

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 2015-2025.

	30 June 2014	30 June 2015	30 June 2016	Financial
	Actual	Actual	Forecast	Strategy Limits
RATES LEVELS AND LIMITS				
Average per ratepayer (Excl. GST)	\$1,726	\$1,861	\$1,979	\$3,043
Average per ratepayer (Incl. GST)	\$1,985	\$2,140	\$2,276	\$3,500
Average percentage increase per ratepayer	5.3%	7.8%	6.4%	8.0%
BORROWING LEVELS AND LIMITS				
Total borrowing \$'000	75,129	55,078	35,214	
Net borrowing as a percentage of equity	1.7%	n/a*	n/a*	12%
Net borrowing as a percentage of income	22.5%	n/a*	n/a*	250%
Net interest as a percentage of income	3.2%	0.3%	n/a**	20%
Net interest as a percentage of rates income	9.4%	0.9%	n/a**	30%
INVESTMENT REVENUE				
Commercial property investment return	8.3%	8.3%	8.4%	7.0%
Shareholding investment return	5.0%	8.1%	13.0%	5.0%
Cash and bonds investment return	6.0%	4.8%	3.9%	4.5%

*The Council was in a net investment position as at 30 June 2015 and 2016.

** Interest revenue exceeded interest expenditure for the year ended 30 June 2016.

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 bonds.

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 2016, and the summary balance sheet is based on a projection of the closing financial position as at 30 June 2016. The information presented in these financial statements is therefore likely to vary to actual results presented in the 2015/16 Annual Report which will be published in October 2016.

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

Major capital projects

Capital projects the Council plans to complete by 2020.

COMMUNITY FACILITIES	\$'m
Rolleston Library/community facility	17.3
Commercial property	14.4
Dunsandel Community Centre	2.6
Tai Tapu Community Centre	1.1
West Melton Community Centre	6.1
Foster Park	4.1
Rhodes Park new sports pavilion	1.6
Rolleston town centre	3.1

TRANSPORTATION	
Connecting Rolleston across State Highway 1	8.1
Rolleston Town Centre roading upgrades	5.1
Connections to Christchurch Southern Motorway Stage 2	5.7
Lowes Road development area - over 7 years.	2.1

5 WATERS SERVICES	
Lincoln water supply	3.0
Rolleston water supply	6.2
Eastern Selwyn Sewerage Scheme	14.8

2016 triennial general election calendar

Friday 15 July 2016

Nominations open/roll open for inspection

Friday 12 August 2016 12 noon

Nominations/roll close

Wednesday 17 August 2016

Public notice of day of election, candidates' names

Friday 16 – Wednesday 21 September 2016

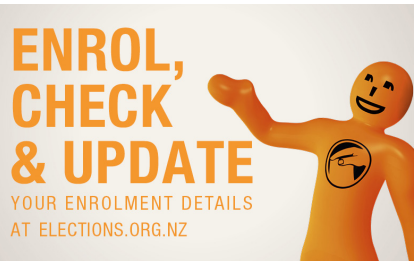
Delivery of voting documents

Friday 16 September – Saturday 8 October 2016

Progressive roll scrutiny, special voting period, and early processing period.

Saturday 8 October 2016

Election day



Selwyn District Council

Pre-election Report 2016

July 2016



Introduction

Welcome to Selwyn District Council's Pre-election Report 2016.

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 8 October 2016.

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. Further information on election procedure can be obtained from the Electoral Officer, Douglas Marshall phone (03) 347 2800 or email elections@selwyn.govt.nz.

Voting documents will be sent to all enrolled voters by post on Friday 16 September 2016.

Voting closes at 12 noon on Saturday 8 October 2016.

Welcome to Selwyn District Council's Pre-election Report 2016

From the Chief Executive

Over the past decade Selwyn has consistently been one of the fastest-growing districts in New Zealand. Our population has increased by 60% since 2006 and is now at 54,000 – and by 2031 is expected to reach 75,000.

Selwyn's economy is also expanding rapidly, with economic growth consistently above the national average and strong investment in the district, especially in the agriculture, horticulture and related sectors.

This growth is welcome but also brings challenges. As a Council we are working with our communities to plan and prioritise how we deliver the infrastructure, services and facilities that are needed to ensure Selwyn continues to be a great place to live, work and play.

Since the last election in 2013 the Council has undertaken significant investments across the district including facilities such as the new Lincoln Library and Foster Park, the completion of our Selwyn 2031 district planning framework, the construction of new footpaths and cycleways, the expansion of Council's Izone business hub, the development of new reserves and upgrades to our water infrastructure.

This activity will continue in the coming years with plans including major roading projects, building and upgrading community centres, developing the new Rolleston town centre – including a new library – a new large-scale park, and increasing water supply and wastewater treatment facilities.

