

# PRE-ELECTION

# REPORT 2019



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**FROM THE**

**CHIEF**

**EXECUTIVE**



## **It's an exciting time to be part of Waipa District Council.**

Council is a large, complex business. It has an annual operating cost of \$86.7 million, capital expenditure of \$127.7 million, and employs 300 staff. Part of the risk management framework is managing over \$1.7 billion in assets while striving to keep rates as low as possible.

Council packages up an extraordinary amount of services, facilities and projects in its rates, keeping communities thriving for a similar cost per month as the average household's monthly power bill.

Growth continues to have a huge impact on the district with a 5.4 per cent population growth in 2018. In the same year, business units grew 1.4 percent and the economy grew 4.7 per cent. To keep up with growth, many projects outlined in this report are focused on maintaining and replacing a depreciating asset base.

Aging infrastructure such as pipes, roads, treatment plants and reservoirs requires a long-term approach to maintenance, as infrastructure is replaced as it comes to the end of its useable life. Council continues to implement improvements to the network through a district-wide approach as infrastructure is critical to running a healthy, sustainable and economically-viable district. Higher associated infrastructure costs are a key consideration for future Council decisions, in order to meet more stringent environmental and health and safety standards.

In 2018, Council decided not to pursue forming a non-asset owning council-controlled organisation (CCO) with

Hamilton City and Waikato District Councils for water supply, stormwater and wastewater infrastructure. Council will still maintain and replace water infrastructure in a sustainable way with minimal impact on ratepayers.

Planning for town growth is putting pressure on existing infrastructure networks and Council continues to uplift contributions from developers in key areas so growth pays for growth. There has been an influx of new industry activity in Titanium Park by Hamilton Airport, 56.7 hectares of land in Hautapu has been approved to become a new industrial zone, and there are a number of large roading projects underway including a parking study to determine the future parking provisions for increasing demand.

Council continues to grapple with post Treaty settlement issues and will need to work in partnership with Iwi as one of its major stakeholders. Council continues to partner with other councils on the sub-regional strategy and implementation plan, Future Proof, which addresses population increase and future demands on housing, roading and water networks. Council also inputs into the central government-led Hamilton-to-Auckland Corridor study to enhance economic activity within 5km each side of the Waikato Expressway.

In the upcoming triennium, Cambridge and Te Awamutu Hub developments will be implemented and town concept plans are also in the works for Pirongia. This may include major roading and parking changes and may have a high impact on residents in the central business district.

Council partners with key stakeholders to enable community and economic growth and prioritisation is put on maintaining relationships with Iwi and key partners. Te Ara Wai, part of the wider Te Awamutu Hub, is one of the key upcoming stakeholder-led projects for Council.

Along with regular works and services, Council is also planning for climate change. Some of the main issues NZ is facing is due to changing weather patterns including extreme weather events and may result in projects such as stormwater upgrades to cope with projected increasing groundwater and rainfall.

As always, maintaining affordable rates whilst building great communities and planning for future growth must be at the forefront of Council decision making. Great leadership and astute financial decisions will be required to maintain the bright future of Waipā.

*Garry Dyet*



# COMMUNITY FACILITIES

Waipa District Council has a number of facilities that provide recreational benefits and promote the health, safety and waiora (wellbeing) of Waipa communities. These include parks and reserves, libraries, museums and heritage, swimming pools, public toilets, community halls, community housing and cemeteries.

## Cambridge Pool

Construction on the new Cambridge Pool complex is now well underway and is scheduled for completion mid-2020. The work includes an upgrade of the existing outdoor pool surrounds, a new 10-lane indoor pool and learner's pool, a hydrotherapy pool, spa and sauna and a children's splash pad. There will be a community room as well as car-parking and landscaping. The total project budget is \$20.7m which is funded through a mix of loans, asset sales and community fundraising. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
13,439,602*	-	-	-

## Te Ara Wai

A major project signed off in Council's 2018-2028 10-Year Plan was to build the Waipā discovery centre and museum, Te Ara Wai. Te Ara Wai will be a purpose-built facility, offering a space where community and visitors can discover the district's diverse and largely unknown social, cultural and natural history. The centre is a celebration of the Waipā people and landscape and showcases the unique identities of the people within the Waipā district with pride. It also emphasises the ongoing co-operation and collaboration of the people. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
2,298,516*	5,472,080	6,800,340	18,680

## New Pensioner Housing Construction

Council is planning on building 10 new pensioner housing units in Cambridge. Pending appropriate consents, and a successful tender outcome, the one-bedroom units will be built on the corner of Thompson St and Shakespeare St in Leamington, next to the Council's existing Vaile Court pensioner housing complex. Council also plans to build new pensioner housing units in Te Awamutu with land already purchased in Cambridge Road for that purpose. The Te Awamutu building programme is tentatively scheduled for 2020/21. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
1,700,000*	1,873,800	-	-

## Community Facilities Growth Programme

Growing communities need good community facilities so Council is delivering a community facility growth programme designed to keep up with future demand. With a range of new community facilities for residents to enjoy including playgrounds and reserves, Council is making strategic land purchases to ensure the correct areas are secured for future works. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
670,000	215,950	3,348,450	434,400

\*The Annual Plan budget has been adjusted to include carry-forward figures from 2018/19.

