

2016 Pre-Election Report



WHANGANUI
DISTRICT COUNCIL
Te Kaunihera a Rohe o Whanganui



Foreword



With the local authority elections coming up in October 2016, this report is an opportunity for people standing for election, and those who will be voting, to get a better understanding of the Whanganui District Council's current position and where we're heading.

Most people in our community will be aware of the big projects and issues we currently have on our plate. This report brings you up to date with the latest information we have available on them as at the end of July 2016.

The report also contains a considerable amount of financial information, including past and prospective financial statements.

As an organisation, we are going through a period of change and at the time of writing this report we are just starting to bed down some changes in our leadership structure and reporting lines. We will be continuing to review the way we do business to ensure we are operating efficiently and effectively.

Providing you with a snapshot in time – our position ahead of the 2016 local authority election

Our *Whanganui: Leading Edge* vision, which our community helped develop, guides the way we make decisions on a day-to-day basis, as well as for the future of our district, to reflect our focus on innovation, partnership, sustainability and success. Our staff has strongly indicated their commitment to our 'leading edge' aspiration and we are continually working on smarter ways to respond to the needs of our customers and community.

This report is a snapshot in time and doesn't address all our activities and projects. Our staff can assist with answers to questions not covered by this report. You can contact us by telephone on 349 0001 or email us at wdc@whanganui.govt.nz.

A blue ink handwritten signature, appearing to read "Kym Fell", with a long horizontal flourish extending to the right.

*Kym Fell
Chief Executive
Whanganui District Council*

Background to the Pre-Election Report 2016

Introduction

Council finances and key projects will be a focus for candidates and voters as we approach the 2016 local authority elections.

The Pre-election Report gives a 'state of the nation' overview of where we've been, where we are and where we are heading, mostly in relation to our financial performance.

This report presents the financial information for the past three years (2013/14-2015/16), an overview of the current year's budget (2016/17) and projections for the next three years (2017/18-2019/20).

It also provides information on key projects planned during the three-year term of the new Council.

Basis of preparation

The Pre-Election Report is a requirement for all councils and must be prepared by the Council's Chief Executive. The report must not contain any political input from elected members.

It brings together information previously published in the 10-Year Plan 2015-2025, Annual Plans and Annual Reports and associated documents; much of this information has been audited by Audit New Zealand. The purpose of the Pre-Election Report is to reflect the current Council's financial situation and policy and service delivery decisions at the time of publication.

This report includes the same inflation assumptions as in the 10-Year Plan 2015-2025 and other assumptions as noted in that document. Please refer to the 10-Year Plan 2015-2025 for more details.

Financial information for 2015/16 has been estimated based on the information available

at the time of preparation. This financial information is likely to differ from that published in the 2015/16 Annual Report which is required to be completed and audited by 31 October 2016, however differences are not likely to materially impact the overall financial performance and position of the Council.

Who we are

Whanganui District Council resulted from the 1989 amalgamation of Wanganui County Council, most of Waitotara County Council, a small part of Stratford County Council and Wanganui City Council.

The Whanganui District has an area of 2373km², with much of the land being rough hill country surrounding the valley of the Whanganui River.

Our district is made up of the urban area, where the majority of the population lives, plus small rural settlements at Kai Iwi, Mowhanau, Fordell, Upokongaro, Maxwell and Mangamahu. Marae based settlements are at Kaiwhāiki, Pungarehu, Parikino, Atene, Korinitia, Matahiwi, Rānana and Jerusalem.

The 2013 Census recorded a resident population of 42,153.

As at 30 June 2016, the projected number of rating units in the district was 20,874.

Whanganui has a different ethnic mix compared with the rest of New Zealand. More than three-quarters (82%) of residents described themselves as European (74% nationally). Māori comprise a considerably larger proportion of Whanganui's residents when compared nationally; 23% in Whanganui versus 15% nationwide. Less than 3% of residents identified themselves as Pacific and Asian, less than that recorded nationally (7% and 12%).

More statistical information about the Whanganui District can be found in the 10-Year Plan 2015-2025 (Volume 1, page 43).

