Financial Overview

Financial Overview

This section outlines key differences between the 2017/18 Annual Plan and what was proposed in the 2015-25 Amended Long Term Plan (LTP).

The capital release programme as set out in the LTP has been changed reflecting the Council decision not to sell City Care Limited or other Council Controlled Organisations. Of the remaining $400 million of capital release planned in the LTP, CCHL now plans to provide $140 million p.a. over the next two years with the Council borrowing the remaining $120 million. Higher CCHL dividends are supporting the Council's funding of this extra debt. The borrowing mix between the parties ensures prudent borrowing levels for both the Council and CCHL.

The capital programme has been further smoothed over the next three to five years to ensure that the programme is both financially sustainable and aligned with Council's ability to deliver. This has substantially reduced Council's need to borrow in this Annual Plan year. As a result proposed new borrowing in 2017/18 is $114 million lower than the LTP.

The proposed average rates increase to existing ratepayers of 5.46% is slightly higher than the 5.0% forecast in the LTP. Full details of rates, including the total rating requirement for general and targeted rates, and indicative rates for individual properties, are provided in the Funding Impact Statement.

The table below shows the total funding requirements for the Council for 2017/18 and the variance from that outlined in the LTP. Notes to the table are in section 2. Key changes to the financial statements since the draft are reflected and explained below.

Operational

Implementation of the Port Hills recovery plan following the February fires ($949,000) along with $345,000 of capital expenditure.

$410,000 for three additional park rangers and additional parks and playgrounds reactive maintenance.

Additional insurance premiums and fire service levies ($317,000)

$200,000 for a Christchurch Biodiversity Fund to provide financial assistance to landowners to maintain and enhance indigenous biodiversity.

Additional major events funding of $200,000.

District Plan Review Court of Appeal costs ($150,000)

$80,000 to cover a trial period of free entry for pre-schoolers (one accompanying adult currently has free entry) and holders of green prescriptions to any Council swimming pool between 9am and 3pm on school days from September 2017 to April 2018.

Capital

The Nurses Chapel repair, Scarborough Park renewal, work on Stanley Park, Estuary Edge 360 Trail development, and parking meter upgrades have been brought forward to 2017/18.

New public toilets at Harrington Park ($115,000)

Three additional school speed zones ($123,000)

Annual Plan 2016/17	Financial Overview $000	Note	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	Funding Summary				
447,097	Operating expenditure	1	406,576	449,286	42,710
535,530	Capital programme	2	640,034	493,641	(146,393)
5,679	Transfers to reserves	3	8,892	5,142	(3,750)
78,051	Interest expense	4	82,547	89,978	7,431
32,269	Debt repayment	5	59,794	47,708	(12,086)
1,098,626	**Total expenditure**		**1,197,843**	**1,085,755**	**(112,088)**
	funded by :				
136,329	Fees, charges and operational subsidies	6	131,950	142,296	10,346
185,660	Dividends and interest received		281,415	237,936	(43,479)
173,032	Transfers from reserves	7	6,146	73,393	67,247
8,003	Asset sales	8	5,902	2,523	(3,379)
13,115	Development contributions		18,113	18,113	-
105,786	Earthquake rebuild recoveries		58,643	21,334	(37,309)
21,874	Capital grants and subsidies		42,809	46,089	3,280
643,799	**Total funding available**		**544,978**	**541,684**	**(3,294)**
454,827	**Balance required**		**652,865**	**544,071**	**(108,794)**
30,927	Borrowing	9	202,259	88,459	(113,800)
423,900	**Rates**	10	**450,606**	**455,612**	**5,006**
414,748	**Rates to be levied on 1 July**		444,041	447,423	3,382
7.91%	Nominal rates increase on 1 July		7.06%	7.88%	0.82%
4.90%	**Percentage rate increase to existing ratepayers**		**5.00%**	**5.46%**	**0.46%**

Operating expenditure

Other than the changes detailed below, we have held our budget within the inflation levels forecast by BERL.

Significant changes from the LTP are:

- Earthquake repairs to Housing units ($9.4 million) carried forward from 2015/16
- Additional fire service levy costs ($0.8 million) reflecting the change to the legislation
- Additional costs for underground insurance ($1 million)
- Wastewater road remediation and flow monitoring ($1 million)
- Increased electricity costs for wastewater pumping due to additional stations / extra pumping as a result of changed land levels ($0.8 million)
- Additional volume related consenting costs of $2.2 million

- Funding for continuation of the smart cities programme which targets new "sensing" technologies offering real-time information about issues like traffic congestion, water quality and air pollution ($0.6 million operational and $0.9 million capital)
- Funding towards the running costs of the City Foundation ($0.6 million), an independent foundation with a purpose to drive co-ordinated fundraising for the City
- Creation of an innovation and sustainability fund ($0.5 million), a grant fund administered by the Innovation and Sustainability Committee
- An adjustment to account for the Council staff employed to service Vbase facilities and functions ($7.7 million). This is offset by a recovery under Revenue
- Deferral of a $6.4 million grant to the Canterbury Museum Trust redevelopment project
- Interest expense $7.4 million higher. Most of this relates to higher on-lending to subsidiaries which is offset by higher interest revenue

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets. Note though that we do not rate for depreciation, rather we rate for the renewal and replacement of existing assets. In 2017/18 we will rate for $116.6 million of renewals which is consistent with the Financial Strategy.

Revenue

Our primary source of revenue is property-based rates, although earthquake rebuild recoveries continue to be a major funding source throughout the rebuild. A brief explanation of each source of revenue is included in the Funding Impact Statement rating policy section.

Significant changes from the LTP are:

- Additional Housing revenues of $1 million due to availability of additional units and the Otautahi Community Trust's ability to access rental subsidies
- Additional volume related consenting revenues of $1.9 million
- Reduced pools revenue of $2.5 million, primarily due to the planned closure for maintenance of Pioneer and Jellie Park pools
- Recognition of recoveries from Vbase for Council staff employed ($7.7 million)
- A $60 million reduction in the CCHL capital release as mentioned above
- An increased normal dividend from CCHL of $14.3 million partly due to lower capital release requirements for CCHL. This is funding the additional debt that Council is incurring under the amended capital release programme
- Additional interest revenue from CCHL onlending ($4.5 million)
- Changes to the timing of receipt of NZTA subsidies for Earthquake rebuild and other capital works due to changed project timing ($24 million)
- Removal of philanthropic capital funding for the new Central library ($10 million)

Surplus, operating deficits, and sustainability

The Annual Plan for 2017/18 shows an accounting surplus of $176.2 million before revaluations of $58.4 million. Under accounting standards Council is required to show all revenue, including earthquake-related recoveries from central Government and NZ Transport Agency, as income for the year. However, some of these recoveries reimburse Council for rebuild expenditure.

After adjusting for these capital revenues we're budgeting for a balanced budget in the 2017/18 year.

