MDC

QUESTION

WHO SHOULD PAY FOR GOOD QUALITY DRINKING WATER?

2016-17

Annual Plan Consultation Document

INCLUDING TWO LONG TERM PLAN AMENDMENTS

MARLBOROUGH DISTRICT COUNCIL

Only Marlborough

Mayor's Message

The biggest issue facing Council now is finding a way to make good quality drinking water affordable to our smaller communities.

This is our update on Council's plans for the year ahead.

When we released our long term planning for the ten years to 2025 the outlook was for a 4.97% rates increase for this 2016-17 year. At that time, we said it was only an estimate and we were confident it wouldn't be that high. We were right about that. We've pulled that increase back to 2.2% for 2016-17. We're also bringing down our debt level. Overall, Council finances are in very good shape.

The biggest issue facing Council now is finding a way to make good quality drinking water affordable to our smaller communities.

Please take a moment to look at the options to amend the Long Term Plan on pages 8-9 – this affects everybody. Council has come up with a formula which we believe is fair. But there are other options and we want to know what you think because this is an issue that affects everyone in Marlborough.

As you read through this booklet you will see how Council is managing your assets and planning for the future. Our region is entering another phase of economic growth and there are opportunities and challenges ahead so we need your feedback to keep making good decisions.

Alistair Sowman
Marlborough Mayor

2016-17 Annual Plan

Council's rates are forecast to be almost $5M below that forecast for 2025 in the LTP. This forecast includes allowing for an increase in rates above Council's rates cap in 2017-18.

When Council adopted its 2015-25 Long Term Plan, it stated in its Financial Strategy that it would review its budgets as part of the Annual Plan process and was confident that the actual rates increase for 2016-17 would be significantly below the 4.97% increase forecast and that debt would be lower. In developing the proposed Annual Plan Council has achieved both these objectives.

The proposed rates increase is a much reduced 2.2% and the level of net debt forecast at 30 June 2017 is $42.3M, which is $17.3M below that forecast for that date in the LTP. The forecast level of debt for 2025 is $77.8M, some $17.6M below that forecast in the LTP.

Despite these reductions, Council still expects to either maintain or enhance current levels of service across all its activities. Also as part of its budget deliberations, Council voted to lift levels of service in certain areas. The proposals having a rating impact of over $50,000 are:

- to extend the monitoring and reporting of fresh water quality to meet national standards ($135,000);
- to establish a fulltime Conventions Bureau ($55,750 Rates, plus $55,750 from Reserves);
- to fund a permanent commercial events co-ordinator and enable Marlborough to more effectively bid for events ($62,500 Rates, plus $62,500 from Reserves);
- to increase Community, Heritage and Arts & Culture grants ($75,000).

The longer term view is that Council's rates are forecast to be almost $5M below that forecast for 2025 in the LTP. This forecast includes allowing for an increase in rates above Council's rates cap in 2017-18. Council is again confident that, similar to 2016-17, 2017-18 rates can be reduced to more affordable levels.

How was the reduction in Rates and Debt achieved?

We're putting more time into consultation, design and planning to ensure major projects go smoothly.

Some of our big infrastructure projects, like planned sewerage and stormwater upgrades, are moving ahead more slowly than we'd allowed for in our budgets.

That's not to say they've been put on hold.

Rather we've opted to put more time into consultation, design and planning to make sure everything goes smoothly. It has meant that progress has not been as fast as expected for some projects and that means we're not yet incurring the project costs that were anticipated; depreciation becomes less than calculated and project loans don't begin to incur interest.

So the figures in our **Capital Expenditure Budget** are lower than the figures signalled in our 2015-25 Long Term Plan.

One of the other factors in that lower than signalled budget is that less has been spent on debt servicing. Our previous decision to calculate Council's likely interest costs at 7% has proved to be conservative and that **interest rate assumption has now been reduced to 6%** for the budgets in the proposed Annual Plan.

