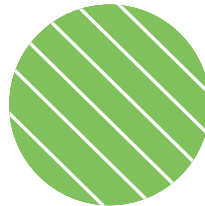



Pre-Election Report 2022





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To promote public discussion
about the issues facing Council
and encourage informed debate
in the lead-up to the October
2022 local elections

Purpose

The purpose of a Pre-Election Report (the Report) is for the Chief Executive to provide information to promote public discussion about the issues facing Council and to encourage informed debate in the lead-up to the October 2022 local body elections. It is your right to either agree or disagree with the issues raised.

You may be standing for Council. The role of councillor is demanding, challenging and rewarding and those with an interest in community are encouraged to get involved and stand for election.

Key dates in the election process

12 August 2022

Nomination day:
Nominations close at 12.00 noon

16 - 21 September 2022

Delivery of voting papers

8 October 2022

Election day:
Voting closes at 12.00 noon

10 - 13 October 2022

Declaration of results

Who we are - Council at a glance

Marlborough District Council is a unitary authority with offices in Blenheim and Picton. Our region is well known as the centre of New Zealand's wine industry and for the stunning natural beauty of the Marlborough Sounds.

Our vision

Marlborough is a globally-connected district of smart, progressive, high-value enterprises, known for our economic efficiency, quality lifestyle and wellbeing, caring community, desirable location and healthy natural environment.

Our mission

We invest in Marlborough's future, our people, quality lifestyle and outstanding natural environment.

Our region

Marlborough's environment is diverse and includes the vast expanse of Molesworth, the hill and high country of the Awatere Valley, rivers from the Clarence in the south to the Pelorus in the north, and acres of green vines, productive farms and extensive forests. It has 1,800km of coastline from Cape Campbell to Croisilles Harbour, embracing the sheltered waters of the Marlborough Sounds, which open out to Cook Strait.

Our economy

Marlborough's economy and wealth is underpinned by its natural resources. The health and resilience of our ecosystems provide the foundation for our livelihoods - tourism, aquaculture, forestry, farming, viticulture and horticulture - which all rely on the quality of the air, land and water. Blenheim regularly claims one of the highest sunshine hours in New Zealand, and has low rainfall.

Our people

Our population is increasingly diverse but is also ageing. By 2048 the high projection is that there will be 20,100 people aged 65-plus, 33% of the total projected population. In the 2018 Census, 11.5% of the population was Māori.

Iwi with Mana Whenua status (by legislation) in Marlborough are: Ngāti Apa Ki Te Rā Tō, Te Ātiawa o te Waka-a-Māui, Te Rūnanga o Ngāti Kuia, Ngāti Koata, Te Rūnanga a Rangitāne o Wairau, Te Rūnanga o Ngāti Rārua, Ngāti Tama Ki Te Waipounamu, Te Rūnanga o Ngāi Tahu (Te Rūnanga o Kaikōura - Ngati Kuri hapu), Ngāti Toa Rangatira (Ngāti Toa Rangatira ki Wairau)

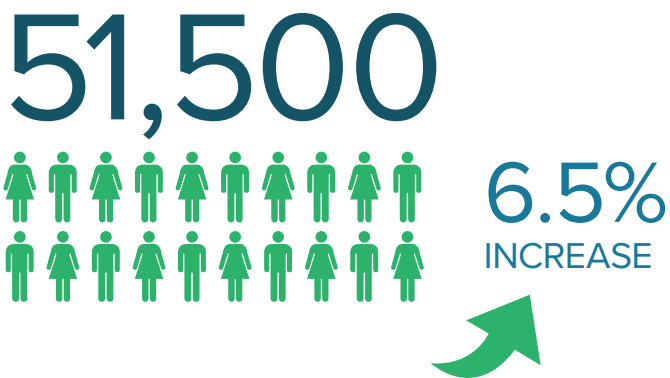
Marlborough at a glance

The following infographics have been sourced from the SOLGM State of District Report & MBIE Regional Economic Activity Web Tool.

Population

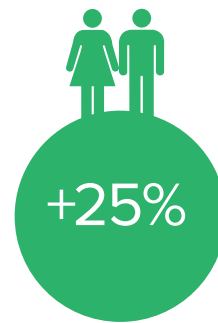
Overall population

Marlborough has a growing population, between 2018 and 2021 it grew 6.5%.



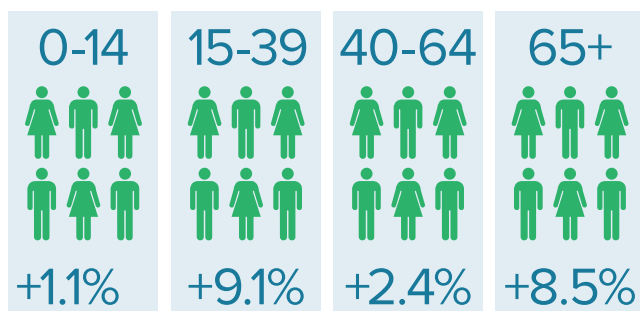
Population projections

Marlborough has a projected population increase to 61,000 by 2043.



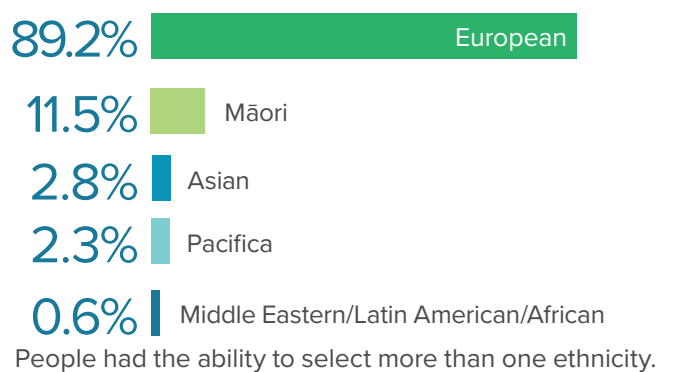
Age proportion

This shows the growth between 2018 and 2021 in four age bands.



