2018-28

Long Term Plan

Investing in Marlborough

MARLBOROUGH DISTRICT COUNCIL

Our Long Term Plan

Explains what Council plans to do over the next decade and how Council activities will contribute to the community outcomes. Here you will find how much Council intends to spend on its activities and services, how this will be funded and the expected impact on rates.

Part 1: Executive Summary

Mayor's Introduction 4
Elected Council Members 6
Plan Highlights – Key Issues and Projects 7
Financial Overview 14
Long Term Plan Disclosure Statement for the Period Commencing 1 July 2018 18
Community Outcomes 22
Consultation 23

Part 2: Our Business

Activity Groups and Activities 27
People 29
Community Facilities 54
Roads and Footpaths 67
Flood Protection and Control Works 73
Sewerage Including Treatment and Disposal 79
Stormwater Drainage 85
Water Supply 91
Solid Waste Management 99
Environmental Management 105
Regulatory 127
Regional Development 148

Part 3: Financial and Infrastructure Strategy and Statements

Financial Strategy 159
Infrastructure Strategy 168
Assumptions, Disclosure and Compliance 231
Financial Statements 236

Part 4: Funding Impact Statement and Rates

Financial Funding Impact Statement (FIS) 265
Rates Funding Impact Statement 268
Rates Movements 2018-28 290

Part 5: Policies

Revenue and Financing Policy 299
Rates Remission and Postponement Policies 319
Engagement and Significance Policy 327
Statement on Contributions to Decision-making Processes by Maori 332

Part 6: Audit Report

Audit Report 335

Appendices

Council Committees and Members 338
Ward Boundaries 341
Council Staff Structure 342
MDC Directory 343
Glossary of Terms 344

MARLBOROUGH DISTRICT COUNCIL

Only Marlborough

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

MISSION STATEMENT

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

COMMUNITY OUTCOMES

Governance

Environment

People

Economy

Connectivity

Living

VALUES

We are open, transparent and collaborative

We partner with tangata whenua iwi

We involve and respect our many cultures

We are innovative and strive for excellence

We are adaptive and responsive to community needs

We work in an environmentally sustainable manner

Part 1: Executive Summary

- **Mayor's Introduction**
- **Elected Council Members**
- **Plan Highlights – Key Issues and Projects**
- **Financial Strategy Overview**
- **Long Term Plan Disclosure Statement for the Period Commencing 1 July 2018**
- **Community Outcomes**
- **Consultation**

Mayor's Introduction

John Leggett
Mayor

Marlborough is a special part of New Zealand with an enviable quality of life, a strong economy and a beautiful natural environment. Our region is made up of diverse rural, urban and coastal communities, each with its own aspirations for the future.

Councillors agreed that this Long Term Plan 2018-28 should address three key priorities: looking after the environment, building and maintaining our infrastructure and investing in economic development.

We consulted the community widely in preparation for this Plan and received 305 written submissions. Over 100 people presented their submissions to Council during 30 hours of hearings.

In considering the submissions, Council was very conscious of the need to strike a balance between rates movements, already higher than in previous years, and meeting the needs of the community.

After final funding calculations, the rates increase proposed in the Consultation Document prior to consultation has been reduced by over 0.6% to 4.15% for the coming 2018/19 year.

I believe we have been as fair and reasonable to our community as we can be. Where we have declined funding, we have sought to identify other income streams submitters can access or we have offered non-financial Council support where possible.

This Plan provides $525m of capital spending over ten years on our core services, and uses our reserve funds wherever possible. Providing essential services is driving increases in capital spending - on roading, water and sewerage networks – and community facilities and flood protection. We are also meeting new Government-imposed national standards for the environment and public health.

We've been upgrading our water supplies to meet the New Zealand Drinking Water Standards. The need to achieve compliance was reinforced by the serious gastroenteritis outbreak in Havelock North in 2016. Council is proposing to spend 40% of its capital expenditure budget over the next 10 years on water and sewerage services.

This Plan also proposes more resources for environmental science to enable Council to deliver better environmental management and monitoring. The public have told us they expect more emphasis on protecting our biodiversity. With a new Marlborough Environment Plan on the way we need to be able to fulfil its aspirations for managing our natural and physical resources well.

Provision of future funding for the Marlborough Kaikoura coastal cycling and walking trail and for a new Blenheim library and art gallery are included in this Plan. The cycle trail investment will attract significant visitor numbers and create opportunities for South Marlborough to generate new business, post the Kaikoura earthquake.

The new Blenheim library and art gallery will not only help invigorate the lower High Street river area and attract more visitors, but will also offer a better service to the public, as we have seen with the new Picton Library and Service Centre - Waitohi Whare Mātauranga.

Councillors decided to accelerate the Youth Development Centre project some years ahead of schedule by contributing $400k from Council Reserves. As Council owns the former CRT building, this means a significant saving on capital previously allocated to fund a new building.

Council adopted its Development Contributions Policy as proposed, the 2018-48 Infrastructure Strategy and the 2018-28 Financial Strategy.

On the proposed rating policy changes, we decided to remove the Rating Area Percentage targets for each Geographic Rating Area and agreed to provide rates remissions to Picton Vicinity ratepayers for increases above 40% for a period of three years, as contained in the Consultation Document.

While the review of the Geographic Rating Areas' cost allocations was challenged by some Picton Vicinity ratepayers, Councillors confirmed their view that the previous methods were inequitable from a district-wide perspective.

Overall there was strong public support for the projects proposed in our Consultation Document. I'd like to thank Councillors and staff for their hard work and pragmatic decision-making.

Thank you to everyone who made a submission or came and spoke to us in person. It was inspiring to hear from such a broad range of Marlburians, who by and large want only the best for their community.

Elected Council Members

Back – left to right: Clr Jenny Andrews (Blenheim Ward), Clr Mark Peters (Blenheim Ward), Clr Jamie Arbuckle (Blenheim Ward), Clr Laressa Shenfield (Blenheim Ward)
Clr David Oddie (Marlborough Sounds Ward), Clr Michael Fitzpatrick (Blenheim Ward), Clr Gerald Hope (Wairau/Awatere Ward)
Front – left to right:: Clr Cynthia Brooks (Wairau/Awatere Ward), Clr Terry Sloan (Blenheim Ward) (Deputy Mayor), Mayor John Leggett , Clr Nadine Taylor (Marlborough Sounds Ward), Clr Trevor Hook (Marlborough Sounds Ward), Clr Geoff Evans (Wairau/Awatere Ward)
Insert: Clr Brian Dawson (Blenheim Ward)

Plan Highlights – Key Issues and Projects

This section will identify the key highlights contained in this Plan. As Council has focused on providing core infrastructure a large part of this section focuses on Water, Sewerage, Stormwater, Flood protection, Roads and Footpaths. These areas are in turn key contributors to the environment, economic growth and the quality of life enjoyed by Marlburians. Council has also agreed to significant investments in the Library, Art Gallery, the environment and the economy.

Water Supply

Clean and Safe Drinking Water

Meeting the NZ Drinking Water Standards has been a major challenge for Marlborough due to the number of water supplies serving relatively small communities within the district. This poses considerable funding challenges. However, these have now been resolved and the required changes are progressing.

Major upgrades to the treatment plants serving Blenheim and Picton were completed in 2012 and 2017. Progress in other areas includes:

- constructing a new treatment plant for Seddon (this began in early 2018 and will be completed by the end of the year).
- designing upgrades for the Havelock, Renwick and Wairau Valley water treatment plants, as well as for a new plant for the Riverlands supply (hopefully this will also reduce the concentration of manganese).
- budgeting money in 2020–21 to install small treatment devices at the point of entry of each household in the Rural Awatere water supply scheme.
- Upgrading the current filtration system at Essons Valley. This upgrade will include installation of taste and odour equipment. This upgrade will also mean the treatment plant is more resilient and able to supply water for longer periods of the year.

Water Metering

Water metering is planned for Havelock, Renwick and Picton to manage the demand for water. Specific reasons for metering in these areas are outlined below.

- Reducing water takes from Havelock's existing water source will help to address a salinity issue, and delay the need for accessing a new source of water.
- During summer the bores providing water to Renwick often suffer from low water levels at the same time there is high demand. So that we can continue to draw water from the wells we have to reduce the volume of water taken. This leads to the necessity for either voluntary reductions or water restrictions. Water metering will improve equity in paying for the costs of water and reduce demand which will have a flow-on impact on the size and capital cost of the new water treatment plant.
- Picton is at the limit of the volumes of water that can be taken from the two existing water sources. Demand management, including water metering, is considered a better option than accessing a third source (which would cost around $15 million).

Renewal of Infrastructure

Infrastructure renewal is becoming necessary across all networks as pipelines near the end of their useful life, particularly for networks in Renwick and the Awatere.