Capital programme funding

The capital programme is funded by earthquake recoveries, subsidies and grants for capital expenditure, development and financial contributions, the proceeds of asset sales, capital release and debt. In 2017/18 the funding requirements are significantly lower than forecast in the LTP due to the deferral of capital expenditure.

Borrowing

The Annual Plan includes new borrowing in 2017/18 of $88.5 million, a decrease of $113.8 million on the LTP, primarily due to the revised capital programme.

In accordance with our financial strategy we will continue to ensure prudent and sustainable financial management of our operations and will not borrow beyond our ability to service and repay that borrowing.

Capital programme expenditure

We plan to invest $493.6 million in the capital programme in 2017/18, a reduction of $146.4 million from the Long Term Plan. $58.8 million of this relates to a net reduction in projects expected to be carried forward from 2016/17 due to higher expected delivery in that year and more appropriate rephasing of uncompleted work at the end of 2015/16.

Significant decreased spend in 2017/18 compared to the LTP relates to:

- Sumner - Lyttelton Road Corridor rebuild programme ($24.9 million) - 2017/18 budget deferred to reflect likely spend. This programme is underway and the budget change reflects deferral of programme contingency and future year works. No change to planned outcomes
- Metro Sports Facility ($18.5 million) - terms of the development agreement are not yet finalised so final cash flow requirements for Council's $147 million contribution are not available. The LTP budget has been rephased to reflect the delayed start but within the original timed completion year
- New Akaroa Wastewater Treatment Plant - required to meet future consent terms ($14.6 million) - deferred due to the need to address land and consenting issues but still planned in later years to achieve outcomes. Akaroa has a functioning wastewater system that will continue until the new plant is in service
- Christchurch Wastewater Treatment Plant earthquake repairs programme ($14.1 million) - initially delayed pending insurance settlement, programme budget now rephased to reflect delivery schedule. These works do not impact the services delivered from the plant but relate to the on-site facility repairs
- Roads and Footpath Renewals ($11.6 million) - this is largely moved to 2018/19 but still maintains $17.5 million for the Annual Plan year
- Intersection improvement and master plan programmes ($11 million) - phased over several years to support affordability of the overall programme while still progressing with committed works
- Performing Arts Precinct ($10.3 million) - budget shift between 2017/18 and 2018/19. The next stage of this cost share project is still unclear. $7.9 million remains in 2017/18 to enable commencement of work
- Canterbury Provincial Chambers and Old Municipal Chambers ($8.6 million) - deferred until greater certainty of restoration and funding. No impact on current levels of service
- An Accessible City projects ($8m) - minor deferral within the overall programme in the LTP
- Cost Share Agreement balance of Parking replacement ($6.3 million) - requirements are not yet defined so budget has been deferred until there is more certainty on what this will be allocated to. Does not impact current plans
- Jellie Park/Pioneer Recreation and Sport Centres earthquake repairs ($4.3 million) - budgets rephased between 2017/18 and 2018/19 to reflect delivery schedule but no change to final completion date

Significant increased spend in 2017/18 compared to the LTP relates to:

- New Central Library /Knowledge Centre ($18.9 million) - brought forward to reflect contracted completion date which was not finalised at the time of the LTP
- Northern Arterial extension and Cranford Street upgrade ($16.7 million) - brought forward to reflect Council works being delivered under the NZTA Christchurch Northern Corridor programme
- QEII (Eastern) Recreation and Sport Centre ($11.7 million) - brought forward to reflect construction timeline which was not finalised at the time of the LTP
- Dudley Creek ($10 million) - 2015/16 budget carried forward to complete work
- New Brighton Hot Water Pools ($7.3 million) - new revitalisation project

Financial risk management strategy

There is no change to those policies which measure our management of financial risk (liquidity and funding risk management, interest rate exposure and counterparty credit risk).

An important element in assessing the value of Council's risk management strategy is its five key financial ratios. These are included within the Financial Prudence Benchmarks section within this document. The Council anticipates staying well within its financial ratio limits for 2017/18.

Section 2 – Notes to Financial Overview

Annual Plan 2016/17	Note 1 Operating Expenditure $000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
30,955	Community services	30,665	31,566	901
15,024	Economic development	14,924	14,110	(814)
5,157	Flood protection and control works	2,540	873	(1,667)
4,154	Heritage protection and policy	4,167	4,200	33
23,746	Housing	16,659	26,981	10,322
60,426	Libraries, arts and culture	63,161	58,953	(4,208)
525	Natural environment	538	522	(16)
37,751	Parks and open spaces	35,938	38,281	2,343
45,548	Refuse minimisation and disposal	46,780	46,384	(396)
66,531	Regulation and enforcement	57,311	58,503	1,192
106,745	Roads and footpaths	109,828	110,268	440
80,941	Sewerage collection, treatment and disposal	80,882	88,735	7,853
38,342	Sport and recreation	40,095	40,302	207
24,229	Stormwater drainage	28,887	34,419	5,532
24,944	Strategic governance	24,569	23,995	(574)
12,576	Strategic policy and planning	12,284	13,843	1,559
21,103	Transport	22,603	22,587	(16)
45,258	Water supply	45,613	49,027	3,414
70,677	Corporate	59,918	89,716	29,798
714,632	**Total group of activity expenditure**	**697,362**	**753,265**	**55,903**
189,484	Less depreciation (non cash)	208,239	214,001	5,762
78,051	Less interest expense shown separately	82,547	89,978	7,431
447,097	**Operating expenditure**	**406,576**	**449,286**	**42,710**

Note in the LTP **Community services** was called **Resilient communities.**
Increased **Housing** expenditure relates to earthquake repairs.
The increase in **Corporate** mainly relates to the removal or reallocation of $15.3 million of unspecified savings included in the LTP, an $8 million accounting recognition of staff costs for Vbase operations and $7.4 million for increased interest expense. The Vbase costs are offset by additional **Corporate** revenue
(Note 3)

Annual Plan 2016/17	Note 2 Capital Programme	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP	Expenditure Category Renewals & Replacements	Improved LOS	Increase Demand
	$000						
13,800	Community services	5,388	7,117	1,729	5,563	1,554	-
-	Economic development	-	-	-	-	-	-
13,296	Flood protection	20,911	20,083	(828)	13,780	2	6,301
7,297	Heritage protection and policy	11,453	5,146	(6,307)	4,099	1,047	-
3,782	Housing	3,434	6,148	2,714	6,148	-	-
33,133	Libraries, arts and culture	42,268	63,271	21,003	62,952	35	284
-	Natural environment	-	-	-	-	-	-
12,554	Parks and open spaces	24,553	28,032	3,479	15,566	7,595	4,871
977	Refuse minimisation and disposal	830	768	(62)	743	25	-
26	Regulation and enforcement	11	10	(1)	10	-	-
118,697	Roads and footpaths	123,297	73,247	(50,050)	48,458	6,370	18,419
113,945	Sewerage collection, treatment and disposal	75,511	40,461	(35,050)	20,952	8,323	11,186
69,912	Sport and recreation	75,775	67,610	(8,165)	46,209	10,550	10,851
62,349	Stormwater drainage	67,925	72,216	4,291	71,814	377	25
-	Strategic governance	-	606	606	606	-	-
150	Strategic policy and planning	332	930	598	-	600	330
32,115	Transport	74,584	71,511	(3,073)	23,640	47,871	-
23,675	Water supply	27,370	21,067	(6,303)	10,220	2,301	8,546
29,822	Corporate	86,392	15,418	(70,974)	(17,693)	11,693	21,418
535,530	**Total capital programme**	**640,034**	**493,641**	**(146,393)**	**313,067**	**98,343**	**82,231**

Corporate Renewals and Replacements includes provision for $46.4 million of unspecified net carry forwards.