# ROADING, FOOTPATH AND CYCLING NETWORK

Waipa District Council manages and undertakes construction and maintenance, road safety, cycling and walking, carparks and street lights on the roads and footpaths in the district. The roading assets include 1,103km of roads (47km unsealed), 184 bridges (including stock and underpass structures), over 449,000sqm of footpaths plus street lights and road signs.

## Town Concept Plan Implementation - Te Awamutu

The Te Awamutu concept plan was developed in conjunction with community and stakeholders to enhance the natural and built character of the town. The plan integrates physical and social infrastructure such as open spaces, community facilities, roading and economic growth and includes enhancement of public spaces. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
479,812*	545,490	913,805	119,385

## Town Concept Plans

Town concept plans assist with the development and implementation of the Council's vision for the Waipā district to ensure it remains a great place to live, work and play as the town grows. The plan looks to enhance the towns' open spaces, civic hubs, infrastructure, community facilities, and roading among other things. Completing town concept plans for Pirongia and Ngahinapouri will also be key focus areas for Council in the upcoming years. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
1,359,172*	3,130	3,200	3,280



## District Wide Cycling Programmes

Waipa District Council recognises the value cycling brings to the community. The district wide cycling programme is crucial to the continued development of the sport in the district by helping develop cycling skills and activities for Waipā communities and enhancing connections in and between towns and existing cycleways. The following funding has been allocated over the next four years:

	<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
<b>Total Rooding</b>	1,944,533*	695,300	53,400	1,932,000
<b>Total Community Facilities</b>	885,000	1,103,460	1,188,430	23,890
<b>Total Combined</b>	2,829,533*	1,798,760	1,241,830	1,955,890

## District Wide Rooding Growth

Waipa District Council is responsible for delivering rooding infrastructure that helps meet the social, environmental and economic needs of the district. The following funding has been allocated to ensure the transport network remains suitable for our growing demand and continues to connect communities and support district development. The majority of new rooding growth is in known growth cells in and around Cambridge and Hautapu.

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
3,198,726*	4,904,630	2,546,120	2,445,080

## District Wide Rooding Infrastructure Renewals

Waipa District Council has a continuous renewal programme for road and footpath infrastructure that meets national safety standards and helps contribute to a safe, suitable and attractive environment for residents. Council maintains over 1,000km of roads, over 250km of footpaths, 231 bridges and stock underpasses, over 2,500 culverts and 4,400 street lights in the infrastructure renewals programme. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
7,587,072*	7,015,680	8,131,640	7,149,130

## Hanlin Road Intersection

Work is expected to begin in late-2019 on a new roundabout at the intersection of Hanlin Road and Cambridge Road. The intersection will improve the layout of Hanlin Road, provide better access to the Avantidrome and St Peter's School, provide shelter and parking for the bus stop facility, as well as a pedestrian refuge to improve safety for those crossing Cambridge Road. Council and NZ Transport Agency are working together to jointly fund the project. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
1,932,542*	2,446,090	3,200	3,280

\*The Annual Plan budget has been adjusted to include carry-forward figures from 2018/19.



# STORMWATER

Stormwater is rainfall that runs off roofs, roads and other surfaces and then into gutters, and stormwater collection systems such as pipes, culverts, open drains/swales and detention ponds. The stormwater systems in the Waipā district consist of 177km of pipes, 3,197 manholes and other related structures such as open drains, streams, swales, soak systems and retention structures.

Waipa District Council must hold a resource consent from Waikato Regional Council to manage stormwater.

## District Wide Stormwater Growth

Council is undertaking stormwater network extensions across the district to cater for supply and demand issues brought on by high growth in residential and industrial areas, to help cope with extreme weather events such as flooding. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
10,768,495*	17,895,430	27,277,500	10,115,085

## District Wide Stormwater Infrastructure Renewals

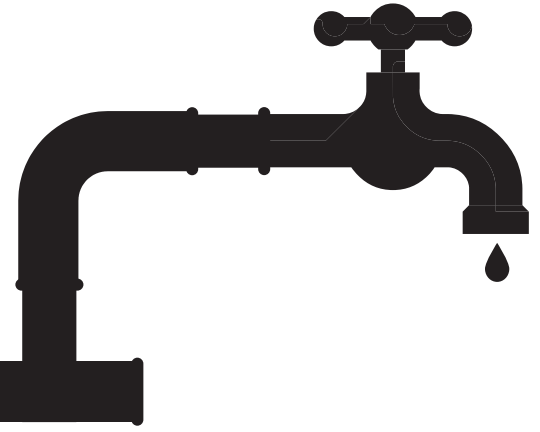
Council implements an ongoing renewal programme to maintain and ensure the district's stormwater infrastructure is up to national standards. This helps ensure stormwater discharges are free of contaminants and reduces effects caused by extreme weather events. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
1,414,846*	524,500	966,600	990,000

\*The Annual Plan budget has been adjusted to include carry-forward figures from 2018/19.



# WATER TREATMENT AND SUPPLY NETWORKS



Waipā District Council treats more than 8.5 billion litres of water a year. The Council's assets include six water treatment plants, 12 pump stations, 16 reservoirs and 631km of pipes. There are over 16,000 properties connected to Council's water supply and Council is required to get a resource consent from Waikato Regional Council to take the water it provides to its communities.

