



01

INTRODUCTION

## MESSAGE FROM HIS WORSHIP THE MAYOR



The Rangitikei District is a wonderful place to live and our Council is determined to keep it that way. However, we face a number of challenges. In my view the underlying problem is our aging and dwindling population, particularly in the rural north. Amalgamation of farms and modern farming practice has virtually emptied out the more remote sectors of rural NZ. New Zealand Inc depends on our primary production, but it seems the burden of this is carried by the few – the rest of the population has drifted to urban areas. This is a societal trend across the globe, and not Rangitikei's alone.

Our towns are also under stress; not only are our citizens getting older, so are our Council assets. Our water networks, footpaths and halls were all built, and built very well, by our forefathers, but for about 50 years rates were kept artificially low because there was no provision being made for the eventual replacement of all of these things. About 30 years ago this potential blowout of expenditure was recognised by Government and councils and a number of measures were put in place including rating for depreciation and this has helped but the chickens are coming home to roost. Priorities and funding issues must be highlighted in order that councils can make the best decisions for their community's future and well being. This is what your Council set out to do.

Council undertook formal consultation on the draft Plan from 24 March 2012 until 24 April 2012. This followed a series of meetings in various parts of the district and publicity in the local newspapers. It was gratifying that over 180 people and organisations took the time and trouble to convey their views, and particular thanks are due to those who spoke to the Council at the hearings on 26 April 2012. The challenge for Council throughout the process of preparing the Plan has been to take a long-term, objective perspective on what needs to be done and to balance this against affordability to all ratepayers.

On that basis, this Plan focuses on Council's core work: upgrading water and wastewater treatment plants, and maintaining the roading network. Of the \$136m budgeted for capital projects to replace or renew assets over the 10 years of the Plan, \$127m is on network assets. Up to 30% of this is currently concentrated in the first two years of the Plan and relates to work that is required to make sure that Council achieves compliance with the NZ Drinking Water Standards (from 2014 onwards) and with its renewed resource consents from Horizons Regional Council for wastewater discharges.

Council's top priority for water treatment is the completion of the Marton water supply; this major project improves the treatment processes and most importantly, provides storage of a 24 hour treated water supply. The total cost for this is \$6.2 million. This was started in 2010/11, and should be completed in 2012/13. In 2012/13 we propose to start upgrading the Ratana water supply. Application to the Ministry of Health Capital Assistance Programme

funding has been made, and we hope to get a large contribution to the \$1.67 million cost. Other, more minor improvements will occur at Bulls, Hunterville and Taihape to ensure all plants comply with the NZ Drinking Water Standards. This compliance must be achieved in the Marton, Taihape and Bulls urban water schemes by July 2014, and a year later for the schemes in Ratana, Mangaweka and Hunterville.

We have also been working hard to meet our responsibilities with wastewater treatment plants. In 2010/11 and 2011/12 the Hunterville wastewater treatment plant was upgraded at a total cost of \$770,000, and the quality of the discharge to the Porewa stream now exceeds all expectations. I am particularly proud of the innovation and commitment that staff have shown to getting the best solution for the community. Over the 10 years of this Plan, the Bulls wastewater treatment plant will be upgraded; this is likely to be in partnership with other major users in the area, and to require total investment from Council of \$2.02m. This is provided for in Year 2. We have made provision of \$172,500 for a filtration unit for Ratana's wastewater treatment plant. In Year 3, further improvements to the plant at Crofton, Marton, will occur. An additional \$1.4 million is required so that this plan meets the standards of the Horizons Regional Council One Plan. Taihape will require work to relocate the wastewater pumping station. Currently sited beside the swimming pool, stormwater is getting into the pumping station and at times of significant flows, the wastewater is discharging directly into the Hautapu Stream. This project is estimated to cost \$1.725 million, and is provided for in Year 1.

Roading remains the biggest expenditure item for Council. This Plan intends to maintain the roading network at current standards. No new roads or seal extensions are proposed. Between the constraints on Government funding (our Financial Assistance Rate from NZTA has decreased by 1% which has added \$250,000 to our costs), and our own constraints, this is going to be a challenge for us. Since formal consultation, NZTA advised its final approvals for subsidised roading in the first three years of the LTP. The budgets in the LTP have been decreased from those in the draft LTP. There will be even greater pressure to find efficiencies in managing the roading programme so that the projected levels of service (such as the extent of road rehabilitation) are obtained. One outcome of these changes is that the emergency roading reserve (i.e. funds set aside to provide for the local share of the costs of repairing roads damaged by inclement weather) will be increased to \$250,000 annually throughout the LTP.

To meet the District's capital expenditure programme, Council will be increasing its borrowings from around \$5.8 million currently to \$31.8 million in 2021/22. Ongoing renewals will be covered from annual rates.

The average rates increase over the ten years of the Plan is around 3.94% per annum, but with increases of 6.34% in 2012/13 and 6.66% in 2013/14, before dropping to 5.68% in 2014/15 and changes more in line with inflation from then on. The higher increases in the first two years are to cover the high priority asset renewals identified from the District's reticulated water supplies, wastewater treatment and stormwater infrastructure in those years.