	Note 3 Transfers to Reserves			
5,341	Interest credited to special funds and reserves	5,333	4,513	(820)
-	Housing cash operating result	3,170	-	(3,170)
22	Dog control cash operating result	73	311	238
66	Burwood Landfill capping contribution	66	68	2
250	Flood defence fund	250	250	-
5,679		**8,892**	**5,142**	**(3,750)**

Annual Plan 2016/17	Note 4 Interest Expense	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	$000			
51,640	General borrowing	57,012	58,980	1,968
8,458	Equity investments	8,299	8,666	367
17,953	Advances to Council organisations	17,236	22,332	5,096
78,051		**82,547**	**89,978**	**7,431**

*Note the LTP comparative interest split was incorrect in the Amended LTP and has been restated

Note 5
Debt Repayment provided for

32,269	Ratepayer funded loans	59,794	47,708	(12,086)
-	Housing	-	-	-
32,269		**59,794**	**47,708**	**(12,086)**

Note 6
Fees, Charges and Operational Subsidies

1,294	Community services	1,322	1,035	(287)
150	Economic development	153	138	(15)
-	Flood protection and control works	-	-	-
-	Heritage protection and policy	-	-	-
12,532	Housing	12,109	11,976	(133)
3,156	Libraries, arts and culture	3,371	2,600	(771)
86	Natural environment	88	88	-
2,330	Parks and open spaces	2,376	2,833	457
12,076	Refuse minimisation and disposal	11,919	11,695	(224)
49,549	Regulation and enforcement	46,897	48,726	1,829
13,581	Roads and footpaths	13,252	13,530	278
4,836	Sewerage collection, treatment and disposal	4,806	5,804	998
13,251	Sport and recreation	13,620	11,000	(2,620)
20	Stormwater drainage	21	21	-
911	Strategic governance	172	172	-
581	Strategic policy and planning	465	556	91
12,854	Transport	13,664	15,205	1,541
601	Water supply	613	613	-
9,989	Corporate	8,615	17,251	8,636
137,797	**Total group of activity operating revenue**	**133,463**	**143,243**	**9,780**
1,468	Less non cash revenue	1,513	947	(566)
136,329	**Fees, charges and operational subsidies**	**131,950**	**142,296**	**10,346**

Annual Plan 2016/17	Note 7 Transfers from Reserves	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	$000			
50	Reserves a/c - reserve purchases	326	153	(173)
3,783	Housing - net capital programme	3,353	6,148	2,795
3,707	Housing cash operating result	-	7,711	7,711
-	Dog Account - capital programme	-	-	-
2,328	Capital endowment fund - grants	2,401	2,763	362
163,098	Debt repayment reserve	-	56,550	56,550
-	Housing debt repayment	-	-	-
66	Burwood Landfill remediation	66	68	2
173,032		**6,146**	**73,393**	**67,247**

Housing cash operating result was an expected surplus in the LTP as shown in Note 3. Earthquake repairs now mean a cash reduction is planned.
Debt repayment reserve transfer utilises remaining insurance proceeds to fund the rebuild programme.

	Note 8 Asset Sales			
27	Plant and vehicle disposals	58	58	-
7,522	Surplus property sales	5,379	2,000	(3,379)
454	Surplus roading land sales	465	465	-
-	Earthquake related property settlements	-	-	-
8,003		**5,902**	**2,523**	**(3,379)**

Annual Plan 2016/17	Note 9 Borrowing	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	$000			
535,530	Capital Programme	640,034	493,641	(146,393)
9,052	Capital grants	8,878	2,778	(6,100)
25,225	Earthquake response	-	-	-
-	Operational costs	-	-	-
569,807	**Total funding requirement**	**648,912**	**496,419**	**(152,493)**
	Funding sources			
8,003	Sale of assets	5,902	2,523	(3,379)
112,756	Rates (for renewals)	117,082	116,624	(458)
350	Rates (for landfill aftercare)	359	357	(2)
105,786	Earthquake rebuild recoveries	58,643	21,334	(37,309)
166,996	Reserve drawdowns	3,745	62,920	59,175
110,000	CCHL special dividend	200,000	140,000	(60,000)
13,115	Development contributions	18,113	18,113	-
21,874	Capital grants and subsidies	42,809	46,089	3,280
538,880	**Total funding available**	446,653	407,960	(38,693)
30,927	**Borrowing requirement**	**202,259**	**88,459**	**(113,800)**
32,269	Less debt repayment	59,794	47,708	(12,086)
14,485	Less borrowing on behalf of subsidiaries repaid	-	-	-
(15,827)	**Net change in borrowing**	**142,465**	**40,751**	**(101,714)**
1,356,657	Opening gross debt	1,340,830	1,679,405	338,575
1,340,830	**Closing gross debt**	**1,483,295**	**1,720,156**	**236,861**

	Note 10 Rates			
414,748	Rates levied 1 July	444,041	447,423	3,382
4,072	Rates in year income per Order in Council	1,384	2,000	616
2,836	Excess water charges	2,892	3,189	297
2,244	Penalties	2,289	3,000	711
423,900		**450,606**	**455,612**	**5,006**

Funding Impact Statement

This Funding Impact Statement sets out the sources of operating funding Council will use to fund its activities over the 2017/18 financial year. These funding sources were developed from an analysis of the Council activities and funding requirements which is set out in the Revenue and Financing Policy in the Amended Long Term Plan.

Changes between the Amended LTP and the 2017/18 Annual Plan are explained in the Financial Overview.

Detailed information about sources of operating and capital funding are contained in the Funding Impact Statement for the Amended Long Term Plan.