The water treatment and supply activities includes all of the services involved in taking, treating, storing, and distributing water to those connected to the reticulation network.

## Growth impacts

Rapid population growth in Cambridge, Te Awamutu and Kihikihi is putting increased pressure on our existing water treatment and supply networks. There are strong indicators that Council will need to bring forward existing upgrades and we are preparing for future growth with land purchase and designations for additional treatment plants and reservoirs to cope with increased demand.

## Parallel Rd Water Treatment Plant Upgrade

The Parallel Road water treatment plant upgrade is part of a wider strategy to address growth and existing water supply issues in Te Awamutu's water supply. The plant is expected to be operational by late 2021. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
8,588,361*	4,196,000	-	-

## Parallel Rd to Taylors Hill Pipeline

This pipeline will connect and the Taylors Hill reservoir with the upgraded Parallel Road water treatment plant to improve supply and demand issues. A second shorter pipe connecting Taylors Hill to the Bond Road industrial area and T3 residential area will be installed at the same time. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
8,750,345*	4,196,000	-	-

## District Wide Water Services Growth

Council is undertaking a range of upgrades across the district to cater for supply and demand issues brought on by high growth in residential and industrial areas. Most of these costs will be recovered from developers through development contribution fees. However the Council must first install the required infrastructure so that growth can occur. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN</b> 2019/20	<b>LTP 2018-28 YR3</b> 2020/21	<b>LTP 2018-28 YR4</b> 2021/22	<b>LTP 2018-28 YR5</b> 2022/23
4,307,265*	3,706,840	3,768,040	1,111,000

## District Wide Water Services Renewals

Council is undertaking an extensive renewal programme to maintain the district's existing core water supply infrastructure and ensure it stays aligned with improving environmental standards. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN</b> 2019/20	<b>LTP 2018-28 YR3</b> 2020/21	<b>LTP 2018-28 YR4</b> 2021/22	<b>LTP 2018-28 YR5</b> 2022/23
3,426,581*	3,455,392	3,150,132	3,144,992

\*The Annual Plan budget has been adjusted to include carry-forward figures from 2018/19.

# WASTEWATER TREATMENT AND DISPOSAL



Waipa District Council treats more than 3.5 billion litres of wastewater every year. There are more than 13,000 properties connected to the wastewater system.

## Waikeria Prison Expansion

Council are working with Department of Corrections to build a brand new wastewater connection for the Waikeria Prison, including a 10km wastewater pipeline from the Prison through to Kihikihi.

The new connection will not only provide a more environmentally friendly wastewater solution for the Prison, the project also involves making improvements to the wastewater network in Te Awamutu to provide for future growth. Council is constructing a new pumped pressure system from the Prison to Kihikihi and upgrading the existing wastewater network in Te Awamutu between the Albert Park pump station and the treatment plant. Construction is due to start in August, with the following funding allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
17,312,500	6,556,250	-	-

## Te Awamutu Wastewater Treatment Plant Upgrade

The Waikeria Prison expansion project will involve the transfer of wastewater services to the Te Awamutu wastewater treatment plant and has resulted in the requirement to upgrade the existing plant between the Albert Park Pump Station and treatment plant. This upgrade will also allow for the projected 5,400 new residents in Te Awamutu and Kihikihi forecasted to 2050. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
11,211,511*	401,514	154,299	319,480

## Cambridge New Wastewater Treatment Plant

Council operates two wastewater treatment plants across the district that treat wastewater from 12,000 properties across Cambridge, Karāpiro, Te Awamutu and Kihikihi. A treatment plant is being planned in Cambridge to cope with the rapid population and industrial growth in Cambridge and Hautapu. The following funding has been allocated over the next four years:

ANNUAL PLAN 2019/20	LTP 2018-28 YR3 2020/21	LTP 2018-28 YR4 2021/22	LTP 2018-28 YR5 2022/23
1,260,830	8,320,670	16,357,840	3,650,680

## District Wide Wastewater Growth

Council is undertaking a range of upgrades across the district to cater for demand issues brought on by high growth in residential and industrial areas. Most of these costs will be recovered from developers through development contribution fees. However Council must first install the required infrastructure first so that growth can occur. Specific immediate projects will connect the high growth cells in Cambridge and Hautapu with the existing wastewater network. Funding for the next four years has been allocated below:

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
8,352,498	1,803,890	2,893,830	858,000

## District Wide Wastewater Renewals

Wastewater in Waipā district is treated to align with Waikato Regional Council resource consent conditions. Council undertakes an extensive wastewater renewal programme across the district to keep up with the latest in improving environmental standards. The following funding has been allocated over the next four years:

<b>ANNUAL PLAN 2019/20</b>	<b>LTP 2018-28 YR3 2020/21</b>	<b>LTP 2018-28 YR4 2021/22</b>	<b>LTP 2018-28 YR5 2022/23</b>
4,622,183	1,212,734	1,463,659	1,706,054

\*The Annual Plan budget has been adjusted to include carry-forward figures from 2018/19.

