

Annual Plan

2020 - 2021

Te Kaunihera ā-Rohe o Wairau





**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

Annual Plan

This Annual Plan explains what Council plans to do in the 2020-21 financial year; how much Council intends to spend on its activities and services and how this will be funded – including the expected impact on rates.

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Part 1: Executive Summary

- Mayor's message
- Elected Council members
- Results of consultation
- Financial overview
- Annual Plan disclosure statement for the period commencing on 1 July 2020



Mayor's message

When we consulted the public earlier this year, we made two commitments:

- our rates increase this year would be less than 2.2%; and
- our programme of important capital works would continue.

Following Council's consideration of the 193 submissions made as part of the consultation process, we have met both commitments. This year's rates increase will be 1.88%. This is a significant reduction on the 5.92% increase that was originally forecast in the 2018-28 Long Term Plan. The Council also confirmed its funding priorities for this Annual Plan, including capital works.



Every year it is challenging to manage the community's desire for increased levels of service and project funds, whilst also constraining rates increases. This task has been made much more difficult for us by the COVID-19 emergency, which has also brought a reduction in some Council revenue streams.

As part of Marlborough's COVID-19 economic recovery programme, it's important that the Council continues to support key community projects where possible. Due to prudent management, this Council has enjoyed a solid financial foundation for some years and we are able again this year to fund some excellent community projects that will provide a material improvement to our quality of life.

However, a number of worthy projects proposed by the public this year did not receive our support. Like almost every other business in New Zealand, we have had to tighten our belts and this year support only a small number of initiatives, with much of the funding for them coming from the Forestry and Land Development Reserve.

Council opted to defer the implementation of kerbside recycling for Renwick until the 2021-22 financial year. Councillors were conscious of the financial impact of a recycling rate on Renwick residents, particularly with the wider economic impact of COVID-19 on the community.

Councillors supported funding the completion of the Link Pathway (\$169,565), upgrades to the hall, public toilets and septic system in Carluke Domain, Rai Valley (\$153,913), the upgrade of the Awarua Park rugby and community facilities in Spring Creek (\$140,000) and a vision to develop a Wairau River Regional Park concept and management strategy (\$30,000).

We will also consider proposed new destination attractions for Picton, including a mountain bike park and thermal spa pools, which will be investigated as part of the redevelopment plan for the town. A number of other requests were referred to our committees for further consideration.

Council has a number of capital expenditure projects underway this year, including the new District Library and Art Gallery, the Blenheim sewerage scheme upgrade, sports facilities at A&P Park and Lansdowne Park, and solid waste disposal and flood protection initiatives.

A campaign for Marlborough to 'support local and buy local' and another to get some early domestic visitors back to the region were included in a package of COVID-19 economic recovery projects announced in early May by The Economic Action Marlborough (TEAM) group. The \$865,000 package includes free parking in Blenheim and Picton and a contingency fund to support commercial and community events. As a direct result of COVID-19, the Council has also set aside \$1.2 million to ensure community organisations and facilities like Marlborough Lines Stadium 2000 can remain viable. The funds will come from the Emergency Events Reserve and have no impact on rates.

Thank you to all submitters for taking the time to participate in this process, particularly during this very challenging lockdown period. I'd also like to thank our 'team of 50,000' for their sacrifice in supporting Marlborough and New Zealand through the COVID-19 response and recovery.



John Leggett
Mayor



Elected Council members



Mayor John Leggett



Deputy Mayor Nadine Taylor
Marlborough Sounds Ward



Councillor Barbara Faulks
Marlborough Sounds Ward



Councillor Brian Dawson
Blenheim Ward



Councillor Cynthia Brooks
Wairau-Awatere Ward



Councillor David Croad
Blenheim Ward



Councillor David Oddie
Marlborough Sounds Ward



Councillor Francis Maher
Wairau-Awatere Ward



Councillor Gerald Hope
Wairau-Awatere Ward



Councillor Jamie Arbuckle
Blenheim Ward



Councillor Jenny Andrews
Blenheim Ward



Councillor Mark Peters
Blenheim Ward



Councillor Michael Fitzpatrick
Blenheim Ward



Councillor Thelma Sowman
Blenheim Ward

Results of consultation

At its 2 April 2020 meeting Council adopted the document “Have Your Say Annual Plan Update – 2020-2021”. This was a high level summary outlining Council’s approach to the impacts of the COVID-19 pandemic. The document signalled:

- Council’s intention for a rates increase of less than 2.2%;
- that some new initiatives would not proceed; and
- that major capital projects would continue to keep the economy moving and prepare us for the other side of COVID-19.

There were no significant variations from Council’s 2018-28 LTP.

