

Pre-election Report 2022

July 2022



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 8 October 2022.

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 16 September 2022.

Voting closes at 12 noon on Saturday 8 October 2022.

Welcome to Selwyn District Council's Pre-election Report 2022

From the Chief Executive

This is the fourth 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 2021, which aims to balance costs fairly between current and future ratepayers, customers and developers.

Selwyn continues to be one of the fastest-growing districts in New Zealand. Our population has increased by more than 70% in the past 10 years, and has now reached 73,600 – making it the third-largest territorial authority in the South Island. This growth shows no sign of slowing significantly, and we expect our population to reach 90,000 by 2031.

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. Overall the district economy is rebounding well from the impacts of the COVID-19 pandemic.

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 2019 the Council has continued its investment across the district including the development of Te Ara Atea, the district's vibrant new arts, cultural and learning centre, the Selwyn Sports Centre, Toka Hapai health hub, an extension to the Selwyn Aquatic Centre, and the continuing development of Rolleston town centre.

Significant roading improvements have been completed, including linkages to the Christchurch Southern Motorway, and upgrades included in the Rolleston town centre redevelopment. Several new footpaths and cycleways have also been constructed. We continue to develop new reserves and parks for both active and passive recreation. A major redevelopment of public facilities at the Pines Resource Recovery Park is continuing. Many public water supplies have been upgraded over recent years to provide safer drinking water.

This activity will continue in the coming years with plans including the completion of a new District Plan, new wastewater pipeline for Darfield and Kirwee, new community centres in Hororata, Leeston and Prebbleton, continuing upgrades of roading and water infrastructure district-wide, a recreation reserve in Springs ward as well as a major new district park, and investment in climate change and biodiversity.

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. The Financial Strategy signals that rate rises will be limited to 6% in any one year.

However in our Annual Plan 2022/23 we have noted significant cost pressures affecting both capital and operating expenditure, which are likely to impact on future budgets. These include factors such as increased fuel costs, supply chain delays and cost increases, impacts of the Russia-Ukraine conflict on fuel prices, and a continuing tight labour market, all of which are reflected in recent Producer Price Index increases.

The local government sector nationally also faces uncertainty arising from Government's reform programme including Three Waters Reforms, the Future for Local Government review and the replacement of the Resource Management Act.

Alongside this report, I strongly encourage readers to also refer to the Council's Long-Term Plan 2021-2031, Annual Plan 2022/23 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 2020, 2021, 2022 & ending 30 June 2023, 2024, 2025 & 2026

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Actual	Forecast	Annual Plan	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SOURCES OF OPERATING FUNDING							
General rates, uniform annual general charges, rate penalties	23,421	24,512	27,277	28,894	31,283	33,856	36,627
Targeted rates	41,203	44,226	51,010	51,508	55,104	58,674	62,543
Subsidies and grants for operating purposes	6,185	6,236	9,166	3,210	3,485	3,952	4,130
Fees and charges	18,992	21,179	24,461	24,496	26,209	27,682	29,130
Interest and dividends from investments	6,875	6,570	6,451	5,862	5,999	6,139	6,289
Local authorities fuel tax, fines, infringement fees, and other receipts	499	1,781	1,266	390	406	422	439
Total operating funding (A)	97,175	104,504	119,631	114,360	122,486	130,725	139,158
APPLICATION OF OPERATING FUNDING							
Payments to staff & suppliers	82,038	86,889	105,848	95,837	98,928	100,838	105,131
Finance costs	979	996	1,359	4,504	5,406	6,156	6,697
Other operating funding applications	148	310	301	460	472	485	499
Total application of operating funding (B)	83,165	88,205	107,508	100,801	104,806	107,479	112,327
Surplus/(deficit) of operating funding (A-B)	14,010	16,299	12,123	13,559	17,680	23,246	26,831
SOURCES OF CAPITAL FUNDING							
Subsidies for capital expenditure	5,370	8,951	16,465	7,778	10,504	11,822	9,125
Development and financial contributions	26,264	24,739	36,353	10,790	8,243	9,674	12,425
Increase/(decrease) in debt	20,000	25,000	15,000	30,303	41,967	18,171	25,080
Gross sales proceeds from sale of assets	3,751	2,549	6,645	2,585	5,222	1,500	1,500
Total sources of capital funding (C)	55,385	61,239	74,463	51,456	65,936	41,167	48,130
APPLICATIONS OF CAPITAL FUNDING							
Capital expenditure to meet additional demand	46,528	69,203	70,565	31,692	46,692	15,479	30,214
Capital expenditure to improve the level of service	17,384	20,068	12,204	19,567	22,189	24,175	22,684
Capital expenditure to replace existing assets	13,415	13,948	15,785	17,820	22,957	22,653	19,674
Increase/(decrease) in reserves	(1,481)	6,429	(16,485)	(8,432)	(5,722)	(2,607)	(6,015)
Increase/(decrease) of investments	(6,451)	(32,110)	4,517	4,368	(2,322)	4,713	8,404
Total applications of capital funding (D)	69,395	77,538	86,586	65,015	83,616	64,413	74,961
Surplus/(deficit) of capital funding (C-D)	(14,010)	(16,299)	(12,123)	(13,559)	(17,680)	(23,246)	(26,831)
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 developers) 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 more ratepayers and rate rises.

