

West Coast Regional Council



PRE-Election Report 2019 pursuant to Local Government Act 2002 (Section 99A, Schedule 10 Clause 36)

**Authorised for release on 31 July 2019 by:
Michael Meehan
Chief Executive**

Kia ora,

Welcome, and thank you if you are considering standing for the West Coast Regional Council (WCRC). It is essential for Council to have outstanding leadership in governance to ensure the organisation is delivering for the community it serves into the future.

In order for you to be well informed in putting your name forward for this governance role, I have attached the most recent financial information for the organisation. It is important to read this information, alongside the Council's Long Term Plan and other relevant documents (recent minutes from meetings, reports and other information) found on the Council website.

I have highlighted some key issues that might assist you in understanding this information below.

Revenue

The main forms of revenue that fund Council's activities are derived from user pay charges (consent fees) and rates (targeted, general and the Uniform Annual General charge) from 20,000 rating units across the region. In addition to this, Council receives revenue generated from its investment fund, 49% share in Pest Control Research Ltd and the delivery of pest control contracts. These funding streams can be inconsistent due to the volatility of international markets and its effect on the investment fund, as well as the ability for our business unit, VCS, being able to secure and deliver pest control contracts. This has resulted in year to year fluctuations in revenue which impacts on the end of year financial result.

In the past, revenue from these investments, particularly the investment fund, has been utilised to offset rate increases. They have also assisted in accelerating the delivery of other key services such as flood warning and water quality monitoring.

Resource Management Act 1991 (RMA)

Council's resource management functions are governed by the Resource Management Committee, which comprises the 7 elected members and representatives from Te Rūnanga o Makaawhio and Te Rūnanga o Ngāti Waewae. At a high level, staff are working with our Papatipu Rūnanga and iwi partners on the development of the Mana Whakahono ā Rohe agreement, which will form an iwi participation arrangement for Council.

Revenue from resource consent fees and charges is down on recent years, mainly due to a decline in larger resource consent applications and an increase in responsibility and workload from central government changes. Council has an obligation to process and monitor resource consent applications in accordance with the RMA and planning framework. In addition to this, Council maintains a 24 hour a day, 365 day a year, on call service to respond to environmental complaints, as well as assisting Maritime New Zealand in responding to marine and terrestrial oil spills.

Council has a relatively small planning team responsible for developing and the implementing our regional planning framework, responses to proposed changes at central government level, implementing national direction including National Policy Statements and National Environmental Standards, and working alongside various working groups. Undertaking this workload requires legal assistance and significant engagement with the community. The Freshwater National Policy Statement has seen the formation of Freshwater Management Units and community groups who will provide direction to Council as to how freshwater resources should be managed. Increasingly, Council is forming community groups to tackle planning issues, such as Westport 2100. While this provides better links into, and with, the community, it does require increased resourcing to ensure they are well facilitated and supported.

The Coalition Government have signalled significant changes to the RMA and the development of more national planning instruments including a National Policy Statement on Biodiversity. We expect that this will increase the workload in this area with no ability to recover costs except through rates.

Operations

Council employs two engineers who provide engineering support to 26 rating districts throughout the region. These rating districts have been set up to address natural hazard issues such as flooding or coastal erosion. Council consults the affected community/rating district in relation to potential costs and options and proceeds

with these actions through its Long Term or Annual Plan processes. The cost of any protection works follows a user pays model through a targeted rate on properties that derive protection from these works, including the time of the engineering staff. This allows for the affected community to make informed decisions and provides a fair way to fund the required work.

Council also has a \$50,000 fund for investigations. This fund is used to undertake modelling and other investigation work where a community has asked Council to investigate an issue and provide options for consultation. Part of this funding has been utilised for projects like Westport 2100.

Council holds approximately \$70M worth of assets on behalf of the rating districts.

Council also operates several quarries on behalf of the community. This ensures that both the Rating Districts and wider community have access to good high quality armour grade rock for protection works. The costs of quarry management are funded in part through the general rate due to the benefits accrued across the region to the community. Costs associated with this are likely to rise as legislative requirements increase. Access to new sites may become more difficult with the Government's future plans to consult on 'no new mines on conservation land' in the coming months.

Shared services

Council supports shared services in a number of areas, working with the three District Councils. To date this has included human resources and with Westland District Council, undertaking mining related consents and compliance work on behalf of Westland District Council, and the Te Tai o Poutini Plan (One District Plan) and Civil Defence functions across the region. Both the Te Tai o Poutini Plan project and the Civil Defence shared service are funded by a regional rate.

