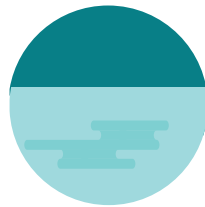


Pre-Election Report


2019





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To promote public discussion
about the issues facing Council
and encourage informed debate
in the lead-up to the October
2019 local body elections

Purpose

The purpose of a Pre-Election Report (the Report) is for the Chief Executive to provide information to promote public discussion about the issues facing Council and to encourage informed debate in the lead-up to the October 2019 local body elections. It is your right to either agree or disagree with the issues raised.

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

Key dates in the election process

16 August 2019

Nomination day:
Nominations close at 12.00 noon

20 - 25 September 2019

Delivery of voting papers

12 October 2019

Election day:
Voting closes at 12.00 noon

17 - 23 October 2019

Declaration of results

Who we are / Council at a glance

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

Our vision

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

Our mission

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

Our region

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

Our economy

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

Our people

Our population is increasingly diverse but is also ageing. By 2043 the medium projection is that there will be 16,100 people aged 65-plus, 34% of the total projected population. In the 2013 Census, 11% of the population was Maori.

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

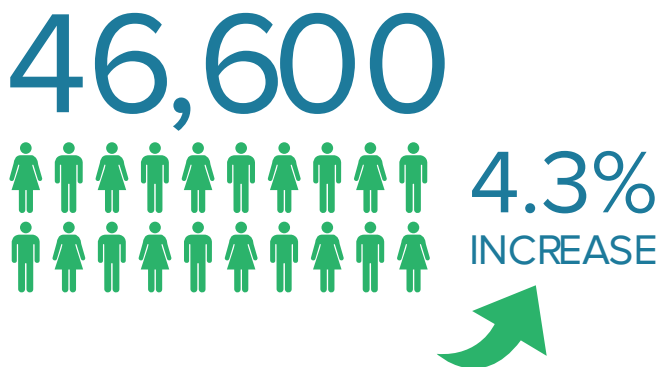
Marlborough at a glance

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

Population

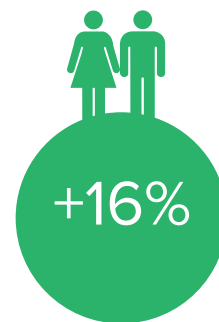
Overall population

Marlborough has a growing population, between 2013-2018 it has grown 4.3%.



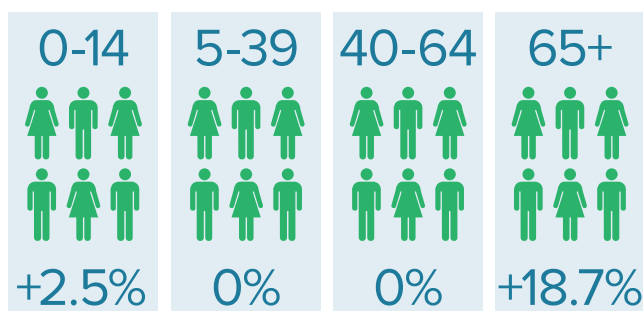
Population projections

Marlborough has a projected population increase to 54,000 by 2043.



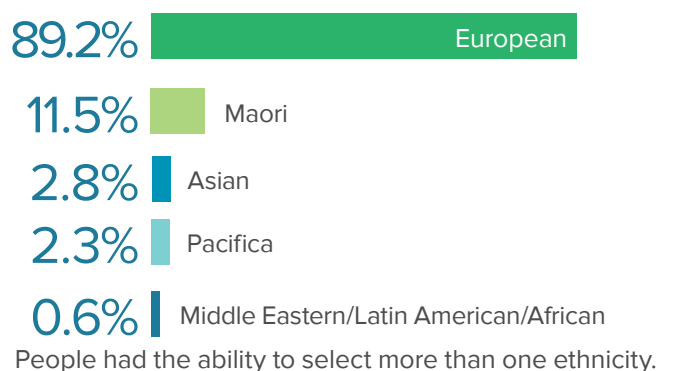
Age proportion

This shows the growth between 2013-2018 in various age groups.