# FINANCIAL TERMS AND AND STATEMENTS

**Waipā District Council is in a strong financial position with a low level of debt compared to other councils. Council has stayed within projected rates and debt increases as indicated in the Long Term Plan which allows us to continue to provide the district's core infrastructure while still being able to invest in community facilities.**

The financial statements contain information for the three years prior to the election (retrospective) and information for the year of the election and the three years after (prospective). Due to the timing of this report, the financial information for the 2018/19 Annual Report is based on forecasts made in February 2019. The actual results achieved for this year will be in the 2018/19 Annual Report and are likely to vary from the information presented. Those variances may be material depending upon the circumstances that arise during that period.

Council's 2018/19 Annual Report is expected to be adopted on 24 September 2019.

The funding impact statement for this and the next three years has been prepared in accordance with schedule 10 of the Local Government Act 2002, as well as sections 13 to 19 of the Local Government (Rating) Act 2002 and sets out:

- the revenue and financing mechanisms used
- an indicative level or amount of funding for each mechanism
- a summary of the total rates requirement
- the application of funding methods to Council activities.

# FUNDING IMPACT STATEMENTS

## Council Funding Impact Statement - Retrospective

	2017/18 Annual Plan \$000	2017/18 Annual Report \$000	2018/19 Annual Plan \$000	2018/19 Forecast \$000
<b>SOURCES OF OPERATING FUNDING</b>				
General rates, uniform annual general charges, rates penalties	26,998	26,266	41,789	41,887
Targeted rates	23,108	26,852	17,764	17,729
Subsidies and grants for operating purposes	2,912	2,820	2,776	3,302
Fees and charges	15,134	15,045	10,200	15,752
Interest and dividends from investments	310	1,538	329	1,177
Local authorities fuel tax, fines, infringement fees, and other receipts	342	934	395	553
<b>Total sources of operating funding (A)</b>	<b>68,804</b>	<b>73,455</b>	<b>73,253</b>	<b>80,400</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>				
Payments to staff and suppliers	47,472	44,175	53,115	55,163
Finance costs	934	1,303	873	993
Other operating funding applications	1,158	1,002	1,579	1,482
<b>Total applications of operating funding (B)</b>	<b>49,564</b>	<b>46,480</b>	<b>55,567</b>	<b>57,638</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>19,240</b>	<b>26,975</b>	<b>17,686</b>	<b>22,762</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies and grants for capital expenditure	7,117	6,857	10,857	4,336
Development and financial contributions	4,420	7,439	9,378	6,591
Increase (decrease) in debt	14,000	(24)	36,000	2,000
Gross proceeds from sale of assets	6,187	7,730	995	8,781
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>31,724</b>	<b>22,002</b>	<b>57,230</b>	<b>19,710</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>				
Capital expenditure				
- to meet additional demand	9,830	13,802	12,527	9,742
- to improve the level of service	19,985	12,559	48,811	21,114
- to replace existing assets	22,285	16,404	17,159	21,625
Increase (decrease) in reserves	(1,136)	6,212	(3,581)	(8,011)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>50,964</b>	<b>48,977</b>	<b>74,916</b>	<b>44,470</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(19,240)</b>	<b>(26,975)</b>	<b>(17,686)</b>	<b>(22,762)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Council Funding Impact Statement - Prospective

	2019/20 Annual Plan Election Year \$000	2020/21 LTP Year 3 \$000	2021/22 LTP Year 4 \$000	2022/23 LTP Year 5 \$000
<b>SOURCES OF OPERATING FUNDING</b>				
General rates, uniform annual general charges, rates penalties	45,861	48,889	51,011	54,009
Targeted rates	17,372	17,136	17,348	18,395
Subsidies and grants for operating purposes	3,041	1,736	2,365	1,873
Fees and charges	11,618	13,688	11,900	12,318
Interest and dividends from investments	190	271	277	283
Local authorities fuel tax, fines, infringement fees, and other receipts	403	412	420	430
<b>Total sources of operating funding (A)</b>	<b>78,485</b>	<b>82,132</b>	<b>83,321</b>	<b>87,308</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>				
Payments to staff and suppliers	57,481	58,807	57,706	60,491
Finance costs	1,552	4,091	5,785	8,161
Other operating funding applications	2,076	1,384	1,403	1,389
<b>Total applications of operating funding (B)</b>	<b>61,109</b>	<b>64,282</b>	<b>64,894</b>	<b>70,041</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>17,376</b>	<b>17,850</b>	<b>18,427</b>	<b>17,267</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies and grants for capital expenditure	5,304	13,843	7,740	6,484
Development and financial contributions	12,112	15,556	18,184	16,759
Increase (decrease) in debt	65,500	38,500	44,000	5,500
Gross proceeds from sale of assets	1,698	599	2,445	342
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>84,614</b>	<b>68,498</b>	<b>72,369</b>	<b>29,085</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>				
Capital expenditure				
- to meet additional demand	32,652	29,300	44,429	14,915
- to improve the level of service	65,065	42,530	31,760	16,823
- to replace existing assets	17,507	13,617	15,175	14,611
Increase (decrease) in reserves	(13,234)	901	(568)	3
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>101,990</b>	<b>86,348</b>	<b>90,796</b>	<b>46,352</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(17,376)</b>	<b>(17,850)</b>	<b>(18,427)</b>	<b>(17,267)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Balance Sheet - Retrospective</b>	<b>2016/17</b> Annual Report \$000	<b>2017/18</b> Annual Report \$000	<b>2018/19</b> Forecast \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10,269	12,331	1,332
Other Financial Assets	6,800	-	-
Investments in CCOs <sup>1</sup>	112	96	-
Assets held for sale	2,365	7,689	2,369
Trade and other receivables	3,990	6,376	8,350
<b>Total Current Assets</b>	<b>23,536</b>	<b>26,492</b>	<b>12,041</b>
<b>Non Current Assets</b>			
Trade and other receivables	54	32	32
Property plant and equipment	1,499,617	1,542,901	1,705,047
Intangible assets	963	1,061	1,336
Forestry assets	1,836	2,344	2,977
Investment property	19,386	16,145	18,960
Investment in CCO's	13,278	13,603	15,014
<b>Total Non Current Assets</b>	<b>1,535,134</b>	<b>1,576,086</b>	<b>1,743,366</b>
<b>Total Assets</b>	<b>1,558,670</b>	<b>1,602,578</b>	<b>1,755,407</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11,474	13,853	16,147
Provisions	23	68	212
Employee benefit liabilities	1,258	1,360	1,467
Borrowings	7,024	6,027	28
<b>Total Current Liabilities</b>	<b>19,779</b>	<b>21,308</b>	<b>17,854</b>
<b>Non Current Liabilities</b>			
Trade and other payables	-	1,123	3,543
Derivative financial instruments	1,196	1,185	1,321
Provisions	693	627	616
Borrowings	6,175	7,148	15,120
<b>Total Non Current Liabilities</b>	<b>8,064</b>	<b>10,083</b>	<b>20,600</b>
<b>Total Liabilities</b>	<b>27,843</b>	<b>31,391</b>	<b>38,454</b>
<b>EQUITY</b>			
Retained earnings	432,860	463,144	507,892
Other reserves	1,097,967	1,108,043	1,209,061
<b>Total Equity</b>	<b>1,530,827</b>	<b>1,571,187</b>	<b>1,716,953</b>