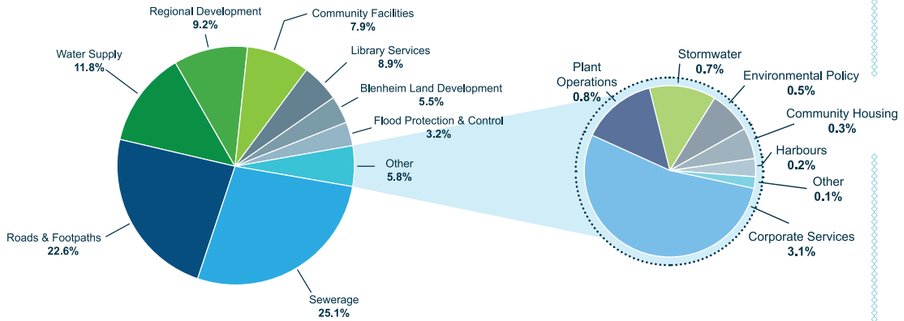
2016-17 Capital Budget

The following two graphs show where Council is proposing to make **Capital Expenditure** and the variation from what was proposed in the LTP.

Graph A

Shows that Council is continuing to focus on core infrastructure with almost two thirds of the budget allocated to Roads, Sewerage and Water. The next two biggest items, Regional Development at 10% and Library Services at 9%, relate primarily to the Flaxbourne Irrigation Scheme and to the Picton Library.

Proposed 2016-17 Annual Plan Capital Expenditure



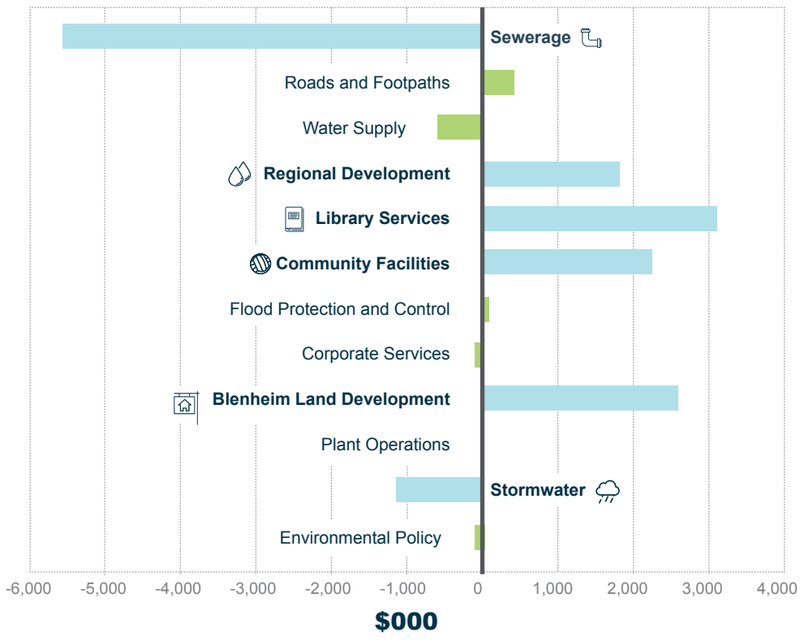
Graph B

Identifies the variations in proposed budget levels for 2016-17 and what was forecast in the LTP for 2016-17. Explanations are provided for each significant variation.

Significant variations:

- **Sewerage -** Work on Blenheim trunk mains (McLaughlin St) and pump stations deferred until 2017-18 and 2018-19.
- **Regional Development -** Acceleration of the Flaxbourne Irrigation Scheme.
- **Library Services -** New Picton Library development brought forward from 2017-18 and 2018-19.
- **Community Facilities -** Acceleration of netball's move to Lansdowne Park.
- **Blenheim Land Development -** Subdivision of Boulevard Park on Taylor accelerated following strong sales.
- **Stormwater -** Casey's Drain upgrade deferred until 2017-18.

2016-17 Annual Plan Changes in Capital Expenditure from that projected for 2016-17 in the 2015-25 LTP