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	Sources of operating funding			
294,968	General rates, uniform annual general charges, rates penalties	310,634	307,719	(2,915)
128,932	Targeted rates	139,972	147,893	7,921
20,802	Subsidies and grants for operating purposes	20,939	21,538	599
99,704	Fees, charges	97,347	107,400	10,053
185,138	Interest and dividends from investments	280,848	237,936	(42,912)
16,345	Local authorities fuel tax, fines, infringement fees, and other receipts	14,232	13,361	(871)
745,889	**Total operating funding**	**863,972**	**835,847**	**(28,125)**
	Applications of operating funding			
401,996	Payments to staff and suppliers	368,410	408,657	40,247
78,051	Finance costs	82,547	89,978	7,431
45,101	Other operating funding applications	38,167	40,633	2,466
525,148	**Total applications of operating funding**	**489,124**	**539,268**	**50,144**
220,741	**Surplus (deficit) of operating funding**	**374,848**	**296,579**	**(78,269)**
	Sources of capital funding			
20,520	Subsidies and grants for capital expenditure	41,428	44,709	3,281
13,115	Development and financial contributions	18,113	18,113	-
(15,827)	Net increase (decrease) in debt	142,465	40,751	(101,714)
8,003	Gross proceeds from sale of assets	5,902	2,523	(3,379)
-	Lump sum contributions	-	-	-
107,140	Other dedicated capital funding	60,024	22,715	(37,309)
132,951	**Total sources of capital funding**	**267,932**	**128,811**	**(139,121)**
	Applications of capital funding			
	Capital expenditure			
428,890	- to replace existing assets	471,945	313,067	(158,878)
45,893	- to improve the level of service	100,214	98,343	(1,871)
60,747	- to meet additional demand	67,875	82,231	14,356
(167,353)	Net increase (decrease) in reserves	2,746	(68,251)	(70,997)
(14,485)	Net increase (decrease) of investments	-	-	-
353,692	**Total applications of capital funding**	**642,780**	**425,390**	**(217,390)**
(220,741)	**Surplus (deficit) of capital funding**	**(374,848)**	**(296,579)**	**78,269**
-	**Funding balance**	**-**	**-**	**-**

Where our funding will come from

Rates are the main source of funding for the Council's activities. In the 2017/18 financial year, the Council is proposing to collect $455.6 million in rates to help pay for essential services such as water supply, roading and wastewater treatment, as well as capital renewal and replacement projects and events and festivals. This income is supplemented with funding from fees and charges, Government subsidies, development contributions, interest and dividends from subsidiaries.

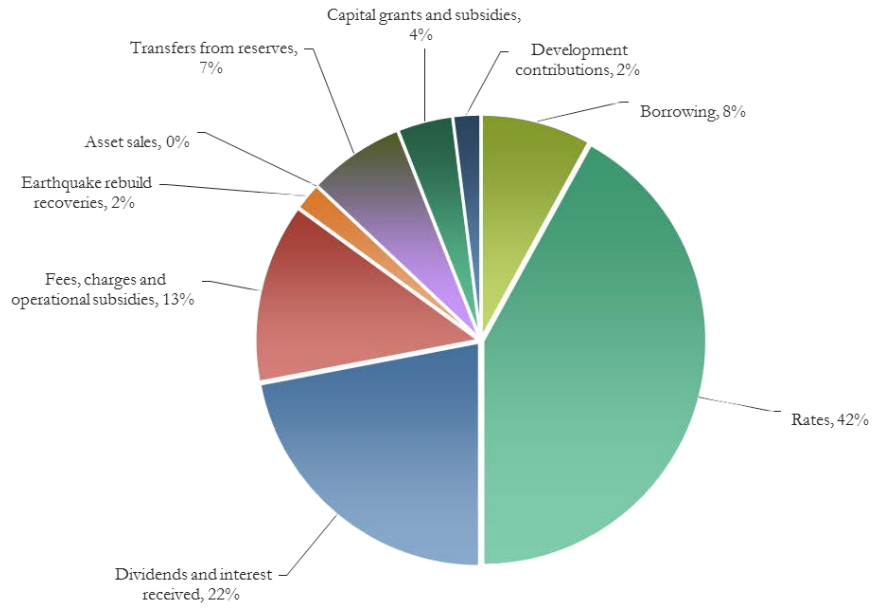
Earthquake rebuild recoveries (NZ Government reimbursements, and NZ Transport Agency subsidies) have reduced now that the SCIRT work is complete.

The Council owns shares in major local companies through its wholly-owned subsidiary Christchurch City Holdings Limited (CCHL). These companies include Christchurch International Airport, City Care, Lyttelton Port Company, Orion, Eco Central, Enable Services and Red Bus. CCHL is forecasting to pay a normal dividend of $55.3 million in 2017/18. This amount will decrease over the next few years as the capital release occurs.

Where our funding will come from:

Funding Sources 2017/18	%	$000
Borrowing	8%	88,459
Rates	42%	455,612
Dividends and interest received	22%	237,936
Fees, charges and operational subsidies	13%	142,296
Earthquake rebuild recoveries	2%	21,334
Asset sales	0%	2,523
Transfers from reserves	7%	73,393
Capital grants and subsidies	4%	46,089
Development contributions	2%	18,113
	100%	**1,085,755**

Where our funding will come from 2017/18



How capital expenditure is funded

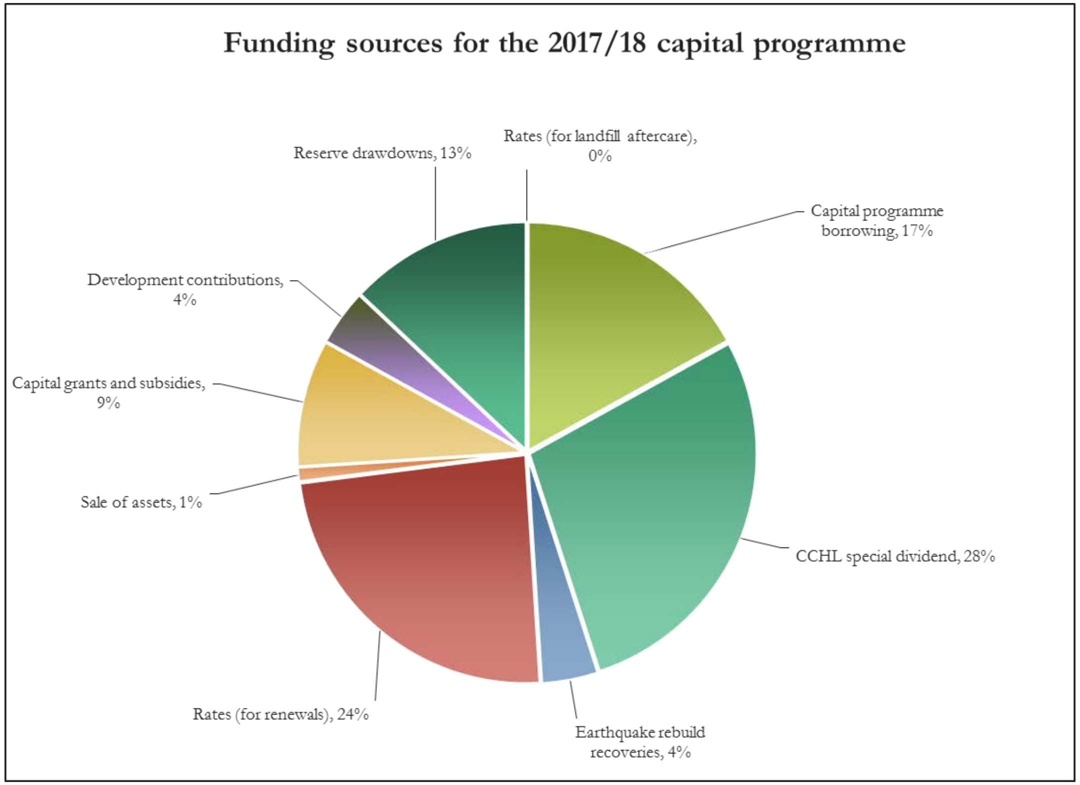
The Council will invest $493.6 million in the city's infrastructure over the period of the 2017/18 Annual Plan.

