

## 4.5. Reserve Balances

(Report prepared by C Lake/M Fletcher)

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### Purpose of report

1. The purpose of this agenda item is to outline the forecast balances for Council's significant Reserves.

### RECOMMENDATION

1. That Council receive and adopt this paper as supporting information.
2. That Council surrender the allocation of \$293,533 from the Forest and Land Development Reserve for the Marlborough Heritage Trust fire protection plan.

### Background/Context

2. Emergency Events Reserve

2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
2.04	0.94	2.08	3.83	4.44	5.11	5.43	5.42	5.46	7.28

This Reserve has been built up and set aside, as part of the damage repair funding plan following a major disaster event. It is also commonly used to fund damage repairs for lesser, but still significant events such as expensive roading, flood damage and earthquake damage repairs. This fund was used for additional expenditure due to COVID-19 and the July 2021 and August 2022 floods.

The two funding sources for this Reserve are primarily General Revenues, and river leases.

The results of consultation of the 2018/28 LTP indicated a preferred balance of between \$10-15M in 2028.

At the 6 August 2020 LTP Working Group it was agreed to increase the emergency events reserve in out years where the increase does not breach the rates cap.

The budget provides for:

- **Projection for 2022-23**
  - \$0.98M annually for Council's share (net of NZTA subsidy) of roading flood damage
  - \$0.085M being the balance of \$0.1M of additional funding for Regional Development TEAM funding
  - \$1.32M flood damage to rivers in July 2021 – 50% of the balance of costs after insurance claim income
  - \$0.654M for Combined Sewer
- **2023-24**
  - \$1.6M for the balance for the Combined Sewer
  - \$1.32M flood damage to rivers in July 2021 – 50% of the balance of costs after insurance claim income
- **Annually over ten years**
  - \$0.98M annually (plus LGCI) for Council's share (net of NZTA subsidy) of roading flood damage
  - \$0.36M annually (plus LGCI) for rivers flood damage

**Councillors should note the forecast balance of this Reserve excludes the impact of any unforeseen drawdowns and the value of the remaining Kaikoura earthquake claim proceeds because of their high level of uncertainty.**

## 3. Forestry and Land Development Reserve

2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	2027-28 \$M	2028-29 \$M	2029-30 \$M	2030-31 \$M	2031-32 \$M	2032-33 \$M
5.51	4.01	3.07	2.82	2.58	2.35	2.12	2.65	3.29	3.95

The significant revenue sources are:

- Distribution from Marlborough Regional Forestry which is dependent on harvesting targets being achieved and current log prices being maintained. Harvesting has ceased in 2020-21 with budgeted income starting again in 2030-31.

The current Council determined criteria is that this Reserve can be used for one-off projects, to enable Rates to be smoothed, or where the revenue is uncertain.

The budget provides for:

**Projection 2022-23**

- \$1.14M for The Whale Trail and the completion of the Link pathway
- \$0.83M for the new Blenheim Library /Art gallery
- \$0.32M Marlborough Events Centre fitout and fixed costs
- \$0.29M Marlborough Heritage Trust Fire protection plan\*
- \$0.29M Equestrian Park, balance of stage 2
- \$0.57M for various projects previously approved by Council
- \$0.96M Picton Innovative streets
- \$0.10M increase in Marlborough Heritage Trust funding
- \$0.25M for the Flaxbourne hall building construction, museum fitout etc
- \$0.10M for Picton Dawn Chorus traps and equipment for council land

\*due to the full review of heritage delivery being undertaken as part of the 2024 LTP, it is proposed that this be surrendered.

**2023-24**

- \$0.26M Marlborough Events Centre fixed costs
- \$0.13M for various projects previously approved by Council

**Future years**

- \$1.95M Maritime smart monitoring in 2024-25 & 2025-26
- \$0.77M funding for Awatere rural water supply budgeted to be completed in 2024-25
- \$0.37M for various projects previously approved by Council

**Annually over ten years**

- \$0.22M per annum for the Council's central computer systems.