Key: Significant variations over $100,000,000 | Under $100,000,000

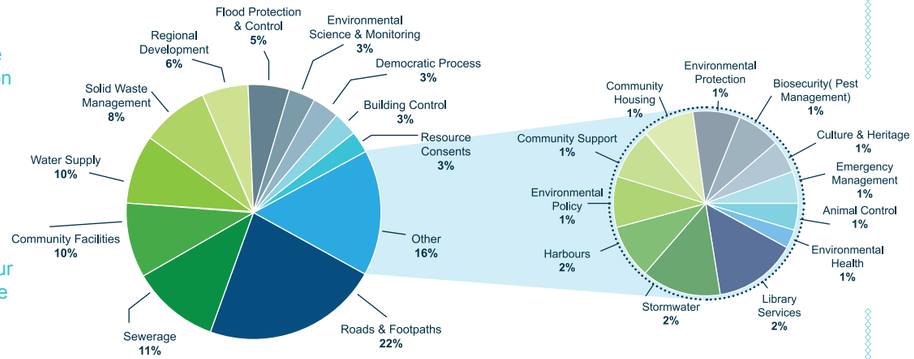
2016-17 Operating Budget

As a result of these Capital projects have not moving ahead as planned, our **Operating Expenditure Budget** is also less than forecast. The following two graphs show where Council is proposing to spend it operating budget and the variation from what was proposed in the Long Term Plan.

Graph C

Shows that Council is continuing to focus on its core activities, both for the provision of essential services, (Roads, Water, Flood Protection, Sewerage etc) and the statutorily required Planning and Regulatory functions (Building Control, Resource Consents, Environmental Health and Protection, Harbour Control etc). There is very little discretionary expenditure in the budget.

Proposed 2016-17 Annual Plan Operating Expenditure



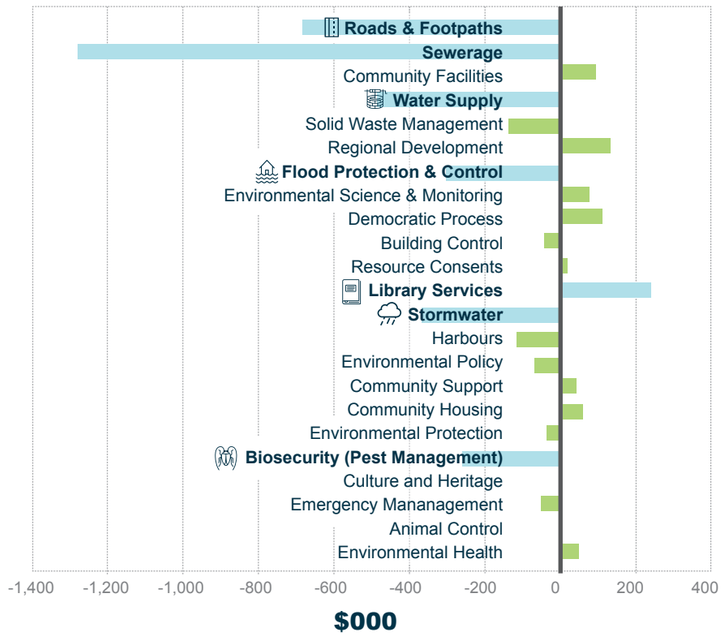
Graph D

The following graph identifies the variations in proposed budget levels for 2016-17 and what was forecast in the LTP for 2016-17. Explanations are provided for each significant variation.

Significant variations:

- **Roads & Footpaths -** Reduction in interest and Minor Safety Improvements in accordance with NZTA approvals.
- **Sewerage -** Reduction in interest and depreciation from deferred capital expenditure.
- **Water Supply -** Reduction in interest and depreciation from deferred capital expenditure.
- **Flood Protection & Control -** Reduction in interest and depreciation from deferred capital expenditure and lower contracts expenditure.
- **Library Services -** Increase in staff costs (Digital Experience Librarian), and interest and depreciation from advancing the construction of the Picton Library.
- **Stormwater -** Reduced overheads due to lower capital expenditure and reallocation to other activities.
- **Biosecurity (Pest Management) -** Regional contribution to the National Bovine TB strategy no longer required.

2016-17 Annual Plan Changes in Operating Expenditure from that projected for 2016-17 in the 2015-25 LTP



Key: Significant variations over $200,000 | Under $200,000

Consolidating sports facilities at Lansdowne Park

Council-owned Lansdowne Park is our premier sports park and key to the Council's plans for future outdoor sports facilities for Marlborough.

Marlborough's biggest membership sport, netball, has now opted to relocate to Lansdowne Park.

Council had anticipated this happening in 2021-22 but Netball Marlborough is ready to make the move now which would mean bringing forward the $1,300,000 allocated for the new netball amenities and getting on with this work in the coming financial year.