The document encouraged members of the public to make submissions on the Annual Plan and also to raise initiatives, projects or ideas that they would like Council to consider further.

The period for submissions was open until 4 May 2020 and a total of 193 submissions were received. This number is an over 60% increase on last year’s 118. This increase was driven by the high number of submitters on Kerbside Recycling for Renwick.

The topics covered by the submissions were very wide ranging and included comment on a number of Council-funded activities and proposals as well as funding requests for new and existing projects around the region.

Submitters were offered the opportunity to speak to Councillors about their submission at hearings on 2-3 June 2020. Just under 60 oral submissions were made at the hearings, compared with just over 80 in 2019.

Councillors considered all submissions at a meeting held on 8 June 2020.

Following Council’s decisions on submissions the total Rates and Charges across the district will rise by **1.88%**, compared with the **5.92%** initially forecast in the LTP for 2020-21 and the **4.86%** forecast at Council’s 27 February 2020 Budget Meeting.

Councillors supported funding the following projects (all are GST exclusive):

- \$10,000 to control wattle trees from Waikawa to Queen Charlotte Sound;
- Up to \$7,000 for Picton Little Theatre earthquake strengthening;
- Up to \$162,897 to complete the Renwick Community Memorial Hall;
- \$153,913 for upgrades to the hall, public toilets and septic system in Carluke Domain, Rai Valley;
- \$140,000 for the upgrade of the Awarua Park rugby and community facilities in Spring Creek;
- \$169,565 to complete the Link Pathway;
- \$30,000 for developing a Wairau River Regional Park concept and management strategy; and
- \$2,000 to the Picton Resource Centre.

Councillors also signalled they will consider proposed new destination attractions for Picton, including a mountain bike park and thermal spa pools, which will be investigated as part of the long term planning and economic recovery work underway for the town. A number of other submission requests were referred to Council committees for further consideration.

Council decided to defer the implementation of kerbside recycling for Renwick for the immediate future. Councillors were conscious of the financial impact of a kerbside recycling rate on Renwick residents, particularly with the wider economic impact of COVID-19 on the community.

Financial overview

Council has prepared its 2020-21 Annual Plan with the objectives of:

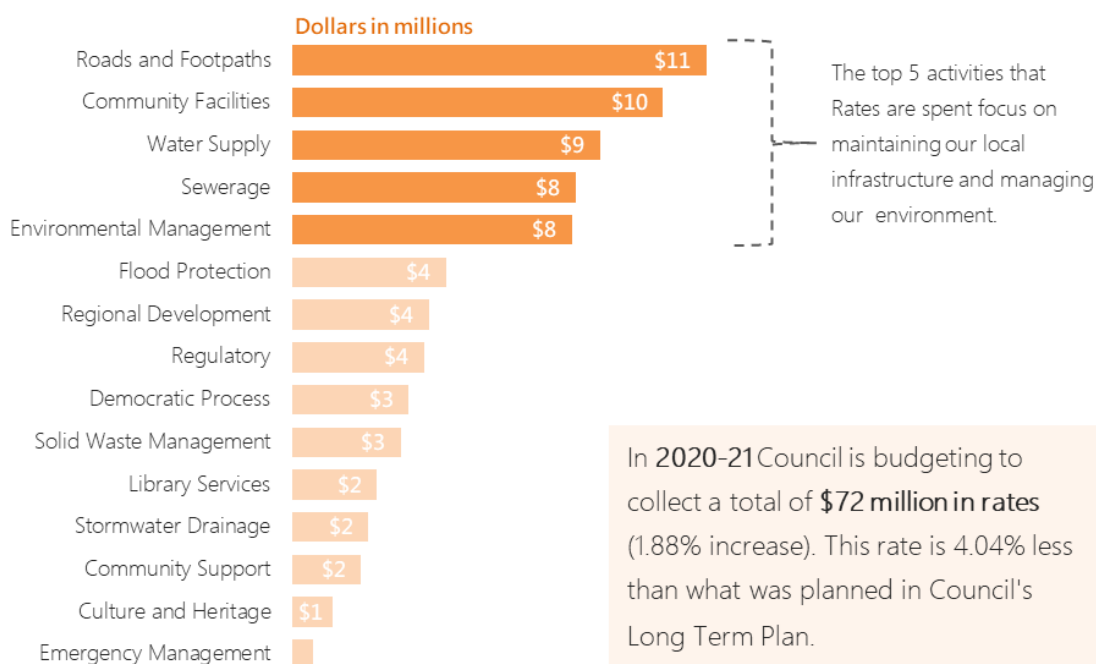
- balancing the wider economic impact of COVID-19 on the community while maintaining the direction, priorities and levels of service contained in the 2018-28 Long Term Plan (LTP);
- responding to community and central government requirements for essential infrastructure and improved levels of service; and
- keeping rates increases and debt levels low. While debt can be used to minimise rates increases, it transfers the financial burden to future generations.

