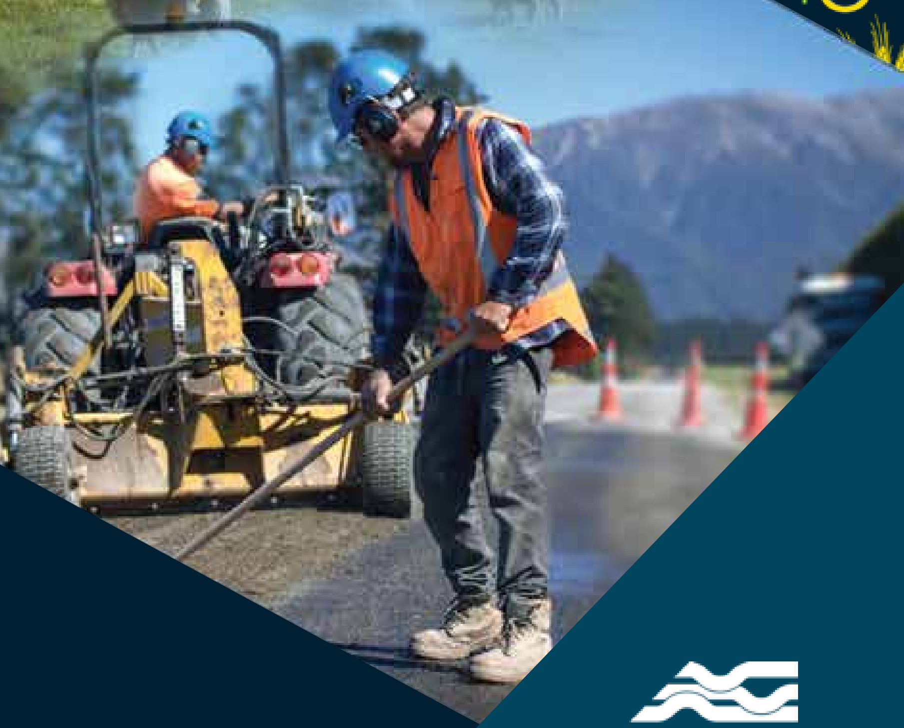

ASHBURTON DISTRICT COUNCIL

Long-Term Plan

2018-28 | Amendment 2019

Ashburton
DISTRICT COUNCIL

Introduction

Ashburton District Council has amended its Long-Term Plan 2018-28 so that it can build a fit-for-purpose Ashburton Library and Civic Centre that will serve both the current community and future generations. The amendment is to increase the budget for the build from $22 million to $51.6 million.

The Amendments to the Long-Term Plan were adopted by Ashburton District Council on 27 June 2019. It covers the period 1 July 2019 – 30 June 2028.

The amended sections of the LTP are as follows:

Volume 1

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Background

Issues within the current administration building were first signalled to the community in 2004, with little progress made until 2014 due to delays by the elected members of the day. The Canterbury earthquakes resulted in stricter national building standards for public buildings and facilities, to ensure the safety of the public and staff. As the impact of these requirements became apparent on our facilities, it has become clear that the administration building on Baring Square West and public library on Havelock Street are at the end of their life. Under the Health and Safety at Work Act 2015 we are obligated to provide a fit for purpose work place for our employees, therefore we must do something to address the 'earthquake risk' status of both buildings. Doing nothing is no longer an option.

The benefits of having the administration and library buildings separate or together and the building's location were discussed with the community in 2015 and we made decisions based on feedback received. The new building will include the library, civic centre, Civil Defence emergency operations centre, information centre and administrative areas, and be located at the Baring Square East site. We have already acquired the land we need to build on the site. The site will be designed to ensure alignment with the CBD revitalisation work and public parking will be included.

Council has been working on the concept plans for the new library and civic centre building over the past 9 months. During this time, it became apparent that previous assumptions about the area, function and quality of the project were not realistic in today's terms. We are disappointed that this has occurred and that we are in this position. Combined with our recent experience of building public facilities such as the Ashburton Art Gallery and Heritage Centre and the EA Networks Centre we have recognised that we need to be very realistic with the community about actual project costs so we don't repeat past experiences.

We believe the new Ashburton Library and Civic Centre will provide a fit-for-purpose and enduring community facility for both current users and future generations. We are anticipating that the building will have a minimum 50 year life, so essentially we are considering the needs of our community in 2070.

Long-Term Plan 2018-28

The Long-Term Plan (LTP) 2018-28 was based on replacing the Ashburton Library, in the joint Ashburton Library and Civic Centre Building in Baring Square East, with a similar size floor area to the ground floor of the current library (approximately 1,000m2) and replacing the administration area with space to cater for current staff numbers. We have recently commissioned a new assessment which has determined our needs are greater than we initially planned for.

In the LTP we included budget for $22 million to carry out this project. The budget was based on the best available information at that time, including a site assessment conducted in 2014. Through the detailed work undertaken since we adopted the LTP in June 2018, it has become apparent there is a funding shortfall from what was allocated to design and construct the new Ashburton Library and Civic Centre. The initial space assessment assumptions relating to the growth of staff numbers are inadequate. This means we have had to revisit our assessment regarding the scale of the project.

Review of the original assumptions for this project that informed the

2018-28 Long-Term Plan found other areas of the budget that were lower than what should have been included. These include fit-out and fixtures costs and site works. Compounding these factors is that the costs of construction have risen significantly since Council first began scoping this project in 2014.

Engaging with our Community

Council identified four options for community consultation with regard to the Ashburton Library and Civic Centre project as follows:

- Option One – Do preferred $45 million
- Option Two – Do more $53 million
- Option Three – Do less $41 million
- Option Four – Do minimum $39 million

Council's preferred option was Option 1 - $45 million.