Another important part of the Lansdowne development plan is the construction of a new building which would include an administration block and changing facilities that can be shared between sports codes.

Councillors have earmarked $4.9M in 2018-19 for this amenity but the first step is to create a plan showing how it would operate and a concept design for the building itself – the proposed budget for this is $100,000 in the year ahead.

This work is the subject of ongoing consultation with the Lansdowne Park User Group, the aim being to enable sports clubs and community groups to combine resources and share facilities, costs and services.

These moves are part of the 10-year plan to convert Lansdowne Park into a multi-use sports park, able to meet the needs of today's sports codes with capacity to also provide for any changing trends in sport and recreation in the future.

...A multi-use sports park, able to meet the needs of today's sports codes with capacity to also provide for any changing trends in sport and recreation in the future.

QUESTION

WHO SHOULD PAY FOR GOOD QUALITY DRINKING WATER?

Sharing the cost of good quality drinking water

LONG TERM PLAN AMENDMENT

Council's aim is to see consistent levels of drinking water quality and water pressure at all six Council water schemes around the region.

Council is suggesting a new formula to pay for the upgrade of household water supplies – sharing costs more evenly across users of Council provided water so it won't matter whether you live in Blenheim, Picton or a smaller township.

Until now, the approach has been largely *"user pays"* along with a 50% subsidy from Council's reserve funds when big projects are needed by our smaller centres.

Upgrades to household water supply in Renwick and Havelock are coming up at $11.8M and $10.2M each. Unless these costs are spread across other Council water users, it's going to be expensive for the residents of these townships – even with a subsidy.

The table below shows that for 2020-21, when the majority of construction work for these two schemes is complete, the water rates for properties of an average land value in Renwick and Havelock would rise to $1,689 and $2,609 respectively.

2020-2021 Forecast Water Rates and Charges ($)
(Average Property Value for each Scheme)

Council Water Scheme	Average Property Land Value	Forecast Water Rates in 2015-25 LTP	2015-16 Actual Water Rates
Blenheim	154,000	434	440
Havelock	136,000	⚠ 2,609	693
Picton	119,000	845	692
Renwick	144,00	⚠ 1,689	476
Seddon	65,000	886	441
Wairau Valley	93,000	503	318

Council has already introduced a district-wide funding formula for sewerage which works smoothly.

Council is now exploring whether a similar concept would deal with the water supply affordability issues facing Renwick and Havelock.

Last year Council faced a similar affordability issue with the provision of quality drinking water for Seddon.

There was significant community support for the District as a whole to help pay for Seddon's water and that is still the plan.

Three possible funding models have been developed - taking into account land value and the operating costs for Council's six water schemes. Based on the cost estimates contained in the 2015-25 Long Term plan, the 2020-21 water rates for each Option is shown in the following table. Council is proposing Option 3. The rates impact in 2017-18, the first year of the Scheme's proposed operation, should be minimal.

2020-2021 Forecast Rates Comparison ($)
(Average Property Value for each Scheme)

Council Water Scheme	Forecast Water Rates in 2015-25 LTP	OPTION 1	OPTION 2	OPTION 3*
Blenheim	434	541	630	**562**
Havelock	⚠ 2,609	1,250	630	**825**
Picton	845	789	630	**825**
Renwick	⚠ 1,689	1,073	630	**825**
Seddon	886	789	630	**825**
Wairau Valley	503	541	630	**562**

What are the alternatives?

We could leave things the way they are so that small communities get an upgrade when their ratepayers agree to pay the costs.

Like Seddon, Renwick and Havelock's water does not meet NZ Drinking Water Standards. This situation is unsatisfactory for the residents and potentially reflects poorly on the District's reputation. However, it is unlikely these communities will ever find the cost of upgrade to be affordable. These two communities also face capacity challenges.

OPTION 1: Operating costs spread to reflect cost of operation

This option would spread the construction costs District-wide, as happens with sewerage, with operating costs allocated to reflect the different costs of operation. While this would make water treatment more affordable for Renwick and Havelock, it would still mean water rates of $1,250* for Renwick and $1,073* for Havelock.

OPTION 2: Everyone pays the same amount

This option is based on the premise that drinking water is a basic human need and every ratepayer should pay the same amount for supply. This option would increase the average cost to Blenheim ratepayers by almost $200* above that signalled in the 2015-25 Long Term Plan.