Ethnicity of residents

Understanding the extent of ethnic diversity is important for shaping policy and service delivery.



Social & Housing

Average household income
Infometrics June 2022

Marlborough
\$113,218



New Zealand
\$117,774

Average house value
June 2022 QV



Average weekly rental
Infometrics June 2022



Average home value /
household income
Infometrics June 2022



Economic

Infometrics June 2022

Number of businesses

There are 7,026 businesses in Marlborough.

7,026 Businesses



Unemployment rate

Marlborough

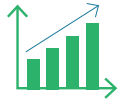
New Zealand



G.D.P per filled job

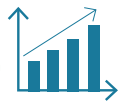
Marlborough

\$119,834



New Zealand

\$124,890



Environmental

Land Air Water Aotearoa 2021

Water quality at recreational sites

Long term grades are determined using national guidelines.

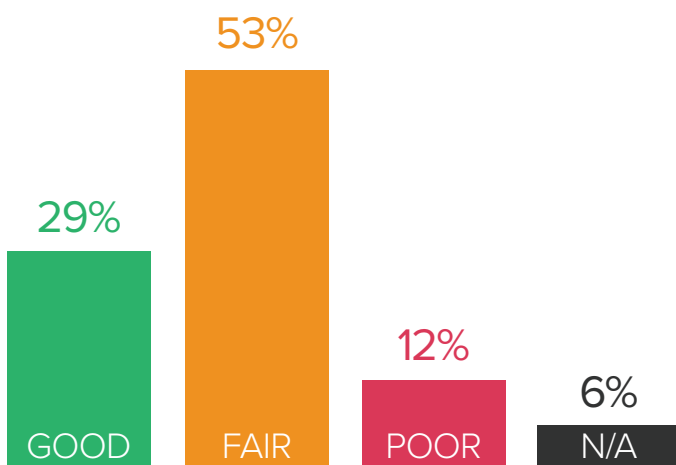
Good = water is generally suitable for swimming,

Fair = water is often suitable for swimming,

Poor = water is generally not suitable for swimming.

See lawa.org.nz/explore-data/swimming for more information on what the gradings mean.

N/A = data not available.



Air quality rating

Annual average PM10 concentration in the air. Results from Blenheim.



Blenheim

The National Environmental Standard is 20 micrograms per cubic metre of air (20 µg/m³)

From the CE: the outlook for Marlborough District Council

In my 2019 Pre Election commentary Council's major priorities of investment in core infrastructure and progressing the Marlborough Environment Plan were highlighted.

Late in 2019, Covid 19 appeared in China, and started to spread internationally. New Zealand's first case was reported on 28 February 2020 and the Government quickly and progressively introduced border control, alert systems and a range of measures to contain Covid's spread including various levels of "lockdown".

Council responded to this rapidly changing situation and implemented systems to keep staff and the public safe but continued to effectively deliver essential services. Council could now operate, to a large extent, remotely.

The restrictions did impact on New Zealand's economy and were felt in Marlborough. Council decided to reduce its originally projected 2021 rates increase from 4.86% to 1.88% while continuing its spending programmes which would assist local employment and maintain economic activity. Also in the 2021-31 Long Term Plan, to reduce the rating impact on the community, while still maintaining levels of service, Council decided to reduce the rates increase with the allocation of c.\$4M per annum from the Covid Rates Relief Reserve for three years. We also implemented a range of other economic activity stimulant actions through TEAM (The Economic Action Marlborough Group). Council was only able to do this because of its strong financial position; AA+(negative credit watch).

Our tendering process was altered to accelerate the award of project contracts and to give locally based contractors the first opportunity for work. These measures contributed to record levels of capital expenditure for the year ended 30 June 2021 (\$74.5 million). Year ended June 2022 annual capital expenditure is projected to be at a slightly higher level again.

Marlborough attracted significant government funding which greatly assisted, including \$11 million for the construction of the new Blenheim Library and Art Gallery which is now well advanced.

With the imminent completion of the new library early in 2023, Council will review levels of service so the community can get the best from what promises to be a wonderful new facility.

This review is planned to take place over the next six months.

Council has taken steps to improve our working relationships with iwi. Recently a Kaihautū (Manager Māori Partnerships) was engaged and together with a new Māori Ward Councillor, Council will be much better placed to build on positive relationships and deal with future challenges for both Māori and the wider community.

What follows is brief commentary on what I see are the major issues facing the district:

Capital Investment

The next three years sees a continuation of this high level of capital investment in major infrastructure. Key amongst these projects are:

- New water treatment plants, renewals and capacity upgrades for the Havelock, Renwick, Picton, Riverlands and Wairau Valley supplies
- Sewerage pump station and treatment plant upgrades in Havelock, Picton, Blenheim and Seddon
- Stormwater upgrades in Blenheim including commencement of the major Town Branch Drain upgrade to relieve stormwater systems at capacity
- The Flaxbourne Irrigation Scheme
- New A & P Park Pavilion

N.B. It needs to be noted that from 1 July 2024 the Government's proposed new Three Waters Entities are likely to be responsible for Three Waters expenditure. Our budgets however, assume Council continues this role.