Subsidies for operating purposes: subsidies received and used to fund the operational requirements of the Council, for example, Waka Kotahi NZ Transport Agency 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 Transwaste Limited, Orion New Zealand Limited and CORDE Limited.

Fuel tax, fines, infringement fees and other receipts: 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, for example, Waka Kotahi NZ Transport Agency 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 2020, 2021, 2022, 2023, 2024, 2025, 2026

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Actual	Forecast	Annual Plan	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS							
Financial assets	92,150	69,637	56,940	42,787	67,490	70,369	73,567
Other current assets	1,562	1,573	3,034	800	1,520	1,520	1,520
Total current assets	93,712	71,210	59,974	43,587	69,010	71,889	75,087
NON CURRENT ASSETS							
Financial assets	133,805	135,655	145,567	120,713	140,655	140,655	151,716
Other non current assets – including infrastructure	1,656,504	1,835,286	1,892,131	1,695,437	2,136,723	2,289,223	2,418,249
Total non current assets	1,790,309	1,970,941	2,037,698	1,816,150	2,227,378	2,429,878	2,569,965
TOTAL ASSETS	1,884,021	2,042,151	2,097,672	1,859,737	2,246,388	2,501,767	2,645,052
CURRENT LIABILITIES							
Other current liabilities	28,004	31,350	31,412	21,000	31,695	32,466	33,272
Total current liabilities	28,004	31,350	31,412	21,000	31,695	32,466	33,272
NON CURRENT LIABILITIES							
Public debt (Borrowing)	35,200	60,200	75,200	99,516	237,190	255,361	280,442
Other non current liabilities	1,475	2,593	7,262	1,269	1,156	1,156	1,156
Total non current liabilities	36,675	62,793	82,462	100,785	238,346	256,517	281,596
EQUITY							
Equity	1,819,342	1,948,008	1,983,798	1,737,952	2,076,347	2,212,784	2,330,182
Total Equity	1,819,342	1,948,008	1,983,798	1,737,952	2,076,347	2,212,784	2,330,182
TOTAL LIABILITIES AND EQUITY	1,884,021	2,042,151	2,097,672	1,859,737	2,246,388	2,501,767	2,645,052

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 much lower than the budgeted level.

Other current liabilities: liabilities include 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, and deferred taxation and interest rate swap liabilities. The balance fluctuates largely due to movements in the interest rate swap liability.

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 over 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 2021-2031.

	30 June 2020	30 June 2021	30 June 2022	Financial
	Actual	Actual	Forecast	Strategy Limits
RATES LEVELS AND LIMITS				
Average percentage increase per ratepayer	6.0%	1.6%	6.0%	6.0%
BORROWING LEVELS AND LIMITS				
Total borrowing \$'000	35,200	60,200	75,200	
Net borrowing as a percentage of revenue	n/a	3.4%	23.2%	160%
Net interest as a percentage of revenue	n/a	n/a	0.6%	<8%
Net interest as a percentage of rates revenue	n/a	n/a	1.0%	<15%
INVESTMENT REVENUE				
Commercial property investment return	6.9%	7.2%	6.0%	6.0%
Shareholding investment return	3.4%	4.5%	4.5%	3.0%
Cash investment return	2.5%	0.9%	1.4%	1.5%

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 CORDE 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 2022 and the summary balance sheet is based on a projection of the closing financial position as at 30 June 2022. The information presented in these financial statements is therefore likely to vary to actual results presented in the 2021/22 annual report which will be published in December 2022.

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

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

Major capital projects

Capital projects the Council plans to complete by 2026.

COMMUNITY FACILITIES	\$m
Leeston Library	4.6
Rolleston Town Centre Retail	21.3
Hororata Community Centre	2.2
Leeston Community Centre	4.6
Prebbleton Community Centre	5.7
Lincoln Park Reserve Development	2.5
Prebbleton Reserve Extension	6
Rolleston Reserve Redevelopment	3.2
Selwyn District Park	9.6
Darfield Pool	3

TRANSPORTATION	
Goulds/East Maddisons Rd Roundabout – Faringdon	3

REFUSE	
Recovery Park Enhancements	5.8

5 WATERS SERVICES	
Lincoln Water Supply	2.1
Prebbleton Water Supply	2.1
Rolleston Water Supply	6.3
Ellesmere Sewerage Scheme	12.8
Eastern Selwyn Sewerage Scheme	26.4

2022 Local election calendar

15 July	Nominations open/roll open for inspection
12 August	Nominations close at 12 midday
17 August	Public notice of day of election, candidates' names
16 September	Voter packs mailed to electors. Voting opens
16 Sept– 8 Oct	Progressive roll scrutiny, special voting, early processing
8 October	Voting closes at 12 midday. Progress result ASAP thereafter
13– 23 October	Declaration of official results

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