## Balance Sheet - Prospective

	2019/20 Annual Plan Election Year \$000	2020/21 LTP Year 3 \$000	2021/22 LTP Year 4 \$000	2022/23 LTP Year 5 \$000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	1,875	3,539	3,212	3,468
Trade and other receivables	6,473	3,475	3,552	3,634
Other financial assets	96	112	112	112
Non Current Assets held for sale	7,689	-	-	-
<b>Total Current Assets</b>	<b>16,133</b>	<b>7,126</b>	<b>6,876</b>	<b>7,214</b>
<b>Non Current Assets</b>				
Trade and other receivables	32	-	-	-
Property plant and equipment	1,750,153	1,853,326	1,965,909	2,045,589
Intangible assets	1,779	1,647	1,647	1,647
Forestry assets	2,419	1,491	1,530	1,570
Investment property	13,603	13,278	13,278	13,278
Investment in CCO's	15,976	17,562	17,282	17,731
<b>Total Non Current Assets</b>	<b>1,783,962</b>	<b>1,887,304</b>	<b>1,999,646</b>	<b>2,079,815</b>
<b>Total Assets</b>	<b>1,800,095</b>	<b>1,894,430</b>	<b>2,006,522</b>	<b>2,087,029</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	14,053	10,805	11,075	11,364
Provisions	86	37	40	42
Employee benefit liabilities	1,314	1,312	1,351	1,392
Borrowings	15,500	-	13,000	36,000
<b>Total Current Liabilities</b>	<b>30,953</b>	<b>12,154</b>	<b>25,466</b>	<b>48,798</b>
<b>Non Current Liabilities</b>				
Trade and other payables	15,733	-	-	-
Derivative financial instruments	716	420	228	46
Provisions	555	552	501	445
Borrowings	83,250	129,000	160,000	142,500
<b>Total Non Current Liabilities</b>	<b>100,254</b>	<b>129,972</b>	<b>160,729</b>	<b>142,991</b>
<b>Total Liabilities</b>	<b>131,207</b>	<b>142,126</b>	<b>186,195</b>	<b>191,789</b>
<b>EQUITY</b>				
Retained earnings	506,791	551,966	580,330	602,144
Other reserves	1,162,097	1,200,338	1,239,997	1,293,096
<b>Total Equity</b>	<b>1,668,888</b>	<b>1,752,304</b>	<b>1,820,327</b>	<b>1,895,240</b>

# FINANCIAL STRATEGY - HOW COUNCIL IS PERFORMING

The Council adopts its financial strategy as part of the 10-Year Plan. The financial strategy includes limits on rates levels, rate increases and borrowing that aim to promote financial stability and affordability.

