

Rangitikei District Council

2016 Pre-election Report

22 July 2016



Rangitikei
UNSPOILT...



This Pre-election Report is mandatory and has been prepared and published by the Chief Executive in accordance with section 99A of the Local Government Act 2002. It contains the information required by clauses 36 and 37 of Schedule 10 of the Local Government Act 2002.

The purpose of this Pre-election Report is to provide information to promote public discussion about the issues facing the Rangitikei District Council.

Overview

This Pre-election Report sets out Council's recent financial performance and its planned performance and financial position through to 2020.

This Report shows that the key spending issues over the coming years are in upgrading the Council's water and sewerage (wastewater) systems. There is also the ongoing work of maintaining the District's extensive roading network, for which continuation of the Government's subsidy at the current level is crucial. The Government's review of the subsidy arrangement confirmed a realistic funding level for planned works, but a potentially much lower level of support for emergency works. This presents a substantial financial risk. In addition, Council has committed to developing improved multi-purpose civic/community facilities in the main towns, starting with Bulls.

Funding of significant infrastructure projects, such as water, wastewater and road upgrades, and the new town civic/community centres is through loans. The Statement of Financial Provision shows borrowing planned for each year and the level of indebtedness. The Statement of Comparison with the Financial Strategy (included in the 2015/25 Long Term Plan) includes borrowing as well as rates, rate increases and return on investments.

Council has committed to collaborating with other councils in *Accelerate 25* (the action plan arising from the Regional Growth Study). In addition, following a study on maximising the best use of the District's water resources, Council is embarking on a pre-

feasibility study for a Tutaenui/lower Hunterville rural water scheme, again with financial support from the Government's Irrigation Acceleration Fund. Council has made no funding commitment to the development of new or upgraded rural water supply infrastructure, and any consideration of funding will be as part of a future long-term plan/annual plan process.

Tutohinga (the Memorandum of Understanding) underpins the relationship and planning between

Council and the District's Iwi, together with the Ratana community. Since 2009, Council has had a commitment to strengthening its partnerships with key community organisations, and that commitment was confirmed through the 2015/25 Long-term Plan. The organisations with which Council currently has memoranda of understanding, including funding support, are Rangitikei Tourism, Taihape Community Development Trust, Project Marton, and Bulls and District Community Development Trust.

The information in this Pre-election Report is summarised from previously adopted Annual Reports (audited), the 2015/25 Long Term Plan (audited) and 2016/17 Annual Plan. This Pre-election Report does not substitute for the full disclosures in those documents, all of which are available on the Council's website www.rangitikei.govt.nz and at District libraries. This Pre-election Report is not required to be audited and has not been audited.

The 2013/14 and 2014/15 information is drawn directly from the Annual Reports (audited) from those years. These reports are available on Council's website.

The 2015/16 actual results form the basis of the 2016 Annual Report, which is currently being prepared. The Annual Report, which is subject to independent audit, is expected to be adopted by Council on 29 September 2016

The 2016/17 information is drawn from the Annual Plan adopted on 30 June 2016. This information is unaudited (as it is not required to be audited). This information updates the 2016/17 estimates contained within the 2015/25 Long-term Plan.

The 2015/16, 2017/18, 2019/20 and 2020/21 information is drawn from the 2015/25 Long-Term Plan adopted by Council on 25 June 2015. Although there have been some changes to circumstances since then, they are not significantly out of date to warrant reforecasting for the purposes of this Pre-election Report. However, where there are large variances an explanatory note has been included.



Ross McNeil
Chief Executive

Statement of Cash Flows	2014 Annual report \$000	2015 Annual report \$000	2016 Long-term plan \$000	2017 Annual plan \$000	2018 Long-term plan \$000	2019 Long-term plan \$000	2020 Long-term plan \$000
Cash flows from operating activities							
Receipts from rates revenue	18,801	18,961	20,031	20,461	21,120	21,243	21,701
Receipts from other revenue	11,202	10,396	10,071	17,349	9,420	11,057	10,064
Interest received	393	370	224	228	288	339	373
Dividends received	0	0	0	0	0	0	0
Payments to suppliers and employees	(17,338)	(17,687)	(19,297)	(20,963)	(19,669)	(19,818)	(20,329)
Interest paid	(108)	0	(402)	(379)	(1,227)	(1,581)	(1,750)
Goods and services tax (net)	(28)	(38)	0	0	0	0	0
Net cash inflows (outflows) from operating activities	12,922	12,002	10,627	16,696	9,932	11,240	10,059
Cash flows from investing activities							
Receipts from sale of property, plant and equipment	18	118	0	565	0	0	0
Receipts from sale of investments	0	3,500	0	0	0	0	0
Acquisition of investments	(3,000)	0	(1,000)	0	0	0	0
Purchases of property, plant and equipment	(10,817)	(13,104)	(18,992)	(32,022)	(13,359)	(14,746)	(10,925)
Purchases of intangible assets	(31)	(14)	0	0	0	0	0
Net cash inflows (outflows) from investing activities	(13,830)	(9,500)	(19,992)	(31,457)	(13,359)	(14,746)	(10,925)
Cash flows from financing activities							
Proceeds from borrowings	0	0	10,863	12,724	5,872	5,095	3,247
Repayment of borrowings	(2,500)	0	(1,151)	(1,356)	(1,647)	(1,843)	(2,013)
Net cash inflows (outflows) from financing activities	(2,500)	0	9,712	11,368	4,225	3,252	1,234
Net increase (decrease) in cash, and cash equivalents	(3,408)	2,502	347	(3,393)	798	(254)	368
Cash and cash equivalents at the beginning of the year*	4,874	1,466	2,157	5,705	1,805	2,603	2,349
Cash and cash equivalents at the end of the year	1,466	3,968	2,504	2,312	2,603	2,349	2,717

* Opening cash does not equal closing cash from the previous year in 2016, 2017 and 2018 due to timing differences from when parts of this information were prepared.

Funding Impact Statement	2014 Annual report \$000	2015 Annual report \$000	2016 Long-term plan \$000	2017 Annual plan \$000	2018 Long-term plan \$000	2019 Long-term plan \$000	2020 Long-term plan \$000
Sources of operating funding							
General rates, uniform annual general charge, rates penalties	5,811	6,015	6,682	6,966	6,571	6,269	6,578
Targeted rates	14,421	14,250	13,820	13,977	15,043	15,483	15,646
Subsidies and grants for operating purposes	4,024	3,451	3,560	4,048	3,433	3,518	3,523
Fees, charges, and targeted rates for water supply	2,067	2,248	2,154	2,136	2,108	2,168	2,270
Interest and dividends from investments	416	373	224	228	288	339	373
Local authorities fuel tax, fines, infringement fees, and other receipts	281	128	130	131	131	132	132
Total operating funding	27,020	26,465	26,570	27,486	27,574	27,909	28,522
Applications of operating funding							
Payment to staff and suppliers	17,716	17,564	19,372	21,062	19,748	19,899	20,412
Finance costs	100	(1)	402	379	1,227	1,581	1,750
Other operating funding applications	0	0	0	0	0	0	0
Total applications of operating funding	17,816	17,563	19,774	21,441	20,975	21,480	22,162
Surplus (deficit) of operating funding	9,204	8,902	6,796	6,045	6,599	6,429	6,360
Sources of capital funding							
Subsidies and grants for capital expenditure	4,056	4,341	3,847	10,667	3,348	4,827	3,716
Development and financial contributions	0	0	0	0	0	0	0
Increase (decrease) in debt	(2,500)	(16)	9,696	11,352	4,209	3,237	1,218
Gross proceeds from sale of assets	18	118	0	565	0	0	0
Lump sum contributions	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0
Total sources of capital funding	1,574	4,443	13,543	22,584	7,557	8,064	4,934
Application of capital funding							
Capital expenditure**							
- to meet additional demand	0	0	0	0	0	0	0
- to improve the level of service	1,972	3,900	9,308	12,224	1,962	3,948	2,347
- to replace existing assets	8,509	9,710	9,684	19,798	11,396	10,799	8,578
Increase (decrease) in reserves	705	3,318	347	(3,393)	798	(254)	369
Increase (decrease) in investments	(408)	(3,583)	1,000	0	0	0	0
Total applications of capital funding	10,778	13,345	20,339	28,629	14,156	14,493	11,294
Surplus (deficit) of capital funding	(9,204)	(8,902)	(6,796)	(6,045)	(6,599)	(6,429)	(6,360)
Funding balance	0	0	0	0	0	0	0

Note: Depreciation expense not included above

9,465 9,834 9,798 10,235 10,795 10,830 11,013

Statement of Financial Position	2014 Annual report \$000	2015 Annual report \$000	2016 Long-term plan \$000	2017 Annual plan \$000	2018 Long-term plan \$000	2019 Long-term plan \$000	2020 Long-term plan \$000
Assets							
Current Assets							
Cash and cash equivalents	1,466	3,968	2,504	2,312	2,603	2,349	2,717
Debtors and other receivables	2,944	3,649	3,123	3,845	3,278	3,360	3,442
Prepayments	114	11	11	11	11	11	11
Other financial assets	3,515	522	2,515	522	2,515	2,515	2,515
Non-current assets held for sale	0	0	0	0	0	0	0
Total current assets	8,039	8,150	8,153	6,690	8,407	8,235	8,685
Non-current assets							
Plant, property and equipment	472,566	463,515	488,681	507,605	512,938	516,850	549,419
Intangible assets	160	128	95	0	5	9	12
Forestry assets	186	222	28	64	28	28	28
Other financial assets	3,128	2,539	4,128	3,539	4,128	4,128	4,128
Total non-current assets	476,040	466,404	492,932	511,208	517,099	521,015	553,587
Total assets	484,079	474,554	501,085	517,898	525,506	529,250	562,272
Liabilities							
Current Liabilities							
Creditors and other payables	3,578	4,077	3,653	4,274	3,809	3,890	3,973
Employee entitlements	240	259	240	259	240	240	240
Income in advance	347	538	347	538	347	347	347
Borrowings	16	16	1,425	1,532	1,843	2,013	2,089
Total current liabilities	4,181	4,890	5,665	6,603	6,239	6,490	6,649
Non-current liabilities							
Employee entitlements	13	14	13	14	13	13	13
Provisions	470	345	444	292	392	366	339
Borrowings	192	176	13,850	14,601	23,398	26,465	27,606
Total non-current liabilities	675	535	14,307	14,907	23,803	26,844	27,958
Total liabilities	4,856	5,425	19,972	21,510	30,042	33,334	34,607
Net Assets	479,223	469,129	481,113	496,388	495,464	495,916	527,665
Equity							
Accumulated funds	442,611	432,501	443,727	444,962	443,314	443,085	441,838
Special and restricted reserves	4,868	5,099	5,642	5,219	6,384	7,065	7,400
Other reserves	31,744	31,529	31,744	56,208	45,766	45,766	78,427
Total equity	479,223	469,129	481,113	506,389	495,464	495,916	527,665

Statement of Comparison with Financial Strategy

In 2012, the Council adopted its first financial strategy containing: quantified limits on rates, rates increases, borrowing, and returns on investments. The table below reports on the actual results against those limits.

The Council set the following limits:

	Criteria	2012/13 annual report compliance	2013/14 annual report compliance	2014/15 annual report compliance
Rates	Long-term plan forecasts rates increases of 6.34% in 2012/13, 6.66%, 2013/14, and 5.68% in 2014/15	3.45% (achieved)	3.92% (achieved)	1.94% (achieved)
Rates increases	Annual rate increases to be held between 0% and 10% (excluding inflation).	Increase within limit	Increase within limit	Increase within limit
Borrowing	Total interest expense as a proportion of net external debt not to exceed 5.15% in 2012/13, 6.55% in 2013/14 and 7.15% in 2014/15.	5.65% (not achieved due to 40% reduction in debt during the year which distorts interest paid in relation to year end debt)	No external debt at year end (except interest-free community loan).	No external debt at year end (except interest-free community loan).
	Ratio of net external debt to annual rates income not to exceed 55.3% in 2012/13, 69.5% in 2013/14 and 80.3% in 2014/15.	14.6% (achieved)	1.1% (achieved)	1.0% (achieved)
	Net external debt per capita (estimated resident population based on "low" estimate) not to exceed \$661 in 2012/13, \$985 in 2013/14 and \$1,160 in 2014/15.	\$189 (achieved)	\$14 (achieved)	\$13 (achieved)
Financial investments	Investments must yield return greater than borrowing rate.	Borrowing rate 5.5% Investment rate 5.72%	Borrowing rate 5.5% Investment rate 5.78%	No external debt Investment rate 6.76%
Property and equity investments	No limits set for property or equity investments as both are held for strategic purposes only.	Not applicable	Not applicable	Not applicable

Major Projects

The 2015/25 Long Term Plan shows major projects in detail. Modifications to this were made for the 2016/17 financial year as part of the annual plan adopted on 30 June 2016. The following table provides an updated list of major projects but these should be read in conjunction with the earlier documents. Note: No growth projects are planned only ones that replace existing assets or improve levels of service.

			2017	2018	2019	2020
	BRIEF DESCRIPTION	FUNDING SOURCE	Annual plan \$000	Long-term plan \$000	Long-term plan \$000	Long-term plan \$000
RENEWALS						
Sealed road surfacing	Programmed renewals	Subsidy/reserves/rates	1829	1789	1818	1797
Pavement rehabilitation	Programmed renewals	Subsidy/reserves/rates	1627	1689	1731	1731
Taihape water	Treatment and reticulation	Reserves/debt	2076	1576	189	304
Bulls water	Treatment and reticulation	Reserves/debt	1443	538	0	364
Taihape sewerage	Treatment and reticulation	Reserves/debt	493	1076	1088	976
Ratana sewerage	Treatment and reticulation	Reserves/debt	526	7	12	259
IMPROVED SERVICE LEVELS						
Road safety	Realignment and intersections	Subsidy/reserves/rates	826	526	539	539
Bulls sewerage	Treatment plant upgrade	Debt	1100	0	0	0
Ratana sewerage	Treatment plant upgrade	Debt	1419	0	0	0
Marton sewerage	Treatment plant upgrade	Debt	2117	802	0	0
Bulls	New town centre	Reserves/contributions	3611	0	0	0
Marton	New town centre	Reserves/debt	220	0	589	830
NON-CAPITAL PROJECTS						
Water	Irrigation Acceleration Fund Application	Rates				
Community partnerships	Community cohesion and resilience	Rates				