

Meeting of the

***LONG TERM PLAN WORKING GROUP to be held in the
COMMITTEE ROOM, 15 Seymour Street, Blenheim
on FRIDAY, 8 SEPTEMBER 2023***

9.00 am to 11.00 am

A G E N D A

1.	Proposed LTP Working Group Items and Timings.....	1
2.	Contracting Out	5
3.	Rates Cap.....	8
4.	Debt Cap	11
5.	Financial Impact of 3 Waters including Stranded Overheads	13

Record No: 23185838

File Ref: D050-001-L24

1. Proposed LTP Working Group Items and Timings

(Report prepared by Martin Fletcher)

D050-001-L24

Purpose of Report

1. To document proposed LTP Working Group Items and their timing

RECOMMENDATION

That the LTP Working Group agree to the proposed items for further development and their timings for consideration.

Background

2. The attached list of items for consideration by the LTP Working Group has been developed over recent meetings, following input from Councillors. As requested, these items have now been matched to LTP Working Group's scheduled meeting dates.

	Date	Time	Venue
1.	8 September	9.00 – 11.00 AM	Committee Room
2.	21 September	To follow Council Meeting	Council Chambers
3.	17 October	1.00 – 3.00 PM	Council Chambers
4.	2 November	To follow Council Meeting	Council Chambers
5.	28 November	1.00 – 3.00 PM	Council Chambers

3. The numbers in the above table match the numbers in the fifth column of the attached schedule. This way Councillors can identify topics and timings that they have a particular wish to attend.

Items for Review		Progress to Date/Responsibility	Department	When	Comment
1	Funding of depreciation of Community Facilities to fund their replacement.	This item has already been considered, with the decision being that while funding depreciation may be the better option in the long term, that in the interim replacements would be funded by a mix of debt and "Land Sub" funding, depending on the level of growth that's driving the need for a particular project.	Finance	0	No further action
2	Council's policy on providing rates relief for heritage buildings in private ownership – carryover from previous LTP Working Group.	This item has already been considered, with WG minute being, " <i>That the LTP Working Group thanked management for the work undertaken in drafting the Heritage Buildings in Private Ownership Rates Remission Policy but resolved not to proceed until after the completion of the Heritage Strategy.</i> "	Finance	0	No Further action until the completion of the Heritage Strategy
3	How the maintenance of the Picton Foreshore will be undertaken – requested by Councillor Taylor.	Possibly this item has been completed. The following is a media extract based on the minutes of Council's 13 June 2022 meeting, " <i>A \$100,000 proposal to lift Picton Foreshore and Shelly Beach maintenance to premier park status was supported by Councillors but the expenditure withdrawn until landscape design is completed and costed. The landscape work will be carried out by Council's Gardening Team, which designs and maintains Council's premier parks at Seymour Square and Pollard Park.</i> "	P&OS	0	No further action
4	Explaining Council's Rating System.	Finance – On this Agenda - Martin	Finance	0	No further action
5	In-house resourcing or outsourced contracts	Raised by Chair. This item was considered for a number of Council Activities as part of the recent S17A review. The challenge with outsourcing in a relatively small district like Marlborough for many of Council's regulatory activities is maintaining sufficient independence.		0	No further action
6	Endeavour Park future Developments	Raised by Chair following Annual Plan hearings. While this item could be considered as part of the LTP, it is best to allocate to the Assets and Services Committee, under the leadership of Jamie Lyall.	P&OS	0	No further action by LTPWG
7	Halls Study on the maintenance requirements, improvements, rationalisation and funding	Annual Plan hearing decision. While this item could be considered as part of the LTP, it is best to allocate to the Assets and Services Committee, under the leadership of Jamie Lyall.	P&OS	0	No further action by LTPWG
8	The definition of properties paying the Kenepuru and French Pass Road rates.	It is proposed to remit the balance of the Kenepuru Road Rate – Approved by Council on 12 June 2023.	Finance	0	No further action
13	The process for Levels of Service Reviews.	Finance – Martin	Finance	0	
9	Related to the above is understanding more fully the financial impacts of losing the Three Waters if current policy settings remain including Stranded Overheads.	Finance - Martin	Finance	1	
10	Council's Debt Cap – Is it better to have a fixed amount as has been the case to date or would a percentage of a revenue base be more appropriate?	Finance – Martin	Finance	1	