Major projects and estimated cost

Area	Major capital projects	Inflated value (millions)
Blenheim	2018–28 Pump stations maintenance and renewal	$2.1
	2018–28 Fire capacity pipeline upgrades	$2.9
	2018–28 Strengthening and maintenance for Wither reservoir, Bomford Treatment site, Forest Hills Reservoir, etc	$1.5
Havelock	2018–21 New treatment plant	$5.1
	2018–28 Pipelines	$0.6
	2019–21 Construction of additional reservoir	$0.9
	2018–19 Universal water meters	$0.2
Picton	2021–23 New pipelines at Speeds Road	$4.6
	2020–25 Pipeline Mainline and Press upgrades	$0.9
	2018–23 Universal water meters	$2.4
	2021–23 Treatment plant at Essons Barnes	$2.3
	2018–19 New reservoir	$2.2
Renwick	2018–19 Universal water meters	$0.5
	2018–20 New treatment plant	$5.8
	2018–20 New wells and pipelines to treatment plant	$1.6
	2018–28 Pipelines renewals	$1.6
Awatere	2019–21 Rural point of entry treatment plant and pipelines	$3.4
	2020–22 New reservoir at Dashwood	$0.7
Seddon	2018–19 Seddon township treatment plant	$1.1
Riverlands	2018–21 New treatment plant	$7.8
Wairau Valley	2018–23 Pipelines and treatment plant upgrades	$1.0

Sewerage

Earthquake damage

The Kaikoura earthquake in November 2016 damaged a significant portion of Blenheim's 16 km and Picton's 4 km of earthenware sewer reticulation network. A provisional allocation of $9.5 million (for Blenheim) and $2.4 million (for Picton) has been included in the LTP to address this.

Blenheim

Growth in housing and existing under-capacity of the wastewater pipelines requires significant upgrading of wastewater pipes and pump stations. In addition, Blenheim's main pump station is built in an area that is susceptible to liquefaction so a new pump station will be built from 2021–2023. The Blenheim Sewage Treatment Plant will be upgraded in 2025–26 to ensure a new Resource Consent can be obtained.

Havelock

Upgrading of the Havelock sewage treatment plant is required as part of the resource consent process. The existing treatment pond site is not suitable for further investment due to geotechnical issues, so a new treatment plant will be built at a new site.

Picton

Pipeline and major pump station upgrades are programmed for at Beach Road near the Waikawa Marina and the Waikawa Wharf from 2018–2020, and a major upgrade of the Picton sewage treatment plant is planned for 2025–26 in response to the expected population growth.

Seddon

The Seddon sewage treatment plant requires upgrading to reduce the effects on the freshwater receiving environment. The Resource Consent for this project has now been granted. One of the requirements of the consent is that Council must develop a solution that will remove the discharge to the Starborough Creek and spread treated effluent to land. Budget allocations have been set aside for both land purchase and land treatment between 2019 and 2023.

Major projects and estimated cost

Area	Major capital projects	Inflated value (millions)
Blenheim	2018–19 Pipelines	$20.9
	2018–28 Pump stations	$21.8
	2018–28 Treatment plant	$9.6
	2018–28 Pipelines maintenance and renewals	$9.9
Picton	2018–28 Pump station upgrades	$4.8
	2018–28 Treatment plant	$12.3
Riverlands	2018–28 Sewerage treatment for industrial capacity upgrade	$26.6
Seddon	2018–28 Sewerage treatment upgrade	$4.3
St Andrews	2018–26 Pipelines	$1.2
Havelock	2018–28 Sewerage treatment upgrades	$8.9

Stormwater

Stormwater Strategy

The stormwater strategy provides a comprehensive framework to manage both the quality and quantity of stormwater. It also provides for an overhaul of the resource consent structure for Blenheim's stormwater, which will involve review and consolidations of existing stormwater discharge consents. Stormwater Management Area Plans will be developed for each of the different areas in Blenheim to implement the strategy. The strategy's goals and approach will be extended to other townships over time.

Urban Growth Strategy

Urban growth in Blenheim is largely to the north and west of the town. As the stormwater will need to flow to the eastern coast, it will be important to ensure downstream upgrades are provided in a timely manner. Evaluation and installation of effective stormwater quality control techniques for new subdivisions, and retrofit of existing reticulation, will also occur.

Climate Change

Extreme weather events are likely to become more frequent and more intense, and sea level rise is anticipated. These changes have implications for the effectiveness of rivers to discharge to the sea and the outfall of the drainage network.

Major projects and estimated cost

Area	Major capital projects	Inflated value (millions)
Blenheim	2021–24 Murphy's Creek Pipeline	$4.2
	2025–28 Graham, Stephenson, Stuart St and Francis St Pipelines	$4.3
	2018–28 Other Pipelines	$4.6
	2019–21 Water Quality Infrastructure for Kinross St	$0.5

Rivers and Land Drainage

Earthquake Damage

The 2016 Kaikoura earthquake damaged some of the existing stopbanks and river edge protection, which have now been repaired.

The potential for significant earthquakes to occur in the future remains. The best way to prepare for earthquakes is to ensure stopbanks in the eastern areas of Blenheim, which are more prone to liquefaction, are inspected and any damage is repaired as soon as possible after an event.

New Works and Future Planning

The Wairau floodplain's major rivers and stopbanked floodways cover 20,000 hectares of fertile land around Blenheim and this is the Council's major river control and drainage activity. All but two of the Wairau floodways are up to the desired level of service, and works are underway to upgrade the lower Wairau and Riverlands Co-op floodways to complete the capacity upgrades.

Commonly used methods for increasing flood capacity include constructing stopbanks and deepening the river channel through gravel extraction.

The lower Wairau Floodplain includes several thousand hectares which are less than two metres above sea level and average sea levels are predicted to rise by 0.3 m by 2050. In 2019 the Council will start a review of the core Wairau River Floodway Management Plan. This will take climate change into account as well as the 25 years of additional flow data collected since the current plan was originally prepared. Once the flood risk data has been updated the Council will undertake a major public consultation exercise with the key stakeholders on an updated plan for the key Wairau works through to 2050. The objective is to gain more understanding of the desired level of service and willingness to pay for future flood protection works.

Major projects and estimated cost?

Area	Major capital projects	Inflated value (millions)
Wairau floodplain to the Waihopai confluence	2018–28 Flood protection and control works	$17.8
Wairau floodplain	2018–28 Pump station and drainage network upgrades, excluding town branch drain	$3.9
	2018–23 Town branch drain upgrades	$7.2

Roads and Footpaths

Deterioration of Bridges and Culverts

Council has more than 360 bridges in its transport network. Currently 28 bridges are posted for not meeting Class 1 criteria, which means restricted speeds apply to them, and seven also have weight restrictions. As many bridges as possible will be replaced during this LTP period (2018–2028) within the financial constraints.

Urban Growth Effects

Proposed new zone developments need to follow planned roading layouts and services plans to ensure good community outcomes and equitable cost sharing. Capital costs are expected to be met by developers, with road costs recovered by Council zone levies.

High Impact Natural Events

Over recent years storm events and earthquakes have had a large effect on Council's Roading budgets and the frequency of these storm events is likely to increase as a result of climate change. Council has provided additional funding to meet the cost of these events.

Conflicting Road Network Use

The increase in viticulture, forestry, tourism and an ageing demographic is resulting in the transport network being used for many different purposes. Council is planning how it can provide a safe transport network that affordably meets the needs of all road users.

Major projects and estimated cost

Area	Major capital projects	Inflated value (millions)
General roading	2018–28 Northwest Blenheim extension zone development	$6.0
	2018–28 Renewal of existing infrastructure (e.g. drainage, resealing, rehabilitation, seal widening, metaling etc)	$76
	2018–19 Kenepuru Road sealed pavement	$0.8
	2018–28 Minor safety improvements	$24.2

Area	Major capital projects	Inflated value (millions)
Bridges	2025–27 Taylor River Bridge on High St renewals	$3.6
Signs, footpaths, cycle facilities, kerb and channel	2018–28 Wairau/Awatere sealed pavement extension	$1.1
	2018–28 Renewals and additions of kerb and channels, footpaths, cycle facilities and non-subsidised seal extensions	$13.8
Blenheim CBD upgrades	2018–28 CBD paved/cobbled areas upgrade	$8.2
Wharves	2018–28 Renewals of existing infrastructure (jetties)	$1.2
Small township upgrades	2018–28 Small township upgrades in Blenheim Vicinity and General Rural	$5.1
Subdivisional works	2018–28 Seal extensions, widening, kerb and channeling as required by subdivisional works	$1.7

Flaxbourne Irrigation Scheme

A proposed irrigation scheme for the Flaxbourne area is estimated to cost between $10.5 million and $16 million. It would provide similar benefits to the Southern Valley scheme by supporting the development of productive agricultural land. It would be paid for by the beneficiaries through a targeted rate.