Inflationary Pressures

The effects of Covid-influenced supply chain issues, labour shortages, government Covid support programmes and the Russia/Ukraine war have contributed to current rapidly increasing inflationary pressures. These influences will be challenging for Council budgets and our ability to complete capital programmes. Pre-existing shortages of civil contractors and consultants exacerbate this. Budgets for 2023-34 will have to take account of this and inform some difficult Council decisions. Staff deserve to be remunerated fairly and there is already intense competition for qualified professionals throughout New Zealand which will be compounded by the establishment of the Three Waters Entities. These pressures will impact on our largest expense – staff salaries and wages.

Road Restoration

The storm event of July 2021 exposed Marlborough to the consequences of climate change. It tested the Wairau River to its capacity but also caused major damage to Council’s roading network, over 460 km, in the Marlborough Sounds, Northbank, Waihopai Valley and Awatere Valley. Restoration proceeded very quickly to enable public access but there is still up to 12 months work to be completed, particularly in the Kenepuru, to fully restore the roads back to their previous condition. Waka Kotahi (Transport Agency) have provided 95% funding assistance for the restoration which has a total cost of over \$80 million.

Marlborough Roads is undertaking a Rural Road Maintenance Review which will consider the future resilience, safety and economics of Council’s rural road network focusing on our most costly areas. This review will inform future Council decisions on levels of service and consequent budgets.

Housing

Council has a key role in the provision of Housing alongside a range of other key stakeholders. Our primary roles are:

- Resource Management Plan policies and rules including zoning
- Building control
- Provision of infrastructure – roads, Three Waters, parks and open spaces
- Maintenance and renewal of 186 senior housing units

Our most recent Housing and Business Development Capacity Assessment (2021) established that, subject to infrastructure being put in place, there were currently over 2700 residential housing lots able to be developed to enable landowners and developers to undertake subdivision development. Council is actively working on the infrastructure needs for these developments to proceed. However landowners have been slow to respond to the opportunity and currently very few new lots are being developed. As a consequence record high prices are being achieved due to short supply.

Council has been encouraging landowners and developers interested in developing land not currently residentially zoned to come forward with proposals. We are then assessing their proposals against the Proposed Marlborough Environment Plan (PMEP) and Resource Management Act rezoning requirements. Once assessed, Council can consider initiating a PMEP variation process to extend zoning.



Slip on Kenepuru Road, credit BP Fisher



The signing of the PMEP took place in February 2020 at Omaka Marae, credit Chloe Ranford

Marlborough Environment Plan

Another key priority has been progressing appeals mediation for the proposed Marlborough Environment Plan (PMEP). The PMEP is a resource management plan under the Resource Management Act which sets out how we should manage the environment sustainably. It is a very significant document which influences not only the environment but our economy and community. 51 Notices of Appeal were logged with the Environment Court covering approximately 1200 appeal points. To date 535 of these have been considered through mediation.

Freshwater Management

Government environmental reforms whilst laudable in their intent are providing funding challenges to Council. In particular the National Policy Statement on Fresh Water Management, the National Environmental Standards for Freshwater, Stock Exclusion regulations and updates to other regulations relevant to water supplies require implementation progressively over the next few years. Significant extra funding has been budgeted to meet extra policy development and monitoring costs in particular, and further budget increases are expected to be required.

Indigenous Biodiversity

A more recent government initiative is a proposal to restore and enhance indigenous biodiversity throughout New Zealand. Council is submitting on a Draft National Policy Statement which has major potential impacts on land development and management (both public and private) and again will be very costly for Council to implement.

Catchment Enhancement Programmes

There has been a lot of Council input into the Te Hoiere (Pelorus) project which Council, the Department of Conservation, Iwi and the local community have come together to work on. The Te Hoiere catchment is a very special environment with bush clad slopes and the river valley floor developed for farming and forestry. This has been classified by the Ministry for the Environment as an exemplar catchment and government funding has been provided. The collaborative approach to this project is being considered for other significant at-risk catchments in Marlborough.

Climate Change

The impacts of climate change are already being experienced around New Zealand and the flood events of July 2021 and 2022 are expected to become more frequent. More extreme climate events (rainfall and drought) are to be expected. Further out, sea level rise could have significant impacts around Marlborough's extensive coastline and to our river flood control and urban stormwater systems. Council has established an active Climate Change Working Group to address these issues and to implement plans for both mitigation and adaption. The Proposed Marlborough Environment Plan includes a chapter on climate change which focuses on applying the best available information to enable people and communities to respond to the adverse and positive effects created by climate change.

Interislander Resilience Project (iReX)

The current Council has (subject to legal agreement conditions) approved the provision of up to \$110 million in funding by loan through MDC Holdings Limited to Port Marlborough Limited for the assets they are providing for the Interislander Resilience Project (iReX). KiwiRail are purchasing two new ferries which are significantly larger than the current Cook Strait ferries. Accommodating the new much larger ferries will require major upgrades to Port Marlborough berthing and associated facilities.



Artist's rendition of new ferry

A significant amount of risk analysis was undertaken to support the business case for this investment and to inform the required agreements between Port Marlborough, Council and KiwiRail. The investment is large but Council was satisfied that the lease and rental returns and significant risk mitigations being put in place would provide sufficient assurance to justify that. Further information can be found on Council's website – www.marlborough.govt.nz and search iReX.

Combined Colleges

Council has been negotiating with the Ministry of Education Te Tātoru o Wairau team on the relocation of Hockey and Roller Skating from College Park to enable the construction of the relocated Bohally Intermediate School, in turn enabling the Combined Boys and Girls Colleges to be built at McLauchlan Street. Significant funding will be provided by the Ministry.

