

Hurunui District Council

Pre-election Report

July 2022

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1. PURPOSE

The purpose of a pre-election report is to provide information to promote public discussion about the issues facing the Council.

The preparation of and the nature of the content in this document is a legal requirement, placed on the Chief Executive Officer of the council, by section 99A of the Local Government Act 2002.

2. INTRODUCTION

Legislation requires that the following information is provided for residents and ratepayers of the Hurunui District:

- summary balance sheets for the three financial years immediately preceding the date of the election and for the three financial years immediately following the date of the election.
- funding impact statements for the three financial years immediately preceding the date of the election and for the three financial years immediately following the date of the election.
- the major projects planned for the three financial years immediately following the date of the election.

3. SOURCE OF THE INFORMATION PROVIDED IN THIS DOCUMENT

The information provided in this document is a summary of what can be found in the following publicly available documents. Readers who want more detail should refer to the following documents which can be found on our web site (www.hurunui.govt.nz/council/plans-and-strategies).

- 2019/2020 Annual Report
- 2020/2021 Annual Report
- 2021-2031 Long Term Plan
- 2022/2023 Annual Plan

The data shown in the tables that follow is:

- Actual financial results for the Council for the 2019/2020 and 2020/2021 financial years as per the audited annual reports.
- Budgets and projections for the 2021/2022, 2022/2023, 2023/2024, 2024/2025 and 2025/2026 financial years as per the audited 2021-2031 Long Term Plan and the 2022/2023 Annual Plan.

4. COUNCIL'S STRATEGIC DIRECTION

Council Strategy

The Hurunui District Council completed a strategy workshop in August 2020 with the aim of defining their values and applying strategic thinking to their District in the context of both the current and future challenges the District faces. This strategy is a result of the work undertaken at that workshop which has been subsequently refined to provide a summary for future development

The strategy encompasses:

- *Vision:* Resourceful people; resilient infrastructure, treasured environment
- *Values:* Respect; Integrity; Commitment
- *Our Way:* Maximising opportunities and meeting challenges
- *Focus:* Future Ready; Strengths Based; District and community voice

The Council's strategic objectives are:

- *Water resilience:* Enduring water supplies sustain our people, our prosperity and our environment
- *Targeted growth:* The right growth in the right place supports the well-being of our communities
- *Vibrant communities:* Healthy communities are full of energy and life
- *Maximise advantages:* Hurunui is a unique place; we have the opportunity to do things in our way

2021-2031 Long Term Plan and Financial Strategy

In developing the 2021-2031 Long Term Plan, the Council adopted its Financial Strategy. The Hurunui District has had numerous challenges in terms of the November 2016 Earthquakes, the effects of drought and the potential downturn in tourism resulting from the COVID-19 pandemic. Changes in legislative compliance have resulted in additional costs including significant upgrades to the treatment of water to ensure compliance with drinking water standards.

Hurunui District Council's Financial Strategy can best be thought of as a triangle with Capital Expenditure (Capex), Rates, and Debt at its corners. Capex can only be funded if there is an input from Debt and/or Rates. Any increase in the level of capital expenditure will have an impact on either Rates or Debt, or a combination of both. Conversely, a reduction in the level of capital expenditure will result in a decrease in Rates or Debt, or a combination of both.

Capex (Capital Expenditure)

For the next ten year period, the Council is expecting to incur \$195 million in capital expenditure, which is the largest capital programme in the history of the Council. The particular areas of expenditure are work relating to the provision of water – both in terms of quality and in terms of delivery – and in maintaining the roading network. In addition, there is planned renewals for footpaths and a range of new capital works for transfer stations and social housing.

Term Debt Limits

The Council's current Treasury Policy allows the Council to hold debt of no more than 125% of its total revenue. In terms of the local government sector, the default limit required by the Council's main debt funder (Local Government Funding Agency) is 175%, so the Council errs on the side of caution in respect to its debt limits. Over the period of the Long Term Plan 2021-2031 (LTP), it is not expected that the debt limit will be exceeded.

For the 2022/2023 year, total income (excluding Development Contributions and Vested Asset Income) has been budgeted at \$51.2 million so the maximum amount of debt that the Council can hold is \$64.0 million. The forecast amount of debt for the 2022/2023 year is \$54.0 million.

Rate Increase Limits

The Council is mindful of ensuring that rates remain affordable but still need to reflect the costs of doing things, otherwise the debt component of the triangle will start to balloon out. The Council has set its rate increase limits as part of the Financial Strategy. All increases are after accounting for growth.