Items for Review	Progress to Date/Responsibility	Department	When	Comment	
11	Council's Rates Cap – Currently LGCI + 3%. In the 2021-31 LTP the percentage was increased to allow for the impact of increased Government requirements	Finance – Martin	Finance	1	
12	The possibility of establishing a Central Government Rate – as has been done in Hamilton CC. This will need to be linked to the wording of the Rates Cap.	Finance	Finance	1	Hamilton City Council advised as follows, "The Govt Rates calc that we used back in 2018 – was made up of 2 parts. One was for additional compliance costs in the Waters activity and the other part was for the cost of our District Plan. The business calculated out what these cost were, and then we just used our rule of thumb to determine what the additional rate would be to cover it. In Hamilton's rating system, their General Rates only have differentials for Commercial (34.25%), Residential (57.2%), BID Commercial and Other. The same differentials apply for the Government Rate. Because of the complex Activity weighting and rating area system used in Marlborough, adding another layer of complexity is not considered justified. Plus the cost of additional Government requirements is already in the Rates Cap and obtaining audit clearance will be challenging. As a result, it is proposed that no further work be undertaken on this item.
14	Review the assumptions upon which the LTP will be prepared, eg the assumed financial Assistance Rate from Waka Kotahi.	Finance – Martin	Finance	2	
16	Review of rates weightings for the funding of Tourism Activities, along with reviewing the total funding for DM.		Finance and Econ Dev	2	For initial discussion
17	Review the funding and breadth of activity for animal control, including the 80:20 apportionment between Dog Fees and Rates for Dog Control Funding	Raised by Cllr Arbuckle following a meeting of the Animal Control Sub-Committee on 20 April 2023	Finance & Reg	2	
18	Council's interest rate assumption	This has already been considered for 2023-24 with and increase to 5% but needs to be reconsidered for the LTP. - Chris	Finance	3	
19	The definition of properties in General Rural Geographic Rating Area and whether or not they should be classified Sounds Administration Geographic Rating Area.	This item is a more focused review than the general review contained in "2" below. – Chris/Linda	Finance	3	
20	Review the appropriateness of the Geographic Rating Areas. See item J as well	Finance, following a high-level review by the WG, to determine if there is any need. So far the current boundaries, together with their automatic adjustment to urban based on the provision of water and sewer works well. NB the more focused review on the boundary between Sounds Admin Rural and General Rural above.	Finance	3	
21	Capital Budgets - CBD	Raised by Chair	A&S	3	

Items for Review		Progress to Date/Responsibility	Department	When	Comment
22	Review the application of Annual CPI adjustments to Grants	Annual Plan hearing decision	Finance and Community	3	
23	Community Grants - review what organisations get ongoing support and what is contestable?	Raised by Clr Croad and as part of Annual Plan deliberations	Finance and Community	3	
24	Investigate the possible streamlining of Activity Groups and Activities.	Finance – Tessa	Finance	3	
25	Council's Revenue and Financing Policy including Land Value versus Capital Value Rating.	Council has already decided that it will retain Land Value Rating, except for those activities that are already capital value rated, e.g Wairau River Rate	Finance	4	
26	Council's Financial and Infrastructure Strategies.	Financial Strategy - Finance	Finance	4	
27	Council's policy on Waste Charges versus Rating – requested by Councillor, (now Mayor) Taylor.	Finance and Solid Waste	Finance + A&S	4	
28	Prepare an Iwi Engagement Strategy;	Kaihautū – Hara Adams	TBA	4	Actual delivery will depend on our ability to recruit a new Kaihautū
29	Be briefed on the Rating implication of the 2023 Triennial Revaluation.	Finance – Martin/Rainbow	Finance	4	This date is dependent on the Valuer General approving the revaluation. It is also likely that QV will provide an overview of the revaluation before we present the rating impact
30	Review whether Council should have a continuing role in Energy Efficiency/Clean Heating loans, bearing in mind the issues surrounding compliance and that there are new private sector providers.	Finance – Chris/Linda	Finance	5	Government has recently announced that it will provide exemptions for voluntary targeted rate scheme loans (these low-cost loans are usually for sustainable home improvements like insulation) administered by local and regional councils. The Minister expects regulations to give effect to this exemption to be made by the end of the year. Initial indications are that the other major political party also supports this initiative.
31	Council's Financial and Infrastructure Strategies.	The Infrastructure Strategy - Assets and Services and the Assets and Services Committee, noting that the two Strategies need to align as the Infrastructure Strategy can't be delivered without funding. Currently legislation doesn't require an Infrastructure Strategy to be prepared for 3 Waters assets, but with the delay in starting this situation is likely to change. As a result Assets and Services need a contingency plan is needed should there be a change in Government.	A&S	5	
32	Wairau River Rating Review.	Finance – John Patterson/Andy	A&S + Finance	5	
33	Marlborough Heritage Strategy and its funding	Dean Heiford	Community	5	
34	Council's engagement with the Community as part of preparing the 2024-34 LTP including pre-engagement and consultation. Related to this is a possible review of Community Outcomes.	Communications	Comms	6	Following discussion at the LTPWG meeting it was decided not to pursue pre-consultation, because of the time and level of resource required as already experienced with Sounds Roding and expectations that it creates when we are already facing a very significant rates increase in 2023-24. The next major Comms focus will be the Consultation Document.
35	Council's Debt and Treasury Management Policies.	Previously this has been addressed by the Audit and Risk Sub-Committee following advice from Finance and Bancorp. NB , the funding of IREX debt will need its own policy to match the pricing reset dates contained in the agreement with Kiwi Rail – Bancorp/Adrian/Martin.	Finance	6	
36	How Council wants to further advance senior/social housing?	While this item could be considered as part of the LTP, it is best to allocate to the Senior Housing Sub-Committee, serviced by Jamie Lyall.	Senior Housing	6	
37	Review of storm damaged roads levels of service funding options for Kenepuru, Awatere Valley Road, Northbank and Waihopai.	Extensive studies already underway to identify options, costs, willingness to pay etc which will ultimately lead to increased debt and rates.	CEO	6	This is a separate workstream

2. Contracting Out

(Report prepared by Martin Fletcher)

F230-L24-09-05

Purpose of Report

1. To examine whether Council should continue with its current level of contracting out.

RECOMMENDATION

It is recommended that should Council wish to further investigate continuing to contract out, that it makes budget provision in year 4 of the LTP for at least \$100,000 per Activity it wants to review.