Council's currently preferred option

OPTION 3: Operating costs spread more evenly than Option 1

This Option would also spread construction costs on the same basis as the current sewerage scheme, but operating costs would be spread more evenly. Councillors currently favour this Option as it would provide balance between affordability for Renwick, Havelock, Blenheim and the other communities. Compared to Option 1, it would result in a rates decrease of $248* and $425* for Renwick and Havelock, while increasing Blenheim water rates by a further $21 (less than an extra $0.50* cents per week). Picton residents would receive a small reduction in rates under this Option from that forecast in the LTP.

Why not extend the Seddon funding approach to Renwick and Havelock?

After consultation on the 2015-25 Long Term Plan, Council decided to assist Seddon water users by agreeing that all other water users in the District should contribute $8 towards Seddon's water treatment costs.

Adopting a similar approach for Renwick and Havelock would see the application of a $28.50 and $11.50 charge to all other water users, except Seddon. This Option is not favoured because it would reduce water rates for Renwick and Havelock by $500 and $800, to approximately $1,200 and $1,800 per annum respectively – but that's still more costly for them than the result from Option 1, 2 and 3.

**All figures are based on the 2015-25 Long Term Plan and must be updated to take account of the latest Council decisions. The rates figures quoted relate to properties with a land value equal to the average land value within the area served by the relevant water scheme for 2020-21.*

Flaxbourne Irrigation Scheme // 2016-17 Annual Plan Consultation Document

Irrigation Scheme for Flaxbourne

LONG TERM PLAN AMENDMENT

This is a new rate which would be paid **ONLY** by members of the Flaxbourne Irrigation Scheme – no other ratepayers are affected.

The Flaxbourne Community Irrigation Scheme is the vision of a group of landowners who want irrigation water to transform a 2,200 ha area of Marlborough's arid east coast into more productive land supporting viticulture, cropping and arable farming. The scheme would be owned and operated by the Marlborough District Council – just like the Southern Valleys' Irrigation Scheme.

Flaxbourne's proposal is to take water from the Awatere River, transfer it to storage and distribute it amongst scheme members for irrigation.

Council has approved a budget of $1.7M for the preliminary work on this project. The Ministry of Primary Industries has agreed to meet half of that cost through its Irrigation Acceleration Fund and the balance will be recovered from members of the Scheme.

Council is proposing that its cost recovery should be through a targeted rate per irrigable hectare on all who join the Scheme.

This will enable Council to recover all its costs, whether the Scheme goes ahead or not. Those ratepayers who have agreed to join the Scheme have already signed a Heads of Agreement agreeing to the recovery of these costs via their rates.

Council believes that it is prudent to put this rate in place in now and is proposing an initial rate of $1 per irrigable hectare on the 1,193 hectares currently subscribed. The final rate will be determined by the amount spent on preliminary investigation work and assuming the Scheme proceeds, its ultimate cost.

The Flaxbourne land owned by Scheme members is Council's security and no costs fall on ratepayers who are not members of the Scheme.