Council also provides secretariat support to a number of committees and to the Mayors, Chairs and Iwi forum.

In addition to the above the West Coast Councils also have shared IT, financial arrangements and procurement where it will benefit the rate payer.

I wish you all the best if you are putting your name forward for Council.

Michael Meehan
Chief Executive
West Coast Regional Council

FUNDING IMPACT STATEMENT	\$000	\$000	\$000	\$000	\$000	\$000	\$001
	Actual	Actual	Estimated Actual	Annual Plan Budget	LTP Budget	LTP Budget	LTP Budget
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Sources of Operating Funding							
General Rates, UAGC, Penalties	2,312,947	2,378,200	3,826,811	3,962,155	4,048,047	4,137,671	4,234,764
Targeted Rates	1,352,773	1,848,877	1,893,898	1,937,087	1,979,080	2,022,897	2,070,365
Subsidies & Grants	383,144	212,118	91,626	84,073	85,896	87,798	89,858
Fees & Charges	9,361,209	5,393,004	5,610,127	5,920,748	5,988,784	6,043,601	6,258,484
Income from Investments	1,081,572	981,119	681,513	1,363,807	1,387,004	1,410,777	1,435,695
Fines, Infingements, Other Receipts							
Total Operating Funding	14,491,645	10,813,318	12,103,975	13,267,870	13,488,811	13,702,744	14,089,166
Applications of Operating Funding							
Payments to staff & suppliers	13,334,163	10,822,081	13,051,359	12,127,691	12,242,973	12,410,315	12,872,686
Finance Costs	313,093	256,796	289,291	203,171	167,162	153,213	138,788
Other operating funding applications	0						
Total Applications of Operating Funding	13,647,256	11,078,877	13,340,650	12,330,862	12,410,135	12,563,528	13,011,474
Surplus / Deficit of Operating Funding	844,389	-265,559	-1,236,675	937,008	1,078,676	1,139,216	1,077,692
Sources of Capital Funding							
Subsidies & Grants							
Development & Financial Contributions							
Increase/-Decrease in Debt	-1,383,196	2,188,527	624,901	-475,535	-491,651	-508,948	-511,460
Other dedicated capital funding			85,388	65,412	68,221	71,151	74,207
Gross proceeds from sale of assets	195,804	10,796	147,043	16,510	52,738	30,648	64,412
Lump Sum Contributions							
Total Sources of Capital Funding	-1,187,392	2,199,323	857,332	-393,613	-370,692	-407,149	-372,841
Applications of Capital Funding							
Capital expenditure							
-meet additional demand							
- improve levels of service	239,320	554,232	0	42,072	39,750	0	0
-replace existing assets	331,163	254,481	769,827	223,816	514,690	398,117	816,748
Increase/-decrease in reserves	-993,972	78,208	-427,722	-131,117	-413,188	-322,736	-725,655
Increase/-decrease in Investments	80,486	1,046,843	-721,448	408,625	566,731	656,686	613,758
Total Applications of Capital Funding	-343,003	1,933,764	-379,343	543,396	707,983	732,067	704,851
Surplus / Deficit of Capital Funding	-844,389	265,559	1,236,675	-937,008	-1,078,676	-1,139,216	-1,077,692
Funding Balance	0	0	0	0	0	0	0

SUMMARY BALANCE SHEET	\$000	\$000	\$000	\$000	\$000	\$000	\$001
	Actual	Actual	Estimated Actual	Annual Plan Budget	LTP Budget	LTP Budget	LTP Budget
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Assets							
Current Assets							
Financial Assets	3,229,094	4,294,040	1,940,079	3,155,795	3,041,210	3,126,199	2,902,508
Non Financial Assets	552,850	904,133	545,194	700,000	700,000	700,000	700,000
Non Current Assets							
Financial Assets	11,405,260	12,539,933	12,577,677	11,350,512	11,445,813	11,569,889	11,617,838
Non Financial Assets	63,885,167	64,701,209	65,012,037	68,070,467	68,270,034	72,403,170	72,671,842
Total Assets	79,072,371	82,439,315	80,074,987	83,276,774	83,457,057	87,799,258	87,892,188
Liabilities							
Current Liabilities							
Current Liabilities (excl Public Debt)	2,415,520	4,194,352	3,576,737	2,300,000	2,300,000	2,300,000	2,300,000
Public Debt	387,819	434,631	2,687,993	491,651	508,948	511,460	480,251
Non Current Liabilities							
Non Current Liabilities (excl Public Debt)	212,720	471,939	398,000	70,000	70,000	70,000	70,000
Public Debt	5,291,745	7,433,461	5,805,000	5,416,886	4,907,938	4,396,478	3,916,227
Total Liabilities	8,307,804	12,534,383	12,467,730	8,278,537	7,786,886	7,277,938	6,766,478
Net Assets	70,764,567	69,904,932	67,607,257	74,998,237	75,670,171	80,521,320	81,125,710
Total Equity	79,072,371	82,439,315	80,074,987	83,276,774	83,457,057	87,799,258	87,892,188