Council believes that it has met these objectives:

- budgets have been prepared on the basis of maintaining levels of service;
- budgets include Council's responses to the impact of COVID-19 on our community while meeting Government requirements, e.g. compliance with New Zealand Drinking Water Standards and considering many of the community's requests for improved service levels/funding as shown in the next section "Results of Consultation";
- Council has retained its S&P Global AA+ (positive credit watch) rating. This rating is only one step below that of the NZ Government and held by only seven councils in New Zealand.
- reduced the forecast level of net debt shown in the LTP for 30 June 2021 from \$87.8 million to \$83.3 million; and
- after careful consideration, reduced the rates increase shown in the LTP for 2020-21 of 5.92% to 1.88%. This is below the local government cost index (inflation) forecast movement of 2.2%.

The Rates collected by Council are spent on delivering services under the following broad activity groupings. As can be seen, the vast majority is spent in the operation and maintenance of core infrastructure and in managing our environment.

How will my Rates contribute to our community in 2020-21:



The Rates reduction from the LTP (as well addressing the forecast drop in revenue), has required an across Council effort with all Departments making a contribution in one way or another.

A summary of the reductions follows:

- deferral of some levels of service improvements contained in the 2018-28 Long Term Plan (LTP). This involved reducing budgeted operating expenses and deferring the recruitment of some of the additional staff agreed to in the 2018-28 LTP;
- stopping or slowing the implementation of a number of Community Facility initiatives that had previously been agreed at the 27 February budget meeting;
- delaying the implementation of Kerbside Recycling for Renwick to July 2021 which was signalled in the Consultation Document;
- applying a sinking lid policy for the replacement of important, but not immediately required staff who resign or retire over the next year;
- reducing by 1% the assumed increase in staff remuneration. The final outcome is still subject to the outcome of collective contract negotiations;
- applying expected 2019-20 operating expenditure savings to the 2020-21 Budget. It is expected that the remaining carry forwards will still enable partially completed projects to be completed in 2021-22;
- reducing the estimate of external interest costs for 2021-22 to take account of the lower than expected level capital expenditure for 2019-20; and
- the use of Tax loss offsetting subvention payments from Port Marlborough to mitigate the financial impact of a potentially reduced dividend in 2020-21.

Also as a result of COVID-19 Council has also launched a number of initiatives to help the community transition through the economic impacts of COVID-19. These initiatives include:

- the package of initiatives costing an estimated \$865,000 launched under the TEAM umbrella including amongst other things a campaign for Marlborough to 'support local and buy local', another campaign to get some early domestic visitors back to the region and two hour free parking.
- setting aside an additional \$1.2 million to ensure community organisations and facilities like Marlborough Lines Stadium 2000 can remain viable.
- providing for the remission of rates penalties on the 10 June Rates instalment and partial remission of rates penalties outstanding at 30 June if paid by 20 July.
- establishing payment plans for those rate payers struggling to meet their rates obligations