Assessment of Options

Option One – Do preferred and provide for our need ($45 million)

Advantages	Disadvantages
• Providing a modern library service and civic centre • Capacity for growth in Council services • Working collaboratively with ECan • Helping to revive the Ashburton CBD	• Greater cost, debt levels and rating impact than budgeted for in the 2018-28 LTP

Option Two – Do more ($53 million)

Advantages	Disadvantages
As above, plus: • Entire building built to IL4 standards • Providing an event space and larger meeting rooms will add to the range of library services for the community • Future-proofing the facility for generations to come	**As above, plus:** • Greater impact on rates than option 1 which will impose higher costs on ratepayers and residents

Option Three – Do less ($41 million)

Advantages	Disadvantages
• Slightly cheaper than the preferred option • Still provides a library with improved services than the current library	• Greater cost, debt levels and rating impact than budgeted for in the 2018-28 LTP • May not provide the future-proofing benefits of option 1 or 2

Option Four – Do minimum – Admin Building first and strengthen existing library ($39 million)

Advantages	Disadvantages
• Slightly cheaper than the preferred option	• Reduced library levels of service from what was in the LTP as the community will not be getting a new library • The library would close in 2022 and be relocated to another facility until the current library was refurbished • Possible disruption to service while building is repaired and the library services are being relocated. • Missed opportunity for cost efficiencies with separate buildings • Higher risk with refurbishment and condition of building Loss of revenue from the sale of the current library building and site to offset costs of project

Submissions

Council received 169 submissions to the proposal. No late submissions were received. While 14 submitters indicated that they wished to be heard in support of their submission, eight submitters presented in person to Council at the hearing on 30 April 2019.

Council heard submitters and deliberated on the submissions received on 30 April. During these deliberations, it became apparent that the significant submitter support for Options 1 and 2 and the community feedback on Options 3 and 4 reflected the reasons why Council had not favoured Options 3 and 4 as its preferred Option. Options 3 and 4 each only received nine submissions in support (5% each). The weight of public submissions favoured building a facility that would serve community needs well into the future, in terms of capacity, features and earthquake resilience. Just over 80% of submissions favoured either Council's preferred Option 1 $45 million with a library of 1,950m^2, or Option 2 $53 million with a library of 2,450 m^2, or some hybrid of the two. Council no longer considered Options 3 and 4 as acceptable solutions to meet the community needs for the Library and Civic Centre.

Decision

Council decided on the 9 May to fund and construct a new Ashburton Library and Civic Centre that is a hybrid option between options 1 and 2 consulted on. The key areas of the hybrid are that:

- The library floor area be 2,450m^2.
- The Emergency Operations Centre will be built to IL4 standard (150m^2) with the remainder of the building built to IL3 standard.
- A dedicated fiscal envelope of $3 million has been included for the provision of additional environmentally sustainable design (ESD) features in the building, subject to Council approval of cost-benefit analysis of the features.
- Laminated timber be included in the design, subject to Council approval of cost-benefit analysis of the use of this material and noting that any premium related to the use of laminated timber shall be funded from the dedicated fiscal envelope
  for environmentally sustainable design.

- The project budget is set at a total of $51.6 million, including the dedicated fiscal envelope for ESD of $3 million, a 10% contingency and a 5% allowance for escalation.

Conclusion

The following amendments to the 2018-28 Long-Term Plan will give effect to Council's decision for the Ashburton Library and Civic Centre project.

Part Three – Our Projects (pages 25-26)

Major Projects 2018-28

Our Place – Ashburton Library and Civic Centre Project

We rely on our Library and Civic Centre buildings as facilities from which we deliver services to the community. In the Long-Term Plan we included a budget of $22 million to build a new Administration and Library Building, as the existing buildings are no longer fit for purpose. This is to be fully-funded from property reserves and future property sales. As we proceeded with detailed design, we identified that the original costings of $22 million underestimated both the amount of space required for current and future staff, the full cost of fit out and the full cost of site preparation and development. The total project value has increased to $51.6 million, and an additional $29.6 million will be funded from loan.

Council re-opened consultation on this project by way of a Long-Term Plan amendment and looked at building options for future delivery of administrative services and a modern library, with capacity for future growth in demand. After hearing the views of the community, Council has opted to proceed with a $51.6million building, which features:

- Co-location of the library and civic centre on Baring Square East
- A modern library with a floor area of 2,450m^2
- A café located beside the library space,
- Integration of Pioneer Hall into the new facility, enabling re-use of a heritage building
- A civil defence emergency operations centre built to IL4 under the Building Code, with the remainder of the building built to IL3
- Dedicated leased office spaces that will provide a commercial return on investment.

A key factor to note is that Council has opted to loan-fund the additional costs it has for the building, as the higher overall cost cannot be covered solely from property reserves and property sales. Loan funding reflects inter-generational equity principles to ensure current and future users pay their fair share for these facilities.

As we are seeking to minimise the costs of servicing this loan, we intend to pursue further property sales wherever appropriate and to devote the proceeds of those sales to reduce loan repayments.

Rates by Community (pages 29-34)

Rates by Community

The following outlines the indicative rate requirements by area for the next 10 years.

The amended budget for the Civic Centre and Library project has increased the General Rate and Uniform Annual General Charge for all ratepayers.

Ashburton Residential

CAPITAL VALUE	$292,000	% RATES INCREASE
Current Rates (2018/19)	$2,105	
2019/20	$2,214	5.2%
2020/21	$2,347	6.0%
2021/22	$2,390	1.8%
2022/23	$2,435	1.9%
2023/24	$2,457	0.9%
2024/25	$2,486	1.2%
2025/26	$2,522	1.4%
2026/27	$2,540	0.7%
2027/28	$2,559	0.7%

Ashburton Commercial (Inner CBD)

CAPITAL VALUE	$1,149,000	% RATES INCREASE
Current Rates (2018/19)	$4,446	
2019/20	$4,525	1.8%
2020/21	$4,735	4.6%
2021/22	$4,704	-0.7%
2022/23	$4,749	1.0%
2023/24	$4,744	-0.1%
2024/25	$4,789	0.9%
2025/26	$4,823	0.7%
2026/27	$4,828	0.1%
2027/28	$4,809	-0.4%

Ashburton Commercial

CAPITAL VALUE	$1,149,000	% RATES INCREASE
Current Rates (2018/19)	$4,047	
2019/20	$4,129	2.0%
2020/21	$4,340	5.1%
2021/22	$4,310	-0.7%
2022/23	$4,348	0.9%
2023/24	$4,351	0.1%
2024/25	$4,397	1.1%
2025/26	$4,425	0.6%
2026/27	$4,427	0.0%
2027/28	$4,408	-0.4%

Ashburton Commercial (Expanded CBD)

CAPITAL VALUE	$1,149,000	% RATES INCREASE
Current Rates (2018/19)	$4,047	
2019/20	$4,129	2.0%
2020/21	$4,340	5.1%
2021/22	$4,310	-0.7%
2022/23	$4,353	1.0%
2023/24	$4,351	0.0%
2024/25	$4,397	1.1%
2025/26	$4,425	0.6%
2026/27	$4,427	0.0%
2027/28	$4,408	-0.4%

Lake Hood Residential

CAPITAL VALUE	$640,200	% RATES INCREASE
Current Rates (2018/19)	**$2,015**	
2019/20	$2,769	14.8%*
2020/21	$2,944	6.3%
2021/22	$2,968	0.8%
2022/23	$3,021	1.8%
2023/24	$3,041	0.7%
2024/25	$3,084	1.4%
2025/26	$3,124	1.3%
2026/27	$3,141	0.5%
2027/28	$3,151	0.3%

* Increase largely driven by remainder of Urban Amenity Rate being applied. Refer to Council's Revenue & Financing Policy for more information.