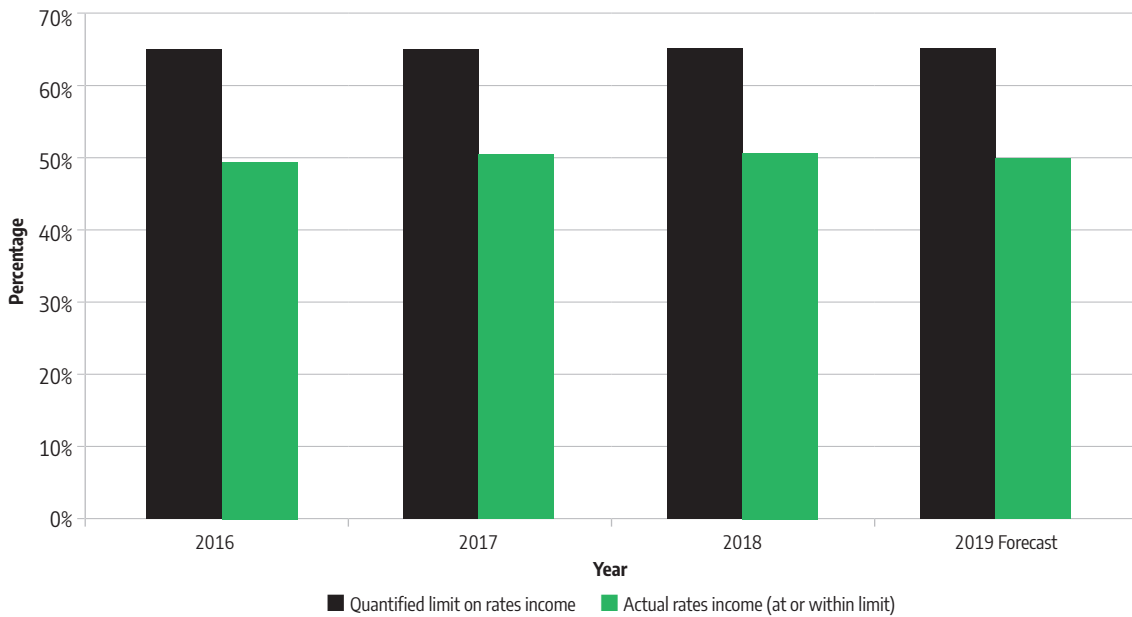
This report provides information on how Council is tracking against the targets and thresholds set in the Financial Strategy. Further benchmarks can be found in Councils 2018-28 10-Year Plan and 2018/19 Annual Report.

## Rate Limits

Setting limits on rates and rate increases is a key part of ensuring financial sustainability. Council sets these limits at levels that provide a focus on maximising revenue from non-rate sources and are affordable given our strategic goals and priorities.

Council is committed to limiting rates levels to a maximum of 65 per cent of its total revenue.

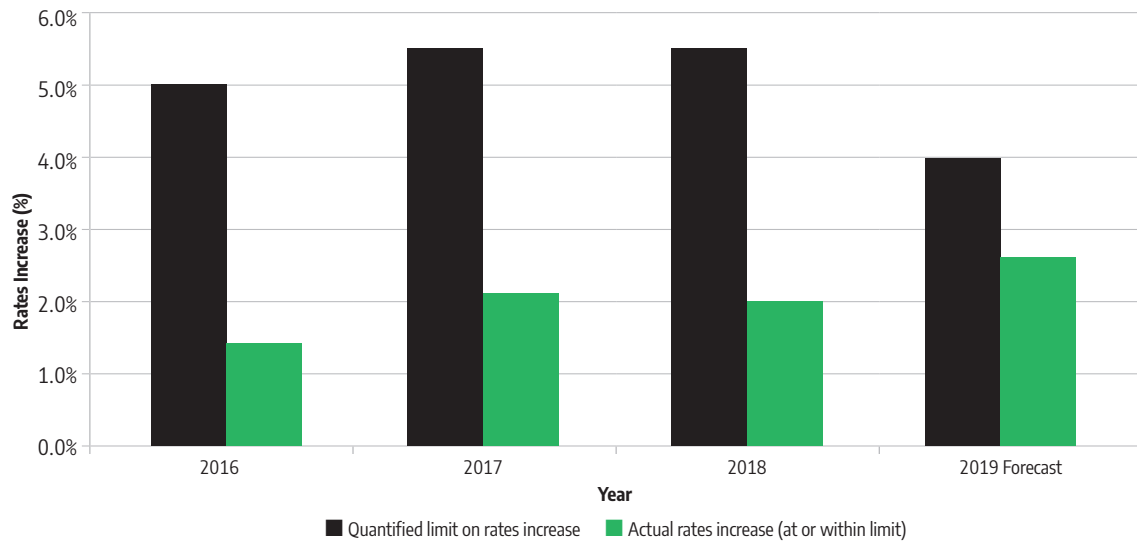
The following graph compares the Council's actual rates income with the quantified limit on rates contained in the Financial Strategy.



## Rate Increases

Council will limit annual increases for existing ratepayers to no more than the forecast Local Government Cost Index for that year plus 2 per cent. The Local Government Cost Index is an inflation measure based on the cost structures of New Zealand’s local authorities. The Local Government Cost Index is different to the Consumer Price Index as it includes goods which consumers would not normally purchase. The Local Government Cost Index is sourced from Business Economic and Research Limited.