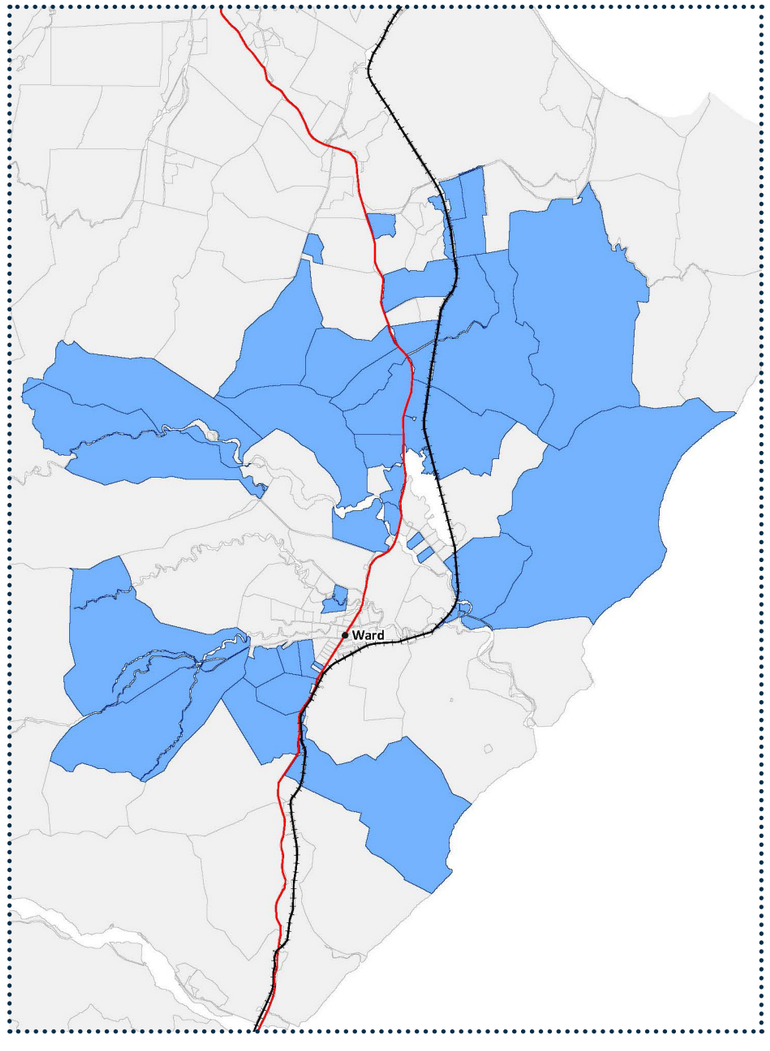
Final go ahead still depends on the final costings and commitment by sufficient landowners to make the Scheme viable. If the final costings of the project are unacceptable to members the Scheme will not proceed. In that case, Council will recover, from existing Scheme members, the costs incurred by Council to this point.

What's the alternative?

Fund the investigation by means of a General Rate across the District on the basis that the Scheme generates economic benefit to the District.

However, based on the feedback received during consultation on the 2015-25 Long Term Plan, this would not be favoured by other ratepayers. Also, the Scheme has always been promoted as a user pays initiative, similar to the Southern Valleys' Irrigation Scheme.

Flaxbourne Community Irrigation Scheme Rating Area



Development Contributions for North West Blenheim Extension Zone

– Plan Change Areas 64, 65, 67

A similar charging mechanism to that used to deliver infrastructure like roads, water supply, sewerage and stormwater in the existing North West Blenheim Zone is proposed for new housing zone on the north-west perimeter of urban Blenheim along Old Renwick Road.

At present, single owners of large subdivisions cover the costs and get the benefit of the economies of scale possible with a large development. Because there are so many landowners involved in the North West Blenheim Extension Zone the development is unlikely to progress as a single block.

Therefore Council proposes that it coordinates the design and provision of infrastructure for the essential services to the new subdivisions, to efficiently deliver a consistent standard throughout this newly zoned housing area.