Central Government reforms

In addition to the significant local issues faced by Council, Government is also undertaking a series of significant reforms. There are three significant reform and review processes currently underway which will have a major impact on local government - Three Waters, Resource Management and the Future for Local Government. They collectively represent the largest reforms to local government and local governance since 1877.

The reforms aim to achieve better outcomes for communities and the environment, improved efficiency, and give effect to the principles of Te Tiriti o Waitangi. They are however progressing on different timelines and add to an increasingly complex and uncertain operating environment for local government.

There are also many other reviews and reforms underway including building control, emergency management and waste management, to name but a few.

Taken together the reviews and reforms provide considerable opportunity but are likely to fundamentally change the system that local government operates within and therefore also creates risks.

Three Waters

Following a serious campylobacter outbreak in 2016 and the Government's Inquiry into Havelock North Drinking Water, central and local government have been considering the issues and opportunities facing regulation and management of the three waters (drinking water, wastewater and stormwater).

The focus has been not only on how to ensure safe drinking water for all, but also to improve the environmental performance of wastewater and stormwater networks and deal with the extremely significant funding and affordability challenges, resulting from enhancement. There is also a need to future-proof the assets and plan for the effects of climate change.

Both central and local government, including Marlborough District Council, are committed to better outcomes for communities and the environment. There is also widespread agreement that the status quo is not sustainable, despite the significant contribution, investment and effort that local government and communities have made to date.

In 2021 the Government announced that it would proceed with proposals to change the way three waters are delivered. The proposal is that all the Council's three water assets and any liabilities related to three waters would transfer to one of four new, large, water entities. As the proposed transfer is currently intended to happen on 1 July 2024, this would be within the term of the incoming Council.

Parliament is currently considering the Water Services Entities Bill which creates these four new entities. Under the Bill the entities will manage the future delivery of three waters services across the country. The Bill also sets out how these entities will operate, be governed and how the local community will be able to hold them accountable.

The Government has said that later this year a second Bill will provide further details on the powers and duties of the entities. That Bill will also allow the Government to regulate the amount and the ways in which the entities charge for these services, and how they will demonstrate their services are value for money. We understand this Bill will enter Parliament in or around September this year so the incoming Council will need to decide whether it wishes to submit on this Bill, and what it might say.

The Three Waters activities are vital to the Marlborough Community. The asset value is estimated at \$439 million (at 30 June 2021) and represents 23% of Council's total assets. 58 staff are employed in the three waters area and the annual operating cost is \$24 million, or 17% of Council's total operating expenditure. Should the four-entity model proceed, Council will face the challenge of recovering between \$2.2 and \$2.7 million of "stranded overheads" i.e. overhead costs previously recovered through three waters activities. The Government's Future of Local Government reform may provide Council with additional future responsibilities to help recover these "stranded overheads" and some government funding has been proposed to assist for a two year transition period.

There will be a lot of additional work required from Council as the transition to the new entity model occurs which will put pressure on current capital and operating programme delivery.

These services are crucial to the wellbeing of our communities, the environment and our community's future – for example the location of three waters assets is a major determinant of where new houses can be built, what types of industries or business might locate in our community and therefore what our economy will look like. It is also important to consider how this reform relates to Resource Management reform, and how the new entity model will input into spatial planning, the Natural and Built Environments Act, climate change adaptation and mitigation plans and community aspirations.

The new Council will need to work with the new entity as best it is able to as the governance structure and appointments are made, to ensure Marlborough gets the services it needs now and in the future.

The outgoing Marlborough District Council members have strongly opposed the Government's proposed Three Waters reform, and Council is a member of the Communities 4 Local Democracy group which has developed alternative options to address the investment challenges ahead. Council's two key concerns are the loss of local democratic influence and control and the lack of consideration of alternative options for improving three waters investment by the Government. Whilst Council has submitted in opposition to the Water Services Entities Bill, staff are responsible for giving effect to the government model ultimately adopted so that whatever that model is, Marlborough's three waters assets are managed effectively and efficiently into the future.

For more information on the current Council's position on Three Waters, go to www.marlborough.govt.nz/your-council/three-waters-reform-proposals

Resource Management Act reforms

After many years of incremental changes, the Government is overhauling the resource management system¹ to:

- protect and restore the environment and provide for intergenerational wellbeing
- better enable development within environmental limits
- better recognise Te Tiriti o Waitangi principles, Te Ao Māori and mātauranga Māori
- better prepare for adapting to climate change and risks from natural hazards, as well as mitigating greenhouse gas emissions
- make the system less complex and more efficient while retaining local democratic input.

The Government has said it will introduce three new pieces of legislation to achieve its objectives. They are:

- Natural and Built Environments Act - the primary replacement for the Resource Management Act 1991. It will require outcomes based planning and development within environmental limits and targets, give effect to the principles of Te Tiriti, create a single regional plan, overseen by a single regional committee, supported by a National Planning Framework.
- Strategic Planning Act – introduces mandatory 30 year regional spatial strategies that will set out, at high level, how regions and communities will develop, integrating land use, major infrastructure and investment. It too is guided by the National Planning Framework and will be overseen by a regional committee.
- Climate Adaptation Act – this will deal with the complex policy, economic and legal issues around adapting to the effects of climate change, including managed retreat.

The Natural and Built Environments and Strategic Planning Bills will be introduced into Parliament around or shortly after the election period. The incoming Council will need to consider whether and how it wishes to respond to these Bills soon after it takes office. The Climate Adaptation Bill is likely to be introduced next year.

The reform of the resource management system will have a significant impact on Marlborough District Council, including future governance arrangements, functions, structure, decision making, operations and investment priorities. The resource requirements and costs of transition cannot be underestimated, particularly as we transition to the new system while fulfilling essential requirements under the current one.