Ethnicity of residents

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



Social & Housing

Average household income

MBIE June 2018



Average house value

Sept 2018 QV



Average weekly rental

MBIE DEC 2018



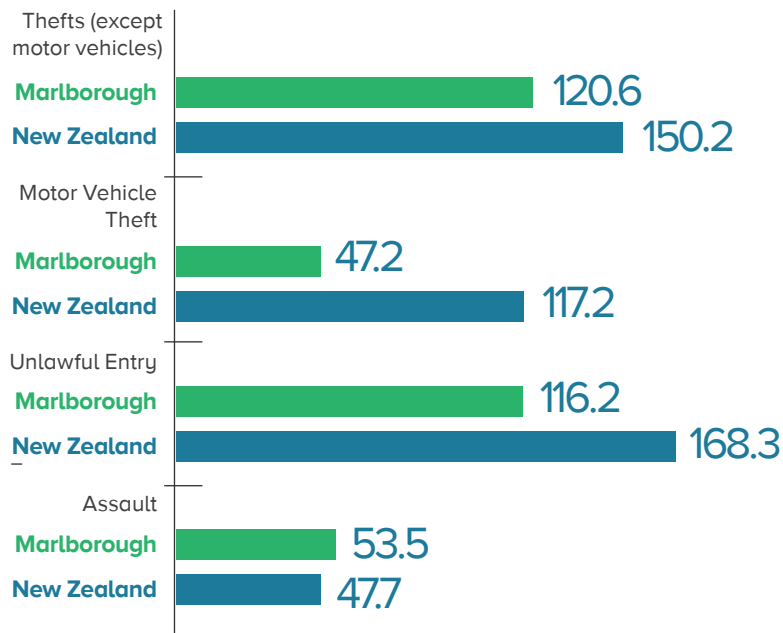
Average home value / household income

MBIE DEC 2018



Crime

Crime victimisation per 10,000 population



Economic

Number of businesses

There are 6,990 businesses in Marlborough.

6,990 Businesses



Unemployment rate

Marlborough

New Zealand



G.D.P per capita

MBIE Mar 2018

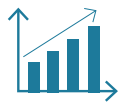
Marlborough

65,031



New Zealand

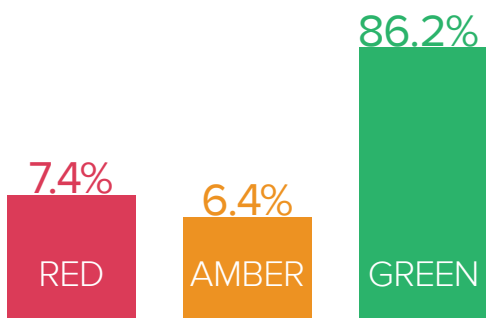
58,271



Environmental

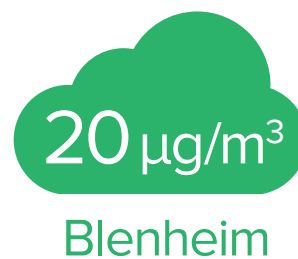
Swimming red marked

Red = not suitable for swimming most of the time.
Results from Marlborough Region



Air quality rating

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



Limit is 50 µg/m³
Micrograms per cubic metre of air (µg/m³)

From the CEO: the outlook for Marlborough District Council

Council's major priorities are its investment in core infrastructure and progressing the Proposed Marlborough Environment Plan.

Without sound, reliable core infrastructure (e.g. water supply, sewers, river control and roads), Marlborough's economy will not be sustainable, growth cannot occur and our communities environmental health could also be compromised. Infrastructural investment must also occur to enable new residential sections to be developed. We have a number of significant large infrastructure projects on the books, including upgrading Renwick's water supply, building a new water treatment plant in Havelock, and building new water and sewerage infrastructure in Picton.

In Blenheim, growth is driving the upgrade of the sewerage network. We're building a new stormwater and wastewater network in the town's north-west to support residential section development, which will help to ensure that our level of housing supply improves. Planning work is continuing on the new Blenheim District Library/Art Gallery and the Lansdowne Park Sports Hub. Both are exciting new community facilities for Marlborough.

Our on-going infrastructural investment does put pressure on our bottom line and may require staffing increases in some areas. We are also rebuilding our Emergency Reserve to create a greater source to draw upon in the event of a future emergency, and to address the deficit which occurred after the Kaikōura earthquake impacted on Marlborough in late 2016.