What we do

We deliver a variety of services, facilities, information and advice within the broad activity areas of community, facilities and services; provision of infrastructure; economic development; transportation; investments; and corporate functions. Some of these activities are required by legislation and others respond to community need and demand. Some examples of our wide-ranging services include:

- Provision of safe drinking water
- Community contracts
- Public toilets
- Building and resource consents
- Cemeteries

- Parks, swimming pools and sportsgrounds
- Community glass facility: New Zealand Glassworks – Te Whare Tūhua o Te Ao
- Advocating to central and regional government
- Shared pathways, footpaths and street lights
- Economic development
- Roothing
- Stormwater management
- Provision of facilities such as halls, Sarjeant Gallery and libraries
- Animal and noise control, food safety and other regulatory activities
- Emergency management
- Litter bins and Central Business District maintenance
- Airport

Complete information on all of our activities is available in the 10-Year Plan 2015-2025 (Volume 2).



Financial information

Funding impact statement

	Annual Report 2013/14 \$000	Annual Report 2014/15 \$000	Forecast Annual Report 2015/16 \$000	Annual Plan 2016/17 \$000	10-Year Plan (Amended) 2017/18 \$000	10-Year Plan (Amended) 2018/19 \$000	10-Year Plan (Amended) 2019/20 \$000
General rates, uniform annual general charges, rates penalties	24,142	25,389	26,359	27,957	29,019	28,912	29,826
Targeted rates	25,828	27,587	27,530	28,829	30,979	36,977	38,352
Subsidies and grants for operating purposes	4,489	4,587	4,172	7,595	3,192	3,699	3,789
Fees and charges	6,635	6,831	6,848	6,966	7,247	7,281	7,496
Interest and dividends from investments	2,902	1,696	1,163	941	1,067	1,067	1,067
Local authorities fuel tax, fines, infringement fees and other receipts	2,839	2,768	7,179	2,413	2,589	2,672	2,867
Total operating funding (A)	66,835	68,857	73,251	74,701	74,093	80,608	83,397
Application of operating funding							
Payments to staff and suppliers	49,086	48,310	47,774	49,656	50,299	54,164	55,257
Finance costs	5,512	5,243	4,548	5,039	6,437	7,010	6,751
Other operating funding applications	0	0	0	0	0	0	0
Total application of operating funding (B)	54,598	53,553	52,323	54,695	56,736	61,175	62,009
Surplus (deficit) of operating funding (A - B)	12,237	15,305	20,928	20,006	17,357	19,433	21,388
Sources of capital funding							
Subsidies and grants for capital expenditure	5,705	6,782	16,358	12,587	6,742	6,915	6,340
Development and financial contributions	126	58	(54)	0	0	0	0
Increase (decrease) in debt	(4,437)	2,936	(7,287)	19,638	28,230	(3,428)	(5,867)
Gross proceeds from asset sales	7,487	806	0	0	0	0	0
Lump sum contributions	142	0	0	0	0	0	0
Other dedicated capital funding	142	104	158	1,034	1,894	24,174	4,598
Total sources of capital funding (C)	9,165	10,686	9,175	33,258	36,866	27,661	5,071
Application of capital funding							
Capital expenditure							
-to meet additional demand	0	0	0	0	0	0	0
-to improve the level of service	9,520	6,127	4,350	27,172	37,773	33,097	11,464
-to replace existing assets	11,244	11,777	25,440	26,026	16,058	13,484	14,482
Increase (decrease) in reserves	638	863	313	266	392	513	513
Increase (decrease) of investments	0	7,224	0	(200)	0	0	0
Total application of capital funding (D)	21,402	25,991	30,103	53,264	54,223	47,094	26,459
Surplus (deficit) of capital funding (C - D)	(12,237)	(15,305)	(20,928)	(20,006)	(17,357)	(19,433)	(21,388)
Funding balance ((A - B) + (C - D))	0	0	0	0	0	0	0