The rate increase limits provided for in the 2021-2031 Long Term Plan were:

- 8.50% for 2021/2022 (Year 1)
- 5.00% for 2022/2023 (Year 2)
- 5.00% for 2023/2024 (Year 3)
- 4.00% for 2024/2025 (Year 4)
- 4.00% for 2025/2026 (Year 5)
- 4.00% for the remainder of the Long Term Plan

The growth adjusted rate increase for the 2021/2022 financial year was 8.49%. For the 2022/2023 Annual Plan, the growth adjusted rate increase is 10.50%.

Risk Management:

Council's strategy is focussed on prudent financial management and controlled rate increases to ensure affordability is maintained over the long term whilst ensuring compliance to standards set by central government are achieved.

Three Waters Assets:

The most significant issue is the need to comply with Drinking Water Standards. This had emerged during the preparation of the 2015/25 Long Term Plan and the funding structure for Water Supplies changed to ensure that compliance remained affordable for all consumers. \$18.2 million has been allowed for in the 2021-2031 Long Term Plan.

Roading Assets:

Council will be reliant on the level of funding provided by Waka Kotahi (New Zealand Transport Agency) to ensure that the levels of service are maintained for the roading network. The budgets have proposed an increase to the roading programme to meet the levels of service and the NZTA subsidies and the Council's rating input are critical to ensure that programme is achieved.

Hanmer Springs Thermal Pools and Spa (HSTP&S):

The HSTP&S is a key activity of Council providing not only a catalyst for tourism in the Hurunui but the success of the HSTP&S has a positive effect on the Council's financial performance. The surpluses derived from the HSTP&S are used to provide enhancement to the facility but also the Council utilises \$2 million of the surplus to offset various reserve costs throughout the district. COVID-19 and the associated restrictions has had a drastic affect on tourism activities throughout the country and the HSTP&S was not immune to these effects. After recording what was a record year for the 2020/21 period, the on-going restrictions during the 2021/22 year has meant that the HSTP&S will barely breakeven. The financial projections for the 2022/23 year show that the facility is recovering and this is expected to continue as further enhancement of the facility is undertaken.

Three Waters and Local Government Reform

Since the adoption of the Long Term Plan in June 2021, the Three Waters Reform has progressed.

On 2 June 2022, the Government had introduced the Water Services Entities Bill into Parliament.

This is the first of two Bills giving effect to the Government's water services proposals.

The first Bill establishes the four entities, their purpose and objectives as well as their representation and governance arrangements. This Bill also covers the accountability arrangements for the entities and other levers communities have to influence the direction of the entities. The Bill also includes some formative transition provisions.

The second Bill, which is expected to be introduced into the house in September/October 2022, will cover economic regulation, rural supplies, links to planning, the more detailed powers and the flow-on effects for other obligations, such as the effects on Councils in the preparation of the 2024-2034 Long Term Plan.

5. KEY DATES

Key dates for the 2022 local elections include:

- 15 July 2022: Candidate nominations open and roll opens for public inspection
- 15 July - 12 August 2022: Receipt of candidate nominations
- 12 August 2022 at 12 noon: Candidate nominations close and roll closes
- 17 August 2022: Public notice of candidates' names
- 16-21 September 2022: Voting documents delivered
- 16 September - 8 October 2022: Progressive roll scrutiny, special voting period, early processing
- 1 October 2022: Recommended post-by date for rural areas
- 4 October 2022: Last day for posting vote by mail - after this date votes must be returned to Council's secure ballot boxes
- 8 October 2022 at 12 noon: Election Day - voting closes midday
- 8 October 2022 from 12 noon: Preliminary results
- 13-19 October 2022: Declaration of results
- October/November 2022: Elected members' swearing in ceremonies

6. BALANCE SHEET

The Balance Sheet shows the assets and liabilities of the Hurunui District Council and the level of ratepayer's equity at the end of each financial year.