The Marlborough Environment Plan is a significant document which provides direction to the management of our physical and natural resources such as air, land and water under the Resource Management Act. The Council has undertaken a significant rebuild of its resource management framework and notified the Proposed Marlborough Environment Plan in 2016. Following an 18-month hearing process, the Council awaits the appointed Hearings Panel's decisions on submissions made. A priority for the Council will then be addressing any appeals on these decisions, in order to provide certainty to resource users and the community through an operative planning document.

Our robust financial management and moderate debt burden continues to support our 'AA' long-term credit rating positive credit watch, according to S&P Global Ratings, which published its rating in May.

Climate change poses great challenges for New Zealand. This Council has been taking climate change effects into account for some years through its infrastructure and long term planning processes. Marlborough has always been subject to climate extremes, including fires, floods and droughts, but we recognise that such extremes will probably worsen.

Our Climate Change Integrated Work Programme brings together the information we need to make good decisions, assessing each of our activities and the impacts that climate change could have on that activity. Our environmental planning team will consider the policy and planning implications of climate change, including its possible implications for water supply and land use. New Government funding for LiDAR 3D mapping in Marlborough will provide a welcome new level of information to help our land use and hazard planning, environmental and business decisions.

Affordable, healthy and energy efficient housing is important. Council's principal role in enabling urban development is the zoning of land and infrastructure provision; currently there is enough zoned land to provide 2,655 sections for new dwellings in the Blenheim Urban Area. Of these, 650 are available in the next three years. Council has also taken up an advocacy and facilitation role that goes beyond the provision of housing units for seniors. Work is also underway to facilitate the development of a Marlborough housing strategy with a number of other agencies and organisations.

Labour and skills shortages have been identified as a material risk for Marlborough companies, and for the Council itself. For this reason, we have convened a Labour and Skills Group under our Marlborough Smart+Connected Economic and Community Development Programme. Its objectives are for industry, community and the public sector to support an employment environment in which critical industry skills are developed, and training and mentoring opportunities and innovative career pathways are available to all our citizens.

Council continues to invest in its information systems and the use of advanced technology to provide data which then informs good infrastructural and environmental management. An example is the multi beam work in Queen Charlotte Sound. We are also continuing to work with the Government and suppliers as a facilitator to attract investment in digital connectivity, particularly for the Marlborough Sounds. We are also part of the Te Taihū Intergenerational Development Strategy, a new way of thinking about long term development across the Top of the South, which is supported by the Provincial Growth Fund. We are also working on a number of initiatives with Iwi in their post-settlement world - there are significant opportunities that Council can assist with.

The question of how Picton's future development should occur has resulted in broad agreement that the town requires a refreshed overall strategy and review of the 10-year old Urbanism Plus development study, to be progressed over the next two years.

Overall the outlook for the Marlborough District for the next three years is exciting, but there are significant challenges. Balancing the community's expectations of what additional activities the Council can afford to support, versus our priority to provide core infrastructure, is our ultimate challenge.



Major projects

The Major projects (greater than \$1M) planned for delivery in the 2020-21, 2021-22 and 2022/23 years are included in the table adjacent.

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

The costs included in the adjacent table below are for the three year period 2020-21 to 2022-23 period only and may not be the total budget for the project as costs could be spread over other years. The table is not a full list of Council's projects, activities or services. For more information on Council's projects and their costs see the Long Term Plan 2018-28, Annual Plan 2019-20 and Annual Reports.

Find out more

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

- Long Term Plan 2018-28
- Annual Plan 2019-20
- Annual Reports.