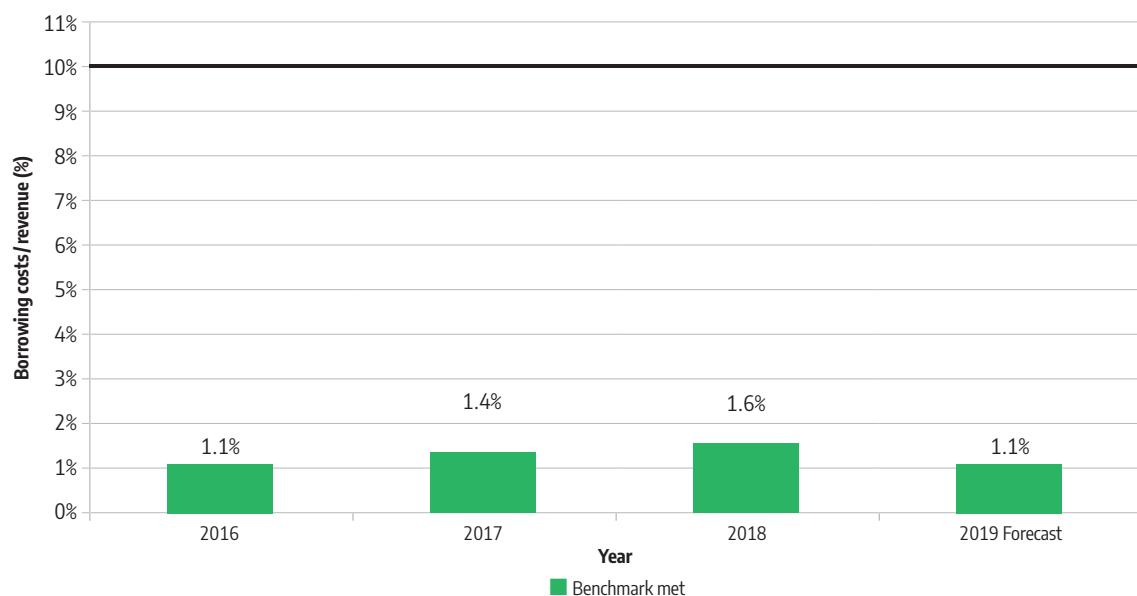
The following graph compares the Council’s actual rates increases with a quantified limit on rates increases included in the Financial Strategy in the Council’s 10-Year Plan.



## Debt Limits

Council’s borrowing limits are based on its ability to service the cost of debt as set out in the Treasury. Management Policy which states that gross interest expense will not exceed 15 per cent of specific, defined revenue sources.

The graph below shows this level is substantially lower than Council’s prudent threshold of 10 per cent.



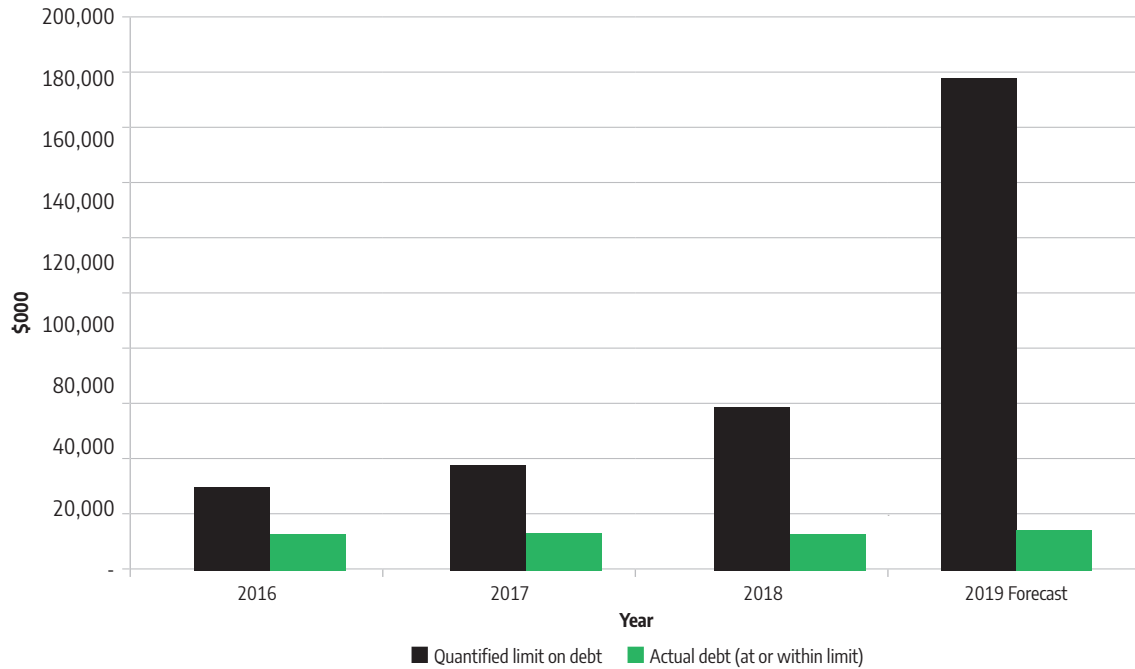
## Debt Affordability

Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following graph compares Council's planned debt against a quantified limit on borrowing. The quantified limit is the total amount of debt Council can borrow in any given year.

For years 2015-2018 the quantified limit was equivalent to the budgeted debt level. For the 2020 forecast year the quantified limit is set at 175 per cent of the debt forecasted, as per the Financial Strategy in the Council's 10-Year Plan.