Council Balance Sheet as at 30 June							
	2019/20 Actual \$000's	2020/21 Actual \$000's	2021/22 Budget \$000's	2022/23 Budget \$000's	2023/24 Forecast \$000's	2024/25 Forecast \$000's	2025/26 Forecast \$000's
Assets							
Current Assets							
Cash and Cash Equivalents	4,979	6,951	233	90	62	(12)	255
Trade & Other Receivables	2,709	4,121	2,814	4,285	2,969	3,047	3,130
Inventories	133	119	139	125	146	150	154
Non-current assets held for sale	0	0	0	0	0	0	0
Total Current Assets	7,820	11,191	3,185	4,501	3,177	3,185	3,539
Non-current Assets							
Property, plant & equipment							
- Operational	57,177	56,075	57,457	56,548	58,220	58,183	58,351
- Restricted	45,609	46,060	48,874	52,019	54,550	55,091	56,828
- Infrastructure	367,850	397,135	397,269	433,142	428,836	458,619	460,575
Intangible assets	610	649	369	392	236	193	162
Forestry assets	333	460	333	460	333	333	333
Other financial assets	1,044	990	1,044	990	1,044	1,044	1,044
Total non-current assets	472,623	501,369	505,347	543,552	543,219	573,464	577,294
Total Assets	480,443	512,560	508,532	548,053	546,397	576,649	580,833
Liabilities							
Current Liabilities							
Trade & other payables	9,053	9,960	9,406	10,431	9,924	10,184	10,461
Current portion of term debt	11,000	12,000	0	0	0	0	1,500
Other Current Liabilities	1,926	1,892	2,000	1,987	2,111	2,166	2,225
Total current liabilities	21,978	23,852	11,406	12,418	12,035	12,350	14,186
Non-current Liabilities							
Term Debt	29,000	26,000	41,500	54,000	63,500	66,500	65,000
Other non-current liabilities	1,681	890	1,681	889	1,681	1,681	1,681
Total non-current liabilities	30,681	26,889	43,181	54,889	65,181	68,181	66,681
Total Liabilities	52,658	50,742	54,586	67,308	77,215	80,531	80,867
Net Assets	427,785	461,819	453,946	480,745	469,181	496,118	499,966
Equity							
Asset Revaluation Reserve	273,826	287,819	291,078	301,549	300,982	324,254	324,254
Other reserves	(40,850)	(36,300)	(44,006)	(57,882)	(63,852)	(67,178)	(66,987)
Retained earnings	194,808	210,300	206,874	237,079	232,051	239,043	242,698
Total Equity	427,785	461,819	453,946	480,745	469,181	496,118	499,966

Note: The actual data is for core Council operations only and excludes the consolidation of Council's share of the activities and assets of Enterprise North Canterbury. All LTP budgets have been prepared on the same basis.

7. FUNDING IMPACT STATEMENT

The Funding Impact Statement shows how funds raised from rates and other sources have been applied to fund expenditure for the Hurunui District Council.

Funding Impact Statement							
	2019/20 Actual \$000's	2020/21 Actual \$000's	2021/22 Budget \$000's	2022/23 Budget \$000's	2023/24 Forecast \$000's	2024/25 Forecast \$000's	2025/26 Forecast \$000's
Sources of Operating Funding							
General Rates	8,963	9,787	11,290	13,687	13,314	13,425	13,571
Targeted Rates	11,711	12,011	12,126	12,654	13,176	13,949	14,712
Subsidies & Grants for operating expenditure	3,333	4,504	2,112	1,616	2,161	2,182	2,240
Fees & Charges and other Income	16,517	21,219	23,046	20,294	20,837	21,720	22,535
Total Operating Funding	40,525	47,521	48,574	48,252	49,488	51,277	53,058
Applications of operating funding							
Payments to staff and suppliers	33,990	35,853	37,188	38,870	38,300	38,833	39,824
Finance Costs	1,444	49	974	1,425	1,410	1,554	1,589
Total application of operating funding	35,434	35,902	38,162	40,295	39,710	40,387	41,413
Surplus (deficit) of operating funding	5,090	11,619	10,412	7,956	9,778	10,890	11,645
Sources of capital funding							
Subsidies and grants for capital expenditure	3,207	6,895	2,519	2,919	2,539	2,608	2,682
Development and financial contributions	405,	1,042	2,374	2,575	2,663	2,597	2,671
Assets vested in Council	1,051	8,545	0	0	0	0	0
Increase (decrease) in debt	5,500	(2,000)	2,116	13,910	9,589	2,953	(88)
Gross proceeds from sale of assets	0	0	0	0	0	0	0
Total sources of capital funding	10,163	14,482	7,009	19,404	14,790	8,158	5,264
Applications of capital funding							
Capital Expenditure							
- to meet additional demand	552	2,723	1,770	4,760	1,775	1,821	2,182
- to improve the level of service	10,950	5,815	10,205	9,879	11,946	8,805	5,437
- to replace existing assets	6,336	17,033	11,391	13,012	10,784	8,776	9,360
Increase (decrease) in reserves	(2,586)	530	(5,945)	(291)	63	(355)	(70)
Total applications of capital funding	15,253	26,101	17,421	27,360	24,568	19,048	16,909
Surplus (deficit) of capital funding	(5,090)	(11,619)	(10,412)	(7,956)	(9,778)	(10,890)	(11,645)
Funding Balance	0	0	0	0	0	0	0