Methven Commercial

CAPITAL VALUE	$861,750	% RATES INCREASE
Current Rates (2018/19)	**$3,250**	
2019/20	$3,306	1.7%
2020/21	$3,434	3.9%
2021/22	$3,375	-1.7%
2022/23	$3,398	0.7%
2023/24	$3,397	0.0%
2024/25	$3,426	0.9%
2025/26	$3,415	-0.3%
2026/27	$3,417	0.1%
2027/28	$3,446	0.8%

Methven Residential

CAPITAL VALUE	$293,000	% RATES INCREASE
Current Rates (2018/19)	**$1,951**	
2019/20	$2,036	4.4%
2020/21	$2,138	5.0%
2021/22	$2,141	0.1%
2022/23	$2,176	1.6%
2023/24	$2,181	0.2%
2024/25	$2,221	1.8%
2025/26	$2,240	0.9%
2026/27	$2,247	0.3%
2027/28	$2,301	2.4%

Rakaia Residential (lump sum paid)

CAPITAL VALUE	$295,000	% RATES INCREASE
Current Rates (2018/19)	**$1,915**	
2019/20	$2,030	6.0%
2020/21	$2,102	3.5%
2021/22	$2,105	0.1%
2022/23	$2,142	1.8%
2023/24	$2,174	1.5%
2024/25	$2,185	0.5%
2025/26	$2,269	3.8%
2026/27	$2,298	1.3%
2027/28	$2,314	0.7%

Rakaia Residential (lump sum not paid)

CAPITAL VALUE	$295,000	% RATES INCREASE
Current Rates (2018/19)	$2,108	
2019/20	$2,217	5.2%
2020/21	$2,283	3.0%
2021/22	$2,280	-0.1%
2022/23	$2,311	1.4%
2023/24	$2,337	1.1%
2024/25	$2,342	0.2%
2025/26	$2,310	-1.4%
2026/27	$2,298	-0.5%
2027/28	$2,314	0.7%

Rakaia Commercial (lump sum not paid)

CAPITAL VALUE	$861,750	% RATES INCREASE
Current Rates (2018/19)	$3,308	
2019/20	$3,484	5.3%
2020/21	$3,514	0.9%
2021/22	$3,476	-1.1%
2022/23	$3,490	0.4%
2023/24	$3,523	0.9%
2024/25	$3,506	-0.5%
2025/26	$3,445	-1.7%
2026/27	$3,405	-1.2%
2027/28	$3,397	-0.2%

Rakaia Commercial (lump sum paid)

CAPITAL VALUE	$861,750	% RATES INCREASE
Current Rates (2018/19)	$3,115	
2019/20	$3,298	5.9%
2020/21	$3,333	1.1%
2021/22	$3,301	-1.0%
2022/23	$3,322	0.6%
2023/24	$3,360	1.1%
2024/25	$3,349	-0.3%
2025/26	$3,404	1.6%
2026/27	$3,405	0.0%
2027/28	$3,397	-0.2%

Chertsey

CAPITAL VALUE	$232,800	% RATES INCREASE
Current Rates (2018/19)	$1,376	
2019/20	$1,446	5.1%
2020/21	$1,541	6.6%
2021/22	$1,538	-0.2%
2022/23	$1,574	2.3%
2023/24	$1,596	1.4%
2024/25	$1,610	0.9%
2025/26	$1,635	1.6%
2026/27	$1,654	1.2%
2027/28	$1,673	1.1%

Fairton

CAPITAL VALUE	$267,720	% RATES INCREASE
Current Rates (2018/19)	$1,404	
2019/20	$1,475	5.1%
2020/21	$1,575	6.8%
2021/22	$1,568	-0.4%
2022/23	$1,605	2.4%
2023/24	$1,628	1.4%
2024/25	$1,641	0.8%
2025/26	$1,667	1.6%
2026/27	$1,686	1.1%
2027/28	$1,704	1.1%

Hinds

CAPITAL VALUE	$232,800	% RATES INCREASE
Current Rates (2018/19)	$1,389	
2019/20	$1,459	5.0%
2020/21	$1,555	6.6%
2021/22	$1,550	-0.3%
2022/23	$1,586	2.3%
2023/24	$1,608	1.4%
2024/25	$1,622	0.9%
2025/26	$1,647	1.5%
2026/27	$1,666	1.2%
2027/28	$1,685	1.1%

Hakatere

CAPITAL VALUE	$174,600	% RATES INCREASE
Current Rates (2018/19)	$1,111	
2019/20	$1,174	5.7%
2020/21	$1,256	7.0%
2021/22	$1,250	-0.5%
2022/23	$1,276	2.1%
2023/24	$1,294	1.4%
2024/25	$1,302	0.6%
2025/26	$1,321	1.5%
2026/27	$1,335	1.1%
2027/28	$1,349	1.0%

Mayfield

CAPITAL VALUE	$232,800	% RATES INCREASE
Current Rates (2018/19)	$1,376	
2019/20	$1,446	5.1%
2020/21	$1,541	6.6%
2021/22	$1,538	-0.2%
2022/23	$1,574	2.3%
2023/24	$1,596	1.4%
2024/25	$1,610	0.9%
2025/26	$1,635	1.6%
2026/27	$1,654	1.2%
2027/28	$1,673	1.1%

Mt Somers

CAPITAL VALUE	$232,800	% RATES INCREASE
Current Rates (2018/19)	$1,376	
2019/20	$1,446	5.1%
2020/21	$1,541	6.6%
2021/22	$1,538	-0.2%
2022/23	$1,574	2.3%
2023/24	$1,596	1.4%
2024/25	$1,610	0.9%
2025/26	$1,635	1.6%
2026/27	$1,654	1.2%
2027/28	$1,673	1.1%

Rural

CAPITAL VALUE	$9,044,000	% RATES INCREASE
Current Rates (2018/19)	$8,014	
2019/20	$8,168	1.9%
2020/21	$9,272	13.5%*
2021/22	$8,613	-7.1%
2022/23	$8,816	2.4%
2023/24	$8,952	1.5%
2024/25	$8,900	-0.6%
2025/26	$8,853	-0.5%
2026/27	$9,004	1.7%
2027/28	$8,857	-1.6%

*The notable rate increase is from the CC&L project costs impacting on the general rate, which has a greater effect on properties with a higher capital value.