Background/Context

2. Council currently contracts out much of its physical works delivery and ongoing maintenance operations.
3. Ongoing contracting out is less prevalent in other areas with contractors being brought in for specific assignments, for example John Patterson for the review of Council's Development Contributions Policy every three years.
4. The Activities with the highest level of contracting out occurs in Roads (a legal requirement, see Attachment 1), Rivers, Solid Waste, Stormwater and Parks and Open Spaces.
5. To undertake a review of whether to bring maintenance activities in-house would be a significant undertaking, requiring the engagement of an independent consultant at a significant cost. The exercise could not take place overnight and implementation, if Council decides to proceed, could take over a year.
6. To undertake a fully fledged review would most likely require the following steps:
 - i) Identify which Activity is to be investigated.
 - ii) Identification of current Level of Service and its cost.
 - iii) Identification of any Level of Service revisions and their associated costs.
 - iv) Identify what is required to deliver an activity in house and its associated cost. The components required for in-house delivery include:
 - staff;
 - capital equipment requirements, trucks, diggers, etc.;
 - depot requirements;
 - additional administration support, HR, IT, Finance and the office space to house them.

As evidenced by the latest Solid Waste Management contract, implementation could take a year or more.
 - v) The other point is the need to align contract termination dates with the start of in-house delivery commencing. There may be multiple contracts in place for a particular activity and to gain alignment may mean extending contract terms beyond the seven years contained in Council's Procurement Policy. If contracts are terminated early, Council may be exposed to a "loss of profits" claim.
 - vi) Related to (v) above, Council will need to decide whether it wishes to pursue a staged implementation or a 100% transfer. While a staged implementation has some attractions it may result in the under-utilisation of specialist equipment and machinery.

Going Forward

7. With the likely level of demand on staff resources with the transfer of 3 Waters, Sounds Roding and the overall pressure on rates, it is recommended that should Council wish to proceed that it makes budget provision of circa \$100,000 per Activity in year 4 of the LTP for an investigation of the option. In the interim, it's vital to ensure a continuation of effective contract management.

Attachment

Attachment 1 - Land Transport Management Act 2003 – Procurement Procedures

page [7]

Author	Martin Fletcher, CFO
Authoriser	Mark Wheeler, CEO

Land Transport Management Act 2003

25 Procurement procedures

- (1) For the purposes of this Part, the Agency must approve 1 or more procurement procedures that are designed to obtain the best value for money spent by the Agency and approved organisations, having regard to the purpose of this Act.
- (2) In approving a procurement procedure, the Agency must also have regard to the desirability of—
 - (a) enabling persons to compete fairly for the right to supply outputs required for approved activities, if 2 or more persons are willing and able to provide those outputs; and
 - (b) encouraging competitive and efficient markets for the supply of outputs required for approved activities.
- (3) Every approved procurement procedure must specify how procurement is to be carried out (which may differ for different kinds of procurement).
- (4) It is a condition of every procurement procedure that the Agency or an approved organisation must procure outputs from a provider other than the Agency or that organisation (as the case may require), or its employees.
- (5) However, nothing in subsection (4) prevents an approved organisation from procuring from the organisation's own business units the provision of minor and ancillary works on terms approved by the Agency.
- (6) Nothing in this section compels an organisation or person to accept the lowest tender received by it for the provision of any outputs.

3. Rates Cap

(Report prepared by Martin Fletcher)

D050-001-L24

Purpose of Report

1. The purpose of this report is to recommend Council's proposed Rates Cap for the 2024-34 Long Term Plan (LTP).

Executive Summary

2. The Rates Cap is the way the Council signals to ratepayers the likely maximum increase in their rates over the coming 10 years of the Long term plan. If this is exceeded an explanation is required. The current Rates Cap is the Local Government Cost Index (LGCI) movement + 3% and it is proposed that it be retained.

RECOMMENDATION

That the Working Group agree to recommending that the current LGCI+3% rates cap be retained.

Background

3. As required by s93C(2)(i), Councils must include in their Financial Strategies quantified limits on, rates increases and borrowing. The purpose of this is:
 - a) facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
 - b) provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt and investments.
4. The impacts of these limits are that they signal to ratepayers:
 - Council's intention not to exceed the limits it has set for itself; and
 - That Council will provide additional explanations to ratepayers if it intends to exceed the limit. The limits are self set and may be exceeded. However, if they are the reason for it should be explained, e.g. the establishment of a new voluntary targeted rate for the Flaxbourne Irrigation Scheme.

Option 1 (recommended) – LGCI+3%

5. In the 2018-28 LTP Financial Strategy, the Council set its limit at:

- The forecast movement of the Local Government Cost Index (LGCI) plus 2%.

The forecast movement in the LGCI is updated annually by BERL. The forecast increase in the LGCI attempts to forecast the cost of Council delivering the same services to the same standard.

The additional 2% was provided to allow for:

- improvements in level of service, due to direct operating costs, (e.g. increased contract costs resulting from additional traffic safety management requirements).
- increase in operating expenses as a result of the interest, depreciation and operating & maintenance costs associated with new infrastructure e.g. a new water treatment scheme or additional reserve/small townships enhancement.