## 4. Infrastructure Upgrade Reserve

See item 4.6 for further information on this Reserve.

## 5. Wairau Rivers Operating Reserve

2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	2027-28 \$M	2028-29 \$M	2029-30 \$M	2030-31 \$M	2031-32 \$M	2032-33 \$M
(1.89)	(2.26)	(2.26)	(1.90)	(1.56)	(0.97)	(0.58)	0.06	0.45	0.98

This Reserve is primarily used to assist with maintaining Council's rivers and flood protection system and for land purchases for river protection works.

The significant revenue sources are:

- River Leases
- Gravel Extraction

The Reserve will be used for greenscape contracts, rock & gabion protection, drainage channels, road maintenance and to maintain the stopbanks on the lower Wairau.

This Reserve went into deficit in 2020-21 and will remain so until returning to a surplus in 2030-31. This is to continue to ensure the activity has sufficient Reserves to meet the development of river control assets and to meet any unplanned expenditure. This Reserve is credited/debited with interest.

#### 6. Land Sub Reserve

2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	2027-28 \$M	2028-29 \$M	2029-30 \$M	2030-31 \$M	2031-32 \$M	2032-33 \$M
7.21	7.95	8.67	8.10	8.20	7.70	8.56	9.49	10.47	11.48

The details in this section will not agree with the Land Subdivision paper later in the agenda. This is due to this section including future revenue and agreed outyear expenditure allocations.

The funding sources for this Reserve are the Reserves and Community Facilities Development Contributions - \$2.46M in 2023-24 with an average of \$2.72M over the next nine years. The Local Government Act 2002 requires these funds to finance growth driven capital expenditure.

The budget provides for:

- **Allocations**
  - Minor allocations for various parks and reserves
  - \$1.05M Taylor pass landfill development as a community recreation area.
  - \$0.28M Resurface netball courts – Lansdowne Park in 2028-29
  - \$0.22M Upgrade to Picton Tracks
  - Unspecified allocation averaging \$2.0M over the 10 years.

#### 7. Depreciation Reserves

2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	2027-28 \$M	2028-29 \$M	2029-30 \$M	2030-31 \$M	2031-32 \$M	2032-33 \$M
1.73	(6.02)	4.11	15.23	17.89	24.78	39.52	51.51	70.40	87.51

These amounts represent the depreciation funded to Reserves from each activity of Council net of any transfers funded from the Reserve (*eg; funding of capital or debt repayment*). Depreciation Reserves have built up as a result of activities funding their Depreciation Reserves without major capital expenditure being planned within the 10 year Plan. This occurs when assets are new and won't have to be upgraded or renewed for some time. The Infrastructure Strategy identifies that renewals will become an increasingly important issue over time. The Depreciation Reserves for water and sewerage have been used as part of funding the current capital expenditure in those activities with significant funding required in the 2023-24, 2024-25 and 2025-26 years resulting in Depreciation Reserves going into deficit. These Reserves are built up over the following years.

A previous Audit New Zealand Long Term Plan Management Report included the following comment, "the key for the District Council is that in fully funding its operating costs including depreciation, its funding is at a level that is sufficient for long term sustainable funding of asset renewals. This is essential for maintaining levels of service in the long term. Over the 10 years of the LTP, expenditure on renewals (\$133.00M) is at a substantially lower level than depreciation (\$221.00M)..... at a future point the situation will reverse and renewals will exceed depreciation."

#### 8. Covid-19 Rates Relief Reserve

2023-24 \$M	2024-25 \$M	2025-26 \$M	2026-27 \$M	2027-28 \$M	2028-29 \$M	2029-30 \$M	2030-31 \$M	2031-32 \$M	2032-33 \$M
(12.80)	(12.80)	(12.80)	(12.80)	(12.80)	(12.80)	(12.80)	(12.80)	(12.80)	(12.80)

This reserve was established to mitigate some of the effects of Covid-19.

The funding source will be surpluses of the Infrastructure Upgrade Reserve resulting from the currently legislated Three Waters delivery reforms.

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