Dromore

CAPITAL VALUE	$9,044,000	% RATES INCREASE
Current Rates (2018/19)	$8,431	
2019/20	$8,617	2.2%
2020/21	$9,750	13.2%*
2021/22	$9,092	-6.7%
2022/23	$9,298	2.3%
2023/24	$9,443	1.6%
2024/25	$9,395	-0.5%
2025/26	$9,364	-0.3%
2026/27	$9,514	1.6%
2027/28	$9,383	-1.4%

*The notable rate increase is from the CC&L project costs impacting on the general rate, which has a greater effect on properties with a higher capital value.

Part Four Our Activities – Public Services

Economic Development (pages 133 - 139)

Key Projects

Commercial Property

New Ashburton Library and Civic Centre

We have amended the LTP to build a new Ashburton Library and Civic Centre for the district for $51.6million. We plan to fund the first $22 million of the project from property reserves and property sales, with the remaining $29.6 million to be loan funded. We believe that loan funding reflects inter-generational equity principles to ensure current and future users pay their fair share for these facilities.

As we are seeking to minimise the costs of servicing this loan, we intend to pursue further property sales wherever appropriate and to devote the proceeds of those sales to reduce loan repayments.

The key features of the new Ashburton Library and Civic Centre are:

- Co-location of the library and civic centre on Baring Square East
- A modern library with a floor area of 2,450m^2
- A café located beside the library space,
- Integration of Pioneer Hall into the new facility, enabling re-use of a heritage building
- A civil defence emergency operations centre built to IL4 under the Building Code, with the remainder of the building built to IL3
- Dedicated leased office spaces that will provide a commercial return on investment.

Capital Works Programme

The following table details the annual budget for new capital works until 2028. New capital work refers to the development of new infrastructure, which increase the levels of service and/or the capacity of the asset service an increase in demand.

	Year 1 2018/19 $000	Year 2 2019/20 $000	Year 3 2020/21 $000	Year 4-10 2021-28 $000
TOTAL NEW CAPITAL WORKS	**1,152**	**5,132**	**10,456**	**12,605**
Ashburton Business Estate Stage 3 and 4 development				7,155
Ashburton Domain depot alterations	125			
EA Networks Centre alterations	27	22	16	120
Ashburton Civic Centre and Library building	873	6,097	38,295	6,335

Funding Impact Statement

For Economic Development

	Annual Plan 2017/18 $000	Year 1 (R) 2018/2019 $000	Year 2 (R) 2019/2020 $000	Year 3 (R) 2020/2021 $000	Year 4 (R) 2021/2022 $000	Year 5 (R) 2022/2023 $000	Year 6 (R) 2023/2024 $000	Year 7 (R) 2024/2025 $000	Year 8 (R) 2025/2026 $000	Year 9 (R) 2026/2027 $000	Year 10 (R) 2027/2028 $000
Operating Funding											
Sources of operating funding											
General rate, UAGC*, rates penalties	(1,043)	(1,353)	(1,103)	(1,227)	(1,347)	(1,077)	(1,345)	(1,276)	(1,388)	(1,590)	(1,728)
Targeted rates	225	206	205	205	204	203	202	201	199	198	196
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0	0
Fees and charges	8	6	6	6	6	7	7	7	7	7	7
Internal charges and overheads recovered	2,522	2,521	2,577	2,632	2,688	2,746	2,804	2,864	2,927	2,990	3,056
Local authorities fuel tax, fines, infringement fees and other receipts	11,779	6,719	6,249	6,760	6,035	6,857	7,796	6,642	7,394	7,256	7,150
Total sources of operating funding	13,491	8,099	7,933	8,377	7,586	8,734	9,465	8,438	9,139	8,861	8,682
Applications of operating funding											
Payments to staff and suppliers	2,591	2,846	2,646	2,725	2,807	2,820	2,682	2,714	2,861	2,942	2,936
Finance costs	2,056	1,703	1,603	1,503	1,403	1,303	1,203	1,102	1,002	917	865
Internal charges and overheads	705	851	957	983	998	1,015	1,041	1,065	1,081	1,112	1,133
Other operating funding applications	889	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	6,243	5,400	5,207	5,211	5,208	5,138	4,925	4,882	4,945	4,972	4,934
Surplus/(deficit) of operating funding	7,249	2,699	2,727	3,167	2,377	3,596	4,539	3,556	4,195	3,890	3,748

* Uniform Annual General Charges

	Annual Plan 2017/18 $000	Year 1 (R) 2018/2019 $000	Year 2 (R) 2019/2020 $000	Year 3 (R) 2020/2021 $000	Year 4 (R) 2021/2022 $000	Year 5 (R) 2022/2023 $000	Year 6 (R) 2023/2024 $000	Year 7 (R) 2024/2025 $000	Year 8 (R) 2025/2026 $000	Year 9 (R) 2026/2027 $000	Year 10 (R) 2027/2028 $000
Capital Funding											
Sources of capital funding											
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	180	0	0	0	0	0	0	0	0	0	0
Increase/(decrease) in debt	(2,051)	(2,504)	(2,504)	20,881	3,831	(2,504)	(2,504)	(2,504)	(2,010)	(1,176)	(963)
Gross proceeds from sale of assets	0	(0)	0	0	(0)	1,500	4,000	0	0	0	0
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	(1,871)	(2,504)	(2,504)	20,881	3,831	(1,004)	1,496	(2,504)	(2,010)	(1,176)	(963)
Application of capital funding											
Capital expenditure											
- to meet additional demand	0	0	0	0	0	0	0	0	0	0	0
- to improve the level of service	3,053	1,152	5,132	33,841	14,559	24	17	17	17	4,287	18
- to replace existing assets	0	104	20	21	21	22	22	23	23	24	24
Increase/(decrease) in reserves	2,325	(1,061)	(4,930)	(9,814)	(8,373)	2,547	5,996	1,012	2,144	(1,597)	2,742
Increase/(decrease) in investments	0	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	5,378	195	223	24,047	6,208	2,592	6,035	1,052	2,184	2,714	2,785
Surplus/(deficit) of capital funding	(7,249)	(2,700)	(2,727)	(3,166)	(2,377)	(3,596)	(4,539)	(3,556)	(4,195)	(3,890)	(3,748)
Funding Balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Part Seven – Financial Policies and Disclosures