Council support for the Flaxbourne Irrigation Scheme is subject to a number of conditions including resource consents and uptake by landowners. Council will continue to work with the community on these issues.

Riverside Precinct — Library and Art Gallery

Blenheim Library

The major challenge facing the District Library in Blenheim is the lack of space for collections and library users, training sessions, quiet study areas, class visits and meetings. Council is looking at options to update and expand the Blenheim Library to meet the needs of the users and the community. This project will be partially funded from the Forestry and Land Development Reserve and the sale of the old Civic Theatre and Library buildings.

Art Gallery

Council recognises the importance of the arts to Marlborough, and a new art gallery will be constructed in Blenheim as part of the Riverside Precinct project. Council has provided for a $2.1 million contribution to be made to this project.

Major projects and estimated cost

Activity	Major capital projects	Inflated value (millions)
Library services	2018–23 New Blenheim library as part of the Blenheim Riverside Precinct project	$14.6
Culture and Heritage	2020–21 New art gallery as part of the Blenheim Riverside Precinct project	$2.1

Community Infrastructure

Flexibility

New community infrastructure is being designed to be as flexible as possible, so that it will accommodate future changes in demand, demographics and technology.

Seismic Strengthening

Ongoing work is being carried out on community facilities that require seismic strengthening or demolition as a consequence of earthquake damage or to meet national building codes. Work has progressed on strengthening Stadium 2000 while strengthening work on Athletic Park Grandstand has been completed.

The A & P Park Grandstand will be demolished and a replacement pavilion building and grandstand at A & P Park has been budgeted for in 2019–20.

Funding for strengthening and redevelopment of the Awatere Community Hall has been budgeted for in 2017–19.

Lansdowne Park Redevelopment

Lansdowne Park redevelopment has continued, with softball and netball shifting to the park and the completion of the new beach volleyball area. The development of a “Sportville” facility at Lansdowne will provide for all the potential sport codes which make use of the park. There is an opportunity to further develop the facility to provide for some commercial operations which would help to subsidise operating expenses. Concept design options and costings are being developed within the 2018–19 year.

Major projects and estimated cost

Activity	Major capital projects	Inflated value (millions)
Reserves	2018–24 Redevelopment of Lansdowne Park into a multisport facility, including No.1 sand ground artificial turf field and sports house construction	$7.9
	2019–20 A&P Park new grandstand and administration complex	$1.5
Halls	2018–19 Awatere Hall replacement	$2.8
	2018–19 New Blenheim Youth Centre	$0.4

Environment

The Council agreed to invest in the following environmental improvement activities following their inclusion in the 2018-28 Consultation Document:

- $3 million in funding to carry out a multi-beam survey of the entire Pelorus Sound/Te Hoiere seabed. Managing marine ecosystems requires a good understanding of the different habitats and their values. The Council has this data for the 43,000 hectares of seabed within the Queen Charlotte Sound/Totaranui area but not for Pelorus Sound/Te Hoiere. Progressively increasing funding for the Council’s environmental science and monitoring activities by $0.5 million over the next three years. More resources are required to implement the Proposed Marlborough Environment Plan, as well as the range of National Environmental Policy Standards and Regulations. In

particular, additional resources are required for environmental monitoring, coastal monitoring and science programmes, biodiversity, riparian management, Taylor River enhancement, implementation of the National Environmental Standard for Assessing and Managing Contaminants in Soil, monitoring of winery waste discharges, monitoring of agricultural spray drift and implementation of the National Policy Statement for Freshwater Management.

- Progressively increasing funding by just under $0.4 million for implementation of the proposed Regional Pest Management Plan 2018 and Biosecurity Strategy over the next three years.

Economy

The Council agreed to invest in the following economic development activities following their inclusion in the 2018-28 Consultation Document:

- Supporting the development of the Marlborough to Kaikoura cycle trail by contributing up to $2 million towards its construction. For all scenarios (low, medium and high use) the benefits generated from this project will exceed the cost of the project over a 20 year period. The trail has potential to create between 45 and 88 full-time local jobs, mainly in accommodation, food and beverage, retail and recreation services, and to generate between $68 million and $132 million of economic benefit to the District over 20 years. Further detailed route planning, design and costing work will be necessary before construction starts.

- Providing funding of $220,000 over two years to assist with the completion of the Link Pathway. The Pathway will connect with the Queen Charlotte Track and will provide an opportunity to walk or ride from Meretoto/Ship Cove to Havelock and Picton. The Link Pathway has become increasingly popular as each section has been completed. When the pathway is completed it will start in Picton and provide an added visitor attraction for our cruise ship passengers and is linked to the iconic Queen Charlotte Track.

- Providing funding of $75,000 in 2018-19, increasing to $85,000 in 2019-20 and $95,000 from 2020-21 onwards to implement some of the recommendations of the Economic Development Review including:

- Additional staff resources to support Smart and Connected community groups;

- An increase in the Commercial Events Fund.

- Investment in developing skills attraction and retention services.

Financial Overview

Council must, under the Local Government Act 2002, manage its revenues, expenses, assets, liabilities and general financial dealings prudently and in a manner that sustainably promotes the current and future interests of the community. The Financial Strategy at pages 159 to 167 is an important part of the LTP, providing detailed information about how this will be achieved over the next ten years; an overview of that information is given here.

The Financial Strategy demonstrates how Council will:

- Ensure the levels of rates and borrowing are financially sustainable and kept within pre-set limits;
- Maintain levels of service;
- Maintain the assets it owns on behalf of the community;
- Provide for growth and changing demand patterns within the District;
- Fund improvements to infrastructural and other community facilities;
- Manage Council's investments and liabilities.

In preparing its LTP budget and Financial Strategy Council has considered how to balance:

- The levels of service to be provided and the cost of achieving and maintaining them during periods of growth;
- The priorities and timing of expenditure across all activities, especially expenditure of a capital nature which is contained in the Infrastructure Strategy and Asset Management Plans;
- The proposed levels of rates and charges across the full 10 year period of the LTP and their impact on the community;
- The proposed level of borrowing current and future ratepayers will need to service.

Capital Expenditure

To maintain and improve levels of service in response to Government, community and growth demands, Council is planning Capital Expenditure of $525.1 million over the next 10 years which is required to be shown in the three categories below.

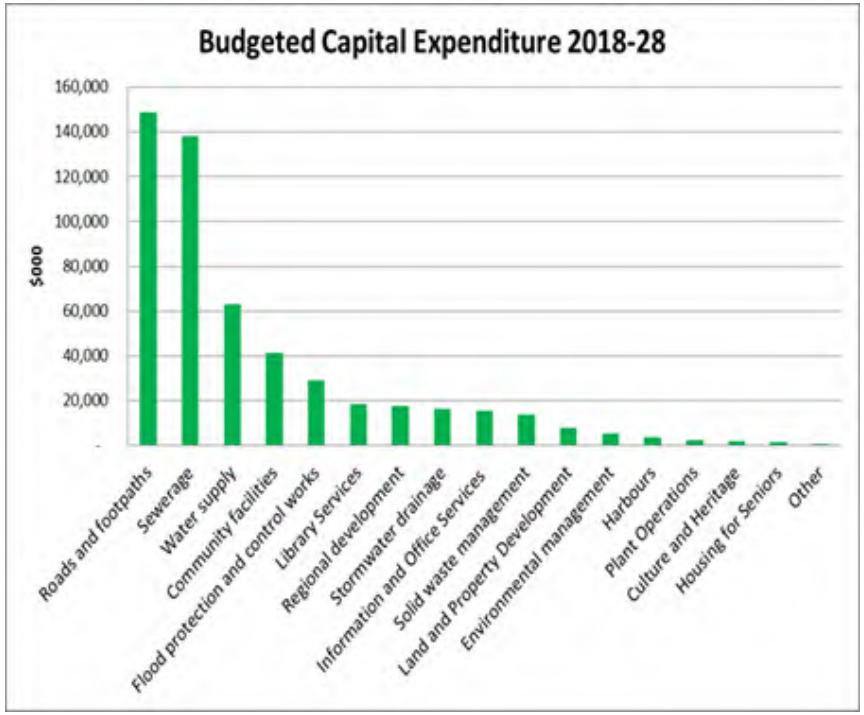
$120.1 million to meet additional demand (including vested assets)

$188.7 million to improve the levels of service

$216.3 million to replace existing assets

$525.1 million in total

More information on the Capital Expenditure programme is given in the Activity Sections and the Infrastructure Strategy and is also available in Council's Asset Management Plans.