This is the second 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 2015, 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 2015-2025, Annual Plan 2016/17 and recent Annual Reports to gain a full picture of the Council's operations, plans and financial status.

David Ward
Chief Executive

Funding impact statement

For the years ended 30 June 2014, 2015, 2016 and ending 30 June 2017, 2018, 2019 and 2020.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Actual	Forecast	Annual Plan	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SOURCES OF OPERATING FUNDING							
General rates	12,088	13,792	14,960	15,735	17,517	19,117	20,590
Targeted rates	20,078	24,527	27,461	29,608	31,907	33,822	35,988
Subsidies and grants for operating purposes	3,040	3,528	3,556	3,107	2,960	3,414	3,399
Fees and charges	13,504	15,408	15,526	15,884	15,997	15,671	16,095
Interest and dividends from investments	6,909	10,837	14,218	8,873	9,061	9,416	9,679
Other operating funding	485	296	508	642	212	217	222
Total operating funding (A)	56,104	68,388	76,229	73,849	77,654	81,657	85,973
APPLICATION OF OPERATING FUNDING							
Payments to staff & suppliers	49,714	53,646	58,443	67,178	61,424	63,617	65,930
Finance costs	5,254	3,652	3,080	4,114	6,720	6,889	7,431
Other operating funding applications	373	3,651	332	623	483	501	520
Total application of operating funding (B)	55,341	60,949	61,855	71,915	68,627	71,007	73,881
Surplus/(deficit) of operating funding (A-B)	763	7,439	14,374	1,934	9,027	10,650	12,092
SOURCES OF CAPITAL FUNDING							
Subsidies for capital expenditure	2,286	2,576	3,061	3,672	3,321	6,364	5,443
Development and financial contributions	24,961	23,252	21,493	12,426	12,308	6,179	6,343
Increase/(decrease) in debt	(14,966)	(20,051)	(19,864)	45,381	331	5,293	12,748
Gross sales proceeds from sale of assets	15,671	32,909	9,795	16,709	13,369	14,890	10,457
Total sources of capital funding (C)	27,952	38,686	14,485	78,188	29,329	32,726	34,991
APPLICATIONS OF CAPITAL FUNDING							
Capital expenditure to meet additional demand	18,203	16,010	26,645	67,030	18,127	24,245	16,854
Capital expenditure to improve the level of service	2,515	4,586	4,264	18,618	7,740	8,652	5,735
Capital expenditure to replace existing assets	4,833	7,810	7,674	8,864	8,006	7,987	20,415
Increase/(decrease) in reserves	13,309	9,499	(4,135)	(12,365)	1,384	763	(11,532)
Increase/(decrease) of investments	(10,145)	8,220	(5,589)	(2,025)	3,099	1,729	15,611
Total applications of capital funding (D)	28,715	46,125	28,859	80,122	38,356	43,376	47,083
Surplus/(deficit) of capital funding (C-D)	(763)	(7,439)	(14,374)	(1,934)	(9,027)	(10,650)	(12,092)
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 2014, 2015, 2016, 2017, 2018, 2019 and 2020.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Actual	Forecast	Annual Plan	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS							
Financial assets	67,311	86,612	79,032	16,848	16,626	16,097	16,151
Other current assets	13,336	10,876	10,874	7,414	6,849	3,174	-
Total current assets	80,647	97,488	89,906	24,262	23,475	19,271	16,151
NON CURRENT ASSETS							
Financial assets	99,473	96,327	88,657	143,974	165,621	171,088	177,614
Other non current assets - including infrastructure	1,161,736	1,195,836	1,287,033	1,334,785	1,339,470	1,374,326	1,414,879
Total non current assets	1,261,209	1,292,163	1,375,690	1,478,759	1,505,091	1,545,414	1,592,493
TOTAL ASSETS	1,341,856	1,389,651	1,465,596	1,503,021	1,528,566	1,564,685	1,608,644
CURRENT LIABILITIES							
Other current liabilities	22,564	21,070	15,382	21,070	15,399	15,399	15,399
Total current liabilities	22,564	21,070	15,382	21,070	15,399	15,399	15,399
NON CURRENT LIABILITIES							
Public debt (Borrowing)	75,129	55,078	35,214	86,468	112,178	117,471	130,219
Other non current liabilities	1,383	2,058	2,261	2,058	1,383	1,383	1,384
Total non current liabilities	76,512	57,136	37,475	88,526	113,561	118,854	131,603
EQUITY							
Total equity	1,242,780	1,311,445	1,412,739	1,393,425	1,399,606	1,430,432	1,461,642
TOTAL LIABILITIES AND EQUITY	1,341,856	1,389,651	1,465,596	1,503,021	1,528,566	1,564,685	1,608,644

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. A current borrowing portion is included in the actual and forecast results. 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.