Capital expenditure funding is a subset of the Council's total funding. The capital release by way of special dividend from CCHL makes a significant contribution in 2017/18 and in 2018/19.

A detailed analysis of the Council's policy for funding its capital programme is available in the Revenue and Financing Policy, and the funding of the rebuild is explained in the Financial Strategy. The table and graph below details funding for the Council's capital programme for 2017/18.

How we fund our capital programme:

Funding Sources 2017/18	%	$000
Capital programme borrowing	17%	85,681
CCHL special dividend	28%	140,000
Earthquake rebuild recoveries	4%	21,334
Rates (for renewals)	24%	116,624
Sale of assets	1%	2,523
Capital grants and subsidies	9%	46,089
Development contributions	4%	18,113
Reserve drawdowns	13%	62,920
Rates (for landfill aftercare)	0%	357
	100%	493,641



Where your rates go

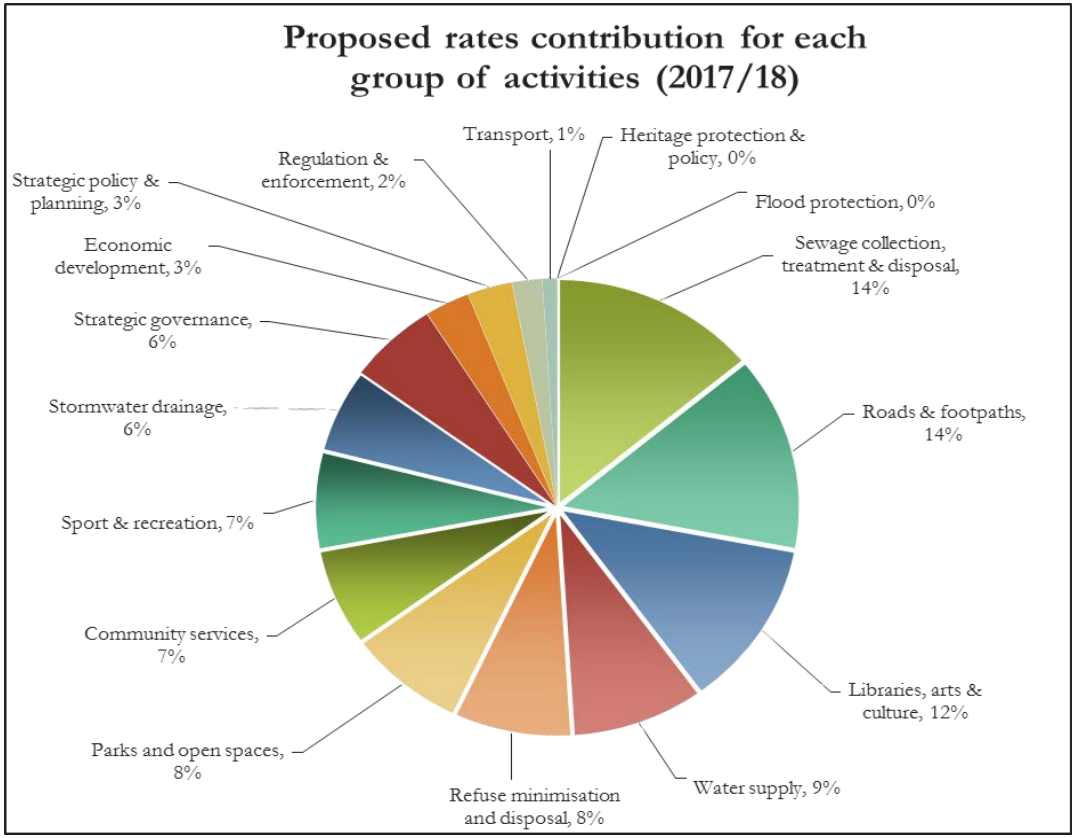
In 2017/18 the Council relies on rates for about 50 per cent of its income and is proposing to collect $455.6 million (GST exclusive) in rates. This represents an average increase in rates of 5.46 per cent to existing ratepayers.

Much of the Council's spending goes toward providing essential services to keep the city running smoothly. This includes maintaining our roads, parks, sewerage systems and water supply.

The table and graph below show the activities the Council will provide during 2017/18 and how rates contribute to these activities:

How your rates will be spent 2017/18:

Group of Activities	Cents per dollar of Rates	Average Residential Rates / week
Sewage collection, treatment & disposal	13.9c	$6.68
Roads & footpaths	13.7c	$6.58
Libraries, arts & culture	12.8c	$6.15
Water supply	8.7c	$4.18
Refuse minimisation and disposal	7.9c	$3.80
Parks and open spaces	7.7c	$3.70
Community services	6.6c	$3.17
Sport & recreation	6.6c	$3.17
Stormwater drainage	6.2c	$2.98
Strategic governance	5.6c	$2.69
Economic development	3.1c	$1.49
Strategic policy & planning	3.0c	$1.44
Regulation & enforcement	2.3c	$1.11
Transport	1.0c	$0.48
Heritage protection & policy	0.5c	$0.24
Flood protection	0.4c	$0.19
	100c	**$48.05**



Rating Information

The total rates required to be assessed on 1 July 2017 is $447.423 million (excluding GST). Three items of rating income are excluded from this figure, and from the specific rates details provided on the following pages:

- Excess water rates – excluded because it is dependent on actual volumes consumed during the year. Excess water rates are budgeted to be $3.2 million (excluding GST) in 2017/18.
- Late payment penalties & surcharges – excluded because they are dependent on actual late rates payments occurring during the year. Late payment penalties and surcharges are budgeted to be $3.0 million in 2017/18.
- Changes in capital values during the year – Under a 2012 earthquake-related Order in Council, rates charges for individual properties must be adjusted during the financial year to reflect any capital value change arising from subdivision, demolition, or substantial construction work; the impact of these adjustments on rates collected is excluded from the table because it is dependent on the extent of subdivision, demolition, and construction activity during the year. The net impact on rates of these adjustments is budgeted to be revenue of $2.0 million (excluding GST) in 2017/18.

