sewer, drainage and waste, PPI inputs – arts and recreation

YEAR ENDING	CAPEX LGCI	STAFF	PRIVATE SECTOR WAGES	OPEX LGCI	CGI – EARTHMOVING AND SITE	PPI – ARTS AND RECREATION	PPI – WATER, SEWER, DRAINAGE AND WASTE
June 15	2.3	2.0	1.8	2.0	3.2	0.5	3.0
June 16	1.5	1.8	1.7	1.3	1.8	1.3	3.3
June 17	1.5	1.9	1.6	1.5	1.8	1.8	1.1
June 18	1.8	1.6	1.5	1.8	1.9	1.5	2.3
June 19	2.0	1.6	1.9	2.0	2.0	1.3	3.0
June 20	2.2	1.6	1.9	2.2	2.3	1.9	2.8
June 21	2.2	1.7	1.8	2.2	2.4	1.9	2.4
June 22	2.2	1.8	1.6	2.2	2.4	1.9	2.5
June 23	2.3	1.8	1.7	2.3	2.5	2.0	2.6
June 24	2.4	1.9	1.8	2.3	2.6	2.0	2.7
June 25	2.4	1.9	1.8	2.4	2.7	2.1	2.8
June 26	2.5	2.0	1.9	2.5	2.8	2.1	2.9
June 27	2.6	2.0	1.9	2.5	2.9	2.1	3.0
June 28	2.7	2.1	2.0	2.6	3.1	2.2	3.2

Note: For some expenditure types (where an activity includes significant components of more than one of the above descriptors) a combination of the above inflation rates in each year has been used.

Confidence Level

High

Table continues on following page...

1. Price Level Changes / Inflation	**Consequence of Variation of Assumption** If costs vary greatly from what is projected, a higher or lower rate requirement will be needed.	
	Risk Costs may increase at a rate different to that forecast.	**Risk Level** Low
	Approach to Mitigation of Risk Council relies on the BERL price indicators which is the standard for local government.	
2. Depreciation rates on planned asset acquisitions	**Assumption** It has been assumed that the estimates for the useful lives and associated depreciation rates for the major classes of assets are correct. Please see the Statement of Accounting Policy for more information.	**Confidence Level** High
	Consequence of Variation of Assumption Assets depreciate faster than project which will result in Council having to loan fund for cyclic renewals or asset replacement earlier than projected which may result in more debt incurred. If Council opts not to loan fund the renewals or replacement, then rates could rise dramatically.	
	Risk The estimates are incorrect and the assets useful life are longer or shorter than anticipated.	**Risk Level** Medium
	Approach to Mitigation of Risk Council will be required to replace or renew the asset earlier or later than anticipated. Replacement may incur costs earlier or later than budgeted which will result on a loss of disposal which will need to be written off.	
3. External Borrowing	**Assumption** Council can renew its current borrowing and access additional funding in the future.	**Confidence Level** High
	Consequence of Variation of Assumption Council reaches its debt limit and cannot borrow any additional funding, resulting in either project delays or reduced levels of service.	
	Risk Council may not be able to borrow to meet its requirements.	**Risk Level** Low
	Approach to Mitigation of Risk Council is well below its debt limit as it has had a policy of not borrowing for cyclic renewals or operating costs. However, this LTP there is borrowing for cyclic renewals for roading, but Council will still be well within its debt limit. Council has bank loan facilities in place that are renewed two-yearly and Council is able to borrow through the wholesale market and the Local Government Funding Agency.	

4. New Zealand Transport Agency Subsidy Level – Our Roading Network	**Assumption** The Financial Assistance Rate (FAR) received by the Council from the New Zealand Transport Agency for qualifying road works was reviewed in 2015 resulting in a positive adjustment to the FAR for this Council. The Government funding contribution is projected at 51% for the 10 year LTP period. There is a projected increase in spending in roading for this LTP of an additional $3m per annum and it is assumed NZTA will provide its 51% contribution for this increased work. Council will not know for certain until after the LTP is adopted due to the different timeframe for the NZTA budget process to the local government budgeting process. Council has assumed it will receive over $4million of NZTA funding (over the duration of the LTP) from footpath maintenance based on a recent announcement from NZTA.	**Confidence Level** Medium-High
	Consequence of Variation of Assumption NZTA may not provide the additional funding required to complete the work projected, or will reduce the FAR contribution level to be less than the 51% the LTP is based on. This can result in a lower level of service or delay in the work programme, and may result in deterioration of the district's roading and footpath network.	
	Risk The NZTA subsidy rate changes over the life of the Long-Term Plan 2018-28. NZTA do not approve additional funding.	**Risk Level** Medium
	Approach to Mitigation of Risk There has been no indication the FAR will be reviewed in the coming 10 years. Council has planned on internal borrowing from its reserves to partially fund cyclic renewals in the roading programme. This amount could be increased if NZTA decline to increase its funding, or reduces its FAR contribution percentage. Alternatively, Council could adjust the projected work programme to put in a lower level of service or delay projects. Given roading is identified as the number one issue in the community, it is unlikely that Council will reduce its level of service, but may make rates adjustments to fund for higher levels of service.	
5. Ashburton Second Urban Bridge - New Zealand Transport Agency Subsidy Level and Provincial Growth Fund (MBIE)	**Assumption** Council has included the Second Urban Bridge to commence in Year 7, based on the assumption that Council will contribute 20% of the costs with the remaining 80% to be sourced from the New Zealand Transport Agency, whose current Financial Assistance Rate is projected at 51% for the 10 year LTP period and the recently implemented Provincial Growth Fund, administered by MBIE. If this funding does not eventuate, Council will reconsider loan funding or rating to complete the project.	**Confidence Level** Low
	Consequence of Variation of Assumption NZTA may not provide the additional funding required to complete the work projected, or will reduce the FAR contribution level to be less than the 51% the LTP is based on, or Council may be unsuccessful in its application to the Provincial Growth Fund. Either of these outcomes could result in a lower level of service or delay in the work programme, and may result in deterioration of the district's roading network.	
	Risk NZTA do not approve funding anything over and above the current FAR rate of 51% towards the Second Urban Bridge and/or Council is not successful in securing funding from the Provincial Growth Fund.	**Risk Level** High
	Approach to Mitigation of Risk There has been no indication from NZTA the FAR will differ for the Second Urban Bridge project than the standard 51% for roading and while early conversations indicate that the project could be eligible for the PGF this has not been approved at this stage. If this funding is not achieved, Council can loan fund the balance of the cost from within its existing debt limits. Council can revisit this project in the next LTP 2021-31 if there is new information about the NZTA funding, Provincial Growth Fund or support for the Second Urban Bridge.	

6. Loan Funding and Interest Rates	**Assumption** Council uses internal and external loan funding to pay for most capital expenditure. The level of internal borrowing as a ratio of total borrowing, will depend on cash reserves available, and any risk management approaches considered prudent at the time of raising loans. The term of loans raised for most capital expenditure is assumed to be 25 years. The interest rate on all loans over the coming ten years has been assumed to be 4.0%, in the middle of the forecast range. The interest rate received on cash investments is assumed to 4.0% over the ten years as Council's fixed rate investments mature and are reinvested.	**Confidence Level** High
	Consequence of Variation of Assumption Increased rates will to some extent be offset by increased returns from interest-bearing investments. An additional 1% to interest rates for external borrowing would increase the cost of capital by $10,000 per year, per $1 million of loans. If Council's entire external debt was affected in this way it would add $500 - $600,000 in cost each year. Increased revenue from cash investments will help offset any increase in cost.	
	Risk Interest rates may increase significantly which increase Council's costs and rate requirement.	**Risk Level** Medium
	Approach to Mitigation of Risk Council's Treasury Policy contains interest rate risk management tools that will minimise, as far as possible, any adverse interest rate movements. A significant level of Council loans are by way of internal borrowing, Council has the ability to manage risk associated with interest loans and repayments of this type. External borrowing is generally able to be managed in ways that maintain the preferred length of the borrowing term i.e. 25 years.	
7. Useful Life of Assets	**Assumption** Our asset data is reliable and complete to support sound planning and decision-making and assets do not require replacement significantly before, or after, they are forecast.	**Confidence Level** High
	Consequence of Variation of Assumption The qualified asset valuers miscalculate the useful life of key assets, resulting in a need to renew or replace the asset faster than the depreciation funding allows for. Council may have to increase its borrowings or rates to renew or replace the asset.	
	Risk Asset useful life assumptions are incorrect, leading to either asset failure or premature asset replacement.	**Risk Level** Medium
	Approach to Mitigation of Risk Ongoing assessment of the quality of assets means this information is updated regularly and work programmes adjusted to minimise the chance of asset failure. Council has developed an Infrastructure Strategy detailing the level of investment needed to replace, renew or upgrade existing assets over the next 30 years.	

<table>
<tr><td rowspan="4">8. Funding of Asset Replacement</td><td>Assumption

The Council has, over the term of the Long-Term Plan, set revenue levels sufficient to fully fund depreciation of its assets, unless stated otherwise. Funding the replacement of any individual asset will be from the following sources in order of priority:
Prior year credit balances (for an activity funded from targeted rates this effectively represents unspent funds derived from funding depreciation – each account balance receives interest).
Current year's operating surplus, including any cash arising from the funding of depreciation.
Loan funding the balance of the expenditure, with the loan term being the shorter of either 25 years (as described above) or the expected life of the asset.
Depreciation is calculated based on the expected life of assets. This has been determined at the 'major' asset level rather than on a more detailed basis. For further information, please refer to the Statement of Accounting Policies, Revenue and Financing policy, Financial Strategy and the 30 year Infrastructure Strategy.</td><td>Confidence Level

High</td></tr>
<tr><td colspan="2">Consequence of Variation of Assumption

If the depreciation calculations are insufficient to cover the costs of renewing or replacing the asset, it could lead to a higher rating requirement or additional loan funding to cover the costs.</td></tr>
<tr><td>Risk

Asset replacement funding is either insufficient to cover the costs or excessive.</td><td>Risk Level

Low</td></tr>
<tr><td colspan="2">Approach to Mitigation of Risk

Work programmes and budgets are adjusted on an annual basis to reflect asset information.

Council has developed an Infrastructure Strategy detailing the level of investment needed to replace, renew or upgrade existing assets over the next 30 years.</td></tr>
</table>

9. Asset Revaluation	**Assumption** The annual revaluation is assumed to be that of the local government price index derived from the BERL local government price adjusters.	**Confidence Level** High
	Consequence of Variation of Assumption Variations in depreciation funding available or BERL local government adjusters project a LGPI too low or too high.	
	Risk Asset values vary from those forecast	**Risk Level** Low
	Approach to Mitigation of Risk No specific intervention required.	
10. Dividend Income	**Assumption** Council has a number of strategic assets including land parcels, buildings, and infrastructure assets. It is assumed that Council will remain involved in all activities involving strategic assets and continue to own and control all its strategic assets.	**Confidence Level** High
	Consequence of Variation of Assumption If income differs, this will affect the level of contribution able to offset the rate requirement.	
	Risk Income from dividends may differ from what was projected due to fluctuating market prices or decline in dividends.	**Risk Level** Medium
	Approach to Mitigation of Risk Any increase in the rate requirement due to reduced dividend levels is unlikely to be substantial, and if the shortfall is significant Council would review its expenditure levels. Dividend income forecasts can be restated every year through the Annual Plan.	

11. Revenue from Freehold Forestry Land Sales	**Assumption** To get the best return on investment, Council has changed the focus for the forestry portfolio and is in the process of disposing of forestry land where this will produce greater returns to Council.	**Confidence Level** High
	Consequence of Variation of Assumption If market prices for land fall or the Council fails to sell enough of its forestry land, there will be less revenue available to offset rates.	
	Risk The market price for land may vary from the assumed rate. There may not be the level of interest in the land as assumed.	**Risk Level** Low
	Approach to Mitigation of Risk Council has not budgeted for the use of these funds.	
12. Revenue from Residential Property Development	**Assumption** The Property activity budget includes revenue from the sale of sections from Council's Geoff Geering Drive subdivision and from other residential sections. It has been assumed that 29 sections will be sold in the second Geoff Geering Drive development from 2018/19 to 2022/23.	**Confidence Level** High
	Consequence of Variation of Assumption Council may not sell its projected land parcels and will not receive the revenue projected. If land values decline Council may receive less revenue than projected to offset rates.	
	Risk Sections may not sell in the years budgeted.	**Risk Level** Low - Medium
	Approach to Mitigation of Risk Any change to the level of sales will not have significant impact on Council revenue..	

13. Revenue from Ashburton Business Estate Development	**Assumption** The Property activity budget includes revenue from the sale of sections from Council's Ashburton Business Estate. It has been assumed sales will be $3 million per year for each of the coming ten years.	**Confidence Level** High
	Consequence of Variation of Assumption The cost of each $1 million of unsold land would carry an estimated $40,000 of interest cost. If revenue is below this level over time Council may need to rate for the cost of capital.	
	Risk Sections may not sell in the years budgeted.	**Risk Level** Medium
	Approach to Mitigation of Risk Sales revenue of approximately $2.5 million per year is required to fund operating cost and debt on this development. Sales of other Council land assets could be used to fund the debt if required.	

Treasury Management Policy

The Treasury Management Policy includes the Investment Policy and the Liability Management Policy. This policy details the specific policies and procedures in respect of all treasury activity to be undertaken by Ashburton District Council. The formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed. Council is required to have a Liability Management Policy and an Investment Policy. The policies set out procedures and guidelines to be used to safeguard Council's investments, maximise returns and minimise its risks, both in investing and its borrowing liability.

Part I

- **Investment Policy**
  The Investment Policy sets out the objectives of Council's investing activities. The actions required in order to obtain each objective are detailed on an objective by objective basis.
- **Liability Management Policy**
  The Liability Management Policy sets out the objectives of Council's borrowing activities (external and internal). The actions required in order to obtain each objective are detailed on an objective by objective basis.

Part II – Operations:

This section details the day-to-day administration of investments and borrowing of Council, including the controls and procedures used to ensure a clear audit trail of treasury activity and the reporting required of the Finance Manager to Council.

Appendices

Appendix I – Authorised investment criteria for short term funds and long term funds.

Appendix II – Authorised interest rate risk management instruments.

Appendix III – Financial market investment instruments.

Part I — Investment Policy

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Investments and associated risks are monitored and managed, and regularly reported to Council. Council has considerable investments in the following areas:

- Cash and cash equivalents
- Investment property
- Forestry
- Shares
- Other financial assets (i.e. bonds).

These assets form a large part of the total assets of Council, and provide significant income which can be used to offset rates. It is therefore critical that policies are in place that firstly, ensure the risk of capital loss is minimised, and secondly, ensure the maximum return is achieved while minimising risk. This policy sets out how this will be achieved.

Introduction

Council recognises that as a responsible public authority all investments held should be low risk. Council also recognises that low risk investments generally mean lower returns. Council can internally borrow from reserve funds in the first instances to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt.

Council has an investment portfolio which may include:

- Bank deposits
- Local authority bonds
- Corporate bonds
- New Zealand Registered Bank bonds
- Bonds issued by Financial Organisations ("Financials").
- State Owned Enterprise bonds

- Shares
- Forestry
- Property.

This combination of investments supports Council's desire to minimise risk while maintaining options for choice of investment to be based on less commercial criteria. An example of this is ownership of elderly persons housing, which is held for the purposes of providing a social benefit to the community. Council's investments in equities have arisen as a result of local authorities on a nation-wide basis trying to gain from bulk purchasing (i.e. Civic Financial Services Ltd), or for strategic purposes such as the equity investment in Transwaste Canterbury Ltd.

For the purpose of managing Council's investments it is necessary to consider them as belonging to four separate categories:

- Working capital
- Investment funds
- Property I (intended to gain a market return, including forestry)
- Property II (intended for community use or held for strategic purposes and for which gaining a market return is not the highest priority).

Policy Objectives

The objectives of Council's Investment Policy are to ensure that:

1. Council's funds are safeguarded and investments and borrowings selected are not detrimental to other areas of the Council's operations. This requires that guidelines are established to define the investment and borrowing risks acceptable to Council.
2. Council's investment and borrowing activities satisfy the legislation controlling Council's ability to invest and borrow, and the prudent person concept as per the Trustee Amendment Act 1988.
3. Council's investments, both in financial instruments and physical assets, are managed so as to maximise the return, given the maturity profile chosen and within acceptable risk constraints.
4. Additions and disposals of investments are controlled to achieve the greatest benefit for Council while minimising risk.
5. The use of income and gains made by investments is regulated.
6. Council is adequately informed of investments by way of regular reporting.
7. Existing investments held by Council, that do not meet the criteria contained elsewhere in this document, are reviewed individually and are either disposed of or some justification made in writing for their retention and that they be reviewed on a regular basis.
8. Accurate and timely information is produced to maintain appropriate control, exposure monitoring and performance measurement in relation to investment activity.

Policy Implementation

Safeguarding Council's investments and other interests

In order to safeguard Council's interests it is necessary for two criteria to be achieved:

1. The possibility of Council suffering financial loss due to *natural disaster and deterioration*, *interest rate risk* and/or *credit risk* must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.
2. Controls and procedures are implemented to ensure that Council officers are adhering to the policy requirements.

Minimisation of interest rate risk, credit risk and the maintenance of liquidity

Natural disaster and deterioration

The value of Council-owned buildings must be protected by adequate insurance being held against loss by fire and natural disaster and must be maintained as per the relevant asset management plan.

Forestry plantations are to be insured against fire and are to be maintained as per the Forestry Activity Management Plan.

Interest rate risk

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Both debt and investments are subject to this risk. It is necessary to select the term of investments or debt depending on the volatility of the particular market as the longer the term of the transaction, the greater the effect of any movement in the interest rate.

The use of risk management products as detailed in Appendix II of this policy should be considered when any sizeable, long term investment is made. Professional advice should be sought when using these products.

Credit risk

The risk of default by the other party to an investment is best minimised by combining the careful selection of investments which conform to a minimum credit rating and by diversifying the investment portfolio.

As Council is effectively a trustee for public money it must act conservatively, only investments authorised in Appendix I are to be entered into. Investments outside these provisions must only be undertaken with the express consent of Council and subject to criteria specified in this policy.

Diversification of the investment portfolio ensures that only a limited sum is invested in any risk bearing instrument from a single issuer or with a single class of issuer. The lower the credit risk of the issuer or class of issuer, the larger the proportion of funds that may be invested with that issuer or class of issuer.

Council has set limitations on investing with a single issuer or class of issuers for working capital and investment funds. Investment in shares for investment, other than through an equity managed fund are not permitted. This is due to the high risk nature of the share market and the potential for the loss of principal which is less likely to occur through other financial instruments.

Controls and Procedures for Investing

Council acknowledges it is important to clearly document internal control and procedures for investing. These procedures ensure the risk of error and loss to Council are minimised. See Part II of this policy for details of these controls and procedures.

Meeting Legislative Requirements

Council's investment and borrowing must meet all relevant legislative requirements. Most legislation concerning borrowing and investment activities of local authorities is specific and allows little room for subjective decision making. It is essential Council does not contravene any such legislation.

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk but leaves Treasury with only one, very broad, guideline. Ratepayers, in their own capacity, can make decisions on investing in high risk investments but they do not expect Council to get involved in such dealings. Council is a custodian of public money not an organisation whose function is dealing in investment management.

Council officers and elected representatives have a duty to ensure that investment funds are protected and that debt and investments are of an acceptable credit risk defined by this policy.

Managing Investments

Maximising Return

In order for returns on investments to be maximised it is necessary for attention to be paid to several areas:

1. What types of investments should Council be involved in?
    - Should investments be long or short-term?
    - Should investments consist of assets or financial instruments?
    - When are "community projects" a suitable investment?
2. Does the return on these investments match or better Council's required rate of return?
    - Should there be different rates for different types of investment?
    - How should Council's required rate of return be set?

Council acknowledges that any increases in return are likely to bring increased risk. As Council must invest conservatively, the maximisation of returns has a relatively low ceiling.

Determining the type of investments Council should be involved in:

a. Duration of investments

As the achievement of prior objectives requires that Council's portfolio be diversified in terms of duration it is necessary to maintain a mix of both short and long-term

investments, with regard given to whether funds invested are part of the working capital or the investment fund.

The duration of the long-term funds portfolio shall be controlled by referencing its duration against an appropriate external benchmark. Council is able to vary the duration of the portfolio by no more than 25% either side of the benchmark portfolio's duration. Compliance with the duration control is not required if the nominal value of the long term funds portfolio is less than $15 million over a rolling 12 month period.

b. Type of Investment

Investment risk needs to be minimised. This is achieved, in the case of financial market investments, by restricting investments through a combination of credit criteria and limiting investment in any issuer class and in any one individual issuer.

It must also be noted that a variety of legislation applies to the purchase, sale and use of property by local authorities including:

- Local Government Act 2002
- Public Works Act 1981
- Public Bodies Leases Act 1969
- Reserves Act 1977
- Residential Tenancy Act 1986
- Resource Management Act 1991.

Investments in property fall into three classes:

(i) Leased property

The types of assets Council invests in on a commercial basis currently include residential property, commercial property and farm land as well as a large number of commercial and residential properties which are leased via "Glasgow leases".

At present the return on these investments is mixed. Glasgow lease properties have typically provided low returns (as little as 2% on some properties). Part of the reason for this is the restrictions faced by local authorities in leasing land. These restrictions mean Council may find it difficult to divest itself of these assets.

No further Glasgow leases are to be entered into and Council may seek professional advice before purchasing any more land for other investment purposes.

(ii) Forestry

Investment in forestry has been the subject of investment planning within Council and adheres to this investment plan.

The key points of this are as follows:

- profit is to be maximised while minimising risks through management of the tree crop and selection of low risk land for plantings
- benefits of any new forestry projects to be measured using the "internal rate of return" method where the target rate of return = 10 year govt. bonds - inflation + risk.

(iii) Non-commercial properties

Council holds buildings (such as the Ashburton Art Gallery and Heritage Centre premises) for non-commercial purposes and as such does not seek a market return on them nor adequate provision for their eventual replacement. It also holds a number of units let to elderly persons in the district at a concessionary rate. Council has identified properties it holds for non-commercial purposes and a schedule of these is available.

c. Investments in community projects

From time to time groups within the community request loans, advances or guarantees for projects that will benefit the community. As these investments are with organisations Council would not normally invest with Council needs to debate the suitability of any loan application. During this process councillors should pay particular regard to the ability of the applicant to service the debt and repay principal. Council is responsible for authorising any such loans, advances or guarantees.

d. Share Investments

Council believes it may be appropriate to have limited investment in equity (shares) when investing for strategic or social reasons. Equity investments for strategic or social reasons will be approved by Council on a case by case basis.

Return on Investments

Categories of investment

As different investments made by Council serve different purposes it is necessary for the return from these investments to be judged using appropriate criteria. For the purpose of assessing the return received from investments, the following categories of investment are to be assessed separately:

- Working capital
- Investment (long term) funds
- Property I (intended to gain a market return including forestry)
- Property II (intended for community use and not aimed at gaining a market return).

Required return on investment

Generally the term of any investment has a large effect on the rate of return received, with long term investments normally gaining a higher return than short term investments other than those in the interest rate markets where yield fluctuations can be pronounced. Given this, each category of investment is to be subject to a different required rate of return.

Working Capital

As the bulk of funds invested as working capital is in the form of deposits with registered banks, the required rate of return for working capital is the movement in the industry standard short-term rate indices or other indices that are appropriate. The nominal value of this fund is to be determined by the Finance Manager, taking into account the working capital requirements of Council. Short-term funds are defined as investments which at the time of purchase have a maturity date of less than six months.

Performance of the working capital (short-term) funds

The performance of the short-term funds portfolio shall be compared on a quarterly basis against the average of the call rate and the 30, 60, 90 and 180 day bank rates for the preceding quarter. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average is less than $10 million for the relevant quarter.

Investment (long-term) funds

Long-term funds are defined as those which at the time of purchase have a maturity date of more than six months. The nominal value of long-term funds is determined by the Finance Manager taking into account the amount of funds required for working capital purposes. Due to the large choice of investments available and the variations in their duration, the required rate of return on investments is measured against appropriate external benchmarks.

Performance of the investment funds

The performance of the long-term funds portfolio shall be compared against an external benchmark such as one of the NZX's portfolios or a benchmark portfolio constructed for Council. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average less than $15 million for the relevant quarter.

Investments in long-term funds must comply with the criteria listed in Appendix I.

Property I: Ideally property should perform as well as a long-term financial investment i.e. it should be required to have a net return equal to the 10 year government bond rate - inflation + risk to reflect the long term nature. The benefits received from property should be assessed using the "internal rate of return" method as this allows some estimation of capital gains to be included. This should be used as a benchmark to determine which properties should be disposed of (if possible), and which should be retained.

Property II: As these properties are acquired for specific purposes the required return will be set in each case by Council at the time the property is acquired or transferred to its non-commercial use and reviewed every three years. During this process it should first be established that the property is either required for the intended purpose or, that it is being used for some other non-commercial purpose. Secondly the return required from the use of the property should be re-established. Properties already existing in this category should be brought within this review process.

Local Government Funding Agency

Despite anything earlier in this Investment Policy the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council

Because of this dual objective, the council may invest in LGFA shares on the basis that the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required, in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

Liability Management Policy

The Liability Management Policy focuses on borrowing (external and internal) as this is the most significant component of Council's liabilities and exposes Council to the most significant risks. Council raises debt to finance longer term asset creation and renewal. This policy details how Council will raise debt funding, and minimise the cost of debt.

Liabilities

Council is faced with two types of liability, short-term (current) liabilities and long-term liabilities (debt). Current liabilities are those obligations that generally arise from day to day operations (such as trade creditors), and that would normally be expected to be paid (settled) within a twelve month period. These liabilities are planned for, and met, from Council's working capital cash flow management. This policy is more focused on the long term liabilities (loans) which have arisen as a result of purchasing or constructing assets.

This policy sets out the types of debt instruments that are appropriate and sets out policies to minimise the interest risks to Council from borrowings.

Internal borrowing/ investing

This policy explicitly allows for internal borrowing against the investment pool Council maintains. This may be in lieu of external borrowing or may be used together with external fund raising. The policy sets out matters that need to be considered when borrowing either internally or externally.

Policy objectives

The objectives of the Liability Management Policy are to ensure that:

1. Council's borrowings are not detrimental to other areas of the Council's operations. This requires that guidelines are established to define the borrowing risks acceptable to Council.
2. Borrowing activities satisfy the legislation controlling Council's ability to borrow, and the prudent person concept as per the Trustee Amendment Act 1988.
3. Borrowing is managed so as to minimise total borrowing costs given the maturity profile chosen and within acceptable risk constraints.
4. Council is adequately informed of borrowing, by way of regular reporting.
5. Existing debt held by Council, that does not meet the criteria contained elsewhere in this document, is reviewed individually and is either disposed of or some justification made in writing for its retention and that it be reviewed on a regular basis.
6. Council is able to meet its borrowing obligations in an orderly manner as and when they fall due, in both the short and long-term, through appropriate liquidity and funding risk management.
7. Appropriate funding facilities are arranged, ensuring these are at market related margins utilising bank debt facilities and /or capital markets as appropriate.
8. Lender relationships are maintained and Council's general borrowing profile in the capital markets, enable Council to fund itself appropriately at all times.
9. Accurate and timely information is produced to maintain appropriate control, exposure monitoring and performance measurement in relation to the liability management process.

Policy implementation

Safeguarding Council's investments and other interests

In order to safeguard Council's interests it is necessary for two criteria to be achieved:

1. The possibility of Council suffering financial loss due to *natural disaster and deterioration*, *interest rate risk* and/or *credit risk* must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.
2. Controls and procedures are implemented to ensure that Council officers are adhering to the policy requirements.

Minimising interest rate risk, credit risk and the maintenance of liquidity

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Debt is subject to this risk. It is necessary to select the term of debt depending on the volatility of the particular market as the longer the term of the transaction the greater the effect of any movement in the interest rate.

The use of risk management products as detailed in Appendix II of this policy should be considered when large debts are being structured. Professional advice should be sought when using these products.

Meeting Legislative Requirements

Council's debt management must meet all relevant legislative requirements.

Much legislation concerning debt activities of local authorities is specific and allows little room for subjective decision making. It is essential that Council does not contravene any such legislation.

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk but it leaves Treasury with only one, very broad, guideline. Ratepayers, in their own capacity, can make decisions on borrowings but may have different concerns regarding the types of debt Council takes on. Council is not an organisation whose function primarily is dealing in liability management.

Council officers and elected members have a duty to ensure that borrowings are undertaken as per the criteria set out in this policy.

Controls and Procedures for Borrowing

Internal controls and procedures for borrowing are to be clearly documented. These need to ensure the risk of error and loss to Council are minimised. These procedures are detailed in Part II of this policy.

Management of borrowing

In entering into a borrowing transaction sufficient inquiries should be made to enable the selection of the transaction with the lowest total costs of those currently available. These costs include internal administrative costs, managerial resources, interest expense, advisory fees and the transaction costs specific to that form of debt.

At various times it may be possible to refinance a debt in such a way as to reduce the total costs of the transaction. Any such refinancing must take into account the additional costs of refinancing and how the new transaction fits within the context of other sections of this policy.

Council will maintain an overdraft facility of at least $500,000 for day to day cash management purposes.

Council will consider both “interest only” and “principle and interest” repayment loans at the time of raising a loan. If “interest only” loans are raised a funding reserve will be set up to accumulate funds until principle repayments are required as per the applicable loan agreement.

Where possible, Council will secure borrowing against rates revenue in order to gain lower borrowing costs. Physical assets will only be pledged where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance
- Council considers a pledge of physical assets to be more appropriate than a pledge of rates

Debt instruments

The following funding instruments and methods may be used to raise external debt:

- Committed bank facilities
- Uncommitted bank facilities
- Commercial Paper
- Local Authority Bonds which include Fixed Rate Bonds and Floating Rate Notes.
- Local Government Funding Agency debt.

Long-term debt limits

Debt should be maintained within the following limits:

- Net interest costs to be less than 20% of total revenue
- Net interest costs to be less than 25% of total rates revenue
- Net debt shall not exceed 175% of total revenue.

Refer to the Financial Strategy section of the Long Term Plan 2018-28 for more information on Council’s debt limits.

Fixed rate hedging percentages

TERM	MINIMUM FIXED RATE AMOUNT	MAXIMUM FIXED RATE AMOUNT
0-2 years	50%	100%
2-5 years	25%	80%
5-10 years	0%	60%

Fixed rate hedging in excess of 10 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

The fixed rate hedging percentages shall apply to the core debt of Council as detailed in the Long Term Plan/ Annual Plan or as otherwise amended by the Finance Manager. However, if core debt is less than $25 million interest rate hedging is at the discretion of the Finance Manager.

Debt repayment

Council will make provision for the repayment of debt over the life of the asset for which the loan has been raised. This will be either by making regular loan repayments or provision of sinking funds to be used to extinguish debt at a future time.

Authorised interest rate risk management instruments: The Finance Manager may use the following interest rate risk management instruments to manage the core debt of Council.

- Forward rate agreements
- Interest rate swaps
- Forward start interest rate swaps
- Swaptions (options on swaps)
- Interest rate options
- Interest rate collar type structures but only in a ratio of 1:1

It is recognised that the issuance of Fixed Rate Bonds is an acceptable method of achieving compliance with the fixed rate hedging percentages.

Definitions of the above instruments are contained in Appendix II.

Management of funding and liquidity risk: Council must ensure that it has sufficient funds available to meet its obligations as they fall due. Liquidity is improved by maintaining a diversified portfolio of debt and investment with varying degrees of liquidity and maturity dates. This is necessary to allow Council to access funds before maturity should the need arise and to prevent large amounts of debt falling due at the same time.

To avoid a concentration of debt maturity dates, where practicable no more than 50% of total debt can be refinanced in any rolling 12 month period.

Council must maintain committed funding lines of not less than 110% of projected core debt. Core debt is defined as that contained in the Long Term Plan/ Annual Plan or as otherwise determined by the Finance Manager.

Internal borrowing

Internal borrowing against the investment pool Council maintains may be used in lieu of external borrowing. This policy applies whether the loans are internal or external and is governed by the policy covering Council investments in the document.

Local Government Funding Agency

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it consider necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- Subscribe for shares and uncalled capital in the LGFA
- Secure its borrowing from the LGFA and the performance of other obligations to the LGHFA or its creditors with a charge over the Council's rates and rates revenue.

Part II — Operations

This section details procedures and controls to be used by Treasury in order to provide a clear audit trail as to movements in the investments and borrowings undertaken by Council.

2.1 Duties and responsibilities

Duties and responsibilities under this policy are:

Full Council

- Approve the Treasury Management Policy including any amendments proposed by the Finance & Business Support committee
- Approve any hedging outside the parameters of the Treasury Management Policy
- Approve use of any risk management products not authorised by Treasury Management Policy
- Monitor Treasury performance through receipt of appropriate reporting.
- Approve overall borrowing limits on an annual basis through the Long-Term Plan/ Annual Plan process.

Finance & Business Support committee

- Review the Treasury Management Policy every three years or on an "as required' basis and submit any recommended changes to Council for approval.
- Monitor and review the ongoing Treasury performance of Council and compliance with the Treasury Management Policy parameters through receipt of regular reporting.
- Approve any new borrowing facilities recommended by the Finance Manager within overall borrowing limits approved by Council.

Chief Executive/Group Manager: Business Support

- In the absence of the Finance Manager, undertake all his/her duties as detailed in the Treasury Management Policy or delegate the duties as appropriate.

Finance Manager

- Make decisions in respect to treasury management within the parameters of this policy.
- Report to the Finance & Business Support committee on overall treasury activity on a regular basis.
- Manage the bank lender and capital market relationships, providing financial information to lenders and negotiate new/amended borrowing facilities or methods for approval by the Finance and Business Support committee within Council approved limits.
- Execute treasury transactions in the absence of the accountant.

Financial Accountant

- Execute treasury transactions
- Assist the Finance Manager in the preparation of reports to the Finance and Business Support committee
- Check external confirmations against internal records.

2.2 Controls and procedures

Daily Operations

Before investment decisions can be made, the Finance Manager should be aware of Council's immediate and short term cash flow requirements, taking account of:

- regular identifiable payments, e.g. PAYE and other taxes, loan repayments, payroll expenditure, regional council levies
- regular identifiable revenue, e.g. rates, subsidies, interest receipts, annual fees and charges, and debtor and creditor cashflows

Some significant payments will not be identifiable until a few days prior to payment and therefore the Finance Manager needs to leave sufficient liquidity in Council's investment policy to allow for these. Working capital is to be a ratio of 2:1 against current liabilities. Close liaison with other Council departments is essential for stringent cash flow management.

Account must be taken on a regular basis of both working capital and investment funds to allow investment decisions to be made. Working capital funds need to be assessed more frequently than investment funds to allow Council to meet its financial commitments. Loan funds and sinking funds are of a more controlled nature, and management of these funds therefore also requires less frequent attention than the working capital fund.

When making investments documentation must have the signature of the Finance Manager *and* any one of the Accountant, Accounts Officer, or Group Manager – Business Support. For investments made by direct debit, coding from the bank statement must be performed by either the Accounts Officer or Accounts Clerk in order to ensure that the person responsible for the initiation of the transaction is not involved in recording it.

To assist with daily operations the Finance Manager should have a good working relationship with Council's bank representative and also with Council's financial advisor. This will enable the Finance Manager to better evaluate investment opportunities.

Portfolio management

The Finance Manager needs to be aware of investment maturities in each portfolio for three reasons:

- To be aware of interest payment dates
- To ensure investments are actioned on maturity
- To determine whether maturing investments are required to meet cash outflows or are available for reinvestment

Each investment should be separately itemised along with the following details:

- Type of security and issuer
- Interest rate
- Commencement date
- Maturity date
- Type and amount of funds invested, e.g. Working capital or long-term funds
- Supporting documentation to evidence the transaction.

To assist this process, each investment should be numbered. A control account should be used, setting out the types of security and also the types of funds. This will provide a basis for a monthly reconciliation to the ledger and simplify the categorisation of investments held. Upon sale or maturity of each investment, details of the course of action taken should be noted, and where full or partial reinvestment is made, all details should be recorded on the maturing investment. A clear audit trail should be maintained, setting out in chronological order the various investments (by fund type) showing investment reference, amount and security type.

Matching maturities to cash flow requirements is an important part of portfolio management and the Finance Manager must be able to obtain funds when required. Working capital investments would typically be placed on deposit from call to 90 days. In managing the portfolio the Finance Manager will need to continually monitor changes in market conditions. Timely reaction to changes in the market is an essential part of effective funds management.

Informed Decision Making: Two of the key factors in making sound investment decisions are having adequate information with respect to: the financial market; and the funding requirements and objectives of Council. It is important for staff involved in fund management to continually monitor financial markets. This can be done in a number of ways, including:

- Daily contact with financial institutions;
- Reviewing various publications ranging from the business section in the local paper, a metropolitan paper and the National Business Review, etc.
- Monitoring political statements and events in parliament,
- Reviewing Council reports and daily contact with senior staff,
- Maintaining a close working relationship with Council's financial advisors.

2.3 Reporting

To ensure the Treasury Management Policy is being adhered to, the Finance Manager must keep abreast of significant changes in the market which could lead to an alteration in policy, strategy or the nature of investments or liabilities held. The Finance Manager is ultimately responsible to Council to ensure the policies are adhered to and should report to either Council or the Chairman of the Finance & Business Support Committee on a regular basis providing relevant details of the portfolio excluding property.

A monthly summary report should be prepared by the Finance Manager outlining:

- term of investments
- interest rates
- movements in portfolio
- any other appropriate measures contained in this policy.

Annually the Commercial Manager and District Forester will submit a report to the Finance and Business Support committee detailing:

- investments held
- the rate of return received by investments
- confirming adequate insurances are held where appropriate
- movements in portfolio
- maintenance of assets has been carried out as per the relevant asset plan
- revaluations have been carried out where applicable.

Appendix I

Authorised investment criteria for short term funds and long term funds

AUTHORISED ASSET CLASSES	OVERALL PORTFOLIO LIMIT AS A PERCENTAGE OF THE TOTAL PORTFOLIO	APPROVED FINANCIAL MARKET INVESTMENT INSTRUMENTS (MUST BE DENOMINATED IN NZ DOLLARS)	CREDIT RATING CRITERIA – STANDARD AND POOR'S (OR MOODY'S OR FITCH EQUIVALENTS)	LIMIT FOR EACH ISSUER SUBJECT TO OVERALL PORTFOLIO LIMIT FOR ISSUER CLASS
New Zealand Government	100%	Government Stock Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Local Authorities where rates are used as security	60%	Commercial Paper Bonds/MTNs/FRNs	Not Applicable	$2.0 million $2.0 million
New Zealand Registered Banks	100%	Call/Deposits/Bank Bills/ Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	$15.0 million per bank $1.0 million $2.0 million $3.0 million $4.0 million
State Owned Enterprises	70%	Commercial Paper Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

Table continues on following page...

Corporates	60%	Commercial Paper	Short term S&P rating of A1 or better	$3.0 million
		Bonds/MTNs/FRNs	Long termS&P rating of BBB or better	$1.0 million
			Long term S&P rating of A- or better	$2.0 million
			Long term S&P rating of A+ or better	$3.0 million
			Long term S&P rating of AA -or better	$4.0 million
Financials	30%	Commercial Paper	Short term S&P rating of A1 or better	$3.0 million
		Bonds/MTNs/FRNs	Long term S&P rating of BBB or better	$1.0 million
			Long term S&P rating of A- or better	$2.0 million
			Long term S&P rating of A+ or better	$3.0 million
			Long term S&P rating of AA- or better	$4.0 million

The combined holdings of corporates and financials shall not exceed 70% of the portfolio

The combined holdings of entities rated BBB and/or BBB+ shall not exceed 25% of the portfolio

Appendix II

Authorised interest rate risk management instruments

1. Forward rate agreement

An agreement between Council and a counterparty (usually a bank) protecting Council against a future adverse interest rate movement. Council and the counterparty agree to a notional future principal amount, the future interest rate, the date and the benchmark rate, which is listed on BKBM contained in the Reuters system.

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period. A forward rate agreement (FRA) typically applies to a 3 month period, starting at some point within the next 12 months.

2. Interest rate swap

An interest rate swap is an agreement between the Council and a counterparty (usually a bank) protecting Council against a future interest rate movement. Council pays a fixed interest rate and receives a floating interest rate. The parties agree to a notional principal amount, the future interest rate, the settlement dates and the benchmark floating rate, which is listed on BKBM contained on the Reuters system.

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal for an agreed period. Floating rate sets are typically every 1 or 3 months over the life of the swap.

3. Forward start interest rate swap

Objective

To provide Council with certainty as to its interest rate cost on an agreed principal amount for an agreed period, commencing at a future point in time. All other conditions are as with an interest rate swap.

4. Options on a swap – "swaption"

Objective

To provide Council with the right, but not the obligation, to enter into a fixed rate swap at a future point in time on an agreed principal amount for an agreed period. A swaption is an option on a swap and typically requires a premium to be paid.

5. Interest rate options

The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right, but not the obligation to borrow (described as a cap) or invest (described as a floor) at a future date. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark floating rate which is listed on BKBM contained on the Reuters system.

Objective

To provide Council with worst case cover on its interest rate cost on an agreed principal amount for an agreed period. As for an interest rate swap, rate sets are typically at each 1 or 3 month date for the life of the option. A premium is payable for entering into an interest rate option.

6. Interest rate collar

The combined purchase (or sale) of a cap or a floor with the sale (or purchase) of another floor or cap.

Objective

To provide Council with certainty to its interest rate cost on an agreed principal amount for an agreed period, but at the same time to avoid the need to pay an upfront premium.

Appendix III

Financial market investment instruments

1. Introduction

This section provides a brief introduction to a number of financial market instruments. It covers such aspects as the security, liquidity, pricing, payment and delivery of these instruments.

Instrument characteristics

1.1 Expected return

Government stock is a risk free investment and as such regarded as the benchmark from

which the pricing of other investments is determined. For an investment with a higher risk than government stock to be acceptable the return must be proportionately higher.

Although greater returns may be achieved by investing in higher yielding stocks, e.g. in company debentures rather than government stock, the Finance Manager must be satisfied the higher yield represents the extra margin generally required to compensate the investor for increased risk.

1.2 Duration

The duration of investments can vary from a one day term, such as call deposits, to a long term (e.g. 10 years). Ideally, the duration of the investment selected should be determined with reference to the planned expenditure of Council, i.e. investment maturities should closely match expected cash outflows. Duration is not a major concern if the investment is particularly liquid.

If we assume a case where a cash outflow will occur in one year from date of deposit and investment opportunities are considered to be significantly better for a two year term then the decision may be to:

(i) Invest for one year to match cash outflow, or

(ii) Invest for at least 2 years, optimising return on investment, while ensuring the investment has liquidity characteristics which will allow its sale when required.

Note that a risk of adverse interest rate movements exists and must be recognised by the Finance Manager in the context of the overall management of the portfolio.

1.3 Liquidity

Liquidity is provided where there are sufficient buyers for an investment instrument whenever there are sellers. Lack of liquidity may force the seller to discount the price below its current market value. The liquidity of an instrument is affected by characteristics such as the creditworthiness of the issuer and the volume of supply.

If Council has sufficient funds to allow a portion of the investment to be unavailable until maturity, then investments with low liquidity characteristics coupled with low default risk often represent an excellent opportunity to maximise return on investment.

Effective funds management will result in a need to liquidate investments only in unpredictable circumstances. As liquidity is important to interest rate risk management it should be considered before expected return in investment decisions.

Types of financial market investment instruments

Treasury Bills ("T. bills")

T. bills have, until recently, been used by the RBNZ to manage primary liquidity in this country. They were issued for the government, when required by the RBNZ, to reduce interest rate volatility and assist with the management of markets affected by interest rate movements. The use of T. bills has now ceased and been replaced by Reserve Bank Bills. T. bills are still available in the market place for short term investment with maturities commonly ranging from 21 days to 180 days.

The issue of T. bills is at the discretion/instruction of the Debt Management Office of Treasury. This enables the Government to borrow in the same fashion as a private company on the short-term market.

The issuer and registrar of T. bills is the RBNZ. A T. bill is government guaranteed and as such is risk free. The liquidity is good, although it was marginally reduced when replaced by the R.B. bill as the tool for primary liquidity. However T. bills can be bought and sold through any bank, broker or merchant bank. These characteristics make the T. bill a good investment for Council in terms of minimising risk.

Pricing of a T. bill is by the standard discounting formula. Payment is by direct credit to an account nominated by the seller. As a registered document the T. bill is transferred into the investor's name at the registry (RBNZ) and a 'statement' of the position held is then mailed to the investor. This statement substitutes for the certificates used for the other securities. When a T. bill is sold, the investor must arrange to have a transfer delivered to the registry on the date of settlement, instructing that the T. bill be placed into the buyer's name. Payment would simultaneously be made to the Council by that buyer.

Upon maturity of a T. bill no delivery of title is required unless a 'Certificate of Title' has been issued. The registry (RBNZ) will automatically make a payment to the registered holder of the maturing bill. In the past T. bills have traded at yields below comparable bank bill yields. However, since T. bills ceased to be used as a tool for primary liquidity their yields have risen to levels similar to bank bills.

NZ Government inflation indexed bonds

These bonds are particularly appropriate to preserve the value of capital over the long term. They are issued vary rarely and have a duration of about 20 years. Every quarter the principal sum is adjusted for movements in the CPI. Generally the index adjustments are lagged. The index adjustment will be the average percentage change of two quarters ending in the quarter two periods prior to that in which the interest payment and principal adjustment date occurs, e.g. a February 2015 principal adjustment is based on the average movement in the CPI over the two quarters ending September 2014. These bonds are tradable, allowing the investor access to their funds before maturity.

Bank bills

Bank bills may be purchased at a fixed interest rate for a given term, generally ranging between 21 days and 95 days, however, terms are negotiated up to 180 days. Bank bills can be issued by any bank registered with the Reserve Bank of New Zealand ("RBNZ") when approached by a borrower. There are always two parties involved when Bank Bills are drawn down with both being named on the bill. The secondary market for bank bills is the most liquid market for short term securities in New Zealand.

Any bank, broker or merchant bank can act as the buying or selling agent for a bank bill, however, professional investors discriminate between the bills issued by the original four trading banks, and those issued by any other registered bank. Bills issued by ANZ, BNZ, Westpac and the National Bank are more liquid than those from the other registered banks. Security is provided by the issuing bank which accepts and endorses the bills. The drawer is the institution or client wishing to borrow funds from the bank. The acceptor of the bill is the issuing bank.

A bank bill is sold at a discount with the face value payable by the borrower at maturity. All money market investments are priced by determining the present value of the cash flows which are being purchased by the investor.

The face value of the bill is discounted at the market interest rate for the term remaining until maturity of the bill, i.e:

- $1,000,000 discounted at 13.75% for 90 days = $967,207.68, OR
- $967,207.68 invested at 13.75% for 90 days = $1,000,000

Delivery is usually arranged by one of two methods:

- physical delivery to the purchaser
- retention of the instrument in safe custody on behalf of the purchaser at the bank where the purchase was made.

A bank bill is a bearer document. Confirmation is by contract note detailing all conditions and terms of the bill. Physical delivery places a security risk on the investor's ability to safely retain such documents inhouse but is generally not required where the bank holding the bill is the issuer. Where an agent, other than the acceptor, is holding the instrument on behalf of the investor, the investor is exposed to the risk that no such instrument is being held. Thus the purchaser must be absolutely satisfied with the integrity of the agent or, alternatively, take delivery of the instrument and ensure it is held in safe custody. Recent corporate failure has heightened the awareness of the necessity to obtain and have control over all documents.

Payment is usually made by direct credit to the seller's nominated bank account prior to 4.30 p.m. on the date of settlement. In the case where the bank from which the bank bill is purchased holds the Council's current account, the bank may offer to debit the Council's account for payment. Alternative arrangements can be made for payment if negotiated with the selling party at the time of the transaction.

Maturing bills are repayable on the maturity date specified on the bill. Repayment is credited to a nominated bank account. This will be done automatically by the party holding the bill. However, if the bill is being held in the Council's office it must be delivered to the issuing bank for repayment.

Registered certificate of deposit ("RCD")

RCD's are issued in a similar way to bank bills, enabling the investor to accept a fixed interest rate for a term ranging from 21 to 95 days. They are issued by a bank to raise funds in its own name and bear no reference to any borrower/drawer. Security is offered by the issuing bank which endorses the RCD. An active secondary market exists as the issuing bank will often repurchase its own RCD's ensuring that there is adequate liquidity.

Internal investing

Council may also use the investment funds to finance internal borrowings. The interest

and principal would be charged to the Council activity undertaking the borrowing. Matters to be considered are:

- Market loan rates v investment pool rates
- Liquidity of investment pool, i.e. are funds available to use to finance borrowings
- The desired maturity profile for the debt and the investment
- Minimum levels of investment funds required to be held

The aim of internal investing is to provide a win-win situation for the investment pool and the borrowing activity. Internal investment must leave the investment pool in no worse a position then if external investments had taken place. As these investments are repaid via rates, they are considered a low risk investment.

Deposits

Deposits are the simplest form of short term money market investment.

To achieve a competitive rate of return interest rate quotes can be obtained by telephone. The investor will then accept the best offer taking account of the rate and the security of the offering institution. The selected institution is then notified and the monies banked to its account. A certificate or note of acceptance is provided confirming the transaction following settlement.

Generally specific security is not offered however, if a specified security is offered this usually becomes the sole security for the investment. In such a case the security instrument should be delivered to the investor. An example would be where an ANZ bank bill is offered as security for a deposit to an organisation which did not itself have a satisfactory credit rating. The credit risk then becomes that of the ANZ bank, not the borrowing organisation as in the event of default by the borrower the bill would be sold to realise the investment funds.

Interest is payable on the amount deposited and a deposit may either be repaid or renegotiated in part or in full upon the maturity date agreed to at inception. If a deposit has been secured, by delivery of some form of security that security must be returned to the party from whom repayment is sought. Repayment will, in most cases, be made to a bank account nominated by Council.

Stocks/Bonds ("Stocks")

In New Zealand, the terms stocks and bonds are used interchangeably. For the purpose of simplicity in this report we have used the more common term 'stocks'. Stocks are issued by a wide variety of organisations, including the government, to raise long term debt at a fixed interest rate.

Typically the shortest term offered is 2 years and, while commonly the longest term is not more than 10 - 12 years, it can be as long as the issuer requires. Generally stocks are registered investments and knowledge of the registry system will enable swift and efficient transfer of ownership. Bearer stocks are rare.

Commercial Paper

Commercial Paper is a short term bearer security issued at a discount by a borrower who promises to repay the face value of the note to the bearer when the note reaches maturity. Because the only name appearing on CP belongs to the issuer, these securities are sometimes referred to as "one name Paper".

The pricing and marketability of CP is primarily determined by the credit worthiness of the issuer, since it is the issuer who promises to directly repay the bearer of the CP upon maturity. CP is usually issued via an open market tender or dealer system where appointed dealers bid competitively for the CP. An issuer will usually advise the market of its intention to tender CP on a "same day" basis i.e. the market is usually given a few hours notice. A fixed amount is normally offered for tender, with successful bidders being allocated the notes according to the lowest yields bid.

CP may be issued with a term to maturity ranging from 7 to 365 days though maturities of more than one year can and have been arranged the majority of the CP issued in the New Zealand market are for terms of 30, 60 or 90 days. Similar to bank bills, the market price is determined as a discount on the face value of the note using the following formula:

Market price = FV/(1+(Y/100)*(n/365)

Where: FV = face value

Y = yield to maturity

n = number of days to maturity

Investors price P. Notes at a margin over bank bills for a similar maturity. The basis point margin over bank bill bid rate (BBBR) will reflect an investor's assessment of the credit risk of the particular issuer and the paper's marketability or liquidity.

Debentures

Debentures are a form of debt security issued by organisations pursuant to a trust deed. Until 1986 debenture issues were quite common in both the wholesale and retail markets. Debentures are now common only in the retail investor market.

Liquidity is low for debentures. Corporate borrowers have moved from issuing debentures, as was common in the early 1980's, to the use of P. notes or stock issues. This has reduced the volume of debentures available for financial market trading and thus their liquidity. A lack of homogeneity in maturity and interest payment dates also restricts the liquidity of the debenture market.

Security on debentures must be assessed carefully as consideration must be given to the security of the issuing organisation and to the ranking of the debenture. In a very similar fashion to the way mortgages may be registered as first or second, debentures may be first ranking or second ranking.

Debentures are priced on a yield to maturity in a similar fashion to other debt securities, such as stocks and money market investments.

Interest payment dates also vary more on debentures than on the instruments previously described. Several companies chose to debentures with semiannual interest payments however, others issuing them with quarterly interest payments and in some cases compounding interest facilities.

Registration of debentures is often kept by the issuing company; however, it is not uncommon for a registry service to be employed. Certificates are issued to the investors and must be stored securely as return of this document is required before repayment will be made on maturity. If the certificate is lost a legal indemnity must be signed acknowledging responsibility for the loss before another will be issued.

Mortgages - Council as Mortgagor

Commercial or residential mortgages may be issued at the request of the Council. While it is not advisable for the Council to invest in mortgage secured loans as a commercial investment, there may be times when social objectives will override commercial objectives. If such a mortgage investment is made the funds offered should not exceed 65% of an independent registered valuation obtained by Council. The mortgage security should in every case be a first mortgage security. Due consideration must be given to the borrower's ability to repay over the term of the loan. In making this assessment Council may require independent professional advice. Repayments of capital and interest should, in all cases, be made by regular automatic payments to Council's account on predetermined dates.

Equities/Registered Mortgages

Investment in equities (shares) and registered mortgages may be made by council and would need direct Council approval. Should Council wish to invest directly in equities/ registered mortgages it should take professional advice.

Statement of Accounting Policies

Reporting Entity and Statutory Base

The Ashburton District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 and qualifies as a public benefit entity (PBE) under the New Zealand equivalents to the International Public Sector Accounting Standards (IPSAS).

The group consists of the Ashburton District Council and its wholly owned subsidiaries Ashburton Contracting Limited (Council controlled trading organisation) and Experience Mid Canterbury (Council controlled organisation) and its in-substance subsidiaries the Ashburton Community Water Trust and the Ashburton Stadium Complex Trust. Its 20% equity share of its associate Rangitata Diversion Race Management Limited is equity accounted, and its 33% equity share of its associate Eastfield Investments Limited are equity accounted. All Ashburton District Council subsidiaries and associates are incorporated and domiciled in New Zealand.

All Ashburton District Council subsidiaries and the Rangitata Diversion Race Management Limited are incorporates and domiciled in New Zealand.

The primary objective of the Council and group is to provide goods and services for the community or social benefit rather than making a financial return.

The Council is not required to produce its long term plan with group consolidated figures and therefore this plan covers the Council only activity and excludes the wholly owned subsidiaries, in-substance subsidiaries and the associate.

The prospective financial statements comply with Tier 1 PBE Standards, (including PBE FRS 42 – Prospective Financial Statements).

The prospective financial statements were authorised for issue by Council on 28 June 2018.

Basis of Preparation and Statement of Compliance

The prospective financial statements of the Ashburton District Council have been prepared as the going concern basis, and in accordance with the requirements of the Local Government Act 2002 (LGA), which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (GAAP).

They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) and other applicable financial reporting standards as appropriate for New Zealand public benefit entities.

The prospective financial statements of the Ashburton District Council have been prepared in accordance with Tier 1 PBE accounting standards.