Prospective Statement of Comprehensive Revenue and Expense (pages 57-58)

	Annual Plan 2017/18 $000	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 2027/28 $000
Revenue											
Rates	33,803	35,328	37,334	39,190	40,971	42,382	43,203	44,077	44,972	45,759	46,322
Fees and charges	7,609	8,170	8,377	8,620	9,300	9,531	9,737	9,952	10,474	10,700	10,936
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	77,032	79,638	78,801	77,433	94,216	95,109	85,623
Expenses											
Personnel costs	13,844	14,878	15,312	15,613	16,003	16,334	16,680	17,041	17,418	17,809	18,215
Depreciation and amortisation	13,895	15,066	15,646	16,191	16,740	17,777	18,209	18,700	19,200	19,668	20,172
Finance costs	1,969	1,989	2,248	2,461	3,925	3,988	4,176	4,151	4,290	4,241	4,295
Other expenses	24,018	25,948	26,429	27,094	27,684	28,591	28,622	29,260	30,054	30,606	31,348
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	64,352	66,690	67,688	69,390	71,619	72,599	74,030
Surplus/(deficit) before taxation	**8,428**	**11,948**	**9,515**	**10,883**	**12,679**	**12,948**	**11,114**	**8,043**	**22,597**	**22,509**	**11,592**
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**	**12,679**	**12,948**	**11,114**	**8,043**	**22,597**	**22,509**	**11,592**

	Annual Plan 2017/18 $000	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 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**	**28,963**	**30,485**	**30,147**	**28,505**	**44,521**	**46,375**	**38,297**

Prospective Statement of Financial Position (pages 60-61)

	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 2027/28 $000
Equity										
Ratepayer equity	475,131	482,827	491,216	505,940	516,182	524,192	529,709	547,689	568,867	575,759
Other reserves	307,124	325,488	342,887	357,126	377,368	399,506	422,494	449,036	474,233	505,638
Total equity	**782,255**	**808,315**	**834,103**	**863,066**	**893,551**	**923,698**	**952,203**	**996,725**	**1,043,099**	**1,081,396**
Current liabilities										
Trade and other payables	8,026	8,386	9,092	9,499	8,651	8,242	8,586	9,005	9,236	8,731
Employee benefit liabilities	1,781	1,833	1,869	1,910	1,949	1,991	2,034	2,079	2,126	2,175
Borrowings	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
Total current liabilities	13,822	13,331	14,672	15,330	14,867	14,619	14,818	14,720	15,241	14,784
Non-current liabilities										
Borrowings	49,732	57,234	91,922	98,904	102,557	101,080	104,077	102,750	103,180	101,861
Derivative financial instruments	536	536	536	536	536	536	536	536	536	536
Employee benefit liabilities	493	507	517	529	540	551	563	576	589	602
Landfill closure liability	134	119	104	89	74	59	44	29	14	0
Total non-current liabilities	50,895	58,396	93,080	100,058	103,707	102,226	105,220	103,891	104,319	102,999
Total liabilities	**64,717**	**71,727**	**107,752**	**115,389**	**118,574**	**116,845**	**120,038**	**118,611**	**119,560**	**117,783**
TOTAL EQUITY AND LIABILITIES	**846,972**	**880,042**	**941,855**	**978,454**	**1,012,125**	**1,040,543**	**1,072,241**	**1,115,335**	**1,162,659**	**1,199,179**

	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 2027/28 $000
Assets										
Current assets										
Cash and cash equivalents	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
Trade and other receivables	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
Local Authority stocks and bonds	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642	5,642
Inventories	100	102	102	102	102	102	102	102	103	103
Property inventory	404	404	404	468	200	200	200	200	200	200
Total current assets	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	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
Investment in associate	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795	1,795
Other financial assets	935	935	935	935	935	935	935	935	935	935
Property inventory	2,558	2,154	1,750	4,160	3,960	3,760	3,560	3,360	7,430	7,230
Investment properties	39,200	40,101	41,064	42,049	43,100	44,221	45,105	46,008	46,928	47,866
Biological assets - forestry	4,774	4,865	4,414	4,498	4,502	4,592	4,353	3,696	3,421	3,496
Intangible assets - software	711	732	796	701	604	756	654	551	446	338
Property, plant and equipment	757,977	791,633	858,752	896,896	925,632	945,824	972,224	1,008,412	1,048,043	1,077,685
Total non-current assets	812,549	846,815	914,105	955,634	985,128	1,006,482	1,033,226	1,069,357	1,113,596	1,143,944
TOTAL ASSETS	**846,972**	**880,042**	**941,855**	**978,454**	**1,012,125**	**1,040,543**	**1,072,241**	**1,115,335**	**1,162,659**	**1,199,179**

Prospective Statement of Cash Flows (pages 62-63)

	Annual Plan 2017/18 $000	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 2027/28 $000
Cash flows from operating activities											
Receipts from customers	53,149	58,014	60,028	62,472	68,480	69,784	69,970	69,899	81,295	83,638	73,884
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)	(45,717)	(45,269)	(45,474)	(45,717)	(46,810)	(52,209)	(49,820)
Interest expense	(1,969)	(1,989)	(2,248)	(2,461)	(3,925)	(3,988)	(4,176)	(4,151)	(4,290)	(4,241)	(4,295)
Income Tax	0	0	0	0	0	0	0	0	0	0	0
Net cash flows from operating activities	20,577	21,975	22,558	24,245	24,569	26,744	26,113	26,239	36,781	34,192	27,156
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)	(65,217)	(36,635)	(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)	(65,215)	(36,477)	(26,949)	(17,548)	(23,935)	(29,324)	(31,796)	(18,787)