One of the main drivers for rates increase is financing Capital Expenditure. Over the past five years actual Capital Expenditure has ranged from $28.3M in 2013 to $42.7M in 2017 with an average of $34.1M. The projection for

2017/18 is over $50M. The 2015-25 LTP budgeted for a significant increase over historic levels. These budgets have proven optimistic over the last two financial years. As a result, the strategic decision has been taken to limit the funding of Capital Expenditure to approximately $60M for the first three years of the LTP for core Council Assets. The key point to note is that over the 10 years of the LTP all projects listed remain; it is just that their timing may vary. Flaxbourne has been treated separately as it has an alternate means of managing its construction over and above Council's resources. This figure of $60M is still a significant lift on historic achievement and must be financed.

Capital project timing in project delivery terms as compared to financing terms can vary for many reasons including:

- Finalising community consultation;
- Obtaining land access;
- Obtaining resource consents;
- The availability of external professional expertise;
- Receiving an acceptable contract price; and
- Contractor availability.

It is for these factors that Council feels comfortable to make the high level strategic decision to limit project funding as it has. This level of discounting project timings is not uncommon across local government

To assist in the financing of the increased Capital Expenditure programme there has been increasing use of the Infrastructure Upgrade Reserve which has benefited from improved revenue streams and the reduction of the Interest Rate assumption in calculating the funds available to allocate towards funding Capital Expenditure. The other points to note in regard to Capital Expenditure are:

- The full cost of interest and depreciation apply from the year after construction is completed; and
- New assets generate ongoing operations and maintenance expenditure.

$million	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Capital Expenditure	73.8	63.0	60.0	57.5	58.8	58.1	38.7	51.3	34.3	29.6

The largest Capital Expenditure in the early years takes place in Roads, Sewerage, Water, Library redevelopment in Blenheim and the construction of the Flaxbourne Irrigation Scheme.

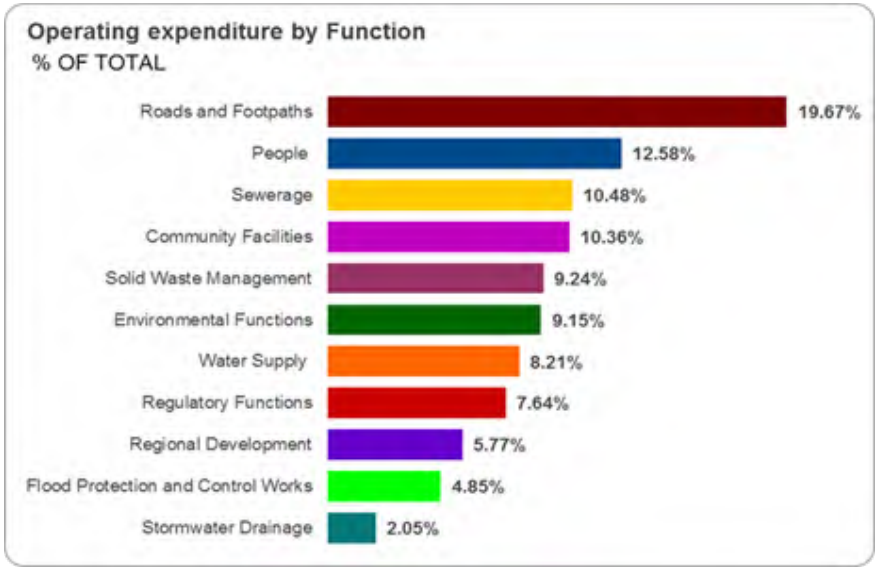
Activity	2018-19 $M	2019-20 $M	2020-21 $M	2021-22 $M	2022-23 $M	2023-24 $M	2024-25 $M	2025-26 $M	2026-27 $M	2027-28 $M
Roading	15.3	15.3	13.5	14.0	14.4	15.5	14.9	15.4	15.9	14.7
Sewerage	17.3	12.8	9.1	18.9	20.2	23.9	7.6	20.5	6.5	1.4
Water	9.7	6.7	16.5	5.9	10.2	3.9	4.8	0.8	1.8	2.7
Library Blenheim	1.3	3.5	6.6	4.6	0.3	0.4	0.4	0.4	0.4	0.4
Stormwater	1.3	1.1	0.6	1.1	1.8	4.0	1.0	0.9	2.2	2.3
Solid Waste Management	0.3	0.1	0.6	2.1	2.6	0.5	0.8	6.4	0.2	0.1
Flaxbourne Irrigation Scheme	10.9	5.3								
Total	56.1	44.8	46.9	46.6	49.5	48.2	29.5	44.4	27.0	21.6

Each year Council will review the continued need and timing of Capital Expenditure as part of its Annual Planning and budgeting process. In previous years, these reviews have resulted in expenditure deferrals, which have in turn, reduced subsequent years rates increases and actual debt levels.

Where Does Council Spend Ratepayers Money?

In addition to the investment in new assets, and the renewal of old, Council spends its money on delivering services under the following broad activity groupings. As can be seen, the vast majority of expenditure is made on core infrastructure operation and maintenance plus environmental, regulatory and

people (Democracy and Library) related activities. **NB**, Irrigation, Parking and Economic Development are included under Regional development.



Balancing the Budget

The Council is required under the Local Government Act 2002 to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses, that is, the Council must demonstrate financial prudence.

In preparing its budgets, Council must make a number of assumptions. These include, legislative change, interest rates, inflation, subsidy rates etc and are shown in more detail in the Financial Strategy. The Council is forecasting that its Activity expenditure will increase from $96.5 million in the 2017-18 Annual Plan to $138.3 million (43.3%) for the 2027-28 financial year. The increase is primarily due to forecast inflation, a cumulative average increase of 2.33% per annum, a larger population to be served and the balance represents the effects of supplying either additional or improved services offset in part by the impact of deferring capital works and Council's decision to reduce its interest rate assumption from 6% to 5.5%.

Debt

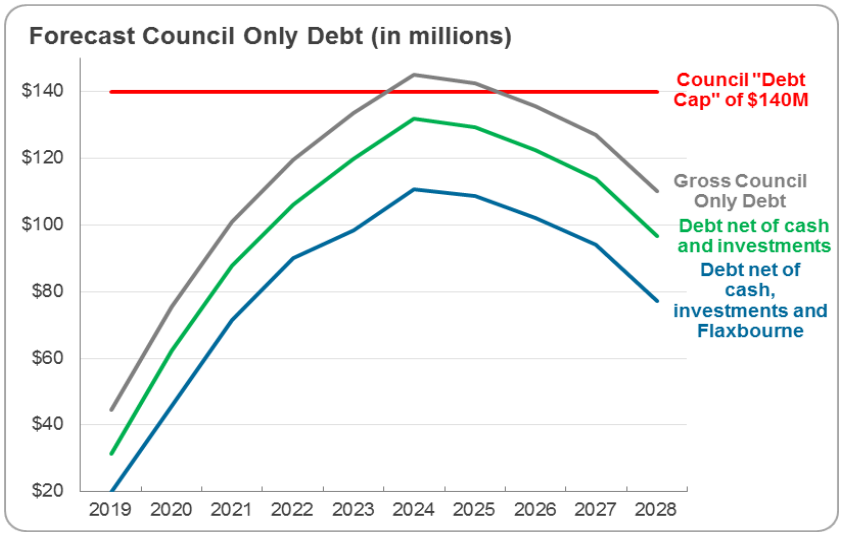
While existing Reserves, subsidies and Development Contributions are the first sources for funding Capital Expenditure, the balance is generally funded by loans. Council usually funds up to 50% of new capital assets from Reserves if available.

Loans have a rating impact, but as their repayment is generally spread over 20 years it reduces the burden on current rates and spreads the costs over those future ratepayers who will also benefit from the asset being created. Increased maintenance and operating costs from capital projects are funded primarily by rates.

Gross borrowing over the period of the LTP will increase from $96.0 million shown in the 2017-18 Annual Plan to a maximum of $270.8 million in 2023-24 to help fund the proposed Capital Expenditure programme for the entire Council Group, including that to its subsidiaries, MDC Holdings Ltd, Marlborough Airport Ltd (MAL) and Port Marlborough NZ Ltd (PMNZL). Gross borrowing is forecast to reduce to $214.5 million in 2027-28. Projected Gross debt includes an allowance of $16.2 million for the separately rated development of an irrigation scheme at Flaxbourne.

However, the more important debt measure is Net Debt (Total debt less amounts advanced to subsidiaries, investments and cash on hand). Net Debt over the period of the LTP will increase from $27.4 million shown in the 2017-18 Annual Plan to a maximum of $131.9 million in 2023-24 before reducing to $96.7 million in 2027-28. The maximum forecast value of Net Debt will remain below Council's $140 million debt cap.

The following table identifies Council's projected debt at a gross, net of cash and investments and net debt without the Flaxbourne Irrigation Scheme included.