It is audited under section 84 of the Local Government Act 2002.

Consolidation

The Council has not consolidated the prospective financial statements to include the Council's subsidiaries Ashburton Contracting Limited and Experience Mid Canterbury.

Subsidiaries

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Council's subsidiaries are accounted for by applying the purchase method, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intra group balances, transactions, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the surplus or deficit from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

Associates

Council's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate initially recognised at cost and the carrying amount in the group's financial statements is increased or decreased to recognise the group's share of surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the group transacts with an associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments are recognised in the surplus or deficit.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

Functional and Presentation Currency

The functional currency of Ashburton District Council is New Zealand dollars and accordingly the financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ('000).

Measurement Base

The General Accepted Accounting Principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis modified by the valuation of certain assets have been followed.

The prospective financial statements have been prepared on a historical cost basis, modified by the revaluation of investment property, certain infrastructural assets, investments, biological assets and financial instruments (including derivative instruments).

Purpose of prospective financial statements

The main purpose of prospective financial statements in the Long Term Plan is to provide users with information about the core services that the Council intends to provide to ratepayers, the expected cost of those services and, as a consequence, how much the Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of Council.

The actual results achieved for any given financial year are likely to vary from the information presented and may vary materially depending upon the circumstances that arise during the period. The prospective financial information is prepared in accordance with Section 95 of the Local Government Act 2002. The information may not be suitable for use in any other capacity.

Joint Ventures

A joint venture is a contractual arrangement whereby the Council and other parties undertake an economic activity that is subject to joint control.

The Council has a 29% interest in the Eastfield Investments Limited. This is a joint venture of landowners from within the Ashburton CBD to enable a comprehensive co-ordinated redevelopment of the inner CBD as a result of the demolition of a number of properties that had been earthquake damaged.

Goods and Service Tax (GST)

These financial statements have been prepared exclusive of GST, except for receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable surplus for the year. Council is not liable as a separate entity to income tax on any of its activities.

Taxable surplus differs from net surplus as reported in the Statement of Comprehensive Revenue and Expense because it excludes items of revenue or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Council's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. The amount of any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the Statement of Financial Position date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax surplus nor the accounting surplus.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Council is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised.

Deferred tax is charged or credited in the Statement of Comprehensive Revenue and Expense, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Council intends to settle its current tax assets and liabilities on a net basis.

Exchange and non-exchange transactions

An exchange transaction is one in which the Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Non-exchange transactions are where the Council receives value from another entity without giving approximately equal value in exchange.

Revenue Recognition

Revenue is measured at fair value.

Revenue is comprised of exchange and non-exchange transactions. Exchange transaction revenue arises when one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange.

Non-exchange transaction revenue arises from transactions without an apparent exchange of approximately equal value. Non-exchange revenue includes rates, grants and subsidies and fees and user charges derived from activities that are partially funded by rates. Revenue relating to non-exchange transactions is recognised as conditions, if any exist, are satisfied.

Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer which is usually when the goods are delivered and title has passed. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods or services.

Rates revenue is recognised by the Council as revenue at the start of the financial year to which the rates resolution relates.

Water billing is recognised based on the volumes delivered.

Dividends are recognised, net of imputation credits, as revenue when the shareholders' rights to receive payment have been established.

Levies, fees and charges are recognised when assessments are issued.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Lease incentives granted are recognised as part of the total rental revenue. Rental revenue from investment and other property is recognised in the surplus or deficit on a straight-line basis over the term of the lease.

Government grants are recognised as revenue to the extent of eligibility for grants established by the grantor agency, or when the appropriate claims have been lodged. New Zealand Transport Agency roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests and assets vested in the Council, with or without restrictions are recognised as revenue when control over the assets is obtained and conditions are satisfied.

Development contributions and financial contributions are recognised as revenue when Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise development contributions and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Grant Expenditure

Non-discretionary grants are those grants 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 and approved.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and successful applicant has been notified of Council's decision.

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, and a reliable estimate can be mad of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax 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 duet 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. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that the Council make of its accumulated surpluses.

The components of equity are:

- Ratepayers equity
- Accumulated operating reserve
- Revaluation reserves
- Special funds and reserves

Special Funds and Reserves

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.

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

Accounts Receivable and Loans

Accounts receivable include rates and water charges and are recorded at their amortised cost using the effective interest rate method which approximates their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for doubtful debts in respect of rates receivables.

Trade receivables are stated at their amortised cost using the effective interest rate method which approximates their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially measured at fair value, including transaction costs. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. At subsequent reporting dates, they are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

An impairment loss is recognised in the surplus /deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest rate method.

The difference between the face value and present value of the expected cash flows of the loan is recognised in the surplus or deficit as a grant.

Inventories

Council inventories are valued at the lower of cost and current replacement cost, less any provision against damaged or old items, with the exception of property inventory which are recorded at the lower of cost and net realisable value.

Property is classified as inventory when it is held for sale in the ordinary course of business, or that is in the process of construction or development for such a sale.

Stocks and Bonds

Stocks and bonds are classified as available-for-sale financial assets. Although they include terms greater than one year, they are readily tradable and are not intended to be held necessarily to maturity. They are revalued each year in the Council's parent financial statements at fair value using market values supplied by an independent advisor. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the surplus or deficit for the period.

Investments

The Council's investments in its subsidiaries are carried at cost less any allowance for impairment loss in the Council's own "parent entity" financial statements.

Property, Plant and Equipment

Property, plant and equipment consist of:

Operational assets – these include land, buildings, landfill post-closure, library books, plant and equipment, and motor vehicles.

Operational property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Restricted assets – are mainly parks and reserves 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 are stated at their revalued amounts. The revalued amounts are their fair values at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost, except for vested assets (see 'Vested Assets'). Certain infrastructure assets and land have been vested in the Council as part of the subdivision consent process.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Revaluation increments and decrements are credited or debited to the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus/deficit. Any subsequent increase on revaluation that offsets a previous decrease in value is recognised first in the Other Comprehensive Revenue up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to Ratepayer's Equity.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

Work in progress has been stated at the lower of cost and net realisable value. Cost comprises direct material and direct labour together with production overheads.

Council land is recorded at cost and there is currently no intention to revalue these assets.

Property held for service delivery objectives rather than to earn rental or for capital appreciation is included within property, plant and equipment. Examples of this are property held for strategic purposes and property held to provide a social service, including those which generate cash inflows where the rental revenue is incidental to the purpose of holding the property, i.e. Council's elderly housing units.

Gains and losses on disposal 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/deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of these assets are transferred to accumulated funds.

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 the 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/deficit as they are incurred.

Buildings

Council buildings are recorded at cost less accumulated depreciation and any accumulated impairment losses. There is currently no intention to revalue these assets.

Vested Assets

Vested assets are recognised at the cost to the developer, except for land, which is valued at fair value, at the time of transfer to the Council. This is then treated as the cost of the land to Council. These assets, other than land, are also subject to depreciation and subsequent revaluation. The vested reserve land has been initially recognised at the most recent appropriate certified government valuation.

Biological Assets – Forestry

In accordance with PBE IPSAS 27, all forests have been valued at 'fair value' less estimated point of sale costs which exclude transportation costs required to get the logs to market. Fair value valuations are based on: plantation age, species, silviculture, type, site, productivity rotation length, expected yields at maturity, expected royalties and discount rate.

Using this information – which is collected from a variety of sources, (including Council's own records and data prepared by the Ministry of Agriculture and Forestry) valuations are calculated for each plantation.

Council has a policy to revalue its forests annually. These have been peer reviewed by PS Olsen Ltd, NZ Institute of Forestry registered consultants. Any increase or decrease in the valuation is reflected in the surplus or deficit.

Forestry Carbon Credits: Carbon credits are initially recognised at cost, or fair value, if

the cost is at a nominal amount. After initial recognition, all carbon credits are assessed annually for impairment.

Investment Properties

Investment properties are properties which are held either to earn rental revenue or for capital appreciation or for both.

Investment properties are stated at fair value at balance date. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. No deduction is taken for disposal costs.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

The valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit worthiness; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate, counter notices have been validly served within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the surplus or deficit.

Rental revenue from investment property is accounted for as described in the Revenue Recognition accounting policy.

When a revalued item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to rate-payers equity. Any loss arising in this manner is recognised immediately in the surplus or deficit.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease revenue is accounted for as described in the Revenue Recognition accounting policy.

Infrastructure Assets

These are the fixed utility systems that provide a continuing service to the community and are not generally regarded as tradeable. They include roads and bridges, water and sewerage services, stormwater systems and parks and reserves. These infrastructural assets are revalued annually, except for land under roads which have not been revalued.

Roading, Footpaths, Wastewater, Stormwater, Stockwater (excluding races), Water Supply, Parks, and Solid Waste assets existing as at 30 June 2017 were revalued on a depreciated replacement cost basis by Council staff and peer reviewed by Opus, independent registered valuers.

The assets were valued using depreciated replacement cost. This required determination of quantities of assets optimised to relate to those required for current service delivery, foreseeable demand, unit rates that reflect replacement with modern engineering equivalent assets, recent contract rates for work in the district, effective lives that take account of local influences and depreciation that defines current value given a definable remaining life.

Land under roads were valued by Quotable Value NZ Limited, independent registered valuers, as at 30 June 2002 and were based on sales of comparable properties. The values relate to an average "unimproved value" calculation in the rural areas of the district, and in the urban areas it is land with no roads, sewers or water supply. Land under roads has not been subsequently revalued and is now carried at deemed cost.

Intangible Assets

Computer software: Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to ten years). Subsequent expenditure on capitalised computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs incurred in acquiring operating system computer software essential to the operation of an item of Property, Plant and Equipment are included with the item of Property, Plant and Equipment and are not classified as an Intangible Asset. Consistent with PBE IPSAS 31.

Other Intangible Assets: An internally-generated intangible asset arising from the Council's development of its research findings is recognised only if all of the following conditions are met:

- An asset is created that can be identified such as new processes;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Council are stated at cost less accumulated amortisation and impairment losses and are amortised on a straight line basis over their useful lives.

Subsequent Expenditure: Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation: Amortisation is charged to the surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and other intangible assets with an indefinite useful life are systematically tested for impairment at each balance date.

Critical judgements, estimates and assumptions in applying Council's accounting policies

The preparation of financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates, and variations may be material.

The estimates and assumptions that have a significant risk of causing material adjustment to the carry amount of assets and liabilities within the next financial year are as follows:

Infrastructural Assets: There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations over the Group's infrastructure assets. These include estimates of road pavement component depth, useful and remaining useful lives, estimates of condition of assets (especially underground assets), and assumptions as to the continuation of existing demand patterns and the lack of any major natural weather event that could give rise to significant asset damage and impairment. Assumptions as to actual physical conditions of the asset is minimised by physical inspections and condition modelling.

Classification of Property: The council owns a number of properties held to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

The Council and management of the Ashburton District Council accept responsibility for the preparation of their prospective financial statements, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Depreciation

Land, paintings and works of art are not depreciated.

Depreciation has been provided on a straight line basis on all other property, plant and equipment at rates which will write off the cost (or valuation) to their estimated residual values over their useful lives.

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

Buildings – major	2.0% S.L	
Buildings – minor	4.0% S.L	
Heavy plant and machinery	5.0% S.L – 13.0% S.L	
Light plant and machinery	6.67% S.L – 25.0% S.L	
Office equipment	10.0% S.L – 36.0% S.L	
Fixtures and fittings	10.0% S.L	
Motor vehicles	7.0% S.L – 13.0% S.L	
Computer equipment	25.0% S.L – 33.0% S.L	
Library books	6.67% S.L	(Adult nonfiction)
	10.0% S.L	(All other books)

Infrastructural assets are depreciated on a straight line basis at rates that will write off their cost, less any estimated residual value, over their expected useful life.

The depreciation rates of other classes of assets are:

Roading and footpaths	Bridges	80 – 150 years
	Culverts	100 years
	Pavement surface	9 – 100 years
	Pavement formation	Not depreciated
	Pavement layers	10 – 100 years
	Footpaths	25 – 75 years
	Street lights	20 – 40 years
	Kerb and channel	75 years
	Traffic signals	12 – 55 years
	Berms	Not depreciated
	Signs	13 years
	Barriers and rails	13 – 30 years
Water reticulation	Pipes	60 – 80 years
	Valves, hydrants	25 years
	Pump stations	10 – 80 years
	Tanks	25 – 60 years
Stockwater	Races	Not depreciated
	Structures	60 years
Sewerage reticulation	Pipes	60 – 100 years
	Laterals	100 years
	Manholes	60 years
	Treatment plant	10 – 100 years
Stormwater systems	Pipes	60 – 80 years
	Manholes	60 years
	Structures	20 – 50 years
Solid waste	Litter bins	10 years
Domains and cemeteries	Playground equipment	10 – 50 years
	Furniture	10 – 30 years
	Structures	10 – 200 years
	Fences	10 – 30 years
	Signs and lighting	10 – 25 years
	Irrigation	8 – 25 years
	Roading	20 – 80 years
	Trees and gardens	Not depreciated

Non-current Assets Held for Resale

Non-current assets classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale, continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Impairment of property, plant and equipment, and intangible assets

Intangible assets subsequently measured at cost that have an infinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant, and equipment and Intangible assets subsequently measured at cost that have an finite useful life are reviewed for impairment 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 value in use.

If an assets carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus/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, 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 and cash generating units is the present value of the expected future cash flows.

Employee Entitlements

Provision is made for annual leave, long service leave, sick leave and retiring gratuities.

The retiring gratuity liability and long service leave are assessed on an actuarial basis using future rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Liabilities for accumulating short-term compensated absences (e.g., annual and sick leave) are measured as the additional amount of unused entitlement accumulated at the balance date, to the extent that the Council anticipate it will be used by staff to cover those future absences.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the financial performance statement when they are due.

Landfill Post-closure Costs

The Council has a legal obligation to provide ongoing maintenance and monitoring services at its closed landfill sites.

To provide for the estimated costs of aftercare, an estimate is done of future annual costs and is then subject to a net present value calculation.

The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Borrowings

Borrowings are initially recorded at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Council or group has an unconditioned right to defer settlement of the liability for at least 12 months after balance date.

Trade Payables

Trade payables are stated at their amortised cost which approximates their nominal value given their short term nature.

Leases

Finance leases: Leases which effectively transfer to the lessee substantially all of the risks and benefits incident to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. Lease payments are apportioned between finance charges and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the surplus or deficit. The leased assets are depreciated over the period the Council is expected to benefit from their use.

The Council currently have no finance leases on their books.

Operating leases: Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight line basis.

Financial Instruments

The Council is party to financial instruments as part of its everyday operations. These financial instruments include bank accounts, Local Authority stocks and bonds, trade and other receivables, bank overdraft facility, trade and other payables and borrowing. All of these are recognised in the Statement of Financial Position.

Revenue and Expenditure in relation to all financial instruments are recognised in the surplus or deficit. All financial instruments are recognised in the Statement of Financial Position at their fair value when the Council becomes a party to the contractual provisions of the instrument.

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council uses derivative financial instruments, primarily interest rate swaps, to reduce its risks associated with interest rate movements. The significant interest rate risk arises from bank loans. The Council's policy is to convert a proportion of its fixed rate debt to floating rates.

The use of financial derivatives is governed by the Council's policies approved by the Council, which provide written principles on the use of financial derivatives consistent with the Council's risk management strategy.

The Council does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Statement of Cash Flows

Operating activities: Include cash received from all income sources of the Council and record the cash payments made for the supply of goods and services. Agency transactions are not recognised as receipts and payments in the Statement of Cash Flows given that they are not payments and receipts of the Council.

Investing activities: Are those activities relating to the acquisition and disposal of non-current assets.

Financing activities: Comprise activities that change the equity and debt capital structure of the Council.

Summary Cost of Services

The Summary Cost of Services as provided in the Statement of Service Performance report is the net cost of service for significant activities of the Council, and are represented by the costs of providing the service less all directly related revenue that can be allocated to these activities.

Overhead Allocation

The Council has derived the net cost of service for each significant activity of the Council using the cost allocation system outlined below. This involves the costs of internal service type activities being allocated to the external service type activities. External activities are those which provide a service to the public and internal activities are those which provide support to the external activities.

Cost allocation policy: Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity / usage information.

Criteria for direct and indirect costs: '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.

Cost drivers for allocation of indirect costs: The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

Internal charges: Are eliminated at the Council level.

Prospective Statement of Comprehensive Revenue and Expense

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Revenue											
Rates	33,803	35,328	37,334	39,190	39,327	40,738	41,559	42,433	43,328	44,115	44,678
Fees and charges	7,609	8,170	8,377	8,620	9,058	9,288	9,494	9,709	10,231	10,457	10,693
Development and financial contributions	1,359	1,342	1,370	1,399	2,761	2,548	1,490	1,522	1,556	1,589	1,624
Subsidies and grants	5,633	7,831	7,962	8,171	10,316	10,507	8,532	8,675	19,468	19,809	8,617
Finance income	905	1,280	1,360	1,360	1,200	1,200	1,400	1,720	2,000	2,320	2,600
Other revenue	11,900	15,204	11,757	12,990	11,413	12,415	13,228	10,602	14,844	14,011	14,509
Gain in fair value of investment properties	826	769	902	962	986	1,051	1,121	884	902	920	939
Gain in fair value of forestry	119	0	91	0	84	3	90	0	0	0	75
Total revenue	**62,154**	**69,924**	**69,151**	**72,693**	**75,145**	**77,751**	**76,915**	**75,546**	**92,329**	**93,222**	**83,736**
Expenses											
Personnel costs	13,844	14,878	15,312	15,613	15,953	16,284	16,630	16,991	17,368	17,759	18,165
Depreciation and amortisation	13,895	15,066	15,646	16,191	16,740	17,650	18,083	18,573	19,073	19,541	20,046
Finance costs	1,969	1,989	2,248	2,461	2,937	3,000	3,188	3,163	3,302	3,253	3,307
Other expenses	24,018	25,948	26,429	27,094	27,542	28,448	28,479	29,117	29,911	30,463	31,205
Loss in fair value of forestry	0	96	0	451	0	0	0	239	657	275	0
Total expenses	**53,726**	**57,976**	**59,636**	**61,810**	**63,172**	**65,382**	**66,380**	**68,083**	**70,311**	**71,292**	**72,723**
Surplus/(deficit) before taxation	**8,428**	**11,948**	**9,515**	**10,883**	**11,973**	**12,369**	**10,534**	**7,464**	**22,018**	**21,930**	**11,013**
Income tax	0	0	0	0	0	0	0	0	0	0	0
Surplus/(deficit) after taxation	**8,428**	**11,948**	**9,515**	**10,883**	**11,973**	**12,369**	**10,534**	**7,464**	**22,018**	**21,930**	**11,013**

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Other comprehensive revenue											
Gain/(loss) on infrastructure revaluation	13,241	16,789	16,545	14,906	16,283	17,537	19,034	20,462	21,924	23,866	26,705
Total other comprehensive revenue	**13,241**	**16,789**	**16,545**	**14,906**	**16,283**	**17,537**	**19,034**	**20,462**	**21,924**	**23,866**	**26,705**
Total comprehensive revenue and expense	**21,669**	**28,737**	**26,060**	**25,788**	**28,257**	**29,906**	**29,568**	**27,926**	**43,942**	**45,796**	**37,718**

Prospective Statement of changes in the net assets/equity

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Equity at the beginning of the year [1]	713,340	753,518	782,255	808,315	834,103	862,360	892,266	921,834	949,760	993,703	1,039,498
Total comprehensive revenue and expense	**21,669**	**28,737**	**26,060**	**25,788**	**28,257**	**29,906**	**29,568**	**27,926**	**43,942**	**45,796**	**37,718**
Balance at 30 June	**735,009**	**782,255**	**808,315**	**834,103**	**862,360**	**892,266**	**921,834**	**949,760**	**993,703**	**1,039,498**	**1,077,216**

1 Due to reforecasting since the Annual Plan 2017/18 was produced, the opening balances at 1 July 2018 differs from the closing balance at 30 June 2018.

Prospective Statement of Financial Position

As at 30 June

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Equity											
Ratepayer equity	465,807	475,131	482,827	491,216	505,234	514,898	522,328	527,266	544,667	565,266	571,579
Other reserves	269,202	307,124	325,488	342,887	357,126	377,368	399,506	422,494	449,036	474,233	505,638
Total equity	**735,009**	**782,255**	**808,315**	**834,103**	**862,360**	**892,266**	**921,834**	**949,760**	**993,703**	**1,039,498**	**1,077,216**
Current liabilities											
Trade and other payables	7,508	8,026	8,386	9,092	9,499	8,651	8,242	8,586	9,005	9,236	8,731
Employee benefit liabilities	1,436	1,781	1,833	1,869	1,910	1,949	1,991	2,034	2,079	2,126	2,175
Borrowings	10,000	4,000	3,097	3,697	3,907	4,251	4,371	4,183	3,621	3,864	3,864
Landfill closure liability	15	15	15	15	15	15	15	15	15	15	15
Total current liabilities	**18,959**	**13,822**	**13,331**	**14,672**	**15,330**	**14,867**	**14,619**	**14,818**	**14,720**	**15,241**	**14,784**
Non-current liabilities											
Borrowings	47,401	49,732	57,234	68,537	69,890	74,249	73,477	77,180	76,559	77,695	77,081
Derivative financial instruments	0	536	536	536	536	536	536	536	536	536	536
Employee benefit liabilities	546	493	507	517	529	540	551	563	576	589	602
Landfill closure liability	149	134	119	104	89	74	59	44	29	14	0
Total non-current liabilities	**48,096**	**50,895**	**58,396**	**69,695**	**71,044**	**75,398**	**74,624**	**78,323**	**77,699**	**78,833**	**78,219**
Total liabilities	**67,055**	**64,717**	**71,727**	**84,367**	**86,374**	**90,265**	**89,243**	**93,141**	**92,420**	**94,074**	**93,003**
TOTAL EQUITY AND LIABILITIES	**802,064**	**846,972**	**880,042**	**918,470**	**948,734**	**982,531**	**1,011,077**	**1,042,901**	**1,086,122**	**1,133,572**	**1,170,219**

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Assets											
Current assets											
Cash and cash equivalents	9,409	14,053	13,064	7,382	2,666	6,457	13,665	18,777	24,346	27,415	34,464
Other financial assets - term deposits > 90 days	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Trade and other receivables	5,153	4,224	4,015	4,220	3,943	4,595	4,453	4,294	5,689	5,703	4,826
Receivables from non-exchange transactions	0	0	0	0	0	0	0	0	0	0	0
Local Authority stocks and bonds	6,272	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642
Inventories	120	100	102	102	102	102	102	102	102	103	103
Property inventory	288	404	404	404	468	200	200	200	200	200	200
Total current assets	**31,242**	**34,423**	**33,227**	**27,750**	**22,820**	**26,997**	**34,062**	**39,015**	**45,979**	**49,063**	**55,235**
Non-current assets											
Trade and other receivables	18	4	4	4	4	4	4	4	4	4	4
Investment in CCOs and similar entities	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595	4,595
Investment in associate	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795
Other financial assets	775	935	935	935	935	935	935	935	935	935	935
Property inventory	2,164	2,558	2,154	1,750	4,160	3,960	3,760	3,560	3,360	7,430	7,230
Investment properties	35,244	39,200	40,101	41,064	42,049	43,100	44,221	45,105	46,008	46,928	47,866
Biological assets - forestry	5,063	4,774	4,865	4,414	4,498	4,502	4,592	4,353	3,696	3,421	3,496
Intangible assets - software	1,062	711	732	796	701	604	756	654	551	446	338
Property, plant and equipment	720,106	757,977	791,633	835,367	867,176	896,039	916,358	942,884	979,199	1,018,957	1,048,725
Total non-current assets	**770,822**	**812,549**	**846,815**	**890,720**	**925,914**	**955,535**	**977,015**	**1,003,886**	**1,040,143**	**1,084,510**	**1,114,985**
TOTAL ASSETS	**802,064**	**846,972**	**880,042**	**918,470**	**948,734**	**982,531**	**1,011,077**	**1,042,901**	**1,086,122**	**1,133,572**	**1,170,219**

Prospective Statement of cash flows

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Cash flows from operating activities											
Receipts from customers	53,149	58,014	60,028	62,472	66,593	67,897	68,083	68,013	79,409	81,751	71,997
Interest revenue	905	1,280	1,360	1,360	1,200	1,200	1,400	1,720	2,000	2,320	2,600
Dividends received	905	950	971	992	1,013	1,035	1,056	1,079	1,103	1,127	1,151
Sale of Ashburton Business Estate	3,000	2,644	2,702	2,760	2,818	3,267	3,336	3,408	3,483	3,558	3,636
Sale of Geoff Geering Drive subdivision	1,260	659	673	688	700	715	0	0	0	0	0
Sale of Lake Hood subdivision	300	0	0	0	0	0	0	0	0	0	0
Payments to suppliers and employees	(36,973)	(39,583)	(40,928)	(41,566)	(45,524)	(45,077)	(45,281)	(45,524)	(46,618)	(52,016)	(49,627)
Interest expense	(1,969)	(1,989)	(2,248)	(2,461)	(2,937)	(3,000)	(3,188)	(3,163)	(3,302)	(3,253)	(3,307)
Income Tax	0	0	0	0	0	0	0	0	0	0	0
Net cash flows from operating activities	20,577	21,976	22,558	24,245	23,863	26,038	25,407	25,533	36,075	33,486	26,451
Cash flows from investing activities											
Sale of investments	0	0	0	0	0	0	0	0	0	0	0
Sale of property, plant and equipment	296	200	200	200	200	1,101	2,363	200	200	200	200
Purchase of investments	0	0	0	0	0	0	0	0	0	0	0
Purchase of property, plant and equipment	(24,759)	(24,779)	(30,192)	(41,832)	(30,300)	(28,007)	(19,617)	(24,089)	(29,477)	(31,949)	(18,939)
Purchase of intangible assets	(936)	(145)	(153)	(198)	(43)	(44)	(295)	(45)	(46)	(47)	(48)
Net cash flows from investing activities	(25,399)	(24,724)	(30,146)	(41,830)	(30,142)	(26,949)	(17,548)	(23,935)	(29,324)	(31,796)	(18,787)

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Cash flows from financing activities											
Loans raised	8,078	7,484	9,372	15,000	5,260	8,610	3,600	7,885	3,000	5,000	3,250
Loan repayments	(659)	(2,485)	(2,773)	(3,097)	(3,697)	(3,907)	(4,251)	(4,371)	(4,183)	(3,621)	(3,864)
Net cash flows from financing activities	7,419	4,999	6,599	11,903	1,563	4,703	(651)	3,514	(1,183)	1,379	(614)
Net increase/(decrease) in cash held	**2,597**	**2,250**	**(989)**	**(5,682)**	**(4,716)**	**3,792**	**7,207**	**5,112**	**5,569**	**3,069**	**7,049**
Opening cash resources	6,812	11,802	14,053	13,064	7,382	2,666	6,457	13,665	18,777	24,346	27,415
Closing cash resources	**9,409**	**14,053**	**13,064**	**7,382**	**2,666**	**6,457**	**13,665**	**18,777**	**24,346**	**27,415**	**34,464**

Funding impact statement

THE PURPOSE OF THE FUNDING IMPACT STATEMENT IS TO SHOW THE REVENUE AND FINANCING MECHANISMS THAT COUNCIL USES TO COVER ITS ESTIMATED EXPENSES.

The funding and rating mechanisms used by Council are contained in the Revenue and Financing Policy. The total of the revenue sources expected are shown in the Prospective Statement of Comprehensive Revenue and Expense and information is also shown in each significant activity. Council proposes to apply the same funding and rating principles to each year of the Long Term Plan.

The Funding Impact Statement is required under the Local Government Act 2002 and conform to the Local Government (Financial reporting) regulations 2014. The Funding Impact Statement has been prepared in accordance with Part 1, Clause 15 of Schedule 10 of the Local Government Act, 2002. Funding Impact Statements for each group of activities can be found in the relevant activity section of the Long Term Plan.

Council will use a mix of several sources to meet operating expenses, with major sources being general rates, dividends, and fees and charges. Revenue from targeted rates is applied to specific activities.

This section includes:

- Council's Funding Impact Statement and reconciliation to the Statement of Comprehensive Revenue and Expense
- Rating Policy and Schedule of Rates

Prospective Funding Impact statement - Council Summary

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Operating Funding											
Sources of operating funding											
General rate, UAGC*, rates penalties	12,658	13,334	14,008	14,183	14,716	15,548	15,330	15,713	15,913	15,984	16,288
Targeted rates	21,146	21,994	23,326	25,006	24,612	25,190	26,229	26,720	27,415	28,131	28,390
Subsidies and grants for operating purposes	2,148	2,084	2,000	2,094	2,574	2,649	2,653	2,879	2,898	2,904	3,076
Fees and charges	7,609	8,170	8,377	8,620	9,058	9,288	9,494	9,709	10,231	10,457	10,693
Interest and dividends from investments	1,810	2,230	2,332	2,354	2,216	2,239	2,462	2,805	3,110	3,455	3,761
Local authorities fuel tax, fines, infringement fees and other receipts	9,305	8,491	8,153	8,745	8,372	9,450	10,202	8,922	9,703	9,353	9,143
Total sources of operating funding	**54,675**	**56,304**	**58,195**	**61,004**	**61,547**	**64,364**	**66,368**	**66,748**	**69,271**	**70,284**	**71,351**
Applications of operating funding											
Payments to staff and suppliers	28,480	30,542	31,136	31,806	32,412	33,356	33,461	34,100	35,187	35,764	36,647
Finance costs	1,969	1,989	2,248	2,461	2,937	3,000	3,188	3,163	3,302	3,253	3,307
Other operating funding applications	10,106	10,284	10,606	10,901	11,082	11,376	11,649	12,008	12,092	12,458	12,722
Total applications of operating funding	**40,555**	**42,815**	**43,990**	**45,168**	**46,432**	**47,732**	**48,298**	**49,271**	**50,581**	**51,475**	**52,676**
Surplus/(deficit) of operating funding	14,120	13,489	14,205	15,836	15,116	16,632	18,071	17,477	18,690	18,809	18,675

* Uniform Annual General Charges

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Capital Funding											
Sources of capital funding											
Subsidies and grants for capital expenditure	3,485	5,747	5,962	6,077	7,742	7,858	5,879	5,796	16,570	16,905	5,541
Development and financial contributions	1,359	1,342	1,370	1,399	2,761	2,548	1,490	1,522	1,556	1,589	1,624
Increase/(decrease) in debt	7,390	2,936	4,590	9,904	(425)	2,739	(2,593)	1,592	(3,046)	(301)	(1,975)
Gross proceeds from sale of assets	195	240	205	209	213	1,762	4,267	227	232	237	291
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	**12,428**	**10,265**	**12,126**	**17,589**	**10,291**	**14,908**	**9,043**	**9,138**	**15,313**	**18,431**	5,481
Application of capital funding											
Capital expenditure											
- to meet additional demand	1,750	1,108	1,158	2,402	146	2,837	612	0	0	53	1,133
- to improve the level of service	12,144	9,735	15,535	22,791	19,104	11,166	4,761	9,850	15,021	21,340	2,331
- to replace existing assets	11,802	12,988	13,109	16,305	13,506	13,476	14,088	13,824	14,032	14,392	15,032
Increase/(decrease) in reserves	853	(78)	(3,470)	(8,075)	(7,350)	4,062	7,654	2,941	4,950	1,455	5,661
Increase/(decrease) in investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	**26,549**	**23,754**	**26,332**	**33,424**	**25,406**	**31,540**	**27,113**	**26,615**	**34,002**	**37,240**	**24,155**
Surplus/(deficit) of capital funding	(14,120)	(13,489)	(14,205)	(15,835)	(15,116)	(16,633)	(18,070)	(17,477)	(18,690)	(18,809)	(18,675)
Funding Balance	0	0	0	0	0	0	0	0	0	0	0

Reconciliation of Statement of Comprehensive Revenue and Expense to Council Funding Impact Statement

	ANNUAL PLAN 2017/18 $000	YEAR 1 2018/19 $000	YEAR 2 2019/20 $000	YEAR 3 2020/21 $000	YEAR 4 2021/22 $000	YEAR 5 2022/23 $000	YEAR 6 2023/24 $000	YEAR 7 2024/25 $000	YEAR 8 2025/26 $000	YEAR 9 2026/27 $000	YEAR 10 2027/28 $000
Total sources of operating funding	**54,675**	**56,304**	**58,195**	**61,004**	**61,547**	**64,364**	**66,368**	**66,748**	**69,271**	**70,284**	**71,351**
plus capital funding sources treated as revenue											
Subsidies and grants for capital expenditure	3,485	5,747	5,962	6,077	7,742	7,858	5,879	5,796	16,570	16,905	5,541
Development and/or financial contributions	1,359	1,342	1,370	1,399	2,761	2,548	1,490	1,522	1,556	1,589	1,624
plus income not treated as funding sources											
Vested assets	1,690	5,763	2,633	3,253	2,028	1,930	1,970	601	4,037	3,531	4,215
Gain in fair value of investment properties	826	769	902	962	986	1,051	1,121	884	902	920	939
Gain in fair value of forestry	119	0	91	0	84	3	90	0	0	0	75
Total revenue	**62,154**	**69,924**	**69,152**	**72,695**	**75,148**	**77,755**	**76,919**	**75,552**	**92,336**	**93,230**	**83,745**
Total applications of operating funding	**40,555**	**42,815**	**43,990**	**45,168**	**46,432**	**47,732**	**48,298**	**49,271**	**50,581**	**51,475**	**52,676**
plus expenses not treated as funding applications											
Depreciation	13,098	15,066	15,646	16,191	16,740	17,650	18,083	18,573	19,073	19,541	20,046
Loss in fair value of forestry	0	96	0	451	0	0	0	239	657	275	0
Unwind derivative financial instrument	73	0	0	0	0	0	0	0	0	0	0
less funding applications not treated as expenses											
Income tax	0	0	0	0	0	0	0	0	0	0	0
Total expenditure	**53,726**	**57,976**	**59,636**	**61,810**	**63,172**	**65,382**	**66,381**	**68,083**	**70,311**	**71,292**	**72,722**
Surplus/(deficit) before tax	8,428	11,948	9,516	10,885	11,977	12,373	10,538	7,470	22,025	21,938	11,023

Rating Policy and Schedule of Rates

(All amounts are GST inclusive and inflation adjusted)

Definitions

In the following policy:

Connected means the rating unit is physically connected to the Council's supply scheme.

Serviceable means the rating unit is not connected but is able and / or entitled to be connected to the Council's supply scheme.

Separately used or inhabited part of a rating unit means any portion of a rating unit used or inhabited by any person, other than the ratepayer or member of the ratepayer's household, having a right to use or inhabit that portion by virtue of a tenancy, lease, license or other agreement.

Separate rateable unit means where targeted rates and / or uniform annual general charge is to be levied on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Business rating unit includes a building or part of a building that is, or is intended to be, separately tenanted, leased or subleased for commercial purposes.
- Residential rating unit includes a building or part of a building that is, of is intended to be, or is able to be used as, as independent residence by any person(s) other than the ratepayer or member of the ratepayer's household, including apartments, flats, semi-detached or detached houses, units, town houses and baches.

Business means those rating units where there are any or all of the following:

- Business operations are carried out on the property
- Purpose-built buildings or modified premises for the purpose of carrying out business
- Resource consents relating to business activity
- Advertising business services on the property, or through media identifying the property as a place of business
- Property has a traffic flow greater than would be expected from a residential residence.

Ashburton CBD (Inner) means all properties used for business purposes within, or adjoining East Street, Havelock Street, Cass Street and Moore Street (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council.)

Ashburton Business means all properties within the urban area of Ashburton (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) used for business purposes.

Ashburton Residential means all properties within the urban area of Ashburton (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) which are not categorised as Ashburton Business.

Methven Business means all properties within the urban area of Methven(as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) used for business purposes.

Methven Residential means all properties within the urban area of Methven (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) which are not categorised as Ashburton Business.

Rakaia Business means all properties within the urban area of Rakaia(as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) used for business purposes.

Rakaia Residential means all properties within the urban area of Rakaia (as more particularly described by reference to the Ashburton District Council "Rating Areas Map Book" held by the Council) which are not categorised as Ashburton Business.

Rural means properties that are not defined as part of the above rating areas.

Group Water means the water supplies that have been grouped together for the purpose of rating each connected or serviceable property equally.

Note: The rationale determining how the rate is applied to various rating groups is contained in the Council's Revenue and Financing Policy.

Rates charges and examples

The Long Term Plan proposes a number of rate increases in both the general and targeted rates. The average annual rates increase over the 10 years covered by the Long Term Plan is as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
RATE INCREASE %	4.5	5.7	5.0	0.4	3.6	2.0	2.1	2.1	1.8	1.3

Approximately 61% of Council's total expenditure is funded by rates. The remainder of the expenditure is funded from other sources including government grants, user-pay charges, Council investment income and community funds. Property development contributions also provide funds for new reserves, road and footpaths, water and wastewater assets.

The following examples show how the adopted changes will affect properties in different areas. The examples show the rate charges for 2018/19 (year 1) as well as giving actual rates for the previous year.

In the following examples the variables are used to demonstrate the potential impacts on rateable properties in different locations:

- Methven-Springfield, Montalto, Lyndhurst and Barrhill water supply rates are not included and are additional to the rates identified.
- Lake Clearwater and Rangitata Huts rubbish collection rates are not included and are additional to the rates identified.
- Water metered charges are not included and are additional to the rates identified.
- Stockwater rates are not included and are additional to the rates identified.
- Wastewater pan charges are not included and are additional to the rates identified.

Ashburton – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**292,000**	**292,000**
General Rate	102.30	97.40
UAGC	509.80	550.80
Roading Rate	129.60	140.90
Ashburton Residential Amenity Rate	90.70	0.00
Ashburton Urban Amenity Rate	124.80	225.20
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	192.60	216.40
	1,978.20	**2,105.40**

Ashburton – commercial

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**1,149,000**	**1,149,000**
General Rate	402.50	383.10
UAGC	509.80	550.80
Roading Rate	510.10	554.30
Ashburton Business Amenity Rate	1855.70	582.30
Ashburton Urban Amenity Rate	491.00	886.00
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	192.60	216.40
	4,790.10	**4,047.70**

Ashburton – commercial (Inner CBD)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**1,149,000**	**1,149,000**
General Rate	402.50	383.10
UAGC	509.80	550.80
Roading Rate	510.10	554.30
Ashburton Business Amenity Rate	1855.70	582.30
Ashburton Urban Amenity Rate	491.00	886.00
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	385.20	432.70
Ashburton CBD (Inner) Footpath Cleaning Rate	188.10	182.40
	5,170.80	**4,446.50**

Lake Hood – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**640,200**	**640,200**
General Rate	224.30	213.50
UAGC	509.80	550.80
Roading Rate	284.20	308.90
Rural Amenity Rate	7.90	0.00
Ashburton Urban Amenity Rate	0.00	246.80
Ashburton Water Supply Rate	161.90	0.00
Group Water Supply Rate	208.40	416.70
Ashburton Wastewater Rate	458.10	458.10
District Refuse Collection Rate	160.80	216.40
	2,015.40	**2,411.10**

Methven – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**293,000**	**293,000**
General Rate	102.64	97.70
UAGC	509.80	550.80
Roading Rate	130.10	141.40
Methven Residential Amenity Rate	121.40	0.00
Methven Amenity Rate	51.20	168.90
Methven Community Board Rate	19.70	14.50
Methven Community Board UAC Rate	27.00	59.40
Methven Community Pool Rate	16.20	0.00
Mt Hutt Memorial Hall Rate	20.40	20.10
Methven Water Supply Rate	265.10	0.00
Group Water Supply Rate	208.40	416.70
Methven Wastewater Rate	286.90	265.30
District Refuse Collection Rate	192.60	216.40
	1,951.30	**1,951.10**

Methven – commercial

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**861,750**	**861,750**
General Rate	301.90	287.40
UAGC	509.80	550.80
Roading Rate	382.60	415.70
Methven Business Amenity Rate	1,573.20	440.40
Methven Amenity Rate	150.60	496.80
Methven Community Board Rate	57.80	42.70
Methven Community Board UAC Rate	27.00	59.40
Methven Community Pool Rate	16.20	0.0
Mt Hutt Memorial Hall Rate	60.00	59.20
Methven Water Supply Rate	265.10	0.0
Group Water Supply Rate	208.40	416.70
Methven Wastewater Rate	286.90	265.30
District Refuse Collection Rate	192.60	216.40
	4,032.00	**3,250.60**

Rakaia – residential (lump sum paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**295,000**	**295,000**
General Rate	103.30	98.40
UAGC	509.80	550.80
Roading Rate	131.00	142.30
Rakaia Amenity Rate	247.20	138.70
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
District Refuse Collection Rate	192.60	216.40
	1,938.10	**1915.80**

Rakaia – residential (lump sum not paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**295,000**	**295,000**
General Rate	103.30	98.40
UAGC	509.80	550.80
Roading Rate	131.00	142.30
Rakaia Amenity Rate	247.20	138.70
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
Rakaia Wastewater Loan Rate	202.60	192.70
District Refuse Collection Rate	192.60	216.40
	2,140.70	**2,108.40**

Rakaia – commercial (lump sum paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**861,750**	**861,750**
General Rate	301.90	287.40
UAGC	509.80	550.80
Roading Rate	382.60	415.70
Rakaia Business Amenity Rate	758.60	470.90
Rakaia Amenity Rate	722.10	405.20
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
District Refuse Collection Rate	192.60	216.40
	3,621.90	**3,115.60**

Rakaia – commercial (lump sum not paid)

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**861,750**	**861,750**
General Rate	301.90	287.40
UAGC	509.80	550.80
Roading Rate	382.60	415.70
Rakaia Business Amenity Rate	758.60	470.90
Rakaia Amenity Rate	722.10	405.20
Rakaia Water Supply Rate	150.50	0.00
Group Water Supply Rate	208.40	416.70
Rakaia Wastewater Rate	395.30	352.50
Rakaia Wastewater Loan Rate	202.50	192.70
District Refuse Collection Rate	192.60	216.40
	3,824.40	**3,308.20**

Chertsey – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Chertsey Water Supply Rate	192.60	216.40
Group Water Supply Rate	258.30	0.00
District Refuse Collection Rate	208.40	416.70
	1,356.90	**1,376.00**

Fairton – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**267,720**	**267,720**
General Rate	93.80	89.30
UAGC	509.80	550.80
Roading Rate	118.90	129.20
Rural Amenity Rate	3.30	2.50
Fairton Water Supply Rate	409.40	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	160.80	216.40
	1,504.40	**1,404.80**

Hakatere – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**174,600**	**174,600**
General Rate	61.20	58.20
UAGC	509.80	550.80
Roading Rate	77.50	84.20
Rural Amenity Rate	2.20	1.60
Hakatere Water Supply Rate	341.30	0.00
Group Water Supply Rate	208.40	416.70
	1,200.30	**1,111.60**

Hinds – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Hinds Amenity Rate	13.70	13.90
Hinds Water Supply Rate	240.20	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	192.60	216.40
	1,352.40	**1,389.90**

Mayfield – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Mayfield Water Supply Rate	667.00	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	192.60	216.40
	1,765.60	**1,376.00**

Mt Somers – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**232,800**	**232,800**
General Rate	81.60	77.60
UAGC	509.80	550.80
Roading Rate	103.40	112.30
Rural Amenity Rate	2.90	2.20
Mt Somers Water Supply Rate	597.00	0.00
Group Water Supply Rate	208.40	416.70
District Refuse Collection Rate	192.60	216.40
	1,695.60	**1,376.00**

Dromore – residential

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**9,044,000**	**9,044,000**
General Rate	3,168.30	3,015.80
UAGC	509.80	550.80
Roading Rate	4,015.40	4,363.20
Rural Amenity Rate	112.00	85.10
Dromore Water Supply Rate	2,638.50	0.00
Group Water Supply Rate	0.00	416.70
	10,444.00	**8,431.60**

Rural

	ACTUAL 2017/18	LTP 2018/19
Capital Valuation	**9,044,000**	**9,044,000**
General Rate	3,168.30	3,015.80
UAGC	509.80	550.80
Roading Rate	4,015.40	4,363.20
Rural Amenity Rate	112.00	85.10
	7,805.50	**8,014.90**

Uniform Annual General Charge

Council intends to set a uniform annual general charge on each separately used or inhabited part of a rating unit in the district as follows:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$509.80	**UAGC**	$550.80	$579.40	$590.90	$596.70	$616.60	$623.10	$628.70	$637.80	$636.60	$646.30
$8,524,435	**Estimated revenue**	$9,528,681	$10,096,353	$10,369,312	$10,545,082	$10,972,478	$11,166,071	$11,342,655	$11,586,913	$11,643,167	$11,901,427

The Uniform Annual General Charge (UAGC) funds wholly or in part, the following activities of Council:

- Recreation facilities
- Community development
- Arts and culture
- Community grants
- Civil defence
- Public conveniences
- Democracy and governance
- Environmental health
- Library

General Rate

Council intends to set a uniform general rate on the capital value of each separately used or inhabited part of a rating unit in the district as follows:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000350	**Rate in the $**	0.000333	0.000325	0.000302	0.000307	0.000316	0.000281	0.000279	0.000266	0.000255	0.000248
$5,834,087	**Estimated revenue**	$5,596,274	$5,798,891	$5,723,019	$6,154,958	$6,680,237	$6,231,557	$6,489,269	$6,470,187	$6,489,914	$6,575,517

The general rate will be used to fund either wholly or in part, the following activities of Council:

- Community development
- Civil defence
- Democracy and governance
- Environmental services
- Forestry
- Commercial property
- Footpaths
- Solid waste management
- Solid waste collection
- Parks and reserves
- Business development
- District promotion
- Reserves and camping grounds
- Stormwater
- Stockwater
- Cemeteries
- Water zone committee
- Memorial halls
- Reserve boards

Targeted Rates

Roads

Council intends to set a targeted rate to fund road services. The targeted rate will be on the capital value of each separately used or inhabited part of a rating unit in the district as follows:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000444	**Rate in the $**	0.000482	0.000502	0.000580	0.000503	0.000514	0.000564	0.000562	0.000570	0.000605	0.000590
$7,393,923	**Estimated revenue**	$8,096,404	$8,421,586	$9,737,813	$8,433,103	$8,625,059	$9,464,912	$9,429,650	$9,570,502	$10,160,555	$9,893,943

Drinking Water

Water Supplies

Council intends to set a targeted rate for water supplies as a group water rate. These rates are based on a fixed amount per separately used or inhabited part of a rating unit for each area to which the services is provided as listed below.

- Ashburton urban
- Lake Hood
- Methven
- Rakaia
- Chertsey
- Fairton
- Hakatere
- Hinds
- Mayfield
- Mt Somers
- Dromore

Rating units outside the defined water supply areas listed above, but which are nonetheless connected to a water supply scheme servicing a particular water supply area, will be charged the connected rate for that water supply area.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Group										
$199.70	Connected	$416.70	$448.80	$460.30	$461.10	$463.80	$472.90	$477.20	$493.20	$491.90	$508.50
$99.90	Serviceable	$208.40	$224.40	$230.20	$230.60	$231.90	$236.50	$238.60	$246.60	$246.00	$254.30
	Ashburton										
$167.40	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$83.70	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Methven										
$306.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$153.50	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Rakaia										
$153.10	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$76.60	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Chertsey										
$262.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$131.50	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Fairton										
$409.10	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$204.60	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Hakatere										
$354.70	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$177.40	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Hinds										
$253.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$127.00	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Mayfield										
$748.90	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$374.50	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Mt Somers										
$579.50	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$289.80	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Dromore										
$2,424.80	Connected	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$1,121.40	Serviceable	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$4,376,794	**Estimated revenue**	$4,664,107	$5,049,532	$5,205,951	$5,242,574	$5,301,346	$5,433,086	$5,510,757	$5,724,822	$5,739,980	$5,963,662

Water Meters – Extraordinary and Non-residential Supply

Council intends to set additional targeted rates for water supplies on:

1. Rating units which fall outside a defined water supply area, but which are nonetheless connected to a water supply scheme servicing a water supply area (except Methven-Springfield, Montalto, Lyndhurst and Barrhill); or
2. Rating units which are used for non-residential purposes and which are connected to a water supply scheme in a water supply area (except Methven-Springfield, Montalto, Lyndhurst and Barrhill).

The rates will be a fixed amount per 1,000 litres of water in excess of 90 cubic metres consumed in the quarterly periods during each year. The quarterly periods are 1 July to 30 September, 1 October to 31 December, 1 January to 31 March, and 1 April to 30 June.

The rate is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$0.96	**Rate per 1,000 litres**	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96	$0.96
$302,450	**Estimated revenue**	$327,578	$334,312	$341,046	$347,780	$354,820	$361,860	$369,206	$376,859	$384,511	$392,470

Methven-Springfield Water Supply

Council intends to set targeted rate for the Methven-Springfield water supply. The basis of the Methven-Springfield water supply rate will be a combination of a fixed amount on all rating units connected to the Methven-Springfield water supply scheme, plus a rate per additional unit of water in excess of 12 units. A unit equals 1,000 litres. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$1,409.50	**Rate per connection (12 units)**	$2,136.90	$2,168.40	$2,202.50	$2,231.70	$2,265.10	$2,301.20	$2,341.00	$2,372.60	$2,409.20	$2,443.60
$117.50	**Rate per additional unit**	$178.10	$180.70	$183.50	$186.00	$188.80	$191.80	$195.10	$197.70	$200.80	$203.60
$163,211	**Estimated revenue**	$241,610	$245,162	$249,026	$252,320	$256,104	$260,177	$264,676	$268,249	$272,397	$276,279

Montalto Water Supply

Council intends to set targeted rate for the Montalto water supply. The basis of the Montalto water supply rate will be a combination of a fixed amount on per rating unit in the Montalto water supply scheme area, plus a differential rate based on hectares of land. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$863.40	**Rate per rating unit**	$1,025.50	$1,157.70	$995.40	$996.70	$999.40	$1,002.80	$1,006.10	$1,008.00	$1,012.40	$1,015.70
$25.40	**Rate per hectare**	$32.30	$37.20	$32.70	$32.80	$32.90	$33.00	$33.10	$33.10	$33.30	$33.40
$161,566	**Estimated revenue**	$198,911	$228,342	$200,266	$200,534	$201,069	$201,759	$202,430	$202,814	$203,708	$204,376

Lyndhurst Water Supply

Council intends to set targeted rate for the Lyndhurst water supply. The basis of the Lyndhurst water supply rate will be a fixed amount on all rating units connected to the Lyndhurst water supply scheme. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$228.00	**Rate per rating unit**	$200.20	$194.90	$190.00	$185.20	$180.00	$175.00	$170.30	$165.00	$160.00	$155.30
$27,132	**Estimated revenue**	$23,820	$23,199	$22,611	$22,041	$21,416	$20,828	$20,262	$19,633	$19,045	$18,479

Barrhill Water Supply

Council intends to set targeted rate for the Barrhill Village water supply. The basis of the Barrhill Village water supply rate will be fixed amount on all rating units within the scheme boundary. The rate is listed below:

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$607.90	**Rate per rating unit**	$508.20	$495.70	$483.80	$472.30	$459.60	$447.80	$436.40	$423.60	$411.8	$400.50
$8,511	**Estimated revenue**	$6,607	$6,443	$6,289	$6,140	$5,975	$5,821	$5,673	$5,507	$5,353	$5,206

Total Water Supply Estimated Revenue

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$5,039,665	**Estimated revenue**	$5,462,632	$5,886,989	$6,025,189	$6,071,388	$6,140,731	$6,283,532	$6,373,005	$6,597,884	$6,624,994	$6,860,472

Stockwater

Council intends to set a targeted rate for the general stockwater scheme. The rate on each rating unit within the general stockwater scheme will be determined in accordance with the factors listed below:

a. The total length of any stockwater races, aquaducts or water channels that pass through, along, or adjacent to, or abuts that rating unit of such occupier or owner, and
b. Each pond service, pipe service, ram service, pump service, water wheel or windmill, and
c. Each dip service or extension pump service using water for the Council's stockwater race system.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$83.40	**a) charge where length ≤ 161 metres**	$87.60	$89.80	$92.60	$94.50	$96.60	$98.60	$100.90	$103.90	$104.70	$107.00
$0.52	**a) charge per metre where length > 161 metres**	$0.54	$0.56	$0.58	$0.59	$0.60	$0.61	$0.63	$0.65	$0.65	$0.66
$103.70	**b) each**	$108.90	$111.50	$115.10	$117.40	$120.00	$122.40	$125.30	$129.00	$130.10	$132.90
$51.80	**c) each**	$54.40	$55.80	$57.50	$58.70	$60.00	$61.20	$62.70	$64.50	$65.10	$66.40
$1,008,081	**Estimated revenue**	$982,877	$1,006,527	$1,038,618	$1,060,194	$1,083,111	$1,105,264	$1,131,284	$1,164,794	$1,174,515	$1,199,558

Wastewater Disposal

Residential Wastewater Disposal

Council intends to set targeted rates for wastewater disposal on the basis of a fixed amount per separately used or inhabited part of a rating unit in the Ashburton urban area, Methven and Rakaia townships, and a further loan rate in the Rakaia township. These rates will be set on a differential basis based on location and based on the availability of the service (the categories are "connected" and "serviceable").

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Ashburton										
$458.10	Connected	$458.10	$498.60	$524.00	$570.80	$577.50	$581.30	$584.50	$589.00	$593.00	$597.40
$229.10	Serviceable	$229.10	$249.30	$262.00	$285.40	$288.80	$290.70	$292.30	$294.50	$296.50	$298.70
$3,882,865	**Estimated revenue**	$3,957,134	$4,327,168	$4,568,323	$4,999,685	$5,081,505	$5,138,873	$5,190,069	$5,254,174	$5,313,499	$5,376,933
	Methven										
$286.90	Connected	$265.30	$273.90	$285.90	$303.70	$306.20	$291.90	$317.20	$318.00	$308.90	$348.90
$143.40	Serviceable	$132.70	$137.00	$143.00	$151.90	$153.10	$146.00	$158.60	$159.00	$154.50	$174.50
$284,429	**Estimated revenue**	$270,794	$281,678	$296,147	$316,948	$321,895	$309,113	$338,319	$341,517	$334,088	$380,015
	Rakaia										
$395.30	Connected	$352.50	$357.20	$369.00	$370.30	$377.60	$382.30	$384.80	$451.30	$475.10	$475.00
$197.70	Serviceable	$176.30	$178.60	$184.50	$185.20	$188.80	$191.20	$192.40	$225.70	$237.60	$237.50
$229,282	**Estimated revenue**	$208,495	$212,100	$220,038	$221,684	$219,579	$230,679	$233,139	$274,481	$290,103	$291,186
	Rakaia Loan										
$202.50	Connected	$192.70	$186.70	$180.70	$174.70	$168.80	$162.80	$156.80	$41.40	$0.00	$0.00
$101.30	Serviceable	$96.40	$93.40	$90.40	$87.40	$84.40	$81.40	$78.40	$20.20	$0.00	$0.00
$70,791	**Estimated revenue**	$68,006	$65,898	$63,791	$61,684	$59,576	$57,468	$55,361	$14,618	$0	$0

Non-residential Wastewater Disposal

In addition to the targeted rates intended to be set above. Council intends to set three additional targeted rates for wastewater disposal on connected rating units within the Ashburton urban area, Methven and Rakaia. These charges will be set differentially based on location and the number of urinals/pans in excess of three in each rating unit, as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$152.70	**Ashburton**	$152.70	$166.20	$174.70	$190.30	$192.50	$193.80	$194.80	$193.30	$197.70	$199.10
$95.60	**Methven**	$88.40	$91.30	$95.30	$101.20	$102.10	$97.30	$105.70	$106.00	$103.00	$116.30
$131.80	**Rakaia**	$117.50	$119.10	$123.00	$123.40	$125.90	$127.40	$128.30	$150.40	$158.40	$158.30
$245,000	**Estimated revenue**	$250,648	$270,645	$284,168	$308,216	$311,632	$311,599	$316,297	$319,271	$320,074	$327,217

Total Wastewater Disposal Estimated Revenue

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$4,712,365	**Estimated revenue**	$4,755,076	$5,157,503	$5,432,465	$5,908,216	$6,001,541	$6,047,730	$6,133,185	$6,204,059	$6,257,763	$6,375,350

Solid Waste Collection

Council intends to set targeted rates for waste collection on the basis of a fixed amount per separately used or inhabited part of a rating unit for each area to which the service is provided as listed below.