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

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

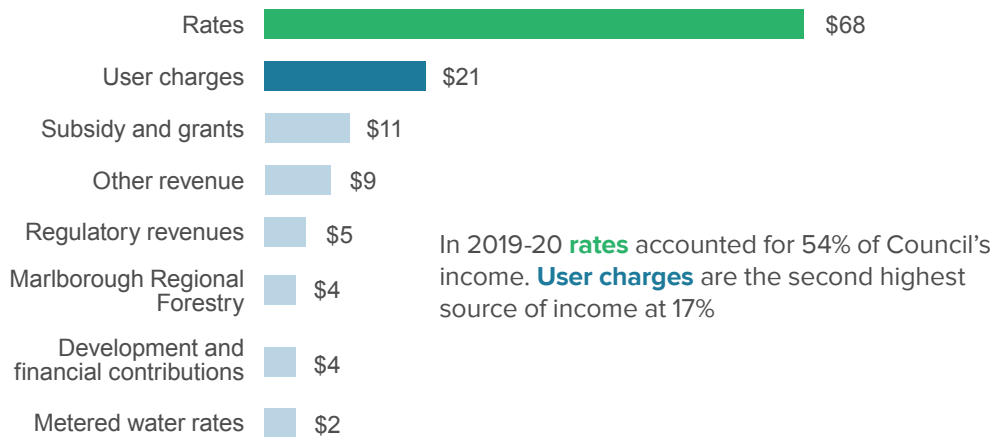
Activity/Project	3 Year Cost 2020-21 to 2022-23 \$M
Environment	
Multi-beam seabed mapping of the Pelorus Sound	2.1
Community Facilities	
Library and Art Gallery	12.6
Reserves, Public Conveniences, Halls, Memorials and Cemeteries	8.2
Solid Waste	
Stage 8 Blue Gums Landfill	4.6
Roads	
Resealing	9.1
Pavement Rehabilitation	4.0
Traffic Services Renewals - mainly signs and markings	1.1
Renewal and metalling of Unsealed Roads	2.6
Drainage Renewals	2.1
Minor safety improvements including bridge renewals	6.0
Replacement of components within existing structures	1.1
Blenheim CBD Works including Market St North \$380k, Gateways \$250k, Wynen St \$1M, Lower Scott St \$1M	3.2
Rivers and Stormwater	
Town Branch drain upgrades	6.4
Redwood St - Muller to Stephenson Pipeline	1.1
Murphys Creek Pipeline	1.1
Sewerage	
Riverlands Industrial Sewer Treatment Plant	9.9
Seddon Sewer Treatment Plant	3.2
Picton Sewer Pipeline Upgrades	2.8
Havelock Sewer Treatment Plant	7.8
Blenheim and Picton Sewer Pipeline Earthquake Repairs	4.9
Seismic strengthening of the Main Outfall Pump Station in Alabama Road	8.2
Water	
Havelock Water Treatment Plant	3.7
Speeds Road Pipeline - connecting Speeds Rd with the Elevation Reservoir	4.8
Essons Valley Water Treatment Plant	2.5
Picton Universal Water Metering	2.4
Awatere Rural Point of Entry System	2.5
Riverlands Water Treatment Plant	7.5
Total	\$125.3M

Financial information

Income sources

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

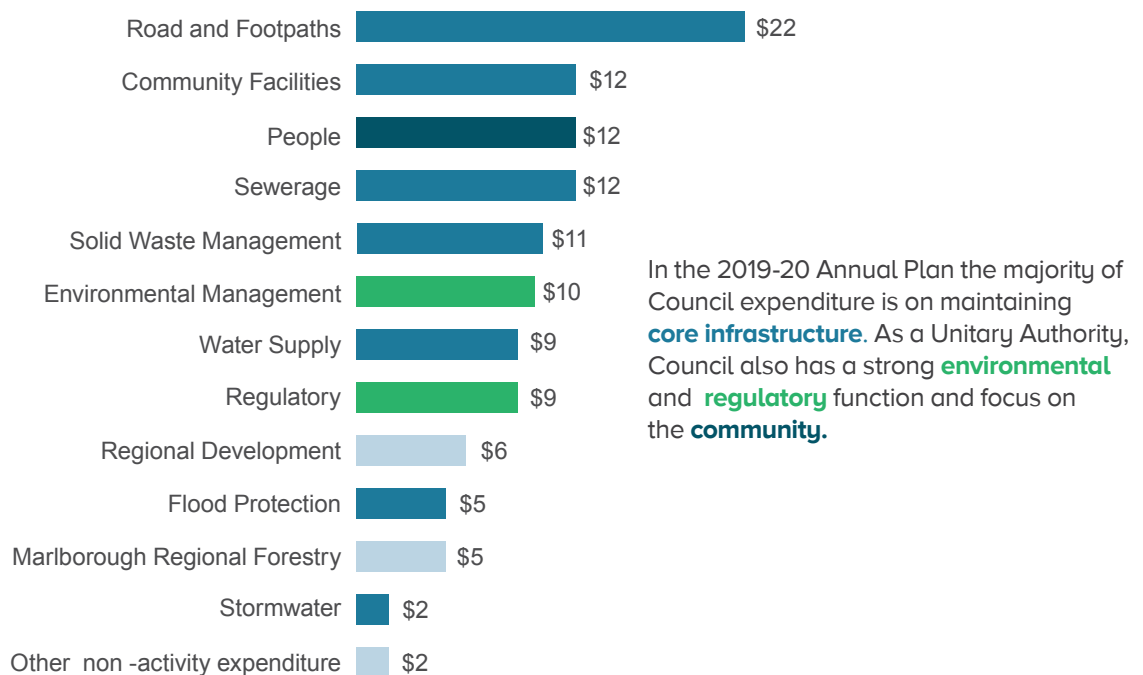
Income sources (in millions)