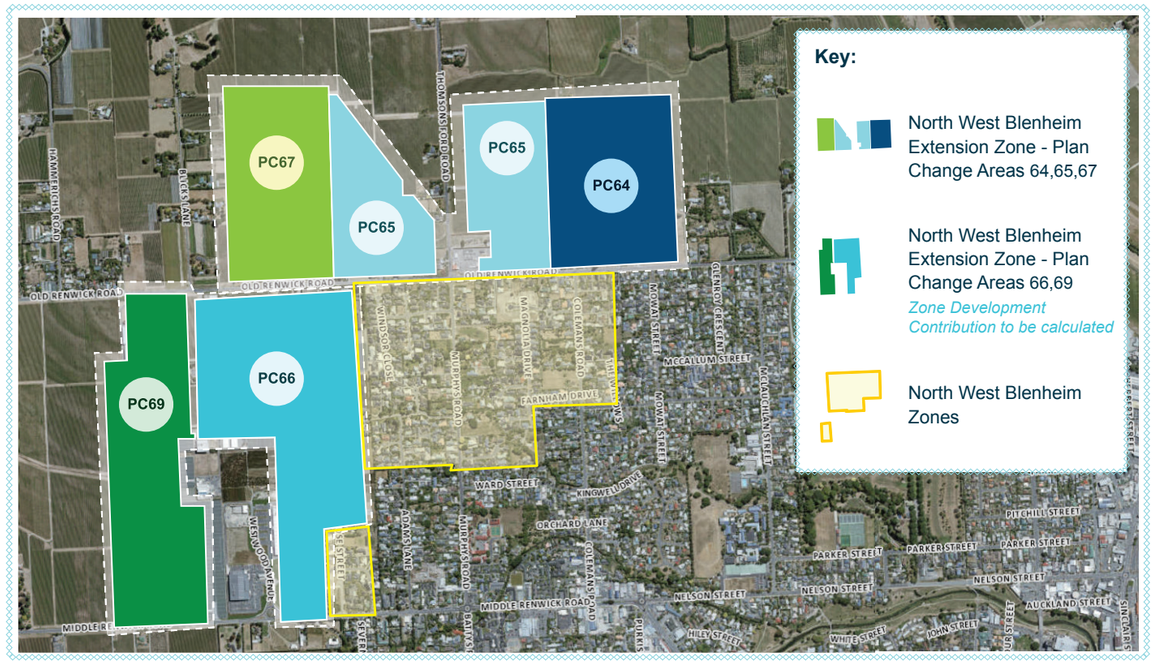
For those who wish to develop land within this area it will mean paying a separate Zone Development Contribution of $25,182 per lot (plus GST), as well as the existing Development Contribution. The new contribution would be levied on all properties in the Zone to ensure that costs are fairly and equitably spread amongst all the landowners who are developing their land for residential use. In some instances, this will result in developers receiving credits should they be required to provide larger capacity infrastructure to service the whole Zone not just their individual subdivision.

In total these Zone Contributions will simply recover the costs developers would normally incur as part of a subdivision.

This is an amendment to the existing Development Contributions Policy. The zone levy proposal was outlined last year in the 2015-25 Long Term Plan and public consultation undertaken at that time. A similar Zone approach is likely to be followed for Plan Change Areas 66 and 69 in the future.

What's the alternative?

Apply the existing Development Contributions Policy leaving each land owner responsible for their own development, a less efficient option that would mean higher costs, likely higher section prices and potentially, delays to the development of land-locked property.



Development Contributions // 2016-17 Annual Plan Consultation Document

Development Contributions for North West Blenheim Zone

It is proposed to convert the current Zone Levies charged as financial contributions under the Wairau/Awatere Resource Management Plan to Development Contributions charged under the Local Government Act 2002.

Currently Zone Levies are charged as Financial Contributions on the North West Development Zone under the provisions of the Wairau/Awatere Resource Management Plan. The Environment Court confirmed the appropriateness of these provisions in a 1997 judgement.

In general, these levies recover the *"within subdivision development costs"* normally met by the developer. The reason Council incurred these costs is that the North West Zone had multiple property owners. While individual property owners could have undertaken their own developments, that would have resulted in inefficient development across the whole Zone.

Instead, Council has provided the core infrastructure (water, stormwater, sewerage and roads) and through the Zone Levy is recovering these costs.

This contrasts with the situation where a large development is owned by one developer eg; *"Colonial Vineyard"* and *"Boulevard Park on Taylor"* where all core infrastructure is within their subdivision and the developer meets all those costs.

Zone Levies are not charged.

Why the change?

There are two reasons for this change:

Resource Management Plan and Potential Legislative Change

Council is in the process of reviewing its Resource Management Plan. Currently the Draft Plan makes no provision for charging financial contributions. Also there is an amendment to the Resource Management Act 1991 working its way through the parliamentary process. The Bill, if enacted in its present form, would remove Council's ability to charge financial contributions without any transitional provisions. As a result of these initiatives there is a need to include the policy for charging Zone Levies on the current North West Zone into Council's Development Contributions Policy. This initiative is consistent with the intention of Bill, which is to have the recovery of infrastructure made by Development Contributions.

Equity and Fairness

Zone Levies totalling $3,574,173 have been collected to date with a further $600,844 to be recovered. An even-handed approach where all developers pay their share of cost is desirable.

Developers in the North West Zone will not face any additional costs as a result of the proposed change.

What's the alternative?

The alternative is not to make this change, which would require ratepayers to meet the $600,000+ of unpaid costs.