Statement of financial position

	Annual Report 2013/14	Annual Report 2014/15	Forecast Annual Report 2015/16	Annual Plan 2016/17	10-Year Plan (Amended) 2017/18	10-Year Plan (Amended) 2018/19	10-Year Plan (Amended) 2019/20
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets							
Current assets							
Cash and cash equivalents	4,302	11,011	6,631	3,221	4,936	5,553	6,177
Receivables	8,260	8,366	8,292	7,567	7,778	7,973	8,183
Inventory	104	126	126	105	107	109	112
Non-current assets held for sale	458	458	458	531	531	531	531
<i>Total current assets</i>	13,124	19,961	15,507	11,423	13,352	14,166	15,003
Non-current assets							
Investment in Whanganui District Council Holdings Limited	7,846	7,846	7,846	7,846	7,846	7,846	7,846
Other financial assets	4,656	4,791	4,376	4,250	4,450	4,450	4,450
<i>Total other financial assets</i>	12,502	12,636	12,222	12,095	12,295	12,295	12,295
Property, plant and equipment	849,557	829,730	860,117	943,646	981,466	1,013,660	1,084,707
Forestry assets	4,712	5,747	5,747	4,712	4,712	4,712	4,712
Intangible assets	696	735	842	876	892	753	659
Investment property	22,999	22,418	23,541	24,807	25,475	26,132	26,858
<i>Total non-current assets</i>	890,465	871,267	902,469	986,136	1,024,840	1,057,552	1,129,231
Total assets	903,589	891,228	917,976	997,559	1,038,192	1,071,718	1,144,234
Liabilities							
Current liabilities							
Payables	10,177	9,208	9,011	10,277	10,551	10,804	11,077
Employee entitlements	2,295	2,151	1,582	1,880	2,186	2,234	2,286
<i>Total current liabilities</i>	12,472	11,360	10,593	12,158	12,738	13,039	13,363
Non-current liabilities							
Borrowings	82,064	85,000	72,750	94,822	129,373	125,945	120,078
Deferred tax liability	155	48	48	150	150	150	150
Derivative financial instruments	4,637	8,179	8,179	4,637	4,637	4,637	4,637
<i>Total non-current liabilities</i>	86,855	93,227	80,977	99,609	134,160	130,732	124,865
Total liabilities	99,328	104,587	91,570	111,766	146,898	143,771	138,228
Net assets (assets minus liabilities)	804,261	786,641	826,406	885,792	891,294	927,947	1,006,006
Equity							
Accumulated funds	521,886	522,654	552,950	553,680	545,943	574,775	584,738
Revaluation reserves	226,669	207,629	216,973	275,634	287,734	295,042	362,625
Restricted reserves	55,337	55,735	56,048	56,109	57,248	57,761	58,274
Other reserves	370	622	435	370	370	370	370
Total equity	804,261	786,641	826,406	885,792	891,294	927,947	1,006,006



Compliance with financial strategy

This statement is required by section 99A of the Local Government Act 2002 and compares some key debt, rates and investment return parameters with the limits and targets set out in the Council's financial strategy. The debt and rates parameters have been prepared on the same basis used to prepare the Council's annual reports and in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

Prudent debt ratios

Council's limits on borrowing identified in the financial strategy of the relevant 10-Year Plan	Limit	Actual 2013/14	Actual 2014/15	Forecast 2015/16
Net debt as a percentage of equity	<20%	10%	10%	9%
Net debt as a percentage of income	<200%	97%	107%	99%
Net interest as a percentage of income	<15%	6%	6%	6%
Liquidity (external debt + cash + committed loan facilities) compared to external debt	>110%	133%	136%	143%
Net interest compared to rates (new for 2015-2025 10-Year Plan)	<20%	n/a	n/a	8%

Rates

Council limits an increase of total rates revenue from all existing ratepayers (excluding water by meter, trade waste and penalties) of no more than the local government inflation rate plus 2% plus targeted rates for debt repayment and natural disasters.

Rates (income) affordability	Actual 2013/14	Actual 2014/15	Forecast 2015/16
	(\$000)	(\$000)	(\$000)
Total Rates (excluding water by meter, trade waste and penalties)	46,128	48,629	50,817
Limit	46,266	48,654	50,880
Rates (increase) affordability	%	%	%
Actual rate increase	5.0%	5.0%	4.1%
Limit	5.7%	5.0%	4.2%

Key projects – now and for the future

The following major projects are programmed to occur during the 2016-2019 Council term. Details of other projects and work programmes are available in the 10-Year Plan 2015-2025 and the Annual Plan 2016/17.