Where the money goes

As a Unitary Authority, Council's expenditure is spread over a wide range of 23 Activities which are grouped into 11 Activity Groups. The table below shows the budgeted allocation among Council's Activity Groups for the 2019-20 financial year as per Council's 2019-20 Annual Plan.

Operating expenditure (in millions)



Financial strategy compliance

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

It gives assurance that Council is prudently managing its finances in a manner that sustainably promotes the current and future interest of our community. Amongst other measures, Council's Financial Strategy ensures that the amount of rates that Council charges and the amount of debt it raises is sustainable, affordable and within pre-set limits. It also ensures that Council's investments are well maintained. Each of those key measures on rates, debt and investment returns are discussed and illustrated below, and demonstrate Council's compliance with the Financial Strategy limits. Council's 2020 to 2028 results are reported in the 2018-28 Long Term Plan (LTP) which is available on Council's website.

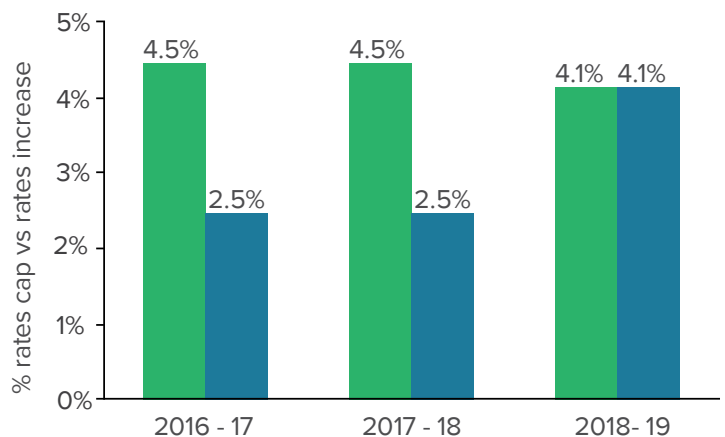
Rates

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

The following two graphs show in percentage and in dollar terms, Council's quantified limit on rates as per Council's Financial Strategy.

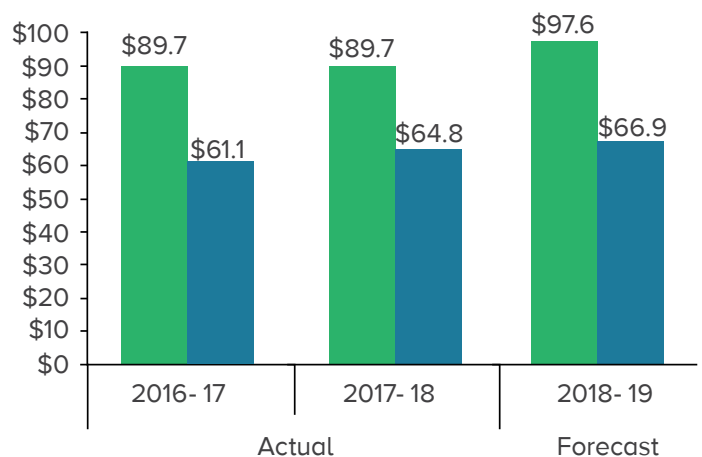
Council rates 'cap' vs rates increases

Council's **rates increases** over the last three years are compared to Council's determined **rate 'cap'**. The percentage increase is calculated on the amount levied in the previous year. In 2018-19 the increase is marginally above the percentage **rates 'cap'**.



Value of rates

The **maximum dollar value of rates** was set at \$89.9M for 2016-17 and 2017-18. This value was increased to \$97.6M for 2018-19 as per Council's 2018-28 LTP. Council's **actual** and **forecast** rates values as shown in the Funding Impact Statement are well below the limit set.