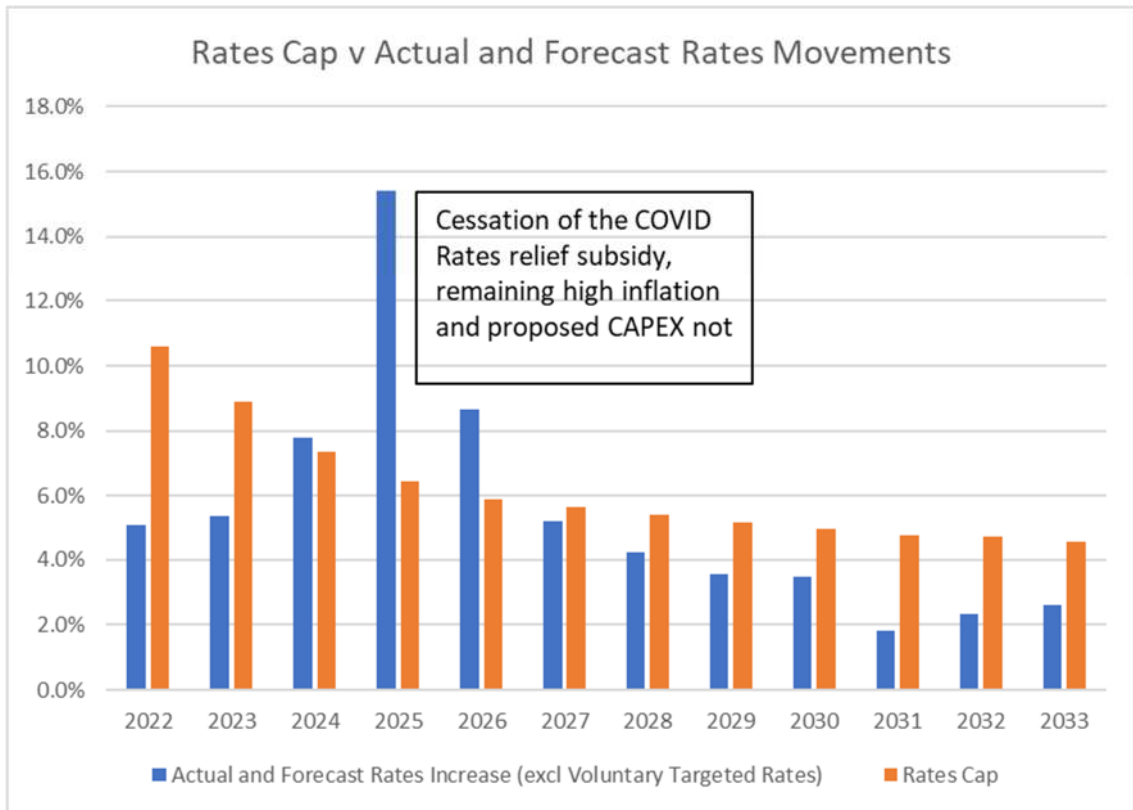
6. In the 2021-31 LTP, a further 1% was added to recognise the cost of increasing government requirements to make the Rates Cap LGCI + 3%.

7. The following tables identify how the current Rates Cap compares to the Rates Caps of other Unitary Councils as sourced from their 2021-31 LTP Financial Strategies

Tasman District Council	
Years 1-3	4.5% + Growth
Years 4-5	7.0% + Growth
Years 6-10	4.5% + Growth
Tasman forecast their population will grow by 7,700 people to 64,300 over 10 years, an average growth rate of 1.125%.	
Nelson City Council	
2022	5.7%
2023	5.4%
2024	5.0%
2025-31	5.1% Average
These percentages are based on the LGCI plus 2.5% and include an allowance for growth of 0.7% in year 1 and 0.6% in years 2-10	
Gisborne District Council	
Years 1-3	6.5% + Growth
Years 4-10	5.0% + Growth
Population is projected to growth from 52,000 to 54,000 an average increase of 0.5% per annum.	
Environment Canterbury	
2021-22	12.6%
2022-23	18.8%
2023-24	4.6% (NB , actual was 10%)

8. From an overall perspective the current limits have worked:

- The limit has coped well with cost movements beyond Council's control, adapting to changes in inflation forecasts. The LGCI is based on a basket of goods/services procured by local authorities as compared to the CPI which measures household goods/services, providing a more accurate assessment of Council's operating costs, based on existing levels of service; and
- With the very high inflation environment that existed in early years, the resulting rates increase limit has oscillated around a relatively narrow band. There has been criticism of local authorities whose rates increase limit has significant variations from year to year to "fit" forecast rates increases. The view is that these limits have been set on a bottom-up basis as compared to Council taking a more strategic view on what rates increases should be.



Option 2 - Flat limit

9. Another approach adopted by some Authorities has been the establishment of a flat rates increase limit for all 10 years of the LTP, e.g. 4.5%. The advantage of this approach is the greater certainty provided to ratepayers on when Council will engage with them on a rates increase. The disadvantage is that it does not take into account significant changes in local government costs due to inflation.

Option 3 – CPI+X%

10. This is very similar to the current LGCI+3% limit, but the CPI is more easily understood by ratepayers. The disadvantages are that it does not represent the costs faced by Local Government and for those councils that do use it the “+x%” has typically been higher than Council’s 3%, which creates its own challenges in explaining the limit to ratepayers.