Financial Strategy Prudential Limits

2015/25 LTP Financial Strategy Limits		Year ended			
Rates		General Rates	Total Revenue		
1 General rates will not exceed 30% of total revenue		\$ 2,263,594	\$ 14,667,923	30/06/2017	15.4% achieved
		\$ 2,332,056	\$ 10,882,220	30/06/2018	21.4% achieved
2 Targeted Rates will not exceed 25% of total revenue		Targeted Rates	Total Revenue		
		\$ 1,352,773	\$ 14,667,923	30/06/2017	9% achieved
		\$ 1,848,877	\$ 10,882,220	30/06/2018	17% achieved
3 General Rate increases will not exceed the estimated BERL "other inflation" cost indexes.		Baseline 2015/16 + 2.50%	General Rate		
		\$ 2,195,550	\$ 2,263,594	30/06/2017	103% not achieved
		Baseline 2015/16 + 2.50% + General Rate			
		\$ 2,251,317	\$ 2,332,056	30/06/2018	not achieved 104% achieved
4 Targeted Rates will not exceed 2015/16 baseline + 100% over the 10 year period of the LTP.		Baseline 2015/16 + 100%	Targeted rates		
		\$ 3,650,614	\$ 1,352,773	30/06/2017	37% achieved
		Baseline 2015/16 + 100%	Targeted rates		
		\$ 3,650,614	\$ 1,848,877	30/06/2018	51% achieved
Borrowing		Interest & Principal	Total Revenue		
1 Loan interest + Principal repayments will not exceed 15% of total revenue.		Interest \$ 313,093			
		Principal \$ 1,383,196			
		\$ 1,696,289	\$ 14,667,923	30/06/2017	12% achieved
		Interest & Principal	Total Revenue		
		Interest \$ 277,384			
		Principal \$ 387,818			
		\$ 665,202	\$ 10,882,220	30/06/2018	6% achieved
2 Term Liabilities will not exceed \$500 / head of Regional population		Term Liabilities	Population		
		\$ 5,679,564	32,500	30/06/2017	\$ 174.76 achieved
		\$ 7,868,092	32,600	30/06/2018	\$ 241.35 achieved
2018/28 LTP Financial Strategy Limits			Estimated Actual		
Rates		General Rates & UAGC	Total Revenue		
1 General Rates and Uniform Annual General Charge will not exceed 35% of total income.		\$ 3,830,000	\$ 12,103,975	30/06/2019	32% achieved
2 General Rate increases will not exceed the estimated BERL "other inflation" cost indexes.		General Rates	Baseline 2018/19		
		\$ 2,380,000	\$ 2,380,000	30/06/2019	100% achieved
3 Targeted Rates will not exceed 25% of total revenue		Targeted Rates	Estimated Actual		
		\$ 1,893,898	Total Revenue		
		\$ 12,103,975		30/06/2019	16% achieved
3 Targeted Rates will not exceed 2018/19 baseline + 100% over the 10 year period of the LTP.		Targeted Rates	Baseline 2015/16 + 100%		
		\$ 1,893,898	\$ 3,787,796.22	30/06/2019	50% achieved
Borrowing		Loan interest	Estimated Actual		
1 Loan interest costs not exceed 10% of total revenue.		Interest \$ 289,291	\$ 12,103,975	30/06/2019	2% achieved
2 Debt will not exceed 175% of total revenue.		Term Debt	Estimated Actual		
		\$ 7,582,993	\$ 12,103,975	30/06/2019	63% achieved

Investment Returns	budgeted	actual
Year to 30 June 2017	7.00% Westpac Main Fund	5.82%
	6.00% Westpac Catastrophe Fund	4.44%
	6.50% Commercial Property	6.50%
Year to 30 June 2018	7.00% Westpac Main Fund	7.25%
	6.00% Westpac Catastrophe Fund	5.46%
	6.50% Commercial Property	6.50%
Year to 30 June 2019	6.50% Westpac Main Fund	5.57%
	6.00% Westpac Catastrophe Fund	6.31%
	6.50% Commercial Property	6.50%