Rates Increases and Rates Increase Limit

As identified above, increasing debt to spread the cost of Capital expenditure has a rating impact as do increased operating costs. The other major contributor is inflation (27.0% over 10 years). Inflation means a change in the costs Council faces, including materials like diesel, bitumen, pipes and other construction costs. As these are not the same as the costs faced by households (eg; food, housing, transportation) and measured by the CPI Council, along with the majority of other Councils in New Zealand, uses inflation projections provided by Business Economic Research Limited (BERL) to inflate budgeted Operating and Capital Expenditure in years two to 10 of the LTP.

Forecast BERL LGCI

2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
2.06%	2.12%	2.17%	2.21%	2.35%	2.29%	2.41%	2.53%	2.55%	2.64%

Forecast Rates Increases

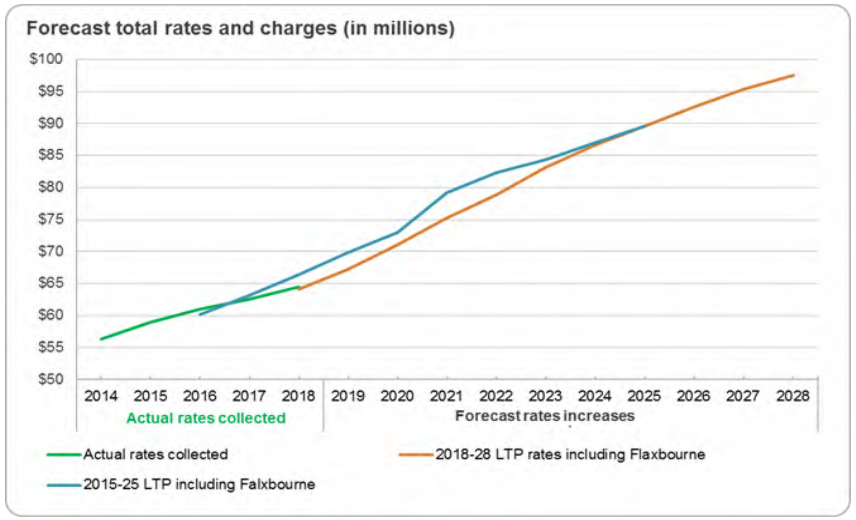
Council has adopted as policy that increases in total rates will not exceed the LGCI movement by more than 2%. The following table shows forecast rates increases compared to Council's policy.

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Proposed Rates Movements	4.15%	5.72%	5.92%	4.81%	5.50%	4.08%	3.48%	3.30%	3.00%	2.26%
Rates Cap (LGCI+2%)	4.06%	4.12%	4.17%	4.21%	4.35%	4.29%	4.41%	4.53%	4.55%	4.64%
Within/Above Rates Cap	0.09%	1.60%	1.75%	0.59%	1.16%	0.21%	0.93%	1.22%	1.54%	2.38%

This table shows that Council has gone above its policy in the first five years of the LTP albeit only marginally in 2018-19 and 2021-22. Also the Loan rate for Flaxbourne commences in 2022-23. Without this additional voluntary targeted rate Council would have complied with its policy in that year.

The main driver for Council exceeding its Rates Cap is the significant lift in Capital Expenditure which has been commented on above.

Despite projecting to exceed its self-imposed rates limit, Council remains committed to trying to remain within it and reviews its plans and projects annually to confirm their continued need and timing. Projects are deferred where this can be done without compromising maintenance and standards and this reduces the annual rates increases. The outcome of these annual reviews is shown in the following graph; with the level of rates for 2018-24 being well below the level of rates forecast when the 2015-25 LTP was prepared.



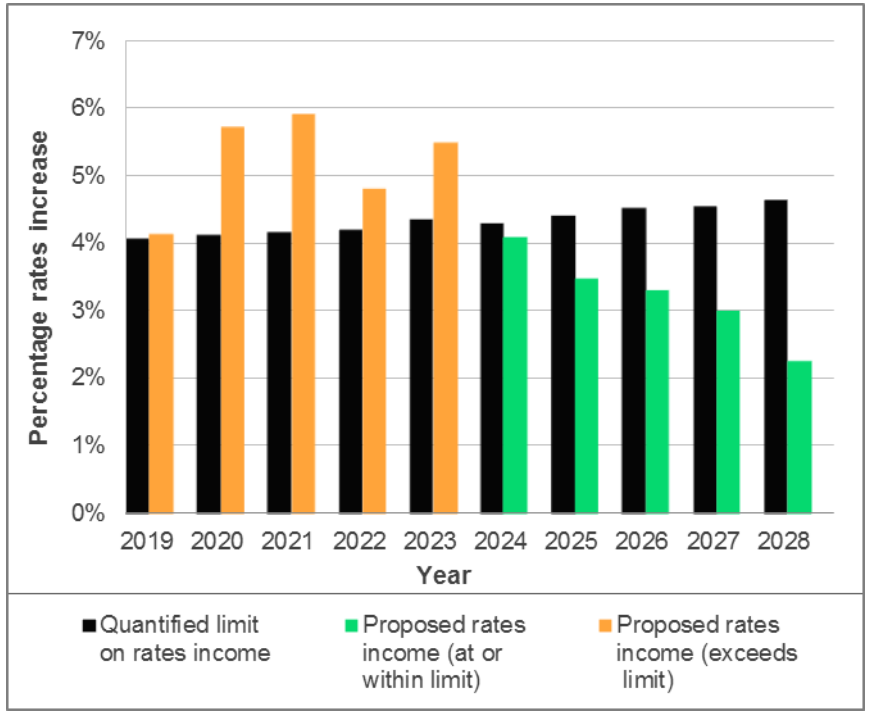
Long Term Plan Disclosure Statement for the Period Commencing 1 July 2018

What is the Purpose of this Statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The Council is required to include this Statement in the Long Term Plan Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations). Refer to the Regulations for more information including definitions of some of the terms used in this Statement.

Rates Income Affordability Benchmark

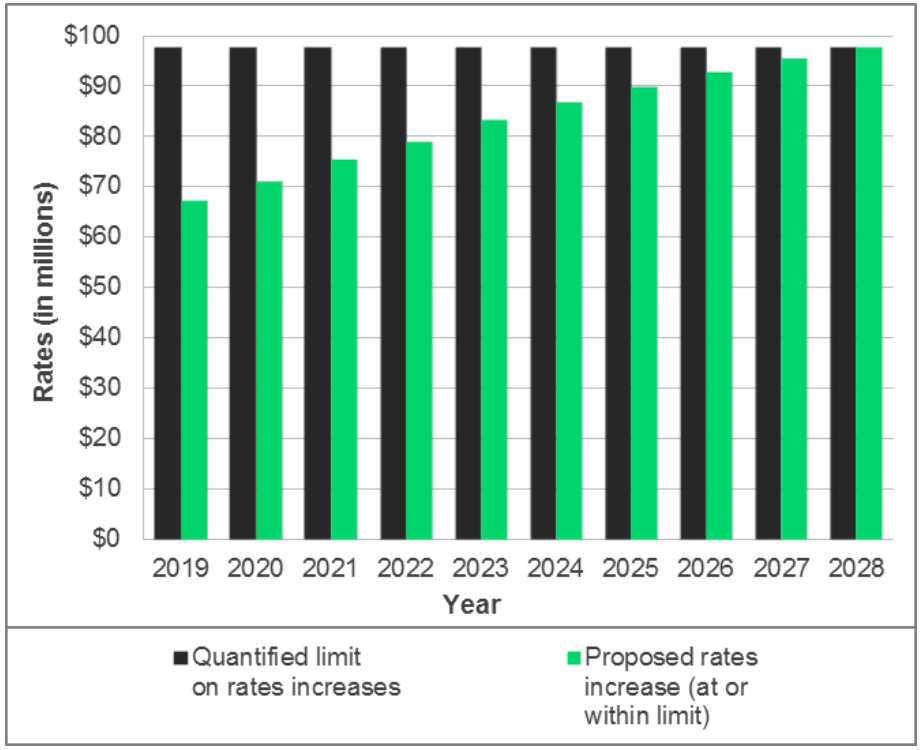
The following graph compares Council's planned rates with a quantified limit on rates contained in the Financial Strategy included in this Long Term Plan. The quantified limit is that rate increases will not exceed the Local Government Cost Index by more than 2%.



This table shows that Council has gone above its policy in the first five years of the LTP albeit only marginally in 2018-19 and 2021-22. Also the Loan rate for Flaxbourne commences in 2022-23. Without this additional voluntary targeted rate Council would have complied with its policy in that year. As stated in the Financial Overview the main driver for Council exceeding it Rates Cap is the large investment in Capital Expenditure in these early years

Rates Affordability Benchmark

The following graph compares Council's planned rates with a quantified limit on rates contained in the financial strategy included in this Long Term Plan. The quantified limit is a maximum dollar rates of $97.6 million.