	Annual Plan 2017/18 $000	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 2027/28 $000
Cash flows from financing activities											
Loans raised	8,078	7,484	9,372	38,385	11,595	8,610	3,600	7,885	3,000	5,000	3,250
Loan repayments	(659)	(2,485)	(2,773)	(3,097)	(4,402)	(4,613)	(4,957)	(5,077)	(4,888)	(4,327)	(4,570)
Net cash flows from financing activities	7,419	4,999	6,599	35,288	7,193	3,997	(1,357)	2,808	(1,888)	673	(1,320)
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	6,458	13,665	18,778	24,347	27,416
Closing cash resources	**9,409**	**14,053**	**13,064**	**7,382**	**2,666**	**6,458**	**13,665**	**18,778**	**24,347**	**27,416**	**34,464**

Funding Impact Statements

Prospective Funding Impact Statement – Council Summary (page 64 – 65)

	Annual Plan 2017/18 $000	Year 1 (R) 2018/2019 $000	Year 2 (R) 2019/2020 $000	Year 3 (R) 2020/2021 $000	Year 4 (R) 2021/2022 $000	Year 5 (R) 2022/2023 $000	Year 6 (R) 2023/2024 $000	Year 7 (R) 2024/2025 $000	Year 8 (R) 2025/2026 $000	Year 9 (R) 2026/2027 $000	Year 10 (R) 2027/2028 $000
Operating Funding											
Sources of operating funding											
General rate, UAGC*, rates penalties	12,658	13,334	14,008	14,183	16,360	17,192	16,974	17,357	17,557	17,628	17,932
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	9,300	9,531	9,737	9,952	10,474	10,700	10,936
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	8,492	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	63,433	66,251	68,255	68,635	71,157	72,171	73,238
Applications of operating funding											
Payments to staff and suppliers	28,480	30,542	31,136	31,806	32,605	33,549	33,654	34,293	35,380	35,957	36,840
Finance costs	1,969	1,989	2,248	2,461	3,925	3,988	4,176	4,151	4,290	4,241	4,295
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	47,613	48,913	49,479	50,452	51,762	52,656	53,857
Surplus/(deficit) of operating funding	14,120	13,489	14,205	15,836	15,822	17,338	18,777	18,183	19,395	19,514	19,381

* Uniform Annual General Charges

	Annual Plan 2017/18 $000	Year 1 (R) 2018/2019 $000	Year 2 (R) 2019/2020 $000	Year 3 (R) 2020/2021 $000	Year 4 (R) 2021/2022 $000	Year 5 (R) 2022/2023 $000	Year 6 (R) 2023/2024 $000	Year 7 (R) 2024/2025 $000	Year 8 (R) 2025/2026 $000	Year 9 (R) 2026/2027 $000	Year 10 (R) 2027/2028 $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	33,289	5,204	2,033	(3,299)	886	(3,751)	(1,006)	(2,681)
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	40,974	15,920	14,202	8,337	8,432	14,607	17,725	4,775
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	46,176	25,439	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	56,809	31,741	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)	(15,821)	(17,338)	(18,776)	(18,183)	(19,395)	(19,514)	(19,381)
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 (page 67)

	Annual Plan 2017/18 $000	Year 1 (R) 2018/19 $000	Year 2 (R) 2019/20 $000	Year 3 (R) 2020/21 $000	Year 4 (R) 2021/22 $000	Year 5 (R) 2022/23 $000	Year 6 (R) 2023/24 $000	Year 7 (R) 2024/25 $000	Year 8 (R) 2025/26 $000	Year 9 (R) 2026/27 $000	Year 10 (R) 2027/28 $000
Total sources of operating funding	54,675	56,304	58,195	61,004	63,433	66,251	68,255	68,635	71,157	72,171	73,238
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		0	0	0	0	0	0	0	0	0	0
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	77,034	79,641	78,805	77,439	94,223	95,117	85,632
Total applications of operating funding	40,555	42,815	43,990	45,168	47,613	48,913	49,479	50,452	51,762	52,656	53,857
plus expenses not treated as funding applications		0	0	0	0	0	0	0	0	0	0
Depreciation	13,098	15,066	15,646	16,191	16,740	17,777	18,209	18,700	19,200	19,668	20,172
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		0	0	0	0	0	0	0	0	0	0
Income tax	0	0	0	0	0	0	0	0	0	0	0
Total expenditure	53,726	57,976	59,636	61,810	64,352	66,690	67,689	69,390	71,619	72,599	74,029
Surplus/(deficit) before tax	**8,428**	**11,948**	**9,516**	**10,885**	**12,683**	**12,952**	**11,117**	**8,049**	**22,604**	**22,517**	**11,603**

Rates charges and examples (page 69)

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	4.5	3.4	1.9	2.0	2.0	1.7	1.2

Uniform Annual General Charge (page 75)

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	$624.14	$629.94	$649.84	$656.34	$661.94	$671.04	$669.84	$679.54
$8,524,435	**Estimated revenue**	$9,528,681	$10,096,353	$10,862,546	$11,038,316	$11,465,712	$11,659,305	$11,835,889	$12,080,147	$12,136,401	$12,394,661

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 (page 75)

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	0.000366	0.000371	0.000380	0.000345	0.000343	0.000330	0.000319	0.000312
$5,834,087	**Estimated revenue**	$5,596,274	$5,798,891	$6,751,811	$7,183,750	$7,709,029	$7,260,349	$7,518,061	$7,498,979	$7,518,706	$7,604,309

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

Part Ten – Financial Strategy (pages 239 – 254)

Please note - Red = updated text

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

[1] Statistics NZ, 2017 Projections

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.[2]

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.

[2] Statistics NZ, 2017 Projections

[2]

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.

	Rateable properties
2018/ 19	16,819
2019/ 20	16,943
2020/ 21	17,066
2021/ 22	17,190
2022/23	17,313
2023/ 24	17,437
2024/ 25	17,561
2025/26	17,684
2026/ 27	17,808
2027/28	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.

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 SOLGM (Society of Local Government Managers) 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 29.9% in 2018/19, 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 Library 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 reaching 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
- Operational and loan servicing costs of the Administration and Library Building
- 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	0.20	0.19	0.19	0.18	0.18	0.17
Rate Increase (%)	4.5	5.7	5.0	4.5	3.4	1.9	2.0	2.0	1.7	1.2
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	2.3	1.1	-0.5	-0.4	-0.5	-0.9	-1.5

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 five activities - roading, drinking water, wastewater, economic development and the EA Networks Centre.

Council has set a 3.0% (plus LGPI) rates limit for the years 2020/21 – 2027/28 to accommodate the Ashburton Library and Civic Centre project, as well as Council's planned expenditure. This has been shown in the table above in red text.