The rates assessed on 1 July 2017 are based on the following (figures include non-rateable properties, as they are still liable for certain rates):

	As at 30 June 2017:
Projected number of rating units	174,700
Projected total capital value of rating units	$98.1 billion
Projected total land value of rating units	$45.7 billion

The resultant rates to be assessed are as follows:

Table of Rates Collected (incl GST)

	2017/18 Annual Plan $000
Rates Collected	
General Rate	327,589
Uniform Annual General Charge	20,537
Targeted Rates	
Water Supply	
Full Charge	38,144
Half Charge	733
Restricted Supply	151
Excess Water[1]	-
Fire Service Connection	119
Land Drainage	32,161
Sewerage	68,242
Waste Minimisation	23,365
Active Travel	3,494
	514,536
Including GST of	67,113
Total Excluding GST	**447,423**

[1] *Excess Water depends on actual volume consumed*

Funding Impact Statement

Rating Information

Rates are used by Council to fund the balance of its costs once all other funding sources are taken into account.

Christchurch City Council sets rates under Section 23 of the Local Government (Rating) Act 2002.

Valuation system used for rating

Some of Council's rates are in the form of fixed charges, but most are charged in proportion to each rating unit's rating valuation, where:

- A rating unit is the property which is liable for rates (usually a separate property with its own certificate of title), and
- Rating valuations are set by independent valuers, based on property market conditions as at a specified date (currently 1 August 2016) – their purpose is to enable Council to allocate rates equitably between properties across the District; they are *not* intended to be an indication of current market value or cost of construction.

The Council uses capital value for rating purposes (commonly thought of as the value of the land plus any improvements).

Where parts of a rating unit can be allocated to different categories (Standard, Business, and Remote Rural (Farming & Forestry)), the Council may apportion the rateable value of that rating unit among those parts in order to calculate the overall liability for the rating unit.

Legislation requires that rating valuations be updated at least every three years, so that the distribution of value-based rates reasonably reflects property market conditions. The 2016 valuations replace the previous 2013 valuations, and will be used as the basis of our rates calculations from 1 July 2017 until 30 June 2020.

Re-assessing rates within the rating year

The Canterbury Earthquake (Rating) Order 2012 allows the Council to re-assess rates on properties as the value of that property changes throughout the year due to demolition, new building, or subdivision. This means that, as a property is demolished, improved, or subdivided, rates are reassessed on the new Capital Value from the first of the following month. This Order will expire on 1 July 2018.

Inspection of rates information

The capital values, the District Valuation Roll, and the Rating Information Database information, along with liability for current-year rates for each rating unit are available for inspection on the Council's Internet site (www.ccc.govt.nz, under the heading 'Rates & valuation search') or by enquiry at any Council Service Centre.

Rates for 2017/18

All of the rates and amounts set out in this document are proposed to apply to the rating year commencing 1 July 2017 and ending 30 June 2018, and include GST of 15 percent.

General rates

The general rate is set on capital values on a differential basis under the Local Government (Rating) Act 2002.

Purpose of general rate:

The general rates, including the Uniform Annual General Charge (UAGC), provide for the majority of the total rate requirement of the Council, being the net rate requirement after targeted rates are determined. The general rates (including the UAGC) therefore fund all activities of the Council except to the extent they are funded by targeted rates and by other sources of funding.

General Rate Differentials

Differentials are applied to the value-based general rate. The objective of these differentials is to collect more from identified Business properties and less from identified Remote Rural properties than would be the case under an un-differentiated general rate, in accordance with Council's Revenue & Financing Policy.

The differential categories are defined as follows:

Standard

Any rating unit which is:

(a) used for residential purposes (including home-ownership flats); or

(b) a Council-operated utility network; or

(c) land not otherwise classified as Business or Remote Rural (Farming & Forestry).

Business

Any rating unit which is:

(a) used for a commercial or industrial purpose (including travellers and special purpose accommodation, offices and administrative and associated functions, commercially-owned and operated utility networks, and quarrying operations); or

(b) land zoned Commercial or Industrial in the District Plan administered by the Council, situated anywhere in the district, except where the principal use is residential.

Remote Rural (Farming & Forestry)

(a) Any rating unit which is zoned residential or rural in the City Plan administered by the Council and situated outside the sewered area, and where the rating unit is used solely or principally for agricultural, horticultural, pastoral, or forestry purposes or the keeping of bees or poultry; or

(b) vacant land not otherwise used

For the purpose of clarity it should be noted that the Remote Rural (Farming and Forestry) category does not include any rating unit which is:

i. used principally for industrial (including quarrying) or commercial purposes (as defined in Business above); or

ii. used principally for residential purposes (including home-ownership flats).

For the purpose of these differential sector definitions, the District Plan means the operative District Plan of the Christchurch City Council and any parts of the proposed Replacement District Plan.

Liability for General Rates is calculated as a number of cents per dollar of capital value:

Differential category	Indicative Rates (cents / $)	Differential factor	Revenue ($000)
Standard	0.298450	1.000	221,599
Business	0.495427	1.660	99,085
Remote Rural	0.223838	0.750	6,905

Uniform Annual General Charge (UAGC)

A portion of the general rate is assessed as a UAGC, which is set as a fixed amount per separately-used or inhabited part of a rating unit (as defined below). This is not based on a calculation of part of any activity costs but is assessed to be a reasonable amount to charge.

A separately used or inhabited part of a rating unit is defined as a part which can be separately let and permanently occupied. Where the occupancy is an accessory to, or is ancillary to, another property or part thereof, then no separately used part exists. For example:

- not separately used parts of a rating unit include:
  - a residential sleep-out or granny flat without independent kitchen facilities;
  - rooms in a hostel with a common kitchen;
  - a hotel room with or without kitchen facilities;
  - motel rooms with or without kitchen facilities;
  - individual storage garages/sheds/partitioned areas of a warehouse;
  - individual offices/premises of partners in a partnership.
- separately used parts of a rating unit include:
  - flats/apartments;
  - flats which share kitchen/bathroom facilities;
  - separately leased commercial areas even though they may share a reception.

The UAGC is set under section 15(1)(b) of the Local Government (Rating) Act 2002.

Purpose of the UAGC:

The uniform charge modifies the impact of rating on a city-wide basis ensuring all rating units are charged a fixed amount to recognize the costs, associated with each property, which are uniformly consumed by the inhabitants of the community.

Multiple Uniform Annual General Charge per rating unit

The Council will charge multiple uniform charges against each separately-used or inhabited part of a rating unit provided such UAGC is not subject to a rate remission under the policy.