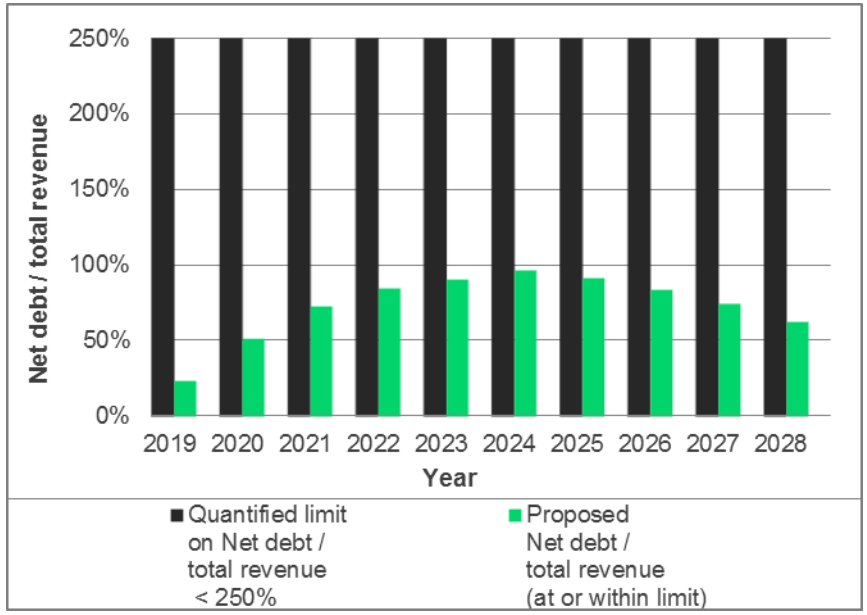


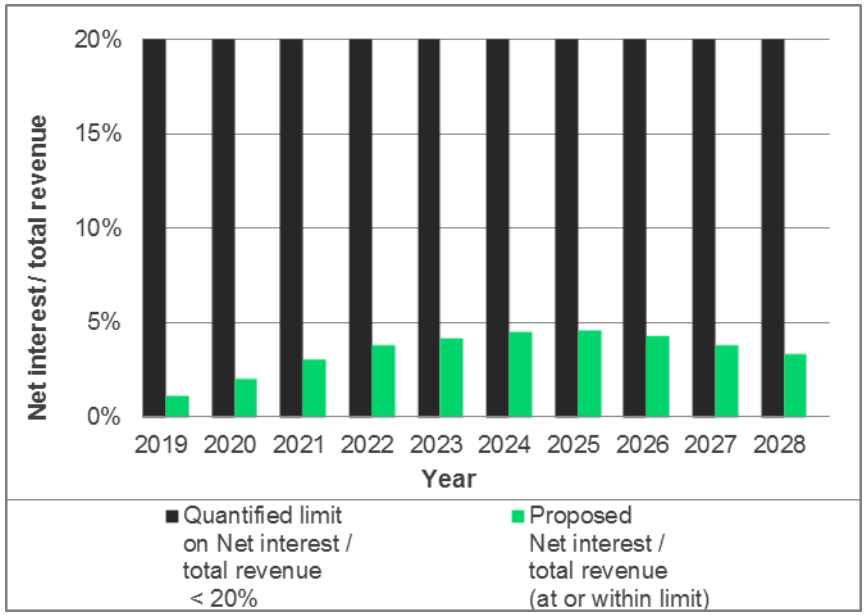
Debt Affordability Benchmarks

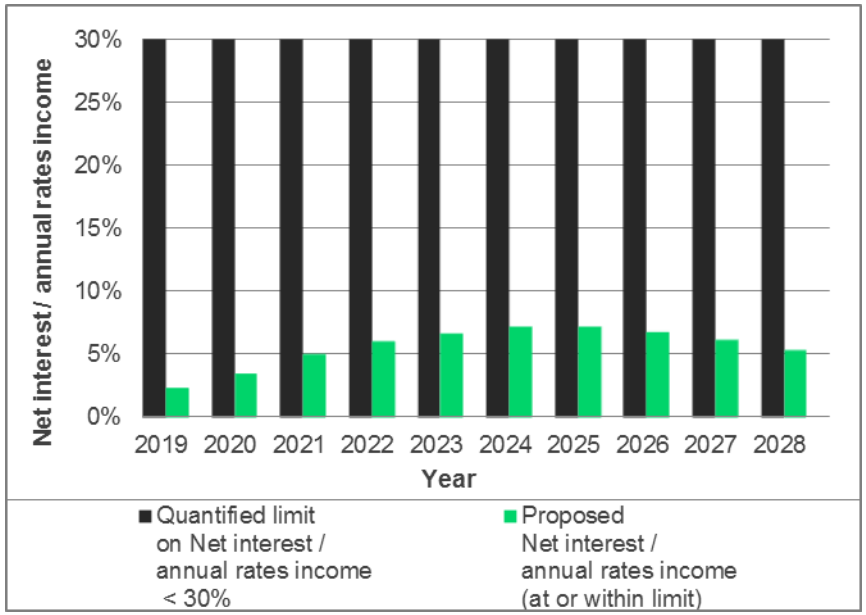
The following graph compares Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy included in this Long Term Plan.

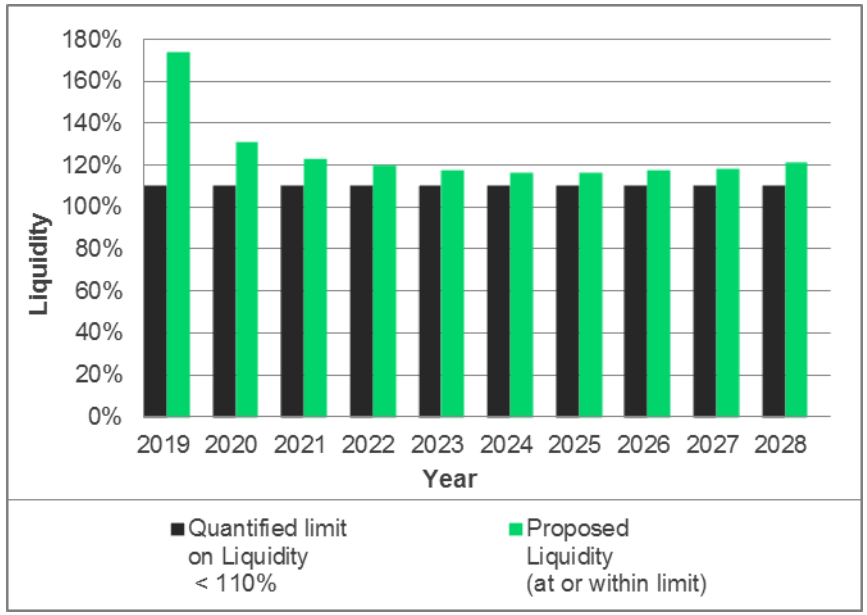
The quantified limits are Net debt as a proportion of total revenue up to a maximum of 250%, Net interest as a proportion of total revenue up to a maximum of 20%, Net interest as a proportion of annual rates income up to a maximum of 30% and Liquidity of at least 110%. Council has met all of its Debt Affordability Benchmarks.

Note: Net debt is defined as a total consolidated debt less liquid financial assets and investments; Total revenue excludes development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment; and Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.