- Ashburton Urban
- Methven
- Hinds
- Mt Somers
- Lake Clearwater
- Ashburton District Extended (service provided from 1 September 2017)
- Ashburton CBD (inner)
- Rakaia
- Chertsey
- Mayfield
- Rangitata Huts

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$192.60	**Ashburton urban**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$385.20	**Ashburton CBD**	$432.80	$444.80	$459.20	$472.80	$490.60	$497.20	$507.40	$521.60	$531.40	$542.00
$192.60	**Methven**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Rakaia**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Chertsey**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Hinds**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Mt Somers**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$192.60	**Mayfield**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$32.10	**Lake Clearwater**	$32.10	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00	$32.00
$66.40	**Rangitata Huts**	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40	$66.40
$160.80	**Ashburton District Extended**	$216.40	$222.40	$229.60	$236.40	$245.30	$248.60	$253.70	$260.80	$265.70	$271.00
$2,127,668	**Estimated revenue**	$2,474,125	$2,555,446	$2,650,274	$2,741,201	$2,858,577	$2,909,935	$2,983,399	$3,081,194	$3,154,395	$3,232,373

Amenity Services

Ashburton CBD (Inner) Footpath Cleaning Rate

Council intends to set a targeted rate for footpath services on the capital value of each business rating unit in the Ashburton CBD (inner) rating area as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000164	**Rate in the $**	0.000159	0.000151	0.000144	0.000137	0.000131	0.000126	0.000121	0.000119	0.000117	0.000113
$17,250	**Estimated revenue**	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00	$17,250.00

Ashburton Urban Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each rating unit in the Ashburton urban area as listed below. This amenity rate covers stormwater services, footpaths and parks and open spaces costs. Council has introduced this rate over 2 years for Lake Hood properties, meaning a 50% application of the rate in year 1 and 100% in year 2.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000427	**Rate in the $**	0.000771	0.000767	0.000760	0.000775	0.000778	0.000759	0.000802	0.000821	0.000802	0.000792
$1,374,351	**Estimated revenue**	$2,561,480	$2,734,269	$2,858,187	$3,063,692	$3,226,236	$3,293,670	$3,635,988	$3,876,468	$3,945,197	$4,045,399

Ashburton Business Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each business rating unit in the Ashburton urban area as listed below. This rate is for district promotion and public conveniences. Council has introduced this rate over 2 years for Lake Hood properties, meaning a 50% application of the rate in year 1 and 100% in year 2.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.001615	**Rate in the $**	0.000507	0.000478	0.000456	0.000435	0.000415	0.000398	0.000383	0.000368	0.000355	0.000342
1064563	**Estimated revenue**	$332,813	$333,976	$336,653	$339,085	$340,400	$342,881	$345,538	$346,558	$349,026	$350,352

Ashburton Residential Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each residential rating unit in the Ashburton urban area as listed below. This rate is for footpaths and parks and open spaces. From 2018/2019 this rate is combined with the Ashburton urban amenity rate.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000311	**Rate in the $**	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
$794,348	**Estimated revenue**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Methven Business Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each business rating unit in the Methven township as listed below. The rate is for public conveniences and district promotion.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.001826	**Rate in the $**	0.000511	0.000499	0.000489	0.000480	0.000470	0.000462	0.000454	0.000445	0.000438	0.000430
$147,487	**Estimated revenue**	$42,871	$43,019	$43,361	$43,670	$43,837	$44,153	$44,491	$44,619	$44,933	$45,100

Methven Residential Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each residential rating unit in the Methven township as listed below. This rate is for footpaths and parks and open spaces. From 2018/2019 this rate is combined with the Methven urban amenity rate.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000414	**Rate in the $**	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
$131,097	**Estimated revenue**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Methven Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each residential rating unit in the Methven township as listed below. This rate is for stormwater services, footpaths, parks and open spaces and reserve boards.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000175	**Rate in the $**	0.000576	0.000585	0.000523	0.000502	0.000478	0.000467	0.000465	0.000435	0.000422	0.000408
$69,727	**Estimated revenue**	$233,646	$248,817	$233,049	$234,304	$232,728	$237,014	$245,430	$238,320	$239,635	$240,230

Rakaia Business Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each business rating unit in the Rakaia township as listed below. This rate is for public conveniences and district promotion.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000880	**Rate in the $**	0.000546	0.000528	0.000514	0.000499	0.000485	0.000472	0.000461	0.000448	0.000438	0.000427
$24,059	**Estimated revenue**	$14,992	$15,039	$15,149	$15,246	$15,296	$15,396	$15,501	$15,536	$15,634	$15,681

Rakaia Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each rating unit in the Rakaia township as listed below. This rate is for stormwater services, parks and open space, reserve boards and footpaths.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000838	**Rate in the $**	0.000470	0.000607	0.000442	0.000475	0.000447	0.000462	0.000445	0.000418	0.000368	0.000361
$156,569	**Estimated revenue**	$89,329	$121,936	$93,677	$105,815	$104,637	$113,219	$113,948	$111,456	$102,314	$104,180

Hinds Stormwater Rate

Council intends to set a targeted rate for stormwater services on the capital value of each rating unit in the Hinds township as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000059	**Rate in the $**	0.000060	0.000058	0.000057	0.000052	0.000052	0.000053	0.000052	0.000052	0.000052	0.000052
$2,084	**Estimated revenue**	$2,207	$2,220	$2,253	$2,117	$2,165	$2,248	$2,267	$2,369	$2,404	$2,479

Rural Amenity Rate

Council intends to set a targeted rate for amenity services on the capital value of each rating unit in the rural area as listed below. This rate is for footpaths and parks and open space.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000012	**Rate in the $**	0.000009	0.000013	0.000011	0.000010	0.000010	0.000010	0.000008	0.000007	0.000007	0.000007
$153,028	**Estimated revenue**	$115,757	$167,055	$157,993	$152,159	$156,310	$166,060	$131,632	$128,581	$131,166	$133,499

Total Amenity Services Estimated Revenue

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$3,934,563	**Estimated revenue**	$3,393,094	$3,666,331	$3,740,321	$3,956,087	$4,121,609	$4,214,641	$4,534,794	$4,763,908	$4,830,308	$4,936,921

Methven Community Pool Rate

Council intends to set a targeted rate to partially fund the Methven Community Pool. The rate will be a fixed amount per separately used or inhabited part of a rating unit in the Methven township as listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$16.20	**Rate**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
$17,078	**Estimated revenue**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Methven Community Board Rate

Council intends to set two targeted rates to fund the Methven Community Board.

The first targeted rate will be on the capital value of each rating unit in the Methven township and is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000067	**Rate in the $**	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
$27,681	**Estimated revenue**	$20,703	$0	$0	$0	$0	$0	$0	$0	$0	$0

The second targeted rate will be a fixed amount per rating unit in the Methven township and is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
$27.00	**Rate**	$59.40	$79.40	$80.60	$80.20	$83.10	$83.60	$85.90	$87.10	$88.70	$89.30
$27,681	**Estimated revenue**	$62,108	$83,626	$85,554	$85,707	$89,453	$90,641	$93,792	$95,792	$98,163	$99,539

Mt Hutt Memorial Hall Methven Rate

Council intends to set a targeted rate to partially fund the Mt Hutt Memorial Hall Methven on the capital value of each rating unit in Methven township and is listed below.

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.000070	**Rate in the $**	0.000069	0.000065	0.000063	0.000060	0.000057	0.000055	0.000053	0.000051	0.000049	0.000048
$28,750	**Estimated revenue**	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750	$28,750

Due Dates for 2018/19

Ashburton District Council's rates are payable in four instalments, due on:

Instalment 1 20 August 2018

Instalment 2 20 November 2018

Instalment 3 20 February 2019

Instalment 4 20 May 2019

Where the 20th of a month in which rates are due does no fall on a working day, rate payments will be accepted without penalty up to and including the first working day after the 20th of that month.

Ashburton District Council's water by meter charges are due on:

Quarterly Period	Reading Dates Completed	Invoice Due
1 July 2018 to 30 September 2018	15 October 2018	20 November 2018
1 October 2018 to 31 December 2018	15 January 2019	20 February 2019
1 January 2019 to 31 March 2019	15 April 2019	20 May 2019
1 April 2019 to 30 June 2019	15 July 2019	20 August 2019

Rates Penalties

In accordance with s57 and s58 of the Local Government (Rating) Act 2002, a 10% penalty will be added to instalment balances remaining unpaid as at the following dates:

- 21 August 2018
- 21 November 2018
- 21 February 2019
- 21 May 2019

In addition, unpaid rates and charges levied prior to 30 June 2018 will attract a further 10% penalty if still unpaid as at 31 August 2018.

Reserve Funds

Summary of Reserve Funds

The Council maintains reserve funds as a sub-part of its equity. The following presents a summary of total reserve fund movements from 1 July 2018 to 30 June 2028 and is followed by a breakdown into operating reserves, special funds and bequest funds. A brief explanation is provided of the funds under each type and a table giving the opening balance at 1 July 2018, consolidated movements for the period of the LTP and closing balances at 30 June 2028.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Separate reserves	47,284	376,785	(384,770)	39,299
Special funds	6,960	19,178	(12,122)	14,016
Trust and bequest funds	23	7	0	30
Total Reserve Funds	**54,267**	**395,970**	**(396,892)**	**53,345**

Operating Reserve Funds

These are reserve balances where activities are funded either by targeted rates or a combination of targeted rates and general rates. They hold a surplus of deficit balance from year to year, and the fund is only held for that specific activity. For example each water supply activity has its own reserve balance.

The following tables detail the budgeted movement from 1 July 2018 to 30 June 2028 are included in the summary of reserve funds table above.

Drinking water reserves

Each drinking water scheme retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the scheme. Each individual reserve balance is only available for use by that scheme. All drinking water reserves are part of the drinking water activity.

Supply	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	596	42,663	(43,255)	5
Methven	(295)	7,829	(7,511)	22
Rakaia	545	2,786	(2,176)	1,155
Fairton	53	716	(608)	161
Hakatere	43	729	(661)	110
Hinds	53	1,299	(1,198)	155
Mayfield	(2)	1,330	(1,164)	163
Chertsey	56	663	(578)	141
Methven/Springfield	74	2,313	(2,246)	142
Montalto	136	1,994	(1,207)	924
Mt Somers	19	1,253	(1,037)	235
Dromore	51	1,031	(875)	207
Lyndhurst water	0	186	(186)	0
Barrhill	0	52	(52)	(0)
	1,327	**65,032**	**(62,940)**	**3,419**

Wastewater reserves

Each wastewater scheme retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the scheme. Each individual reserve balance is only available for use by that scheme. All wastewater reserves are part of the wastewater activity.

Scheme	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	2,332	76,088	(78,322)	99
Methven	221	3,322	(3,561)	(18)
Rakaia	148	2,955	(2,227)	876
	2,700	**82,365**	**(84,109)**	**957**

Stormwater reserves

Each stormwater area (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each targeted rated area. Each individual reserve balance is only available for use by that rating area. All stormwater reserves are part of the stormwater activity.

Rating area	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	505	31,972	(32,419)	58
Methven	105	633	(475)	263
Rakaia	116	196	(115)	197
Hinds	14	28	(27)	15
Rural	8	4	0	12
	748	**32,833**	**(33,036)**	**545**

Footpath reserves

Each footpath area (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each targeted rated area. Each individual reserve balance is only available for use by that rating area. All footpath reserves are part of the transportation activity.

Rating area	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton	1,318	11,964	(12,530)	752
Methven	79	1,728	(1,778)	29
Rakaia	49	740	(740)	49
Rural	(7)	1,179	(1,179)	(7)
	1,440	**15,612**	**(16,228)**	**824**

Memorial hall reserves

Each memorial hall retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each memorial hall. Each individual reserve balance is only available for use by that memorial hall. All memorial hall reserves are part of the recreation and community services activity.

Location	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Laghmor/Westerfield	32	17	(16)	33
Mayfield	18	69	(117)	(31)
Mt Hutt	(33)	1,388	(1,376)	(21)
Rakaia	(5)	99	(50)	44
Tinwald	(12)	105	(118)	(25)
	(0)	**1,677**	**(1,676)**	**0**

Reserve board reserves

Each reserve board retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each reserve board. Each individual reserve balance is only available for use by that reserve board. All reserve board reserves are part of the recreation and community services activity.

Location	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Alford Forest	6	54	(39)	21
Chertsey	10	9	(15)	4
Dorie	3	15	(11)	7
Ealing	20	30	(7)	43
Ashburton Forks	2	40	(38)	4
Highbank	16	9	(12)	13
Hinds	(19)	148	(220)	(92)
Lynnford	(3)	2	(5)	(6)
Maronon	8	27	(7)	28
Mayfield	(5)	174	(131)	38
Methven	8	209	(251)	(35)
Mt Somers	(16)	653	(872)	(235)
Pendarves	0	5	(3)	2
Rakaia	90	214	(277)	28
Ruapuna	(4)	83	(141)	(62)
Seafield	(6)	3	(21)	(23)
Tinwald	394	5,594	(4,285)	1,703
	504	**7,268**	**(6,335)**	**1,438**

Parks and beautification reserves

Each beautification area (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of each targeted rated area. Each individual reserve balance is only available for use by that rating area. All parks and beautification reserves are part of the parks and open spaces activity.

Beautification area	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Ashburton domain and gardens	(581)	8,961	(8,882)	(502)
Baring Square East	22	676	(627)	70
Baring Square West	73	584	(542)	115
Ashburton town centre	556	5,623	(5,358)	821
Methven	44	1,694	(1,547)	192
Rakaia	(56)	1,267	(1,227)	(16)
Urban	(85)	7,147	(6,992)	70
Rural	163	1,295	(1,009)	449
State Highway 1	111	681	(681)	111
Neighbourhood grounds	(147)	1,967	(1,688)	131
Ashburton domain sportgrounds	(22)	1,796	(1,231)	543
Other sports fields	(97)	7,583	(7,525)	(39)
Ashburton Business Estate	(25)	1,552	(1,552)	(25)
	(44)	**40,825**	**(38,861)**	**1,920**

Other operating reserves

Operating reserves also include the following:

- Refuse collection reserve – retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the service. The reserve balance is only available for refuse collection expenditure. The refuse collection reserve is part of the rubbish and recycling activity.
- Stockwater reserve – stockwater (for which targeted rates are levied) retains its own annual surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the targeted rating area. The reserve balance is only available for stockwater rating area. The stockwater reserve is part of the stockwater activity.
- Forestry reserve – the net surplus from Council's forestry operations are held in this reserve. Each year a transfer from this reserve is available to be made to offset the general rate and uniform annual general charge. The forestry reserve is part of the economic development activity.
- Dividends reserve – is made up of two parts, the proceeds from the sale of the Council's Lyttelton Port Company Ltd shareholding and dividends from the Council's shareholding are held in this reserve. The balance is not restricted in its use and can be used for purposes approved by Council. The reserve is part of the miscellaneous activity.
- Property reserve – the proceeds from any property sales is held and utilised to fund property purchases and development. The property reserve is part of the economic development activity.
- Youth council reserve – the Council provides funds to support the activities of the youth council. These funds are retained in a separate reserve, the balance of which is only available for this activity. The youth council reserve is part of the community governance and decision making activity.
- Parking reserve – Council's parking enforcement activity retains its own surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the activity. The balance is able to be used for the provision of parking facilities and other purposes. The parking reserve is part of the environmental services activity.
- Festive lighting reserve – this reserve is funded from rates and contributions. The reserve retains its own surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the activity. The balance is only available for use by that activity. The festive lighting reserve is part of the parks and open spaces activity.
- Animal control reserve – Council's animal control enforcement activity retains its own surplus or deficit (including capital income and expenditure) which accumulates over the lifetime of the activity. The balance is only available for use by that activity. The animal control reserve is part of the environmental services activity.
- Elderly persons housing reserve – Council provides elderly persons units for rent. The activity is required to be self-funding with no rate input. The annual surplus or deficit (including capital income and expenditure) is retained in this reserve. The balance can only be used for this activity. The elderly persons housing reserve is part of the recreation and community services activity.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Refuse collection	286	25,188	(25,451)	23
Stockwater	(178)	10,917	(10,611)	128
Forestry	4,415	6,727	(5,515)	5,627
Dividend account	11,307	0	0	11,307
Property	21,708	72,608	(83,340)	10,976
Youth council	25	535	(535)	25
Parking	2,486	3,598	(3,394)	2,690
Festive lighting	(6)	481	(470)	5
Animal control	(121)	4,708	(4,708)	(121)
Elderly persons housing	687	6,411	(7,561)	(463)
	40,609	**131,172**	**(141,584)**	**30,197**

Special Funds

Special funds have been set up for specific purposes. Their use is restricted to the purpose for which they were set up. They retain their surplus of deficit but are used to meet the costs that comply with their purpose. Many of these funds were inherited form Ashburton County and Ashburton Borough Councils' at the time of amalgamation in 1989. These funds are included in the miscellaneous activity.

Special funds include the following reserves:

- Roading reserves – to meet the costs of maintaining roads in the District.
- Town centre beautification reserves – to meet development costs incurred in the upgrade of the Ashburton town centre.
- Access trust reserve – this fund was set up with money received from government employment assistance in past years and is used to fund projects that are similar in purpose to those Access programmes of the past.
- Reserve contributions reserve – this reserve is funded from financial contributions levied on subdivisions under the Resource Management Act. Its use is governed by the Act.
- Heritage grant funding reserve – this reserve holds any unspent annual heritage grants funding. It is used when the annual heritage grants accepted exceed the budgeted amount.
- Biodiversity grant funding reserve - this reserve holds any unspent annual biodiversity grants funding. It is used when the annual biodiversity grants accepted exceed the budgeted amount.
- Plant renewal reserve – purchases of new vehicles and equipment are made from this reserve. It is funded through depreciation charges on those items.
- Disaster insurance reserve – Council retains a cash reserve as part of its insurance provisions. This reserve along with its normal insurances and LAPP (Local Authority Protection Programme Disaster Fund) insurance should ensure that the Government meets its contribution towards any major disaster. This funds meets the annual costs of Council's membership of LAPP.
- Community facilities development contributions reserve – community infrastructure development contributions are reflected in this account and are applied when required for the purpose the contribution was initially taken.

The following table details the budgeted movement from 1 July 2018 to 30 June 2028 and is included in the summary of reserves funds table above.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
Roading bridges	166	57	0	223
Biodiversity grant funding	52	15	0	68
Town centre beautification	215	36	(118)	133
Access Trust	39	11	0	50
Reserve contributions	3,369	5,980	(923)	8,425
Heritage grant funding	52	15	0	67
Plant renewal	498	7,191	(5,656)	2,033
Disaster insurance	2,420	1,054	(650)	2,824
Capital services	149	4,817	(4,774)	193
	6,960	**19,178**	**(12,122)**	**14,016**

Trust and Bequest Funds

These funds are subject to specific conditions accepted as binding by the Council, such as bequests or operations in trust under specific Acts, and which may not be revised by the Council without reference to the courts or a third party. Transfers from these reserves may only be made for certain specified purposes or when certain specific conditions are met.

- John Grigg statue trust fund – the trust fund is for a bequest to Council to maintain the John Grigg statue in Baring Square East and educational grants.

The following table details the budgeted movement from 1 July 2018 to 30 June 2028 and is included in the summary of reserves funds table above.

	BALANCE 01/07/2018 $000	DEPOSITS TO FUNDS $000	WITHDRAWALS FROM FUNDS $000	BALANCE 30/06/2028 $000
John Grigg statue trust fund	23	7	0	30
	23	**7**	**0**	**30**

Financial Regulations Benchmarks

Long Term Plan disclosure statement for period commencing 1 July 2018.

What is the purpose of this statement?

The purpose of this statement is to disclose Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of the terms used in this statement.

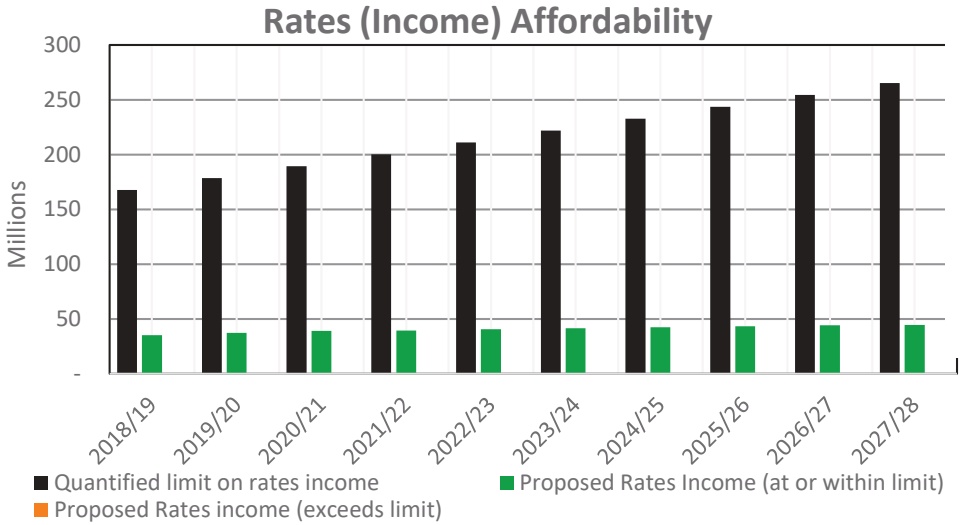
Rates affordability benchmark

The Council meets the rates affordability benchmark if –

- Its planned rates income equals or is less than each quantified limit on rates; and
- Its planned rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

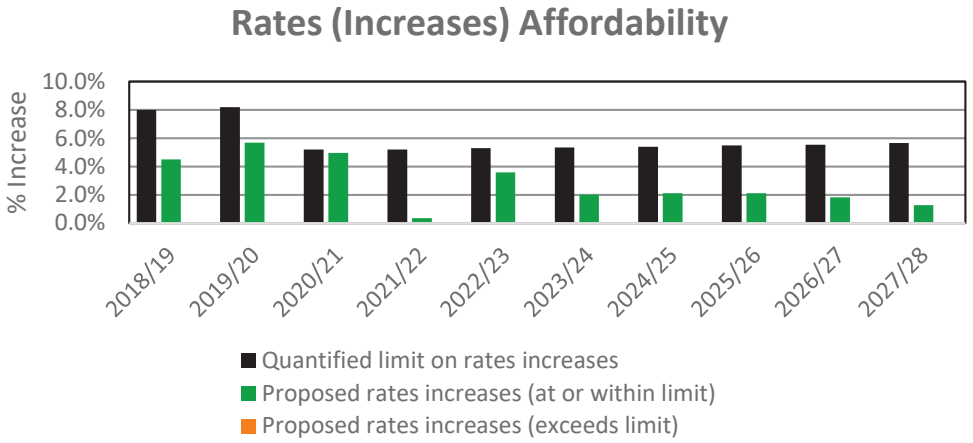
The following graph compares the Council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is actual rates income (excluding GST) will not be greater than 1% of the total capital value of the district.



Rates (increases) affordability

The following graph compares Council's planned rates increases with a quantified limit on rates increases contained in the financial strategy. The quantified limit is an increase no greater than:

- 2018/19 and 2019/20 6% plus the LGCI
- 2020/21 to 2027/28 3% plus the LGCI

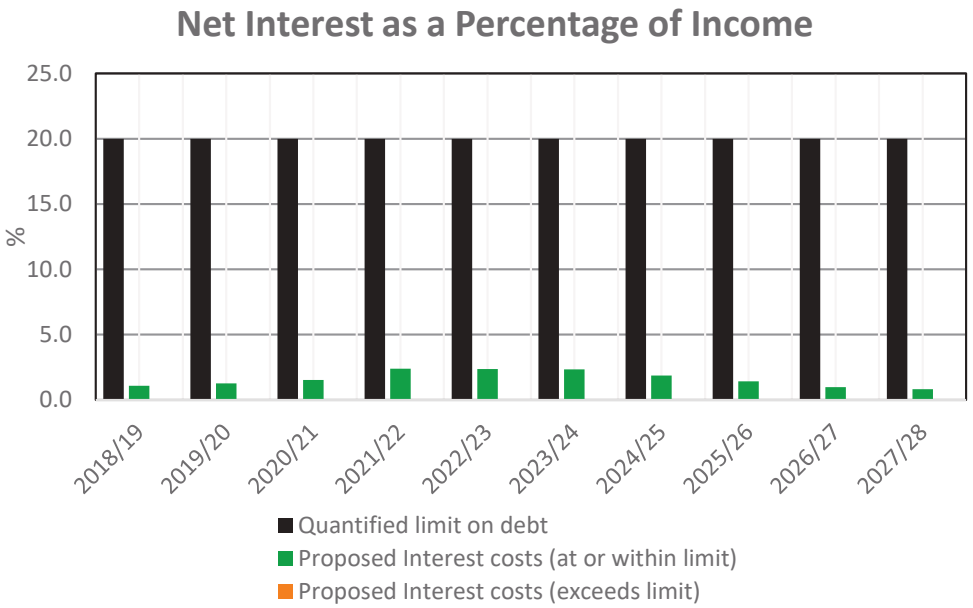


Debt affordability benchmark

The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

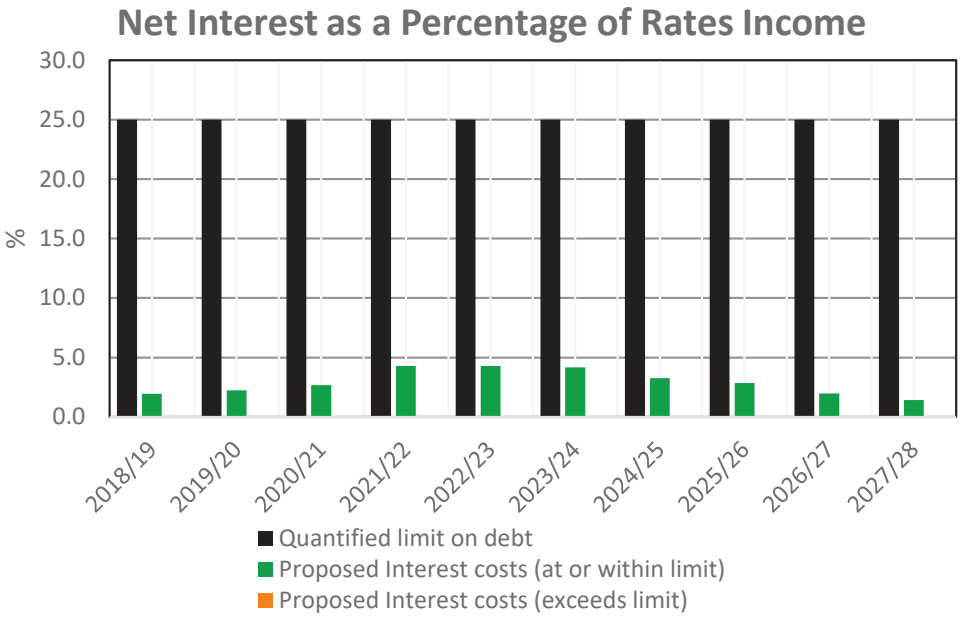
Net interest as a percentage of income

The following graph compares the Council's actual borrowing with a quantified limit of borrowing outlined in the financial strategy. The quantified limit is net interest payments to service external debt are to be less than 20% of total revenue.



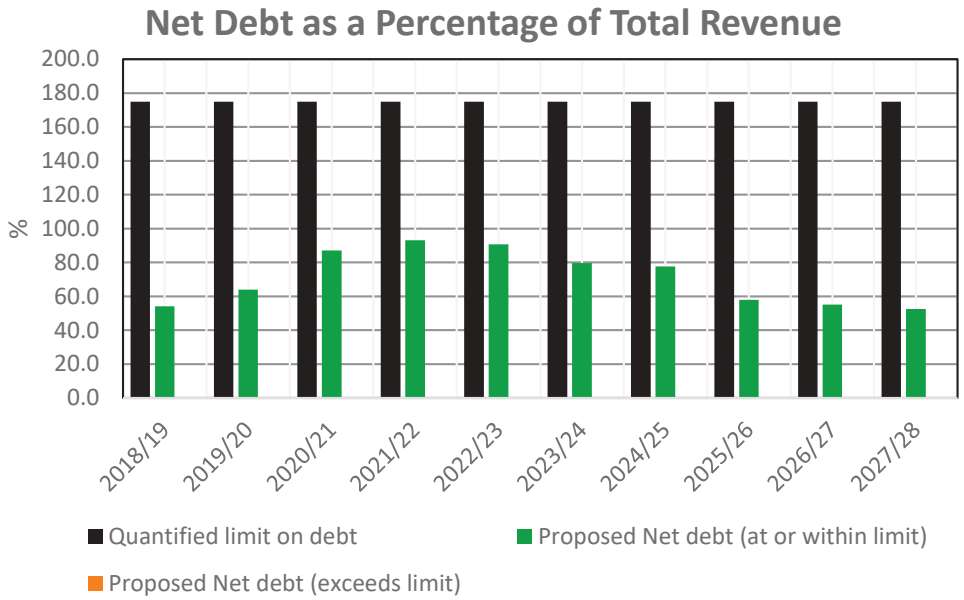
Net interest as a percentage of rates income

The following graph compares the Council's actual borrowing with a quantified limit of borrowing outlined in the financial strategy. The quantified limit is net interest payments to service external debt are to be less than 25% of total rates revenue.



Net debt as a percentage of total revenue

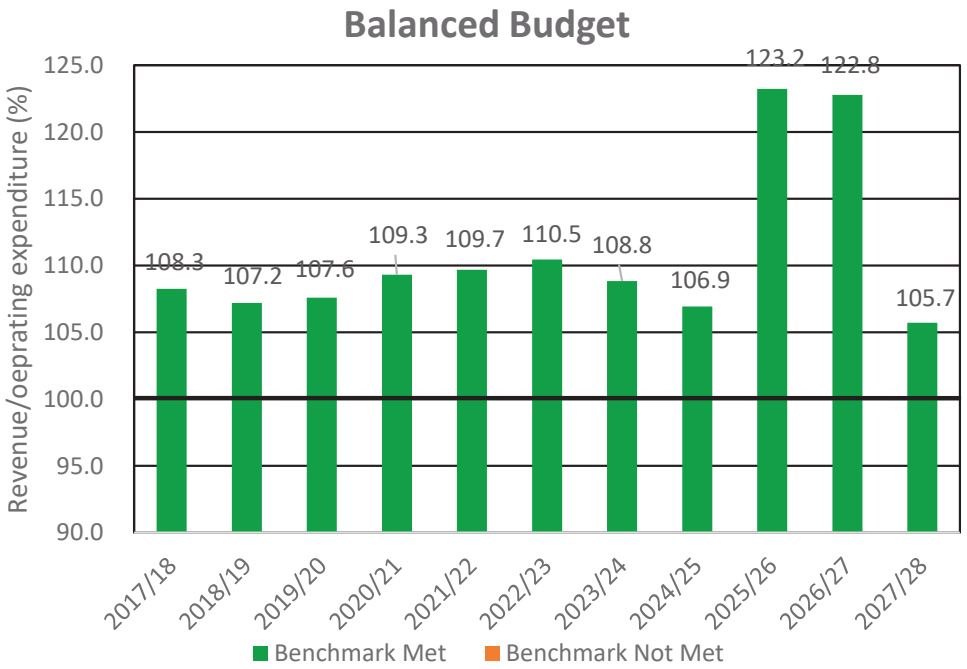
The following graph compares the Council's actual borrowing with a quantified limit of borrowing outlined in the financial strategy. The quantified limit is net debt shall not exceed 175% of total revenue.



Balanced budget benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

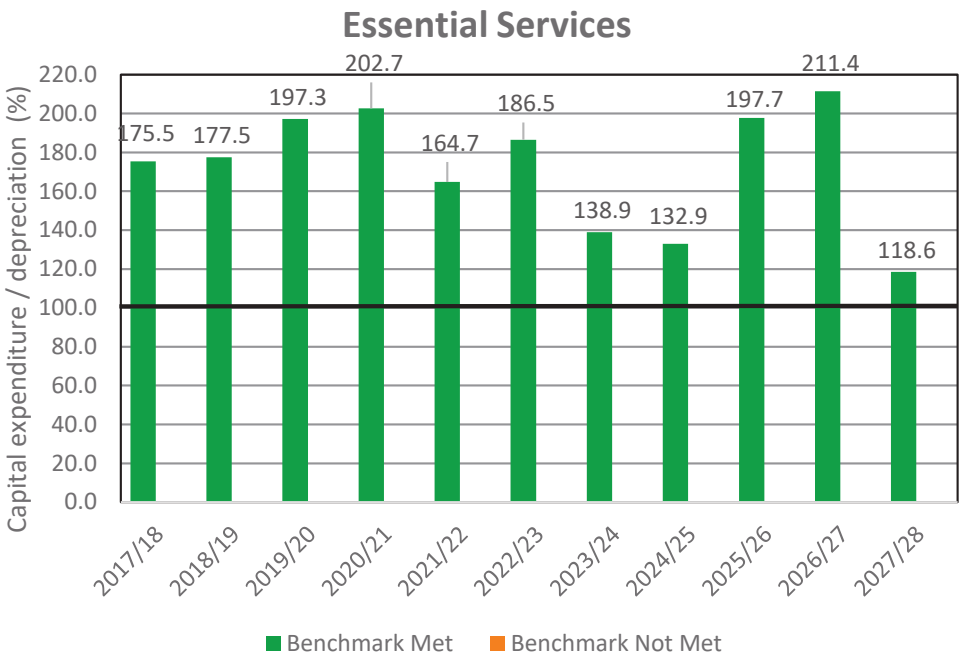
The Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential services benchmark

The following graph displays the Council's planned capital expenditure on network services as a proportion of expected depreciation on network services.

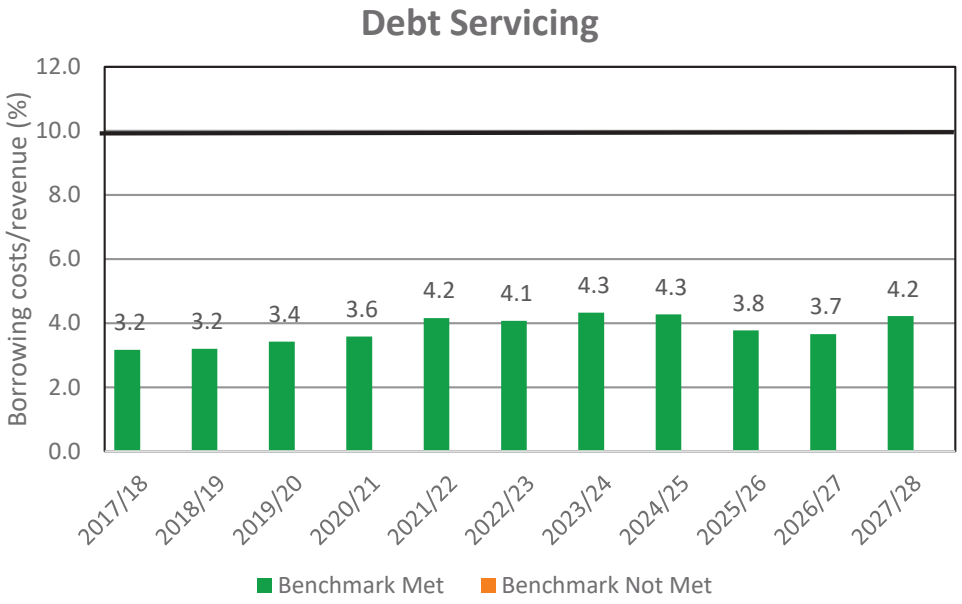
The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's planned borrowing costs 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).

Because Statistics New Zealand projects the Council's population will not grow as fast as the national population growth rate, it means the debt servicing benchmark is met if the Council's borrowing costs for the year are less than or equal to 10% of its revenue.



Council-Controlled Organisations

Council has established Council-Controlled Organisations (CCO) to fulfil specific objectives. A CCO is an organisation (whether trading or not) where one or more local authorities:

- own or control, directly or indirectly, more than 50 percent of the voting rights, or
- have the right to appoint 50 percent or more of the governors.

A Council-Controlled *Trading* Organisation (CCTO) is a CCO that operates a trading undertaking for the purpose of making a profit. Each CCO must annually complete a Statement of Intent that sets out activities and objectives of the CCO, provides opportunity for shareholders to influence the CCO's direction and provides a basis for the accountability of the CCO. The appointment of directors on these organisations is governed by Council's Appointment and Remuneration of Directors of Council Organisations Policy.

The Appointment and Remuneration of Directors Policy and the full Statement of Intents for Council's major CCOs are available for inspection from Council.

Ashburton Contracting Limited (ACL)

(Based on the 2018/19 Statement of Intent) ACL is a civil and roading contracting company.

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCTO	Council owns 100% of the company.	To provide general civil contracting work, primarily for New Zealand Transport Agency, local authorities and private customers. ACL has expertise in construction and maintenance of: ▪ Roads ▪ Footpaths ▪ Water ▪ Stormwater ▪ Wastewater ▪ Concrete production ▪ Plant equipment hire.	▪ To ensure local capacity and capability to undertake civil works, particularly focused on infrastructure. ▪ To promote competition in the district for civil construction and maintenance activities. ▪ To form part of a balanced portfolio of Council investments. ▪ To provide a commercial rate of return on the Council's investment.	▪ Budgeted profit before tax for ACL Parent is achieved. ▪ The annual rate of return on ACL Parent average shareholder's funds will be a target of 12% before tax based on the rolling average of the last 5 years (excluding any subvention payments and the before tax profit or loss relating to the Lake Hood Extension Project). ▪ Standards required within the Document Review Certificate (in accordance with NZTA requirements) and ISO 9001 certification are maintained. ▪ Compliance with the Resource Management Act 1991. ▪ Business management procedures and practices meet with the requirements of the Auditor resulting in an unqualified audit report of its annual financial statements. ▪ Maintenance of current accreditation with the Accident Compensation Commission Work Safety Management Plan Tertiary Qualified (expires 31 December 2018) and striving to reduce the lost time injury frequency rate year upon year. ▪ Achieving annual budgeted external revenue.

Ashburton Stadium Complex Trust ('the Trust')

The Trust was established by Council in 2007, initially with responsibility for undertaking community fundraising for the Electricity Ashburton Networks Centre (EANC).

(Based on the 2018/19 Statement of Intent)

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCO	Registered Charitable Trust. Council is the settlor under the Deed of Trust. Council has the ability to appoint trustees to this organisation.	▪ To research and determine the sporting and other facilities to be included in any stadium/pool complex for Ashburton ▪ To raise by any means available the funds to achieve the provision of such facilities; ▪ To acquire and develop such facilities; ▪ Determine the ownership and operation of the above facilities; ▪ to appoint a Board of management (or reform itself) to manage and operate the above facilities; ▪ All things which are incidental or conducive to the attainment of the charitable objects and purpose described.	▪ To ensure community participation in decision-making regarding the EA Networks Centre (EANC).	Performance shall be assessed against the following targets: ▪ Evidence of action liaison with stakeholders. ▪ Successful application for grant funding. ▪ Financial performance against budget compared with target and assessed against-the previous year. ▪ To meet the reporting requirements to Local Authorities, the regional council and external funding agencies. ▪ Preparing the annual report for Local Authorities and external funding agencies.

Experience Mid Canterbury (EMC)

(Based on the 2018/19 Statement of Intent)

EMC is Ashburton District's official tourism organisation, responsible for marketing our district both locally and internationally. EMC facilitates and enhances the promotion of tourism events, products and services.

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCO	Council owns 100%	To lead, coordinate and promote the Mid Canterbury visitor industry through: ▪ **Leadership –** coordinating visitor marketing and tourism development activities of the private sector, local government and promotional sector. ▪ **Marketing** – maintaining a targeted domestic marketing programme and, internationally, marketing Mid Canterbury as a visitor destination. ▪ **Encouraging, enhancing, delivering** – supporting the development of tourism attractions, maintaining strong relationships with key stakeholders and advocating on behalf of the industry.	▪ To work with local and non-local visitor industry suppliers to market the district as a visitor destination, and to be accountable through an effective, public accountability structure.	▪ Ashburton District has a higher Regional Tourism Estimates (RTE) rolling average compared to the previous year ▪ Increase the number of tourism partners compared to the previous year ▪ Measure the level of joint venture marketing contribution by the sector to activity undertaken by EMC and report on this.

Transwaste Canterbury Limited

Transwaste was incorporated on 31 March 1999 with the principal purposes of selecting, consenting, developing, owning and operating a non-hazardous regional landfill in Canterbury.

TYPE	OWNERSHIP STRUCTURE	NATURE AND SCOPE OF ACTIVITIES	RATIONALE AND OBJECTIVES FOR COUNCIL OWNERSHIP	KEY PERFORMANCE TARGETS
CCTO	Council owns approximately 3% of the company. Other shareholders are: Canterbury Waste Services Limited (50%), Christchurch City Council, and Selwyn, Hurunui and Waimakariri District Councils.	Transwaste is responsible for developing and operating a non-hazardous regional landfill, to at least the standard determined by regulatory authorities. Transwaste enters into contractual arrangements to ensure provision of a haulage fleet for hauling solid waste. This must be done economically and efficiently, and in compliance with relevant consents. Transwaste will, in due course, invest in alternatives to landfilling for solid waste disposal, should these alternatives be more environmentally sustainable and cost-effective.	Provide an environmentally friendly sustainable facility for the disposal of residual solid waste. All residual waste from Council's waste collection services is transported to Kate Valley for disposal. To form part of a balanced portfolio of Council investments.	▪ Greater than 90% of landfill gas captured at Kate Valley in accordance with the regulations to the Climate Change Response Act 2002. ▪ No transfer station is unable to receive waste during its normal operating hours due to Transwaste's failure to supply containers. ▪ Kate Valley landfill is available to waste transporters for more than 99% of normal annual transport access hours. ▪ Total recordable injury frequency rate for the last 12 months is maintained for improved (actual for 2014 was zero).

Jersey Bull Calves
Ashburton District Council

Part 8

KEY COUNCIL POLICIES

Revenue & Financing Policy

1. Introduction and Purpose

This policy details Council's approach to funding its operating and capital expenditure. It determines who pays for Council activities, and on what basis, with a view to achieving the fairest funding mix for the community as a whole.

The overall objective of the policy is to ensure users and beneficiaries of Council services pay what is fair and equitable.

Rates provide the net funding requirement of the Council's work programme after allowing for income from other sources such as fees, user charges and subsidies. Rates are levied on each separately used or inhabited part of a rating unit under the statutory provisions of the *Local Government (Rating) Act 2002*.

2. Glossary of Terms

These definitions are intended to explain terms used in the *Revenue and Financing Policy* in plain English. For legal definitions see the Local Government Act 2002, the Local Government (Rating) Act 2002 and the Local Government Act 1974.

Benefit – refers to the positive effect able to be gained as a result of a Council-provided activity or service, regardless of whether this is taken up or not.

Business (non-residential) – means those rating units where there are any of the following:

- business operations are carried out on the property,
- purpose-built buildings or modified premises for the purpose of carrying out business,
- resource consents relating to business activity,
- advertising business services on the property, or through media identifying the property as a place of business, and
- property has a traffic flow greater than would be expected from a residential dwelling.

Capital expenditure – means expenditure on new assets or on assets that increase the level of service provided, or extend the level of service - for example replacement of assets (cyclic renewals).

Capital Value (CV) – means the assessed value of a property comprising of land plus improvements (if any) at the time of valuation.

Community-wide benefit – means a benefit that applies to the whole community, irrespective of property location or value.

Council – means Ashburton District Council.

Exacerbator – those who contribute to the need for a Council facility or service should contribute to the cost of the facility or service.

Existence benefit – means a benefit that arises through the mere existence of certain facilities, even if the person who values them may never contemplate using them personally.

General rate – is a rate levied on all rateable properties within the local authority jurisdiction. A general rate is based on:

- capital value of a property
- how the property is used
- whether the property's location is urban or rural.

Intergenerational equity – is the principle that the cost of an asset or service should be spread over its life, so that both current and future residents who benefit contribute a fair share of the costs, and not just current residents.

Operating expenditure – means the costs incurred to provide normal day-to-day services and the maintenance of services and assets.

People benefit – is a benefit that people and residents can enjoy without owning property. Council looks to fund people benefit through uniform annual charges.

Private good – means goods or services that *directly benefit* an individual rather than the community as a whole. Private goods are an indicator that users should pay.

Property benefit – is a benefit that accrues to a property or to property owners. This may be a service to a property or an activity that benefits property values. Council

looks to fund property benefit through capital value rates.

Public good – means goods or services that one individual can consume without reducing the availability to another individual. Public goods are usually both non-rival and non-excludable. An example of a public good is a community park.

Rates – are funds collected by Council through taxes on property within the district.

Residential – refers to all properties that are not zoned business (non-residential) as per the Ashburton District Plan.

Targeted rate – a rate charged for a specific service through a tax on each rateable unit or separately used or inhabited portion of a rating unit deemed to benefit from the service. An example is the rate imposed on properties within the Ashburton central business district for additional footpath cleaning in that area.

Targeted rate, based on a Uniform Annual Charge (UAC) – a targeted rate that is charged as an equal amount on each rateable unit or separately used or inhabited portion of a rating unit in the defined area that receives benefit (this charge does not vary with the value of the unit).

Targeted rate, based on CV – is a rate charged for a specific service to the rateable units deemed to benefit from that service, and based on the capital value of the property.

Uniform Annual General Charge (UAGC) – a Council charge of an *equal amount* on each rateable unit or separately used or inhabited portion of a rating unit in the district (this charge does not vary with value of the unit).

User charges – a Council charge of fees paid by those who use specific services provided by Council. An example is the fee payable for processing a resource consent application.

3. Policy Context

3.1 Local Government Act 2002

The Local Government Act 2002 (LGA) requires all councils to adopt a "Revenue and Financing Policy".

Sections 102 and 103 of the LGA require the policy to demonstrate how operational expenditure and capital expenditure are funded or financed from:

a.) general rates (including choice of valuation system, differential rating, uniform annual charges)
b.) targeted rates
c.) fees and charges
d.) interest and dividends from investments
e.) borrowing
f.) proceeds from asset sales
g.) development contributions
h.) financial contributions
i.) grants and subsidies
j.) other sources of income.

Section 101(3)(a) of the LGA requires that Council has, for each activity funded, shown it has given consideration to the:

a.) community outcomes to which the activity contributes,
b.) distribution of benefits between the community as a whole, any identifiable part of the community, and individual, for the period in or over which those benefits are expected to occur,
c.) extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity, and
d.) costs and benefits, including the transparency and accountability, of funding the activity distinctly from other activities.

Section 101(3)(b) of the LGA also requires that Council considers the overall impact of any allocation of liability for revenue needs on the community.

3.2 Related Council plans, policies and strategies

Council's Revenue and Financing Policy provides a high level funding framework that links with other Council documents that impact on funding decisions for the wider community and in some cases for individual ratepayers. These documents include:

Development and Financial Contributions Policy

Details the basis on which Council charges development contributions to ensure developers pay a fair share of the costs of providing infrastructure required to cater for growth.

District Plan

Details Council's approach to charging Financial Contributions for new developments under the Resource Management Act 1991.

Significance and Engagement Policy

Details Council's approach to determining the level of significance of a particular proposal or decision, and how it will engage with the community based on the level of significance.

Rates Remission Policy

Details the circumstances in which Council will provide for the remission of rates and rates penalties and why.

Infrastructure Strategy

Details Council's approach to provision of core infrastructure, how much it intends investing over the next 30 years and how this investment will be funded. Activities included in the strategy are; roads, footpaths, drinking water, wastewater, stormwater and stockwater.

Financial Strategy

Details Council's approach to delivering its high-level funding requirements including limits on rates and borrowing.

Together, these policies and strategies guide Council's approach to funding its planned work programme which links specifically with the provisions of the Revenue and Financing Policy.

4. Rating Framework

Councils are able to use a variety of approaches in their overall rating framework. These approaches are how Council applies rates in the district, and include the following:

4.1 Valuation system

When applying rates based on property value councils can rate according to land value, capital value or annual value. Council uses the capital value rating system.

Council believes that capital value rating best reflects a property owner's stake in the district and is fairer for property owners whose property value is comprised mostly of the value of the land.

4.2 Differential rating

When applying rates councils can rate properties using differential rates according to a range of categories detailed in schedule 2 of the Local Government (Rating) Act 2002. An example is a business differential rate, where properties zoned or used for business pay a higher rate than residential properties.

4.3 Unit of rating - separately used or inhabited parts of a rating unit

Under the Local Government (Rating) Act 2002 charging separately used or inhabited parts of a rating unit is an option for a uniform annual general charge and for targeted rates.

A separately used or inhabited part of a property or building includes any part of a rating unit inhabited or used by a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, license, or other agreement.

For the purpose of this policy, vacant land and vacant premises offered or intended for use or habitation by a person, other than the owner, and generally used as such are defined as 'used'.

Examples of separately used or inhabited parts of a rating unit include:

- a flat attached to a single dwelling,
- two or more houses, flats or apartments on one certificate of title (rating unit),
- a residential unit attached to business premises,
- separate parts of a single business unit leased to multiple tenants,
- each residential dwelling or unit on a farm property, and
- where part of a rating unit that has the right of exclusive occupation has more than one ratepayer/owner.

5. Funding Sources Available

Council has a range of funding sources available which are often suited to a particular type of funding requirement. While rates are often the most appropriate source of funding for a particular requirement, Council's preference is to use other sources of funding, if appropriate.

5.1 Non-rate revenue sources

Grants, sponsorship and subsidies

Council expects to continue to receive substantial subsidies from NZTA for road maintenance and renewal and other expenditure related to transportation.

Council can receive grants and sponsorship for projects which are eligible for particular grant or sponsorship schemes.

Investment income, dividends and interest

Interest and investment returns from Council's forestry and property investments are used to offset the general rate, the uniform annual general charge and the targeted capital value rate for roading.

The allocation of investment income funding to each of the rates is proportionate to the ratio of each rate in terms of the requirement. For example, if the general requirement is $6 million and the uniform annual general charge requirement is $3 million then the investment income is allocated 66.6% to the general rate and 33.3% to the uniform annual general rate.

Interest earned on special funds and separate reserves is used only for the purpose of the fund or reserve.

This allocation may be amended to ensure the UAGC remains within the statutory requirements in Section 21 of the Local Government (Rating) Act, 2002.

Development contributions

Charged on new developments where Council has or plans to incur capital expenditure specifically to cater for demand associated with growth. Revenue from development contributions is used to pay debt outstanding on current loans.

Financial contributions

Charged on new developments to provide for recreation and open space land and facilities.

Proceeds from asset sales

Council may sell assets that are deemed to be surplus to requirements or that are not providing satisfactory returns. Proceeds may be invested, used to fund capital expenditure or operating expenditure associated with the activity which held the original asset.

Council may, in exceptional circumstances, choose to use proceeds for operational expenditure in another activities.

Fees and charges

Council charges for some services it provides and this revenue funds all or part of the costs of service delivery for these activities. Examples include consent fees, dog registration fees and some administrative services.

Bequests

Council occasionally receives bequests that can be used, normally for a specified purpose.

Borrowing

Council generally borrows to fund capital expenditure as a way of promoting intergenerational equity and as a way to make the significant cost of some capital projects affordable. Borrowing may be internal (Council borrowing from itself) or external. Council does not borrow for operating expenditure unless this is deemed to be prudent and is approved by Council on that basis.

Lump sum contribution

Council may offer the option for ratepayers to pay their share of a capital project through a lump sum payment rather than through rates over a longer period of time. This can be beneficial for all parties as it reduces the interest paid by ratepayers over the life of the loan and Council can retire a portion of debt earlier or reduce the need for borrowing.

5.2 Rate revenue sources

The rates charged by Council as sources of funding are:

General rate — charged on all rateable properties in the district on the basis of capital value, the location of the property and what the property is used for.

UAGC - charged on all separately inhabited or used portions of a rating unit on a uniform (equal) basis.

Targeted rate – a rate charged on specific properties in the district on the basis of the property or owner being able to receive benefit from the service provided that is not available to all. Targeted rates may be charged on the basis of capital value or as a uniform annual charge (all properties are charged the same amount).

6. Funding Operating Expenditure

Operating expenditure is the day-to-day costs Council incurs to provide services including the maintenance of existing assets.

Council is able to fund operating expenditure from the following sources:

- General rates, including a UAGC
- Targeted rates
- Fees and charges
- Interest and dividends from investments
- Grants and subsidies from central government and other external sources
- Other operating revenue.

Council may choose to not fully fund operating expenditure in any activity in any particular year if the deficit can be funded from operating surpluses in the immediately preceding or subsequent years. An operating deficit will only be budgeted when considered prudent to avoid significant fluctuations in rates, fees or charges. Council will need to consider the requirements of s100 (Balanced budget requirement) of the Local Government Act 2002.

Council may choose to fund more than is necessary to meet its operating expenditure in any particular year. Council will only budget for an operating surplus to fund an operating deficit in the immediately preceding or following years, or to repay debt. Council will have regard to forecast future debt levels when deciding whether it is prudent to budget for an operating surplus for debt repayment.

7. Funding Capital Expenditure

Capital expenditure is the costs Council incurs to provide new assets or the portion of replacement assets that increases the level of service or provides additional capacity to cater for growth in demand for that asset.

Council usually borrows, either internally or from capital markets, to fund capital expenditure. Borrowing for capital expenditure enables Council to spread the cost of providing a capital asset over the expected average life of the asset. Council may choose to fund capital expenditure through borrowing and repay the loan over a shorter or longer period if this is considered prudent.

Borrowing for capital expenditure reduces peaks and troughs in the funding required each year and promotes intergenerational equity (ensuring today's ratepayers are not required to fund the whole cost of assets with a long useful life).

Council's borrowing requirement and the cost of servicing loans for capital expenditure may be reduced to the extent that other funding sources can be used. Other funding sources include:

- Lump sum contributions
- Council reserve funds
- Development contributions
- Financial contributions
- Contributions from external parties - such as the NZTA
- Depreciation (funded through operational expenditure)
- Proceeds from asset sales
- Operating surpluses
- Bequests.

Minor capital expenditure is normally funded from rates in the year the expenditure is incurred.

Borrowing is undertaken in accordance with Council's Financial Strategy.

8. Funding Depreciation

Depreciation is the process of recognising that an asset is progressively used up over its useful life. By funding depreciation Council is able to provide funding to replace assets at the end of their useful life, or reduce the amount borrowed against the assets. Depreciation is funded within each activity as part of the operating expenditure each year.