Author	Martin Fletcher, CFO
Authoriser	Mark Wheeler, CEO

4. Debt Cap

(Report prepared by Martin Fletcher)

D050-001-L24

Purpose of Report

1. To review Council's Debt Cap.

RECOMMENDATIONS

That Council:

1. **Adopt a debt cap of "net interest will be less than 15% of total rates".**
2. **Note that in 2023/24 15% of total rates, using a 5% interest rate, equates to a debt cap of \$261.5m.**
3. **Note that the proposed debt cap will automatically adjust following the transfer of 3 Waters rates and debt.**

Background

2. Similar to the requirement to set a rates cap. Council is required by s101A(3)(b)(i) Local Government Act to set a debt cap as part of its Long Term Plan (LTP).
3. In previous LTPs a fixed dollar amount has been set and typically it equated to the maximum amount of debt forecast in the LTP. The debt cap has then been reset every three years with each new LTP.
4. Debt in this context means 'Net debt' which is calculated as follows:

	2022 Annual Report
	\$M
Gross Debt	137.4
Less	
Advances to Subsidiaries	67.3
Investments/Term Deposits	13.0
Cash on Hand	6.2
Net Debt	<u><u>\$50.9</u></u>

5. The problems with this approach are:
 - that it is reactionary, i.e. set to meet demand,
 - does not take account of inflation above that assumed when the LTP was prepared; and
 - does not allow for significant change in demand such as responding to major weather events and the possible transfer of 3 Waters debt.
6. A better and more strategic approach could be to base the cap on the debt we can afford to service.
7. The LGFA debt covenants provide some useful suggestions, i.e.:

	Current Council Limits	2022	LGFA
a Net Debt / Total Revenue	<250%	28%	<300%
b Net Interest / Total Revenue	<20%	1.0%	<20%
c Net Interest / Rates Income	<30%	2.4%	<30%

8. Please note Council's Net Debt/Total Revenue Limit is 50 points below the LGFA. The 250% was the original LGFA covenant figure. However, the LGFA temporarily lifted it to 300% to meet the borrowing

demands for some high growth Councils, e.g. Tauranga and Auckland. This Council has decided to retain the original covenant figure.

9. While these covenants have achieved their objective in providing comfort to the Credit Rating Agencies and investors, it is considered that the attributes should be based on what Council can control. For example, "Total Revenue" is used in two of the LGFA covenants, but with the high levels of Waka Kotahi revenue, the covenant is not sustainable as a rates cap in the long term. In other words, it relies on maintaining current levels of Government Grants/Subsidies and other Council income.
10. Rates on the other hand is controllable by Council alone and it is suggested that this becomes the base or denominator for any ratio.
11. Again, using the LGFA covenants it is suggested that net interest be used as the prime measure. One of the LGFA covenants uses "Net Debt", but the cost of servicing "Net Debt" can vary depending on the current interest rate environment. This means that in a worst-case scenario while Net Debt/Rates may be compliant we cannot afford the debt servicing/interest cost. As a result, it is suggested that net interest be used as the other part of the equation as it identifies actual costs and moves with changes in the interest rate environment.
12. The ratio of Net Interest/Total Rates can be converted to a Net Debt figure if required. Using the 2023/2024 Annual Plan, total Rates are \$87.177M and the Interest Rate is 5%

The financial calculation 2023-24 based on the LGFA covenant is:

$$\$87.177 \times 30\% \times 100 \div 5 = \$523.1M$$

13. While this is the LGFA maximum debt value at 5% interest rate, it is recommended that a more conservative figure be used. Using the calculation in para 12 the values for other percentages are:

M		
• 20%	=	\$348.7
• 15%	=	\$261.5
• 10%	=	\$174.4

The peak value, of Net Debt forecast in the 2023-24 Annual Plan occurs in 2029/30, is \$265.8M. Total rates in 2029/30 is forecast at \$127.0M or \$88.0M excluding 3 Waters rates. Using the calculation in para 12 the values for other percentages using 2029/30 figures gives:

	With 3 Waters \$M	Without 3 Waters \$M
• 20%	508	352
• 15%	381	264
• 10%	254	176

14. The possibility of additional Sounds Roding Debt at between \$55M and \$95M also needs to be considered.
15. The 15% option provides a large margin between it and the LGFA covenant and provides sufficient head room between it and possible debt. The other constraint is the Regulation set "Debt Servicing Benchmark" which states interest should not exceed 10% of Total Revenue excluding DC revenue, vested assets and valuation gains. The suggested 15% cap largely equates to the Debt Servicing figures in normal years, i.e. without flood damage repairs.
16. In summary it is suggested Council adopt a debt cap where net interest is less than 15% of total rates.

5. Financial Impact of 3 Waters including Stranded Overheads

(Report prepared by Martin Fletcher)

L150-019-T01-01

Purpose of Report

1. To discuss the financial impact of 3 Waters including stranded overheads.

RECOMMENDATION

That the LTP Working Group receive the attached information and notes the content of the discussion.

Background

2. Based on current legislative settings Council's 3 Waters Activities Assets, Liabilities, Revenue and Expenditure will transfer to the newly established Entity H, along with Nelson City Council and Tasman District Council. It is expected that the transfer will take place on 1 July 2025, one year later than originally planned under the previous four entity proposal.

Financial Impacts

3. To identify in broad terms the financial impacts of the change, five attachments have been prepared based on the financial statements prepared as part of 2023-24 Annual Plan:

Attachment 1: Forecast Statement of Comprehensive Revenue and Expense – With 3 Waters

Attachment 2: Forecast Statement of Comprehensive Revenue and Expense – Without 3 Waters

Attachment 3: Forecast Statement of Financial Position - With 3 Waters

Attachment 4: Forecast Statement of Financial Position - Without 3 Waters

Attachment 5: COVID Rates Relief Reserve

4. As there are a lot of figures in these attachments, it is proposed to run slowly through each verbally. However, the yellow highlighted lines in Attachments 2 and 4 identify the key differences.