Uniform Annual General Charge (UAGC) for common usage rating units

Section 20 of the Act precludes the Council from charging UAGCs where contiguous land is in common usage and in the same ownership. In addition, Council has resolved on a remission policy that will allow it to remit the additional UAGCs on contiguous land in common usage where the rating units are not in the same ownership name.

Also, remission of the charge will be considered where Council has determined that a building consent will not be issued for the primary use of the land (under the City Plan).

Liability for the UAGC is calculated as uniform amount for each separately used or inhabited part of a rating unit (SUIP):

Category	Indicative Rates ($)	Revenue ($000)
SUIP	117.56	20,537

Targeted rates

Targeted rates are set under sections 16, 18, and 19, and schedules 2 and 3 of the Local Government (Rating) Act 2002. The Council does not accept Lump Sum contributions (as defined by Section 117A of the Local Government (Rating) Act 2002) in respect of any targeted rate.

For all targeted rates except the Active Travel targeted rate, the rate is not uniformly imposed on all rating units, but only on those rating units that either receive the specified service or are located within the specified geographic area. The definition and objective of each of the Targeted rates is described below.

Water Supply Targeted Rate – full charge and half charge:

The purpose of this rate is to (in conjunction with the separate targeted rates for Restricted Water Supply, Fire Connection, and Excess Water Supply described below) recover the cash operating cost of water supply, plus a portion of the expected depreciation cost over the planning period. It is assessed on every rating unit to which water is supplied through the on-demand water reticulation system. The half charge is assessed on rating units which are serviceable, i.e. situated within 100 metres of any part of the on-demand water reticulation system, but which are not connected to that system.

Liability for the Water Supply Targeted Rate is calculated as a number of cents per dollar of capital value.

Categories	Indicative Rates (cents / $)	Differential Factor	Revenue ($000)
Connected	0.040580	1.00	38,144
Serviceable	0.020290	0.50	733

Restricted Water Supply Targeted Rate:

The purpose of this rate is to contribute to the cost recovery of the activities described as being funded by the Water Supply Targeted Rate (above), by charging a uniform amount to properties receiving a restricted water supply. It is assessed on every rating unit receiving the standard level of service (being 1,000 litres of water supplied per 24-hour period). Where a rating unit receives multiple levels of service, they will be assessed multiple Restricted Water Supply Targeted Rates.

Liability for the Restricted Water Supply Targeted Rate is calculated as a uniform amount for each standard level of service received by a rating unit.

Categories	Indicative Rates ($)	Revenue ($000)
Connected	183.60	151

Water Supply Fire Connection Rate

The purpose of the Water Supply Fire Connection Rate is to contribute to the cost recovery of the activities described as being funded by the Water Supply Targeted Rate (above), by charging a uniform amount to properties benefitting from a fire service connection. It is assessed on all rating units connected to the service on a per-connection basis.

Liability for the Water Supply Fire Connection Rate is calculated as a uniform amount for each connection:

Categories	Indicative Rates ($)	Revenue ($000)
Connected	111.75	119

Excess Water Supply Targeted Rate

The purpose of the Excess Water Supply Targeted Rate is to contribute to the cost recovery of the activities described as being funded by the Water Supply Targeted Rate (above), by assessing additional charges on those properties placing an unusually high demand on the water supply system. It is assessed as the water meters are read on every liable rating unit (see below), and invoiced after each reading.

This targeted rate is set under section 19 of the Local Government (Rating) Act 2002.

Liability for the Excess Water Supply Targeted Rate is calculated as a number of cents per cubic metre of water consumed in excess of the water allowance for that rating unit:

Categories	Rates ($ per m^3 of excess water supplied)	Revenue ($000)
Liable	0.75	3,667

Rating units having a residential supply as defined in the Water Supply, Wastewater and Stormwater Bylaw 2014 (i.e. non-commercial consumers being principally residential single units on a rating unit) will not be charged an excess water supply targeted rate.

Consumers having a commercial water supply as defined in the Water Supply, Wastewater and Stormwater Bylaw 2014 are the liable rating units for this rate. Liable rating units also include water supplied to:

(a) land under single ownership on a single certificate of title and used for three or more household residential units

(b) boarding houses

(c) motels

(d) rest homes

Each liable rating unit has a water allowance. Water used in excess of this allowance will be charged at the stated rate per cubic meter.

The water allowance for each property is effectively the amount of water already paid for under the Water Supply Targeted Rate - ie. the total Water Supply Targeted Rate payable, divided by the above cubic-meter cost, then divided by 365 to give a daily cubic meter allowance; the Excess Water Supply Targeted Rate will be charged if actual use exceeds this calculated daily allowance, ***provided that*** all properties will be entitled to a minimum allowance of 0.6986 cubic meters per day.

The annual rates assessment identifies those ratepayers who are potentially liable for excess water charges. It does not include the calculated liability as the water reading does not coincide with the assessment. Water meters are read progressively throughout the year. Following each reading, a water-excess charge invoice is issued for those rating units which are liable. The invoice will refer to the assessment and will bill for the consumption for the period of the reading.

The latest water allowance will be used, calculated on a daily basis.

Land Drainage Targeted Rate:

The purpose of this rate is to recover the cash operating cost of waterways and land drainage, plus a portion of the expected depreciation cost over the planning period. It is assessed on every rating unit which is within the serviced area. The serviced area is that of the current land drainage area extended to include all developed land within the city or where there is a land drainage service and also includes:

- the areas of Banks Peninsula zoned:
  - Akaroa Hillslopes
  - Boat Harbour
  - industrial
  - Lyttelton Port
  - Papakaianga
  - recreation reserve
  - residential
  - residential conservation
  - small settlement
  - town centre
- those Land Drainage areas in Okains Bay and Purau that have been charged Land Drainage Targeted Rates

Liability for the Land Drainage Targeted Rate is calculated as a number of cents per dollar of capital value.

Categories	Indicative Rates (cents / $)	Revenue ($000)
Within serviced area	0.034435	32,161

Sewerage Targeted Rate:

The purpose of this rate is to recover the cash operating cost of wastewater collection, treatment and disposal, plus a portion of the expected depreciation cost over the planning period. It is assessed on every rating unit which is in the serviced area.

Liability for the Sewerage Targeted Rate is calculated as a number of cents per dollar of capital value.

Categories	Indicative Rates (cents / $)	Revenue ($000)
Within serviced area	0.069581	68,242

Waste Minimisation Targeted Rate:

The purpose of this rate is to recover the cash operating cost of the collection and disposal of recycling and organic waste, plus a portion of the depreciation cost over the planning period.

The Full Charge is assessed on every separately used or inhabited part of a rating unit, as defined by the UAGC definition, in the serviced area.

The charge will be made to non-rateable rating units where the service is provided.