In general, Council will fully fund depreciation unless this is not considered to be in the best interests of the community, in which case it will decide on the appropriate level of depreciation to be funded (which may include not funding any depreciation). If Council decides to not fully fund depreciation of an asset it will provide the community with information on why it has decided not to fully fund depreciation and the likely impact of this decision.

9. Analysis to Decide the Funding of Activities

In preparing this policy, Council has considered each activity (and in some cases discrete items within an activity) to determine the most appropriate funding approach.

Council endeavours, where possible, to allocate cost to the primary beneficiary of any function or activity it provides.

The matters considered in the assessment are:

9.1 Distribution of benefits

The benefits provided by each activity are assessed to establish to whom these flow. Benefit distribution is assessed using three categories; private benefit, group benefit and community-wide benefit. Out-of-district benefit is deemed to be community-wide benefit as there is generally no practicable way of allocating the cost of the benefit.

9.1.1 Private benefit

Private benefit accrues to identifiable individuals. Activities that provide a high level of private benefit will normally be funded from fees and charges.

An example of a Council service that provides a high level of private benefit is the processing and granting of a consent. This enables the applicant applying for a consent to undertake an activity that primarily benefits them.

9.1.2 Group benefit

Group benefit accrues to identifiable groups within the community. Activities that provide a high level of group benefit will normally be funded from a targeted rate or charge on properties able to receive the service.

An example of a Council service that provides a high level of group benefit is the provision of drinking water. Only those able to connect to the drinking water supply are able to benefit.

9.1.3 Community-wide benefit

Community-wide benefit accrues to the community as a whole.

An example of a Council service that provides a high level of community-wide benefit is the provision of the road network. Everyone has the opportunity to access and use the service.

Activities providing a community-wide benefit will normally be funded from the community as a whole, through the general rate or the UAGC, or in the case of roading, a targeted capital value rate across the whole district.

9.1.4 Out-of-district benefit

Out-of-district benefit accrues to visitors to the district or residents outside this district.

An example of a Council service that provides a level of out-of-district benefit is provision of the road network. Out-of-district residents are able to use our road network but there is no efficient means of charging for this.

Activities that provide out-of-district benefit are normally funded as if they provide district-wide benefit i.e. through the general rate or UAGC.

9.2 Period of benefit

Council considers the period over which the benefit provided by an activity flows. This provides a rationale for deciding the period over which expenditure should be funded.

If the benefit an activity provides relates wholly or largely to the immediate year then the activity will normally be funded from rates or other income in the year the expense is incurred.

If the benefit is available over a longer period of time Council will normally borrow to fund the activity (or asset) to ensure future ratepayers who will enjoy some of the benefit will pay a fair proportion of the cost.

9.3 Control of negative effects (exacerbator pays)

Council may incur expenditure to protect the community from actual or potential problems. Council looks to identify the cost to the community of controlling negative effects caused by individual or group actions and to recover any costs directly from those causing the problem. Examples are dog control (funded from dog registration fees) and parking enforcement (funded from parking meter fees and infringement fees).

Where a fee or charge is not practicable or efficient the cost will normally be funded as if it provides district-wide benefit – through the general rate or uniform annual general charge.

9.4 Distinct funding

Transparency and accountability are most evident when an activity is funded separately from other activities. This allows ratepayers or payers of user charges to see how much money is being raised and spent on the activity, and to assess whether or not the cost of the activity represents value for money.

Council must consider the costs and benefits of distinct funding of an activity, including the consequences of the chosen funding method in terms of transparency and accountability.

Council will fund activities distinctly where this is practicable and efficient.

9.5 Property versus people benefit

When deciding on the appropriate funding mechanism, Council will consider whether the benefit provided by an activity flows primarily to the value of the property or to the people who live at the property. In general, Council will look to fund property-related benefit through a rate based on capital value and people-related benefit through a UAC rate (all properties being charged the same amount). Making decisions on this type of assessment are often not straightforward and can be highly subjective.

9.6 Community impact

Council must consider the overall impact the allocation of liability for revenue needs has on the community.

Elected member judgement plays a key role in this assessment, as benefit distribution assessments and resulting cost allocations can be subjective.

In considering community impact and the allocation of costs, Council will have regard to:

- the impact a particular funding approach may have on the achievement of community outcomes,
- fairness and equity issues arising from the allocation of costs, and
- any other impacts on the community such as affordability of rates for some or all ratepayers.

Council may decide to fund an activity in a way other than generally prescribed in this policy if this approach to funding will promote the achievement of community outcomes or will address perceived affordability issues.

9.7 Practicality

Council may choose to make minor variations to the funding approach detailed in this policy for reasons of practicality. This is particularly the case for activities that are partly funded from fees and charges or from external funding sources.

In some cases the funding from fees and charges and external sources may vary from year to year or may be uncertain at the time of budgeting. In these cases Council may choose to adjust the funding from rates to accommodate changes or uncertainty.

For activities funded partly from fees and charges, the revenue generated from this source is often dependent on the demand for services at the time. Council may decide to adjust the level of funding from rates to smooth the level of fees and charges from year to year.

Surplus revenue generated from fees and charges will normally be credited to Council's general reserves unless this is precluded in which case it will be credited to the appropriate specified purpose reserve fund.

For activities with a specified purpose reserve fund, this fund may be used for rates smoothing purposes (rather than rates) if Council is able to use the fund in this way and deems this a prudent approach.

Council may fund minor capital expenditure from operating revenue in the year it is expended. Non-minor capital expenditure items will be funded from reserves or loan funding so as to minimise extreme rate movements and more accurately reflect the inter-generational costs.

9.8 Voluntary Targeted Rates

In some circumstances Council applies a targeted rate on properties that agree to receive and fund services not normally provided by Council. Applications from communities for this funding approach to be used are considered by Council on a case-by-case basis.

Council will only agree to apply a rate of this type if this approach is the most cost-effective means of funding the service.

Examples where Council has agreed to this approach are the Lyndhurst water supply and the Barrhill village water supply where Council supplied loan funding to these schemes. Council will only rate properties where the owner has agreed to participate in the scheme.

Council will not apply availability charges (half rates) on properties able to receive the service that do not take it up. A property is either rated for the service or it is not.

9.9 Policy Review

Council conducts a full review of the Revenue and Financing Policy every three years, as part of preparing its Long Term Plan.

The Revenue and Financing Policy may be amended at any time as long as the review process includes community consultation that gives effect to the requirements of section 82 of the Local Government Act 2002.

Revenue & Financing Policy Activity Tables - Funding analysis for each council service or activity

Local Infrastructure

District Water Management – Drinking Water

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides drinking water to homes and businesses through 12 potable water schemes. These schemes service over 70% of the district's residents. In operating these schemes Council is responsible for sourcing, treating, reticulating and monitoring the water supplied. Council rates for the loan interest and principal costs for two non-Council drinking water supplies – Lyndhurst and Barrhill. This is done through a voluntary rate as provided for under this policy.	*A prosperous economy based on innovation and opportunity* Access to safe quality drinking water is important for many businesses in the district. *A balanced and sustainable environment* The sustainable use and management of water is of central importance to all residents.	*Plan for and provide fit for purpose services.* Council manages the operations of the drinking water schemes, often balancing competing demands of limited resources. *Represent the district on regional/national issues and partner with others as needed.* Council works closely with the Ministry of Health for the delivery of safe, clean drinking water. *Lead the community with clear and rational decision-making.* Council strategically plans for the management of drinking water to meet requirements of the Drinking Water Standards of New Zealand (DWSNZ).	**Group benefit – 90%** Group benefit is provided to residents able to connect to Council water schemes. **Community-wide benefit 10%** Community-wide benefit is provided through the public health benefits of having safe drinking water available in areas that are serviced. It is considered inequitable for the community-wide benefit to be funded by all ratepayers, as residents not able to connect to a water scheme must provide their own drinking water source. This benefit is therefore funded as a group benefit. **Private benefit** There is a private benefit for non-residential and extraordinary residential connections, which is charged as user pays.	**Operating expenditure:** Targeted UAC rate 100% Operating costs are rated as a fixed rate on properties able to connect to Council water schemes. This means each connected property pays the same targeted fixed rate and promotes affordability for residents connected to smaller schemes. **Lyndhurst and Barrhill:** Targeted UAC rate 100% (fully funded from within each scheme). **Methven/Springfield and Montalto:** Water rate based on water used and property size respectively. **Non-residential and extraordinary residential connections:** Targeted fixed rate for a set amount of water. Water in excess of this is charged per cubic metre. **Serviceable properties:** Properties able to be serviced by a water scheme but not connected are charged half the applicable fixed rate. **Capital expenditure:** Normally loan funded with the cost funded as for operating expenditure. **Development Contributions:** Charged for most new connections to water schemes in Ashburton, Methven, Rakaia, Hinds & Faiton. See Ashburton District Council's 'Development & Financial Contributions Policy' for information. **Government subsidies:** Government may provide subsidy funding for some expenditure. Council rate contribution is net of any subsidies.

District Water Management – Stormwater

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides stormwater collection and disposal networks in Ashburton, Methven, Rakaia and some rural communities.	*A prosperous economy based on innovation and opportunity.* The safe collection and disposal of stormwater protects property and enables transport networks to function in rain events contributing to the economic well-being of the district. *A balanced and sustainable environment* The safe collection and disposal of stormwater helps maintain the environmental health of our district. *A district of great spaces and places* The safe collection and disposal of stormwater assists with making the district a great place to live, work and play.	*Plan and provide fit for purpose services.* Council manages stormwater, often balancing competing demands of limited resources. *Lead the community with clear and rational decision-making* Council strategically plans for the management of stormwater through development and implementation of a stormwater management plan.	**Group benefit 90%** Group benefit is provided to residents in areas where stormwater facilities are provided and give protection from flood for residents and properties. **Community-wide benefit 10%** Community-wide benefit accrues through protection of assets, such as roads, and by enabling safe transit within the scheme area during rainfall events.	**Operating expenditure:** Targeted CV rate 90%. Rated on properties in the catchment of a Council stormwater scheme with a separate rate for each scheme. General rate 10%. **Capital expenditure:** Normally loan funded with the cost funded as for operating expenditure.

District Water Management - Wastewater

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides wastewater schemes in Ashburton, Methven and Rakaia for the collection, treatment and disposal of wastewater.	*A prosperous economy based on innovation and opportunity* Safe collection and disposal of wastewater is important for the overall economic well-being of the district. *A balanced and sustainable environment* The safe collection and disposal of wastewater is important to maintain the environmental health of our district. *A district of great spaces and places* The safe collection and disposal of wastewater assists with making the district a great place to live, work and play.	*Plan and provide fit for purpose services* Council manages wastewater, often balancing competing demands of limited resources. *Lead the community with clear and rational decision-making* Council strategically plans for the management of wastewater.	**Group benefit 90%** Group benefit is provided to residents able to connect to Council wastewater schemes. **Community-wide benefit 10%** Community-wide benefit is provided through the health and environmental benefits of having wastewater treated and disposed of safely. It is considered inequitable to fund the community-wide benefit across the district as residents not able to receive the service must provide their own wastewater collection and disposal. This benefit is therefore funded entirely as a community-wide benefit.	**Operating expenditure:** **Residential:** Targeted UAC rate 100%. Rated as a uniform annual charge on properties able to connect to a Council wastewater scheme with a separate rate for each scheme. **Non-residential:** Targeted fixed rate as for residential for up to three toilet pans. If more than three pans a pan charge of 33% of the residential rate per additional pan is applied. **Serviceable properties:** Properties able to be serviced by a wastewater scheme but not connected are charged half the applicable fixed rate. **Capital expenditure:** Normally loan funded with the cost funded as for operating expenditure. On a case by case basis, Council may consider a general rate contribution for capital projects. Note: Rates are set net of contributions from development contributions, trade waste fees, revenue from operations associated with wastewater operations and Government subsidies. **Development Contributions:** Charged for most new connections to wastewater schemes in Ashburton and Methven. See Ashburton District Council's 'Development & Financial Contributions Policy' for information. **Trade waste fees:** Non-residential properties connected to a wastewater scheme are assessed for a requirement to pay trade waste levies under the Council's "Trade Waste Bylaw". Net revenue from levies is applied to the relevant wastewater scheme. **Ocean Farm:** Net revenue is used to offset the targeted fixed rate for Ashburton wastewater. **Government subsidies:** Government may provide subsidy funding for some expenditure. Council rate contribution is net of any subsidies.

District Water Management – Stockwater

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council owns and operates a stockwater network that includes over 2,150km of water races.	*A prosperous economy based on innovation and opportunity* The stockwater service enables the economic and efficient farming of stock in the district. *A balanced and sustainable environment* The management of the stockwater network is important to maintain, and improve, the environmental health of our district. *A district of great spaces and place* The wise use of the stockwater network assists with making the district a great place to live, work and play.	*Plan and provide fit for purpose services* Council manages stockwater, often balancing competing demands of limited resources. *Lead the community with clear and rational decision-making* Council strategically plans for the management of stockwater.	**Group benefit 90%** Group benefit is provided to properties able to use the stockwater service. **Community-wide benefit 10%** Community-wide benefit is provided through the positive economic and environmental impacts the service provides to the wider community.	**Operating expenditure:** Targeted UAC rate 90%. (Charged per meter of water race on a property and or on stockwater services available to the property). General rate 10%. **Capital expenditure:** As for operating expenditure. Loan funding may be undertaken as required, with the cost funded as per operating expenditure.

Transportation - Roads

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides and maintains the district's road network and associated infrastructure (excluding the state highways).	*A prosperous economy based on innovation and opportunity* The road network is vital for getting goods to markets and plays an essential roles in supporting the local, regional and national economies. *A district of great spaces and places* Roads support the community to carry out their business, leisure and social activities in a safe and reliable way that is fit for purpose.	*Plan for and provide fit for purpose services* Council manages the repairs and maintenance of the roading infrastructure, often balancing competing demands. *Represent the district on regional/national issues and partner with others as needed* Council advocates to and works closely with New Zealand Transport Agency (NZTA) who ultimately determine the majority of the roading work programme. Council recently partnered with Mackenzie District Council, Timaru District Council and Waimate District Council to form the Aoraki Roading Collaboration, who work together in specific areas of asset management.	**Community-wide benefit 100%** Community-wide benefit is provided to all residents and visitors to the district as all are able to use the road network.	**Operating expenditure:** Targeted capital value rate 100% (excludes NZTA funding and Petroleum Tax revenue). This rate is targeted on all separately used or inhabited properties in the district. This is to transparently identify the rates paid for roads by each ratepayer. It is levied on the same basis as the general rate. **Capital expenditure:** As for operational expenditure (excludes NZTA funding). **Exception – capital expenditure:** Council may decide to loan fund specific roads projects on a case by case basis. Projects will be assessed on the following criteria: ▪ Expected useful life of the asset – must be over 25 years, and ▪ Cost – the impact on rates is such that funding the project in the year it is undertaken would increase rates unreasonably if funded only from that year. **NZTA funding:** Council receives funding from NZTA for qualifying road maintenance and capital projects. The level of funding each year depends on the "financial assistance rate" currently applicable for Ashburton District Council and on the work programme approved by NZTA. **Private contribution:** Council may agree to undertake specified work in addition to its planned work programme at the request of a resident if the resident pays for the work.

Transportation - Footpaths & Cycleways

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides and maintains footpaths, streetscapes and cycleways in urban communities in the district.	*A prosperous economy based on innovation and opportunity* Footpaths help promote economic activity, particularly in the central business areas of the district. *A district of great spaces and places* Footpaths and cycleways support the community to connect and enable residents and visitors safe and smooth travel.	*Plan for and provide fit for purpose services* Council manages the repairs and maintenance of the footpath infrastructure, often balancing competing demands on limited resources.	**Group benefit 70%** Group benefit is provided to residents of towns where footpaths are provided. **Community-wide benefit 30%.** Community-wide benefit is provided to all residents through having attractive and safe footpaths, cycleways and streetscapes throughout the district.	**Operating expenditure:** Targeted capital value rate - 70% (excludes NZTA funding). Rate is targeted to identified communities. General rate - 30% (excludes NZTA funding) **Capital expenditure:** As for operational expenditure. Loan funding may be undertaken as required, with the cost funded as per operating expenditure. **Exception to funding approach - Ashburton CBD:** Properties in the Ashburton inner CBD rating area pay a capital value targeted rate for additional footpath cleaning. **NZTA funding:** Council receives funding from NZTA for qualifying footpath safety and realignment works. The level of funding each year depends on the “financial assistance rate” currently applicable for Council and on the work programme approved by NZTA.

Waste Reduction and Recovery – Solid Waste Collection

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides a kerbside wheelie bin rubbish and recycling collection service in Ashburton, Lake Hood, Winslow, Fairton, Methven, Rakaia, Hinds, Mayfield and Mt Somers.	*A balanced and sustainable environment* The recycling of suitable material and the appropriate disposal of residual waste helps minimise the negative effects of waste on our community. *A district of great spaces and places* The correct management of waste assists with making the district a great place to live, work and play.	*Plan and provide fit for purpose services* Council manages solid waste services, often balancing competing demands of limited resources. *Lead the community with clear and rational decision-making* Council strategically plans for the management of solid waste services through the Waste Management Minimisation Plan (WMMP).	**Group benefit 100%** Group benefit is provided to owners of properties receiving rubbish and recycling collection.	**Operating expenditure:** Targeted UAC rate 100%. (Charged to all properties able to receive the Council rubbish and recycling wheelie bin collection service). **Capital expenditure:** Normally loan funded with the interest and principal cost funded as for operating expenditure.

Waste Reduction and Recovery – Solid Waste Management

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council operates resource recovery parks in Ashburton and Rakaia, and satellite recycling facilities in smaller communities throughout the district. Recyclable material is diverted from the waste stream for re-use and residual waste is transported to the regional landfill at Kate Valley for disposal.	*A balanced and sustainable environment* The recycling of suitable material and the appropriate disposal of residual waste helps minimise the negative effects of waste on our community. *A district of great spaces and places* The correct management of waste assists with making the district a great place to live, work and play.	*Plan and provide fit for purpose services* Council manages solid waste services, often balancing competing demands of limited resources. *Lead the community with clear and rational decision-making* Council strategically plans for the management of solid waste services through the Waste Management Minimisation Plan (WMMP).	**Private benefit 60%** Private benefit is provided through having facilities to recycle or dispose of unwanted waste and recyclable materials. **Community-wide benefit 40%** The community benefits from having refuse disposed of safely.	**Operating expenditure**: Fees and charges 60%. General rate 40%. **Capital expenditure:** Normally loan funded with the cost funded as for operating expenditure.

Public Services

Community Governance & Decision-Making – Community Grants & Funding

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides grant funding for community projects, services, facilities and events. Grants are predominately for 'not for profit' community and voluntary groups working for the benefit of Ashburton District communities.	*Residents are included and have a voice* Community groups and organisations can access Council funding to provide a range of initiatives that contribute to residents' quality of life. *A district of great spaces and places* Many community organisations funded by Council look after important community facilities.	*Work with the community and engage in meaningful conversations* Council talks and listens to the community regularly through a through a range of mechanisms. *Lead the community with clear and rational decision-making.* Council strategically plans for the future of the district and Council as an organisation.	**Community-wide benefit 100%** Community-wide benefit is provided through residents being able to access community services, facilities, projects and events grant funded by Council grants.	**Operating expenditure:** Uniform annual general charge 100%. **Capital expenditure:** As for operating expenditure.

Community Governance & Decision-Making – Community Grants & Funding – Reserve Boards & Memorial Halls

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
There are 17 Reserve Boards around the district that administer community recreation reserves throughout the district. Council provides contestable grant funding for these reserves.	*A district of great spaces and places* Council supports reserves that are available to residents and visitors.	*Work with the community and engage in meaningful conversations* Council supports community reserves through contestable grant funding, advice and guidance.	*Community-wide Benefit 100%* Community-wide benefit is provided through having these reserves available throughout the district.	**Operating expenditure:** General rate 100%. **Capital expenditure:** As for operating expenditure. **Financial contributions:** Council charges financial contributions for the acquisition and development of recreation and open space under provisions of the District Plan. This funding source may be used in some instances to fund qualifying capital expenditure on the community reserves.

Community Governance & Decision-Making - Democracy

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council undertakes a range of planning and decision-making processes associated with its local democratic functions. Council meetings, decision-making, research, monitoring and community engagement provides the community with the opportunity to participate appropriately in Council's decision-making processes.	*Residents are included and have a voice* Council provides a framework for democratic decision-making at the local level.	*Work with the community and engage in meaningful conversations* Council talks and listens to the community regularly through a through a range of mechanisms. *Lead the community with clear and rational decision-making* Council strategically plans for the future of the district and Council as an organisation. *Represent the district on regional/national issues and partner with others as needed.* Council advocates on behalf of the district about a range of topics and issues, including the Ashburton Zone Committee whose role is work with the community to develop actions and tactics to deliver on the Canterbury Water Management Strategy.	*Council and Ashburton Zone Committee* **Community-wide benefit 100%** Community-wide benefit is provided through representation, advocacy, communication and engagement for all residents through Council and the Ashburton Zone Committee. *Methven Community Board* **Group benefit 100%** Group benefit is provided to Methven residents as the Board represents the Methven area only and no other part of the district has this level of additional representation.	**Ashburton Zone Committee & Ashburton Youth Council:** 100% General Rate. **Council Operating expenditure:** Currently this is funded 50% UAGC; 50% General Rate. The Council activity will be funded 100% UAGC by Year 2 of the LTP 2018-28 Yr 1 — Uniform annual general charge 75% — General rate 25% Yr 2 — Uniform annual general charge 100% **Council Capital Expenditure:** As for operational expenditure. **Methven Community Board:** Currently this is funded 50% targeted UAC; 50% targeted capital value rate on all properties in the rating area. The Methven Community Board activity will be funded 100% by a targeted UAC by Year 2 of the LTP 2018-28 (all properties in the Methven Community Board rating area) Yr 1 — Targeted UAC charge 75% — General rate 25% Yr 2 —Targeted UAC charge 100%

Community Services – Community Safety

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides community safety initiatives for the community including CCTV monitoring and security patrols.	*A district of great spaces and places* Monitoring key spaces in places within the community enhances community safety.	*Plan and provide fit for purpose services* Council manages community safety requirements, often balancing competing demands of limited resources.	**Community-wide benefit 100%** Community-wide benefit accrues through the monitoring of key locations.	**Operating expenditure:** Uniform annual general charge 75%. General rate 25% **Capital expenditure:** As for operating expenditure.

Community Services – Elderly Housing

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides elderly housing units in Ashburton, Methven and Rakaia to enable elderly residents of limited means to live independently in quality accommodation.	*Residents are included and have a voice* Affordable accommodation for older residents enables them to live independently and safely.	*Plan and provide fit for purpose services* Council manages elderly housing requirements, often balancing competing demands of limited resources.	**Private benefit 100%** Tenants receive private benefit from this service.	**Operating expenditure:** User charges (rent) 100% **Capital expenditure:** Normally loan funded with the cost funded as for operating expenditure.

Community Services – Memorial Halls & Reserve Boards

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council owns and operates the Mt Hutt Memorial Hall and Heritage Centre as a community facility and visitor attraction. Council provides funding to all community halls to assist with insurance costs. Council provides additional funding and assistance to the Methven and Rakaia Reserve Boards to assist with day to day maintenance of those facilities, as these are classified as Public Reserves under the Reserves Act.	*A district of great spaces and places* Reserves, memorial and other community halls provide important recreation and social facilities for local communities.	*Work with the community and engage in meaningful conversations* Council works with local communities to support local amenities.	**Community-wide benefit 100%** Community-wide benefit is provided through having the halls available for use by residents. Group benefit is provided to residents in Methven who have location benefit over and above district-wide access to the Methven Heritage Centre (which incorporates the Mt Hutt Memorial Hall Methven).	**Operating expenditure:** General rate 50%. Targeted CV rate 50%. **Exception:** Operating expenditure for the Mt Hutt Memorial Hall Methven and Heritage Centre is funded from a targeted capital value rate on all properties in the Methven urban rating area. **Capital expenditure:** As for operating expenditure.

Community Services – Public Conveniences

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council operates public convenience facilities to allow for the health and safety of the community and to protect the environment.	*A prosperous economy based on innovation and opportunity* Providing public conveniences in the business areas of the district makes these areas more amenable for residents and visitors. *A district of great spaces and places* The provisions of public conveniences supports the spaces and places of local communities.	*Plan and provide fit for purpose services* Council manages public convenience requirements, often balancing competing demands of limited resources.	**Group benefit 20%** Group benefit is provided to business properties in the Ashburton, Methven and Rakaia business districts as these businesses don't need to provide facilities for shoppers themselves. **Community-wide benefit 80%** Community-wide benefit is provided to all residents and visitors able to use facilities.	**Operating expenditure:** Targeted capital value rate 20% all Business (non-residential) properties in Ashburton, Methven and Rakaia urban rating areas (pro rata on capital value of these businesses in the area). Uniform annual general charge 80%. **Capital expenditure:** As for operating expenditure.

Community Services – Reserves & Campgrounds

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides a range of formal and informal camp grounds throughout the district. There are a number of special purpose reserves vested in Council which are held for specified purposes such as gravel extraction or recreation.	*A district of great spaces and places* Reserves and campgrounds provide recreation and social facilities for local residents and visitors.	*Work with the community and engage in meaningful conversations* Council works with local communities to support local amenities.	**Private benefit 50%** Private benefit is provided to users of camp grounds and other facilities available through this activity. **Community-wide benefit 50%** Community-wide benefit is provided through the use of the reserves, camp grounds, the Ashburton skate-park and other facilities. Tourism resulting from facilities provided brings economic benefit to the district.	**Operating expenditure:** Fees and charges 50%. (camping fees and lease revenues). General rate 50%. **Capital expenditure:** As for operating expenditure.

Economic Development – Business and Economic Development

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides funding for business and economic development in the district.	*A prosperous economy base on innovation and opportunity* Encouraging new and supporting existing economic activity in the district strengthens our local economy. *A district of great spaces and places* Economic growth and prosperity enables our community to fund services and facilities that contribute to quality of life.	*Lead the community with clear and rational decision-making* Council strategically plans for the future of the district and Council as an organisation. *Plan and provide fit for purpose services* Council manages economic development requirements, often balancing competing demands of limited resources.	**Community-wide benefit 100%** Community-wide benefit is provided through the economic growth and development of the district.	**Operating expenditure:** General rate 100%. **Capital expenditure:** As for operating expenditure.

Economic Development – Commercial Property

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council holds commercial property as part of its investment portfolio.	*A prosperous economy based on innovation and opportunity.* While much of Council's property portfolio is held primarily to gain a return it also contributes to economic development through providing business premises in the district.	*Lead the community with clear and rational decision-making.* Council strategically plans for the future of the district and Council as an organisation.	**Community-wide benefit 100%** Community-wide benefit is provided through net property income being used to offset Council's rate requirement.	Net operating revenue is applied to offset the general rate, and the UAGC in proportion to the requirement for each. (see example – Investment income, dividends and interest.) Funds from property sales are not used to offset rates but can be used to meet interest costs on loans associated with property (such as for the Ashburton Business Estate). Otherwise they are held in the Property reserve account or used to repay Property related debt. **Capital expenditure:** Normally loan funded with the cost funded as for operating expenditure. **Exception:** Council has decided to repay loans for capital expenditure for the construction of the EA Networks Centre over 40 years rather than the normal 25 years or less. This is to promote community outcomes through making the loan repayments more affordable for ratepayers. It is likely that the period of the loan will be reviewed in future with a view to reducing the term towards the more usual 25 year duration. **D evelopment contributions:** Development contributions for community infrastructure include a charge for funding the growth capacity of the Ashburton Art Gallery and Heritage Centre and the EA Networks Sports Complex. These development contributions are used to repay loans taken for the construction of these facilities. Refer to Council's "Development and Financial Contributions Policy" for more information.

Economic Development – District Promotion

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides funding to Experience Mid Canterbury to undertake marketing of the district to visitors.	*A prosperous economy based on innovation and opportunity.* Tourism contributes to the diversity and strength of the local economy. *A district of great spaces and places.* Tourism development creates spaces and places for local residents to enjoy.	*Lead the community with clear and rational decision-making.* Council strategically plans for the future of the district and Council as an organisation.	**Group benefit 50%** Group benefit is provided to businesses in the district through the direct and indirect economic gain from visitors to the district. **Community-wide benefit 50%** Community-wide benefit is provided through the overall economic, social and cultural benefits of attracting visitors to the district.	**Operating expenditure:** General rate 50%. Targeted capital value rate 50% - pro rata allocation based on the capital value of businesses in the Ashburton, Methven and Rakaia urban areas. **Capital expenditure:** As for operating expenditure. Experience Mid Canterbury generates some revenue from business partner subscriptions and user charges for specialist services provided.

Economic Development – Forestry

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council has forestry investments as part of its investment portfolio.	*A prosperous economy based on innovation and opportunity.* Council's forestry portfolio is held primarily to gain a return. It also contributes to district economy.	*Lead the community with clear and rational decision-making.* Council strategically plans for the future of the district and Council as an organisation.	**Community-wide benefit 100%** Community-wide is provided through net forestry income being used to offset the rate requirement.	Net revenue and any reserve funds can be used by Council to offset the general rate and UAGC in proportion to respective requirement. Council may also choose to use forestry reserve funds to offset the general rate and UAGC if there is no surplus. Council is currently reviewing its future approach to its forestry holdings and may look to sell some land held for that purpose. The proceeds of any sales of forestry land will be credited to the Property reserve fund.

Recreation Facilities – Ashburton Public Library

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council operates the Ashburton Public Library which provides educational, informational and recreational resources for the district's residents.	*A district of great spaces and places* Libraries are an important community resource for education and recreation and also provide opportunities for social engagement in the community.	*Plan and provide fit for purpose services* Council manages library service requirements, often balancing competing demands of limited resources. *Lead the community with clear and rational decision-making* Council strategically plans for the future of the library, including the new joint administration/library building.	**Community-wide benefit 100%** Community-wide benefit is provided to residents who use the library services.	**Operating expenditure:** Uniform annual general charge 100%. **Capital expenditure:** As for operating expenditure. **Note:** Council considers that allocating costs only to users of the service would be an unreasonable disincentive to those residents use of the library services. Funding is therefore allocated district-wide. **User charges:** User charges from book rentals, fines and chargeable services such as printing currently contribute around 6% of the costs of providing this service. Funding allocation in this policy excludes these sources.

Recreation Facilities – Ashburton Museum

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council operates the Ashburton Museum and aims to be the leading cultural heritage destination for Ashburton District.	*A district of great spaces and places* Council cares for and shares collections related to the Ashburton district and New Zealand, to enable residents to enjoy social, cultural and heritage experiences that showcase our unique identity.	*Plan and provide fit for purpose services* Council manages museum service requirements, often balancing competing demands of limited resources. *Work with the community and engage in meaningful conversations* Council works with the local community to support the presentation of social and cultural collections.	**Community-wide benefit 100%** Community-wide benefit is provided through having cultural and heritage activities accessible to residents.	**Operating expenditure:** Uniform annual general charge 100%. **Capital expenditure:** As for operating expenditure.

Recreation Facilities – EA Networks Centre

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council owns and operates the EA Networks Centre to encourage and support recreation and leisure by providing affordable accessible and quality sports facilities. Council also operates the Tinwald Community Pool during the summer months.	*A district of great spaces and places* Council provides quality recreation facilities that are accessible and affordable to residents and visitors.	*Plan and provide fit for purpose services* Council manages EA Networks Centre requirements, often balancing competing demands of limited resources.	**Private benefit 50%** Private benefit is provided to users of recreation facilities and services. **Community-wide benefit 50%** Community-wide benefit is provided to residents through being able to use facilities and services provided or funded by Council.	**Operating expenditure:** Fees and charges 40% (user fees for the EA Networks Centre)* Uniform annual general charge 60%. **Capital expenditure:** Normally loan funded with the costs funded as for operating expenditure.

Recreation Facilities – Community Pools

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides annual funding to assist with pools costs to the following community pools operating in the district: ▪ Hinds ▪ Mayfield ▪ Methven ▪ Mt Somers ▪ Rakaia ▪ Ruapuna	*A district of great spaces and places* Council supports recreation facilities that are accessible and affordable to residents and visitors.	*Work with the community and engage in meaningful conversations* Council supports community pools through partial-funding, advice and guidance.	**Community-wide benefit 100%** Community-wide benefit is provided through having swimming pools accessible to residents.	**Operating expenditure:** Uniform annual general charge 100%.

Parks & Open Spaces: Cemeteries

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides cemeteries to ensure a safe and healthy community, and to preserve the social history of the district.	*A balanced and sustainable environment* Council ensures interments are undertaken in ways that minimise the impact on the environment. *A district of great spaces and places* Council provides cemeteries that have a park-like setting.	*Plan and provide fit for purpose services* Council manages cemeteries throughout the district, often balancing competing demands of limited resources.	**Private benefit 80%** Private benefit is provided to users of cemetery facilities, largely friends and family of deceased. **Community-wide benefit 20%** Community-wide benefit is provided through ensuring the deceased are interred in a sanitary way.	**Operating expenditure:** Fees and charges 80% General rate 20% **Capital expenditure:** As for operating expenditure.

Parks & Open Spaces: Rural Beautification

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council undertakes projects and maintenance to enhance the streetscapes, sports grounds, parks and reserves in rural areas of the district. This activity excludes Ashburton, Methven and Rakaia which make up the 'Township beautification' activity.	*A district of great spaces and places* Council provides open spaces that are attractive for residents and visitors.	*Plan and provide fit for purpose services* Council manages open spaces requirements throughout the district, often balancing competing demands of limited resources.	**Group benefit 50%** Group benefit is provided to rural residents who benefit directly from this activity by having attractive places to live. **Community-wide benefit 50%** Community-wide benefit is provided through having enhanced rural surroundings which are attractive places to live and visit.	**Operating expenditure:** Targeted capital value rate 50% (all properties except those in the Ashburton, Methven and Rakaia urban rating areas). General rate 50%. **Capital expenditure:** As for operating expenditure. **Financial contributions:** Council charges financial contributions for the acquisition and development of recreation and open space under provisions of the District Plan. This funding source may be used in some instances to fund qualifying capital expenditure.

Parks & Open Spaces: Urban Beautification (including Ashburton Domain)

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council undertakes projects and maintenance to enhance the streetscapes, sports grounds, parks and reserves in the towns of the district, including Lake Hood. Council also collects and disposes of rubbish from street-side litter bins located in Ashburton, Methven and Rakaia.	*A district of great spaces and places* Council provides open spaces that are attractive for residents and visitors.	*Plan and provide fit for purpose services* Council manages open spaces requirements throughout the district, often balancing competing demands of limited resources.	**Group benefit 50%** Group benefit is provided to residents and businesses in Ashburton, Methven and Rakaia through these localities being more attractive places to live, work and shop. **Community-wide benefit 50%** Community-wide benefit is provided through residents being able to use the recreational facilities provided and from having attractive towns that are clean throughout the district.	**Operating expenditure:** ▪ **Ashburton** Targeted capital value rate 50% (Ashburton urban amenity rating area, including Lake Hood*). General rate 50%. These rates are based on the costs of services in these areas. ▪ **Methven** Targeted capital value rate 50% (Methven urban rating area) General rate 50%. These rates are based on the costs of services in these areas. ▪ **Rakaia** Targeted capital value rate 50% (Rakaia urban rating area). General rate 50%. These rates are based on the costs of services in these areas. **Capital Expenditure:** As for operating expenditure **Financial contributions:** Council charges financial contributions for the acquisition and development of recreation and open space under provisions of the District Plan. This funding source may be used in some instances to fund qualifying capital expenditure. *Council has decided to introduce the Targeted Capital Value Urban Amenity rate over 2 years for Lake Hood residents (years 1 and 2 of the LTP 2018-28).

Regulatory Functions

Alcohol Licensing & Gambling Venue Consenting

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council manages the sale and supply of alcohol and gambling licensing by way of processing applications, monitoring and enforcement requirements.	*A balanced and sustainable environment* Council administers alcohol licensing in accordance with the Local Alcohol Policy and gambling licensing in accordance with the Class 4 Gambling Venue Policy. *A district of great spaces and places* Council ensures that licensing supports great spaces and places for the community.	*Lead the community with clear and rational decision-making* Council leads the community with the monitoring of licensing and enforcement of associated legislation and policies. *Plan and provide fit for purpose services* Council manages licensing throughout the district, often balancing competing demands of limited resources.	**Private benefit 80%** Private benefit is provided to owners of licensed businesses meeting legislative requirements and being able to operate. **Community-wide benefit 20%** Community-wide benefit is provided through standards and controls applied in the areas of alcohol and gambling venue licensing.	**Operating expenditure:** Fees and charges 80% General rate 20%. **Capital expenditure:** As for operating expenditure.

Animal Control

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides dog and stock control services to ensure the community is not endangered by uncontrolled dogs or stock.	*A district of great spaces and places* Council ensures that animal control supports great spaces and places for the community.	*Lead the community with clear and rational decision-making* Council leads the community with the monitoring of animal control and enforcement of associated legislation and bylaws. *Plan and provide fit for purpose services* Council manages animal control throughout the district, often balancing competing demands of limited resources.	**Private benefit 95%** Private benefit is provided to dog owners, through provision of dog control services that would not be required if there were no dogs – dog owners create the need to provide the service (exacerbator pays principle). **Community-wide benefit 5%** Community-wide benefit is provided through Council being able to respond to and deal with dog and wandering stock issues in a timely manner.	**Operating expenditure:** Fees and charges 95% (dog license fees, impounding fees and infringement fees) (stock impounding fees and sustenance fees). General rate 5%. **Capital expenditure:** As for operational expenditure.

Building Regulation

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council is an accredited building control authority, responsible for enforcing the requirements of the Building Act and NZ Building Code to ensure all buildings are structurally sound and safe for occupancy.	*A district of great spaces and places* Council ensures that building control supports great spaces and places for the community. *A prosperous economy based on innovation and opportunity* Building regulation supports the economic growth of the district.	*Lead the community with clear and rational decision-making* Council leads the community with building regulation services and the enforcement of legislation. *Plan and provide fit for purpose services* Council manages building regulation throughout the district, often balancing competing demands of limited resources.	**Private benefit 90%** Private benefit is provided to building owners and construction contractors through ensuring they meet legislative requirements. **Community-wide benefit 10%** Community-wide benefit is provided through Council providing information regarding building regulation requirements free of charge to property owners and residents looking at building development.	**Operating expenditure:** Fees and charges 90%. General rate 10%. **Capital expenditure:** As for operating expenditure.

District Planning

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council plans for the future growth of the district and aims to control the actual and potential adverse effects of land use. These activities are carried out primarily through the District Plan.	*A prosperous economy based on innovation and opportunity* A well-planned community is likely to be efficient and effective in delivering services. *A district of great spaces and places* The District Plan sets rules and guides Council decisions to ensure our environment is preserved.	*Lead the community with clear and rational decision-making* Council leads the community with robust district planning. *Plan and provide fit for purpose services* Council manages the land use throughout the district, often balancing competing demands of limited resources. *Work with the community and engage in meaningful conversations* Council consults the community on the District Plan.	**Private benefit 80%** Private benefit is provided to resource consent applicants through their being able to undertake activities not provided for under the District Plan. **Community-wide benefit 20%** Community-wide benefit is provided through the environmental protection provided by the District Planning activity.	**Operating expenditure:** Fees and charges 80%. General rate 20%. **Capital expenditure:** As for operational expenditure. **Exceptions:** Privately requested plan changes 100% Fees & Charges Policy & Development (including District Plan and advocacy e.g. CBD revitalisation) 100% General Rate.

Environmental Health

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council undertakes environmental health monitoring and enforcement functions, including licensing, monitoring and legal enforcement regarding food premises, investigation of notifiable diseases, and responding to nuisance complaints.	*A prosperous economy based on innovation and opportunity* Council supports the local economy by ensuring that environmental health concerns are monitored and addressed. *A district of great spaces and places* Council provides environmental health services to assist great spaces and places for the community.	*Lead the community with clear and rational decision-making* Council leads the community with environmental health services and the enforcement of legislation. *Plan and provide fit for purpose services* Council manages the environmental health issues throughout the district, often balancing competing demands of limited resources.	**Private benefit 20%** Private benefit is provided to licensees through enabling them to legally trade. **Community-wide benefit 80%** Community-wide benefit is provided through potential impacts on public health being monitored and regulated effectively.	**Operating expenditure:** Fees and charges 20%. Uniform annual general charge 80%. **Capital expenditure:** As for operational expenditure.

Emergency Management

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council undertakes contingency planning and readiness for natural disasters and provides emergency response and recovery services in the event of a natural disaster	*A prosperous economy based on innovation and opportunity* Council supports the local economy by being preparing for and responding to civil defence emergencies *A district of great spaces and places* Council provides civil defence capability to contribute to a reduction in the loss of property in a civil emergency event	*Lead the community with clear and rational decision-making* Council leads the community with emergency management services and the enforcement of legislation. *Plan and provide fit for purpose services* Council manages emergency management throughout the district, often balancing competing demands of limited resources.	**Community-wide benefit (people) 50%** Community-wide benefit is provided through the ability for the district to recover from a civil defence emergency event. **Community-wide benefit (property) 50%** Community-wide benefit is provided to residents and businesses affected by a civil defence emergency event and their ability to recover from a civil defence emergency event.	**Operating expenditure:** UAGC 50%. General rate 50%. **Capital expenditure:** As for operating expenditure.

Land Information

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council maintains records of all properties in the district. Information on any property is available to the public through a Land Information Memorandum (LIM).	*A district of great spaces and places* Council ensures that land information services supports great spaces and places for the community. *A prosperous economy based on innovation and opportunity* Land information supports the economic growth of the district.	*Plan and provide fit for purpose services* Council manages land information services for the district.	**Private benefit 100%** Private benefit is provided through the provision of information to any member of the public. This information gives property owners and purchasers certainty about the property and its features.	**Operating expenditure:** Fees and charges 100% **Capital expenditure:** As for operational expenditure.

Parking

SERVICE	COMMUNITY OUTCOMES	STRATEGIC OBJECTIVES	WHO BENEFITS/ CREATES NEED?	FUNDING
Council provides on and off–street car parking in the central business district of Ashburton, the commercial districts of Methven and Rakaia and suburban shopping areas throughout the district.	*A prosperous economy based on innovation and opportunity* Parking supports the economic growth of the district.	*Plan and provide fit for purpose services* Council manages parking services for the district.	**Private benefit 100%** Private benefit is provided to users of parking facilities. Business owners in areas with parking receive private benefit through the regular turnover of parking spaces allowing more customers to access shops.	**Operating expenditure:** Fees and charges 100%. (meter fees and infringement fines). **Capital expenditure:** As for operating expenditure.

Summary of Rating Requirements

A summary of the rating requirements of all Council activities under this Revenue and Financing Policy is shown in the tables below.

Local Infrastructure

	UAGC	General Rate	Targeted Rates (CV)	Targeted Rates (UAC)	Fees & Charges
DISTRICT WATER MANAGEMENT					
Drinking Water				100%	
Wastewater				100%	
Stormwater		10%	90%		
Stockwater Management		10%		90%	
TRANSPORTATION					
Roads			100%		
Footpaths & Cycleways		30%	70%		
WASTE REDUCTION & RECOVERY					
Solid Waste Collection				100%	
Solid Waste Management		40%			60%

Public Services

	UAGC	General Rate	Targeted Rates (CV)	Targeted Rates (UAC)	Fees & Charges
COMMUNITY GOVERNANCE & DECISION-MAKING					
Community Grants & Funding					
Community Grants & Funding	100%				
Reserve Boards & Memorial Halls Grant		100%			
Democracy					
Ashburton Water Management Zone Committee		100%			
Council	75% - Yr 1 100% - Yr 2	25% - Yr 1			
Methven Community Board			25% - Yr 1	75% - Yr 1 100% - Yr 2	
ECONOMIC DEVELOPMENT					
Business & Economic Development		100%			
Commercial Property	Contribution to general rate	Contribution to general rate			
District Promotion (Tourism)		50%	50%		
Forestry	Contribution to general rate	Contribution to general rate			

	UAGC	General Rate	Targeted Rates (CV)	Targeted Rates (UAC)	Fees & Charges
RECREATION & COMMUNITY SERVICES					
Community Services					
Elderly Persons Housing					100%
Public Conveniences	80%		20%		
Community Safety (CCTV and security)	50%			50%	
Reserve Boards		50%	50%		
Reserves & Campgrounds		50%			50%
Parks & Open Spaces					
Cemeteries		20%			80%
Rural Beautification		50%	50%		
Urban Beautification (including Ashburton Domain)		50%	50%		
Recreation Facilities					
Ashburton Library	100%				
Ashburton Museum	100%				
EA Networks Centre	60%				40%
Community Pools	100%				

Regulatory Functions

	UAGC	General Rate	Targeted Rates (CV)	Targeted Rates (UAC)	Fees & Charges
REGULATORY SERVICES					
Alcohol Licensing		20%			80%
Animal Control		5%			95%
Building Regulation		10%			90%
District Planning		20%			80%
Environmental Health	80%				20%
Emergency Management	50%	50%			
Land Information					100%
Parking					100%

Appendix

Boundary maps for rating areas have been included as part of the Revenue and Financing Policy. These can be found on the Council website ***www.ashburtondc.govt.nz.*** The following rating areas can be found as part of this appendix to the Policy:

AREA	MAP	APPENDIX PAGE NUMBER	RATE
District-wide	ADC General / Road / UAGC Boundary	1	UAGC
			General Rate
			Roading Rate
	ADC Rural Amenities Boundary	2	Rural Amenities Rate
	ADC Stockwater Race Services / Connected	3	Stockwater Rate
	ADC Group Water Connected / Serviceable	4	Group Water Supply Rate
Ashburton Township	Ashburton CBD Refuse Collection	5	Ashburton Refuse Collection Rate
	Ashburton CBD (Inner) Footpath Cleaning	6	Ashburton CBD (Inner) Footpath Cleaning Rate
	Ashburton Refuse Collection Boundary	7	Ashburton Refuse Collection Rate
	Proposed Ashburton Urban / Residential and Business Amenities	8	Ashburton Business Amenity Rate
			Ashburton Urban Amenity Rate
			Ashburton Residential Amenity Rate
	Ashburton Water Supply and Wastewater Connected / Serviceable and Wastewater Pans	9	Ashburton Water Supply Rate
			Ashburton Wastewater Rate (including Pans charge)
Barrhill Village	Barrhill Village Water Loan Repayment Connected	10	Barrhill Village Water Supply Rate
Chertsey	Chertsey Refuse Collection	11	Chertsey Refuse Collection Rate
	Chertsey Water Supply / Serviceable Boundary	12	Chertsey Water Supply Rate
Dromore	Dromore Water Supply Connected / Serviceable	13	Dromore Water Supply Rate
Fairton	Fairton Water Supply Connected / Serviceable	14	Fairton Water Supply Rate
	Fairton Refuse Collection	15	Fairton Refuse Collection Rate
Hakatere	Hakatere Water Supply Connected / Serviceable	16	Hakatere Water Supply Rate
Hinds	Hinds Amenity Rates Boundary	17	Hinds Amenity Rate
	Hinds Refuse Collection Boundary	18	Hinds Refuse Collection Rate (including Winslow)
	Hinds Water Supply Connected / Serviceable Boundary	19	Hinds Water Supply Rate

AREA	MAP	APPENDIX PAGE NUMBER	RATE
Lake Clearwater	Lake Clearwater Refuse Collection Boundary	20	Lake Clearwater Refuse Collection Rate
Lake Hood	Lake Hood Water Supply Connected Serviceable	21	Lake Hood Water Supply Rate
	Lake Hood Refuse Collection	22	Lake Hood Refuse Collection Rate
Lyndhurst	Lyndhurst Water Supply Loan Repayment	23	Lyndhurst Water Supply Rate
Mayfield	Mayfield Water Supply Connected / Serviceable and Refuse Collection Area	24	Mayfield Water Supply Rate
			Mayfield Refuse Collection Rate
Methven / Springfield	Methven / Springfield Stockwater Connected / Serviceable	25	Methven-Springfield Stockwater Rate
Methven	Methven Urban / Residential & Commercial Amenities	26	Methven Urban Amenity Rate
			Methven Residential Amenity Rate
			Methven Commercial Amenity Rate
	Methven Community Board Area	27	Methven Community Board Rate
	Methven Community Pool Boundary	28	Methven Community Pool Rate
	Methven Refuse Collection	29	Methven Refuse Collection Rate
	Methven Wastewater Connected / Serviceable and Pans	30	Methven Wastewater Rate
	Methven Water Supply Connected / Serviceable	31	Methven Water Supply Rate
Montalto	Montalto Stockwater / Stockwater Connected	32	Montalto Stockwater Rate
Mt Somers	Mt Somers Water Supply Connected / Serviceable and Waste Collection	33	Mt Somers Water Supply Rate
Rakaia	Rakaia Urban Residential & Commercial Amenities Rates Boundary	34	Rakaia Urban Amenity Rate
			Rakaia Residential Amenity Rate
			Rakaia Commercial Amenity Rate
	Rakaia Refuse Collection	35	Rakaia Refuse Collection Rate
	Rakaia Wastewater Connected Serviceable, Pans and Loan	36	Rakaia Wastewater Rate (including Pans charge)
			Rakaia Wastewater Loan Repayment Rate
	Rakaia Water Supply Connected / Serviceable	37	Rakaia Water Supply Rate
Rangitata Huts	Rangitata Huts Waste Collection Boundary	38	Rangitata Huts Refuse Collection Rate
Winslow	Winslow Refuse Collection	39	Winslow Refuse Collection Rate


Ashburton
Don't waste tomorrow,
recycle today

Notes:

Amenity Boundaries

Boundaries for the residential and urban amenity rates have been aligned as much as possible with the Ashburton District Plan. Properties zoned Residential C have been aligned to the residential and urban amenity boundaries in Ashburton, Methven, Rakaia and Hinds, where possible.

Properties in Methven currently rated for residential amenities will continue to be charged this rate.

Water Supply and Wastewater Rating Boundaries

All properties within the boundary connected to the wastewater and/or water supply will be charged the appropriate serviced water supply and/or wastewater connected rates. Properties within the boundary that are able to be connected will be charged the appropriate serviceable water supply and/or wastewater rates. Properties that are not able to be connected will not be charged a wastewater and/or water supply rate.

Refuse Collection Rates

Properties within the appropriate rating boundaries that receive or are able to receive the service will be charged the refuse collection rate.

Stockwater Rate

Properties within the appropriate rating boundaries connected to the stockwater scheme will be charged the relevant stockwater rate.

Pans (including urinals) Charges

Commercial properties connected to the Ashburton, Methven or Rakaia wastewater schemes, that have more than three pans, will be subject to an additional pan charge (above the wastewater rate). Each additional pan will be charged 1/3 of the applicable wastewater rate.

Development & Financial Contributions Policy

1. Introduction

1.1 Background

The population of Ashburton District is growing and is expected to continue to grow in the future. Council must plan for this growth by investing in infrastructure that will enable new homes and businesses to connect to Council water and wastewater infrastructure, and provide the opportunity for new residents to use community facilities.

Development contributions enable Council to charge developers of new residential and business units a share of the cost of providing capacity to cater for growth.

This policy sets out the development contributions payable; how and when these are calculated and paid, and includes a summary of the methodology used to calculate contributions.

1.2 Policy objectives

This policy is intended to assist Council to achieve the following objectives:

- enable Council to plan for and fund infrastructure and facilities provision that meets the anticipated growth requirements of the district,
- provide predictability and certainty regarding the infrastructure required to cater for growth,
- enable a share of the costs Council incurs to provide infrastructure to cater for growth to be fairly and equitably recovered from those directly benefiting from Council infrastructure – i.e. developers,
- provide for the wider ratepayer base to contribute to funding infrastructure provision that raises service standards, and
- to promote understanding and awareness of what Council intends to fund and how this applies to a particular development.

1.3 Legislative context

Local authorities are required, under section 102 of the Local Government Act 2002, ("the Act") to adopt funding and financial policies as part of their financial management obligations. As part of the requirements for funding and financial policies, section 102(4)(d) of the Act requires a policy on development contributions or financial contributions.

The purpose of the development contributions provisions in the Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.

The Act requires any development contributions policy to be prepared taking into account principles detailed in section 197AB. In summary these are:

- development contributions should only be required if the effects or cumulative effects of developments will create or have created a requirement for provision of new or additional assets, or assets of increased capacity,
- development contributions should be determined in a manner that is generally consistent with the capacity life of the assets for which they are intended,
- cost allocations used to establish development contributions should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets,
- development contributions must be used for or towards the purpose of the activity or the group of activities for which the contributions were required, and for the benefit of the district or the part of the district that is identified in the development contributions policy in which the development contributions were required, and
- territorial authorities should make sufficient information available to demonstrate what development contributions are being used for and why they are being used.

1.4 Financial management policies

This policy has been prepared within the wider context of the Council's overall financial management policies.

This policy is consistent with the provisions of Council's Revenue and Financing Policy and provides for development contributions and financial contributions to be used as part of Council's overall approach to funding capital expenditure.

1.5 Funding to provide for growth

Development contributions and financial contributions are used by Council to fund some of the costs associated with providing infrastructure that caters for demand from growth.

Council aims to take a balanced and fair approach to how it raises funding required for new developments. Other sources of funding of capital expenditure may include:

- outside sources such as New Zealand Transport Agency (NZTA) subsidies, grants, regional council or central government funding; and
- funding from sources such as rates and sale of assets.

2. Policy on Development Contributions

2.1 Requirement for a development contribution

Under section 198 of the Act, Council may require a development contribution to be made when:

- resource consent is granted under the Resource Management Act 1991 for a development in Ashburton District,
- building consent is granted under the Building Act 2004 for building work situated in Ashburton District,
- authorisation for a service connection is granted without a building consent being issued*, and
- a change in use of a business unit.

*An example of this is where a tap is connected to the piped water system for watering or a temporary connection to the sewer system is made. In both cases the connection can be used without a building consent but requires a development contribution to be made.

Development contributions can only be required where a development as defined by section 197 of the Act is to occur. Under section 197, development means:

a.) "any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but
b.) does not include the pipes or lines of a network utility operator."

On receiving an application for subdivision consent, resource consent, or building consent, Council will first:

a.) test that the application represents a development under section 197,
b.) determine whether alone or in combination with other developments the application under consideration will have the effect of requiring new or additional assets or assets of increased capacity and, as a consequence, the council will incur capital expenditure to provide appropriately for this, and
c.) ensure that any development contribution that may be required, is provided for in this policy.

If Council is satisfied that the application meets the legal requirements above, it will assess contributions following the process set out in the Assessment section.

2.1.1 Exceptions: For clarity, development contributions are not required for:

- an addition or alteration to a residential unit that does not result in any additional unit or units
- an addition or alteration to a non-residential unit that does not result in any additional unit or units and the development does not result in an increase in demand on the water or wastewater schemes servicing the property
- change of use for a non-residential unit that does not result in an increase in demand on the water or wastewater schemes servicing the property
- a new or replacement out-building or ancillary building servicing a non-residential unit that does not result in any additional unit or units and the development does not result in an increase in demand on the water or wastewater schemes servicing the property.
- a new residential or business unit that is replacing like with like.
- a Crown development - the Crown is exempt from the provisions of this policy by virtue of section 8 of the Local Government Act 2002.