All Councillors share the view of no frills, stick to our knitting and deliver the very best outcome for our citizens and ratepayers. The District is becoming more comfortable with the notion that it is a District and working together is the way to go. Our staff are extremely competent and are delivering significant improvements to our services while keeping rates rises to a minimum.

Council has been endeavouring to design a much simpler and fairer system of applying rates. Rates are struck on the value of property, and Rangitikei uses the capital value system (i.e. the value of the land and the improvements on it). Historically, each town paid for its own infrastructure. There will always be debate over who should pay for community assets, and Council has had a very intricate formula in place to fund the myriad of activities we are engaged in. Council believes it makes more sense to do the most pressing jobs first, and fund these collectively. This will simplify things and reduce the administrative cost. This district-wide approach to rating makes the Rangitikei more sustainable. It should also significantly reduce the incidence of fluctuating and more particularly extreme rates increases to individual ratepayers. There is much debate over the responsibility of the rural sector to contribute to the upkeep of our towns and it is true that many of the services provided are not immediately available to the people out in the sticks. The other side to this is that more and more farm labour is now based in the towns and they commute out to the farms and stations. In short we are all in this together.

I am often asked about amalgamating with neighbouring authorities - some see this as a solution to all our problems. It must be remembered that

Rangitikei has been more conservative than many other councils. Until very recently we had no debt at all and now only borrow for specific large projects. There is no doubt that a property in the Rangitikei attracts more rates than a property of similar value elsewhere but this would not necessarily change with any amalgamation. Additionally, I am not aware of any local body amalgamation ever leading to rates reductions.

All this shows there is a lot of work that needs doing but it can be done and we have the team to do it.

***RANGITIKEI IS TRULY A WONDERFUL PLACE TO LIVE.***

# AUDIT NEW ZEALAND

## Mana Arotake Aotearoa INDEPENDENT AUDITOR'S REPORT

### To the readers of RANGITIKEI DISTRICT COUNCIL LONG-TERM PLAN for the ten years commencing 1 July 2012

The Auditor General is the auditor of Rangitikei District Council (the District Council). The Auditor General has appointed me, Phil Kennerley, using the staff and resources of Audit New Zealand, to report on the Long Term Plan (LTP), on her behalf. We have audited the District Council's LTP incorporating one volume dated 28 June 2012 for the ten years commencing 1 July 2012.

The Auditor General is required by section 94(1) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the LTP complies with the requirements of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the LTP.

#### OPINION

##### OVERALL OPINION

In our opinion the District Council's LTP incorporating one volume dated 28 June 2012 provides a reasonable basis for long term integrated decision-making by the District Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the District Council.

In forming our overall opinion, we considered the specific matters outlined in section 94(1) of the Act which we report on as follows.

#### **OPINION ON SPECIFIC MATTERS REQUIRED BY THE ACT**

In our view:

- the District Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment; and
- the underlying information and assumptions used to prepare the LTP provide a reasonable and supportable basis for the preparation of the forecast information.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 28 June 2012. This is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council

and the Auditor, and explain our independence.

#### **BASIS OF OPINION**

We carried out the audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the LTP does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves performing procedures to obtain audit evidence about the forecast information and disclosures in the LTP. The procedures selected depend on our judgement, including the assessment

of risks of material misstatement of the information in the LTP. In making those risk assessments we consider internal control relevant to the preparation of the District Council's LTP. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

Our audit procedures also include assessing whether:

- the LTP provides the community with sufficient and balanced information about the strategic and other key issues, and implications it faces and provides for participation by the public in decision making processes;
- the District Council's financial strategy, supported by financial policies is financially prudent, and has been clearly communicated to the community in the LTP;
- the presentation of the LTP complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the LTP are compliant with the decision-making and consultation requirements of the Act;
- the information in the LTP is based on materially complete and reliable asset or activity information;
- the agreed levels of service are fairly reflected throughout the LTP;
- the District Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the LTP are

based on best information currently available to the District Council and provide a reasonable and supportable basis for the preparation of the forecast information;

- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;
- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the District Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the LTP.

We do not guarantee complete accuracy of the information in the LTP. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTP and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

#### **RESPONSIBILITIES OF THE COUNCIL**

The Council is responsible for preparing an LTP under the Act, by applying the Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The Council is also responsible for such

internal control as it determines is necessary to enable the preparation of an LTP that is free from material misstatement

The Council's responsibilities arise from Section 93 of the Act.

#### **RESPONSIBILITIES OF THE AUDITOR**

We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you based on our audit. This responsibility arises from section 15 of the Public Audit Act 2001 and section 94(1) of the Act.

It is not our responsibility to express an opinion on the merits of any policy content within the LTP.

#### **INDEPENDENCE**

When reporting on the LTP we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than this report and in conducting the audit of the LTP Statement of Proposal and the annual audit, we have no relationship with, or interests in, the District Council or any of its subsidiaries.



**Phil Kennerley**  
Audit New Zealand  
On behalf of the Auditor General  
Wellington, New Zealand

**JUBILEE PAVILION** 1879-1929