Debt affordability

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

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

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

Debt affordability benchmark		Quantified limit	Actual 2016-17	Actual 2017-18	Forecast 2018-19
net debt / total revenue	<	250% (*)	6.3%	14.30%	20.02%
net interest / total revenue	<	20% (*)	0.6%	0.80%	1.98%
net interest / rates income	<	30% (*)	1.1%	1.40%	3.38%
liquidity	>	110% (*)	215.9%	181.50%	189.84%
net debt (2018 and prior)	<	\$100 million	\$7.3 million	\$17.3 million	-
net debt (2019 onwards)	<	\$140 million	-	-	\$24.4 million

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

It should also be noted that debt, reported under ‘Borrowings’ in the Forecast Statement of Financial Position, forms only a very small part of Council’s \$1.8 billion of total assets.

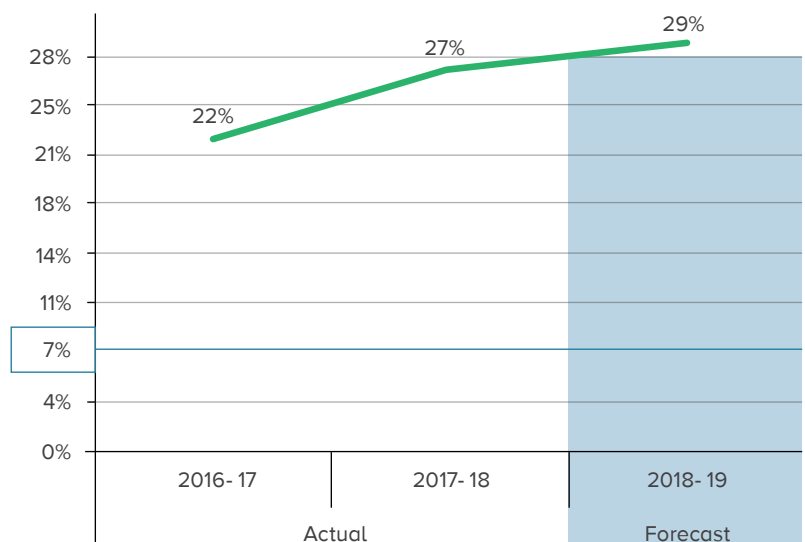
Return on investments

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

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

Return on investments

MDCH has achieved its 7% target to date and is also forecasting to achieve it in 2018-19.



Statement of financial position

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

Statement of Financial Position	Actual		Forecast	Annual Plan	Long Term Plan		
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Non current assets							
Property, plant and equipment	1,472,150	1,610,674	1,666,216	1,744,803	1,697,207	1,754,027	1,812,756
Intangible assets	4,075	5,104	4,893	5,682	4,336	4,471	3,509
Forestry assets	14,855	16,369	13,485	13,341	13,939	14,497	15,077
Other financial assets	68,181	64,639	66,185	74,882	94,523	119,465	144,681
Total non-current assets	1,559,261	1,696,786	1,750,779	1,838,708	1,810,005	1,892,460	1,976,023
Current assets							
Cash and cash equivalents	10,033	5,840	23,928	197	172	459	525
Debtors and other receivables	11,229	11,232	10,725	11,060	11,941	12,205	12,492
Inventory (including non-current assets held for sale)	7,840	10,159	8,963	274	1,050	1,056	1,062
Other financial assets	7,621	8,980	13,324	8,980	9,223	9,223	9,223
Total current assets	36,723	36,211	56,940	20,511	22,386	22,943	23,302
Total assets	1,595,984	1,732,997	1,807,719	1,859,219	1,832,391	1,915,403	1,999,325
Non current liabilities							
Borrowings	63,053	74,547	98,905	131,137	184,494	227,936	267,152
Other liabilities	2,234	2,863	3,336	3,406	2,791	2,840	2,893
Total non-current liabilities	65,287	77,410	102,241	134,543	187,285	230,776	270,045
Current liabilities							
Creditors and other payables	19,131	21,877	19,712	21,406	20,595	21,052	21,545
Borrowings	19,798	17,250	-	-	-	-	-
Total current liabilities	38,929	39,127	19,712	21,406	20,595	21,052	21,545
Total liabilities	104,216	116,537	121,953	155,949	207,880	251,828	291,590
Net assets	1,491,768	1,616,460	1,685,766	1,703,270	1,624,511	1,663,575	1,707,735
Total equity	1,491,768	1,616,460	1,685,766	1,703,270	1,624,511	1,663,575	1,707,735

Funding impact statement

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

Funding Impact Statement	Notes	Actual		Forecast	Annual Plan	Long Term Plan		
		2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Sources of operating funding								
General rates, uniform annual general charge, rates penalties		39,357	41,892	43,456	45,299	47,895	49,717	51,339
Targeted rates		21,784	22,864	23,380	25,050	27,665	29,459	32,177
Subsidies and grants for operating purposes		6,968	5,916	7,567	6,113	5,148	5,147	5,351
Fees and charges	1	17,554	18,802	19,277	17,888	17,366	17,754	18,153
Interest and dividends from investments		2,949	3,670	4,214	5,529	5,890	6,675	7,690
Fuel tax, fines, infringement fees and other receipts	2	19,502	19,415	23,169	14,286	10,963	11,621	12,454
Total operating funding		108,114	112,559	121,063	114,165	114,927	120,374	127,163
Applications of operating funding								
Payments to staff and suppliers	3	72,476	76,340	87,527	82,867	81,303	83,404	85,649
Finance costs		2,336	2,868	2,849	4,780	6,396	8,120	9,676
Other operating funding applications	4	13,639	16,621	8,231	4,714	4,366	4,251	4,146
Total applications of operating funding		88,451	95,830	98,595	92,361	92,065	95,774	99,471
Surplus (deficit) of operating funding		19,663	16,729	22,468	21,804	22,861	24,600	27,692
Sources of capital funding								
Subsidies and grants for capital expenditure		3,764	7,722	4,602	4,935	4,296	4,473	4,621
Development and financial contributions		3,599	4,594	4,426	3,352	2,873	2,928	3,439
Increase (decrease) in debt		(0)	8,946	7,108	39,164	42,713	43,442	39,216
Gross proceeds from sale of assets		4,683	11,281	12,901	27	4,329	6	3,105
Lump sum contributions		-	5,007	142	100	-	-	-
Other dedicated capital funding		-	-	5,896	1,761	-	-	-
Total sources of capital funding		12,046	37,550	35,076	49,339	54,210	50,850	50,380
Applications of capital funding								
Capital expenditure to meet additional demand		13,941	19,060	13,659	15,104	15,675	11,925	14,025
Capital expenditure to improve the level of service		15,649	15,609	12,193	29,763	23,802	24,797	18,520
Capital expenditure to replace existing assets		9,485	30,144	32,025	23,670	20,524	20,803	26,207
Increase (decrease) in reserves		654	(3,179)	(2,073)	(16,661)	(143)	(7,018)	(5,896)
Increase (decrease) of investments		(8,020)	(7,355)	1,740	19,267	17,213	24,942	25,216
Total applications of capital funding		31,709	54,279	57,544	71,143	77,072	75,449	78,072
Surplus (deficit) of capital funding		(19,663)	(16,729)	(22,469)	(21,804)	(22,861)	(24,600)	(27,692)
Funding balance		-	-	-	-	-	-	-

Notes:

(1) Fees and charges are forecast at a higher level due to increased demand for solid waste, sewer and water services. (2) Fuel tax, fines, infringement fees and other receipts are higher in Forecast as Council has received \$4 million of insurance proceeds for earthquake damage and higher forestry and commercial property revenue. (3) and (4) - Payments to Staff and Suppliers for 2018-19 onward now includes Marlborough Regional Forestry. Previously it was included in Other operating funding applications. In 2018-19 the forecast value is \$8.2M.

Disclosures

Basis of preparation

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

The financial information presented is a consolidation of Marlborough District Council and the 88.5% of MRF Joint Operating Committee with Kaikoura District Council. It excludes the financial results and position of Council's subsidiary MDC Holdings Limited and its subsidiaries Marlborough Airport Limited and Port Marlborough NZ Limited.

While the PER has not been audited, much of the information presented has been sourced from other audited reports published on Council's website. For example, the first two years retrospective financial data from the Annual Reports and the three years prospective financial data from the LTP.

The prospective financial data and discussion of major projects are drawn from the information in the current 2018-28 LTP and reflect the policy and service delivery decisions of the current council.

The latest forecasts figures for 2018-19 have not been audited and are based on actual results to May 2019 then adjusted using the best information available to 30 June 2019. Some areas such as asset revaluations may impact significantly on asset values and for this reason material differences may occur between the financial information in this PER and that in the upcoming Annual Report.