2.2 Activities

Council requires a development contribution for the following infrastructure services:

- **Drinking water** – applies to Council drinking water supplies where Council has incurred or plans to incur capital expenditure to cater for growth.
- **Wastewater**– applies to Council wastewater schemes where Council has incurred or plans to incur capital expenditure to cater for growth.
- **Community infrastructure -** applies to Council community infrastructure projects where Council has incurred or plans to incur capital expenditure to cater for growth – EA Networks Centre and Ashburton Art Gallery and Heritage Centre.

2.3 Catchments

A catchment is the area served by the network infrastructure or community infrastructure asset where common benefits are received. The following are treated as catchments for the purposes of assessing development contributions:

- **Drinking Water –** each of the Council's drinking water supplies is a separate catchment.
- **Wastewater –** each of the Council's wastewater schemes is a separate catchment.
- **Community Infrastructure –** the district as a whole is treated as a single catchment.

2.4 Units of demand

The calculation of the development contribution required for water and wastewater is based on the average demand of a single residential housing unit using the average household size of 2.5 residents (based on 2013 Census data for Ashburton District). This unit of demand is referred to as a "Household Unit Equivalent" or HUE.

Residential

Each single residential unit (regardless of size or number of occupants) is treated as being 1 HUE for assessing drinking water, wastewater and community infrastructure development contributions.

Non-residential

Each single non-residential unit will be assessed for the demand it is expected to place on the water and wastewater networks based on the type of business. This assessment will determine demand relative to a residential unit and a HUE derived from that assessment. The assessment uses the information in the Water Consumption Non-residential Properties table in Schedule 4 of this policy as the base line demand for various uses.

For assessing community infrastructure development contribution each non-residential unit is treated as being 1 HUE.

2.5 Capacity Credit

Where a new development is replacing an existing residential or non-residential unit the demand on infrastructure generated by the previous use will be recognised in any assessment of development contributions with units of demand from existing development deducted from the total units of demand assessed to be generated by the new development.

This credit applies only to a building which has been inhabited or used for the stated purpose within the last two years or the building has been used as a place of business within the last two years.

A credit can be transferred from one property title to another as long as the two properties are regarded as contiguous (effectively operating as a single property) as described in section 20 of the Local Government (Rating) Act 2002.

2.6 Calculation of development contribution

An assessment of requirement to pay development contribution will be made at the time Council receives an application for:

- building consent for a new residential or non-residential unit, or
- building consent or resource consent for an addition, alteration, or change of use for a business unit.

If a development meets the requirement for a development contribution detailed in section 2.1 of this policy, Council will undertake a development contribution calculation using the calculations detailed in Schedule 3 of the Policy.

2.7 Limits on Development Contributions

As part of seeking a balanced and fair approach to funding capital expenditure required to cater for growth, Council may decide to limit the level of development contributions

for a particular contribution. Any such limit will be detailed in the section of the Policy regarding calculation of development contributions. Where a limit is in place the funding that would normally come from development contributions is instead funded by rates from the existing community.

2.8 Reconsideration of requirement for development contribution

An applicant may request Council to reconsider a requirement to make a development contribution if the applicant has grounds to believe that:

a.) the development contribution was incorrectly calculated or assessed under this policy,
b.) Council incorrectly applied provisions of this policy, or
c.) the information used to assess the applicant's development, or the way Council has recorded or used information when requiring the development contribution, was incomplete or contained errors.

A request for reconsideration must be made within 10 working days after the date on which the applicant receives notice from Council (invoice) of the level of development contribution required.

A reconsideration cannot be requested if an objection under section 199C and Schedule 13A of the Act has already been lodged.

A request for reconsideration must be made in writing to the chief executive and identify the basis on which the reconsideration is sought together with, as appropriate, the legal and evidential grounds supporting the application.

Council may, within 10 working days of receiving the request for reconsideration, request further information from the requester to support the grounds stated in the reconsideration.

Council will proceed to determine the request for reconsideration if:

a.) it has, in its view, received all required information relating to the request; or
b.) the requester refuses to provide any further information requested by Council (as set out above).

In considering the request for reconsideration, Council will make its decision without convening a hearing.

In all cases, Council will give written notice of the outcome of its reconsideration to the applicant within 15 working days after:

a.) the date the application for reconsideration is received, if all required information is provided in that application; or
b.) the date the application for reconsideration is received, if the applicant refuses to provide further information; or
c.) the date the further information is received from the applicant.

An applicant requesting a reconsideration may object to the outcome of that reconsideration by lodging an objection under section 199C of the Act.

2.9 Objection to assessed amount of development contribution

An applicant may object to the assessed amount of development contribution required.

An objection may be made only on the following grounds:

a.) Council has failed to properly take into account features of the development that, on their own or cumulatively with those of other developments, would substantially reduce the impact of the development on requirements for community facilities in the district or parts of the district; or
b.) Council has required a development contribution for community facilities not required by, or related to, the objector's development, whether on its own or cumulatively with other developments; or
c.) Council has required a development contribution in breach of section 200 of the Act; or
d.) Council has incorrectly applied its development contributions policy to the objector's development.

An objection may be lodged irrespective of whether a reconsideration of the requirement for a development contribution has been requested.

The right of objection does not apply to challenges to the content of this policy.

Schedule 13A of the Act details the procedure relating to development contribution objections.

Council may (under section 252 of the Act) recover actual and reasonable costs from an applicant lodging an objection that relate to the following costs it incurs:

a.) the selection, engagement, and employment of the development contributions commissioners; and
b.) the secretarial and administrative support of the objection process; and
c.) preparing for, organising, and holding the hearing

2.10 Postponement of development contribution payment

Postponements may be allowed for substantial developments at the discretion of Council. A request for postponement must be made in writing to the Chief Executive stating the reasons why a postponement is sought. Requests for postponement will be considered on a case by case basis by the Finance and Business Support Committee.

2.11 Refund of development contribution

A development contribution will be refunded if:

i) the building consent or resource consent that triggered the requirement for a development contribution lapses or is surrendered
ii) the development does not proceed
iii) Council does not provide infrastructure for which a development contribution was required.

An administration fee of $150 will be charged in the case of (i) and (ii) above.

2.12 Payment of development contribution

Following assessment of the requirement for a development contribution and a calculation of applicable development contribution required an invoice will be issued at the time of:

- a building consent being uplifted
- a resource consent for a change in use deemed to result an increase in demand for service for water or wastewater services being granted

Payment is treated as any Council charge and is due by the 20th of the following month.

Non-payment of development contributions will be treated the same as other Council debt and will result in penalties, debt collection fees and court costs as applicable.

In addition, in situations of non-payment Council may take the following actions:

- Code of Compliance Certificate (section 95 of the Building Act 2004) will not be issued
- Network connections will not be completed
- Statutory Land Charge may be lodged against the property.

2.13 Development contribution for Council development

Development carried out by Council will be subject to any applicable development contribution except for any required for the same activity as the development.

2.14 Private development agreements

Council may enter into private development agreements in circumstances where there is a need to allocate responsibility between developers and Council for the construction and funding of public works associated with a development.

This policy is a funding policy for planned capital expenditure on community facilities. Private development agreements will not be used to reduce the amount of any contribution charge calculated under this policy.

Any private development agreement entered into must show how costs payable to a developer for public works will be funded.

2.15 Financial contributions

The Resource Management Act 1991 (RMA) authorises local authorities to require financial contributions from developers in certain situations.

Council's District Plan provides for developments to be assessed for financial contributions at the resource consent application stage. In particular, Council can require developers to provide cash or land for the provision of open space and recreation areas for the following purposes:

- provision of new neighbourhood parks in areas where there are existing or potential deficiencies in the provision of local parks,
- development of neighbourhood and District parks to a level at which they are usable and enjoyable for children's play, general recreation and visual amenity, and
- provision and development of neighbourhood walking and cycling linkages.

The full provisions relating to financial contribution requirements are contained in section 9 (policy 9.3C) of the Ashburton District Council District Plan.

Council cannot require a development contribution to fund an asset for which a financial contribution has been paid.

Council's District Plan is available for inspection from:

- Council's website ***www.ashburtondc.govt.nz***
- Council offices, 5 Baring Square West, Ashburton.

Please note – Council will no longer be able to require financial contributions to be paid under the Resource Management Act from 18 April 2022. Council intends to review the mechanism for charging financial contributions prior to this date.

2.16 Limitations applying to requirement for development contribution

Council must not require a development contribution for a reserve, network infrastructure, or community infrastructure if:

- it has, under section 108(2)(a) of the Resource Management Act 1991, imposed a condition on a resource consent in relation to the same development for the same purpose;
- the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure;
- Council has already required a development contribution for the same purpose in respect of the same building work, whether on the granting of a building consent or a certificate of acceptance; or
- a third party has funded or provided, or undertaken to fund or provide, the same reserve, network infrastructure, or community infrastructure.

2.17 Public inspection of development contributions policy information

This policy and its supporting information is available on Council's website ***www.ashburtondc.govt.nz*** or on request from the Council offices.

2.18 Policy review

This policy will be adopted in conjunction with Ashburton District Council's Long Term Plan 2018-28. The policy must be reviewed at least every three years and may be amended at any time if required. Any review of the policy must be undertaken using a consultation process that gives effect to the requirements of section 82 of the Act.

This policy has been prepared to comply with relevant legislation including the requirements of the Local Government Act 2002 Amendment Act 2014 and the Local Government Act 2002.

Appendix 1. Definitions

Accommodation unit: means units, apartments, rooms in one or more buildings, or cabins or sites in camping grounds and holiday parks, for the purpose of providing overnight, temporary, or rental accommodation.

Act: means the Local Government Act 2002.

Activity: means a good or service provided by Council (as per section 5 of the Local Government Act 2002), and for which development contributions are collected.

Allotment: has the meaning given to it in section 218(2) of the Resource Management Act.

Authorised Officer: is an officer authorised in accordance with Council's delegations register to carry out functions under this policy.

Catchment: is a defined area of the district that receives a discrete service subject to development contributions as detailed in this policy.

Business property: a non-residential development using land or buildings for the provision of services in the course of a trade or business.

Community facilities: reserves, network infrastructure, or community infrastructure for which development contributions may be required in accordance with section 199 of the LGA

Community infrastructure: means the following assets when owned, operated, or controlled by Council:

a.) community centres or halls for the use of a local community or neighbourhood, and the land on which they are or will be situated,
b.) play equipment located on a neighbourhood reserve,
c.) toilets for use by the public,
d.) other community infrastructure projects covered by schedule 1A (8) of the Local Government Act 2002.

Development: means any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but does not include the pipes or lines of a network utility operator

Development agreement: is a voluntary contractual agreement made (under sections 207A to 207F of the LGA) between one or more developers and one or more territorial authorities for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves in one or more districts or a part of a district.

Development contribution: a contribution—

a.) provided for in a development contribution policy of a territorial authority; and
b.) calculated in accordance with the methodology; and
c.) comprising—
    i) money; or
    ii) land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Māori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or
    iii) both.

Development contribution objection: an objection lodged under clause 1 of Schedule 13A of the LGA against a requirement to make a development contribution.

Development contributions commissioner: a person appointed under section 199F of the LGA.

District Plan: means the Operative Ashburton District Plan including any proposed plan or variation.

Household unit: is a building or part of a building capable of being used as an independent residence and includes apartments, semi-detached or detached houses, units, town houses, granny flats (or similar), and caravans (where used as a place of residence or occupied for a period of time exceeding six months in a calendar year).

Household Unit Equivalent (HUE): is a unit of demand representing one average household unit.

Methodology: is the methodology for calculating development contributions set out in Schedule 13 of the LGA.

Network infrastructure: means the provision of roads and other transport, water, wastewater, and stormwater collection and management.

Network utility operator: has the meaning given to it by section 166 of the Resource Management Act 1991.

Non-residential development any development that is not for residential purposes. This includes:

- all buildings that are considered a fundamental place of work such as dairy milking sheds, shearing sheds and indoor farming facilities such as for chickens or pigs
- all buildings for the provision of sport, recreation or entertainment
- all buildings for the provision of social or cultural pursuits.

Objector: means a person who lodges a development contribution objection.

Residential development: use of land and buildings by people for the purpose of permanent living accommodation in a household unit where the majority of occupiers intend to live at the site for a period of one month or more of continuous occupation per annum and will generally refer to the site as their home and permanent address.

It includes accessory buildings and leisure activitiesassociated with needs generated principally from living on the site.

Resource consent: has the meaning given to it in section 2(1) of the Resource Management Act 1991 and includes a change to a condition of a resource consent under section 127 of that Act.

Service connection: means a physical connection to a service provided by, or on behalf of, Council.

Appendix 2. Key Assumptions

The following assumptions have been used in the preparation of this policy:

Capital expenditure

Future capital expenditure costs are based on the best available knowledge at the time of preparation. These take into account known or likely construction costs and assumed inflation rates.

Population growth

Council has prepared population growth forecasts based on Statistics NZ medium population projections.

Inflation

All project costs in the Development Contributions Policy are based on current estimates of infrastructure construction prices in 2018 dollars with inflation of all capital costs over the period using local government cost adjusters supplied by BERL.

Cost of capital

No cost of capital (including interest) is included in the cost of providing for growth and therefore is not included in development contribution calculations. The cost of capital is carried by the relevant ratepayer body.

Residential household size and household demand

Each residential unit is assumed to have the same number of residents living at the property. This is the average household size in Ashburton District from the 2013 Census – 2.5 residents (1 HUE).

Each household is assumed to place the same demand on Council infrastructure.

Appendix 3. Calculation methodology

Development contribution for residential unit for water and wastewater

1. Determine the overall growth capacity of the applicable scheme

   Maximum connections (HUEs) - current connections (HUEs)

   = Growth Capacity (GC) (HUEs)

GC as a ratio of maximum connections = Scheme Growth Factor (SGF %)

2. Identify capital projects (and the cost of those projects) that include a cost to provide capacity for future growth = Capital Expenditure (CE).

The projects identified will be:

- completed capital projects with identified residual growth capacity and which are not fully paid for – i.e. have an outstanding loan
- current capital projects with identified cost component to provide growth capacity

- planned capital projects included in the Council's Long Term Plan with identified cost component to provide growth capacity and that will be given effect to within the next 10 years

3. Identify the proportion of CE for each project that is provided to cater for growth to get a Project Growth Factor (PGF%)

   Scheme Growth Factor (GF%) is used for completed projects and a project growth factor (PGF%)is used for current and future projects.

   The lower of the project growth factor or the scheme growth factor is used for calculations – Applied Growth Factor (AGF%).

   Cost associated with component capacity over and above current scheme capacity will be recovered when the scheme capacity is increased or will be funded by the scheme as a whole.

4. Multiply capital expenditure identified in step 2 by the Growth Factor = Net Growth Expenditure (NGE $)

5. Divide Net Growth Expenditure (NGE) by the Excess Capacity in Household equivalents (EC) = Development Contribution to be levied per household equivalent.

   - The cost of maintaining or increasing capacity within each scheme for development growth is shared equally among the household equivalents which are able to connect to the scheme.

     CE x GF% EC = development contribution amount.

Calculation methodology to determine non-residential development contribution for water and wastewater (HUEs)

The demand impact of a non-residential unit for both water and waste water is determined by assessed water consumption.

1. **Determine water consumption per person per day based on the use of the property.**

   Water consumption is determined by typical water consumption based on the property uses listed in Appendix IV.

   If there is no suitable property use listed in Appendix IV on which to make a fair assessment, the developer will be requested to provide an assessment of water consumption.

   If this assessment is not deemed appropriate the assessment will be determined by a Council officer with delegated authority.

2. **Determine the expected maximum occupancy of the property (persons)**

   This assessment is based on information and design drawings submitted as part of the development approval process i.e. management plans, bed or seating plans or other such plan as agreed by Council, or where no available fire service occupancy rates may be used.

3. **Determine total water consumption**

Total Water Consumption (litres per day) =

water consumption per person(litres per day)

X

maximum occupancy (persons)

4. **Convert to household unit equivalent (HUEs)**

Demand Impact (HUEs) =

Total Water Consumption (litres per day)/

HUE consumption

Household Unit Equivalent water consumption is 550 litres per day

- Assumed water demand of 1 person =220 litres per day
- Assumed household of 2.5 persons

Normal rounding protocols shall be applied to the result to yield a whole number.

5. **Determine non-residential development contribution for applied property**

Non-residential development contribution =

Demand Impact (HUEs) X Development Contribution (per HUE)

6. **Calculation methodology to determine development contribution for community infrastructure – per HUE**

The development contribution for community infrastructure is levied on all new developments within the district at a uniform rate per property unit.

Methodology

1. Determine the growth capacity of each asset to be levied that is designed to accommodate future development growth = Growth Factor (GF%).
   - District population for which the asset has been designed minus current district population = Excess Capacity (EC) in household equivalent units
2. Identify capital expenditure which has a growth component = CE.
   - Any capital expenditure which maintains Excess Capacity (EC) has a growth component equal to the Growth Factor. If the capital expenditure results in an increase in Excess Capacity then the Growth Factor will also increase proportionately.
3. Multiply capital spending identified in Step 2 by the Growth Factor = Net Growth Expenditure (NGE).
   - The growth related component of the capital expenditure in dollars is identified.
4. Divide Net Growth Capital Expenditure (NGE) by the Excess Capacity in Household equivalents (EC) = Development Contribution to be levied per household equivalent.
   - The cost of maintaining or increasing capacity within each scheme for development growth is shared equally among the household equivalents which are able to connect to the scheme.

CE x GF% EC

Important Note: The above methodology has been applied to establish the maximum development contribution for community infrastructure.

Council has decided that the community infrastructure development contribution will be capped at $2,500 excluding GST per HUE. This limit has been introduced to ensure the level of development contributions does not inhibit development, therefore promoting the economic well-being of the district.

Council indicates a desire to increase this limit in 2021.

Schedule 1 – Development Contributions for Community Facilities

1. Development contributions by location

This table shows the development contributions by location under the current policy. Figures are inclusive of GST.

CATCHMENT	WATER	WASTEWATER	COMMUNITY INFRASTRUCTURE	TOTAL 2018/19
Ashburton*	$878.00	$3,604.00	$2,875.00	$7,357.00
Methven	$3,718.00	$336.00	$2,875.00	$6,929.00
Rakaia	$256.00	-	$2,875.00	$3,131.00
Hinds	$917.00	-	$2,875.00	$3,792.00
Fairton	$2,367.00	-	$2,875.00	$5,242.00
All Other	-	-	$2,875.00	$2,875.00

**Ashburton includes Lake Hood.*

2. Event giving rise to requirement for development contributions

An assessment of liability to pay development contributions will be made at the time Council receives an application for:

- building consent for a new residential unit
- building consent for a new non-residential unit
- building consent or resource consent for an addition, alteration, or change of use for a non-residential unit.

3. Schedule of assets for which a development contribution is required

Details of the community infrastructure assets for which development contributions are required are included in Schedule 2 of this policy.

Schedule 2 – Development contribution by activity and location

Development contribution - Ashburton water supply

HUE calculation	Maximum connections	10,197	**Scheme growth factor**	12.77%
	Current connections	8,894		
	Growth capacity (HUEs)	1,302		

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	COST OF PROVIDING FOR GROWTH ($)	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan	2004/17	4,753,076	22.22%	12.77%	4,145,997	607,079	466.14
	External loan	2004/17	1,340,000	22.22%	12.77%	1,168,851	171,149	131.41
Current	Tarbottons Road Extension	2017/18	560,000	47.00%	12.77%	488,475	71,525	54.92
Future LTP- 2018-28	New Bore Development	2023/24	550,000	100.00%	12.77%	479,752	70,248	53.94
	Chalmers Ave	2018/19	355,800	15.59%	12.77%	310,356	45,444	34.89
	Chalmers Ave	2022-24	228,400	15.59%	12.77%	199,228	29,172	22.40
							Ashburton water supply – development contribution (excl GST)	**763.70**
							GST	114.56
							Ashburton water supply – development contribution (inc GST)	**$878.00**

Development contribution - Methven water supply

HUE calculation

Maximum connections	1,057
Current connections	965
Growth capacity (HUEs)	92

Scheme growth factor 8.70%

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	COST OF PROVIDING FOR GROWTH ($)	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan	2004/17	1,515,074	12.34%	8.70%	1,383,289	131,785	1,432.94
	External loan	2004/17	65,000	12.34%	8.70%	59,346	5,654	61.48
Current	Chapman Street Renewal	2017/18	97,199	5.00%	5.00%	92,239	4,860	52.84
	Patton Street Renewal	2017/18	5,102	5.00%	5.00%	4,847	255	2.77
Future LTP-2018-28	Patton Street Renewal	2018/19	171,114	25.00%	8.70%	156,230	14,884	161.84
	Reservoir Upgrade	2018/20	794,000	7.51%	7.51%	734,371	59,629	648.37
	Trunkmain Renewal (WTP End)	2018/20	550,620	5.00%	5.00%	523,089	27,531	299.35
	McDonald St Renewal	2019/20	117,620	5.00%	5.00%	111,739	5,881	63.95
	Main St Renewal	2019/20	68,950	5.00%	5.00%	65,503	3,448	37.49
	McKerrow St Renewal	2020/22	164,000	5.00%	5.00%	155,800	8,200	89.16
	Mackie St Renewal	2021/23	130,080	5.00%	5.00%	123,576	6,504	70.72
	Spaxton Street Renewal	2022/24	136,800	5.00%	5.00%	129,960	6,840	74.37
	Cameron St Renewal	2024/26	145,870	5.00%	5.00%	138,577	7,294	79.30
	Jackson St Renewal	2025/27	150,350	5.00%	5.00%	142,833	7,518	81.74
	Spaxton Street Renewal	2026/28	130,480	5.00%	5.00%	123,956	6,524	70.94
	Year 11 Project Design	2027/28	4,038	5.00%	5.00%	3,836	202	2.20
						Methven water supply – development contribution (excl GST)		**3,238.82**
						GST		484.92
						Methven water supply – development contribution (inc GST)		**3,718.00**

Development contribution - Rakaia water supply

HUE calculation

Maximum connections	682
Current connections	571
Growth capacity (HUEs)	111

Scheme growth factor 16.33%

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	FUNDING FROM DEVELOPMENT CONTRIBUTIONS ($)	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan							
Current	No growth related expenditure							
Future LTP-2018-28	Scheme extensions	2018/19	151,800	50.00%	16.33%	127,012	24,788	222.61
							Rakaia water supply – development contribution (excl GST)	**222.61**
							GST	33.39
							Rakaia water supply – development contribution (inc GST)	**256.00**

Development contribution - Hinds water supply

HUE calculation

Maximum connections	147
Current connections	139
Growth capacity (HUEs)	8

Scheme growth factor 5.53%

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	FUNDING FROM	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan	2003/17	117,537	17.81%	5.53%	111,033	6,504	797.08
Current	No growth related expenditure							
Future LTP-2018-28	No growth related expenditure							
							Hinds water supply – development contribution (excl GST)	**797.08**
							GST	119.56
							Hinds water supply – development contribution (inc GST)	**917.00**

Development contribution - Fairton water supply

HUE calculation

Maximum connections	84
Current connections	77
Growth capacity (HUEs)	7

Scheme growth factor 8.62%

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	FUNDING FROM DEVELOPMENT CONTRIBUTIONS ($)	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan	2008/17	145,510	13.25%	8.62%	132,960	12,550	1,735.77
	External loan	2008/17	27,000	13.25%	8.62%	24,671	2,329	322.08
Current	No growth related expenditure							
Future LTP- 2018-28	No growth related expenditure							
							Fairton water supply – development contribution (excl GST)	**2,057.86**
							GST	308.68
							Fairton water supply – development contribution (inc GST)	**2,367.00**

Development contribution - Ashburton wastewater (Includes Lake Hood)

HUE calculation

Maximum connections	9,534
Current connections	8,962
Growth capacity (HUEs)	572

Scheme growth factor 6.00%

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	FUNDING FROM DEVELOPMENT CONTRIBUTIONS ($)	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan	2005/17	7,714,981	11.08%	6.00%	7,252,393	462,588	809.22
	External loan	2005/17	6,120,000	25.00%	6.00%	5,753,047	366,953	641.93
Current	ARS & River Crossing	2017/18	3,000,000	25.00%	6.00%	2,820,121	179,879	314.67
	Ocean Farm - Effluent Irrigation Extension	2017/18	10,000	4.74%	4.74%	9,526	474	0.83
Future LTP- 2018-28	Ocean Farm - Effluent Irrigation Extension	2018/19	190,000	4.74%	4.74%	180,991	9,009	15.76
	Walnut Ave Renewal (Creek to West)	2018/19	423,444	4.74%	4.74%	403,367	20,077	35.12
	Chalmers Ave Renewal (Victoria/Walnut)	2018/19	462,726	4.74%	4.74%	440,787	21,939	38.38
	ARS & River Crossing	2018/20	6,300,000	25.00%	6.00%	5,922,254	377,746	660.81
	Farm, Allens & Carters Road Sewermain Extensions + Pump Station	2018/21	1,897,000	100.00%	6.00%	1,783,256	113,744	198.98
	Chalmers Ave Renewal (Cameron/Victoria)	2018/20	541,770	4.74%	4.74%	516,083	25,687	44.94
	Cameron St (William/Chalmers)	2018/20	277,090	4.74%	4.74%	263,952	13,138	22.98
	William St Renewal (Dobson/Burnett)	2019/21	771,630	4.74%	4.74%	735,044	36,586	64.00
	Grit Chamber Pipeline Renewal (Chamber/ River Crossing)	2019/21	3,143,600	4.74%	4.74%	2,994,552	149,048	260.74
	William St Renewal (Burnett/Cameron)	2020/22	307,720	4.74%	4.74%	293,130	14,590	25.52
							Ashburton Wastewater Scheme – development contribution (excl GST)	**3,133.87**
							GST	470.08
							Ashburton Wastewater Scheme – development contribution (inc GST)	**3,604.00**

Development contribution - Methven wastewater

HUE calculation

Maximum connections	1,454	Scheme growth factor	27.25%
Current connections	1,058		
Growth capacity (HUEs)	396		

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEAR INCURRED / PROPOSED	AMOUNT ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	FUNDING FROM	DEVELOPMENT CONTRIBUTION PER HUE ($)
Recent	Internal loan	2005/17	309,493	29.09%	27.25%	225,168	84,325	212.86
	External loan							
Current	Barkers Rd Renewal	2016/18	90,725	5.00%	5.00%	86,189	4,536	11.45
Future LTP- 2018-28	Dolma St Renewal	2018/19	179,284	5.00%	5.00%	170,320	8,964	22.63
	Mt Hutt College Main Renewal (Entrance/Courts)	2020/22	121,450	5.00%	5.00%	115,378	6,073	15.33
	Mt Hutt College Main Renewal (Courts/20 Main)	2021/23	125,270	5.00%	5.00%	119,007	6,264	15.81
	Cameron Street Rear Sewermain Renewal (29 to 7)	2023/25	106,510	5.00%	5.00%	101,185	5,326	13.44
	McDonald St Ream Main Renewal	2027/28	7,077	5.00%	5.00%	6,723	354	0.89
							Methven Wastewater Scheme – development contribution (excl GST)	**292.42**
							GST	43.86
							Methven Wastewater Scheme – development contribution (inc GST)	**336.00**

Development contribution – Ashburton District community infrastructure

HUE calculation	Projected population	37,800[1]	Persons per household 2.5	Projected households	15,120
	Less current population	34,100[2]		Less current households	13,640
	Growth capacity (residents)	3,700		Growth capacity (HUEs)	1,480
				District growth factor	**9.8%**

PERIOD OF CAPEX	PROJECT DESCRIPTION	YEARS INCURRED	PROJECT CAPITAL ($)	PROJECT GROWTH FACTOR	APPLIED GROWTH FACTOR	FUNDING FROM OTHER SOURCES ($)	FUNDING FROM DEVELOPMENT CONTRIBUTIONS ($)	LESS DEVELOPMENT CONTRIBUTIONS RECEIVED ($)	DEVELOPMENT CONTRIBUTION PER HUE ($)
Current	Ashburton Art Gallery and Heritage Centre	2012-15	10,200,000	11.50%	11.50%	9,027,000	1,173,000	1,014,080	685.00
	EA Networks Centre	2009 - 2015	34,500,000	11.50%	11.50%	30,532,500	3,967,500	3,429,956	2,317.00
								Community Infrastructure – development contribution (excl GST)	3,002.00
								Development contribution payable capped per HUE	2,500.00
								GST	375.00
								Development contribution payable per HUE (including GST)	**2,875.00**

[1] Source: Statistics New Zealand Population Projections for 2028 (2013 Census as a base – medium population projection)

[2] Source: Statistics New Zealand Population Estimates for 30 June 2017

Notes:

With a cap on the amount of development contributions able to be charged set at $2,500 (+GST) the amount of funding coming from development contributions for the projects captured is less than it would otherwise be.

Development contributions for the Council administration building extension project have not been included in the schedule above as this project no longer meets the criteria of the Local Government Act for development contributions to be taken. Funds collected to date for this project will be applied to that project.

Schedule 4

Water consumption of non-residential properties by functional use

PROPERTY USE	WATER CONSUMPTION (LITRES / PERSON / DAY)	PROPERTY USE	WATER WCONSUMPTION (LITRES / PERSON / DAY)
Household (per person)	220	**Offices, Shops or Dry Industries**	
Boarding Houses / Homestays		Per staff member	40
Per bed	220	**Public Toilets (incl. hand wash)**	
Camping Grounds (Per guest)		Per person	20
Fully serviced	130	**Restaurants/ Bars/ Cafes (per customer)**	
Recreation areas	65	Dinner	30
Community Halls (Per person)		Lunch	25
With banquet facilities	30	Bar	20
Meetings	15	**Rest Home (Per bed + per staff member)**	
Hospitals (Per bed + per staff member)		Per bed	250
Per bed	250	Per staff member	60
Per staff member	60	**Retirement Home (self-contained units)**	
Lunch Bars (Per customer + per staff member)		Resident	220
With restroom facilities	25	Staff	50
Without restroom facilities	15	**School (per pupil + per staff member)**	
Per staff member	40	No gym, showers or cafeteria	20
Motels / Hotels		Gym, showers and cafeteria	100
Guests, resident staff	220	Boarding	250
Reception rooms	30	**Shopping Centre**	
Restaurant (per customer)	30	Per customer	25
Bar (per customer)	20		

Note: Typical water consumption figures based on examples contained in "On-site Wastewater Systems: Design and Management Manual", Auckland Regional Council technical publication No.58, third edition, August 2004.

Significance & Engagement Policy Summary

The Significance & Engagement Policy details (1) the process Council undertakes when determining the significance of issues, decisions or proposals, and (2) the process for determining how and when to engage with the community.

Background

Engagement is a process of dialogue between decision-makers, partners, communities and stakeholders for the purpose of making better decisions, policies or programmes. Community input into significant decisions, policies or programmes undertaken by Council is essential to ensure they reflect the aspirations and priorities of communities, Ngāi Tahu and interested groups.

The Significance & Engagement Policy aims to provide a flexible but focused approach to community engagement that:

- recognises the importance of involving communities in Council's work;
- provides a range of options and methods for engagement with different groups and communities for issues, decisions and proposals with different degrees of significance;
- demonstrates Council's commitment to building ongoing relationships and greater understanding of community views and preferences.

Council will consider community views when making decisions. The Policy establishes a general approach for determining the significance of Council issues, decisions or proposals and sets out when and how Council will engage the community in decision-making relative to the significance of the decision.

Overview of the Policy

The Policy includes different sections for Significance and Engagement. The aim is to first establish how significant an issue, decision or proposal is to the community, before determining the appropriate level of engagement. For instance, some decisions will be of low significance and provided as 'information only' to the community (such as decisions to award grant funding), whereas others will be of high significance, requiring more extensive community engagement (such as a large community-focused capital project).

The following sections are included in the Policy:

Significance

This section sets out the general approach to determining significance and making decisions. Specific criteria have been developed to help Council determine the level of significance.

Engagement

This section assists with determining the appropriate type of engagement, based on the level of significance. An 'Engagement Scale' is included, which shows the different levels of engagement, including inform, comment, consult, involve and collaborate. This section also details when Council is expected to engage to meet statutory requirements under various legislation. Council's engagement principles, in relation to facilitating Māori participation in local decision-making, are also detailed in this section.

Strategic assets

This section includes details of Council's strategic assets and sets out Council's legislative responsibility to use the special consultative procedure when substantially altering the level of service for any significant activity, or transferring ownership or control of a strategic asset.

Criteria and Procedure for Assessing Significance

Determining how significant an issue is to the community is important because it assists Council in deciding the best course of action for community engagement.

The following criteria will be used to determine the level of significance for the issue, decision or proposal being considered by Council. If any of the criteria are of high-level significance, the proposal or decision is immediately considered 'significant'. All criteria are weighted evenly. However, Council acknowledges that in different circumstances, criteria will be of varying levels of importance.

1. Involves strategic asset
2. Number of people affected
3. Level of impact on people affected
4. Level of *current* community interest
5. Level of *potential* community interest

6. Of interest to Te Runanga o Arowhenua as mana whenua
7. Cost of proposal
8. Impact on rates
9. Impact on levels of service
10. Overall assessment of risk
11. Overall assessment of health and safety considerations.

Engagement Scale

This Engagement Scale sets out Council's approach to determining what type of community engagement is best, once the level of significance has been determined. Issues, decisions or proposals of greater significance will generally require a more intensive engagement process. The tools available to Council are wide ranging from information only to full collaboration.

LEVEL	1. INFORM	2. COMMENT	3. CONSULT	4. INVOLVE	5. COLLABORATE
What it involves	**One-way communication** to provide the public with balanced, objective information to assist people in understanding problems, alternatives, opportunities and/or solutions.	**Informal two-way communication** to obtain selected feedback on alternatives. Asking the community for information to seek ideas, opinions and information in the development process.	**Formal two-way communication** to obtain public feedback on analysis, alternatives and/or decisions.	**A participatory process** to work with the community to ensure that public concerns and aspirations are consistently understood and considered.	**Working together to partner** with the community in each aspect of the decision including the development of alternatives and identifying the preferred solution.
Examples	▪ Annual Report ▪ Changes to policy or bylaw schedules ▪ Low significance policies ▪ Decisions to award grants funding.	▪ Development of a timing schedule for a project, e.g. a 'Main Street upgrade' ▪ Annual Residents Survey.	▪ Long Term Plan (LTP) ▪ Annual Plan (where there are significant changes from the LTP) ▪ New or amended bylaws ▪ High significance policies ▪ District Plan changes ▪ Open Spaces Strategy ▪ Waste Minimisation Plan.	▪ Development of options for policy change for a significant issue ▪ Large capital projects (for example, Council's new administration building) ▪ Stock water closures	▪ Large community focussed capital project (for example, the new EA Networks stadium).
Tools Council might use	▪ Media release ▪ Website ▪ Brochure/flyers ▪ Public notices ▪ Communication to key stakeholders.	▪ Informal meetings with affected groups ▪ Informal gatherings ▪ Telephone surveys.	▪ Formal submissions and hearings (Special Consultative Procedure, likely to incur cost) ▪ Social media ▪ Email ▪ Focus groups ▪ Phone surveys.	▪ Workshops ▪ Focus groups ▪ Interviews ▪ Targeted surveys.	▪ External working groups ▪ Open surveys.
When the community can expect to be involved	When a decision is made.	After the development of options but prior to the final decision by Council.	When a draft decision has been made, or 'adopted for consultation' by Council.	At the refining stage of options.	At the development stage of options.

LOW LEVEL SIGNIFICANCE
If an issue is of low level significance, the recommended engagement methods are 1 or 2

HIGH LEVEL SIGNIFICANCE
If an issue is of high level significance, the recommended engagement methods are 3, 4 or 5

SIGNIFICANT

Point at which an issue is considered **significant**. Recommended engagement methods are 3, 4 or 5.

Strategic Assets

The table below is a schedule of the strategic assets of Council.

ACTIVITY / GROUP OF ACT	COUNCIL ASSET
Investments	Shareholding in Electricity Ashburton Shareholding in Transwaste Canterbury Ltd Shareholding in Rangitata Diversion Race Management Ltd
Drinking Water	Council's water supply and reticulation networks as a whole
Wastewater	Council's wastewater infrastructure as a whole
Transportation	Council's road network as a whole
Open Spaces	Council cemeteries The land comprising the inner part of Baring Square Ashburton, including the Ashburton Town Clock and the Cenotaph Reserve lands as a whole including land held under the Reserves Act 1977 and land used for parks, gardens, sports fields and recreation areas. Ashburton Domain
Community services	Council's Elderly Persons Housing stock as a whole

For more information

You can obtain a copy of the Policy from the Council reception, or online at:
ashburtondc.govt.nz/our-council/policies-and-bylaws

Road Works
Caleb MacDonald

Part 9

INFRASTRUCTURE STRATEGY

Infrastructure Strategy

1. Executive Summary

One of our main functions as Council is to provide core infrastructure to our district, including drinking water, stormwater, wastewater, stockwater and transportation services. These services include $756.7million infrastructure assets and accounted for 31% of our annual operating expenditure and 67% of our capital expenditure in 2016/17.

Our Infrastructure Strategy outlines our high level planned approach to the management of these core infrastructure services over the next thirty years. This strategy enables us to take a long-term strategic view of the renewal and development of our assets, and to plan and manage the capital programme to provide greater certainty for our financial planning. By understanding the condition of our assets, the key risks and emerging issues impacting on our core infrastructure and the options available to manage issues with our core infrastructure, we are better placed to ensure that we continue to provide consistent and reliable infrastructure services to the community.

The key focus for the Ashburton District is to keep building on quality infrastructure in order to encourage and allow for future growth. Our challenge as a district is to create an even more enjoyable place to live and do business. Providing quality services helps attract new people and improves existing residents' quality of life, and ensuring that they also meet the district's needs for the next generation.

The high-level goal for each of the activities covered in this Infrastructure Strategy is:

Drinking Water: "To promote the health and safety of the community through provision of an efficient, safe and reliable drinking water supply."

Stormwater: "To ensure property and the environment are protected and roads and footpaths continue to be accessible during rain events."

Wastewater: "To help protect community health and safety and the environment, through provision of reliable and efficient wastewater schemes."

Transportation: "To enable efficient travel throughout the district to support economic activity and social interaction."

Stockwater: "To promote the productivity of rural land through the efficient provision of clean, reliable stockwater."

There are a range of factors that need to be considered when planning for infrastructure renewal and development. However, the overriding issue is the age and condition of the infrastructure. We have been working hard over the past three years to better understand the condition of our infrastructure with improved data collection and information management across our core infrastructure. This translates to better management of our assets and planning for renewals and capital.

The influence of central government decisions and resulting legislation and standards will continue to impact these core infrastructure services. We have assumed broadly that the government's priorities will not deviate significantly from the current Infrastructure Plan (2015) where the vision is that 'By 2045 New Zealand's infrastructure is resilient and co-ordinated and contributes to a strong economy and high living standards'.

The strategic infrastructure issues that we face over the next 30 years are as follows:

- Drinking Water – managing the renewal programme, backflow prevention, future drinking water standards compliance, demand management and reduced water availability in the future.
- Wastewater – managing the renewal programme, high infiltration and inflow and ocean farm operations.
- Stormwater – managing the capital work programme and associated priorities.
- Stockwater – installing fish screens on intakes.
- Transportation – managing the Ashburton River second bridge project and loan funding of the unsubsidised road renewal work.

We are forecasting expenditure of $128 million on three waters and stockwater, and $93 million on transportation infrastructure renewals and new capital in the 10 years between 2018/19 and 2027/28. This expenditure will allow us to continue to provide the services that are in place now. Decisions to increase service levels by adding or improving services, will mean either increased costs or that existing programmes would have to be reprioritised to include them. That could result in some previously planned work being delayed.

2. Introduction

This is Ashburton District Council's second Infrastructure Strategy. It has been prepared from Council's 2018 suite of Activity Management Plans and forms part of the Long-Term Plan.

The issues discussed reflect the current legislative environment and the communities' priorities across the district.

The financial forecasts are estimates and the reliability of the forecasts decreases beyond ten years and towards the thirty year planning horizon.

2.1 Strategy Layout

The Strategy document sections and corresponding LGA sections are tabled below:

Table 2.1: Strategy Layout

	STRATEGY SECTION	LGA 2002 (SECTION 101B)
1	Executive Summary	
2	Identifies the purpose of the Infrastructure Strategy and the core infrastructure included in this strategy	2(a) and 6
3	Describes the district and illustrates the linkage between strategic documents	2(a)
4	Describes the core infrastructure, its condition and performance while recording the significant assumptions, risks and mitigation	2, 3(e), 4 (c) & (d)
5	Discusses the emerging issues that will impact on the core infrastructure assets	3 (b) to 3(e)
6	Discusses Council's response to the emerging issues and the significant decisions to be made during the term of this strategy	2(b), 4(b)
7	Identifies the response options for the significant issues and documents the benefits, costs, timing and funding sources	2(b); 3(a) to (e) & 4(a) to (c)
8	Identifies the costs associated with the actions proposed	4(a)

2.2 Purpose

LGA 2002 Section 101B – Infrastructure Strategy states:

1. A local authority must, as part of its long-term plan, prepare and adopt an infrastructure strategy for a period of at least 30 consecutive financial years.

The stated purpose of the Infrastructure Strategy is to:

a. Identify significant infrastructure issues for the local authority over the period covered by the strategy; and
b. Identify the principal options for managing those issues and the implications of those options.

Section 6 defines infrastructure assets as including:

a. Existing or proposed assets to be used to provide services by or on behalf of the local authority in relation to the following groups of activities:
    i. water supply:
    ii. wastewater and the treatment and disposal of sewage:
    iii. stormwater drainage:
    iv. flood protection and control works:
    v. the provision of roads and footpaths; and
b. Any other assets that the local authority, in its discretion, wishes to include in the strategy.

Collectively, water supply, wastewater and stormwater are referred to as "3 waters" in this and other Council documents.

Flood protection and control works have historically been regarded as part of Environment Canterbury's remit. While large-scale flood protection works such as coastal defences and river stopbanks still fall into this category, there are other aspects to flood protection that cross over with Council activities. We have recently begun developing a Surface Water Strategy, initially in recognition of the need to plan for what remains after water races are closed and the effect of large-scale closures on land drainage, biodiversity and other matters. The strategy also has regard to broader issues including rural flooding and drainage, urban waterway protection, and catchment protection for drinking water sourced from surface water bodies.

Because of the level of work and far-reaching nature of the Surface Water Strategy, Council has decided to continue to include the Stockwater service in this Infrastructure Strategy. Stockwater was included in 2015 because Environment Canterbury's proposed Land and Water Regional Plan sought a reduction in water taken from the Ashburton River for stockwater purposes, and meeting these requirements required significant change in the management and operation of the stockwater network. This is still the case, although good progress has been made towards this goal.

Flood protection will not be treated as a major activity and addressed separately in this document, but will be referenced where it intersects with another activity area.

2.3 Community Outcomes

Council has revised our community outcomes for the district, and have developed strategic priorities to complement these new outcomes.

2.3.1 What are Community Outcomes?

Community outcomes are the future-focused, aspirational goals for the district. These are goals that guide our work of providing quality and cost-effective infrastructure, public services and regulatory functions.

2.3.2 How have these been developed?

The LGA requires councils to include community outcomes in their long-term plans (LTPs) (s.93). However, the process for developing these outcomes has changed significantly. In 2010, an amendment to the Act removed the obligation for councils to collaborate with other organisations when developing community outcomes. Councils can instead focus on what they can directly influence, without having to identify and seek the agreement of other organisations.

We reviewed our community outcomes in mid-2017 as we began our work on developing the draft Long-Term Plan. The most notable change to the community outcomes is that we have included a series of strategic priorities to support these outcomes. These priorities are our commitment to the community in the delivery of our activities and services.

2.3.3 Our Community Outcomes

VISION: The district of choice for lifestyle and opportunity

COMMUNITY OUTCOMES

- Residents are included and have a voice
- A district of great spaces and places
- A balanced and sustainable environment
- A prosperous economy based on innovation and opportunity

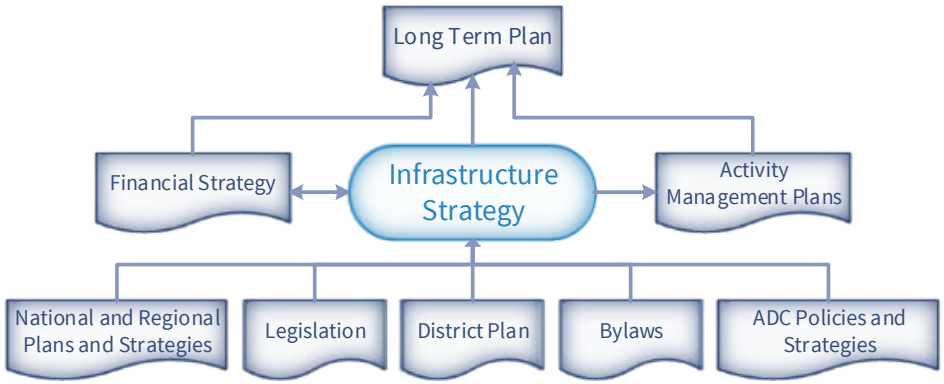
STRATEGIC PRIORITIES

- Plan and provide fit for purpose services
- Work with the community and engage in meaningful conversations
- Lead the community with clear and rational decision-making
- Represent the district on regional/national issues and partner with others when needed

2.4 Linkage with Other Documents

The Infrastructure Strategy has linkages with a range of documents, internal and external. Drawing on the directions and themes from these documents it sets a strategic direction for the Activity Management Plans (AMPs) and the Long-Term Plan (LTP). The figure below illustrates the most significant linkages in detail. Less significant documents have been omitted or grouped into classes for clarity.

Figure 1: Infrastructure Strategy - Linkages with other key documents



Council's Significance and Engagement Policy (S&E Policy) establishes a general approach for determining the significance of Council issues, decisions or proposals and sets out when and how Council will engage the community in decision-making relative to the significance of the decision.

Section 97 of the Local Government Act 2002 requires that decisions to alter significantly the intend level of service provision for any significant activity (including commencing or ceasing such activity), or a decision to transfer the ownership or control of a strategic asset can only be taken if the decision has been explicitly provided for in the Council's Long-Term Plan or through an amendment to the current Long-Term Plan, either or which require the proposal to provide for the decision to be included in the consultation document (in accordance with section 93E).

Council's water supply and reticulation networks, wastewater infrastructure and road network are all defined as strategic assets. This means that decisions that materially change the nature of these assets are automatically deemed significant under the S&E Policy. The degree of significance depends on a number of further factors, including:

- The number of people affected and the level of impact;
- The level of current and potential community interest;
- Whether the issue is of political interest to Te Runanga o Arowhenua as mana whenua;
- The cost and impact on rates;
- The impact on levels of service;
- The risk level of the project; and
- The health and safety considerations.

For example, a routine renewal of an old sewer main serving one street, while being "significant", is unlikely to be of high significance because it affects few people, has minor impact on rates (if depreciation-funded), does not change the overall level of service, and is low-risk because it is a common activity. However, replacing and upsizing a trunk main serving an entire catchment may be of high significance.

In this document we have chosen to focus our attention on the high-significance projects, leaving the routine, low-significance projects for the AMPs.

This document should be read in conjunction with the Financial Strategy. The Financial Strategy looks at:

- The nature and size of Council's asset base and how much money should be spent on them for maintenance and investment.
- The balance between current and future funding to ensure inter-generational equity while operating within Council's established financial policies (for example the Revenue and Financing Policy outlines services Council provides, and how they should be funded).
- Emerging issues or drivers that might change our current assumptions, and plans to mitigate any negative effects of changes.

2.5 Ashburton District Profile

Situated around 80 kilometres south of Christchurch, Ashburton District is in the central South Island. The district is bounded by the Pacific Ocean in the east, the Southern Alps in the west and the Rakaia and Rangitata Rivers at the north and south. The district covers around 6,175 square kilometres and has a population of approximately 34,100 (est. 2017).

Ashburton District is one of New Zealand's fastest growing rural districts with a population increase of 22% since 2006 (approx. 2% pa). This period of rapid, but consistent growth follows an earlier period of little to moderate growth. The recent growth has occurred in both urban and rural parts of the district and is considered to have been driven primarily by strong growth in the local rural economy.

Expansion of reliable irrigation has underpinned changes in land use, mainly to dairying, dairy support and high value crops. This in turn supports local service industries and value-added manufacturing. Other factors, including tourism (Methven), the Ashburton Business Estate and post-earthquake migration from Christchurch have also contributed to population growth in the District but are thought to be minor influences relative to the strong rural economy.

Long-term population projections have been developed based on consideration of historic trends, Statistics NZ projections, and drivers of growth and constraining factors.

The adopted long-term projection indicates district population growth of around 9,000 residents over the next 30 years, reaching around 43,000 by 2047. To achieve this growth it will be necessary to maintain a relatively high level of net migration into the district, without which the population will grow slowly or even stabilise, there is a probability of even a decline. Council will monitor population trends closely over the coming years to identify any departure from the adopted projection, especially any rapid slowing of growth, ensuring that any planning decisions are revised in a timely manner.

3. Core infrastructure

3.1 Core Infrastructure Assets

The core Ashburton District infrastructure assets are tabled with 2017 optimised replacement values (ORC) below:

Table 3.1: Ashburton District Infrastructure Assets

ASSET	DESCRIPTION	REPLACEMENT VALUE	% OF TOTAL
Water	Water extraction, treatment and distribution	$112.2M	14.8%
Wastewater	Wastewater collection, treatment and discharge	$118.9M	15.7%
Stormwater	Stormwater collection and discharge	$40.3M	5.3%
Transportation	Including pavement layers, surfacing, culverts, bridges, footpaths, kerb and channel, traffic services, and streetlights.	$453.6M	59.9%
Stock Water	Water intakes, distribution and discharge	$31.7M	4.2%
TOTAL		**$756.7M**	**100%**

3.2 Asset Description

3.2.1 Drinking Water

Council operates and manages 12 potable water schemes. The number of connections varies from 32 (Dromore) to 8,131 (Ashburton). The Lake Hood scheme used to be separate but is now connected via a trunk main to the Ashburton network.

Water is obtained from a variety of sources: surface water intakes, infiltration galleries and deep groundwater bores. Water treatment depends on the source of the water and the needs of the scheme. Deep (secure) groundwater may have chlorine addition only, or chlorine addition plus pH correction. Surface water or shallow groundwater is filtered in one or more stages and then disinfected using UV. After treatment, water enters the distribution network, either directly or after storage in reservoirs. Booster pumps are used on most schemes to maintain adequate reticulation pressure.

A criticality assessment of reticulation assets has identified some critical assets, predominantly trunk mains and mains located where maintenance and repair would be significantly more difficult or expensive, such as those located under State Highway or railway. Of the most critical categories, one of the raw water trunk mains in Methven is programmed for renewal in two stages, and in Ashburton some mains are planned for renewal as part of the ongoing programme.

The majority of the network is in good condition but there are parts of the pipe networks coming to the end of their nominal useful life and thus being considered for renewal. Renewal of pipes and other assets is not solely determined by age; we also consider information from analyses of samples of similar pipes, numbers of maintenance incidents, and the criticality and risk in the case of failure, amongst other factors. The networks operate effectively, although recent work using minimum night flow and estimates for typical night use suggests that unaccounted-for water loss is relatively high. In the absence of widespread or universal metering and better information, we assume that the bulk of this is leakage. Determining the actual leakage rate, and reducing it is an area of focus in this LTP period.

3.2.2 Wastewater

Ashburton, Methven and Rakaia are served by community wastewater schemes with a total of 9,466 connections.

The majority of the reticulated network operates on gravity, with 14 pumpstations used to service defined subdivisions. The largest pumpstations serve Lake Hood and the Ashburton Business Estate. Wastewater is conveyed to wastewater treatment plants. Ashburton and Methven use aeration and oxidation ponds for treatment, while Rakaia uses clarifiers, a trickling filter and UV disinfection. In all cases treated wastewater is discharged to land.

A criticality assessment of reticulation assets has identified some critical assets, predominantly trunk mains and mains located where maintenance and repair would be significantly more difficult or expensive, such as those located under State Highway or railway. One particularly critical asset for the Ashburton scheme is the pipeline under the Ashburton River that carries all of the wastewater from Ashburton to the treatment plant at Wilkins Road, on the southern bank of the river. This asset is approaching its nominal end of life, is in unknown condition and the consequences of failure would be extreme and replacement would take significant time. Condition assessment was considered and investigated but the opinion of the engineers was that attempts to carry out condition assessment posed a significant risk of damaging the pipeline and may not provide any meaningful information. For these reasons, and because the river crossing is nearing its capacity limits; it will be replaced imminently with a larger, much deeper pipeline and pump station.

The majority of the network is in good condition but there are parts of the pipe networks coming to the end of their nominal useful life and thus being considered for renewal. Renewal of pipes and other assets is not solely determined by age; we also consider information from analyses of samples of similar pipes, numbers of maintenance incidents, and the criticality and risk in the case of failure, amongst other factors. The networks typically operate effectively, but there is a known high level of infiltration and inflow, especially during periods of high groundwater. Progress has been made on reducing inflow from private gully traps, and the ongoing renewal programme will steadily reduce infiltration.

3.2.3 Stormwater

Ashburton District has one significant piped stormwater system serving Ashburton (including Tinwald); Methven and Rakaia have limited infrastructure: some isolated pipes, siphons and swales. Stormwater is conveyed to storage and treatment ponds and then to disposal points (natural waterways, streams, swales and soakpits).

The network is relatively new and in good condition. However, the capacity of the stormwater infrastructure in Ashburton and Tinwald has not been sufficient to prevent surface flooding during heavier rain events and overall the conveyance and disposal capacity is unable to provide the desired level of service. This has been exacerbated by rapid growth which has led to increased hard surface areas with associated increased run-off. The network's capacity will be augmented, along with improvements to the treatment of stormwater, in accordance with the Ashburton Urban Stormwater Strategy (AUSS).

The AUSS is a comprehensive plan to monitor, treat and dispose of stormwater across the Ashburton and Tinwald urban area, with a view to obtaining and operating under a global stormwater resource consent in the coming years. Major infrastructure development arising from the strategy is programmed over the next 30 years.

3.2.4 Stockwater

Council's stockwater network covers the majority of the district to some degree, except where coverage is provided by the Montalto and Methven Springfield piped stockwater/ potable water schemes. The network services approximately 2,100 properties. The network is reducing over time as races are closed, either due to changes in farm practices making stockwater races unnecessary or undesirable, or because water becomes available from an alternative source such as a groundwater bore or irrigation scheme.

Water is sourced from 23 main intakes, including one from the Rangitata Diversion Race (RDR) at Klondyke and the Acton intake which is operated and managed by Acton Irrigation Ltd. The majority are from rivers, streams, springs and drains. 16 of these abstractions are from the Hakatere / Ashburton River system; the remainder are taken from the Rangitata, Hinds and Rakaia systems.

3.2.5 Transportation

Council operates and maintains the fourth longest local authority road network in New Zealand. The network includes urban roads (201km) and a substantial rural network (2,422km). The entire road network is 2,623 km long, comprising 1,507 km of sealed roads (which includes 4km of bridge deck),and 1,116 km of unsealed roads. The footpath network totals 232 km, with 94% located in the three main urban areas of Ashburton, Methven and Rakaia.

Asset types include bridges, road and footpath structures (pavement layers and surfacing), drainage (culverts, sumps, soakpits, kerb and channel, earth surface water channels), traffic services (signs, markings, signals, islands, railings, bollards) and streetlights.