Stranded Overheads

5. In broad terms "stranded Overheads" describe the overheads allocated to the 3 Waters Activities. The main drivers for the allocation basis are the Average Expenditure (opex and capex) over the next 10 years and the number of staff. As expenditure for the 3 Waters Activities is large, so are their respective overhead allocations. While Council will no longer be able to allocate these overheads, there is the potential to recover the cost of services provide to the new entity. To date the nature and scope of the services has yet to be determined, but could be extensive. Because of the uncertainty surrounding Stranded Overheads, it is proposed to cover this item verbally.

Attachment 1

Marlborough District Council

Forecast Statement of Comprehensive Revenue and Expense - With 3 Waters

for the year ending 30 June:

	Notes	2024 \$000s	2025 \$000s	2026 \$000s	2027 \$000s	2028 \$000s	2029 \$000s	2030 \$000s	2031 \$000s	2032 \$000s	2033 \$000s
Revenue:											
Rates, excluding targeted water rates	2	82,810	95,125	103,560	108,994	112,748	117,603	121,909	124,338	127,279	130,645
Targeted rates for metered water supply	2	4,367	5,130	5,434	5,282	5,559	5,637	5,711	5,784	5,852	5,914
Subsidies and grants	4	57,839	30,954	15,520	15,702	17,343	13,829	14,047	14,218	14,342	14,473
Interest revenue	3	7,178	9,344	9,903	10,721	10,585	10,373	10,005	9,582	9,106	8,564
Development and financial contributions	4	7,469	7,626	7,785	7,946	8,111	8,278	8,448	8,621	8,706	8,793
Other revenue	4	46,794	46,386	47,780	50,552	52,619	55,394	57,463	61,619	63,215	64,932
Gains	4	1,167	1,140	1,205	1,273	1,357	982	776	204	9	551
Total revenue	1	207,624	195,705	191,187	200,470	208,322	212,096	218,359	224,366	228,509	233,872
Expenditure by function:											
People		16,549	16,979	17,525	17,813	17,976	18,571	18,820	19,260	19,993	20,274
Community Facilities		15,365	15,978	16,620	16,934	17,352	17,710	17,941	18,197	18,265	18,458
Roads and Footpaths		46,672	43,055	30,331	31,513	32,424	33,240	33,994	34,650	35,127	35,571
Flood Protection and Control Works		10,068	7,510	7,969	8,317	8,547	8,789	9,022	9,274	9,485	9,674
Sewerage		13,606	16,145	19,790	22,896	24,000	24,791	25,788	26,007	26,100	26,115
Stormwater Drainage		3,141	3,367	3,507	3,615	3,818	4,528	4,759	4,847	4,945	5,021
Water Supply		12,285	14,069	16,244	17,977	19,062	19,113	19,556	19,849	20,783	22,249
Solid Waste Management		18,079	19,996	20,477	20,687	21,178	21,684	22,174	22,651	23,153	23,505
Environmental Management		18,103	19,643	16,180	16,501	17,029	17,234	17,788	17,920	18,340	18,835
Regulatory		11,720	11,320	11,538	11,842	12,238	12,579	13,002	13,355	13,742	14,157
Regional Development		6,383	7,005	7,458	7,881	7,812	7,941	8,213	8,453	8,604	8,745
		171,971	175,067	167,639	175,976	181,436	186,180	191,057	194,463	198,537	202,604
less internal interest eliminated	3	3,903	5,936	4,470	4,867	5,978	6,190	6,134	6,420	5,540	3,047
Total expenditure by function		175,874	181,003	172,109	180,843	187,414	192,370	197,191	200,883	204,077	205,651
Non-activity expenditure:											
Other expenditure	5	6,372	5,673	5,590	5,791	5,855	5,947	6,029	6,059	6,114	6,162
Marlborough Regional Forestry	5	748	594	593	592	591	590	590	589	804	804
Total non-activity expenditure		7,120	6,267	6,183	6,383	6,446	6,537	6,619	6,648	6,918	6,966
Total expenditure	5	182,994	187,270	178,292	187,226	193,860	198,907	203,810	207,531	210,995	212,617
Surplus		24,630	8,435	12,895	13,244	14,462	13,189	14,549	16,835	17,514	21,255

Attachment 2

Marlborough District Council**Forecast Statement of Comprehensive Revenue and Expense - Without 3 Waters**

for the year ending 30 June:

	Notes	2024 \$000s	2025 \$000s	2026 \$000s	2027 \$000s	2028 \$000s	2029 \$000s	2030 \$000s	2031 \$000s	2032 \$000s	2033 \$000s
Revenue:											
Rates, excluding targeted water rates	2	82,810	95,125	103,560	108,994	112,748	117,603	121,909	124,338	127,279	130,645
Targeted rates for metered water supply	2	4,367	5,130	5,434	5,282	5,559	5,637	5,711	5,784	5,852	5,914
Less 3 Waters Rates		(23,628)	(27,493)	(31,975)	(34,756)	(36,745)	(38,550)	(40,339)	(41,000)	(42,061)	(43,421)
Subsidies and grants	4	57,839	30,954	15,520	15,702	17,343	13,829	14,047	14,218	14,342	14,473
Interest revenue	3	7,178	9,344	9,903	10,721	10,585	10,373	10,005	9,582	9,106	8,564
Development and financial contributions	4	7,469	7,626	7,785	7,946	8,111	8,278	8,448	8,621	8,706	8,793
Less 3 Waters DCs		(5,163)	(5,271)	(5,380)	(5,492)	(5,607)	(5,724)	(5,844)	(5,966)	(6,004)	(6,044)
Other revenue	4	46,794	46,386	47,780	50,552	52,619	55,394	57,463	61,619	63,215	64,932
Less 3 Waters Vested Assets		(911)	(946)	(976)	(1,005)	(1,030)	(1,053)	(1,073)	(1,092)	(1,109)	(1,125)
Less Connection Fees etc		(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Gains	4	1,167	1,140	1,205	1,273	1,357	982	776	204	9	551
Total revenue	1	177,422	161,495	152,355	158,717	164,440	166,269	170,603	175,808	178,835	182,782
Expenditure by function:											
People		16,549	16,979	17,525	17,813	17,976	18,571	18,820	19,260	19,993	20,274
Community Facilities		15,365	15,978	16,620	16,934	17,352	17,710	17,941	18,197	18,265	18,458
Roads and Footpaths		46,672	43,055	30,331	31,513	32,424	33,240	33,994	34,650	35,127	35,571
Flood Protection and Control Works		10,068	7,510	7,969	8,317	8,547	8,789	9,022	9,274	9,485	9,674
Sewerage											
Stormwater Drainage											
Water Supply											
Solid Waste Management		18,079	19,996	20,477	20,687	21,178	21,684	22,174	22,651	23,153	23,505
environmental Management		18,103	19,643	16,180	16,501	17,029	17,234	17,788	17,920	18,340	18,835
Regulatory		11,720	11,320	11,538	11,842	12,238	12,579	13,002	13,355	13,742	14,157
Regional Development		6,383	7,005	7,458	7,881	7,812	7,941	8,213	8,453	8,604	8,745
		142,939	141,486	128,098	131,488	134,556	137,748	140,954	143,760	146,709	149,219
less internal interest eliminated	3	3,903	5,936	4,470	4,867	5,978	6,190	6,134	6,420	5,540	3,047
Total expenditure by function		139,036	135,550	123,628	126,621	128,578	131,558	134,820	137,340	141,169	146,172
Non-activity expenditure:											
Other expenditure	5	6,372	5,673	5,590	5,791	5,855	5,947	6,029	6,059	6,114	6,162
Marlborough Regional Forestry	5	748	594	593	592	591	590	590	589	804	804
Total non-activity expenditure		7,120	6,267	6,183	6,383	6,446	6,537	6,619	6,648	6,918	6,966
Total expenditure	5	146,156	141,817	129,811	133,004	135,024	138,095	141,439	143,988	148,087	153,138
Surplus		31,266	19,678	22,544	25,713	29,416	28,174	29,164	31,820	30,748	29,644
Surplus With 3 Waters		24,630	8,435	12,895	13,244	14,462	13,189	14,549	16,835	17,514	21,255
Change		6,636	11,243	9,649	12,469	14,954	14,985	14,615	14,985	13,234	8,389

Attachment 3

Marlborough District Council

Forecast Statement of Financial Position - With 3 Waters

as at 30 June:

	Notes	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Assets:											
Non-current assets:											
Property, plant and equipment	8	2,204,206	2,320,667	2,429,322	2,548,816	2,655,703	2,744,191	2,821,230	2,890,922	2,950,952	3,002,885
Intangible assets	8	13,684	13,935	14,117	13,581	12,826	12,305	11,793	11,291	10,795	10,305
Forestry assets		17,777	18,917	20,122	21,395	22,742	23,707	24,483	24,632	24,417	24,202
Other financial assets	7										
- Investments in subsidiaries		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
- Other		146,706	199,946	210,743	224,628	219,102	212,545	202,545	192,045	181,045	169,545
Investment property	11	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
Total non-current assets		2,399,873	2,570,965	2,691,804	2,825,920	2,927,873	3,010,248	3,077,551	3,136,390	3,184,709	3,224,437
Current assets:		28,114	28,491	28,929	29,311	29,799	30,023	30,415	30,822	31,043	31,391
Total assets		2,427,987	2,599,456	2,720,733	2,855,231	2,957,672	3,040,271	3,107,966	3,167,212	3,215,752	3,255,828
Liabilities:											
Non-current liabilities:											
Borrowings	10	275,285	364,026	402,622	455,308	477,481	482,523	473,924	456,425	428,425	390,225
Provisions		1,449	1,556	1,650	1,748	1,850	1,956	2,066	2,180	2,294	2,417
Employee entitlements		266	275	283	290	297	303	309	315	321	326
Total non-current liabilities		277,000	365,857	404,555	457,346	479,628	484,782	476,299	458,920	431,040	392,968
Current liabilities:		25,567	26,601	27,499	28,343	29,132	29,866	30,546	31,172	31,798	32,370
Total liabilities		302,567	392,458	432,054	485,689	508,760	514,648	506,845	490,092	462,838	425,338
Net assets		2,125,420	2,206,998	2,288,679	2,369,542	2,448,912	2,525,623	2,601,121	2,677,120	2,752,914	2,830,490
Equity											
Accumulated funds		789,243	805,391	809,373	810,502	823,582	828,585	820,475	822,212	815,352	810,984
Asset revaluation reserves		1,315,483	1,388,626	1,457,412	1,525,031	1,589,939	1,653,461	1,714,410	1,773,574	1,831,854	1,888,175
Other reserves	13	20,694	12,981	21,894	34,009	35,391	43,577	66,236	81,334	105,708	131,331
Total equity		2,125,420	2,206,998	2,288,679	2,369,542	2,448,912	2,525,623	2,601,121	2,677,120	2,752,914	2,830,490
Debt/Equity Ratio		13.0%	16.6%	17.7%	19.3%	19.6%	19.2%	18.3%	17.1%	15.7%	13.9%