To the readers of Marlborough District Council's Consultation Document

Independent Auditor's Report on the proposed amendments of the 2015-25 Long-Term Plan

I am the Auditor-General's appointed auditor for Marlborough District Council (the Council). I have audited the information in the consultation document about the proposed amendments of the 2015-25 long-term plan (the long-term plan), using the staff and resources of Audit New Zealand.

We have audited the proposed amendments relating to *'Sharing the costs of good quality drinking water'* and *'Irrigation scheme for Flaxbourne'* as described in the consultation document.

We completed our audit on 7 April 2016.

Opinion

In our opinion:

- the information in the consultation document about the proposed amendments of the long-term plan provides an effective basis for public participation in the Council's decisions about the proposed amendments, because it:
  - fairly represents the reasons for and implications of the proposed amendments; and
  - identifies and explains the main issues and choices facing the Council, related to the proposed amendments; and
- the information and assumptions underlying the proposed amendments, are reasonable.

This opinion does not provide assurance that the forecasts in the long-term plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the long-term plan.

Basis of Opinion

Our audit work was carried out in accordance with the Auditor-General's Auditing Standards and:

- International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information; and
- International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information.*

Our audit work involved assessing the evidence the Council has to support the information and disclosures. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the proposed amendments.

We did not, as part of our audit work, evaluate the security and controls over the publication of the consultation document.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Local Government Act 2002 (the Act); and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.
- We are responsible for reporting on the consultation document, as required by section 93D of the Act.
- We do not express an opinion on the merits of any policy content of the consultation document.

Independence and quality control

In carrying out our audit, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

Other than our work in carrying out all legally required external audits and assurance engagements, we have no relationship with or interests in the Council or any of its subsidiaries.

Andy Burns
Audit New Zealand
On behalf of the Auditor-General,
Christchurch, New Zealand

2016-17

Annual Plan Consultation Document

Submission Form

MDC 2016-17 ANNUAL PLAN CONSULTATION DOCUMENT

Title ..... First Name ..... Surname .....

Organisation (if applicable) .....

Address .....

.....

Phone ..... Email .....

Do you wish to speak to your submission at a hearing proposal to be held over 7, 8, 9 June? ◯ Yes ◯ No

If YES we will contact you about the date and time for your presentation.
(Please keep presentations to a maximum of 10 minutes).

01. Sharing the cost of good quality drinking water for everyone

Should other Council water users help to pay for small communities' drinking water supply upgrades? ◯ Yes ◯ No

If yes, how should the costs be shared?

◯ **Option 1:** Operating costs spread to reflect cost of operation

◯ **Option 2:** Everyone pays the same amount

◯ **Option 3:** Operating costs spread more evenly than Option 1

Other comments

.....

.....

.....

.....

.....

02. Irrigation Scheme for Flaxbourne

Should Flaxbourne Irrigation Scheme members be responsible for repaying all money spent by Council in helping investigate this scheme?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

03. Development contributions for North West Blenheim subdivision

Should all money spent by Council in the development of Blenheim's North West and North West Extension Zones be recovered from developers?

.....

.....

.....

.....

.....

.....

.....

.....

04. Consolidating sports facilities at Lansdowne Park

Should Council accelerate the construction of a new building that will allow the sharing of administration and changing facilities between sports codes following netball's move to Lansdowne Park?

.....

.....

.....

.....

.....

.....

.....

.....

.....

05. Other comments

Do you have any other comments on Council's Annual Plan?

.....

.....

.....

.....

.....

Returning Your Submission

Please return your submission no later than 5.00 pm Monday, 9 May 2016 to:

Nicole Chauval | 2016-2017 Annual Plan Consultation Document submissions

Marlborough District Council

PO Box 443, Blenheim 7240

Email: nicole.chauval@marlborough.govt.nz | Fax: (03) 520 7496

Signature ..... Date .....

Privacy statement and publication of submissions

Marlborough District Council needs to collect personal information (including names and contact details) about people making submissions to support the public consultation and decision-making process. Personal information that you provide in this submission will be held and protected by us in accordance with the Privacy Act 1993. You can access and correct that information by contacting Council at the addresses above. All the submissions that we receive will be made available to the public in meeting agendas and online.

MARLBOROUGH DISTRICT COUNCIL

Only Marlborough