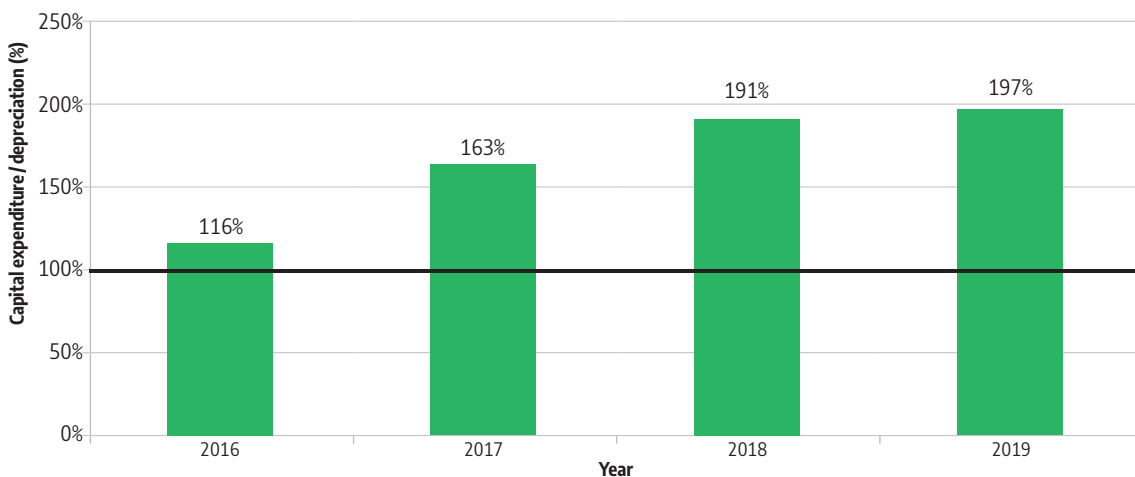
The green bars in this graph indicate that our planned borrowing is below this limit (black bars) for each year.



## Essential Services Benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



# HOW COUNCIL'S

# FINANCES WORK

**As at 30 June 2019, there were 22,014 rateable properties in the Waipā district.**

All of Council's projects and activities are paid for from rates, subsidies, grants, interest income, development contributions, financial reserves and loans or a combination of these.

## **Council's key sources of income**

- General rate - based on capital value of a property to meet a portion of district wide funding.
- Uniform annual general charge (UAGC) - based on a fixed amount per separately used or inhabited part of a rating unit (SUIP) to meet a portion of district-wide funding.
- Targeted Ward Rate - activities deemed to benefit a particular area and a portion of district-wide funding.
- Other targeted rate - meets the cost of activities targeted to certain parts of our community, for instance water supply and district halls.
- Fees and charges - these are set annually on 1 July so clients pay the cost of the service they receive.
- Subsidies - used to help fund operating and capital works, e.g roading activity receiving NZTA subsidy.

## **Intergenerational equity**

Sometimes Council needs to spend a significant amount of money to build or maintain an important asset. These are long-life assets and they often include additional capacity to allow for future growth.

Today's ratepayers do not have to pay the full cost of assets that will also benefit future generations. Funding the cost of depreciation and raising debt to fund projects is often the fairest way to ensure intergenerational equity, spreading the cost across multiple generations that will all benefit from that asset.

### **Asset replacement**

Council needs to allow for replacement of assets at the end of their useful lives. The replacement of assets is often funded through depreciation which is sourced from a mixture of targeted rates and in some cases fees and charges. Council assesses the value of its assets regularly which generally increases the associated depreciation charge. The revaluation process provides an update on the remaining life of the asset to ensure costs are adequately spread across multiple generations. This also enables assets to be replaced at the appropriate time.

### **Internal borrowing**

Sometimes instead of borrowing funds for its capital projects, Council is able to use its cash reserves at least on a short-term basis. This is called internal borrowing and it reduces the need for external borrowing from funding agencies such as banks which charge interest on loans. External borrowing is only used as a last resort. Any money borrowed internally is generally repaid over 30 years. The only interest cost met by ratepayers is external borrowing.

### **External Debt**

External debt is debt owed to organisations external to Council such as banks and the Local Government Funding Agency Limited. Council had \$15 million of external debt as at 30 June 2019.

### **Accountability**

Council aims to be as open and transparent as possible. Council goes through a rigorous audit each year conducted by Audit New Zealand. The audit involves an assessment of the appropriateness of Council's processes and confirms the information disclosed in the Annual Report is a fair reflection of Council's, activities and financial position for the period concerned.

### **Assets**

At 30 June 2019, Council's assets are forecast to be valued at \$1,728,234,161. This is made up of:

- Infrastructure assets (roads, bridges, pipeline networks and treatment plants) - \$1,392,152,019
- Land and buildings - \$294,474,218
- Plant, library books, furniture and equipment - \$20,552,602
- Intangible assets - \$1,356,646
- Forestry - \$2,976,554
- Investment property - \$16,722,122



**WE NEED GREAT**

**LEADERS TO HELP**

**BUILD GREAT COMMUNITIES.**

**YOU CHOOSE THE OUTCOME.**

Election Day - 12 October 2019



 /WaipaDistrictCouncil    /Waipa\_NZ    /Waipa\_DC