¹ based largely on the recommendations of the independent review of the resource management system – the Randerson Report (launched in 2019 and published in 2020).

The resource management sector is currently under significant strain and facing capacity issues, including sourcing and retaining appropriately skilled people. There is currently a shortage of skilled planners and spatial planning will draw on the skills and expertise of a wide range of specialists and expertise from across the Council and beyond. There are also constraints on mana whenua and their capacity to fully participate in the current, let alone, future system.

The success of the new resource management system and Council's part in it will depend in large extent on how well the transition to and implementation of the new system is planned for, managed and resourced, and the impact of inter-related reforms in water and the future of local government. The Randerson Report recommended that the 'region' for the purposes of reform would be the whole of Te Taihū and not retain the current three separate Unitary Council resource management plans.

Council, along with the Nelson City and Tasman District Councils (Te Taihū Councils) has been discussing the proposed boundaries for the new spatial strategy and Natural and Built Environment Plan with selected Ministry for the Environment officials.

All Te Taihū Councils are opposed to this aspect of the proposed reforms. This Council's opposition is based on several key points:

- No evidence that the combined plans would be cost effective or reduce complexity
- No consideration of Marlborough's distinct geography, economy and communities
- Marlborough has distinct freshwater catchments and New Zealand's longest coastal length
- There has been no public consultation on this proposal
- There are very few cross-boundary issues between Marlborough, Nelson and Tasman

More details about the reform of resource management can be found on the Ministry for the Environment website at <https://environment.govt.nz/what-government-is-doing/key-initiatives/resource-management-system-reform/overview/>

Future for Local Government

In April 2021 the Minister of Local Government announced she had established a Ministerial Inquiry into the Future for Local Government. The overall purpose of the review is to "identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership."

In September last year the panel released an interim report that set out the engagement it had done up to that time, and the lines of inquiry it would follow.

The full report, *Ārewa te ake Kaupapa: Raising the Platform* can be found at www.futureforlocalgovernment.govt.nz/assets/Uploads/DIA_16724_Te-Arotake-Future-of-Local-Government_Interim-report_22.pdf

Ārewa te ake Kaupapa poses five key questions:

1. How should the system of local governance be reshaped so it can adapt to future challenges and enable communities to thrive?
2. What are the future functions, roles and essential features of New Zealand's system of local government?
3. How might a system of local governance embody authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?
4. What needs to change so local government and its leaders can best reflect and respond to the communities they serve?
5. What should change in local governance funding and financing to ensure viability and sustainability, fairness and equity, and maximum wellbeing?

The panel has met with every local authority as part of its engagement, including Marlborough District Council.

Council presented its case for retaining the Marlborough District Council in its current form as a successful Unitary Council which was 'right sized' to retain strong community linkages whilst still being financially sustainable.

A draft report and recommendations for public consultation will be released by the Panel after the local government elections. The final report will be presented to the Government by 30 April 2023. With Parliamentary elections likely in late 2023 the Government may take some time to decide what, if any, of the panel's recommendations it wishes to take up. Recently at the Local Government New Zealand Conference the Prime Minister indicated that local government reform will not proceed unless the Local Government sector seeks reform and there is broad consensus amongst the sector about the need for and the direction of change.

The incoming Marlborough District Council will need to respond to the Panel's recommendations soon after being elected, and then consider the Panel's recommendations to Parliament.

Summary

The next Council term (October 2022 to October 2025) promises to be a challenging period as government reform proposals are likely to be finalised. In addition to reforms, post-Covid inflationary pressures, staff recruitment and retention challenges and climate change effects will add to the complexity.

Council will need to continue its extensive capital investment programme. Should it proceed, the Three Waters reform will reduce this spend and the associated debt but also create “stranded overhead” costs.

There are exciting projects to implement including the funding of Port Marlborough Limited’s investment in infrastructure to accommodate two new large Interislander Ferries. Council will also support the Ministry of Education’s new Combined Colleges Project (Te Tātoru o Wairau) through possible assistance with sports facility relocation, and our infrastructure and regulatory responses.

The new Library and Art Gallery will open in 2023 and is able to provide a wider range of exciting new and valuable services to our community.

Environmental Policy and operational work programmes will continue including the resolution of appeals to the Proposed Marlborough Environment Plan.

It has already been announced that the Mayor and several Councillors will retire at the end of this term, so the development of a strong new Councillor team is both a challenge and an opportunity. Council staff will do our best to support the new Council.

Mark Wheeler

CHIEF EXECUTIVE



Major projects

The Major projects (greater than \$1M) planned for delivery in the 2022-23, 2023-24 & 2024-25 years are included in the table adjacent.

The budgets for these major projects are presented as they are in the Long Term Plan and have not been reassessed as to timing or scope.

The costs included in the adjacent table below are for the three year period 2022-23 to 2024-25 period only and may not be the total budget for the project as costs could be spread over other years. The table is not a full list of Council's projects, activities or services.

Find out more

There are a number of publications available that provide additional information, including:

- Long Term Plan 2021-31
- Annual Plan 2022-23
- Annual Reports.