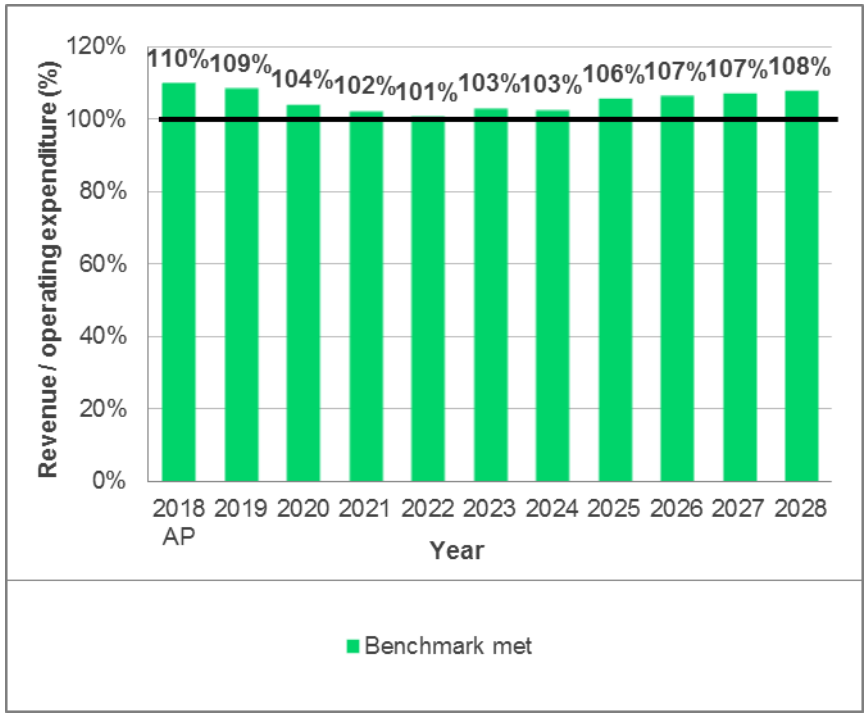






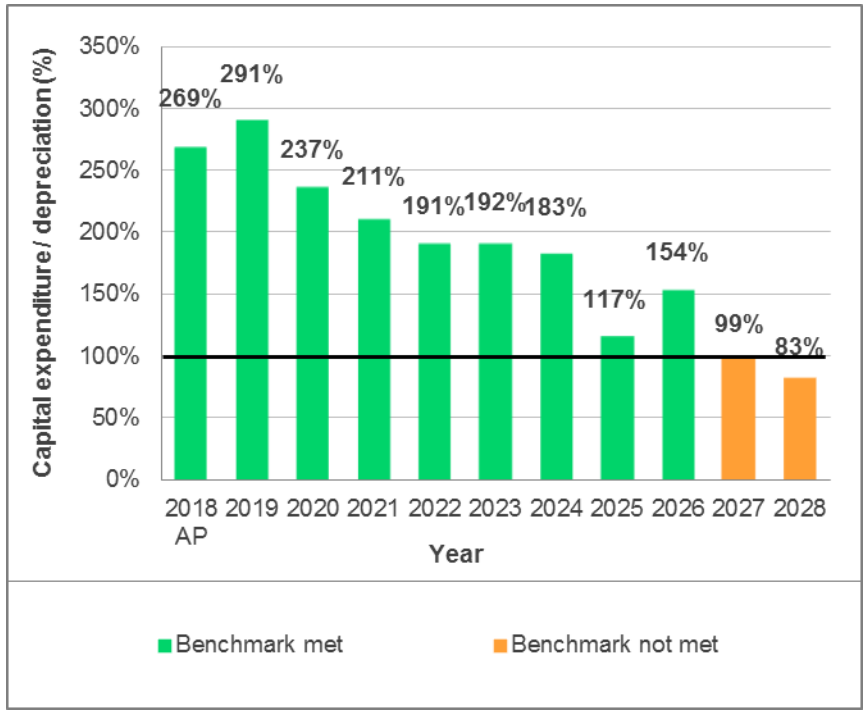
Balanced Budget Benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of planned operating expenses (excluding losses on derivatives financial instruments and revaluations of property, plant or equipment). Council meets this benchmark if its planned revenue equals or is greater than its planned operating expenses.



Essential Services Benchmark

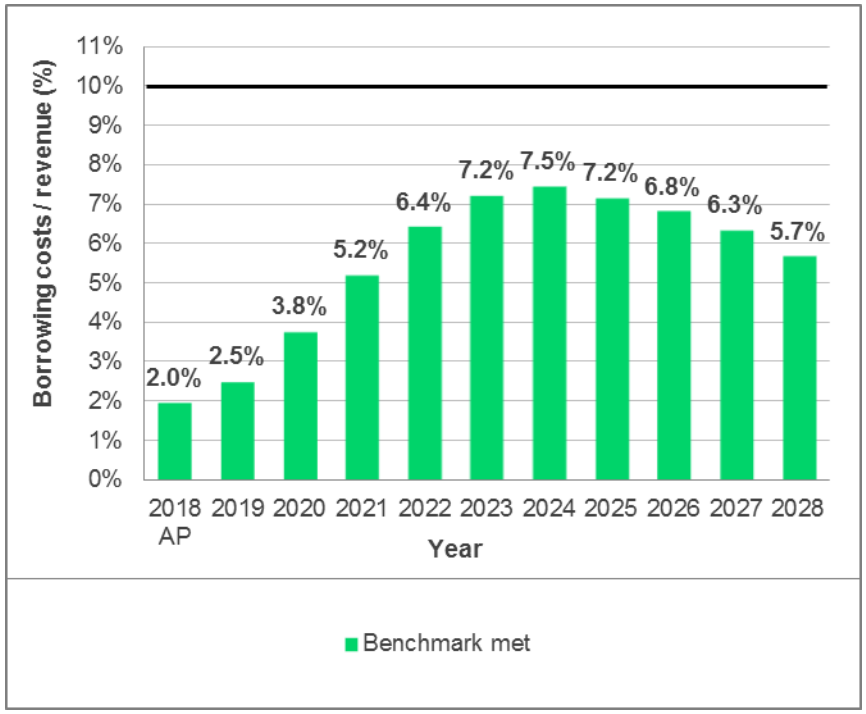
The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The council meets this benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



The essential services benchmark is not met in 2026-27 2027-28 following eight years where the benchmark has been significantly exceeded. When taken as a whole over the entire 10 year period Council is well ahead of the benchmark.

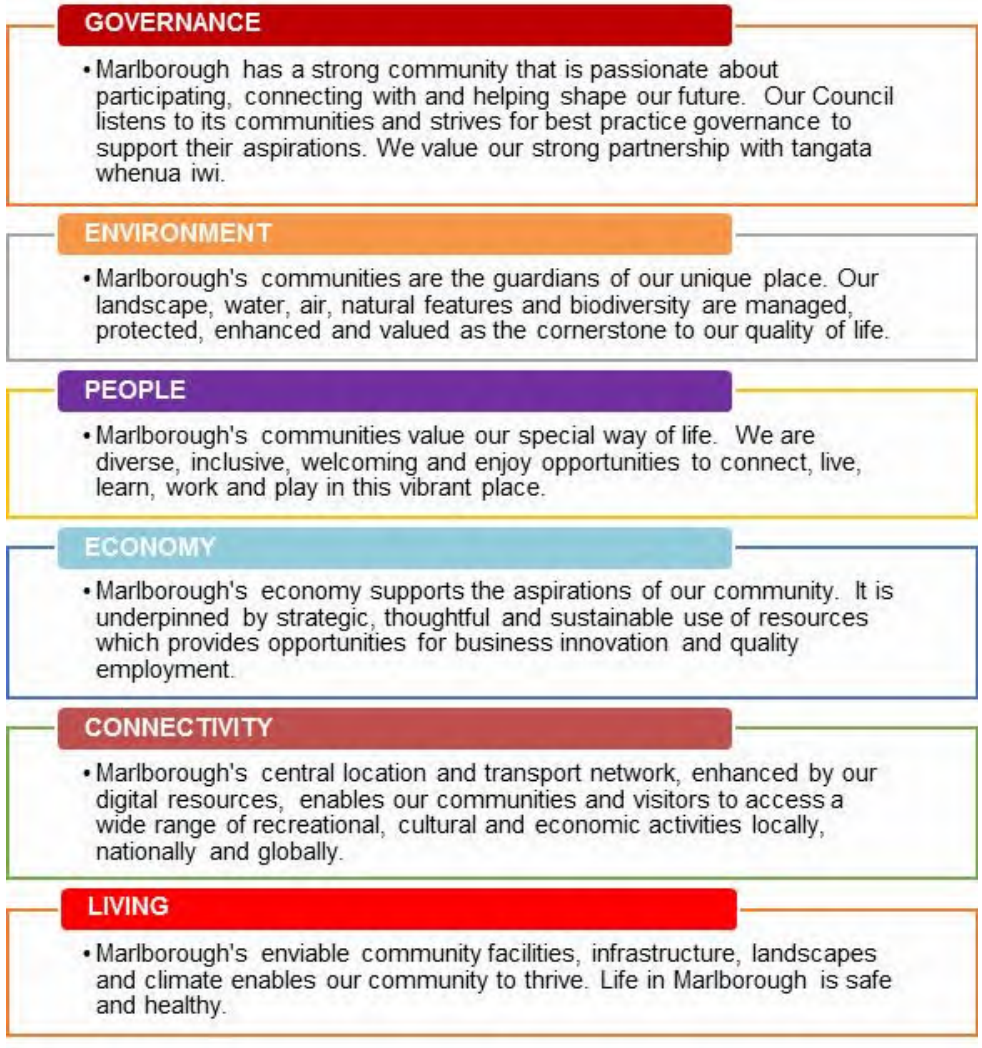
Debt Servicing Benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment). Because Statistics New Zealand projects the council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs are equal or less than 10% of its planned revenue.