Historically, transportation networks in New Zealand tended to grow in relation to economic and social demand, with a short-term forward planning horizon. The majority of the district's road pavements have therefore evolved from tracks formed on existing in-situ materials rather than being purpose designed. While the area's natural geology

generally provides good road foundations ongoing renewals are required to meet current and future demands.

Bridges are significant (cost) and critical (network resilience) transportation assets. Most of the district's bridges were built between 1960 and 1990 with an average estimated life of over 100 years. Traffic growth and heavy vehicle size and weight changes will diminish the life expectancy to some extent, and in some cases asset replacements will be required in advance of life expectancy to enable continued network resilience.

Drainage assets account for 11% of the 2017 transportation valuation, with culverts making up the majority of this value. Changing weather patterns and land use will require enhanced and innovative stormwater management solutions.

3.2.6 Data Confidence

Confidence ratings are assigned to asset data and financial values as part of the annual revaluation process. The Water, Wastewater, Stormwater and Stockwater asset groups are assigned an overall confidence rating of B, representing an estimated accuracy of ±15%. Breaking this down further, location, quantity and replacement costs are assessed at confidence level B, but there is greater uncertainty around total and remaining life, which for some assets, particularly facility assets, might be graded C (±30%). Total and remaining life is less certain for water pipeline assets than for wastewater and stormwater because of the higher complexity of assessment methods required for pressure pipes.

Transportation assets are assigned individual confidence ratings due to the diversity of asset types - the latest valuation report provides the detailed ratings. Using weighted averages based on asset valuation, overall ratings are; location – A (±5%), quantity – B (±15%), unit cost – C (±30%), total and remaining life – C (±30%).

Since the last Infrastructure Strategy a significant data auditing and cleansing exercise has been carried out on the 3 waters assets. This has improved our confidence in the location and attribute data (material, length, age, size etc), but not enough to cause us to upgrade the accuracy rating overall to an A due to a number of assumptions in the data or missing or poor-quality construction data.

As part of this process the older extrapolated condition gradings associated with assets were not retained. Where condition ratings are based on reliable evidence they have been retained, and new ratings are being added; current ratings are therefore assigned a high degree of confidence. The former ratings were assigned in 1999-2002 and were largely generalised extrapolations. Given the time that has passed, and the findings of CCTV inspections that deviate from the assumed grades, it is fairer to say that the old ratings are no longer representative. This does not make a significant difference to valuation and programming because the ratings were not used to a significant degree, being only a minor component of the decision-making, and generally being confirmed with CCTV in any case. The notable time since previous ratings were assigned was largely caused by resource limitations.

A renewed effort into CCTV and other condition assessment tools is underway and it is proposed to continue this, and a new extrapolated condition rating will be applied when the data are available to support reasonably robust conclusions. CCTV inspection is carried out on all wastewater pipelines programmed for renewal to confirm the need for renewal; this allows the programme to be modified if the results indicate a need for this. Condition assessment of the actual pipelines is not as straightforward for drinking water, but should an analysis of similar pipes imply that a class of pipes is in significantly better or worse condition than expected, the programme would be revisited.

Transportation data validation and condition rating surveys have been undertaken since 2015 for various assets including footpaths, kerb and channel, streetlights and signs. The accuracy of locations and quantities requires some further work (and continuing updates as assets are added or changed) but is generally good. Intended data improvements will focus on the poor cost and life information. Condition data varies considerably with some assets being surveyed annually, while others have never had condition assessments.

Table 2: Definitions and interpretation of confidence ratings

GRADE	LABEL	DESCRIPTION	ACCURACY
A	Accurate	Data based on reliable documents	±5%
B	Minor inaccuracies	Data based on some supporting documentation	±15%
C	Significant data estimated	Data based on local knowledge	±30%
D	All data estimated	Data based on best guess of experienced person	±40%

3.3 Assumptions and Risk

A risk assessment has been carried out for the activities covered by this strategy. Some risks identified are common to all activities, while others are specific. Only risks ranked as high or extreme (before mitigation) have been included for this discussion unless they are exceptional.

Where a risk has been identified, we have made an assumption about the likely outcome and planning is based on that assumption. We have also identified the effect on our planning, should our assumptions prove to be incorrect.

Some risks, particularly around natural disasters and climate change, are discussed in more detail under section 4.7 - Improving Infrastructure Resilience.

3.3.1 Common assumptions and risks

3.3.1.1 Population Growth

Assumption: Population will continue to grow, reaching approximately 43,400 by 2048. This is a slight slowing of growth compared to the 2015-25 LTP assumption.

Risk of the assumption on planning: An incorrect assumption would lead to overspending on unnecessary infrastructure or renewing infrastructure early to add unwarranted capacity, or underspending and having inadequate infrastructure.

Mitigation: Population projections are based on the best available information from Statistics NZ. Council monitors population trends at least on a 3-yearly basis and revises planning decisions accordingly.

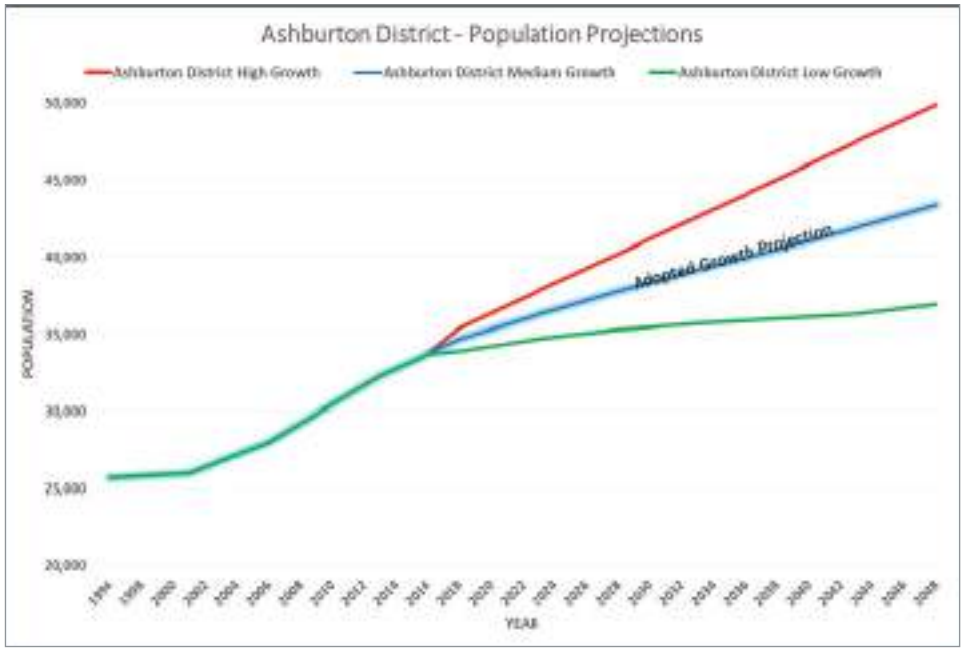
An important risk for all activities is that population growth and economic growth does not occur in line with the adopted projections, either higher or lower. When considering future infrastructure needs with a 30-year or longer timeframe, and with reticulation asset lives being up to 100 years, incorrect assumptions could lead to overspending on unnecessary infrastructure or renewing infrastructure early to add unwarranted capacity.

We have adopted a long-term projection of growth by around 8,700 residents over the next 30 years, reaching around 43,400 by 2048. To achieve this growth it will be necessary to maintain a relatively high level of net migration into the District, without which the population will stabilise or even decline. This projection assumes a modest decline in the rate of growth from the current rate, and is a compromise which is intended to prevent overspending caused by too high a growth rate being assumed.

Population projections are derived from an assessment of historical, current, and likely future trends in births, deaths, and migration – the three components of population change. Assumptions about future fertility (births), mortality (deaths), and migration are formulated after analysis of short-term and long-term historical trends, government policy, information provided by local planners and other relevant information. Assumptions are set first at the national level and used as a constraint for the subnational assumptions (this 'top-down' approach prevents implausible projections for any area).

To mitigate against any departure from the adopted projection, especially any rapid slowing of growth, Council will monitor population trends at least on a 3-yearly basis and revise planning decisions accordingly.

Figure 2: Ashburton District population projections and adopted growth projection



3.3.1.2 Natural or Manmade Disaster

Assumption: We will be affected by one or more natural or manmade disasters in the life of this LTP, and plan accordingly.

Risk of the assumption on planning: Failing to adequately prepare for foreseeable events would mean that our infrastructure networks would be unable to function to the level expected. However, it is important to balance the actual realistic likelihood of an event against the mitigation cost.

Mitigation: Council participates in, and evaluates information from, regional and national civil defence organisations.

Water, wastewater, stormwater and transportation are defined as Lifeline Utilities under Schedule 1 Part B of the Civil Defence Emergency Management Act 2002 (CDEM Act).

Section 60 of CDEM Act requires each Lifeline utility, amongst other requirements, to:

- ensure that it is able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency;
- have and make available in writing a plan for functioning during and after an emergency; and to
- participate in the development of the national civil defence emergency management strategy and civil defence emergency management plans.

The main risks considered in the Ashburton district are:

- Earthquake
- Flooding
- Tsunami
- Wind storm
- Fire
- Snow
- Technological emergencies (e.g. air crash, rail crash, hazardous chemical spillage, LPG incidents, water supply contamination or a combination).

The Canterbury CDEM Group Plan (adopted 2014) includes a full risk profile for the Ashburton district. In planning for the future we have assumed that we will experience these events and therefore our new and renewed infrastructure will be designed to mitigate these where this is practical, while acknowledging that existing infrastructure may not meet this level of service. The risks identified above are addressed in the subsequent sections in terms of the effects on services, and in section 4.7 Improving Infrastructure Resilience.

3.3.1.3 Reduced decision-making capability, poor investment decisions

Assumption: Rational and optimal decisions are made based on the information available and the judgement of those involved.

Risk of the assumption on planning: If decision-making is not optimal, pipes may be renewed sooner, or later, than they ought to be, leading to wasted life or higher maintenance costs. We may also not be able to take advantage of the best available technology and techniques, raising costs in the long term.

Mitigation: Council is looking, particularly in the Transportation area, at improving the business case and project delivery processes to ensure the highest quality decision-making and prioritisation of resources.

Throughout this plan, we have assumed that decision-making is optimal, given the information available or expected to be available. However, the further forward in time, the more likely it is that the situation will change as greater information becomes available.

Adding to the problem is that new technology may arrive to render our present assumptions incorrect. Again, for programming purposes we have to assume current or foreseeable technology. When new technology becomes available, poor utilisation may result from a lack of technical expertise.

A transition to a “Better Business Case” (BBC) process for programme development and project planning will help to ensure that all relevant information is captured and requirements are anticipated, and that open questions and uncertainties are accounted for in the planning stage. A BBC also acts as a reference point during the implementation phase of the project and can be referred to after the project to determine whether the benefits in the business case were realised. This process is referred to as the “Business

Case Approach" (BCA) in NZTA-subsidised transportation planning.

In addition, ongoing training and professional development for Council staff, operators and contractors is essential.

3.3.1.4 Poor quality of construction reduces asset life

Assumption: Assets will generally not fail prematurely and unexpectedly because of defects in materials or construction.

Risk of the assumption on planning: Decisions have been made on the timing of renewals based on the expected likelihood of experiencing failure or increased maintenance cost. If these are incorrect, emergency repairs or replacement may be needed, which increases costs.

Mitigation: New assets are rigorously tested before acceptance. Existing assets are inspected where practical to check for defects that might indicate early failure.

We generally assume that assets will last for a standard useful life based on material, size, age, and other attributes, although the expected useful life may be modified if specific information comes to light (e.g. through condition assessment or based on an established pattern). However, there remains a risk of assets needing to be replaced early if they are not constructed to the required quality. The effect of this is an increase in unplanned maintenance and renewal expenditure.

Attention needs to be paid to rigorous testing before accepting an asset. A new process is in development to track new assets vested in Council, from the early engineering approvals through to final inspections and the acceptance of records and drawings. This will formalise the process and give confidence that new assets have been constructed and tested to appropriate standards.

3.3.1.5 Other general assumptions

There are some other basic assumptions which underpin our forward planning:

- Expected levels of service (for three waters) do not change from current. Transportation levels of service are expected to change once the One Network Road Classification (ONRC) is fully implemented, but at the time of writing there are no confirmed changes to the levels of service.
- Projects will proceed as planned and programmed.
- Existing resource consents and legislation will not change significantly.
- Approaches to service delivery and ownership models for assets remain as they are.
- Council funding provisions from insurers, internal funding and government subsidies is sufficient to reinstate core infrastructure in event of natural disaster within the next 30 years.
- The Funding Assistance Rate (FAR) received by Council for NZTA-approved subsidised transportation works will remain constant for the next 27 years. The risk arising from changes to this FAR (specifically where subsidies are reduced) is increased local funding through rate rises or separate levies/taxes.
- Council's asset data is reliable and complete enough to support sound planning and decision-making.
- Legislative changes will be introduced with regard for local government planning cycles and timeframes, allowing adequate time to implement any recommended or mandated changes, especially those involving major capital work and expenditure.
- Robust and comprehensive business continuity systems and documentation are required to mitigate risks related to staff changes. Local authority business and management practices have historically relied heavily on personal staff knowledge and experience gained through long tenures. Nationally, staff turnover is increasing and employment periods shortening, which increases the risks of losing undocumented procedures, information and event history.

3.3.2 Water

3.3.2.1 Loss of water supply

Assumption: Our current water sources will continue to be viable and not lose significant capacity in the lifetime of the plan.

Risk of the assumption on planning: Where a source turns out not to have long-term viability, or a source is seriously damaged, the (unbudgeted) cost to provide alternatives could be very high.

Mitigation: We monitor long-term weather and groundwater trend data to identify trends.

We also engage with ECan and others to access the best available groundwater science.

Two main risks to the long-term continuity of water supplies are:

- Some sources are susceptible to falling water levels caused by drought, excess abstraction upstream, or a combination of factors; or
- Pumps or other equipment may fail, or damage may be caused to a bore, gallery or headworks.

The likelihood of this is low, but where an incident is long-lived the impact, and cost, could be high. Most of the supplies are sourced from deep groundwater bores where the supply is proving reliable from year to year, although there are a few exceptions.

To mitigate these risks, we carry out ongoing monitoring of seasonal and long-term weather and groundwater trend data, and investigate where schemes are vulnerable. This includes working in partnership with ECan and a local hydrogeology consultancy who have developed a groundwater model for the region that can be applied to our own bores to improve the degree of certainty of our forecasts.

As an example of work undertaken, the Mayfield water supply spent several months in 2017 on emergency water restrictions after the water level in the bore fell to under 0.5m above the pump. This situation was identified in time and managed to ensure continuity of service. We have plans for dealing with short-term losses of service due to equipment failure. Formal plans for long-term loss of supply are not fully developed.

3.3.2.2 Contamination due to backflow

Assumption: The risk from backflow will be mitigated to an acceptable level by a progressive implementation of the Backflow Prevention Policy.

Risk of the assumption on planning: If the implementation programme is not aggressive enough, the main risks are either a significant contamination incident occurring or regulatory involvement from health authorities for failing to take all practicable steps to provide safe drinking water. Accelerating implementation would increase costs.

Mitigation: The high-priority properties have been identified as part of the policy development, and implementation will begin with the highest risks first. New connections are given strong scrutiny to ensure they comply with the policy.

Backflow is where water flows back from private property into the network at large. This water may have been contaminated, and the contamination could be spread. An example is a swimming pool connected to the public mains; if the pressure in the reticulation drops for any reason, swimming pool water might flow into the mains and then go on to be supplied to nearby customers.

Backflow risk is reduced by using backflow prevention devices on water connections, such as double-check valves or reduced pressure zone devices.

Council has a Backflow Prevention Policy, effective 13 August 2015, linked to the new water supply by-law adopted on 22 September 2016. Section 10 of the bylaw requires all customers to:

> *"… take all necessary measures on the customer's side of the point of supply to prevent water which has been drawn from the WSA's water supply from returning to that supply."*

The bylaw clarifies that "all necessary measures" includes the use of an approved backflow prevention device, and excluding cross-connections between the public water supply and sources of contamination such as other water sources or systems incorporating other non-potable substances (e.g. chemicals).

Overall the risk is regarded as moderate. There is some large or high risk industry connected to the drinking water supplies, a large proportion of which already have backflow prevention in place and monitored through the building act processes, but the towns do not have a significant industrial or manufacturing base.

New and renewed connections all include appropriate backflow prevention, and have for a number of years, but a large number of existing connections have unknown or no backflow prevention systems in place. The overwhelming majority of these are low-risk properties, such as businesses using the water for non-process uses or residential properties with swimming pools or domestic irrigation systems.

The backflow prevention policy now needs to be given effect to, starting with the highest risks first, and actively managed as business as usual.

3.3.2.3 Non-compliance with DWSNZ or Health Act due to equipment failure

Assumption: The equipment in place is sufficient to meet the DWSNZ and failures are a rare and isolated occurrence. We further assume that we can manage responses to failures in a way that protects public health.

Risk of the assumption on planning: If we are unable to reliably respond to equipment failure in a way that protects public health, we may be subject to regulatory action or prosecution. We could opt to provide true redundancy, but this comes at a significantly higher cost.

Mitigation: Remote monitoring and alarming helps operators and staff to respond quickly to any incidents. Plants are fail-safe in some scenarios, but we propose to improve on this.

All of Council's water supplies have now been upgraded to comply with the DWSNZ, with the exception of Montalto and Methven Springfield which are rural agricultural supplies and where investigations are ongoing.

Active treatment of secure groundwater is not a requirement of the DWSNZ as long as the source water remains proven free of contamination; these sites are generally fail-safe, although overdosing is still a risk.

However, where treatment is necessary for DWSNZ compliance, for example at shallow bore and infiltration gallery sites, single-component equipment failures could render the supplies non-compliant. For example, an UV unit may lose power while still allowing water to flow. There is little redundancy, although the sites are partially fail-safe. For example, plants can be set to shut down if treatment equipment is out of spec for any reason, but this control depends on a PLC making the determination and initiating the response.

Creating redundancy of treatment systems carries an increased cost, and at the moment we are not proposing to provide this. Instead, we regard critical equipment failures as a manageable risk and rely on quick and appropriate responses by staff and contractors to minimise risks.

Remote monitoring is in place at all facilities with alarms to notify operators of process failures, but this is largely untested and a formal programme of regular end to end testing of alarms and critical process control points is proposed to provide confidence that the plant will behave as expected and effectively mitigate the risk.

3.3.2.4 Storage or reticulation capacity insufficient for firefighting purposes

Assumption: The Ashburton scheme is, and will continue to be, designed for firefighting purposes. We also assume that we will continue to provide the same level of service into the future, including not raising levels of service for other schemes.

Risk of the assumption on planning: Committing to providing a higher level of service on currently non-firefighting supplies would require upgrades to pipework, pumping and storage that have not been budgeted for. Lowering levels of service would open Council up to reputation, or potentially legal, risks.

Mitigation: New development is assessed against the Fire-fighting Water Supplies Code of Practice, and any upgraded infrastructure needed is provided by the developer. We engage with Fire and Emergency NZ to ensure our levels of service are understood.

Not every scheme is designed as a firefighting supply; Ashburton is designed to meet the requirements in the New Zealand Fire Service Fire-fighting Water Supplies Code of Practice, while Methven and Rakaia meet the requirements to some extent but not fully. Other schemes with hydrants have these primarily for flushing or for filling firefighting tankers.

If we do not provide adequately for firefighting, particularly when there is an expectation that this capacity will be in place, risk is increased property damage or loss, and associated reputation (or even financial) loss to Council if the cause is identified as inadequate infrastructure.

As development takes place, schemes need to be continually assessed to check their alignment with the firefighting requirements, in terms of water storage and available flow capacity. For planning purposes, we have made the assumption that any new and renewed infrastructure will be designed to meet the firefighting code of practice. However, we also assume that a continued focus on reducing scheme leakage will free up flow capacity without a need to increase source and treatment capacity. Any proposed infrastructure additions in this area are to provide hydrants in newly-developed areas, not to increase supply capacity.

3.3.2.5 Contamination or damage due to repairs or incorrect commissioning of new works

Assumption: Reticulation risks are well-managed through existing procedures. Facilities

are assumed to be operating satisfactorily and their risks well-managed in practice.

Risk of the assumption on planning: Under this assumption we propose no sweeping changes to operating procedures that would significantly affect costs. If the review identifies that plants have not been commissioned correctly there may be remediation costs.

Mitigation: Plant operators are experienced, qualified and trained.

Water supplies are at considerable risk when repairs, maintenance or modifications are being carried out. The operations and maintenance contractor has documented, well-established procedures for mitigating these risks for routine work and critical stages of project work, particularly in the reticulation, such as live tapping or shutdowns.

However, formal commissioning procedures for new facilities need to be developed to ensure a consistency of approach, and to ensure that all parties understand the changes and how to operate any new equipment correctly. If this is not done reliably, there is a risk of contamination, inadequate treatment or equipment damage. In addition, existing plants should also be revisited to ensure that commissioning was completed correctly and that plants are still operating within their expected operational specification.

3.3.2.6 Failure of old watermains, especially everite, results in unprogrammed renewals

Assumption: Renewal of pipes can be carried out at a rate matching depreciation without a significantly increased risk of unexpected failure and associated maintenance cost.

Risk of the assumption on planning: If the assumption is incorrect, we will need to accelerate or reprioritise the renewal programme, which will come at a higher cost.

Mitigation: The highest-risk pipe, everite AC, has been prioritised for renewal and is mostly replaced. Pipe remaining life assessments are carried out to indicate where assumed lives may be incorrect. Maintenance costs are monitored to check for unexpected increases.

In preparing this strategy and the forward works programme we have assumed that renewal of pipes can be carried out at a rate matching depreciation without a significantly increased risk of unexpected failure. This increases the costs of operations in the short term (to repair bursts) and will lead to an accelerated renewal programme; both of these effects will have a negative impact on rates, so good management is important.

The highest risk of premature failure is from everite AC pipe, which has proven unreliable in the past. A significant proportion of this pipe has been renewed already or is programmed for renewal in the coming years. The remaining pipe will be assessed to determine an expected remaining life and prioritised for replacement accordingly.

3.3.2.7 Failure of a significant reticulation asset

Assumption: Critical reticulation assets will not fail before their programmed replacement date. These dates are in turn based on assumptions about the condition of the assets.

Risk of the assumption on planning: If the assumption is incorrect, emergency renewal or maintenance will be required, with associated higher costs.

Mitigation: Condition assessment is complete or proposed for critical assets where practical, and this will inform future infrastructure programming. Redundancy is proposed where this is appropriate.

There are some critical pipelines in the networks which would cause major disruption if they were to fail unexpectedly. Key examples would be large raw or treated water trunk mains servicing large parts of townships or whole townships or the pipe crossing the Ashburton River.

The first mitigation step is to ensure that condition assessment of these critical assets is up to date, where practical, to estimate the remaining life available. Where replacement is indicated by existing information, this has been programmed. We are assuming that the lifetime indicated by the condition assessment is accurate, but of course pipes might fail unexpectedly.

Although the addition in 2013 of the Tinwald water treatment plant has mitigated the impact of the failure of the pipe across the river, the renewal programme includes upsizing of pipes in Chalmers Avenue so that a second pipeline can be constructed to cross the river when the second urban bridge is built. This builds in redundancy and provides extra protection against anticipated adverse events.

3.3.3 Wastewater

3.3.3.1 Failure of a significant reticulation asset

Assumption: Critical reticulation assets will not fail before their programmed replacement

date. These dates are in turn based on assumptions about the condition of the assets.

Risk of the assumption on planning: If the assumption is incorrect, emergency renewal or maintenance will be required, with associated higher costs.

Mitigation: Condition assessment is complete or proposed for critical assets where practical, and this will inform future infrastructure programming. Redundancy is proposed where this is appropriate.

There are some critical pipelines in the networks which would cause major disruption, as well as pose risks to public health or the environment if they were to fail unexpectedly. Key examples would be large trunk mains servicing large parts of townships (e.g. Trevors Road in Ashburton) or the siphon under the Ashburton River.

The first mitigation step is to ensure that condition assessment of these critical assets is up to date, where practical, to estimate the remaining life available. Where replacement is indicated by existing information, this has been programmed.

The river siphon cannot be assessed because preliminary investigations have suggested that assessment might damage the siphon itself. A project to construct a new Ashburton River pipeline has been brought forward and construction is programmed for 2018.

3.3.3.2 Pump station failure at Lake Hood results in wastewater overflowing into the lake.

Assumption: The existing protection in place is adequate.

Risk of the assumption on planning: We have not allocated any budget for improvements or upgrades, which would be needed if the protection was found to be inadequate.

Mitigation: Dual pumps provide redundancy and alarms provide alerts for emerging problems. Overflow areas are bunded.

A pumpstation failure and overflow is a serious problem, but Lake Hood is particularly vulnerable due to its proximity to two pump stations and due to the number of recreational water users who could come into contact with any contamination.

All standard ADC pumpstations have two pumps installed for duty cycling, as well as adequate storage capacity to allow time to replace faulty equipment before overflows become a problem. They are all telemetered and have alarms for high wetwell levels, to alert operators to respond promptly. This telemetry will be included in the end-to-end testing programme as a critical signal.

To further mitigate the risks around Lake Hood, there is a bunded overflow area in place to contain flow and prevent it from entering the lake.

3.3.3.3 Infiltration and inflow causes overflows at pump stations and treatment plants

Assumption: Overflows are rare and do not represent widespread public health or environmental risks. The current renewal and inspection programmes are sufficient to eliminate these problems over the medium term.

Risk of the assumption on planning: If the rate of overflows does not decrease sufficiently quickly, or the risks are deemed unacceptable, more work will be needed and that will come with a cost. The most likely option is an accelerated renewal programme.

Mitigation: The ongoing Right Pipe Project inspects gully traps to reduce surface water inflow.

There is a known significant level of infiltration and inflow on the Ashburton and Methven schemes, and there may also be problems on the Rakaia scheme in the private (on-property) reticulation. This additional water comes mostly from groundwater infiltration into pipes and manholes, and from surface water inflow into gully traps and manholes.

The ultimate effect of this extra water in the network is to overwhelm the capacity of pump stations and trunk mains, causing overflows, and at the treatment plants themselves, causing poor treatment quality and overflows.

The Wilkins Road and Ocean Farm wastewater treatment plants have defined and consented overflow points that discharge into swales leading to the Ashburton River. The environmental consequences of major overflows are significant, as are the reputational effects and remediation costs.

Limited infiltration investigation and remediation work has taken place in the past, including lateral sealing and patch repairs, focused on Tinwald. This will be resumed to reduce infiltration, and the new groundwater level monitoring bores installed in 2016 will help target priority areas for investigation.

The Right Pipe Project, which inspects gully traps to ensure surface stormwater cannot flow into the wastewater system, will continue.

3.3.4 Stormwater

3.3.4.1 Inability to meet compliance requirements for discharge quality

Assumption: The programme of works proposed for the 30 year period are sufficient to ensure compliance with the proposed global stormwater resource consent.

Risk of the assumption on planning: There is an extensive programme of works proposed. If the requirements of the consent are more demanding than anticipated, or if the works do not provide the level of treatment required, the programme would need to be revisited and modified. There is likely to be a cost increase.

Mitigation: The proposed consent and Stormwater Management Plan (SMP) have been prepared using the best available professional input. They have been created in consultation with ECan and are being consulted on with other stakeholders prior to lodging.

Presently Council discharges stormwater to ground, to urban streams and to the Ashburton River under existing use provisions and a few isolated resource consents that cover discharges from subdivisions. An application is due to be lodged shortly for a global stormwater discharge consent for the Ashburton (and Tinwald) area to formalise and harmonise all of these arrangements. The procedural document which relates to this work is the Stormwater Management Plan (SMP).

There is a programme of upgrades to improve the quality of the final discharge water. In creating this programme and the Long-Term Plan we have assumed that the global stormwater consent is granted and is substantially the same as proposed, and that the proposed upgrades will allow us to meet the requirements of the putative global consent.

We have also assumed that the requirements for discharge water quality will remain constant over a reasonably long period. Should this not prove to be the case, or should the consent be more onerous than anticipated, additional costs may be needed to further improve the discharge quality.

3.3.4.2 Performance or capacity failure

Assumption: Critical reticulation assets will not fail or exceed their capacity before their programmed replacement date. These dates are in turn based on assumptions about the condition of the assets.

Risk of the assumption on planning: If the assumption is incorrect, emergency renewal or maintenance will be required, with associated higher costs.

Mitigation: Condition assessment is complete or proposed for critical assets where practical, and this will inform future infrastructure programming. Redundancy or an upgrade to the wider network is proposed where this is appropriate.

The networks have known capacity limitations in specific areas, but the assets themselves are generally relatively new and in good condition. We have assumed that no significant asset failures will occur, and that no renewals will be needed to maintain the current levels of service as a minimum. If this assumption is not accurate and a major failure occurs, there is a risk of private property flooding in areas not currently prepared for this.

3.3.5 Stockwater

3.3.5.1 Restrictions in water abstraction and availability of water to consumers

Assumption: The stockwater network will continue in its present form, although some unfocused race closure will occur, at a rate of approximately 100km/yr initially, decreasing over time.

Risk of the assumption on planning: This assumption is subject to change, particularly pending the conclusions and directions of the Surface Water Strategy. In which case, a programme of work will need to be developed and budgeted.

Mitigation: We engage with ECan directly and through the Ashburton Water Zone Committee, to ensure that we are informed of any changes of direction from outside the organisation.

The current Land and Water Regional Plan (LWRP) seeks a reduction in abstractions from the Ashburton River system for stockwater purposes from 5.33 cumecs (in 2012) to 2.9 cumecs by 2023. While this is achievable, and much progress has been made to date, there are no detailed plans for specific closures or reconfigurations, although limited exploratory work has been carried out in the previous 3 years.

The assumption under which the Stockwater activity operates is that the network will continue in its present form, although the total length of races reduces by approximately 100km per year as a result of unfocused local race closures initiated by individual customers.

3.3.6 Transportation

3.3.6.1 Bridge failure

Assumption: Bridges will not fail before their programmed replacement date. These dates are in turn based on assumptions about the condition of the assets

Risk of the assumption on planning: If the assumption is incorrect, emergency renewal or maintenance will be required, with associated higher costs. There could also be network disruption and impacts on alternative routes.

Mitigation: Condition assessment is complete or proposed for critical assets where practical, and this will inform future infrastructure programming. Redundancy is proposed where this is appropriate.

Bridges are the main pinch points of the roading network. Where these fail the only option is to divert traffic. The district's network layout and topography is more amenable to detours than many other areas of the country, but when they occur both road users and assets are stressed – increasing the potential of harm to both. The risks of bridge failure range from short-term condition impairment and user delays, to long-term network disruptions and permanent route closure.

The extent of risk minimisation or mitigation actions need to be especially mindful of costs as the risks, while high in consequence, are low in frequency.

4. Emerging Issues

The task of building, operating and maintaining infrastructure assets in an affordable and sustainable manner is subject to a number of significant issues. Some are well-understood, while others are more uncertain. This section discusses a few of the challenges facing the infrastructure networks over the 30 year planning period, and talks about the approaches taken to prepare for and address them.

4.1 Demographic Changes

The population growth projection discussed previously will lead to increased demand for services, particularly for water, wastewater and transportation infrastructure. This has been incorporated into forward planning timeframes and infrastructure sizing calculations. Increased or improved demand management techniques may be able to offset some of these effects, such as delaying the development of additional water sources or applications for new resource consents for larger wastewater discharges.

As the population and local economy grows, expectations may change towards higher levels of service. For example, more intensive use of the transportation network places a greater maintenance burden on Council particularly if levels of service rise in response to the implementation of the One Network Road Classification (ONRC). Demands on transportation infrastructure in particular will also tend towards higher levels of service as the population ages. Mobility declines with increasing age, so new approaches, and investments, are needed to ensure good accessibility.

On the other hand, water consumption exhibits relatively complex relationships with demographic changes. Studies are mixed: some indicate that water use per capita peaks in the 18-24 age group, others point to increased home production of food as a driver of increased water demand[1]. Smaller families and more 2-person adult households are likely to increase per-capita water demand as water is not used as efficiently. This uncertainty over net effects points to the need to monitor long-term trends and identify these early to ensure good planning.

An aging workforce and difficulties with the recruitment and retention of suitably experienced and qualified staff in a rural district, particularly with low unemployment in a strong growing economy, may present issues with the future operation and management of the services and infrastructure projects. The continued development of appropriate staff to meet the challenges of infrastructural demands and regulatory changes is essential to ensure prudent and rational outcomes.

4.2 Urban Development

As well as growth in the population, there is a need to plan for geographic expansion in the urban areas served, particularly though subdivision, both residential and industrial/commercial.

In accordance with Policies 9.1G and H, the current District Plan anticipates future growth and has zoned significant areas of land on the periphery of the townships for residential development, both Residential C (medium-low density) and Residential D (low density, semi-rural), and has allowed for higher density living closer to the centres of Ashburton and Rakaia. The District Plan aims to keep growth to existing settlements to promote energy and other efficiency and to protect the rural amenity resource.

Policies 9.2C-E and 9.3D then require that subdivisions are connected to reticulated networks for potable water, sewerage and stormwater disposal where available, and that upgrades are carried out where necessary and paid for in accordance with the Long-Term Plan.

Council's approach to providing infrastructure for these zones is as follows:

- Requiring the developer to provide the local infrastructure of a subdivision, meaning the reticulation within the boundary of the development and any connections to the existing Council networks.
- Negotiating appropriate cost-sharing arrangements with developers for upgrades of other network assets, e.g. trunk mains, that may be required to adequately service land zoned for development. The share depends on the degree of benefit accruing to the parties.
- Taking account of future development directions when planning renewals and upgrades.

1 Hummel, D., & Lux, A. (2007). Population decline and infrastructure: The case of the German water supply system. Vienna Yearbook of Population Research, 5, 167-191. Retrieved from http://www.jstor.org/stable/23025603

Generally, Council's preference is to follow demand and allow developers to set the direction and pace of network development, rather than to be proactive and have infrastructure in place and unused. Of the residential zones in the current District Plan, large amounts remain unserviced and undeveloped. The development zones are, for the most part, adjacent to existing networks and able to be serviced with perhaps minor upgrades required to nearby pipes.

Exceptions arise when routine renewals are required or when capital works are proposed, such as the Allenton Relief Sewer (ARS) replacement or the addition of a bore to the Ashburton scheme. In these cases the location and character of pipes or facilities is designed to provide optimal benefit given the future shape of the town. Pipes may be upsized at the time of renewal (for example Chalmers Avenue will be upsized partly to prepare for a second river crossing to be installed with the proposed second urban bridge) or may be located so as to provide gravity servicing for future developments (for example it is proposed to locate the ARS to the east of town to enable servicing the zones east of Trevors Road).

A related area is provision for wastewater disposal. Currently only Ashburton, Methven and Rakaia have reticulated wastewater schemes and other residents dispose of wastewater via septic tanks or other on-site means. Expansion of community wastewater schemes to currently unserviced communities is possible in the future but is not proposed at present because of the significant costs and low community demand in previous consultation, and no legislative drivers. It is envisaged that changes in national environmental standards might lead to more public schemes being established in future as villages expand and as controls on treatment levels and discharge quality and quantity increase.

4.3 New Technologies

On the whole, new technologies are likely to assist Council to become more efficient and effective in its future delivery of services. It is important to note that typically Council is relatively risk-averse and unlikely to be on the cutting edge of any new technological frontier until the risks and benefits, particularly with respect to whole-of-life costs, have been fully established.

This strategy does not try to forecast every possible technological change, but some near-term highlights have been specifically included for consideration.

4.3.1 Greater data availability

A shift towards client-centric or self-service models for processes and services is likely to lead to demands for more and more information to be made available publicly. And the rise of big data analytics and open data projects will add to this demand.

For example, Council has recently trialled smart water meters which provide daily or hourly consumption information. This information has been analysed internally and used to identify leaks and high-usage properties. Sharing this information directly with customers could be a powerful educational tool; making it available in an anonymised form could, for example, allow agencies to benchmark customers across the region or country, or target water-efficient appliance subsidies at communities with higher than average water demand.

The corollary to this is that expectations around the information available to, and used by, Council in assessing and providing services will also continue to grow. For example, manual water quality sampling is increasingly being augmented or replaced by automated instrumentation; traffic information is increasingly important, as funding evidence as well as use in planning and forward works programming.

4.3.2 Changing vehicle make-up

Moves are being made to phase out the sale of petrol and diesel vehicles, in favour of electric vehicles. This will require changes to be made to the infrastructure to provide for more charging stations. There is potential for a shift away from private vehicle ownership towards a mobility-as-a-service (e.g. Uber or similar), where vehicles spend more time in motion and less time parked. Adoption is likely to be much slower in Ashburton compared to cities, but if this shift eventuates, parking provisions will need to be re-evaluated.

4.4 Changing Government Priorities and Legislative Environment

The government's objective is that New Zealand's infrastructure should be resilient and coordinated and contribute to growth and increased quality of life. This will be achieved through better use of existing assets and better allocation of new investment, as set out in the New Zealand Infrastructure Plan 2015 (NIP).

The NIP provides a vision for New Zealand's Infrastructure that:

> *"By 2045 New Zealand's infrastructure is resilient and coordinated and contributes to a strong economy and high living standards."*

Environmental compliance and progress is reflected through national policy statements and promulgated through regional and district plans.

We have assumed broadly that the government's priorities do not deviate significantly from currently-established patterns. There are some areas where there is uncertainty and we need to be prepared to respond.

4.4.1 Three Waters

4.4.1.1 Drinking Water Standards

The Drinking-Water Standards for New Zealand 2005 (Revised 2008) are approaching 10 years old, and are regarded as showing their age, especially as compliance with the standards is now mandatory and many water suppliers are having varying degrees of success demonstrating compliance.

A major campylobacter contamination incident on the Havelock North water supply in 2016 which led to an estimated 5,500 people contracting gastric illness has given rise to a government inquiry. This first stage of the inquiry focused on the specifics of the Havelock North incident, while Stage 2, which reported in December 2017, considered the wider regulatory environment, including drinking water standards, water safety plans, emergency response and management and governance.

While there has been no formal direction in the form of increased standards or legislation, indications based on the Stage 2 report are that increased standards are more likely than not. We have therefore looked at the most likely scenarios that would affect our supplies and planned accordingly, including making budget provision, rather than taking a wait-and-see approach. Of course, final designs and models might change, but it is our preference to show capital costs if they are expected.

We do assume that, in practice, adequate time will be allowed for water suppliers to implement any recommended or mandated changes, especially those involving major capital work and expenditure.

The most likely impacts on our water supplies are:

- Below-ground boreheads and surface water ingress were one factor in the Havelock North incident. While below-ground boreheads are not necessarily unsafe, it is likely that they will fall out of favour and that it may be difficult to have them signed off as secure. Accordingly, we propose raising the Ashburton and Rakaia boreheads above the ground.
- It is likely that the "secure" status for groundwater will be removed, and that our deep groundwater supplies, which are currently assumed to be protozoa-free and therefore do not require treatment, may require additional treatment or monitoring to demonstrate compliance.

  The assumption made for planning purposes is that "secure" groundwater status will be removed and we have therefore allowed for the cost of installing UV disinfection units on each of the deep groundwater bores; the final cost may turn out to be be lower if monitoring alone is sufficient.
- The rigour and level of detail in water safety plans (WSPs) is likely to be increased, as is the level of enforcement by drinking water assessors of implementation and non-conformances. As demonstrating stronger management of critical control points is a strong theme at the moment, we have provided for adding online analysers for chlorine, fluoride and other additives, with alarms for over- or under-dosing, to demonstrate good control over the treatment process.
- Focus is likely to come on the training for operational and management staff, with an updated qualification framework and certification process envisaged. This will have implications for our current practice, as well as for the next operations and maintenance contract.
- As part of this process the National Environmental Standard for Sources of Human Drinking Water (NES for Drinking Water) is likely to come under closer scrutiny. While this applies primarily to regional councils, any tightening of requirements and standards may have an effect on the way we operate, both in our capacity as a water supplier and also in other activities (e.g. forestry or land disposal of stormwater and wastewater).

The review also hints at the creation of a new national regulator for water. This will be explored further in the government's three waters review, discussed in the next section.

4.4.1.2 Three Waters Review

The government has announced the intention to review the three waters activities, to determine how to improve the management of drinking water, wastewater and

stormwater. This is in response to a number of highly-publicised events (cost overruns on two large wastewater schemes, contamination and illness outbreaks, and concerns from the Auditor General and Productivity Commission about investment and regulation of three waters infrastructure). In particular, attention was drawn to a "dispersal of responsibilities in the sector"[2].

This work is being completed by the Department of Internal Affairs and is programmed for completion in 2018.

The aims of the review, as stated in the Cabinet paper on the subject, are:

- To focus primarily on understanding the challenges associated with managing finances, infrastructure and compliance and monitoring systems; and
- To identify how to make the most of the current regulatory settings, and support greater collaboration between local and central government.

It is too early to accurately predict and plan for the outcomes from this review. At present we are not proposing any specific in-house changes in response, except those already identified elsewhere as improving asset management and operational practices. We are watching the progress of the review and will respond when a clear picture emerges. Some potential, speculative scenarios are:

- A new central regulator may be set up to take over drinking water compliance responsibilities from DHBs.
- A new central regulator may also take over performance monitoring for the sector, replacing to some extent the role of Audit New Zealand and local levels of service and performance monitoring.
- Councils may be encouraged or directed to form regional CCOs to provide economies of scale for the asset management and governance functions, as well as to provide access to greater technical depth.
- Funding may be partially or fully removed from local rates and allocated via a central funding body, using a model similar to the way roading funding is allocated nationally through the New Zealand Transport Agency (NZTA).

2 Government review of three waters services (Cabinet Paper) https://www.dia.govt.nz/diawebsite.nsf/Files/Three-waters-review-Cabinet-Paper_Redactions-applied/$file/Three-waters-review-Cabinet-Paper_Redactions-applied.pdf

4.4.1.3 Fluoridation

Currently only Methven's water is fluoridated. The Health (Fluoridation of Drinking Water) Amendment Bill may pass in 2018. This bill would give DHBs the power to decide whether to mandate fluoridation within their areas, or to direct that fluoride not be added. At the time of writing there is no indication from CDHB on whether or not it would mandate fluoridation if the Bill passes.

Given these uncertainties, we have assumed status quo for the purposes of long term-planning. If the bill passes, the issue will be revisited.

Notably, if the Bill passes, the Ministry of Health will make available $30m of funding over 10 years for councils directed to fluoridate; this funding covers the cost of capital works, and is not conditional on deprivation index or population size. It is not clear if this will be a 100% subsidy, or a lower rate.

4.4.1.4 Emerging contaminants

On a more speculative level, there are additional contaminants which, while not monitored at present, may require monitoring in future, or existing contaminants which will see limits tightened.

An example in drinking water is the possibility that viruses may become an area of focus. Currently these are not routinely tested for, but the US EPA is investigating the potential for regulation. UV disinfection may be sufficient to treat for enteroviruses, or alternative standards and treatment methods may be required.

At present, since this is speculative and there are no a firm proposal we are simply waiting and monitoring, and will respond if and when a clearer picture emerges. For drinking water, for example, this might be when revised Drinking Water Standards are developed and consulted on.

In wastewater, final discharges might require monitoring for pharmaceuticals in future. More likely is a tightening of nitrate loading limits, which might mean further cleaning of the wastewater as part of the treatment process, or the acquisition of additional land to spread the discharge. While this is not firm, and will not be until future revisions are made to the Land and Water Regional Plan, we assume that it will happen before consent renewal and as a result there is additional land expansion tentatively programmed for the later years of the 30-year period for Ashburton and Rakaia, in preparation for renewing the discharge consents and the new consenting environment at the time.

4.4.2 Transportation

The One Network Road Classification (ONRC) is being embedded into the transportation sector over the 2018-21 period. The intent of this system is to provide road users with nationally consistent service expectations, inform and support activity management planning, investment choices, and operational decision-making. Changes are expected to maintenance levels within the district due to ONRC as a result of the customer-focus intent rather than the traditional best for asset approach.

The 2018-21 period will be a work in progress for both NZTA and RCAs enabling changes to ONRC (ready for full implementation by 2021-24) in response to practical evidence. Consultation with the road network users should be held over this period, to ascertain the impact of ONRC where Council may need to address gaps in levels of service, or provide NZTA with evidence of changes required to ONRC. The risks related to these possible changes include reduced road safety, reduced asset quality/performance and customer dissatisfaction.

Over 75% of the district's roads are included in the two lowest ONRC categories (Access and Low Volume), meaning they carry the least amount of traffic. With the intended national "standardisation" through ONRC it will be increasingly difficult to justify the existing funding levels for low-use routes, so it is likely they will experience a reduction in works undertaken. And while levels of service on high volume roads are expected to rise, across the district the net effect of these changes may be perceived as general network decline.

The change of government in late 2017 resulted in modifications to the Government Policy Statement (GPS) on Land Transport. A Draft GPS 2018 was released in April 2018, with a second stage GPS signalled for release in mid-2019. The changes that will most affect ADC are; footpath works now being subsidised and an overall increase in transport funding. The funding increase may result in slightly expanded programmes, but this is unlikely before 2021. The footpath subsidy will likely have an immediate effect on budgets as the targeted footpaths will be lowered to reflect the subsidy input.

4.4.3 Iwi involvement in decision-making

Ngai Tahu occupies all but the most northern part of the South Island, which includes the Ashburton District in its entirety.

Te Rūnanga o Arowhenua, which is based at Arowhenua Marae outside Temuka, have mana whenua (customary rights/authority) in Ashburton District. The rūnanga has developed its own strategic plan to guide future development. Council will look to contribute where appropriate to the achievement of the rūnanga's strategic goals. Arowhenua's strategic vision is: Arowhenua – Nurturing our people through generations, guardians of the environments we live in, progressing our future locally and globally.

Council continues to be committed to building a strong relationship with Te Rūnanga o Arowhenua and working with the rūnanga in good faith. Te Rūnanga o Arowhenua has recently formed and wholly owns Aoraki Environmental Consultancy Limited (AEC); this charitable company aims to "enable meaningful relationships with local and regional councils, local resource users, community interest groups and Te Rūnanga o Ngai Tahu". AEC will provide a focal point and interface between Council's plans and interests and those of Māori.

This relationship is likely to be most critical in the near term for the following issues:

- The proposed global stormwater consent, formalising stormwater treatment levels and discharges to land and to waterways;
- Wastewater consent renewals, where discharge quality and quantity limits will be under consideration;
- Water abstractions, especially as drinking water resource consents are renewed and reviewed.

Early indications based on initial meetings are that working more closely with this major stakeholder will be a net benefit. As such, we have assumed that there will be no impact on the timing or cost of projects.

It is too early to tell if or how this new relationship might change strategic directions, so we have assumed no effect. This position will be reviewed over time as links grow and mature.

4.5 Resource Consents and Renewal

Over the period covered by this strategy, most of ADC's critical resource consents will be due for renewal. In some cases this may be a fairly straightforward exercise, while others will be more arduous. In all cases there will be additional work required and this needs to be planned for and programmed.

Drinking water consents are due for renewal between 2030 and 2045 (Ashburton is the biggest and is due in 2039), and wastewater consents are due between 2033 and 2039.

In the drinking water area the main considerations are likely to be groundwater protection and abstraction volumes. The current Ashburton consent requires all practicable steps to be taken to minimise leakage from pipes and structures, including:

- Area and sub-zone metering
- Leak noise correlation
- Leak noise data-logging
- Active pressure control

And to implement and maintain a Water Restrictions Policy.

It is possible, at least for the larger schemes, that requirements to carry out active water loss detection and minimisation, or to implement demand management, will be required. If they are not, the absence of such measures is unlikely to be regarded favourably at the time of renewal. There is also no guarantee that the consent limits will keep pace with population growth or demand. It may well be that per-capita abstraction limits are held constant or even reduced.

It will be important, as renewals approach, to investigate the consenting environment and if necessary to plan for, or actually implement, these sorts of measures in advance.

The wastewater consents are large and significant, especially for the Wilkins Road and Ocean Farm treatment and disposal sites, and are likely to come under significant scrutiny, and may be publicly notified. It is likely here as well that consent limits will be made more stringent, or at least not keep pace with growth and demand.

A notional amount has been set aside in the financial programme for future land purchases to expand the disposal areas to lower the average effluent loading on the sites. This may be negated by technological or operational improvements, or regulations may change to render the current disposal methods unviable, but the forecasts presented here assume more or less similar technology and systems to the present.

There are two current resource consents directly related to ongoing transportation issues. These permit river bed disturbance at the three sacrificial “sunshine” bridges on the Hinds River when required for repair/reinstatement. They expire in 2040 (Boundary Road and Winslow Road sites) and 2042 (Hackthorne Road site). ADC expects no issues with renewal of these consents.

There will be future consents required for specific bridge replacement or construction – the Ashburton River Second Bridge is a significant project that includes the resource consent costs and application process within its scope.

4.6 Climate Change

Climate change is considered as a critical consideration in Council’s Long-Term Planning. This Council uses guidance from the New Zealand government, based upon the best available climate science, to support the planning.

Planning for the effects of climate change, and preparing communities, is a fundamental of good governance.

The primary effects expected to be experienced in this district include mean temperatures increasing by around 2.5°C, changing rainfall patterns, including less winter rainfall and more intense rainfall leading to floods, and sea level rise.

It is important to note that there is uncertainty about the scale of the impacts expected. Broadly assumptions are based on national- or regional-scale forecasts, and in particular the projections issued by the Ministry for the Environment in 2016[3], although other data may be used where these are available. For example, the stormwater hydraulic model from February 2015, which was used in part to develop the programme, used ECan recommendations.

The Canterbury region has recently established a Regional Climate Change Working Group. One of the key work streams identified is to assemble or obtain information on the specific local impacts of climate change on infrastructure. This is a work in progress, but should help inform decision-making and prioritisation.

Information and models are continuously being refined and forecasts refined, but over the lifetime of significant infrastructure there will always remain some margin of uncertainty. We address this in planning by taking account of published and accepted forecasts when

3 Ministry for the Environment 2016. Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment. Wellington: Ministry for the Environment

sizing and specifying infrastructure. It is not our standard procedure to add capacity (via "safety factors" or otherwise) above these levels.

Looking at the key activities, the most significant impacts are outlined below:

Water

- Summer water demand becomes higher and more intense as temperatures rise, putting pressure on networks and supplies.
- Decreased river flows, lower winter rain and decreased groundwater recharge put supplies at risk.
- Reduced water availability means self-supplies (rainwater, shallow bores, small streams) may become unviable and demand for municipal water scheme expansion increases.
- Lower river flows lead to poorer water quality, including higher risk of algal bloom.
- Increased likelihood of flooding overwhelming urban stormwater systems, caused by fewer but more intense storms.

Transportation

- An increased frequency of extreme rainfall events would require stormwater drainage design improvements for existing and new works to remain efficient and effective. Asset damage would nevertheless be greater with increased storm intensity.
- Reduced rainfall and increased drought conditions affects soil permeability reducing the efficiency of roadside swale drainage.
- Higher mean temperatures increase the drying effects on unsealed roads leading to surface material wind erosion and sealed roads may melt.
- Sea level rise increases erosion thus endangers coastal roads.

4.7 Improving Infrastructure Resilience

Customers have a high and increasing expectation that services continue to function, regardless of external factors. Much of the thinking in this area is focused on the effect of natural disasters on services, but it is important to consider other scenarios. For example, making sure that networks are still usable in the event of vehicle accidents or during periods of maintenance or repair (perhaps through redundant routes) or ensuring that financial crises or temporary funding shortages can be weathered and services maintained. Many other examples exist. This is achieved by planning for, designing for and building in resilience, and improving it over time.

Resilience is the ability to cope with and recover from adverse events. It requires active planning to cope with an event, restore functionality, and rebuild the societal and economic fabric. Communities that actively plan for resilience are less impacted by disaster, recover faster, and endure less hardship than those that do not.

Resilience is based on a design philosophy which acknowledges that failure will occur. Resilience requires early detection and recovery, but not necessarily through re-establishing the failed system.

Overall resilience is a product of four activity areas:

- **Reduction**: Identifying and analysing long-term risks, taking steps to eliminate these risks if practicable, and, if not, reducing the magnitude of their impact and the likelihood of their occurring.
- **Readiness**: Developing operational systems and capabilities before an event happens; including self-help and response programmes for the general public, and specific programmes for emergency services, lifeline utilities and other agencies as required.
- **Response**: Actions taken immediately before, during or directly after an event to minimise impacts and to help communities recover.
- **Recovery**: The coordinated efforts and processes to bring about the immediate, medium-term and long-term holistic regeneration of a community following an event.

Note that resilience is about physical strength or redundancy as well as systemic factors like adaptability, community preparedness and graceful degradation of service. It is also important to work collaboratively with other authorities and agencies so that approaches are consistent. For example, if an event affects multiple districts temporary resources from neighbouring areas may not be available.

When planning for resilient infrastructure, all four areas are touched on. At the time of design and construction, building infrastructure that will survive adverse events, or which will be able to function afterwards, reduces the impact felt when an event happens. Good design also helps with the recovery phase. For example, being able to readily access assets for assessment, repair or replacement, or have ready access to spare parts, or modular systems where damaged parts can be isolated, can all dramatically speed up a return to service.

In order to improve resilience Council's approach will be to continue to:

- Actively participate in Civil Defence Emergency Management and Lifeline Utility planning and activities, at both regional and local levels;
- Promote design and construction standards that ensure infrastructure is able to withstand natural hazards and long term changes in circumstances such as those resulting from climate change (where cost effective);
- Identify critical assets and system vulnerabilities and ensure that mitigation methods are developed for them;
- Investigate and instigate options for alternative service provision and built-in system redundancy;
- Obtain insurance where this is deemed to be the most cost effective approach;
- Invest in business continuity and succession planning and training.

The following general risk areas have been identified to date:

- Snow – can directly damage roads and above-ground assets, and can cause access difficulties preventing repairs and delaying maintenance. Snow can also cause power outages.
- Earthquake – a significant earthquake event (such as an Alpine Fault rupture, or earthquake on another unknown fault) would have a major impact on infrastructure assets, including damage to roads and pipelines and interruptions to power and communications networks. Depending on the scale and localisation, the damage may affect our neighbouring districts as well, so our response and recovery plans need to take this into account and not rely on outside assistance.

  GNS currently estimates that the Alpine Fault has a high probability (29%) of rupturing in the next 50 years.
- Tsunami – coastal areas vulnerable to tsunami and high seas. We have limited infrastructure in tsunami zones, although there are minor roads and some small communities which would be affected. The Ocean Farm wastewater treatment plant is coastal but is elevated on cliffs and generally at or above the 20m contour. Most infrastructure is below-ground. The Hakatere settlement and water supply is partially below the 20m contour, but also at the top of cliffs and the end of the reticulation is approximately 40m inland. Major erosion could pose a threat to this scheme, as could significant inundation of the water treatment plant. Lasting saltwater contamination could also be a threat, since the bore is relatively shallow.
- Floods – prolonged rainfall or an acute period of very heavy rainfall results in surface flooding, resulting in threat to roads crossing rivers (land erosion), inundation of drainage pathways, blockage of water supply surface intakes (sediment), and power outage disruption to water consumers. Access to infrastructure is likely to be impeded so reinstatement might also be delayed. The Ashburton River is believed to be well-protected against all but the most severe of events by the stopbank network.
- Wind – risk of power disruption from high winds through fallen trees bringing down power lines, and of directly impairing access by blocking roads. The likelihood of an event occurring is moderate.
- Fire
- Technological emergencies (e.g. air crash, rail crash, hazardous chemical spill, LPG incidents, water supply contamination or a combination).
- Finance/funding – sources and levels of income or funding relied on historically may alter due to circumstances beyond council's control.