8. MAJOR PROJECTS PROPOSED OVER THE THREE YEARS FOLLOWING THE ELECTION

The following major projects (defined as those items of Capital Expenditure with an expected cost of greater than \$50,000), as outlined in the 2022/2023 Annual Plan and the 2021-2031 Long Term Plan, are proposed:

Major Projects proposed over the next three years				
	Annual Plan 2022/23 \$000's	Long Term Plan 2023/24 \$000's	Long Term Plan 2024/25 \$000's	Long Term Plan 2025/26 \$000's
Project				
Water Supplies				
Developer Created Water Assets	193,302	198,227	203,153	208,266
District Wide New Connections	154,515	158,595	162,675	167,040
District Wide Asset Management Plan Review		58,152		
District Wide Pipe Level of Service Upgrade	753,117	773,004	792,890	814,165
District Wide Source Protection	25,753	68,725		
District Wide Flow Metering Improvement	77,258	79,298	81,338	83,520
District Wide Water Asset Fencing	61,806	63,438	65,070	66,816
Additional FAC and pH monitoring equipment	219,500			
Midline dosing plant	245,000			
pH correction equipment	108,000			
District Wide Pump Replacement	246,087	158,595	104,482	130,959
District Wide Pump Shed Upgrades				115,814
District Wide Reticulation Renewals	1,943,211		89,272	110,760
District Wide Water Application Physical Works	123,612	126,876	130,140	133,632
District Wide Resource Consents - ECan	49,445	50,750	52,056	53,453
District Wide Installation of Online FAC Monitoring	103,010			
District Wide Submersible Pump Renewal	57,686			
District Wide Drinking Water Standards Full Treatment Compliance Works	5,571,412	5,758,551	4,166,353	
Amberley Water – Reservoir		21,146		111,360
Ashley Rural Water – Cones Road to Henrys Road Ring Main		452,524		476,621
Ashley Rural Water - Rangiora Leithfield Road Upgrade	347,659			
Ashley Rural Water - Barkers Road Upgrade	202,930			
Cheviot Water - Main Pipe Upgrade				846,336
Cheviot Water - Main Reservoir Upgrade	215,147			
Waipara Town Water - Additional Reservoir Storage and New Booster Pumps	103,010			
Hanmer Springs Water - Thomas Hanmer Drive Reservoir Isolation of Old Concrete Tank and Tank Farm Improvements	41,204	317,190		
Hanmer Springs Water – New Pump Station and Reservoir	236,923			
Hanmer Springs Water – Additional Treated Water Storage		21,146	520,560	