All of these documents are available on our website, www.marlborough.govt.nz

Or in hard copy at:
Marlborough District Council
15 Seymour Street,
PO Box 443, Blenheim 7240
MDC@marlborough.govt.nz
03 520 7400

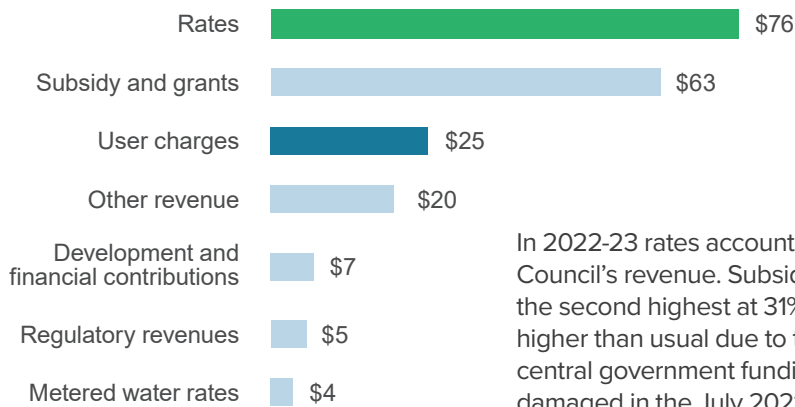
Activity/Project	3 Year Cost 2022-23 to 2024-25 \$M
Community facilities/People	
Construction of the new library and art gallery as part of the Blenheim Riverside Precinct project.	\$5.40
Reserves, Public Conveniences, Halls, Memorials, Cemeteries & Swimming Pools	\$10.08
Roading	
Pavement rehabilitation	\$3.34
Sealed road resurfacing	\$12.81
Footpath renewals	\$1.22
Unsealed road metalling	\$4.52
Minor safety improvements	\$4.78
CBD paved/cobbled areas upgrade	\$3.19
Small township upgrades in Blenheim Vicinity & General Rural	\$1.61
Picton innovative streets project	\$1.00
Flood protection	
Town Branch drain upgrades	\$4.71
Sewerage	
Battys Rd pump station for growth	\$6.80
Main terminal pump station improvement and strengthening	\$7.87
Pipeline renewals - earthquake repair	\$4.08
Desludge	\$2.58
Picton and Waikawa pump station	\$1.97
Picton Sewerage pipeline renewals	\$1.38
Picton Effluent treatment system	\$3.90
Seddon treatment plant upgrades	\$14.46
Grinder pump station in St Andrews	\$1.00
New treatment plant in Havelock	\$9.35
Stormwater	
Murphys Creek Pipeline	\$3.22
Redwood St from Muller Rd to Stephenson St pipe replacing	\$1.00
Muller Rd stormwater renewal	\$2.07
Water supply	
New wells, pipelines, distribution pump station and treatment plant for the north of Blenheim	\$11.71
New treatment plant in Havelock	\$6.64
Government funded pipelines for Speeds Road	\$2.01
Essons Valley re-line the cast iron pipelines	\$1.30
Speeds Road additional wells and treatment plant	\$5.92
Universal water metering in Picton	\$2.11
Entry treatment for rural households not served by the Seddon water treatment plant in Awatere	\$1.60
The Lions Back reservoirs	\$1.04
New treatment plant to meet the Drinking Water Standards in Riverlands	\$13.38
Wairau Valley township water treatment upgrade & supply extension	\$1.00
Solid waste management	
Bluegums development	\$6.52
Regional development	
Flaxbourne Irrigation Scheme	\$9.70
Pump station for the Southern Valleys Irrigation Scheme	\$1.00
Total	\$176.27M

Financial information

Revenue sources

Council receives revenue from a variety of sources such as user charges, subsidies and grants, and fees and forestry activity. However, the collection of rates is the largest revenue source for Council.

Revenue sources (in millions)



In 2022-23 rates account for 38% of Council's revenue. Subsidies and grants are the second highest at 31%. Subsidies are higher than usual due to the high level of central government funding to repair roads damaged in the July 2021 flood event.

Where the money goes

As a Unitary Authority, Council's expenditure is spread over a wide range of 23 Activities which are grouped into 11 Activity Groups. The table below shows the budgeted allocation among Council's Activity Groups for the 2022-23 financial year as per Council's 2022-23 Annual Plan.

Operating expenditure (in millions)



In the 2022-23 Annual Plan the majority of Council expenditure is on maintaining **core infrastructure**. As a Unitary Authority, Council also has a strong **environmental** and **regulatory** function and focus on the community.

Financial strategy compliance

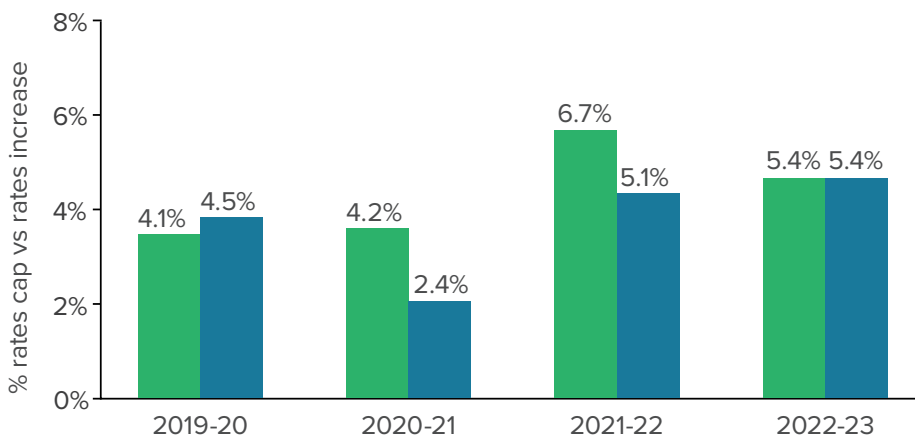
Council’s Financial Strategy is an important component of the Long Term Plan.