In the Canterbury region as a whole the single greatest hazard, with the most potential to cause widespread significant damage, is the Alpine Fault 8 event. There is estimated to be a 29% per cent chance of a magnitude 8.1 or 8.2 Alpine Fault earthquake hitting the South Island within the next 50 years, which would be 1,000 times more powerful than the Christchurch earthquakes.

Specific resilience issues for the various activities and approaches to addressing them are summarised below.

4.7.1 Planning for resilience

Planning for resilience can be done at each of the key stages (reduction, readiness, response and recovery).

Planning for risk reduction is a crucial component of the process, and is addressed below and throughout this document and the AMPs. For example, resilience is factored into renewal and upgrade programming.

In the readiness area, criticality (and vulnerability) assessments have been completed for the three water assets, while the road network operations and maintenance contract includes emergency event response requirements, and these reference an emergency event road hierarchy plan that provides response/reinstatement timeframes.

For response and recovery, high level emergency response plans have been created at the national and regional level, and Council has business continuity plans and general emergency response plans; all of these plans link together to help provide a coordinated response to an incident. Civil Defence prioritisation is the governing factor when an official Emergency Operation is activated. Overview response plans exist for service delivery. Detailed scheme-specific emergency response and recovery plans for the three waters are being developed, while transportation, as noted above, builds this into the operations contract.

4.7.2 Activity-specific measures

4.7.2.1 Three waters

Resilience is an important design consideration for reticulation design and construction, and was built into our standard design specifications when they were reviewed and revised in 2016-17. This was an opportunity to learn from the experiences in Christchurch and neighbouring areas following the Christchurch earthquakes. Improving physical resilience will not happen overnight, but through continuous improvement we reduce the risk exposure and the recovery time and cost.

Specifically in the drinking water area, we are increasing the valving of the reticulation, typically allowing individual blocks to be isolated. This improves our ability to respond to a widespread event by allowing damaged areas to be bypassed and service to be restored rapidly to undamaged areas as pipes are checked and repaired.

Facility design standards are yet to be revised, but a process of systems investigation, testing and review is under way and will provide general and specific recommendations to improve the reliability of operations, controls and data-gathering. As plants are upgraded or renewed, improved resilience will be considered and incorporated, where practicable.

4.7.2.2 Transportation

To enable and improve network resilience, and economic growth and productivity, components of the rural network that restrict heavy commercial vehicle movements (including high productivity motor vehicles (HPMV) and agricultural machinery) need to be dealt with. The main problems are bridge loading restrictions and inadequate seal widths. Council is planning to address these problems via the maintenance program and in capital renewals. It should be noted that enabling wider network access for HPMVs will also improve State Highway resilience by allowing these vehicles on district road detours that were previously unavailable.

State Highway 1 (SH 1) is the main route through Ashburton and Tinwald, and also functions as a core traffic distributor. A number of factors combine to sometimes cause standstill congestion through the urban area, and other regions are increasingly reporting effects in their localities from this issue. With the Ashburton River Bridge (on SH 1) creating a pinch point, a second bridge has been identified as a critical solution. Design for the second bridge is currently planned for 2020/21 with physical work likely for 2026. Council consider this project should be brought forward and connected with the NZTA Tinwald SH 1 Corridor Improvements.

4.7.2.3 Drinking Water

The water reticulation networks are composed of different materials and thus have varying degrees of resilience. The majority of the brittle (AC) pipeline remaining is in Ashburton and is being replaced steadily with PVC and PE. Transitioning to non-brittle pipe increases resistance to the sorts of seismic events predicted for the Ashburton District in the event of a major earthquake.

The district has a number of small schemes with single water sources, which are vulnerable to disaster or failure. Should a single small scheme be affected these can generally be supplied with tankered water from another scheme. On the other hand a

multi-site failure, or failure of a larger site would be more problematic, and detailed plans for complex events like these are being developed.

There are some other critical points in the network:

- Some schemes have long trunk mains between the source and treatment plant and between treatment plant and reticulation.
- Schemes with single water sources are vulnerable to contamination of or damage to the source. Especially Methven and Rakaia which would be difficult to supply using tankers from other schemes.
- All schemes rely on electrical power either for treatment, supply pressure or both. Generators are available.
- Lake Hood is distant from Ashburton and supplied by a single pipeline.
- The Ashburton scheme has no storage, although it has redundancy in multiple sources.

4.7.2.4 Wastewater

In contrast to the drinking water networks the wastewater networks are more resilient to an electrical power loss, operating mostly by gravity. Exceptions are the small pump stations serving subdivisions, which can be powered by portable generators if a power outage lasts longer than the storage capacity of the wet wells.

Partial treatment at Ashburton and Methven can be provided through oxidation ponds, although the aeration stage of both requires power. Land disposal at Ashburton relies on pumps, although overflows to the Ashburton River are available. Methven's land disposal can operate on gravity alone. Rakaia however requires power for both treatment (pumping and UV disinfection) and disposal.

A significant proportion of the pipework (approximately 55%) is brittle (typically glazed earthenware, with some older concrete) and the brittle areas are also often the areas where pipes run through private property, complicating inspection and repair. These pipes are being replaced progressively through the renewal programme with non-brittle materials, generally uPVC, and relining is being used to address the impacts of working in private property. At the moment we are not accelerating the programme beyond matching depreciation; this may change, but is more likely to change in response to increasing failure rates and maintenance costs before earthquake risk becomes the primary driver.

4.7.2.5 Stormwater

Distribution, treatment and disposal of stormwater is all provided by gravity and passive means. The majority of the piped network is relatively modern reinforced concrete (RCRRJ) or PVC, which are more resilient than brick, earthenware or unreinforced concrete. Failure at joints is the typical failure mode and, while not ideal, this usually does not impede the delivery of the service in the short term.

4.7.2.6 Stockwater

The stockwater network mostly comprises overland earthwork channels, with some culverts under roads, waterways or the rail corridor. Generally these are resilient to seismic events, although culverts are a potential point of weakness; culverts though are generally accessible for inspection and repair. The intakes are at moderate risk from washouts following heavy rain events and high river or stream levels. In these cases they can generally be restored in a matter of days, depending on how quickly water levels return to normal. There is water storage in the network and alternative or supplementary intakes can be increased to minimise the effect of a shortfall.

The network does not guarantee 100% uptime under ordinary circumstances, so the expectation is that users will have on-site water storage or a backup supply. This makes the stockwater service less immediately critical than the other services identified.

4.7.2.7 Transportation

Acknowledging that failures will occur on the roading network, being resilient is having the capability to; withstand disruption, absorb disturbance, act effectively in crises, adapt to changing conditions (including climatic) and grow over time. Assets that are most vulnerable to resilience issues are bridges (failure can sever the network, restrictions can impede growth and accessibility) and drainage assets (where water is not controlled it becomes a road's worst enemy). The district has a network well-suited to alternative routing and while detours can be long they do exist and this assists with maintaining a generally good level of resilience.

Long-term resilience of pavements relating to traffic growth (especially heavy vehicles) is a concern that is being managed through life-cycle planning and renewal programmes.

4.8 Aging infrastructure

Infrastructure is always aging. Each of the activities has distinct challenges around managing the aging of the assets, and different strategies are employed to maintain levels of service. The remaining life of an asset may reduce with population growth and increased use, and asset lives should be regularly updated to ensure forward plans reference the current status.

In the three waters, the district is in a period where significant proportions of the asset base are reaching end of life at similar times, and renewals need to be managed and staged appropriately. To smooth the peaks in the renewal expenditure while avoiding incurring increased maintenance costs and unscheduled failures it is necessary to renew some assets before their nominal end of life while deferring renewal of others as indicated by condition assessments. This 30-year period sees an increased focus on CCTV and other pipeline assessment tools as an information-gathering and forward-planning measure compared to previous years.

Pipeline renewal expenditure is pitched approximately at the level of total scheme depreciation, less an allowance for facility assets. This represents a distribution of renewal spending that focuses on renewing pipes over facility assets. With no strong evidence that widespread pipeline failure is happening or is imminent, and evidence from pipeline inspection that many pipes are in reasonable condition and are likely to be able to be deferred, there is no indication of a need to spend money above depreciation. We anticipate moving past the asset end of life peaks over the next two decades, at current renewal rates. As time passes it may be necessary to increase the pace of renewals if this is indicated by rising maintenance costs; this is a position we review at least every three years.

Annual renewal programmes for footpaths, reseals and rehabilitations, and the ongoing road network and streetlights maintenance and operations contracts address most of the aging transportation assets. Strong economic growth over the last ten years has increased traffic volumes (especially heavy vehicles), which in turn accelerated road faults and damage requiring more maintenance and renewals to meet levels of service. This means that current spending is almost double depreciation. It is anticipated that costs will decrease to match depreciation within 5-10 years. Bridge renewals are dealt with as individual projects as the stock nears end of life. Only 2% of bridges are predicted to require renewal due to age before 2048, and for the following 30-year period 2048-2078 this drops to 1%.

When renewing assets, we have to also account for the projected growth of the population and economy, and greater demand on services. Growth is projected to continue at a modest rate and reach 25% above 2017's level by 2048. This means that renewal programmes must consider the need to upsize or strengthen infrastructure to cover likely future development scenarios. For transportation assets, population or economic growth can result in increased traffic volumes which in turn are likely to shorten lives and degrade the condition of existing transportation assets. Changing traffic composition is of particular importance as increases in heavy vehicle numbers and weights need only be a fraction of light vehicle increases to produce the same wear/damage.

4.9 Surface Water Strategy

As noted previously, Council has recently begun developing a Surface Water Strategy (SWS). The goal for the SWS is to provide links between the different activities and values Council manages for with regards to the water race network, urban streams and stormwater to provide a strategic approach to how Council manages the closures of the water race network and future management of other surface waterbodies.

First and foremost this will affect the stockwater activity. The strategy will guide how water races are managed and maintained, including what happens with races after they are no longer needed or desired for their original purpose. This in turn will mean changes to the pace, cost and approach to race closures, and may mean responsibility for some water races moving elsewhere to suit their eventual purpose.

The effects will also be observed in the stormwater activity. The SWS does not cover stormwater entirely, but does cover surface waterways, rural and urban, which currently receive and convey a significant proportion of the stormwater in the district. In urban areas these include Mill Creek/Wakanui Stream, Carters Creek and Lagmhor Creek in Tinwald, and the stockwater race which runs through Methven.

The strategy is in the early stages; a draft is expected to be adopted in August 2018 for public consultation, although this is subject to change. Once the SWS is adopted, it will be implemented as budgets, consents and other constraints allow. It may also be necessary to make minor modifications to the stormwater strategy to realign the two activities, given the overlaps.

5. Thirty Year Strategy

This section links the current and emerging issues identified above to their implications for Council assets, ending with a summary of the main strategic decision points. Specific issues and projects are then explored in further detail in the subsequent section.

5.1 The Organisation's Priorities

The key focus for the Ashburton district is to keep building on quality infrastructure and amenities in order to encourage and allow for future growth. Our challenge as a district is to create an even more enjoyable place to live and do business. Providing quality services and facilities helps attract new people and improves existing residents' quality of life, and ensuring that they also meet the district's needs for the next generation.

The high-level goal for each of the activities covered in this Infrastructure Strategy is:

Water: *"To promote the health and safety of the community through provision of an efficient, safe and reliable drinking water supply."*

Wastewater: *"To help protect community health and safety and the environment, through provision of reliable and efficient wastewater schemes."*

Stormwater: *"To ensure property and the environment are protected and roads and footpaths continue to be accessible during rain events."*

Transportation: *"To enable efficient travel throughout the district to support economic activity and social interaction."*

Stockwater: *"To promote the productivity of rural land through the efficient provision of clean, reliable stockwater."*

5.2 Asset and Service Management Strategy

In providing services to residents and visitors through the use of infrastructural assets, Council's goal is to ensure that services are constructed and maintained in such a way as to provide agreed-upon levels of service while remaining within approved budgets and complying with applicable consents.

This is achieved through an iterative process:

- Review current and forecast (status quo) resource allocations, drawing from existing long-term or annual plans and budgets.
- Assess how these projections would affect the asset condition and performance, and dependent levels of service, into the future, based on current rates and trends of maintenance and failures. The question to be answered is whether, based on forecast expenditure, the networks will still provide an adequate level of service throughout or by the end of the planning period.
- Adjust the work plan as necessary to achieve the best possible life cycle asset condition and performance within available constraints. Approaches include re-ordering or re-prioritising work items, changing methodologies to provide, for example, a different cost-lifespan ratio, or developing a business case for adjusting the budget. This last option would typically be taken up where it can be demonstrated that it is likely to pre-empt higher maintenance costs or more expensive remediation later. Where none of these options is available or sufficient, some assets may be left to decline in condition to the stage that they require more expensive remedial action later, but at a more convenient time (for example to avoid a short-term spike in spending).
- Work with the Finance team to understand the financial impacts of this programme, and to develop budgets, options and scenarios. This is an iterative process in itself and ensures that the infrastructure and financial strategies are aligned.
- Report the anticipated effects on performance targets, and the impacts on resources, funding and rates, to senior management and elected members, to allow them to provide input and fulfil their leadership and governance roles. Ultimately the balance between performance and expenditure is one which can only be struck in consultation with the relevant stakeholders, including the community at large.
- Manage the 4 Waters and Transportation infrastructure in accordance with Council's assessment of appropriate asset management practice and asset management policy.
- Monitor trends in asset condition and performance, and in maintenance expenditure, as input for the next long-term planning cycle.

The focus in the drinking water and wastewater areas is to manage the ongoing reticulation renewal programme, being watchful for signs that maintenance costs or asset failures are increasing faster than expected which would indicate that renewal expenditure needs to be increased. Networks which were first installed over a handful of years need to be replaced, a process which will take approximately another 10-20 years to complete at current rates.

To enable this to take place in as cost-effective a way as possible, there is an increased focus on condition assessment of wastewater pipes across the age and condition spectrum, to guide renewal expenditure to where it can do the most good.

This replacement programme also allows the opportunity to plan for the future needs of the communities, and pipes are being reviewed and sized appropriately. The new river crossing wastewater pipe and pump station, which will be under construction shortly, are a key part of this strategy.

Across water and wastewater, the operational cost budget has been held approximately constant in 2018 dollars, except for a small increase associated with going to the market and procuring a new long-term contract. The new contract allows for the "locking-in" of contract costs and rates (excluding inflation) which is a significant factor in the stability of the operational budget. The other factor which contributes is that the projected increases in variable costs due to growth (for example the costs of pumping more water from bores, or of treating and disposing of more wastewater) are broadly expected to be offset by improvements in operational practices. For example, while annual population growth of around 1% is projected, the water and wastewater networks are also being renewed at a rate of 1-1.5% pa, providing reductions in I&I and water leakage that are on the same order.

Stormwater is focused on the development of new infrastructure, especially treatment areas to clean the water before it is discharged, and trunk mains to convey water to these treatment areas. This will also address the growing demands for higher levels of service and minimising flooding risks under wet weather conditions.

The emphasis in transportation is to ensure that stated levels of service are met, mindful of the need to modify these where required to balance customer expectations with responsible (and reasonable) fiscal management. This will be achieved by consolidating and optimising the maintenance strategy and renewals programmes, along with improving data condition collection and analysis.

5.3 Cost Effective Delivery of Services

Section 10 (Purpose of local government) and Section 17A (Delivery of services) of the Local Government Act 2002 place a clear requirement on councils to meet the current and future needs of communities for good-quality local infrastructure and local public services, in a way that is most cost-effective for households and businesses, and to review these arrangements regularly.

In the three waters, Council engages consultants to carry out or review designs to keep up to date with current best practice in the industry. Transportation use a design/build contract approach to achieve the same. Where consultants are used, despite the upfront cost, this is a conscious decision taken, in part, to retain access to the breadth and depth of engineering knowledge and experience available to an engineering consultancy, which it would be cost-prohibitive to employ as full-time in-house staff. A transition to using in-house staff for contract supervision has taken place in recent years, which has produced cost savings and added benefits of closer knowledge of the work being carried out and the quality of practices.

Council also has well-established procurement processes, which help make sure that work being carried out is being done at the lowest reasonable cost to the ratepayer, and also to mitigate the risks of fraudulent or inappropriate spending.

To take a wider look at the cost-effectiveness of the services in general, service delivery reviews (LGA 2002, Section 17A reviews) have been carried out on the council's activities to determine whether the existing means for delivering a service remains the most efficient, effective and appropriate mechanism of delivering that service. Most of these have been desktop level reviews, to test whether a more detailed review is necessary. The results are summarised on the following page:

	CURRENT MODE OF DELIVERY	FURTHER REVIEW REQUIRED
Three Waters	**Mixed** Governance and management in-house, daily operations outsourced.	**No** Recommends that options for daily operations are revisited and investigated when the contract is reviewed.
Transportation	**Mixed** Governance, management and road safety in-house, physical works outsourced	**No**
Stockwater	**In-house**	**No** Dependant on Surface Water Strategy

The three waters daily operations is currently covered by a multi-year operations and maintenance contract, negotiated directly with one party. This means that demonstrating cost-effectiveness was not possible. The review has resulted in a decision by Council to progress the development of a new contract during 2018/19, with the aim to competitively tender the work the following year.

A key question raised by the review is whether a fully contracted out delivery model is the right approach for council, and in particular whether there is value to be gained from bringing all or part of the operation (facility operations) in-house. This carries both risks and benefits, and the options will be considered further as part of the contract development process.

Stockwater is currently operated and managed in-house. The service delivery review notes that the service delivery model provides adequate value for money and recommends that Council continues to provide the service in the short term (1-3 years) while there is considerable uncertainty about the future direction for the activity that may undermine any efforts to package and outsource effectively. It also recommends keeping an open mind and returning to this question when the Surface Water Strategy is complete and there is greater certainty.

ADC is part of the Aoraki Roading Collaboration (ARC) along with the Mackenzie, Timaru and Waimate District Councils. ARC works under a Memorandum of Understanding, which includes objectives to improve asset management, investment decision-making and governance. The intent is to develop shared delivery of asset management and network operations. Achievements to date include a shared maintenance contract, improved data management through shared skills and strong technical support through inter-council communications.

5.4 Evidence Base

Council acknowledges there are limitations with its data that affect decision-making. A commitment to improving data collection and analysis is indicated below.

Table 5.1: Data Improvements

ACTIVITY	DATA TO BE COLLECTED OR ANALYSED	VALUE THIS DATA PROVIDES
Transportation	Heavy Commercial Vehicle (HCV) traffic counts	Classification counts are historically poor - this data will identify key routes, and confirm or refute current assumptions. Heavy vehicles cause the bulk of pavement damage and accurate data is vital for forward planning.
Transportation	Pavement condition	Through high speed data surveys, modified visual rating surveys and continued pavement strength testing, the pavement modelling outputs can be used with greater confidence and provide more robust evidence for forward planning.
Transportation	Asset condition surveys	Not all assets are surveyed regularly, or at all, to establish their current condition. Asset condition allows a more accurate determination of remaining lives and asset performance. Recurring surveys will also provide history and show trends.
Transportation	Asset valuation unit rates	Some unit rates used in the valuation process, while acceptable in national comparisons, could be aligned with local rates to provide a more realistic replacement cost and thus depreciation value.
Water supply	Water consumption – universal metering of usage (not for charging purposes)	Allows true consumption and demand to be quantified, and when compared to water supplied this allows public-side loss to be estimated and monitored more accurately. In particular, this can indicate whether maintenance or renewal expenditure needs to be increased or reduced to deal with unknown leaks. At present, we use standard estimates of night-time use and attribute the remainder of minimum night flow to leakage, which may be overstating the scale of any problem. While we would still proceed with the renewal programme, we would alter the details if indications showed that areas or pipe types were more likely to have leaks. If the ratio of metered consumption to leakage is especially high, it may even cause a shift in focus from public leak detection and asset renewal to demand management and private leak detection, or might lead to a rethink of approaches to charging to ensure fairness. A key benefit of metering is that it allows much quicker detection and resolution of private leaks. All combined this means more efficient water use, and delays the need to build increased capacity.
Water Supply	Reticulation pressure	Pressure is currently monitored primarily at the plants and assumptions made about pressure losses and the experience of customers. By verifying actual reticulation pressure, plant pressure can be adjusted in near-real time as demand varies to minimise both costs and losses.

Water Supply	Reticulation water quality	Monitoring water quality in the reticulation is currently through manual sampling only. Following the improvements made to process monitoring at treatment plants, we will now investigate the costs and benefits of automated monitoring in the reticulation. This would allow better understanding of variability around the network and might allow treatment optimisation, e.g. varying chlorine dosing in response to an actual residual.
Wastewater	Critical manhole levels and flows	This can give early warning of capacity problems, blockages and surcharging in critical areas, which provides guidance on areas which may need upgrading or increased maintenance focus.
Stormwater **Wastewater**	Rainfall and groundwater levels	Knowledge of rainfall and groundwater levels helps understand the effectiveness of soakage as a treatment and disposal method, as well as indicating infiltration- and inflow-prone areas. Better information will be fed back into the maintenance, renewal and upgrade programmes to ensure that resources are allocated appropriately.
Three waters	Facility asset condition and performance	While we have a programme of asset inspection and condition grading for reticulation assets, knowledge of condition, lifespan and operational efficiency is relatively poor for facility assets, including the buildings themselves as well as equipment like pumps and sensors. Understanding this helps refine useful life and depreciation calculations, as well as preventing unexpected failures.
Three waters	Telemetry/SCADA cybersecurity audit	As we increasingly rely on data for decision-making, one undervalued aspect is the integrity of the data itself, and the vulnerability of the systems providing and archiving it. At present no upgrades are proposed related to cybersecurity, but work is planned to renew and enhance the existing system. If the cybersecurity audit identifies unacceptable risks with the current system we would need to consider redirecting resources to mitigating those risks, or if that cannot be achieved acceptably, a different system may be needed.

The approach to data collection and management will be discussed in the respective asset management plans and budgets included where appropriate.

5.5 Significant Decisions Required

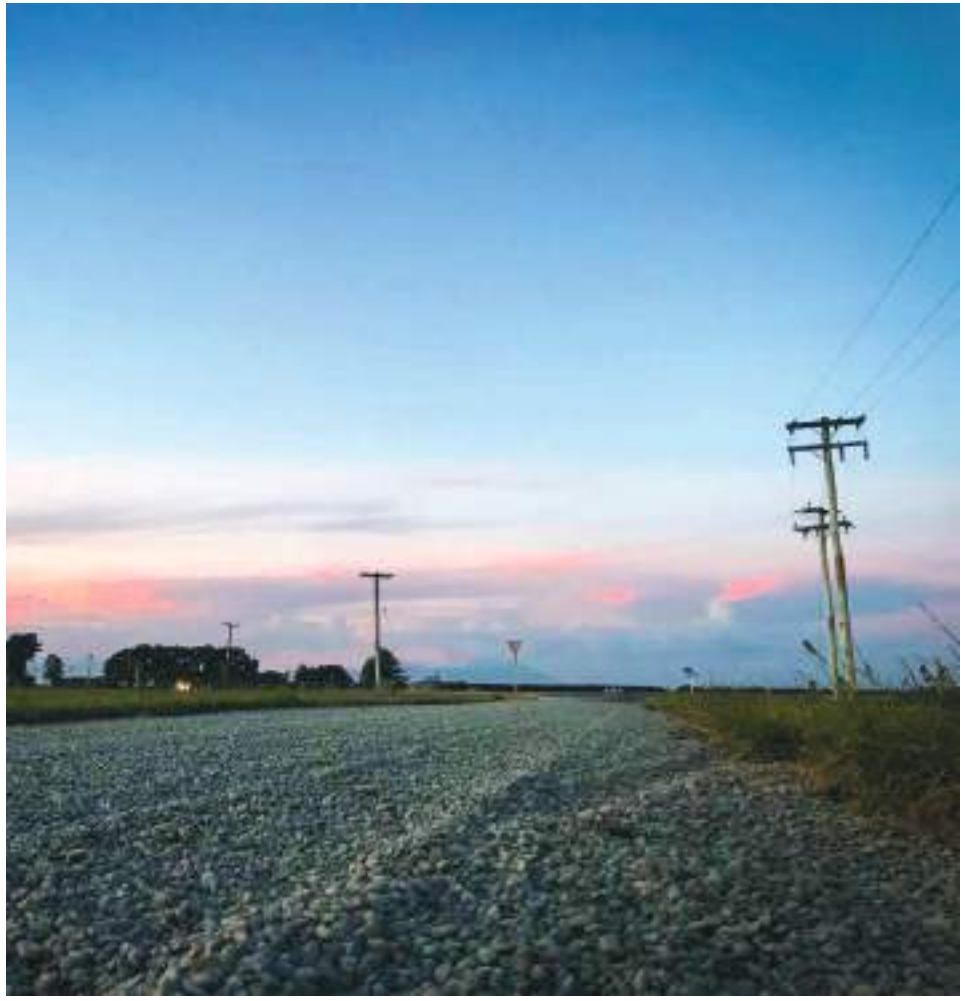
Taking a long term view to the management of infrastructural Assets, Ashburton District Council needs to make key decisions in a timely manner. In addressing community desires and priorities the following key decisions have been identified. Timeframes given in the table are indicative; where a range is shown, this either represents a series of decisions over a number of years (e.g. for resource consent renewals that occur separately over a number of years) or a decision where the timing is uncertain (e.g. response to new drinking water standards where the timetable is outside our control).

KEY DECISION	INDICATIVE TIMEFRAME
Three Waters Delivery of operations services model – in house, contract, mixed. As recommended in the service delivery review, the operations and maintenance contract needs to be put out to tender to demonstrate value for money. As part of the process, a decision will be needed on the delivery model for plant and facility operations. There are strong arguments in favour of taking this aspect in-house, but a cost-benefit analysis needs to be undertaken.	Contract Reviewed 2018/19 Tendered in 2019/20 Start date 1 July 2020
Water Supply Response to near-future standards changes. Following the Havelock North contamination incident, and given the length of time since the last revision, it is expected that drinking-water standards will be reviewed, or at least new recommendations will be forthcoming, although it is not clear precisely when this might occur. This will require significant decisions to be made about treatment approaches and acceptable risk models for service delivery. Placeholders have been added to the programme for at least the first three years for some upgrades in response to Havelock North, but there is likely to be more to come.	2018-20
Water Supply Demand management approaches. At present water restrictions are the primary water efficiency and demand management tool available. In the last 18 months the use of universal water metering for asset management has been trialled with good success observed. Extending this approach, or additional water efficiency measures, may be required to manage peak demand while remaining within environmental and cost limits; otherwise alternative, potentially more costly, interventions like new consents or additional capacity may be needed.	2018+

Water Supply ADC's various resource consents for water are due for renewal between 2030-2045. As they approach renewal, decisions will be required on any approach to renewal. The indicative timeframe given allows a few years before the first consent expires in 2025, to allow time to review options and make capital investments (if required). There is likely to be a significantly different consenting environment in place in 12 years' time, but it is almost certain that renewal of the consents will entail stricter conditions being applied. Potentially reductions in per-capita abstraction might be sought, or at least a commitment to active leak detection or demand management. More involved measures such as merging or closing schemes might also be considered, and these would take time to prepare for. How we approach this next phase will be an important area of decision-making in the coming years in preparation.	2025-2045
Wastewater ADC's various resource consents for wastewater are due for renewal between 2033-2039. As they approach renewal, decisions will be required on any approach to renewal. The indicative timeframe given allows a few years before the first consent expires in 2033, to allow time to review options and make capital investments (if required). Significant land purchase, the consideration of alternative treated wastewater disposal options or significant reduction in stormwater inflow and groundwater infiltration (I&I) in both public and private assets, or a combination of these strategies will be required.	2030-35
Wastewater The Ocean Farm wastewater treatment and disposal site has some operational problems, especially around the wetland, which has impacted on consent compliance and irrigation efficiency. The solutions identified need to be considered holistically. Decision-making and creation of a work plan covering a number of years will be developed during the 2018-21 LTP period, ready for programming in the 2021-24 period. However, some work may be completed early if this ties in with equipment renewals as they come due.	2018-21
Stormwater Prioritising the stormwater needs of the district: The Stormwater Management Plan for Ashburton, Tinwald and Fairton produced an indicative programme of projects to bring our stormwater discharges into compliance, including both pipeline projects and treatment system upgrades. Some adjustments have been made already, prioritising treatment infrastructure over pipeline upgrades, but this balance between localised flood mitigation and environmental impact reduction will need to be kept under review, especially in light of a future stormwater consent. As the Surface Water Strategy, Stormwater Management Plan, Stormwater resource consent and other work is implemented over the 2018-21 LTP period, attention will shift to planning for the next steps. Some may be straightforward and be completed in the 2018-21 period, while others will be programmed for 2021-24.	2018-21

Table continues on following page...

Stormwater Any resource consent applied for will only include the Ashburton, Tinwald and Fairton urban area, leaving the remainder of the district not covered, including semi-rural and rural areas. Extending resource consent coverage from urban Ashburton to the district as a whole will require further investigations, including an Assessment of Environmental Effects (AEE) to consider waterway health, soils and geology, erosion, contaminant loads, contaminated land, effects on groundwater, industrial sites, hydraulic modelling, rural land drainage and identification of overland flow paths. Then decisions will need to be taken about the balance of costs, benefits and risks and a plan put together to achieve the desired outcomes for stormwater across the district. Some of this will be covered under the surface water strategy work.	Initial decisions are expected in 2018, but there is uncertainty in the scope which may delay decision-making or require a multi-stage approach.
Transportation The Ashburton River Second Bridge is a Priority 3 project within the Draft June 2018 RLTP. Council are lobbying for the project to be aligned with the NZTA Tinwald SH 1 Corridor Improvements. Council are also urging NZTA to increase their funding proportion beyond the current 51% due to the benefits it will provide to the State Highway network.	2020+
Transportation There are 25 Rangitata Diversion Race (RDR) bridges that carry ADC roads. They are being formally transferred into Council ownership. Council and Rangitata Diversion Race Management Ltd. are negotiating emergency management issues.. None of these bridges are able to carry HPMVs, and some also have restrictions for standard heavy vehicles. To meet the Council's stated transportation goals and levels of service some of these bridges need to be upgraded. Council intend to upgrade one bridge per year over the 2018-21 period, with reassessment of future works undertaken for the 2021-24 period. The 2018-21 Transportation AMP provides more details.	2018+
Transportation Council has a Town Centre Working Group and in February 2018 allocated $250,000 to develop a new parking strategy in parallel with a streetscape renewal project, including landscape and urban design concepts. It is anticipated that the plan will be completed in 2018/19 with work to commence from year 2 of the Long-Term Plan, subject to Council approval.	2018+



6. Significant Infrastructure Issues and Option Development

The preceding sections have identified and discussed a number of emerging issues faced by Ashburton District Council over the next 30 years or more, some of which relate to specific activities and some that are more general. Some key risks, implications and assumptions have also been discussed and provide context.

This section lists the main strategic decision issues that the council will face in the next 30 years, and identifies options to address them and implications associated with the options. Where the decision is near-term or options are well-developed the discussion is specific; in other cases the decisions may be more about setting a general direction or directing investigation.

In most cases costings are provided for the preferred option only, and are intended to give an indication of the significance of the issue and the implications of choosing the given option. The cost represents the increase in the budget over and above the status quo. Where a project or option involves reallocation of existing resources (for example, using an existing staff member for a new project) the cost is shown as “$0 (existing resources)”. We acknowledge that there is a cost associated with employing that staff member or using those resources, but there is no, or negligible, change in the budget versus status quo.

6.1 Water

Council's principal goal for water over the next thirty years is:

To promote the health and safety of the community through the provision of an efficient, safe and reliable water supply.

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

Issue – Renewal Programme

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Reduced renewal rate	Under this option renewal expenditure will be reduced and renewals deferred. It may be that assets might only be renewed when they have failed or are positively identified as about to fail ('just-in-time'), or it might be simply that the programme is prioritised as now and then stretched out. A 'just-in-time' approach to renewals means that pipe lifetimes are maximised, which promises a cost saving, but doing this effectively relies on good knowledge of pipe condition and failure likelihood; otherwise there is likely to be a higher rate of unplanned interruptions due to failures, and higher maintenance costs due to unplanned repairs. Just-in-time renewal also risks expenditure being more variable from year to year, and thus smoothing is likely to be required either in the programme or by monitoring long-term average expenditure. Either version of delayed renewal also risks creating a backlog of renewals (a 'bow wave')
Option 2 – Increased renewal rate	This option increases the rate of renewal expenditure over and above the rate of depreciation. It may be advantageous to get ahead of the 'bow wave' and smooth the renewal profile by bringing forward some renewals rather than delaying some. It is also likely to help reduce water loss through leakage from old pipes and connections, and minimise future repair and maintenance costs, which may offset some of the cost. However, there is a risk that pipes with years of useful life remaining may be renewed early. This option also carries increased costs for the community, and at this point it is not clear that the failure rate is increasing dramatically. Repair and maintenance records should be reviewed regularly to ensure that this conclusion is still valid.
Option 3 – Renew in line with depreciation; weight expenditure towards reticulation *[PREFERRED OPTION]*	This option keeps overall renewal expenditure within the envelope of total water supply depreciation, but weights expenditure towards the reticulation rather than the facilities. This allows the pipes to be renewed slightly faster than indicated by their own depreciation by delaying a portion of facility renewal expenditure. This is supported by facility equipment replacement costs being lower than anticipated, possibly due to low granularity in recorded asset lives, and partly due to increased maintenance.
Time period	2018+ (ongoing review at least every 3 years to check assumptions)
Cost	$12.4M (2018) over 10 years | $14.5M (inflated) over 10 years
What is the benefit	Maintains the current levels of service Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community
Assumption	This assumes that maintenance and repair records are reasonably accurate and therefore that trends are correctly identified.

Issue – Backflow prevention

MAIN OPTIONS	IMPLICATION OF OPTIONS	
Option 1 – Do nothing	Council would not be enforcing its own bylaw, and water supply customers would be exposed to health risks, contravening section 69W of the Health Act 1956, requiring reasonable steps to be taken to ensure that water supplied is wholesome.	
Option 2 – Accelerated roll-out project	This option would involve providing additional resourcing to progress implementation of the policy in a shorter timeframe. This includes inspections and checks, but also advice and public messaging. It may also be unpopular with the community if pushed too aggressively, especially where the risk is perceived to be low or the action seen as disproportionate. The cost implication of this option is likely to be the cost of 0.5-1.0FTE, or on the order of $50,000pa.	
Option 3 – Phased roll-out as part of business as usual, focusing on highest risks first *[PREFERRED OPTION]*	This option allows the process to be managed under business as usual, while making steady progress towards mitigating the outstanding risks, working from the most significant first. There is a chance however that without dedicated status and resources the activity may slow or stall. This will also reduce the availability of staff for other competing projects which may arise.	
Time period	2018 onwards	
Cost	$0 (existing resources) This proposal is to continue with status quo.	$0 (BAU, inflated)
What is the benefit	Maintains the current levels of service and ensures compliance with the Health Act 1956 Financially prudent for the community by including as a part of our usual business Supports our strategic priority of 'planning and providing fit for purpose services'.	
Assumption	The recommended option assumes that under business as usual this activity will be able to proceed and will not be de-prioritised. It also assumed that our estimates of the number of properties in each risk category are accurate.	

Issue – Future drinking water standards compliance– raising below-ground boreheads

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Do nothing, even if future standards do not permit below-ground boreheads	Council would be non-compliant with drinking water standards or unable to obtain an approved WSP if these bores are deemed to be insecure or unsafe, leaving Council exposed to prosecution under the Health Act 1956. This being a highly public risk factor, community perception of water supply safety and Council's approach to risk management may decline if we are seen not to act. Not mitigating a known risk factor exposes water supply customers to increased risk relative to other options. However this option also carries the least up-front cost.
Option 2 – Raise below-ground boreheads only if required by new DWSNZ or other rules	Delaying any action until directed to act may avoid capital cost if the eventual requirements in fact allow below-ground chambers, possibly with increased monitoring or minor modifications. A lesser but not trivial factor is that this option retains the character of the existing bore sites, which in some cases are in public areas (for example, in the Ashburton Domain). However this could be easily ameliorated through context-sensitive design. Some of the same reputation risks exist here as for Option 1, including a perception of a lack of proactivity in protecting public health or of doing the bare minimum. This option does also leave a known risk factor unmitigated. Even if a measure is not explicitly required, Council still has a responsibility to consider it fairly and to balance the risks and benefits to the community. Recent inspections have found that there are some minor water-tightness concerns with ADC's boreheads. Delaying a response also means that the timeframe to make modifications may be out of Council's control, complicating financial planning and possibly increasing overall costs.
Option 3 – Raise below-ground boreheads proactively *[PREFERRED OPTION]*	This option involves proactively raising seven boreheads in Ashburton and one in Rakaia above the ground and constructing an appropriate protective structure for them to prevent damage (whether from the elements, accidental damage or vandalism). The new structures will affect the character of the existing bore sites, which in some cases are in public areas (for example, in the Ashburton Domain). However this could be easily ameliorated through context-sensitive design. This option mitigates a known, and much-publicised, risk to public health. Recent inspections have identified that there are some minor water-tightness concerns with ADC's boreheads. This option clearly demonstrates Council's commitment to protecting public health and mitigating foreseeable risks associated with the water supplies. This is important for demonstrating compliance under the Health Act 1956, requirement to take reasonable steps to provide wholesome water. It also improves public perception and confidence.

Time period	2018-19	
Cost	$220k (2018)	$220k (inflated)
What is the benefit	Maintains the current levels of service and ensures compliance with the Health Act 1956 Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community	
Assumptions	The Havelock North Stage 2 report is widely expected to recommend that below-ground boreheads be phased out. This analysis also assumes that ADC's boreheads are generally of an acceptable standard at present, barring minor, repairable deviations, and would achieve secure status under the DWSNZ (2008 revision).	

Issue - Future drinking water standards compliance – Groundwater bore water treatment

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Do nothing, even if future standards remove secure status and require additional measures	Council would be non-compliant with drinking water standards or unable to obtain an approved WSP if these supplies are deemed to be insecure or unsafe, leaving Council exposed to prosecution under the Health Act 1956. The community perception of water supply safety and Council's approach to risk management may decline if we are seen not to act, especially if non-compliances are publicised. Not mitigating a known risk factor exposes water supply customers to increased risk relative to other options. However this option also carries the least up-front cost.
Option 2 – Upgrade supplies only if required by new DWSNZ or other rules	Delaying any action until directed to act may avoid capital cost if the eventual requirements are less stringent than foreseen. On the other hand, delaying also means that the timeframe to make modifications may be out of Council's control. Not planning and budgeting for anticipated changes risks inconvenient cost increases being required later. This option leaves a known risk unmitigated. Even if a measure is not explicitly required, Council still has a responsibility to consider it fairly and to balance the risks and benefits to the community. Similar reputation risks exist here as for Option 1, including a perception of a lack of proactivity in protecting public health or of doing the bare minimum.

Table continues on following page...

Option 3 – Implement a phased programme of proactive upgrades *[PREFERRED OPTION]*	This option involves proactively budgeting and planning for the installation of additional equipment to provide protozoal treatment or additional monitoring equipment on 8 supplies which source their water from bores. This option mitigates a known, risk to public health and clearly demonstrates Council's commitment to protecting public health and mitigating foreseeable risks associated with the water supplies. This is important for demonstrating compliance under the Health Act 1956, requirement to take reasonable steps to provide wholesome water. It also improves public perception and confidence. This also dovetails with a need to review the performance and condition of the supplies, which are at or approaching 10 years since they were upgraded. Some of the equipment is due for renewal, and there is efficiency to be gained by joining these work streams together. There is a risk that the standards may deviate from any approach we may expect to take. It is proposed to allocate funds and to work with the drinking water authorities on the details of any upgrades to ensure that any equipment actually installed is going to line up with their expectations.	
Time period	2018 - 2022	
Cost	$500k (2018)	$ 525k (inflated)
What is the benefit	Maintains the current levels of service and ensures compliance with the Health Act 1956 Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community	
Assumption	The Havelock North Stage 2 report is widely expected to recommend that the 'secure' status for groundwater be phased out. This analysis is based on the assumption that direct measurement of protozoal protection continues to be based on statistical measures of microorganism removal, because testing is expensive and complicated.	

Issue – Reduced water availability in the future

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Focus on demand management	Under this option there is a strong push made to conserve water and delay the need for upgrades. A full range of techniques is employed, including leak detection, pressure management, restrictions, metering and education. This option focuses capital investment on demand management rather than supply capacity upgrades. This option is likely to be the most cost-effective in the short- to medium-term due to the multiplier effect of investing early to avoid greater capital expenditure on sources, consents and reticulation later. This option also helps Council to meet its obligations to use water carefully and responsibly, and may be necessary to ensure that resource consents are not breached. However there is a risk that this may be insufficient, or that water availability may be affected by factors outside Council's control (such as falling river or groundwater levels due to drought or excessive abstraction).
Option 2 – Focus on expanding supplies	This option involves improving existing sources, increasing storage or adding new sources, with the goal of expanding the supply capacity. Interventions include deepening wells, renewing and extending infiltration galleries, drilling new wells or sourcing water from rivers or streams. This option assumes similar techniques to those used at present. It is important to note that this option is very likely to also require resource consents to be amended to allow increased water takes, since many of the schemes are technically capable of drawing enough water to breach current consents. If resource consenting restrictions are tightened, this option may be rendered irrelevant. Demand management techniques might be tried first (and this may be required to obtain new resource consents) but any major capital investment would be targeted at expanding water sources and supply, rather than investing in demand management approaches such as meters. There are likely to be significant capital costs. There is also a chance that these techniques may ultimately not succeed or last for the whole 30-year period.
Option 3 - Seek alternative sources or strategies *[PREFERRED OPTION]*	This option is not a recommendation, but is instead a catch-all for other unidentified options, if neither of the approaches above are acceptable or if the identified approach is proving insufficient. At its simplest this might mean a hybrid approach combining features of demand management and supply management. It could also involve more dramatic changes, such as: combining schemes; withdrawing supply where it is proving impractical; or new (to Ashburton) technologies like desalination or potable reuse of wastewater (indirect or direct).
Time period	2018+ Planning should begin immediately to set a strategic long-term direction.

Table continues on following page...

Cost	$0 (existing resources) While implementing any strategy identified will come with costs, the strategy development identified here will be done as part of ongoing work.	$0 (existing resources)
What is the benefit	Maintains the current levels of service Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community	
Assumption	This analysis assumes that water demand will increase (or at best, remain constant) in the absence of active intervention. It assumes that the existing consents are not significantly altered by ECan before they expire.	

Issue – Demand management strategies – water metering

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Status quo	Without interventions water consumption may exceed resource consent conditions leading to non-compliances and enforcement. New consents or additional capacity may be needed to meet demand, both of which are expensive processes. In addition, renewal of resource consents in future is likely to be dependent on demonstrating a commitment to demand management; the Ashburton consent includes conditions to this effect already. While this could be delayed, introducing changes earlier allows the impact to be staged and managed. Demand management can be unpopular with the community, so this option, which gives greater perceived freedom may be politically easier.
Option 2 – Metering and charging (universal or for selected areas)	Implementing a metering and charging regime is likely to provide the greatest saving in water consumption of the options. This option creates a clear link for users between their practices and the cost of the water, which has a strong impact on behaviour. Metering allows private leaks to be detected and fixed more quickly, and widespread metering allows a detailed water balance to be carried out, which helps greatly with quantifying and locating water loss in the public network. Volumetric charging also creates a 'user pays' system, which could be perceived as fairer by the community as heavy users are charged accordingly while people can save money by conserving water. Overall the total cost to the community of providing the service may be lower as consumption reduces and so then does the cost of pumping and treating it. However there is a capital cost involved with installing the metering equipment, and an ongoing cost to read the meters and maintain them. Metering and charging could also prove unpopular in the community if the reasons for and benefits of introducing such a system are not carefully explained.

Option 3 – Metering without charging (universal or for selected areas) *[PREFERRED OPTION]*	This option is a compromise between options 1 and 2, with lower expected effectiveness compared to metering and charging, but with less impact on individual users and possibly less resistance from the community. This could be seen as an interim step or as a final solution in itself. The benefits of meters for leak detection (private and public) still exist, although the incentive to fix private leaks quickly may be lower without a direct financial incentive. Enhanced education of the public can also still be carried out using this information by, for example, sending out dummy bills or usage reports. However there is still a capital cost involved with installing the metering equipment, and an ongoing cost to read the meters and maintain them. The proposal recommended here is to proceed with water meters for asset management on the high-consumption schemes first (Hinds, Dromore, Mt Somers and Chertsey) over years 1-3, and to evaluate the costs and benefits before considering a wider roll-out.	
Time period	2018 - 2021	
Cost	$ 178k (2018)	$186k (inflated)
What is the benefit	Maintains the current levels of service Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community in demonstrating leadership	
Assumption	This approach assumes that leakage is managed effectively and does not increase. It also assumes that reducing leakage alone will not be sufficient over the long term to counteract the effect of increased demand or population growth. We assume that consent limits are the same or lower, rather than higher.	

Not included:

- Fluoridation – there is no recommendation to make because the need for a decision is uncertain.

6.2 Wastewater

Council's principal goal for wastewater over the next thirty years is:

To help protect the health and safety of the community and the environment, through the provision of reliable and efficient wastewater schemes.

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

Issue – Renewal Programme

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Reduced renewal rate	Under this option renewal expenditure will be reduced and renewals deferred. It may be that assets might only be renewed when they have failed or are positively identified as about to fail ('just-in-time'), or it might be simply that the programme is prioritised as now and then stretched out. A 'just-in-time' approach to renewals means that pipe lifetimes are maximised, which promises a cost saving, but doing this effectively relies on good knowledge of pipe condition and failure likelihood; otherwise there is likely to be a higher rate of unplanned interruptions due to failures, and higher maintenance costs due to unplanned repairs. A key consideration is that ADC has a lot of pipes in private property in Ashburton and Methven, and for these relining is the preferred option to minimise the impact of renewal. Relining, or other trenchless methods, are impractical where a pipe has collapsed, slumped or is otherwise deformed, so prompt renewal is important to avoid having to dig up gardens or buildings later. Just-in-time renewal also risks expenditure being more variable from year to year, and thus smoothing is likely to be required either in the programme or by monitoring long-term average expenditure. Either version of delayed renewal also risks creating a backlog of renewals (a 'bow wave').
Option 2 – Increased renewal rate	This option increases the rate of renewal expenditure over and above the rate of depreciation. It may be advantageous to get ahead of the 'bow wave' and smooth the renewal profile by bringing forward some renewals rather than delaying some. It is also likely to help reduce water loss through leakage from old pipes and connections, and minimise future repair and maintenance costs, which may offset some of the cost. However, there is a risk that pipes with years of useful life remaining may be renewed early. This option also carries increased costs for the community, and at this point it is not clear that the failure rate is increasing dramatically. Repair and maintenance records should be reviewed regularly to ensure that this conclusion is still valid.

Option 3 – Renew in line with depreciation; weight expenditure towards reticulation *[PREFERRED OPTION]*	This option keeps overall renewal expenditure within the envelope of total water supply depreciation, but weights expenditure towards the reticulation rather than the facilities. This allows the pipes to be renewed slightly faster than indicated by their own depreciation by delaying a portion of facility renewal expenditure. This is supported by facility equipment replacement costs being lower than anticipated, possibly due to low granularity in recorded asset lives, and partly due to increased maintenance.	
Time period	2018+ (ongoing review at least every 3 years to check assumptions)	
Cost	$ 17.8M (2018) over 10 years	$ 20.5M (inflated)
What is the benefit	Maintains the current levels of service Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community	
Assumption	This assumes that maintenance and repair records are reasonably accurate and therefore that trends are correctly identified.	

Issue – High infiltration and inflow

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Targeted repair programme	This option would involve restarting a programme of pipeline, lateral and manhole repairs, specifically targeted at reducing infiltration (and to a lesser extent inflow) in the reticulation. This is separate to, and in addition to, the ongoing renewal programme, and is aimed at achieving quick gains in the short term. A programme like this was originally proposed for 2015-2018 and trialled in 2015, but was discontinued because the results were inconclusive and the programme was unable to demonstrate good value for money compared to renewal. There is no reason to believe things have changed significantly. This option also requires good knowledge of specific sites of high infiltration, rather than just general areas, which is not available at the time of writing. Our CCTV programme is being managed more effectively in-house and this information is expected to become available over the coming years.

Table continues on following page...

Option 2 – Accelerated renewal programme	This option recognises infiltration and inflow as a specific driver of the renewal programme and proposes increasing the renewal rate partly as a means of reducing I&I. This could mean identifying pipes with high I&I and allocating additional funding to renewing them, over and above the ongoing renewal programme; it could also mean substituting high I&I pipes for poor condition pipes. The latter, while involving less capital expenditure, carries greater risk of sudden failure from delaying needed renewals. As an option for reducing I&I it is initially costly, although cost savings from treating stormwater at the wastewater treatment plants will offset some of the cost, and there is of course then no need to renew those pipes. A risk with this approach is that pipes which might otherwise have many more years of life in them are renewed prematurely to reduce infiltration (for example this may be the case in parts of Tinwald), meaning that the renewal programme overall is less efficient.	
Option 3 – Right Pipe Project and ongoing renewals *[PREFERRED OPTION]*	This option is to maintain the status quo but is not a "do-nothing" option. This option means continuing with the renewal programme as outlined in the previous issue analysis and continuing to pursue the Right Pipe Project to minimise inflow during rainy periods from low gully traps and downpipes discharging to the sewer. I&I is already a factor in renewal decisions, albeit of lesser importance than failure risk and consequence. As the older pipes are replaced, at a rate of approximately 2% of the network per year, I&I will be reduced as well. The CCTV programme now underway includes a portion focused on investigating areas of high I&I, to identify where renewals in these areas can be best targeted to maximise asset life, minimise maintenance costs and failures, and reduce I&I, thus increasing the overall efficiency of the activity. Continuing the Right Pipe Project will also provide ongoing improvements in inflow volumes. While the project has been running, approximately 57% of properties inspected have required remedial work of some sort. It is likely that a different approach will be recommended for the next LTP cycle, where more and higher-quality information may well indicate a need to accelerate the renewal programme.	
Time period	2020 - 2022	
Cost	$0 (existing resources) This proposal is to continue with status quo.	$0 (existing resources)
What is the benefit	Maintains the current levels of service Supports our strategic priority of 'planning and providing fit for purpose services'	
Assumption	This option assumes that status quo does not lead to unacceptable levels of surcharging that would necessitate revisiting the preferred option.	

Issue – Ocean Farm operations

MAIN OPTIONS	IMPLICATION OF OPTIONS
Option 1 – Do nothing	This option would see Council in breach of resource consents because the treatment and disposal systems are not operating effectively as originally described and designed. E.Coli results are routinely above permitted levels, and parts of the wetland are bypassed. This option also passes up opportunities to improve the coverage of the irrigation system, increasing the grass yield and quality and thus increasing the income potential from the farm.
Option 2 – Alter resource consents	This option attempts to vary the resource consents to address the areas of concern. Primarily this means to raise the coliform thresholds for the effluent, and to permit the site to operate as it currently does. While this option resolves the consenting issues, and it can be argued that for land disposal the coliform threshold currently in place may not be appropriate, it does not address the fundamental inefficiencies which have arisen at the site. This approach may be successful, but these are high-profile consents with public notification likely, and there is a risk that there may be resistance from the public and other stakeholder groups to what may be seen as a relaxing of standards. At the very least some reputation loss could be expected.
Option 3 – Continue to investigate solutions, to prepare a work plan for the 2021-24 LTP period of changes to the treatment and irrigation systems. *[PREFERRED OPTION]*	This option involves maintaining the status quo: continuing the investigation of options for the treatment and disposal site, with a view to ultimately changing the irrigation system. This involves taking a holistic view of the whole treatment and disposal system and looking at it end-to-end, rather than addressing parts in isolation. The preferred option identified in preliminary investigations is subsurface drip irrigation, but this requires the effluent to be cleaned up significantly. The main areas where investigations and potentially changes are required include: Enabling and ensuring access to the wetland cells for maintenance; Maintaining, desludging and replanting the wetland cells, or removing the wetland if this proves to be the better option overall; Additional steps as necessary to make the water suitable for the final irrigation solution; and Replacing the irrigation system with an alternative (e.g. subsurface drip or pivot/lateral where practicable). Some or all of these aspects may be pursued. This option does not address specific options, but identifies that capital expenditure ought to be invested in the site, as opposed to continuing with status quo. Note that resource consent variations may be needed in this case as well, and at that time the coliform threshold should be reviewed.
Time period	2018 - 2021
Cost	Approximately $10k Approximately $10k
What is the benefit	Maintains the current levels of service Supports our strategic priority of 'planning and providing fit for purpose services'
Assumption	The preferred option assumes that there is no enforcement action by ECan that requires more urgent changes. In choosing the preferred option we also assumed that altering the consent would not be a straightforward option and would carry unacceptable risks; this assumption may change if different information came to light.

6.3 Stormwater

Council's principal goal for stormwater over the next thirty years is:

To ensure property and the environment is protected and roads and footpaths continue to be accessible during rain events.

Issue – Capital work programme and priorities

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

MAIN OPTIONS	IMPLICATION OF OPTIONS	
Option 1 – Do nothing, or reduced programme	The Ashburton Stormwater Management Plan, which supports the global resource consent application for the Ashburton urban area, includes a programme of operational improvements and capital works required to convey and treat stormwater to the required levels. Not committing to proceeding with some or all of the programme risks the application being declined, or risks Council being non-compliant in the future. A reduced or eliminated programme also fails to mitigate future flooding, especially in the face of forecast increases in rainfall and flooding events, or environmental harm due to untreated stormwater runoff entering waterways.	
Option 2 – Prioritise flood prevention	The proposed programme includes a mixture of flood prevention (stormwater conveyance) projects, typically large "spine" pipelines to focus stormwater to formal discharge points, and treatment projects at these discharge points. While these work together, since the programme is long-term there is potential to re-order the projects. This option would prioritise the pipeline construction projects over the treatment sites, while retaining the whole programme over the 30 year timeframe.	
Option 3 – Prioritise environmental protection *[PREFERRED OPTION]*	In contrast to Option 2, this option would prioritise the stormwater treatment areas and structures ahead of pipeline construction projects. This approach is likely to be more acceptable to ECan and more likely to ensure that the Ashburton urban stormwater consent is granted with favourable conditions, but also delays the completion of the upgraded pipeline network and exposes ratepayers to flooding risk for longer. Prioritising environmental considerations may also have a positive reputational benefit, with Council being seen as a good citizen, "doing the right thing". Balancing options 2 and 3 requires weighing the full range of advantages and disadvantages. Neither option changes the overall cost in 2018 dollars, since the whole programme needs to be completed either way, but total inflated costs may be different. The effect of the expenditure on rates will also depend on the order, since some projects are more costly than others, and some are multi-year projects.	
Time period	2018-2045	
Cost	$ 15.1M (2018, total programme)	$ 17.2M (inflated)

What is the benefit	Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community
Assumption	This analysis assumes that a resource consent will be applied for by 30 June 2017, and that the consent application will be accompanied by a detailed programme of works. It also assumes that rainfall trends continue as forecast, and that the capacity of the existing network is not exceeded more quickly than anticipated (and thus that the risk of flooding is not increased significantly) or that the infrastructure being proposed is sufficient for the task.