Attachment 4

Marlborough District Council

Forecast Statement of Financial Position - Without 3 Waters

as at 30 June:

	Notes	2024 \$000s	2025 \$000s	2026 \$000s	2027 \$000s	2028 \$000s	2029 \$000s	2030 \$000s	2031 \$000s	2032 \$000s	2033 \$000s
Assets:											
Non-current assets:											
Property, plant and equipment	8	2,204,206	2,320,667	2,429,322	2,548,816	2,655,703	2,744,191	2,821,230	2,890,922	2,950,952	3,002,885
Sewerage		- 212,804	- 251,776	- 290,748	- 329,719	- 368,691	- 380,940	- 393,190	- 405,440	- 417,689	- 429,939
Stormwater		- 103,200	- 109,066	- 114,931	- 120,797	- 126,662	- 131,375	- 136,088	- 140,801	- 145,514	- 150,227
Water Supply		- 190,589	- 221,241	- 251,892	- 282,544	- 313,196	- 328,713	- 344,231	- 359,748	- 375,265	- 390,782
Intangible assets	8	13,684	13,935	14,117	13,581	12,826	12,305	11,793	11,291	10,795	10,305
Forestry assets		17,777	18,917	20,122	21,395	22,742	23,707	24,483	24,632	24,417	24,202
Other financial assets	7										
- Investments in subsidiaries		6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
- Other		146,706	199,946	210,743	224,628	219,102	212,545	202,545	192,045	181,045	169,545
Investment property	11	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
Total non-current assets		1,893,280	1,988,883	2,034,233	2,092,860	2,119,324	2,169,219	2,204,042	2,230,402	2,246,241	2,253,489
Current assets:		28,114	28,491	28,929	29,311	29,799	30,023	30,415	30,822	31,043	31,391
Total assets		1,921,393	2,017,373	2,063,161	2,122,170	2,149,122	2,199,242	2,234,457	2,261,223	2,277,283	2,284,880
Liabilities:											
Non-current liabilities:											
Borrowings	10	275,285	364,026	402,622	455,308	477,481	482,523	473,924	456,425	428,425	390,225
3 Waters Borrowings		(78,833)	(136,475)	(184,828)	(218,774)	(222,787)	(229,185)	(229,605)	(218,711)	(230,541)	(233,220)
Provisions		1,449	1,556	1,650	1,748	1,850	1,956	2,066	2,180	2,294	2,417
Employee entitlements		266	275	283	290	297	303	309	315	321	326
Total non-current liabilities		198,167	229,382	219,727	238,572	256,840	255,596	246,694	240,208	200,498	159,748
Current liabilities:		25,567	26,601	27,499	28,343	29,132	29,866	30,546	31,172	31,798	32,370
Total liabilities		223,734	255,983	247,226	266,915	285,972	285,462	277,240	271,380	232,296	192,118
Net assets		1,697,659	1,761,390	1,815,936	1,855,255	1,863,150	1,913,779	1,957,217	1,989,843	2,044,987	2,092,762
Equity											
Accumulated funds		868,076	941,866	994,201	1,029,276	1,046,369	1,057,770	1,050,080	1,040,923	1,045,893	1,044,204
Asset revaluation reserves		808,890	806,544	799,841	791,971	781,390	812,432	840,901	867,586	893,386	917,227
Other reserves	13	20,694	12,981	21,894	34,009	35,391	43,577	66,236	81,334	105,708	131,331
Total equity		1,697,660	1,761,390	1,815,936	1,855,255	1,863,150	1,913,779	1,957,217	1,989,843	2,044,987	2,092,762
Debt to Equity Ratio		11.7%	13.0%	12.1%	12.9%	13.8%	13.4%	12.6%	12.1%	9.8%	7.6%
Debt to Equity Ratio - With 3 Waters		13.0%	16.6%	17.7%	19.3%	19.6%	19.2%	18.3%	17.1%	15.7%	13.9%

Attachment 5

COVID Rates Relief Reserve and Rating Impact - 3 Waters doesn't proceed

COVID Rates Relief Reserve

	\$
2021-22	4,000,000
2022-23	4,300,000
2023-24	4,500,000
	12,800,000

Principle and Interest - 20 years - 8% 1,024,000 1.17%

COVID Rates Relief Reserve and Rating Impact - 3 Waters Proceeds

COVID Rates Relief Reserve

	\$
2021-22	4,000,000
2022-23	4,300,000
2023-24	4,500,000
	12,800,000

3 Waters Debt Repaid and if not repaid immediately, costs met by Entity

Infrastructure Upgrade Reserve

Revenue is currently used to meet Debt Servicing Costs of 3 Waters and some other Debt

Approximate Revenue Flows

MDC Holdings Dividends	3,500,000	Note: Dividends are forecast to increase with IREX + other Investments
River Leases	2,000,000	
	5,500,000	The difference is to service non 3 Waters debt
Assume	4,500,000	

	2024-25	2025-26	2026-27	2027-28
Opening Balance	12,800,000	13,440,000	9,612,000	5,592,600
Interest @ 5%	640,000	672,000	480,600	279,630
	13,440,000	14,112,000	10,092,600	5,872,230
Repayment	0	4,500,000	4,500,000	4,500,000
Closing Balance	13,440,000	9,612,000	5,592,600	1,372,230