Community Outcomes

Community Outcomes are statements that describe the sort of community Marlborough could be in the future, as a result of actions that get taken now and in years to come. The current group of Community Outcomes were written to take into account the Marlborough Smart and Connected vision and strategic framework. Council's contribution to achieving the community outcomes and the vision is summarised in the table below. A more detailed assessment is included in each activity statement..



Council Activities / Community Outcomes	Governance	Environment	People	Economy	Connectivity	Living
Democratic Process	✓		✓	✓		✓
Culture and Heritage	✓		✓	✓		✓
Community Housing	✓		✓		✓	✓
Community Support	✓	✓	✓		✓	✓
Library Services	✓		✓	✓		✓
Emergency Management	✓	✓	✓	✓		✓
Community Facilities	✓	✓	✓	✓	✓	✓
The Provision of Roads and Footpaths		✓	✓	✓	✓	✓
Flood Protection and Control Works		✓	✓	✓	✓	✓
Sewerage Including Treatment and Disposal		✓		✓		✓
Stormwater Drainage		✓	✓	✓		
Water Supply		✓		✓		✓
Solid Waste Management	✓	✓	✓	✓	✓	✓
Environmental Policy	✓	✓	✓	✓	✓	✓
Environmental Science and Monitoring	✓	✓	✓	✓		✓
Resource Consents	✓	✓		✓		✓
Environmental Protection	✓	✓	✓	✓		
Biosecurity		✓	✓	✓		✓
Building Control		✓		✓		✓
Environmental Health	✓		✓	✓		✓
Animal Control	✓	✓	✓		✓	✓
Harbours	✓	✓	✓	✓	✓	✓
Regional Development	✓	✓	✓	✓	✓	✓

Consultation

Background

The proposals put to ratepayers in the Consultation Document represented the culmination of:

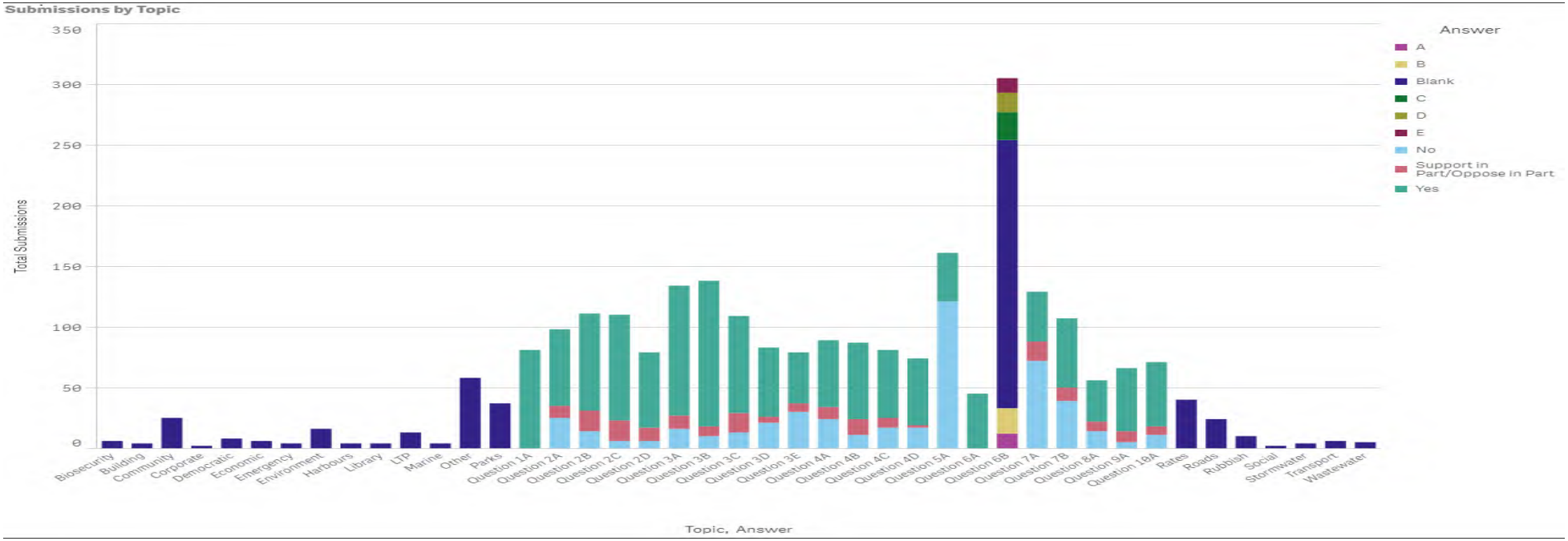
- Previous Annual and Long Term Plan consultations which has led to the current direction taken by Council;
- The work of the LTP Working Group;
- Budgeting and funding work by staff;
- Agreement by Council to include the individual items and their proposed funding in the Consultation Document.

The Consultation Document posed a series of questions which will be commented on in turn and lead to a series of recommendations at the end of this paper.

Results of Consultation

Council received 305 submissions. This number compares to the 139, 398, and 346 received over the past three years. Of the 305 submissions 138 have indicated that they wish to speak which compares to the 67, 104 and 116 over the previous three years. For the majority of the questions asked, ratepayers have submitted in favour of Council's proposals (see graph below).

A number of the submitters also took the opportunity of making suggestions on areas outside the questions posed. On the graph, these are shown in the dark blue columns.



Analysis of Question Responses

A question by question analysis on submitter's responses was provided to Council as part of Council's 11 June 2018 Agenda. The majority of submissions favour the proposals Council has included in its Consultation Document. The only question where submitters disagreed with the approach proposed by Council was Question 7 "Moving to a Fairer Rating System" where a number of negative submissions were received from Picton Vicinity ratepayers. Also for question 6B **"**What is your preferred option for the forecast balance of the dedicated Emergency Events Reserve balance as at 2028?", no clear preference was provided. However, of the 84 submitters that expressed a view, a small majority indicated a preference of between $10M and $15M.

$3M	$10m	$15M	$30M	$45m
12	21	23	16	12

Decisions

As a result, Council made the following decisions on the issues contained its Consultation Document. The number reference alongside each decision refers to the "Part" contained in the Consultation Document, e.g. "PART TWO – Investing in the Environment" is shown as "2". Council:

2. Agreed to:

- committing up to $3M in funding to carry out the multibeam survey of the entire Pelorus Sound/Te Hoiere seabed;
- progressively increase funding for Council's environmental science and monitoring activities over the next three years;
- progressively increase funding for implementation of the Proposed Regional Pest Management Plan 2018 and the Biosecurity Strategy over the next three years; and
- relocate and expand the hazardous waste centre,

as outlined in the Consultation Document.

3. Agreed to Council investing in the following projects:

- the Marlborough Kaikoura Trail;
- the Link Pathway;
- economic development, events and tourism;
- business support services; and
- the Marlborough regional film office,

as outlined in the Consultation Document.

4. Agreed to Council investing in the following projects:

- Te Ao Māori cultural advice;
- Heritage sector funding;
- Dog parks; and
- The Linkwater Hall supper room,

as outlined in the Consultation Document following further consideration by the appropriate Committee.

4A. (i) Agreed to the timing and priority for rebuilding after a significant emergence event,

i.e. plan for a seven year repair and rebuild period.

(ii) Agreed to the following priorities for repairing and rebuilding infrastructure:

1. Restore basic (lifeline) services eg four-wheel drive access, water by tanker, portable toilets and emergency flood protection;
2. Core infrastructure; and
3. Community facilities.

4B. (i) Noted the wide divergence of views on what should be the forecast balance albeit with a small majority indicating in the $10M to $15M range.

(ii) Requested staff to undertake further work on this issue and report back to the Planning Finance & Community Committee.

5. (i) Agreed to remove the Rating Area Percentages to be allocated from each Geographic Rating Area.

(ii) Requested the Working Group charged with responsibility for preparing the 2021-31 Long Term Plan to review Geographic Rating Area boundaries, in particular the boundary between Picton Vicinity and General Rural.

(iii) Agreed to provide rates remissions to Picton Vicinity ratepayers for rates increase above 40% for a period of three years as contained in the Consultation Document.

6. Adopt the Development Contributions Policy as proposed.

7. Adopted the 2018-48 Infrastructure Strategy.

8. Adopted the 2018-28 Financial Strategy.

In addition, Council approved a number of minor funding requests and referred a further number to the appropriate Committee for further development. At some point in the future, these projects may be approved with funding likely to come from Reserves.

The more major requests approved by Council were:

- the acceleration of the Youth Centre to 2018-19 from 2023-24. The Youth Centre will now occupy a portion of the vacant area within the Smiths City building, which will reduce the cost of the project by approximately $1.8 million;
- a two year trial of the extending the current bus service to include Renwick;
- the acceleration of existing cycleway funding to 2019-20; and
- funding further improvements at the Grovetown Lagoon.