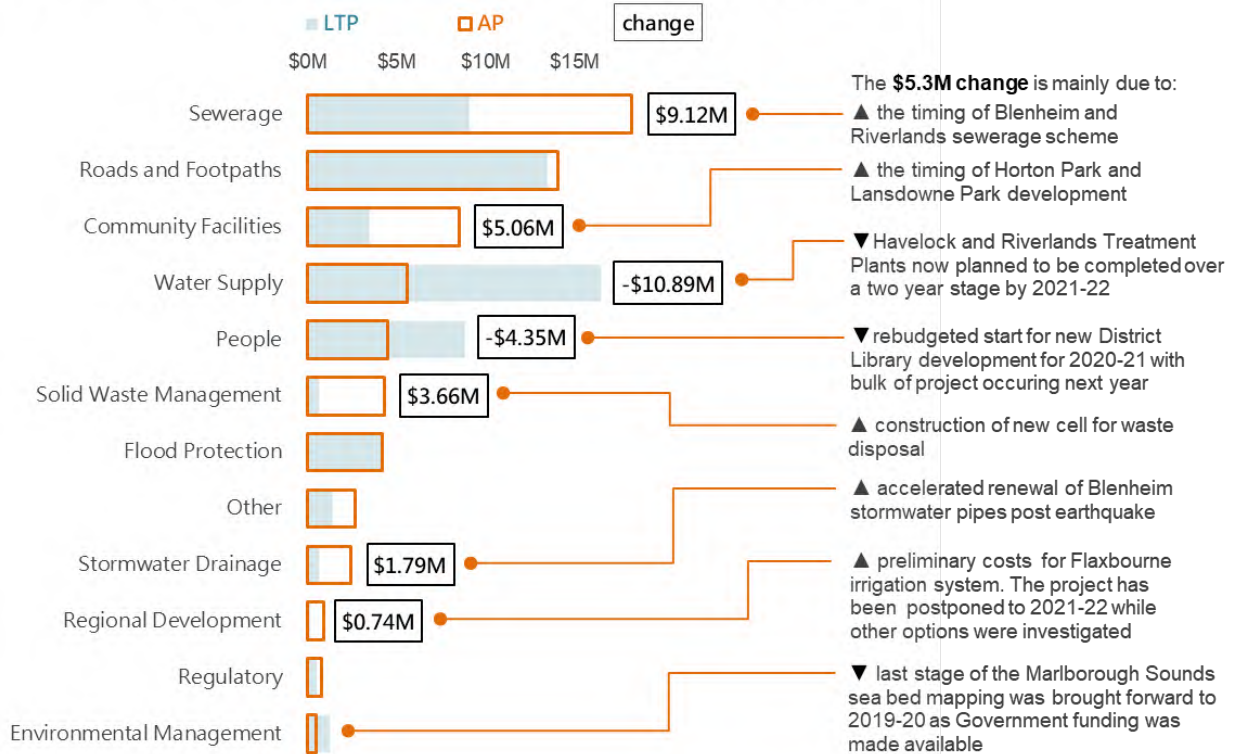
These funds will come from the Emergency Events Reserve and have no impact on rates.

For more detail on Council's expenditure please refer to the remainder of this document.

In 2020-21 Council is also implementing a number of capital expenditure projects. These include the new District Library and Art Gallery, the Blenheim sewerage scheme upgrade, sports facilities at A&P Park and Lansdowne Park, waste disposal and flood protection initiatives. Below in graphical representation of Council's proposed Capital Expenditure by Activity compared to that of the LTP.

2020-21 planned capital expenditure

In the 2018-28 Long Term Plan Council approved \$60M of capital expenditure for 2020-21. The 2020-21 Annual Plan is now planning \$65.3M. The main changes are highlighted below.



Annual Plan disclosure statement for the period commencing on 1 July 2020

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 its annual plan in accordance with the 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.

| Benchmark | | Government Quantified limit | Council Planned 2019 20 | Met |
|--|---|-----------------------------|-------------------------|-----|
| Rates affordability | | | | |
| (a) income | ≤ | 101.2M | 72.0M | Yes |
| (b) increases | ≤ | 4.25% | 1.88% | Yes |
| Debt affordability | | | | |
| (c) net debt / total revenue | < | 250% | 68% | Yes |
| (d) net interest / total revenue | < | 20% | 2% | Yes |
| (e) net interest / rates income | < | 30% | 3% | Yes |
| (f) liquidity | > | 110% | 121% | Yes |
| Balanced budget | | | | |
| (g) revenue / operating expenditure | ≥ | 100% | 102% | Yes |
| Essential services | | | | |
| (h) capital expenditure / depreciation | ≥ | 100% | 234% | Yes |
| Debt servicing | | | | |
| (i) borrowing costs / total revenue | ≤ | 10% | 3% | Yes |

Rates affordability benchmark

For this benchmark:

(a) the Council's planned rates income for the year is compared with a quantified limit on rates contained in the Financial Strategy included in Council's Long Term Plan;

(b) the Council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the Financial Strategy included in Council's Long Term Plan.

The Council meets the rates affordability benchmark if:

- (a) its planned rates income for the year equals or is less than each quantified limit on rates; and
- (b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

Debt affordability benchmark

For this benchmark, the Council's planned borrowing is compared with quantified limits on borrowing contained in in the Financial Strategy included in Council's Long Term Plan.

The Council meets the debt affordability benchmark if:

- (c) its planned net debt as a proportion of total planned revenue for the year is less than the quantified limit; and
- (d) its planned net interest as a proportion of total planned revenue for the year is less than the quantified limit; and
- (e) its planned net interest as a proportion of total planned rates income for the year is less than the quantified limit; and
- (f) its planned liquidity for the year is less than the quantified limit.

Balanced budget benchmark

(g) For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

Essential services benchmark

(h) For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Debt servicing benchmark

(i) For this benchmark, the Council's planned borrowing costs are presented 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 growth, it meets the debt servicing benchmark if its borrowing costs are equal or less than 10% of its revenue.