It gives assurance that Council is prudently managing its finances in a manner that sustainably promotes the current and future interest of our community. Amongst other measures, Council’s Financial Strategy ensures that the amount of rates that Council charges and the amount of debt it raises is sustainable, affordable and within pre-set limits. It also ensures that Council’s investments are well maintained. Each of those key measures on rates, debt and investment returns are discussed and illustrated below, and demonstrate Council’s compliance with the Financial Strategy limits. Council’s 2024 to 2031 results are reported in the 2021-31 Long Term Plan (LTP) which is available on Council’s website.

Rates

Each year Council reviews its forecast rate movements as part of either the LTP or Annual Plan processes. This provides Council with the opportunity to review levels of service, expenditure priorities and the timing of capital projects.

The following graph shows in percentage terms, Council’s quantified limit on rates as per Council’s Financial Strategy.



Council rates ‘cap’ vs rates increases

Council’s **rates increases** over the last three years and the next year are compared to Council’s determined **rate ‘cap’**. The percentage increase is calculated on the amount levied in the previous year. In 2019-20 the increase was marginally above the percentage **rates ‘cap’**.

Debt affordability

Council is in very good financial health as evidenced by the AA Positive (negative credit watch) rating provided by S&P Global (Standard and Poors).

Council is in very good financial health as evidenced by the AA Positive (negative credit watch) rating provided by S&P Global. S&P Global is an independent, internationally recognised credit rating agency. The AA Positive rating received by Council is the highest rating available to local authorities in New Zealand.

The following table shows Council compliance with its Financial Strategy benchmarks ensuring that Council’s debt level is sustainable and affordable:

Debt affordability benchmark		Quantified limit	Actual 2019-20	Actual 2020-21	Projection 2021-22
net debt / total revenue	<	250% (*)	15.4%	26.2%	33.6%
net interest / total revenue	<	20% (*)	1.0%	1.2%	0.9%
net interest / rates revenue	<	30% (*)	1.7%	2.3%	2.4%
liquidity	>	110% (*)	200.1%	158.1%	129.0%
net debt (2021 and prior)	<	\$140 million	\$20 million	\$38 million	-
net debt (2022 onwards)	<	\$230 million	-	-	\$67.2 million

(*) Council has adopted the Local Government Funding Agency limits

It should also be noted that debt, reported under ‘Borrowings’ in the Forecast Statement of Financial Position, forms only a very small part of Council’s \$1.9 billion of total assets.

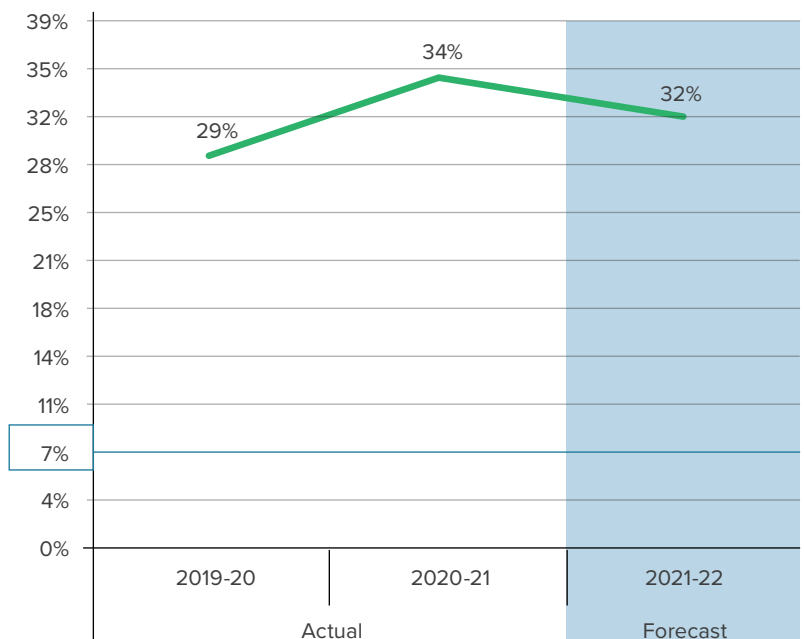
Return on investments

Council has one major investment, its shares in MDC Holdings Limited (MDCH)

MDCH owns 100% of Port Marlborough NZ Limited and Marlborough Airport Limited. MDCH is targeted with generating tax paid return on opening shareholders’ funds of at least 7%. The adjacent graph demonstrates that MDCH’s return is well above its target.

Return on investments

MDCH has achieved its 7% target to date and is also forecasting to achieve it in 2022-23.



Statement of financial position

The Statement of Financial Position, also known as the Balance Sheet, is comprised of three main components: Assets (what Council owns), liabilities (what Council owes) and equity (Council's net worth)

Statement of Financial Position	Actual		Forecast	Annual Plan	Long Term Plan		
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Non current assets							
Property, plant and equipment	1,686,257	1,804,058	1,877,638	1,958,789	2,013,583	2,104,705	2,212,435
Intangible assets	10,464	14,597	14,724	15,017	11,371	11,140	10,967
Forestry assets	21,116	17,080	18,543	19,063	26,090	27,583	29,161
Other financial assets	70,127	73,451	81,685	96,382	199,925	220,773	210,628
Investment property			10,950	10,950	10,750	10,750	10,750
Total non-current assets	1,787,964	1,909,186	2,003,540	2,100,201	2,261,719	2,374,951	2,473,941
Current assets							
Cash and cash equivalents	16,027	1,822	6,215	185	110	114	123
Debtors and other receivables	13,061	14,688	13,138	14,957	13,670	14,010	14,375
Inventory (including non-current assets held for sale)	877	1,992	251	344	329	337	346
Other financial assets	12,299	12,492	12,619	12,492	14,299	14,299	14,299
Total current assets	42,264	30,994	32,223	27,978	28,408	28,760	29,143
Total assets	1,830,228	1,940,180	2,035,763	2,128,179	2,290,127	2,403,711	2,503,084
Non current liabilities							
Borrowings	57,000	52,000	137,433	207,155	352,120	396,269	415,623
Other liabilities	9,192	7,053	7,525	8,133	10,018	10,072	10,128
Total non-current liabilities	66,192	59,053	144,958	215,288	362,138	406,341	425,751
Current liabilities							
Creditors and other payables	20,651	27,022	25,648	26,641	21,475	22,008	22,581
Borrowings	43,200	55,200	-	-	-	-	-
Total current liabilities	63,851	82,222	25,648	26,641	21,475	22,008	22,581
Total liabilities	130,043	141,275	170,606	241,929	383,613	428,349	448,332
Net assets	1,700,185	1,798,905	1,865,157	1,886,250	1,906,514	1,975,362	2,054,752
Total equity	1,700,185	1,798,905	1,865,157	1,886,250	1,906,514	1,975,362	2,054,752