Wastewater treatment plant

In March 2016 the Council confirmed that it would build a new wastewater treatment plant for our community. The Council agreed that the construction of the approved Cardno plant, including a sludge dryer, is the most affordable and environmentally sound option for our district. Drying the sludge will significantly reduce its quantity and provide more options for reuse or disposal. The plant, including the dryer, is estimated to cost \$41.2M. Construction is anticipated to occur through 2016/17 and 2017/18 with the plant to be operational in 2018/19.

However, at the time of adoption of our Annual Plan 2016/17, it was noted that new information provided during recent discussions with major trade waste users may lead to changes to our current wastewater scheme. Should a more affordable solution arise, we have the flexibility to accommodate any changes within the current Annual Plan. Those changes would be reported back to the Council before a decision to proceed with any wastewater scheme occurs.

An independent inquiry is currently under way into the failure of the old wastewater treatment plant. The Council and community need to understand the circumstances and Council processes which led to the failure of the old plant, from evaluation of the original concept to the acceptance of the need to commission a new plant. It is important to understand that this inquiry is about the processes that were followed rather than technical details of the old plant which have already been thoroughly investigated and made public. It is also not concerned with the decision to build the new plant. The inquiry is due to be completed by 4 October 2016.

Sarjeant Gallery redevelopment project

The Sarjeant Gallery Te Whare o Rehua Whanganui, built in 1919, is one of New Zealand's most important heritage buildings and the Gallery cares for an art collection of national importance. However, the Queens Park/Pukenamu building needs earthquake strengthening and this is part of the redevelopment project which will also ensure the preservation of and long-term access to our collection. In the meantime, our staff and the collection have been temporarily relocated to 38 Taupō Quay. In terms of the redevelopment project, we have completed the developed design phase and have unencumbered resource consent. The aim is to reopen in Queens Park/Pukenamu late in 2019, the Sarjeant's centennial year.

Our other focus has been on fundraising for the redevelopment so we can unlock substantial financial support from the Ministry for Culture and Heritage. We have achieved the requirement to raise external match funding of \$10M from private sources and now await the Ministry's decision on our application for funding.

Earthquake-prone buildings

We are continuing to work through a programme of earthquake strengthening Council-owned buildings.

Upgrades to the Royal Wanganui Opera House are being done in three construction phases. The first two phases have been completed with the final phase under way. Dates for the completion of the final phase are to be confirmed. Work is due for completion by August 2016 on the Alexander Heritage and Research Library. The Alexander Library services have been temporarily relocated in

Ridgway Street and will move back to Queens Park/Pukenamu in the latter part of 2016. The focus will then move to the Whanganui Regional Museum with physical work scheduled during January to June 2017. However, the Museum is likely to be closed from late 2016 for about 18 months to move the collection and services and then to recreate the Museum experience when refurbishment is complete. The Museum will relocate to temporary accommodation in the Ridgway Street premises currently housing the Alexander Library. Seismic strengthening of the Whanganui War Memorial Centre has been deferred until 2018 so the Centre can host the NZ Masters Games in February 2017.

Port

Work is in progress on upgrading part of Wharf 1 and this will be completed in 2016/17. This \$1.8M project, which is funded by the Harbour Endowment, will keep the window of opportunity open into the future for coastal shipping and commercial service vessels. It will allow Wharf 1 to cater for heavy trucks, cranes and similar equipment. We are continuing to investigate options for erosion repairs, enhancing recreational boating, on-shore commercial opportunities and access through parts of the port area for people on the Mountains to Sea cycle trail as we work on enhancing the port area.

Shared pathways, cycleway and *Let's Go Whanganui*

We have started a \$3.4M project to build two shared pathways through urban Whanganui – the City to North Mole pathway and Te Tuaiwi which will provide a safe route across the Whanganui City Bridge, through town and past some of our central schools. The construction projects are 75% funded by NZ Transport Agency (NZTA) and must be completed by 30 June 2018.