The charge will not be made to rating units in the serviced area which do not receive the service. These include:

- rating units (land) on which a UAGC is not made,
- land which does not have improvements recorded,
- land with a storage shed only and the capital value is less than $30,000,
- CBD properties (as defined by the CBD refuse map).

Where ratepayers elect and Council agrees, additional levels of service may be provided. Each additional level of service will be rated at the Full Charge and will be invoiced separately (per the Fees & Charges Schedule).

For rating units outside the kerbside collection area, where a limited depot collection service is available, a uniform targeted rate of 75% of the full rate will be made (referred to as a “part charge”).

Liability for the Waste Minimisation Targeted Rate full charge and part charge is calculated as a uniform amount for each separately used or inhabited part of a rating unit receiving service.

Categories	Indicative Rates ($)	Revenue ($000)
Full charge	144.83	23,173
Part charge	108.63	192

Active Travel Targeted Rate

The purpose of this rate is to contribute to the operating cost of the Active Travel Programme (and particularly the cycleways projects).

The charge is assessed on every separately used or inhabited part of a rating unit, as defined by the UAGC definition, within the District.

Liability for the Active Travel Targeted Rate is calculated as a uniform amount for each separately used or inhabited part of a rating unit:

Category	Indicative Rates ($)	Revenue ($000)
SUIP	20.00	3,494

Indicative rates

The following tables show Christchurch City Council rates in 2016/17 and 2017/18 for a range of property values.

Notes:

- Rates in 2016/17 were based on 2013 Rating Valuations, but new 2016 valuations will be used in 2017/18.
- The average percentage change in rates charges is indicated for each sector. However, the actual rates change experienced by an individual property will also depend on the number of Targeted Rates being applied and how its own Rating Valuation has changed compared with other valuations across the District.
- Rates figures include GST at 15%, but do not include Environment Canterbury's Regional Council rates (which Christchurch City Council collects on their behalf), or any late payment penalties or excess water charges that might be incurred during the year.

Standard General Rate (includes residential houses and sections)

- The average 2016 Rating Value in this sector is $488,340 (or $500,229 if vacant sections are excluded). This is 7.2% higher than the old 2013 valuations for this sector, compared with a 9.1% valuation increase for the District as a whole.
- The average annual rates charge in this sector is $2,445.96 ($2,498.63 if vacant sections are excluded). This is 3.9% higher than in 2016/17.
- The average rates increase is lower than the overall average increase, because this sector's Rating Valuations rose by less than the District-wide average – i.e. this sector makes up a slightly lower proportion of the District's total value than previously, so its share of total rates should be slightly lower.
- The table assumes that full Targeted Rates are charged for water supply, sewerage, land drainage, and waste minimisation

Rates in 2017/18	
CV	Rates
200,000	$1,168.48
400,000	$2,054.57
500,000	$2,497.62
600,000	$2,940.67
700,000	$3,383.71
800,000	$3,826.76
900,000	$4,269.80
1,000,000	$4,712.85
2,000,000	$9,143.31

Business General Rate

- The average 2016 Rating Value in this sector is $1,647,520. This is 10.6% higher than the old 2013 valuations for this sector, compared with a 9.1% valuation increase for the District as a whole.
- The average annual rates charge in this sector is $10,826.90. This is 6.2% higher than in 2016/17.
- The average rates increase is higher than the overall average increase, because this sector's Rating Valuations rose by more than the District-wide average – i.e. this sector makes up a somewhat greater proportion of the District's total value than previously, so its share of total rates should be somewhat higher.
- The table assumes that full Targeted Rates are charged for water supply (other than excess water), sewerage, land drainage, and waste minimisation

Rates in 2017/18	
CV	Rates
200,000	$1,562.44
400,000	$2,842.48
600,000	$4,122.53
700,000	$4,762.55
800,000	$5,402.57
900,000	$6,042.60
1,000,000	$6,682.62
2,000,000	$13,082.85
5,000,000	$32,283.54

Remote Rural General Rate

- The average 2016 Rating Value in this sector is $952,237. This is 3.4% higher than the old 2013 valuations for this sector, compared with a 9.1% valuation increase for the District as a whole.
- The average annual rates charge in this sector is $2,377.66. This is 2.7% *lower* than in 2016/17.
- Average rates have fallen because this sector's Rating Valuations rose by less than the District-wide average – i.e. this sector makes up a lesser proportion of the District's total value than previously, so its share of total rates should be lower.
- The table assumes that full Targeted Rates are NOT charged for water supply, sewerage, or land drainage, and that the part-charge applies for waste minimisation

Rates in 2017/18	
CV	Rates
200,000	$693.87
400,000	$1,141.54
600,000	$1,589.22
700,000	$1,813.06
800,000	$2,036.89
900,000	$2,260.73
1,000,000	$2,484.57
2,000,000	$4,722.95
3,000,000	$6,961.33

Financial Prudence Benchmarks

Annual plan disclosure statement for year ending 30 June 2018

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Benchmark			Planned	Met	Note
Rates affordability benchmark					1
- income ($m)	<	455.1	455.6	No	
- increases	<	7.3%	7.5%	No	
Debt affordability benchmark ($m)	<	2,860	1,720	Yes	2
Net debt as a percentage of equity	<	20%	9%	Yes	
Net debt as a percentage of total revenue	<	250%	116%	Yes	
Net interest as a percentage of total revenue	<	20%	7%	Yes	
Net interest as a percentage of annual rates income	<	30%	13%	Yes	
Liquidity	>	110%	145%	Yes	
Balanced budget benchmark	>	100%	120%	Yes	3
Essential services benchmark	>	100%	152%	Yes	4
Debt servicing benchmark	<	15%	10%	Yes	5

Notes

1 Rates affordability benchmark

(1) For this benchmark -
- (a) the Council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the Council's long term plan; and
- (b) the Council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the Council's long term plan.

(2) The Council meets the rates affordability benchmark if -
- (a) its planned rates income for the year equals or is less than each quantified limit on rates; and
- (b) its planned rates increases for the year equal or are less than each quantified limit on rates increases.

(3) The Council has exceeded both these benchmarks for the 2017/18 year due to higher rating growth during the 2016/17 year than anticipated when the 2015-25 Long Term Plan for 2017/18 was set ($9.5 million compared to $8.1 million). This is largely attributable to rebuild work.

2 Debt affordability benchmark

(1) For this benchmark, the Council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy in the Council's long term plan.

(2) The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

3 Balanced budget benchmark

(1) For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments and revaluations of property, plant or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

(2) The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

4 Essential services benchmark

(1) For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.

(2) The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

5 Debt servicing benchmark

(1) For this benchmark, the Council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment).

(2) Because Statistics New Zealand projects that the Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if it's planned borrowing costs equal or are less than 15% of its planned revenue.

The Council is required to include this statement in its annual plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement