

Selwyn District Council

Pre-election Report 2019

July 2019



Introduction

The pre-election report provides information on the financial position of the Council. The publication of this report is a requirement of the Local Government Act 2002.

General election information

The triennial general election for Selwyn District Council will be held on Saturday 12 October 2019.

Election of the Mayor, Councillors and members of the Malvern Community Board will be held on this date.

Local authority elections are governed by the Local Electoral Act 2001 and further information on election procedure can be obtained from the Council's Deputy Electoral Officer, Stephen Hill, or on the Council's website at www.selwyn.govt.nz/elections.

Voting documents will be sent to all enrolled voters by post from Friday 20 September 2019.

Voting closes at 12 noon on Saturday 12 October 2019.

Welcome to Selwyn District Council's Pre-election Report 2019

From the Chief Executive

Selwyn continues to be one of the fastest-growing districts in New Zealand. Our population has increased by more than 60% in the past 10 years, and has now reached 63,000 – making it the third-largest territorial authority in the South Island. This growth does not appear to be slowing significantly, and we expect our population to surpass 80,000 by 2029.

Selwyn's economy is also thriving. Our growth in economic output is consistently above national and regional averages and the district continues to attract strong investment, especially in the agriculture, horticulture and related sectors.

The Council is responding to this growth by working with our communities to plan and deliver the infrastructure, services and facilities that are needed to ensure our district remains vibrant and attractive.

Since the last election in 2016 the Council has continued its investment across the district including the development of Foster Park, new community centres at Dunsandel, West Melton and Tai Tapu, and seismic strengthening at other facilities. We have introduced extended hours across our libraries network, and developed a lively year-round events programme. Significant roading improvements have been completed, along with construction of several new footpaths and cycleways, and we continue to develop new reserves and parks.

This activity will continue in the coming years with plans including the development of the new library Te Ara Ātea and Rolleston town centre, an indoor courts complex at Foster Park, extending the capacity of the popular Selwyn Aquatic Centre, roading projects to connect with the new motorway and Rolleston town centre, development of premises for a district health hub, and continuing to upgrade water supply and wastewater treatment facilities. We will also complete the review of the Selwyn District Plan.

This is the third time this Council has produced a Pre-election Report, which is required under the Local Government Act. It outlines plans for the coming years, along with financial information setting out the Council's expenditure in recent years, and the forecasts for the next three years.

The report also provides information on how the Council is implementing its Financial Strategy, adopted in June 2018, which aims to balance costs fairly between current and future ratepayers, customers and developers.

While the Council is in a sound financial position, the scale of the expenditure required for major infrastructure projects means funding will need to come from a combination of sources. Although rates will need to increase above the rate of inflation over the next few years, the level of increase will be tightly managed and average rate rises of less than 5% per year are forecast. Borrowing is forecast to increase over the coming years, but will remain affordable and well within debt limits.

Alongside this report, I encourage readers to also refer to the Council's Long-Term Plan 2018–2028, Annual Plan 2019/20 and recent Annual Reports to gain a full picture of the Council's operations, plans and financial status. These reports, along with other information and publications, are available on the Council's website www.selwyn.govt.nz.

David Ward
Chief Executive

Funding impact statement

For the years ended 30 June 2017, 2018, 2019 and ending 30 June 2020, 2021, 2022 and 2023.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Forecast	Annual Plan	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SOURCES OF OPERATING FUNDING							
General rates	16,140	17,822	21,195	22,806	24,610	26,871	29,314
Targeted rates	30,194	33,762	36,416	40,752	42,234	44,997	47,609
Subsidies and grants for operating purposes	4,009	4,012	5,932	6,688	7,397	9,682	8,858
Fees and charges	15,479	16,707	17,333	17,864	19,304	20,117	20,610
Interest and dividends from investments	9,997	10,384	9,689	7,345	6,912	7,102	7,367
Other operating funding	7,185	1,105	510	516	282	288	295
Total operating funding (A)	83,004	83,792	91,075	95,971	100,739	109,057	114,053
APPLICATION OF OPERATING FUNDING							
Payments to staff & suppliers	68,328	70,214	76,059	80,445	81,272	82,700	85,616
Finance costs	2,159	1,471	1,241	2,864	5,480	6,110	6,476
Other operating funding applications	411	893	392	616	564	586	607
Total application of operating funding (B)	70,898	72,578	77,692	83,925	87,316	89,396	92,699
Surplus/(deficit) of operating funding (A-B)	12,106	11,214	13,383	12,046	13,423	19,661	21,354
SOURCES OF CAPITAL FUNDING							
Subsidies for capital expenditure	3,107	5,652	3,688	4,861	3,363	4,067	3,375
Development and financial contributions	19,539	14,996	22,896	15,655	16,241	16,165	17,723
Increase/(decrease) in debt	(15)	(20,000)	-	84,316	16,858	8,368	6,237
Gross sales proceeds from sale of assets	36,356	18,435	9,186	3,649	3,120	563	120
Total sources of capital funding (C)	58,987	19,083	35,770	108,481	39,582	29,163	27,455
APPLICATIONS OF CAPITAL FUNDING							
Capital expenditure to meet additional demand	26,013	28,552	27,795	119,663	26,485	29,989	19,446
Capital expenditure to improve the level of service	9,385	14,757	10,766	35,240	15,295	3,430	3,839
Capital expenditure to replace existing assets	9,219	9,472	12,283	18,315	11,001	13,114	20,984
Increase/(decrease) in reserves	(1,531)	(5,332)	4,015	(25,930)	(3,916)	(1,241)	(4,880)
Increase/(decrease) of investments	28,007	(17,152)	(5,706)	(26,761)	4,140	3,532	9,420
Total applications of capital funding (D)	71,093	30,297	49,153	120,527	53,005	48,824	48,809
Surplus/(deficit) of capital funding (C-D)	(12,106)	(11,214)	(13,383)	(12,046)	(13,423)	(19,661)	(21,354)
Funding balance (A-B)+ (C-D)	-	-	-	-	-	-	-

The funding impact statement shows the revenue and financing mechanisms the Council uses to fund its operating and capital expenditure. The statement excludes non-cash income and expenditure items such as vested asset revenue (income that represents the value of assets transferred to the Council by sub-dividers) and depreciation (expenditure that represents the estimated value of assets used up in any one year).

Funding impact statement commentary

Sources of operating funding

General and targeted rates: revenue that the Council receives from ratepayers and is used to help fund the operational requirements of the Council. The increases each year are due to a combination of more ratepayers and rate rises.

Subsidies for operating purposes: subsidies received and used to fund the operational requirements of the Council, eg New Zealand Transport Agency (NZTA) subsidies to help pay for road maintenance and other grants.

Fees and charges: revenue received by the Council from user-pays services.

Interest and dividends: revenue the Council receives from interest earned on cash investments plus the dividend revenue received from Sicon Limited, Orion New Zealand Limited and Transwaste Limited.

Other operating funding: this revenue relates to extraordinary income.

Application of operating funding

Payments to staff and suppliers: the operational costs that the Council incurs including payments to contractors and employees of the Council.

Finance costs: the interest costs that the Council incurs on its public debt (borrowings).

Sources of capital funding

Subsidies for capital expenditure: subsidies received and used to fund the capital expenditure of the Council, eg NZTA subsidies received for the construction of new roading infrastructure.

Development and financial contributions: a contribution towards the construction of new or additional assets as a result of development.

Increase/(decrease) in debt: movement in the Council’s borrowings during the financial year.

Gross sales proceeds: proceeds received from the sale of assets, including the sale of Izone development land.

Applications of capital funding

Capital: construction of new assets, split between assets that are growth related, assets that improve the level of service provided to ratepayers and replacement of existing assets.

Increase/(decrease) in reserves: movement in the Council’s reserves used to fund expenditure.

Increase/(decrease) in investments: movement in the Council’s financial investments and cash balance.

Summary balance sheet

As at 30 June 2017, 2018, 2019, 2020, 2021, 2022 and 2023.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Forecast	Annual Plan	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS							
Financial assets	103,177	88,042	88,014	42,787	45,183	47,535	52,052
Other current assets	8,051	5,176	5,171	800	436	125	125
Total current assets	111,228	93,218	93,185	43,587	45,619	47,660	52,177
NON CURRENT ASSETS							
Financial assets	122,297	116,021	115,527	120,713	120,431	120,349	130,638
Other non current assets – including infrastructure	1,324,884	1,374,790	1,463,036	1,695,437	1,727,338	1,804,553	1,927,850
Total non current assets	1,447,181	1,490,811	1,578,563	1,816,150	1,847,769	1,924,902	2,058,488
TOTAL ASSETS	1,558,409	1,584,029	1,671,748	1,859,737	1,893,388	1,972,562	2,110,665
CURRENT LIABILITIES							
Other current liabilities	18,761	19,414	20,432	21,000	21,000	21,000	21,000
Total current liabilities	18,761	19,414	20,432	21,000	21,000	21,000	21,000
NON CURRENT LIABILITIES							
Public debt (Borrowing)	35,200	15,200	15,200	99,516	118,105	126,473	132,710
Other non current liabilities	1,593	1,275	974	1,269	693	694	694
Total non current liabilities	36,793	16,475	16,174	100,785	118,798	127,167	133,404
EQUITY							
Total equity	1,242,780	1,548,140	1,635,142	1,737,952	1,753,590	1,824,395	1,956,261
TOTAL LIABILITIES AND EQUITY	1,558,409	1,584,029	1,671,748	1,859,737	1,893,388	1,972,562	2,110,665

The summary balance sheet presents a snapshot of the Council’s financial position at the end of the financial year. The summary statement separately discloses total current assets, non-current assets, current liabilities, non-current liabilities and equity. In addition to the totals the statement separately identifies public debt (borrowings) and financial assets.

Balance sheet commentary

Current financial assets: assets include cash and cash equivalents and trade receivables.

Other current assets: inventory and non-current assets held for sale are included in this balance.

Non-current financial assets: assets include the Council’s investment in Orion New Zealand Limited, and other financial investments.

Other non-current assets: assets include the Council’s property, plant and equipment and other fixed assets.

Public debt: the Council’s borrowings are included in this balance. Projected debt levels assume all capital projects will be completed by year end. In practice actual debt levels will be lower than the budgeted level.

Other current liabilities: liabilities include trade payables, accrued expenditure and employee benefit liabilities. The balance fluctuates due to the timing of payments made to employees and suppliers.

Other non-current liabilities: liabilities included in this balance include employee benefit liabilities, provisions, deferred taxation and interest rate swap liabilities.

Equity: equity includes the ratepayers’ equity balance, revaluation reserves and special fund balances held.



Financial Strategy Review

The Financial Strategy guides the way the Council makes decisions on income, expenditure, borrowing and investments. It helps explain how it plans to balance the books and summarises the implications of these plans for ratepayers. In doing so it links the decisions the Council makes on what services to provide and how they will be paid for.

The funding section of this report outlines how the Council performed against its financial strategy set as part of the formal budget-setting process. The report compares rates, rate increases, public debt (borrowing) levels and the return on investment with the levels set out in the Council's financial strategy. The Council's financial strategy is published in the Long-Term Plan 2018–2028.

	30 June 2017	30 June 2018	30 June 2019	Financial
	Actual	Actual	Forecast	Strategy Limits
RATES LEVELS AND LIMITS				
Average per ratepayer (Excl. GST)	\$2,012	\$2,170	\$2,319	\$3,043
Average per ratepayer (Incl. GST)	\$2,314	\$2,495	\$2,667	\$3,500
Average percentage increase per ratepayer	4.0%	4.5%	6.0% ¹	7.0%
BORROWING LEVELS AND LIMITS				
Total borrowing \$'000	35,200	15,200	15,200	131,000
Net borrowing as a percentage of revenue	n/a ²	n/a ²	n/a ²	130%
Net interest as a percentage of revenue	n/a ³	n/a ³	n/a ³	8%
Net interest as a percentage of rates revenue	n/a ³	n/a ³	n/a ³	15%
INVESTMENT REVENUE				
Commercial property investment return	8.3%	8.3%	7.3%	6.0%
Shareholding investment return	5.0%	8.1%	6.0%	5.0%
Cash investment return	6.0%	4.8%	3.6%	3.5%

¹ This is the average percentage increase for individual ratepayers.

² The Council was in a net investment position as at 30 June 2017, 2018 and 2019.

³ Interest revenue exceeded interest expenditure for the year ended 30 June 2017, 2018 and 2019.

Rates levels and limits: the average rate per ratepayer is the total rates revenue of the Council divided by the total number of uniform annual general charges levied.

Borrowing levels and limits: borrowing is used to fund capital expenditure that will support growth of the district.

Investment revenue: The Council has three main types of investments: its property portfolio, its shareholding in Sicon Limited and Orion New Zealand Limited, and cash investments.

Financial information

The Pre-election Report has been prepared to provide information on the Council's finances. The preparation of this report is a requirement under Section 99A of the Local Government Act 2002 which requires the Chief Executive of a local authority to prepare a pre-election report containing the following information:

- a funding impact statement
- a summary balance sheet
- a statement comparing rates, rate increases, borrowing and return on investments, and
- an outline of the major capital projects planned for the next three years.

Cautionary note

The financial statements presented in this document are based on assumptions. Actual results are likely to vary from the information presented and the variations may be material.

The funding impact statement is prepared based on estimates of revenue and expenditure for the year ended 30 June 2019, and the summary balance sheet is based on a projection of the closing financial position as at 30 June 2019. The information presented in these financial statements is therefore likely to vary to actual results presented in the 2018/19 Annual Report which will be published in October 2019.

The information presented in this report is not subject to independent audit.

The Council is currently performing a valuation of its water and investment property assets. The valuation movements are not included in this report.

Major capital projects

Capital projects the Council plans to complete by 2023.

COMMUNITY FACILITIES	\$'m
Te Ara Ātea and Rolleston Town Centre	22
Foster Park Indoor Courts	21
Health Hub	15
Selwyn Aquatic Centre extension	13.8
District Park Development	7.6
Prebbleton Reserve Development	7.1
Prebbleton Hall	6.1
Rolleston HQ Extension	2.1

TRANSPORTATION	
Connections to CSM Stage 2	15.1
Rolleston Town Centre roading, car parks and public walkways	13.9

REFUSE	
Recovery Park Enhancements	11.8

5 WATERS SERVICES	
Lincoln Water Supply	4.8
Prebbleton Water Supply	4.1
Rolleston Water Supply	6.6
Eastern Selwyn Sewerage Scheme	14.4

2019 Local election calendar

19 July	Nominations open/roll open for inspection
16 August	Nominations close at 12 midday
21 August	Public notice of day of election, candidates' names
20 September	Voter packs mailed to electors. Voting opens
20 Sept–12 Oct	Progressive roll scrutiny, special voting, early processing
12 October	Voting closes at 12 midday. Progress result ASAP thereafter
By 17 October	Declaration of official results

For more information see www.selwyn.govt.nz/elections