6.4 Stockwater

Council's principal goal for stockwater over the next thirty years is:

To promote the productivity of rural land through the efficient provision of clean, reliable stockwater.

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

Issue – Fish screen installation

MAIN OPTIONS	IMPLICATION OF OPTIONS	
Option 1 – Defer installation	This option leaves Council in breach of resource consent conditions and potentially open to enforcement and prosecution. ECan have not taken enforcement action in the past, although this may not continue. The prior approach was to defer pending the outcome of the District Water Management exercise, due to uncertainties around the future of the stockwater network and the desire to avoid constructing assets which would not be fully utilised. However, delays resolving this uncertainty make it increasingly untenable to continue to delay indefinitely, and the risk is growing that ECan may insist.	
Option 2 – Plan for and install fish screens *[PREFERRED OPTION]*	This option proposes to budget for the installation of fish screens at the Brothers, Cracroft, Methven Auxiliary and Pudding Hill intakes as required. The two-year window proposed allows design and investigation to take place in the first year, and a possible hold point if regulatory, planning or other circumstances change or the feasibility work indicates that the cost might be significantly different from the initial estimate.	
Time period	2020 - 2022	
Cost	$ 260k (2018)	$ 266k (inflated)
What is the benefit	Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services'	
Assumption	We have assumed that these intakes will remain in service for the foreseeable future, and for a significant proportion of the life of the proposed fish screens. This option also assumes that enforcement action would result from a failure to install fish screens. This assumption is supported by recent conversations with ECan and recent poor publicity around this issue. If this situation changes the options might be revisited.	

6.5 Transportation

Council's principal goal for transportation over the next thirty years is:

To enable efficient travel throughout the district to support economic activity and social interaction.

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

Issue – Ashburton River Second Bridge

MAIN OPTIONS	IMPLICATION OF OPTIONS	
Option 1 –Do nothing	Traffic volumes are only going to increase over time, making congestion worse. Travel time reliability worsens, road user frustration increases thus decreasing safety, and detrimental economic impacts would have both district and regional repercussions. Resilience levels would remain as current, and the resulting impact of emergency events (including natural disasters and crashes) involving ever-increasing traffic volumes detouring over 60km would be heightened.	
Option 2 – Construct as stand-alone project	Congestion eases, travel time reliability and network resilience is increased for both local roads and State Highway. Road user safety is improved. Issues on SH 1 through Tinwald and Ashburton are somewhat alleviated but remain.	
Option 3 – Construct in conjunction with connected SH 1 NZTA projects *[PREFERRED OPTION]*	Congestion eases, travel time reliability and network resilience is increased for both local roads and State Highway. Road user safety is improved. Issues on SH 1 through Tinwald and Ashburton are addressed and cost savings have been made on all projects through consolidation of works.	
Time period	2020-27	
Cost	$ 30M* (2018)	$ 38M (inflated)
What is the benefit	Supports our strategic priority of 'planning and providing fit for purpose services' Financially prudent approach by sharing costs with NZTA	
Assumption	That the project will be approved in the RLTP for the design phase to begin in 2020/21, and that local funding share will be 20%, with the remaining portion shared between the NZTA subsidy and the Provincial Growth Fund. *$30M is the total cost for the bridge and associated improvements as a stand-alone project. This does not separate NZTA and ADC costs. Actual cost for Option 3 is unknown as NZTA have not provided costs or options for combining proposed projects.	

Issue – Rangitata Diversion Race Bridge Upgrades

MAIN OPTIONS	IMPLICATION OF OPTIONS	
Option 1 –Do nothing	Increasing heavy haulage dissatisfaction, impedence of district economy, HCV network resilience compromised.	
Option 2 – Upgrade one bridge per year *[PREFERRED OPTION]*	Increases network HCV resilience (also for State Highways), allows increased economic growth, bridge aging issues pre-empted.	
Time period	2018+	
Cost	$ 7.5M (2018)	$ 8.9M (inflated)
What is the benefit	Maintains the current levels of service Financially prudent for the community Supports our strategic priority of 'planning and providing fit for purpose services' Maintains / improves our reputation within the community	
Assumption	That ownership of the bridges is transferred to ADC, 11 bridges are upgraded.	

7. Financial Estimates

The Local Government Act 2002 Section 101B – Infrastructure Strategy states:

(4) The infrastructure strategy must outline the most likely scenario for the management of the local authority's infrastructure assets over the period of the strategy and, in that context, must—

(a) show indicative estimates of the projected capital and operating expenditure associated with the management of those assets—

(i) in each of the first 10 years covered by the strategy; and

(ii) in each subsequent period of 5 years covered by the strategy

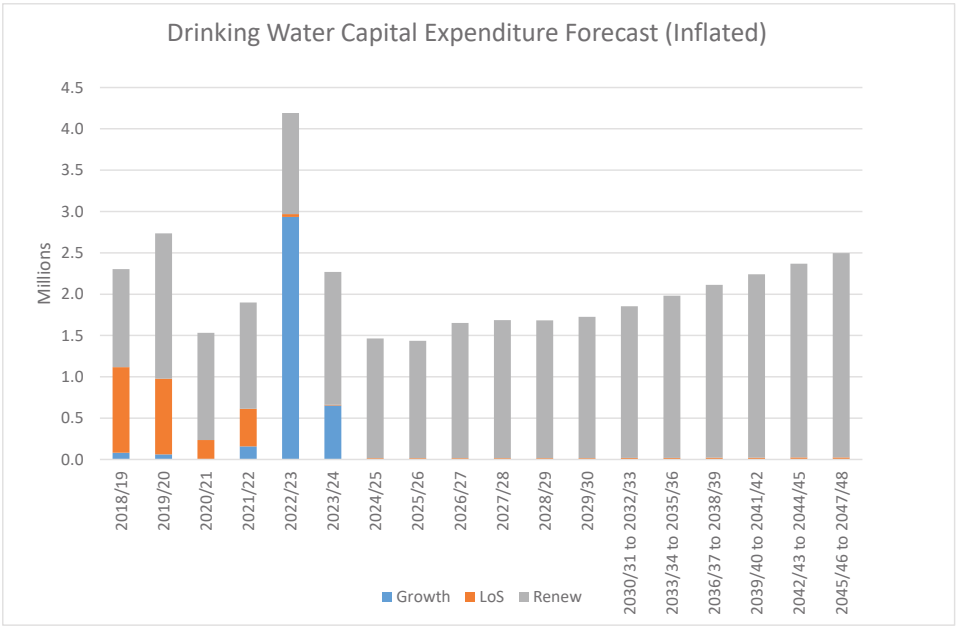
The charts in this section show indicative expenditure projections for each of the asset areas identified. The first 10 years are shown in detail, while the years from 2028/29 to 2047/48 are projections, since detailed capital programmes have not been developed for these years. In Stormwater however, there is a detailed programme of capital development and the projections reflect this.

The years from 2030/31 to 2047/48 are shown in 3-year groups, and the figures used are per-year year averages. The three-year grouping aligns with LTP periods, and matches the inflation figures being used.

7.1 Water

The projected capital expenditure associated with the water infrastructure assets are graphically represented below:

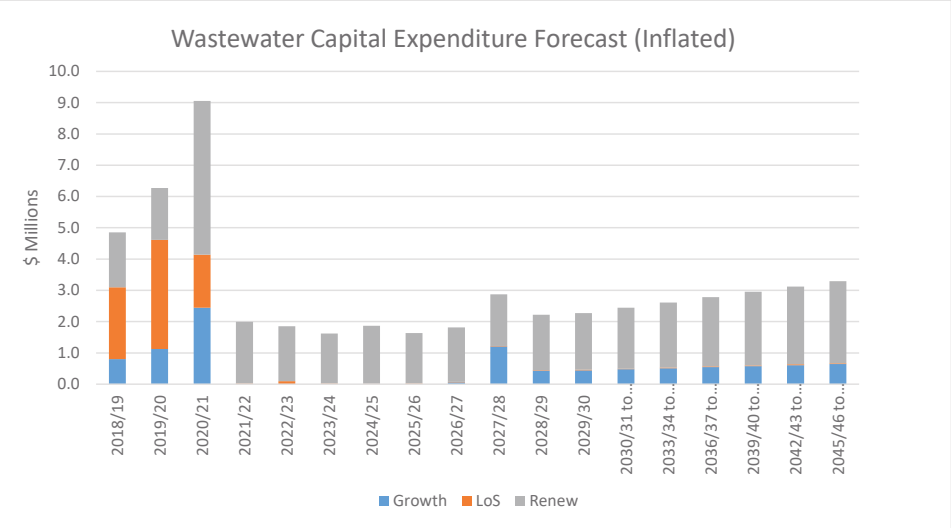
Figure 3: Projected Capital Expenditure – Water



The peak in 2022/23 shows the North-East Ashburton water servicing.

7.2 Wastewater

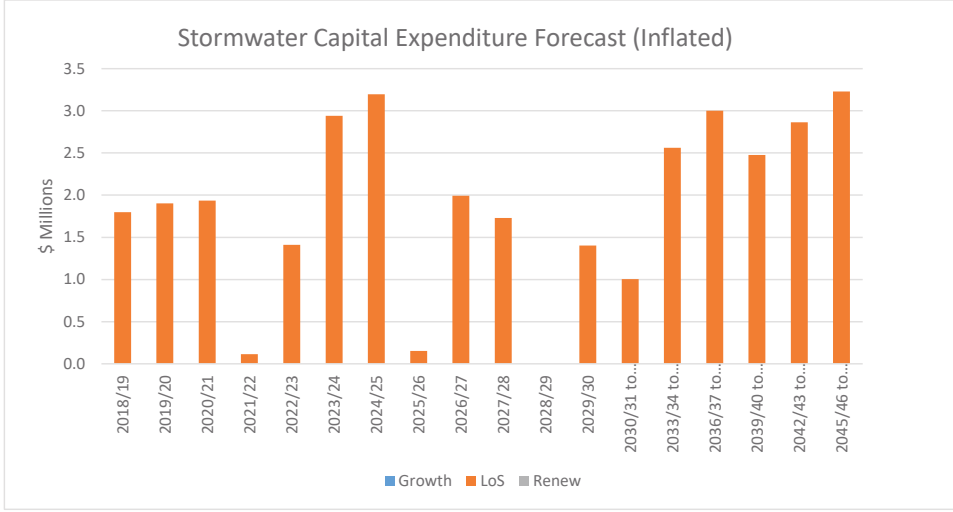
Figure 4: Projected Capital Expenditure - Wastewater



The renewal peak in 2020/21 is due to the sewermain renewal in the Ashburton wastewater network.

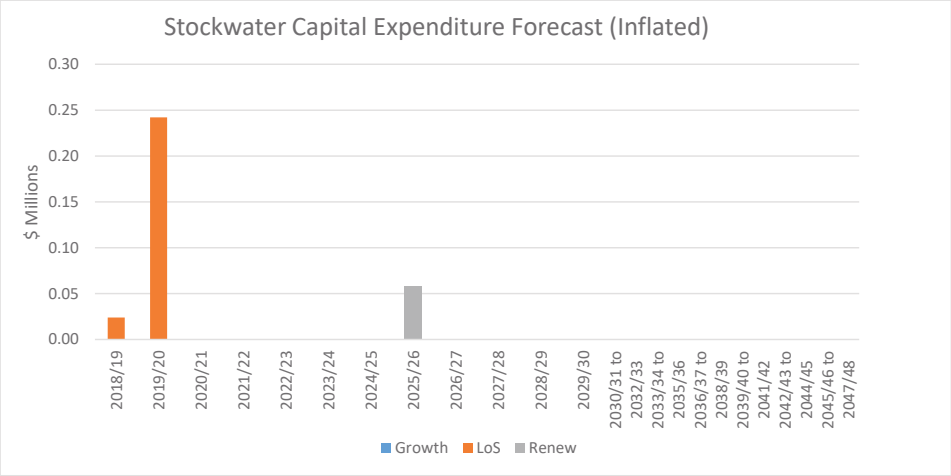
7.3 Stormwater

Figure 5: Projected Capital Expenditure – Stormwater



7.4 Stockwater

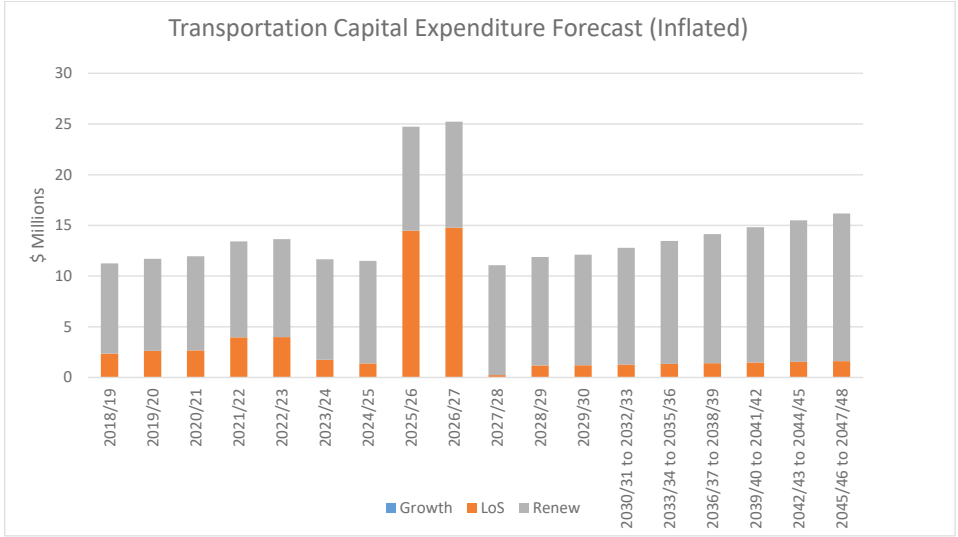
Figure 6: Projected Capital Expenditure – Other Infrastructure One



The peak in 2019/20 is for the planned installation of four intake fish screens.

7.5 Transportation

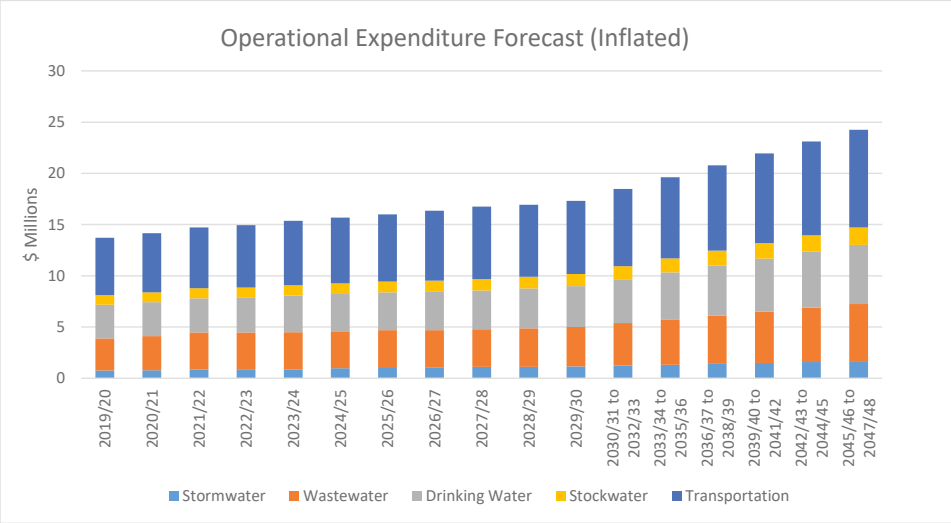
Figure 7: Projected Capital Expenditure – Transportation



The peak in 2025 – 2027 is for the construction of the second Ashburton Urban Bridge.

7.6 Operational Expenditure

Figure 8: Projected Operational Expenditure –Infrastructure Assets



7.7 Financial Impacts of the Infrastructure Strategy

Capital renewal work programmes and budgets have been prepared based on agreed levels of service for each activity, which are set out in detail in the activity sections of the Long Term Plan. The total cost of delivering this capital programme is expected to be over $223 million over the 10 year period.

As assets wear out, funding is put aside to pay for their eventual renewal – this is called depreciation. Depreciation is included in Council's operating expenditure. Different assets have different expected useful lives – the time you can expect them to work efficiently before they need replacing.

Depreciation funding is rated for according to the replacement value of the asset divided by the expected useful life of the asset. Over time, this builds a fund for replacing the asset. This approach to funding is fair as ratepayers who use the asset over its lifetime will fund its eventual replacement (rather than just the ratepayers at the time that the asset is replaced). This is the principle of intergenerational equity.

Council can choose the approach it will take to funding depreciation, ranging from fully funding it, to not funding it at all. In general, Council fully funds depreciation on its network infrastructure assets. Notable exceptions to this are:

- **Road formation** – the base formation of the road. This is not depreciated, and expenditure required to maintain or upgrade the road formation is rated for in the year it is to be spent
- **Stockwater races -** Depreciation is not funded and expenditure required to maintain or upgrade water races is rated for in the year it is to be spent

If depreciation funding is insufficient to cover the cost of asset renewal, Council will normally loan fund the asset replacement. The cost of borrowing is funded according to the funding mechanism(s) specified in Council's Revenue and Financing policy.

Council recognises that funding depreciation, as well as loan repayments and interest, is unfair on existing ratepayers, as they effectively pay for both current and future renewal at the same time. In situations like this, depreciation funding is used to pay loan principal repayments. This approach also avoids significant increases and decreases in rates as loans are raised and repaid.

Lake Clearwater Country
Kelly Bisset

Part 10

FINANCIAL STRATEGY

Financial Strategy

Introduction

The financial strategy outlines how Council will manage its finances over the next ten years. It sets out the general approach and principles that will be followed, and it provides a guide to assess spending proposals. 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.

The strategy also helps Council to engage transparently with the community about the impact of our proposals on service levels, rates, debt and investments.

Council's financial goals for the coming ten years are to:

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.

Council's funding strategy is summarised as the following

- Operational expenditure – rates are used to fund the balance of operating expenditure after all other revenue streams are accounted for, and
- Capital expenditure – rate for depreciation and then loan fund for the shortfall between capital expenditure and funded depreciation.

Ashburton District's Changing Economy

While Ashburton District's agricultural economy used to depend heavily on sheep, beef and grain, improvements in irrigation have underpinned a shift toward dairy and more specialised crops. This change in land use, along with continued growth in agricultural support businesses and primary product processing, has seen the district's economic base expand and the population grow strongly over the past 10 years.

Ashburton District's Gross Domestic Product was $1.845 billion for the year to March 2016. This was an increase of 4.0%, compared to the previous 12 months. New Zealand's gross domestic product increased by 2.5% over the same period.

Long-Term Population Projections [1]	2013	2023	2033	2043	Change
Ashburton District	32,300	36,300	39,200	41,900	9,600 (30%)

The Impacts of Change

- **Roading** - Population growth, land use changes and an increase in heavy traffic have placed significant pressure on our roads. Council recognises there is strong community demand to improve the condition of our roads, and we have increased our budget for road maintenance and upgrade expenditure accordingly. This will result in an increase in rates and loan funding for cyclic renewals.
- **Community Facilities and Services**- Catering to our growing population and changing community expectations has also led to improvements in the community services and facilities provided by Council. The last few years have seen a significant increase in the levels of service provided, including the opening of the EA Networks Centre and Ashburton Art Gallery and Heritage Centre.
- **Infrastructure** – The increased population and new developments have also created the need for infrastructure upgrades and extensions, particularly for water supply and wastewater. With changing water quality standards as a result of the Havelock North water contamination issue, Council has been proactive in planning for the anticipated legislation changes to upgrade water treatment facilities throughout the district on a cyclic basis. Details on this are contained within the Infrastructure Strategy.

The financial strategy details how Council plans to fund the additional costs and operate within limits set on rate levels, rate increases and borrowing levels.

Key Issues

Population Growth

Ashburton District is one of New Zealand's fastest growing rural districts with a population increase of 31% since 2001 (approx. 1.9% p.a.). This period of rapid but consistent growth follows an earlier period of little or no growth. Current and projected population growth impacts the way Council plans and funds services and assets.

Long-term population projections (to 2043) have been developed based on consideration of historic trends, Statistics NZ projections (to 2043), drivers of growth and constraining factors.[1]

Statistics NZ publish high, medium and low population projections. The February 2017 'high' projection suggests sustained growth at slightly lower than present rates (averaging 1.3%), while the low projection shows a population plateau at about the current level. Both the low and medium projections have been revised upwards since the previous release in 2010, while the high projection remained similar.

By 2043 the projected population is expected to be in the range of 36,000 (low growth) to 47,000 (high growth). Council has adopted the medium projections for demand planning purposes. Projections beyond 2043 are not currently published by Statistics NZ, so these need to be extended to support the 30-year Infrastructure Strategy (2018-48).

The current average number of residents per household is 2.5; however, one-person households are projected to increase by 42% by 2038. Over this same period, approximately 3,300 additional homes will need to be built.

Impact of Population Growth

Population growth leads to additional rateable properties, increased load on Council infrastructure and assets and increased service demand. If our population increases by the number forecast, we will need to cater for an additional 165 homes in the district each year. The increase in population is likely to be greatest in the towns of Ashburton, Methven and Hinds and as urban residential areas grow.

Ashburton, Methven and Hinds (particularly Lake Hood) are well served with network infrastructure and can accommodate expected population growth with additional capital for water services and increased operational expenditure.

Council plans for population growth when undertaking renewals of network infrastructure, particularly with water and wastewater. In addition to this, developers help fund additional capacity through development contributions.

Other Council services are likely to experience an increase in demand. It is expected this will be catered for with existing resources and will have little impact on Council's ability to provide services or on the cost providing the services.

The additional population and resulting households increase Council's rating base. This assists with funding the costs associated with growth and maintaining levels of service. If there were an additional 165 homes in the district in a year and each paid rates of $2,000 this would increase Council's revenue by $330,000 – currently just under 1% of Council's rate requirement.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Rateable properties	16,819	16,943	17,066	17,190	17,313	17,437	17,561	17,684	17,808	17,931

Rural Land Use Changes

Most land in the Ashburton District is rural farmland. Ashburton District has the highest concentration of irrigated land in New Zealand and the area of irrigated land continues to increase. Irrigation enables land use changes, leading to a reduction in dry stock and arable farming, an increase in dairy farming and high-value cropping such as seeds.

Impact of Rural Land Use Change

The majority of land conversions to dairy farming have occurred and the rate of land change has slowed. The projected areas for future growth are in new residential developments such as Lake Hood.

Most rural properties in the district provide their own drinking water and dispose of their own wastewater which require consent from Environment Canterbury. As long as they are compliant, these practices have little impact on Council provision of these services.

Ashburton roads have seen heavy increases in daily traffic. Milk tankers and other heavy traffic has increased by 20%, causing more wear and tear on our rural road network, and some rural roads are now showing signs of premature failure. Council funds for depreciation on its roading assets for a 15 year renewal cycle, but the roads are deteriorating faster than the depreciation funding allows for and often need significant repairs within 10 years.

1 Statistics NZ, 2017 Projections

With new technology and better monitoring systems in place, Council now has a clearer picture of the conditions of the roading network. Strengthening parts of the district's road network is required, particularly for main arterial routes with heavy traffic. To maintain the current levels of service, loan funding for cyclic renewals is being used for the first three years of the Long Term Plan 2018-28 to undertake this strengthening work. However, loan funding for cyclic renewals is not the preferred option in the long-term as it is not financially prudent. To maintain the current levels of service without loan funding, Council would have to charge higher rates which may be unaffordable for the wider community. Hence, eventually, Council will have to rationalise its work program to prioritise the most critical roading issues. This will mean the focus for the roading program will be on the roads under heavy use, with lateral roads (often unsealed or sealed roads to remote rural properties) being placed lower on the priority list for renewal work.

As roading is important to the community, Council is advocating to New Zealand Transport Authority for an increase in funding to help it 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 request for additional funding will be successful ahead of other districts with greater roading issues.

Urban Land Use

Ashburton, Methven and Hinds (particularly Lake Hood) are the main urban growth areas of the Ashburton District. These areas continue to have new residential developments on the urban periphery of each town, expanding the urban footprint into surrounding rural and rural-residential areas.

In the review of the District Plan, which was adopted in August 2014, areas of future growth were identified for Ashburton, Methven, Hinds and Rakaia. There are sufficient residential and commercial sites available or planned to accommodate current foreseeable growth for some years, and there may be over-capacity for residential land in the Ashburton North area. The changes and land zoning in the reviewed District Plan makes further future development in areas identified more straightforward.

New network infrastructure within a new subdivision development must be provided by the developer and vested in Council. There are normally no capital costs to Council on the development site itself. Council charges development contributions on new houses and business premises, which helps fund Council's investment in its wider network infrastructure to ensure growth is catered for.

Smaller villages in the district have some potential for growth, but this may be limited by access to network infrastructure. None of the village have reticulated wastewater schemes, instead using on-site treatment or storage and disposal of wastewater. Compliance requirements can make this a costly option, limiting growth in these villages. Council has no plans to develop wastewater schemes in any villages but will continue to talk with village communities about options and preferences for the future.

Earthquake-Prone Buildings

Ashburton District suffered less damage from the Canterbury earthquakes that occurred seven years ago than districts to the north of the Rakaia River.

Detailed engineering assessments post-quake resulted in several buildings being demolished, particularly in the Ashburton central business district. However, there are still a number of buildings that owners have yet to determine their future plans on whether they will demolish or strengthen. In the land that has become available within the CBD, new developments have started to be built and are looking for tenancies.

The Building (Earthquake-prone Buildings) Amendment Act 2016 outlines the timeframes that building owners have to strengthen their buildings to code. Within Ashburton District, 155 buildings will have "earthquake prone" placards placed on their buildings with timeframes ranging from 6-25 years to comply with the New Building Standard of 34%.

As Council does not have an adequate IL4 building to perform its Civil Defence duties in times of emergencies, a purpose-built IL4 portable building is being built to house Council Chambers and Civil Defence Emergency Operations until the new Civic Administration and Library Building is built in the next few years.

Balancing the 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 may set projected operating revenues at a different level from that required, if it is financially prudent to so do, having regard to:

- The estimated cost of providing targeted levels of services, including the expected cost of maintaining asset integrity and service capacity

- The projected revenue available to fund the cost of maintaining asset integrity and service capacity
- The equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life
- Council's funding and financial policies.

The work programmes and budgets included in this Long Term Plan 2018-28 show a balanced budget in all years.

Inflation

Council is required to budgeted for an inflation adjustment in each year of the Long Term Plan. All budgets in the Long Term Plan have been adjusted for expected price movements over the next 10 years.

Council's costs reflect the type of work it undertakes for the community and are significantly affected by the price of items such as energy, bitumen and civil contracting services. This is quite different from the average household and so using the Consumer Price Index (CPI) to forecast increased costs for Council is not appropriate.

Price level adjustments in the Long Term Plan have been derived from forecasts prepared for Local Government New Zealand by Business and Economic Research Limited (BERL) and deal primarily with areas of expenditure local authorities are exposed to through their business. These price adjusters are referred to in the strategy as the Local Government Price Index (LGPI) and have been used as part of Council's setting of limits on rates and borrowing.

For more information on the BERL local government price adjusters (LGPI) go to ***www.ashburtondc.govt.nz.***

Funding Activities Through Rates

Council allocates the cost of activities according to those who benefit (or those who have a negative impact) through the Revenue and Financing Policy, which applies appropriate funding mechanisms to suit.

Funding mechanisms relating to rates are:

- Uniform Annual General Charge (UAGC)
- General rates applied on a capital value basis
- Targeted rates applied as a Uniform Annual Charge (UAC)
- Targeted rates applied on a capital value basis.

Section 21 of the Local Government (Rating) Act 2002 states that the total amount of rates collected using a Uniform Annual General Charge and Uniform Annual Charges must not exceed 30% of the total revenue from all rates. This limit excludes Uniform Annual Charges set for water or sewerage (wastewater) disposal.

In 2017 Council collected 28% of its rates using the UAGC and UAC (excluding water and sewerage). This is forecast to increase to a maximum of 29.6% in 2019/20, which is at our rate limit for UAGC. This is primarily due to:

- The movement towards funding community-wide benefit activities from general or targeted rates towards UAGC. These include additional funding for community pools, community halls, and all community grants now being funded through the UAGC.
- The EA Networks Centre's operating and loan costs which are funded from the UAGC.
- The reduction in investment income after using reserves to fund the Civic Building upgrade. (Council investment returns are pro-rated between the UAGC and the general rate with the effect that the UAGC is normally reduced, and the general rate increased).

While Council is within the statutory limit, it is increasing the percentage of rates being collected by way of a fixed charge, which impacts on the lower valued properties.

Council believes this is an appropriate strategy, although acknowledges the potential impacts. We are aware that coming close to the 30% cap could restrict future funding mechanisms, particularly increases to the UAGC and UAC.

Rates Over the Coming 10 Years

Rates Revenue

Rates are one source of Council's revenue. Other sources include fees and charges, government transfers and investment returns. Rates are a form of property tax and must be paid by all property owners in the district.

Rates are an important source of revenue for all councils. The percentage of Ashburton

District Council's annual revenue that comes from rates varies from year to year and over time - for the 2016/17 year it was approximately 47%. Other revenue comes from fees and charges, government subsidies, investment income and a variety of other sources.

Council has kept rate increases over the 10 years covered by this Long Term Plan to a minimum, while recognising there are upward pressures on rates. These pressures include:

- Operational and loan servicing costs of the EA Networks Centre
- Capital expenditure to improve roading

Rates Limits

The Long Term Plan 2018-28 has been prepared based on the following limits on total rates and annual total rates increases:

- Total rates in any one year are to be no greater than 1% of the total capital value of the district
- Total rates increase for the 2018/19, and 2019/20 to be no greater than 6% plus LGPI each year
- Total rates increase for the years 2020/21 – 2027/28 to be no greater than 3.0% plus LGPI each year

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Rates as a % of District capital Value	0.21	0.21	0.21	0.20	0.19	0.19	0.18	0.18	0.17	0.17
Rate Increase (%)	4.5	5.7	5.0	0.4	3.6	2.0	2.1	2.1	1.8	1.3
Average LGCI Adjustment (%)	2.0	2.2	2.2	2.2	2.3	2.4	2.4	2.5	2.6	2.7
Rate increase before LGCI adjustment (%)	2.5	3.5	2.8	-1.8	1.3	-0.3	-0.3	-0.4	-0.7	-1.4

Explaining Council's Rate Limits

Council has set a higher rates increase limit for the first two years of the Long Term Plan 2018-28 due in part to changes to the increased operating costs of four activities - roading, drinking water, wastewater and the EA Networks Centre.

The impact on the increase in total rates on the first four years is as follows:

	2018/19	2019/20	2020/21	2021/22
Drinking water	1.0%	1.0%	0.3%	0.1%
Roading	1.8%	0.8%	3.1%	-2.9%
EA Networks Centre	1.0%	-0.3%	0.2%	0.8%
Wastewater	0.1%	1.0%	0.6%	1.1%
Combined impact	4.0%	2.6%	4.2%	-1.0%
Residual rates Increase	0.5%	3.1%	0.8%	1.3%
Total rates increase	4.5%	5.7%	5.0%	0.4%

Please note: the table above shows total rates and does not reflect the impact on individual ratepayers.

Council has decided rate increases in total rates for each year are to be no greater than:

- **2018/19 – 2019/20**: 6% + Local Government Price Index
- **2020/21 – 2027/28**: 3% + Local Government Price Index

It is Council's view that existing levels of services can be maintained and any increases to service levels can be managed within these limits. This view is reflected by the financial projections contained in the Long Term Plan 2018-28.

Keeping Within the Rate Limits

Council is proposing some budgeting approaches to keep within the rates limits set in this strategy. Specifically, they are:

- Deferring the design of the Ashburton Resource Recovery Park compactor building from 2018/19 to 2020/21 of $200,000.
- Deferring the construction of the Ashburton Resource Recovery Park compactor building of $5.4 million from 2019/20 and 2020/21 to 2021/22 and 2022/23.
- Deferring capital works on the Ashburton Resource Recovery Park from year 1 to year 2 of $261,000, the Methven Drop-Off from year 3 to 4 of $128,000, the Rakaia Resource Recovery Park from year 1 and 2 to year 4 and 5 of $401,000 and Ashburton Recycling from years 1 and 2 to years 3 and 4 of $390,000.
- Loan funding in year 1 and 2 the shortfall on capital works programmes in Roading rather than rate funding. This amounts to $850,000 in year 1 and $900,000 in year 2.
- Removal of discretionary cyclic renewals of $150,000 in year 1 from Ashburton Water Supply.
- Deferring development of new sportsfields surrounding EA Networks Centre from year 2 and 3 to year 4 and 5 to enable sports groups to fund 50% of the development costs. The total development cost has been budgeted at $4.8 million.
- Strategic use of forestry revenue and reserves – in the past Council has used forestry revenues and reserves to offset rates. Council is proposing to continue to use this approach and sell off forestry land after the harvest of mature trees. It intends to utilise in year 1 $496,560 to offset rates.

Operating Expenditure

Services and day-to-day asset maintenance are paid for using operating expenditure. Council needs to ensure it raises enough revenue each year to cover its forecast operating expenditure (including depreciation), unless it considers it prudent not to do so.

Council's operating expenditure has risen nearly 20% in the past five years. Key drivers behind this expenditure have been:

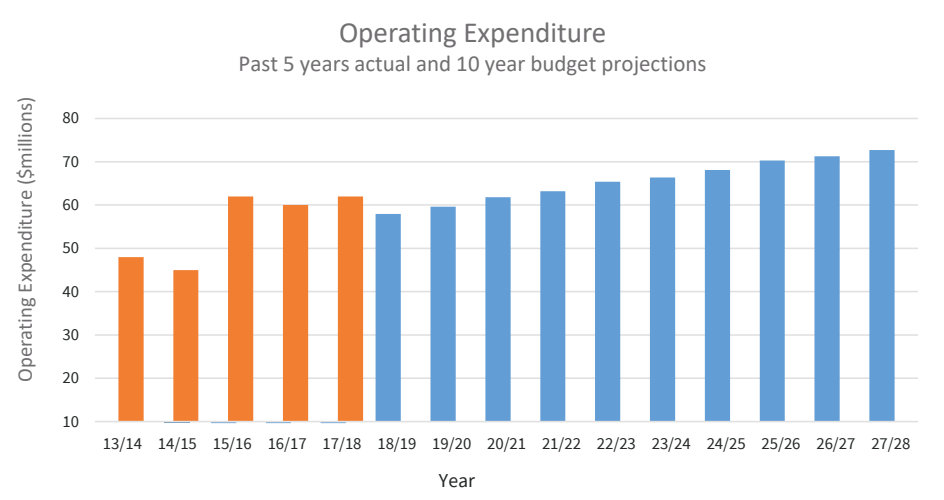
- Inflation costs
- Increased overhead costs for many Council activities (i.e. EA Networks Centre, Ashburton Museum)
- New community services and facilities.
- Servicing interest costs on debt for capital expenditure

Council has budgeted for operating expenditure to increase from $58.0 million to $72.6 million (or approximately 25%) between July 2018 and June 2028.

The increase is the result of:

- **Price increases** – contract fees and inflation mean it costs more to do business
- **Service level increases** –Council is providing a higher level of service in some areas.
- **Growth** – Council expects to cater for population growth of 9% over the next 10 years.

The following graph provides a breakdown of forecast operational expenditure.



Note: 2017/18 has been estimated based on Council's Annual Plan 2017/18.

Capital Expenditure

Capital Renewals and Depreciation

Council owns and operates significant network infrastructure assets on behalf of the community. These assets are the district's road network and the Council owned water, wastewater, stormwater and stockwater networks. To undertake this responsibility effectively, Council must:

- Invest in new assets to provide for growth
- Replace assets as they reach the end of their useful life
- Invest in new or improved assets to improve levels of service.

In general, Council looks to at least maintain current levels of service and facilities. Each year, we need to ensure enough work is done to maintain our assets and, when necessary, to rebuild or replace them.

Council has developed an Infrastructure Strategy which identifies significant infrastructure issues and outlines options for managing these over the next 30 years.

Capital renewal work programmes and budgets have been prepared based on agreed levels of service for each activity, which are set out in detail in the activity sections of the Long Term Plan. The total cost of delivering this programme is expected to be $143 million over the 10 year period. The total cost by activity group is shown below. More information on which activities are in each group and expenditure details can be found in the activity sections of the Long Term Plan.

As assets wear out, funding is put aside to pay for their eventual renewal – this is called depreciation. Depreciation is included in Council's operating expenditure. Different assets have different expected useful lives – the time you can expect them to work efficiently before they need replacing.

Depreciation funding is rated for according to the replacement value of the asset divided by the expected useful life of the asset. Over time, this builds a fund for replacing the asset. This approach to funding is fair as ratepayers who use the asset over its lifetime will fund its eventual replacement (rather than just the ratepayers at the time that the asset is replaced). This is the principle of intergenerational equity.

Council can choose the approach it will take to funding depreciation, ranging from fully funding it, to not funding it at all. In general, Council fully funds depreciation on its network infrastructure assets. Notable exceptions to this are:

- **Road formation** – the base formation of the road. This is not depreciated, and expenditure required to maintain or upgrade the road formation is rated for in the year it is to be spent
- **Stockwater races -** Depreciation is not funded and expenditure required to maintain or upgrade water races is rated for in the year it is to be spent
- **EA Networks Centre –** Depreciation is partially funded to the level of required loan repayments. Council does not believe it is appropriate to fully fund depreciation on this relatively new asset. Council is funding 100% of depreciation on items with a useful life of less than 12 years, and 50% of depreciation on those with a useful life of between 12 and 15 years. Council does not fund depreciation on anything with a useful life of greater than 15 years.

If depreciation funding is insufficient to cover the cost of asset renewal, Council will normally loan fund the asset replacement. The cost of borrowing is funded according to the funding mechanism(s) specified in Council's Revenue and Financing policy.

Council recognises that funding depreciation, as well as loan repayments and interest, is unfair on existing ratepayers, as they effectively pay for both current and future renewal at the same time. In situations like this, depreciation funding is used to pay loan principal repayments. This approach also avoids significant increases and decreases in rates as loans are raised and repaid.

The following capital renewal expenditure is budgeted for network infrastructure activities over the coming 10 years to ensure Council can continue to provide current levels of service.

Activity	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
Drinking Water	1,187	1,756	1,296	1,286	1,225	1,608	1,447	1,419	1,638	1,669
Wastewater	1,759	1,661	4,911	1,974	1,750	1,604	1,852	1,615	1,736	1,654
Stormwater	0	0	0	0	0	0	0	0	0	0
Stockwater	0	0	0	0	0	0	0	58	0	0
Transportation	8,894	9,086	9,282	9,461	9,667	9,905	10,128	10,238	10,459	10,832

When making renewal decisions, Council looks at the current level of service provided, what should or could be provided, and assesses these against our targeted community outcomes and priorities. Council also considers what is appropriate and affordable for the community.

New Capital Expenditure

The Long Term Plan 2018 - 28 details the levels of service Council aims to deliver over the next ten years. These levels of service are determined by considering the following:

- **Legislative compliance** – some activities have levels of service set by legislation or resource consent requirements. This includes drinking water standards, wastewater collection, treatment and disposal and solid waste disposal.
- **Community outcomes and strategic priorities** – Council identifies the goals it should work to achieve to best serve the community. This process enables levels of service to be identified.
- **Community expectations** – Council monitors community expectations in a variety of ways including an annual residents' survey, discussions with community groups and residents, and consultation processes for the Long Term Plan, the Annual Plan and specific projects.
- **Political mandate –** Councillors are elected every three years to represent the community and make decisions on their behalf. This can include decisions about levels of service that Councillors believe are in the best interests of the community, even if some people disagree. This is an essential part of the democratic process.

Capital Expenditure Requirements

Capital expenditure (including renewals) is budgeted to be $24 million in 2018/19 and $30 million in 2019/20, due primarily to investment in road improvements, water, wastewater and stormwater improvements, new Administration and Library Building and the EA Networks Centre climbing wall.

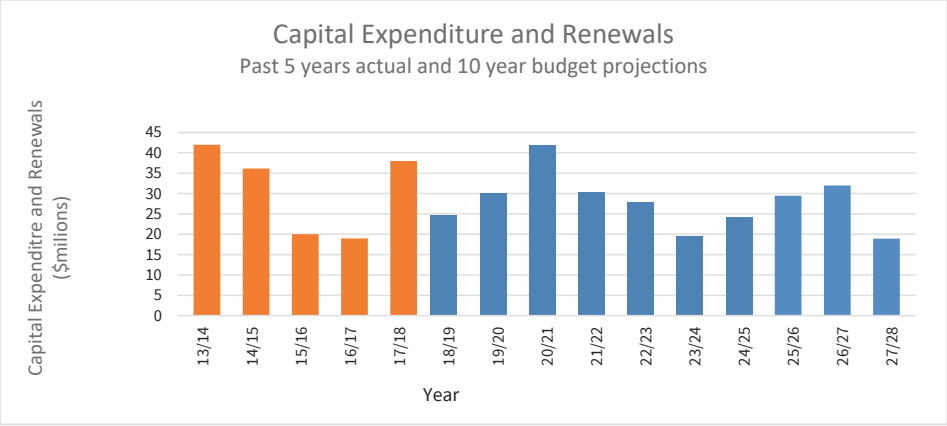
Over the next 10 years, Council has budgeted a total capital expenditure of $282 million, including capital expenditure on network infrastructure transportation, drinking water, wastewater, stormwater and stockwater.

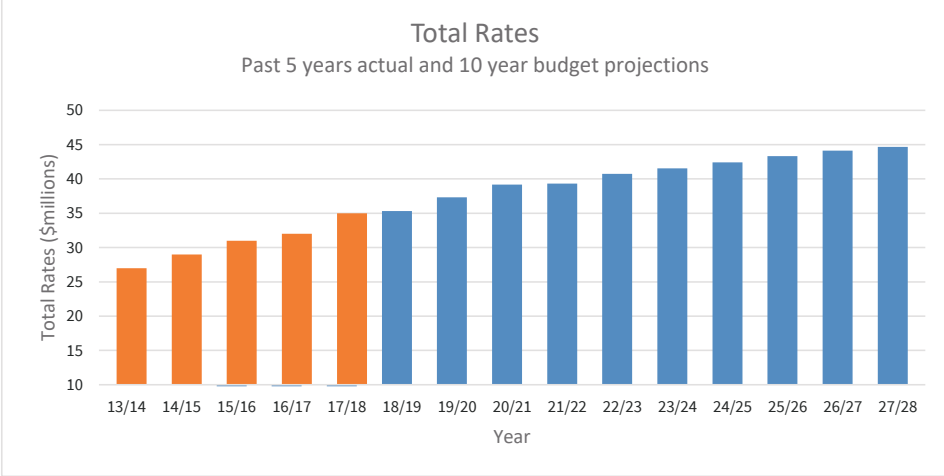
New capital expenditure is mostly budgeted to be funded from loans, with the principal and interest being funded by targeted rates over 25 years.

The following new capital expenditure is budgeted for network infrastructure activities over the coming 10 years to ensure Council can meet additional demand due to population growth or improve the level of service. The new capital costs below exclude assets vested in Council because of subdivision.

New capital expenditure for network infrastructure activities

Activity	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
Drinking Water	1,034	918	236	457	33	10	16	17	15	16
Wastewater	2,291	3,485	1,699	18	100	18	17	20	19	12
Stormwater	1,799	1,903	1,936	115	1,410	2,942	3,197	152	1,992	1,729
Stockwater	24	242	0	0	0	0	0	0	0	0
Transportation	2,364	2,616	2,670	3,968	3,981	1,750	1,380	14,487	14,773	238





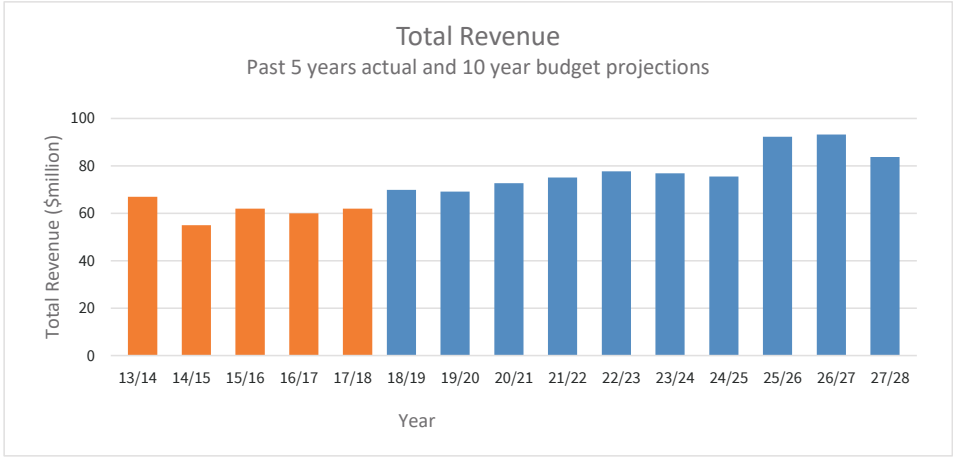
Total Rate Requirement

Total rate increases over the last 5 years have averaged 6% per year as outlined below.

The increases in overall expenditure budgeted over the coming 10 year period is driven by increased community expectations, of both the standard and quantum of infrastructure and facilities provided by Council. In addition, there has been an increasing demand for Council to become involved or increase existing levels of services in areas traditionally considered "non-core" activities such as funding for social service agencies.

The EA Networks Centre, in particular, has been extremely well supported by the community, despite the cost and consequent impact on rates.

The graphs below show the overall rate requirement and Council's total revenue for the past 5 years and the coming 10 years covered by this Long Term Plan.



Affordability

Ashburton District's strong local economy has increased Council's rating base and the district has generally been able to absorb rate increases of the scale predicted.

However, as the proportion of rates revenue that is funded by the Uniform Annual General Charge increases, owners of lower value properties, who may have less ability to pay rates, may find the rates less affordable.

Although there may be individual cases of hardship for some ratepayers, the rating levels in Ashburton District remain affordable overall and are still comparatively low to national figures. The overall cost of rates on an average value residential property in Ashburton will be $2,105 in 2018/19, increasing to $2,497 in 2027/28.

The increasing levels of services requested and delivered are generally meeting a high level of community satisfaction, as measured in Council's Annual Residents' Survey.

Borrowing

In developing this financial strategy, Council has set limits on borrowing, to promote financial stability, affordability and value for money over the short, medium and long term.

These limits have guided the preparation of Council's work programmes and budgets set out in the Long Term Plan 2018-28 and will be used to guide the preparation of future Annual Plan work programmes and budgets. Council will review its financial strategy and the limits contained within it through the Long Term Plan 2021-31.

Council can exceed borrowing limits if it decides this is prudent; however any breach must be explained in the relevant Annual Plan, along with the reasons why a breach is considered prudent.

Council's borrowing limits have been established, recognising two major projects that are planned to be undertaken over the coming 10 years. These are:

- Construction of the Second Urban River Bridge
- Civic Administration and Library Facility renewal.

The community has been consulted extensively about the construction of the Second Urban Bridge. The Civic Administration and Library Facility has had extensive community consultation, and in 2018/19 financial year, work will commence on the design and build of the facility.

Borrowing Limits

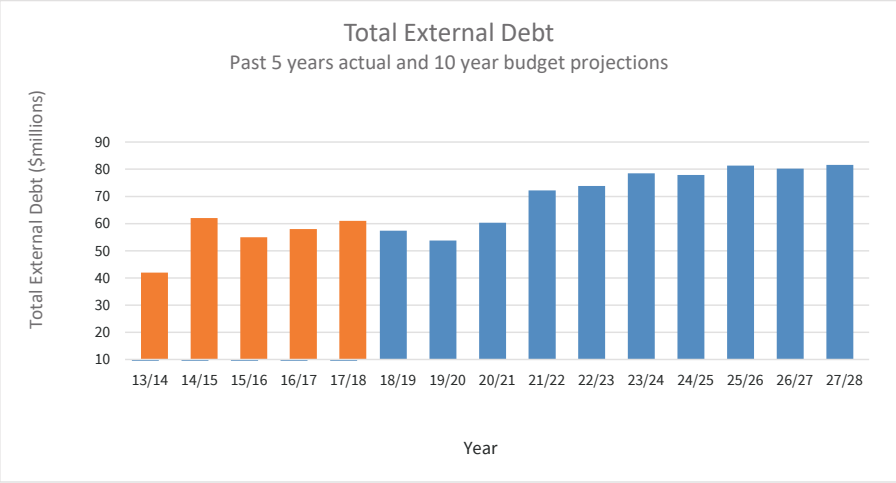
Council's position on using external debt to fund expenditure is outlined in its Revenue and Financing Policy and Liability Management Policy. By financing long-term assets through borrowing, Council allocates the cost of community assets equitably between current and future residents. This is known as the intergenerational equity principle.

The Liability Management Policy outlines external debt limits that Council believes to be prudent and sustainable over the longer term. The debt limits are considered appropriate and within commercial financial norms. In setting these limits, Council considered the financial risks associated with borrowing. Council was concerned about the impact of a significant interest rate rise, which could create higher loan servicing charges and therefore need higher rates. It also allows for market corrections without having a detrimental impact on Council activities.

During the period of this Long Term Plan, Council has budgeted to repay debt as soon as prudent to reduce finance charges.

External Debt

Council's external debt levels have increased to fund recent capital projects. Council had very low levels of external debt in 2016/17 but projects such as the Ashburton wastewater upgrade, Ashburton water supply upgrade and the Ashburton Business Estate development have seen debt levels increase significantly.



Note: 2017/18 is estimated based on the Council's Annual Plan 2017/18

Due to delays in capital projects, the 2017/18 debt projection has been recalculated and is now estimated to now be $48 million. This is the figure that has been assumed to be the opening gross debt balance for the 2018- 28 Long Term Plan.

Internal Debt

As well as external borrowing, Council has used realised investment funds to internally fund capital expenditure. Council believes it is prudent to fund debt internally, when cash reserves enable this to occur. This reduces the net cost of borrowing as Council can internalise the lender's margin.

The areas where the funds have been used are required to pay interest on these internal borrowings and capital over the life of the loans, to compensate the lost investment opportunity. As at 30 June 2017, internal loan funding was $34.2 million. If this had not taken place, Council would have $34.2 million in additional cash investments but also $34.2 million additional external debt.

Council has used internal funding from its investment pool in the past and may do so again in the future. The current strategy is to borrow externally due to favourable borrowing margins (via the Local Government Funding Agency and other sources). This will be reviewed on an ongoing basis using Council's Treasury Advisor.

External Debt Limits

The Long Term Plan 2018 - 28 has been prepared based on the following limits on external debt:

- Net interest payments to service external debt must be less than 20% of total Council revenue (excluding vested assets, infrastructure revaluations and other gains)
- Net interest payments to service external debt must be less than 25% of total rates for the year
- Net debt shall not exceed 175% of total revenue.

A limit of 10% of total Council income is widely considered to be an appropriate debt to revenue ratio. It is important to note that having debt interest that is more than 10% of total revenue does not necessarily mean debt is not sustainable, but it could limit future options and Council should be mindful of managing debt at this level. The cost of future borrowing may also increase if lenders perceive a greater risk.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Interest as a % of revenue*	1.1	1.3	1.5	2.4	2.4	2.4	1.9	1.4	1.0	0.8
Interest as a % of rates revenue	2.0	2.2	2.7	4.3	4.3	4.2	3.3	2.9	2.0	1.4

*Excluding vested assets, revaluation gains, and gains on disposal of assets.

Managing Interest Rate Risk

Interest rates are still at historically low levels. If Council was carrying high levels of external debt, any marked increase in interest rates could present difficulty in managing the increased cost of capital in the future.

Council has debt management policies that seek to minimise the impact of any such interest rate increase on Council's overall financial position.

Cash Reserves

Council's projected balance sheet shows external gross debt of $81 million by 2027/28 and a building up of cash reserves to $44 million over the same period.

Much of the cash generated is from general rate activities (such as sales in the Ashburton Business Estate) and cannot be used to repay debt funded from targeted rates (such as for water or wastewater capital expenditure). Over this period, cash reserves also increase through repayment of internal debt.

Council considers it prudent to rebuild cash holdings (primarily through land sales and depreciation funding). This will increase Council's funding flexibility by enabling cash reserves to be used, or internally borrowed against, rather than requiring external borrowing.

Council's Financial Position in 2028

Council's financial projections for the next 10 years show the following picture:

- Council's total assets in 2028 are forecast to be $1,170 million (2019: $847 million)
- Total equity is forecast to be $1,077 million (2019: $782 million)
- Debt is forecast to be $81 million ($2019: $54 million) and to be 6.9% of total assets (2019: 6.4%)
- Council's cash investments are budgeted to be $44 million, largely as a result of land sales and internal loan repayments over the 10 years
- Rates revenue is budgeted to contribute 53% of total income (2019: 51%)
- At no time over the period 20818 – 28 is Council expecting to breach its debt ratio limits
- Council will remain in a strong financial position.

Approach to Debt Security

Council provides lenders with security on its borrowings through a debenture trust deed. This gives lenders a charge over Council's rates income.

In the unlikely event of Council defaulting on a loan, the lender can ensure a rate is set to recover the outstanding amount owed. This security is attractive to lenders, which helps ensure Council has ongoing support for its debt programme, while reducing the interest rates lenders charge.

Council's Treasury Management Policy permits Council to give security over specific assets, where

a. there is a direct relationship between the debt and the asset being funded and,
b. Council considers security over the asset is preferable to security over its rates income.

Currently, Council has no securities issued over its assets and the Long Term Plan 2018-28 does not include any provision to secure debt directly over assets.

Council's approach to debt security seeks to maximise access to the capital needed for providing appropriate services to the community at the lowest cost possible.

Financial Investments and Equity Securities

Council has financial investments that generate a return, which can be used to pay for services and reduce rates. This section explains Council's objectives for holding and managing financial investments and equity securities and its targets for returns on those investments and equity securities.

Ashburton Contracting Limited

Council owns 100% of the 4,500,000 shares in Ashburton Contracting Limited (ACL).

Council's objectives in holding this investment are to:

- Ensure local capacity and capability to undertake civil works, particularly for infrastructure
- Promote competition in the district for civil construction and maintenance activities
- Form part of a balanced portfolio of investments

Council's expected rate of return on average shareholder funds is a minimum of 12% after tax, based on the rolling average of the last 5 years (excluding any tax loss offset / subvention payment or the costs of ACL's investment in the Lake Hood extension project).

This return, paid by way of dividend, is used to offset rates in the year it is received. This has been budgeted at $500,000 per year before inflation.

Transwaste Canterbury Limited

Council owns 600,000 shares in Transwaste Canterbury Limited. As at 30 June 2017, these shares had a net asset backing of $1.34 per share - $804,000.

Council's objectives in holding this investment are to:

- Provide an environmentally sustainable facility for the disposal of the district's residual solid waste
- Form part of a balanced portfolio of investments.

Dividends are determined by the board of directors and dividend returns are applied against the general rate and the uniform annual general charge as detailed in Council's Revenue and Financing Policy.

Cash

Council holds cash to operate and maintain stable cash flows. Council also holds cash in reserves, largely to fund the renewal of assets. These funds are invested in internal borrowing or deposits as provided by Council's Investment Policy. Council's target return on cash is the average 90-day bill rate. The return on net cash investments is budgeted at 4%.

Ashburton
DISTRICT COUNCIL