Outside the urban area, the construction of the Upokongaro cycleway is included in the 2016/17 Annual Plan. This cycleway will improve safety for cyclists travelling between Upokongaro and the Whanganui urban area as part of the Mountains to Sea cycle trail.

Tenders have been called and are due to close at the beginning of August 2016. Final funding arrangements between the Council, Ministry of Business, Innovation and Employment (MBIE) and NZTA will be formalised following analysis of the tender returns. To date MBIE has approved \$430,000 towards this project with further applications to be made to future funding rounds. The Council has allocated \$600,000 towards this project.

We also received funding from NZTA to support the *Let's Go Whanganui* programme. *Let's Go* is about making active transport, such as walking, cycling and scootering, a popular and safe travel choice. It is a collaboration with the New Plymouth District Council and involves key community organisations in Whanganui to provide the community with infrastructure, opportunities and information required to allow a wide range of active transport choices. It involves working with schools and workplaces as well as events and competitions.

Forces of nature

The impact of the June 2015 weather event continues to be felt and we are working through issues and opportunities that were identified as a result of the event. A key focus is to improve our planning and preparation for Civil Defence welfare, engagement with the community on preparedness for emergencies and ensuring that operationally we are better prepared to respond.

The event caused major issues for our roading network, with \$25M damage to the network that was not budgeted for. While great progress has been made in reinstating severely damaged rural roads, there is still much work to do in the coming year and there is \$12.1M budgeted in the 2016/17 Annual Plan for emergency works for roading.

We have amended the 10-Year Plan 2015-2025 to introduce a new storm damage rate over five years to repay the cost of the June 2015 event.

Town Centre regeneration and Castlecliff rejuvenation projects

The Town Centre regeneration project aims to revitalise and beautify our central city area. It's about developing new ideas for the best ways of using this space and embracing new uses so it's not just a retail area but includes arts, entertainment, education and residential uses. A draft Regeneration Strategy has been developed and is currently being revised and additional information regarding costs is being worked on.

The Castlecliff community is leading an exciting project to rejuvenate their suburb and we will continue to work closely with them as they develop their plans. Draft designs have been developed for remodelling Rangiora Street and the Castlecliff Beach area. The preferred options are being further developed by Progress Castlecliff's design consultants and preliminary discussions have been held with various Council departments about implementation of the designs. In parallel with this initiative, dune landscape management specialists have been engaged to prepare a draft plan for the restoration and management of the dunes and beach and will report back soon.

Working together

We will be a partner in the development of a Whole of River Strategy, working with Iwi, neighbouring councils and Crown agencies. The partnership will help provide a strong foundation for the future health and wellbeing of the Whanganui River following settlement of the Whanganui River claim and the passing of the Te Awa Tupua Bill which recognises the river as a legal entity.

Working with other local authorities and groups is increasingly important. We are continuing a programme of regional co-operation and collaboration with neighbouring councils, including the Manawatū Whanganui Local Authority Shared Services (MW-LASS) model.

Westbourne/Gonville stormwater project

Currently, many rain events result in ponding and flooding in the Westbourne/Gonville area and we will be investigating the best solution for a stormwater network to reduce the effect of small to medium size rain events in this area. We have allocated \$6M for this project. For larger rain events, water will still flow to overland flow paths, the predicted routes stormwater takes on its way to streams, stormwater networks or the sea during an unusually large rain event.

The benefits of improved infrastructure will be to commercial properties in the Mill Road area and residential properties in the Westbourne/Gonville area, as well as some downstream properties in the Heads Road industrial area. In turn, this should enhance economic growth in Whanganui. Once the stormwater infrastructure is in place, other properties near this area will be able to connect to it.

Most of the improvement to the stormwater drainage will not occur until the project is finished in 2017/18.

More information

You can access more information on our website at www.whanganui.govt.nz/plans including:

- 10-Year Plan 2015-2025
- Annual Plan 2016/17
- Annual Reports

Or contact our Customer Services Team, phone (06) 349 0001, email wdc@whanganui.govt.nz