Major Projects proposed over the next three years				
	Annual Plan 2022/23 \$000's	Long Term Plan 2023/24 \$000's	Long Term Plan 2024/25 \$000's	Long Term Plan 2025/26 \$000's
Project				
Water Supplies continued				
Hawarden-Waikari Water – Review Study of Storage on the Hawarden-Waikari Supply to Determine Improvements for Distribution and Increase Resilience	15,452	10,573	325,350	
Hurunui Rural Water - Greta Valley Pipe Upgrade	118,977			
Sewerage				
Developer Created Sewer Assets	302,540	310,529	318,518	327,064
District Wide – Wastewater Application Physical Works	103,010	105,730	108,450	111,360
District Wide – Pipe Renewals	307,458		1,198,214	
District Wide - Facilities Renewals	226,622	232,606	238,590	244,992
Amberley Sewer – Land Purchase or Process Upgrade		2,842,657		
Cheviot Sewer – Resource Consent Disposal Investigation and Assessment				51,061
Cheviot Sewer – Pond Upgrade	220,000			
Greta Valley Sewer - Resource Consent Disposal Investigation and Assessment				51,061
Greta Valley Sewer – Desludging				89,088
Motunau Beach Sewer – Resource Consent Disposal Investigation and Assessment				51,061
Hawarden Sewer – Resource Consent Disposal Investigation and Assessment	47,232	67,714		
Waikari Sewer – Assessment of Stormwater Ingress	51,505			
Stormwater & Drainage				
Developer Created Stormwater Assets	302,540	310,529	318,518	327,064
Amberley Stormwater – Hill Runoff Cut-off Drain to Eastern Drain	77,258	79,298		
Amberley Stormwater - Remediation Work for Leithfield Outfall Structure			54,225	
Amberley Stormwater – Restoration of Amberley Beach Northern Lagoon			43,380	44,544
Amberley Stormwater – Survey Works, Modelling and Design to Upgrade Nine Culverts in Dock Creek	30,903	21,146		
Cheviot Stormwater – Flow Diversion at Eastern End of Ward Road			162,675	
Cheviot Stormwater - Retention Pond				200,448
Hanmer Springs Stormwater – Upgrading Size of Flax Stream Culvert Crossing Under State Highway 7A		158,595	178,943	
Hanmer Springs Stormwater - New Pipe Connection in Conical Road		105,730		
Hanmer Springs Stormwater – Argelins/Jacks Pass Project	1,030,100			
Hanmer Springs Stormwater – Drainage Improvement Work in Scarborough Terrace				162,586
Hawarden Stormwater – Construct 450m Open Drain and Culvert (Allandale Road)	51,505			
Hawarden Stormwater – Drain Cleaning Seymour Street				50,112

Major Projects proposed over the next three years				
Project	Annual Plan 2022/23 \$000's	Long Term Plan 2023/24 \$000's	Long Term Plan 2024/25 \$000's	Long Term Plan 2025/26 \$000's
Stormwater & Drainage continued				
Waikari Stormwater – Cut Off Drain Along Kellaway Terrace to Little Drive				55,680
Roading & Footpaths				
Developer Created Roding Assets	756,351	776,323	796,294	817,661
Subsidised Capital Expenditure	5,482,200	4,824,000	4,954,528	5,094,887
Special Purpose Roding	131,000	44,334	45,539	47,254
District Footpath Renewals	437,630	444,590	440,679	452,428
Hanmer Springs Roadside Construction – Woodbank Road	206,020			
Community Services & Facilities				
Social Housing Internal Refurbishments	52,535	53,922	55,310	56,794
Earthquake Prone Building Strengthening Work		475,608	474,998	474,351
Public Toilets – Greta Valley	195,719			
Amberley Township - Walking and Cycling Routes	189,538			89,088
Amberley Domain – Eastern Reserve Purchase	300,000			
Amberley Domain Car Parking		52,865		
Amberley Town Neighbourhood Reserves	210,449			223,165
Amberley Beach Reserve – Tennis Courts			86,760	
Hanmer Springs Reserves – Sports Ground Upgrade	412,040			
Libraries Collections	65,926	67,667	69,408	71,270
Transfer Stations – Improvements for Cheviot Township	550,000			
Transfer Stations – Hanmer Springs Weighbridge and Weighbridge Office		126,876		
Transfer Stations – Amberley Expansion and Upgrade		1,004,435		
Hanmer Springs Thermal Pools & Spa				
Miscellaneous Capital	200,000	200,000	200,000	200,000
Activity Pool			500,000	
Fresh Water Pool			100,000	
Private Pools		100,000		
Sulphur Pools	100,000		100,000	
Slides		100,000	750,000	750,000
Super Bowl			150,000	
Dry Activities				1,000,000
Café				300,000
Spa		2,100,000	50,000	
Environmental		200,000		

Major Projects proposed over the next three years				
Project	Annual Plan 2022/23 \$000's	Long Term Plan 2023/24 \$000's	Long Term Plan 2024/25 \$000's	Long Term Plan 2025/26 \$000's
Hanmer Springs Thermal Pools & Spa continued				
Balance Tank Upgrade				100,000
Water Treatment				500,000
Picnic Area	200,000			50,000
Bore Pump	250,000			
Flyride	1,918,486			
Corporate Services				
Maintenance Team Vehicles	61,806	63,438	97,605	66,816
Three Waters Service Delivery Vehicles	298,729		195,210	367,488
Council General Pool Vehicles	123,612	116,303		83,520
Information Technology – Infrastructure Core Server		84,584		
Information Technology – GIS Urban Ortho Procurement	66,957			
Information Technology – Records Management Property File Scanning	103,010	105,730		
Information Technology – Website Upgrade				55,680



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Chief Executive Officer
Hurunui District Council