The Statement of Financial Position has been prepared under the requirements for pre election reports in the Local Government Act 2002. The outcome of this is information from multiple sources prepared at different times presented above. This makes it difficult to show the overall direction Council is heading as there have been changes since the 2021-31 Long Term Plan. The key areas of change are the timing of the borrowings and corresponding financial asset for the iRex project, and valuation of assets held at fair value.

Funding impact statement

The Funding Impact Statement (FIS) is a document that sets out the funding mechanisms that a local authority will use to pay for its capital and operating programme.

Funding Impact Statement	Actual		Forecast	Annual Plan	Long Term Plan		
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Sources of operating funding							
General rates, uniform annual general charge, rates penalties	45,755	47,366	49,208	51,818	54,112	60,458	62,666
Targeted rates	25,266	25,620	27,039	28,595	31,585	33,525	36,703
Subsidies and grants for operating purposes	5,633	8,819	46,692	56,270	5,368	5,623	5,712
Fees and charges	20,173	20,631	21,067	22,538	20,269	20,774	21,310
Interest and dividends from investments	4,608	3,550	4,095	6,046	8,513	9,741	10,655
Fuel tax, fines, infringement fees and other receipts	17,679	20,268	18,380	18,618	11,746	11,341	11,724
Total operating funding	119,114	126,254	166,481	183,885	131,593	141,462	148,770
Applications of operating funding							
Payments to staff and suppliers	84,788	91,030	134,777	152,403	94,242	95,973	99,277
Finance costs	2,769	2,445	2,970	5,991	10,617	10,984	11,214
Other operating funding applications	10,662	11,002	5,646	6,232	3,952	3,957	3,961
Total applications of operating funding	98,219	104,477	143,393	164,626	108,811	110,914	114,452
Surplus (deficit) of operating funding	20,895	21,777	23,088	19,259	22,782	30,548	34,318
Sources of capital funding							
Subsidies and grants for capital expenditure	2,845	17,380	11,885	7,451	4,829	6,652	8,852
Development and financial contributions	2,507	6,402	8,505	7,321	7,478	7,634	7,792
Increase (decrease) in debt	735	7,000	30,237	52,750	82,854	44,149	19,353
Gross proceeds from sale of assets	1,271	109	7,564	-	23	603	5
Lump sum contributions	233	342	247	173	157	161	164
Other dedicated capital funding	6,156	3,951	10,492	2,650	3,136	3,177	3,220
Total sources of capital funding	13,747	35,184	68,930	70,345	98,477	62,376	39,386
Applications of capital funding							
Capital expenditure to meet additional demand	11,193	17,191	13,860	15,280	14,698	12,968	14,833
Capital expenditure to improve the level of service	9,046	22,527	36,288	38,194	38,659	27,611	40,130
Capital expenditure to replace existing assets	22,252	35,099	23,547	28,974	24,748	29,368	26,965
Increase (decrease) in reserves	(3,350)	(11,094)	(15,088)	(18,244)	(19,909)	(8,281)	9,270
Increase (decrease) of investments	(4,501)	(6,762)	33,411	25,400	63,063	31,258	(17,494)
Total applications of capital funding	34,642	56,961	92,018	89,604	121,259	92,924	73,704
Surplus (deficit) of capital funding	(20,895)	(21,777)	(23,088)	(19,259)	(22,782)	(30,548)	(34,318)
Funding balance	-	-	-	-	-	-	-

Disclosures

Basis of preparation

This Pre-Election Report (PER) has been released in accordance with section 99A of the Local Government Act 2002. The preparation, timing and content of the report is a mandatory requirement and it is not a manifesto for any candidate taking part in the election campaign. Special care was taken to ensure it was written in a politically neutral and factual way.

The financial information presented is a consolidation of Marlborough District Council and the 88.5% of MRF Joint Operating Committee with Kaikōura District Council. It excludes the financial results and position of Council's subsidiary MDC Holdings Limited and its subsidiaries Marlborough Airport Limited and Port Marlborough NZ Limited. While the PER has not been audited, much of the information presented has been sourced from other audited reports published on Council's website. For example, the first two years retrospective financial data from the Annual Reports and the three years prospective financial data from the LTP.

The prospective financial data and discussion of major projects are drawn from the information in the current 2021-31 LTP and reflect the policy and service delivery decisions of the current council. The latest forecasts figures for 2021-22 have not been audited and are based on actual results to May 2022 then adjusted using the best information available to 30 June 2022. Some areas such as asset revaluations may impact significantly on asset values and for this reason material differences may occur between the financial information in this PER and that in the upcoming Annual Report.





**MARLBOROUGH
DISTRICT COUNCIL**

marlborough.govt.nz