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%	5.5%
Total rates increase	4.5%	5.7%	5.0%	4.5%

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 and 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:

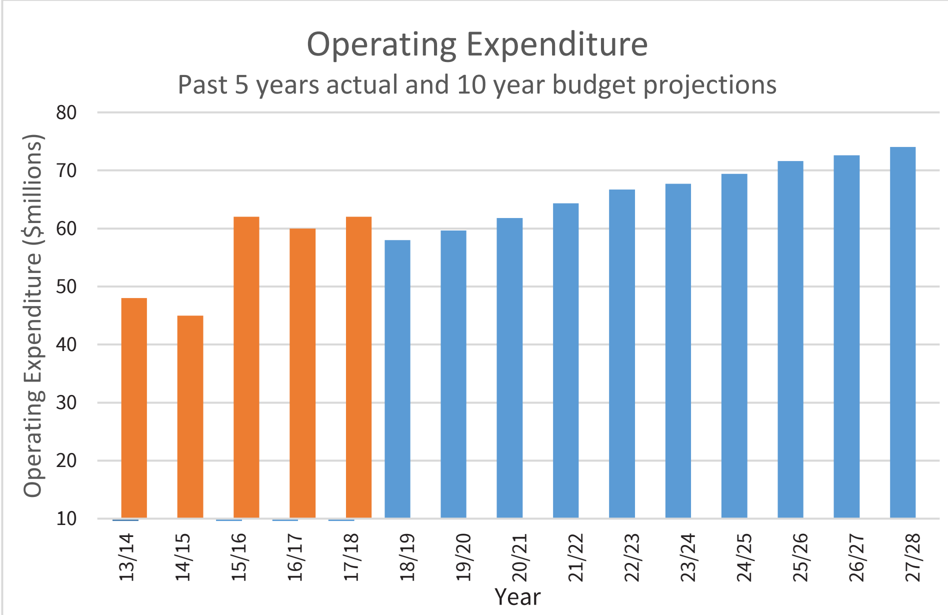
- Inflation costs
- Increased overhead costs for many Council activities (i.e. EA Networks Centre, Ashburton Museum)
- New community services and facilities.
- Servicing interest costs on debt for capital expenditure

Council has budgeted for operating expenditure to increase from $58.0 million to $75.2 million (or approximately 30%) 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 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.

	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 Ashburton Library and Civic Centre Building and the EA Networks Centre climbing wall.

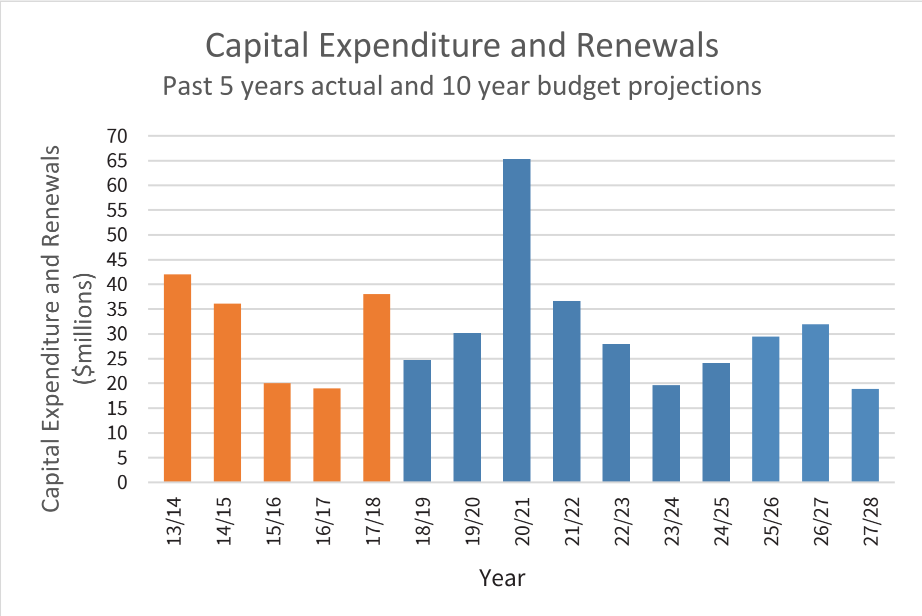
Over the next 10 years, Council has budgeted a total capital expenditure of $305 million, including capital expenditure on network infrastructure transportation, drinking water, wastewater, stormwater and stockwater.

New capital expenditure is mostly budgeted to be funded from loans, with the principal and interest being funded by targeted rates over 25 years. Loan funding for Ashburton Library and Civic Centre Building is over a 40 year term.

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

	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	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
Transportatio	2,364	2,616	2,670	3,968	3,981	1,750	1,380	14,487	14,773	238



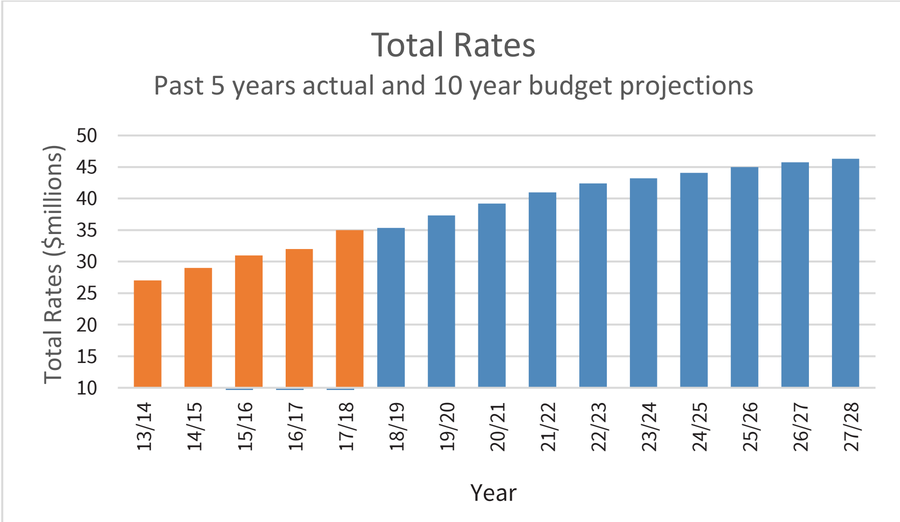
Total Rate Requirement

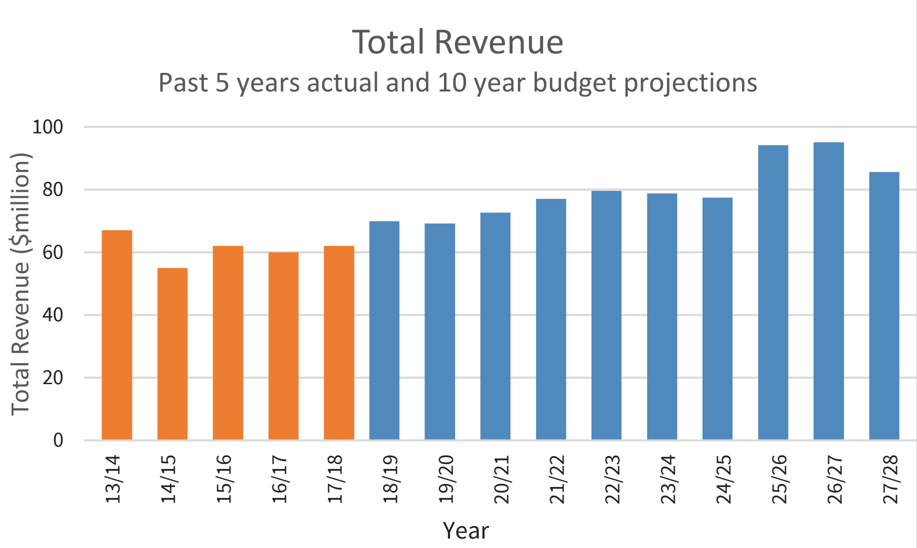
Total rate increases over the last 5 years have averaged 6% per year as outlined below.

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
- Ashburton Library and Civic Centre building.

The community has been consulted extensively about the construction of the Second Urban Bridge. The Ashburton Library and Civic Centre project undertook a special consultative procedure in 2019 to determine the area, quality, function and subsequent budget for the project.

Borrowing Limits

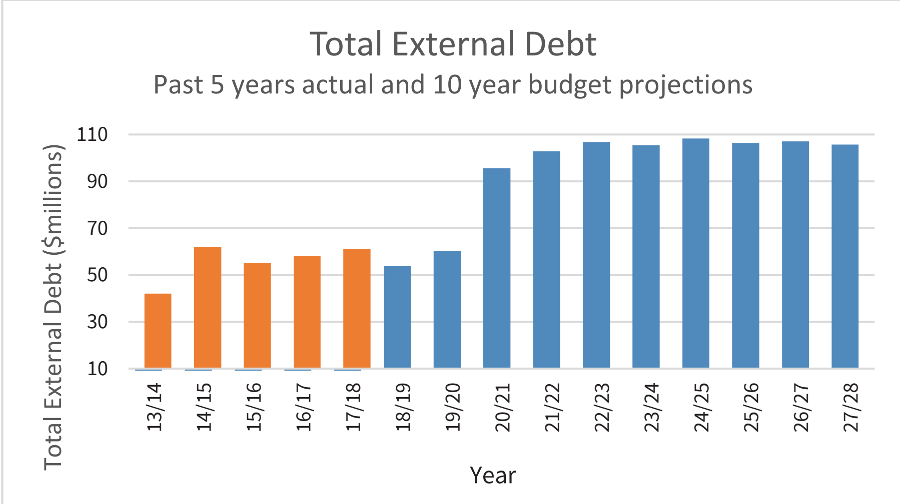
Council's position on using external debt to fund expenditure is outlined in its Revenue and Financing Policy and Liability Management Policy. By financing long-term assets through borrowing, Council allocates the cost of community assets equitably between current and future residents. This is known 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	3.5	3.5	3.5	3.1	2.4	2.0	2.0
Interest as a % of rates revenue	2.0	2.4	2.8	6.7	6.6	6.4	5.5	5.1	4.2	3.7

* 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 $104 million by 2027/28 and a building up of cash reserves to $40million 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 $1,190 million (2019: $847 million)

- Total equity is forecast to be $1,073 million (2019: $782 million)
- Debt is forecast to be $116 million (2019: $54 million) and to be 9.8% of total assets (2019: 6.4%)
- Council's cash investments are budgeted to be $40 million, largely as a result of land sales and internal loan repayments over the 10 years
- Rates revenue is budgeted to contribute 54% of total income (2019: 51%)
- At no time over the period 2018 – 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%.

Audit New Zealand
Mana Arotake Aotearoa

To the reader

Independent auditor's report on Ashburton District Council's amended 2018–28 long-term plan

I am the Auditor-General's appointed auditor for Ashburton District Council (the Council).

The Council adopted its 2018–28 long-term plan (the plan) on 27 June 2018.

A long-term plan must contain a report from the auditor on:

- whether the plan gives effect to the purpose set out in section 93(6) of the Local Government Act 2002; and
- the quality of the information and assumptions underlying the forecast information in the plan.

We issued an unmodified opinion on the plan in our report dated 27 June 2018.

The Council has since consulted on a proposed amendment to the plan. The amendment to the plan increases the cost for the proposed Ashburton Library and Civic Centre to $51.6 million.

Following the consultation process, the Council has decided to amend its plan. The amended plan replaces parts of the adopted plan.

The amended plan must contain a report from the auditor that either confirms or amends the previous audit report issued when the plan was adopted.

My report is below.

I carried out the work for this report using the staff and resources of Audit New Zealand. This work was completed on 27 June 2019.

Report confirming our previous opinion

Our work for this report focused only on the amendment and its effect on the plan. We did not repeat the audit work we did on the plan when it was originally adopted.

As a result of this work, we do not consider it necessary to amend our previous opinion which was included in our report on the plan as originally adopted.

I confirm that our previous audit opinion on the plan as originally adopted issued on 27 June 2018 is not affected by the amendment to the plan.

As for our opinion on the plan prior to it being amended, this report does not provide assurance that the forecasts in the amended plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the amended plan.

Basis of this report

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

We did not evaluate the security and controls over the electronic publication of the amended plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures and other actions relating to amending the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the amended plan to be free from material misstatement.

I am responsible for reporting on whether the amendment to the plan affects my previous audit report on the plan as originally adopted. I do not express an opinion on the merits of the plan's policy content.

Independence and quality control

In carrying out our work, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2018-28 long term plan, and performed a limited assurance engagement related to the District Council's debenture trust deed and audited the 2018 annual report. Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.

Dereck Ollsson,
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Ashburton
DISTRICT COUNCIL