

Financial Overview

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Financial Overview

This section provides an overview of financial information included in the Long Term Plan (LTP). The results flow from an extensive review of operating costs which commenced in January 2020, enabling savings to be made immediately post COVID-19 for the Annual Plan 2020/21 and also for this LTP. A significant review of capital expenditure was also undertaken, focussing on deliverability and affordability, but also taking into account the need to prevent further deterioration in our asset networks with resulting significantly higher future maintenance costs. We have had to limit the programme level and resultant borrowing in the first three years to preserve a prudent amount of debt headroom through the 2025/29 period, where the net debt ratio peaks, to ensure we retain appropriate borrowing capacity / financial resilience in case of another event.

For further high level funding information please read the Financial Strategy. The table below shows the total funding requirements for the Council for the ten years of the LTP. Key items or changes in the financial statements are mentioned below.

Operating expenditure

Significant items:

- A series of Councillor workshops held during 2020 identified cost savings for 2020/21 of \$25.6 million, which subsequently was reduced to \$18.7 million after considering submissions to the consultation document.
- Communities and Citizens expenditure increases through to 2023/24 due to the planned opening of the Metro Sports Facility, and the Hornby Library, Customer Services, South West Leisure Centre. The 2024/25 – 2026/27 years include the Canterbury Museum capital redevelopment grant of \$7.8 million annually (\$23.5 million total).

- Increased Christchurch NZ funding of \$5.5 million each year, making total base funding \$13.6 million per year. Previous Development Christchurch Limited funding of \$2 million each year has been redistributed to Christchurch NZ.
- Venues Ōtautahi Ltd (formally Vbase) annual capital grants for Christchurch Arena upgrade and renewals and Town Hall renewals - \$5.2 million (2021/22) and on average \$3 million p.a. thereafter.
- Arts Centre capital grant for restoration - \$3.9 million (2021/22) and \$0.8 million (2022/23 and 2023/24).
- Venues Ōtautahi Ltd operational grant - \$4.3 million from 2022 through to 2026, reducing to \$3.3 million annually thereafter.

- Increasing interest expense through to 2028/29 based on the new borrowing planned.

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets. However, we do not rate for depreciation, we rate for the renewal and replacement of existing assets. The target figure is based on the long run average from the 30 year renewal programme in the Infrastructure Strategy and while we are rating below that currently, the position progressively improves through the LTP period. In 2021/22 we will rate for \$150.6 million of renewals and this reaches \$321.5 million by 2030/31.

Revenue

Property based rates are the primary source of revenue. A brief explanation of each source of revenue is included in the Funding Impact Statement.

Significant items:

- Communities and Citizens fees and charges revenue increases through to 2023/24 with the opening of Metro Sports and the Hornby Library, Customer Services, South West Leisure Centre.
- CCHL dividends are \$104 million lower compared to the 2018 LTP between the years 2022–2028, due to the impact of COVID-19. CCHL dividends increase over the LTP period from \$16.1 million in 2022 to \$64.2 million in 2031.
- Interest revenues increase through the LTP period from \$18.3 million in 2021/22 to \$25.3 million in 2030/31 due to forecast increasing interest rates.

Rates

The average rates increase to existing ratepayers for 2021/22 is 4.97%. 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.

Surplus, operating deficits, and sustainability

This LTP shows accounting surpluses before revaluations in all years. Under accounting standards Council is required to show all revenue, including those that are capital related such as development contributions, NZ Transport Agency capital subsidies and some earthquake-related recoveries from central Government, as income for the year. After adjusting for these capital revenues and taking into account rating for renewals rather than depreciation, the Plan is based on a balanced funding budget, effectively ensuring operating costs are met from operating revenue across all years of the LTP.

(Note that the balanced budget benchmark shown in the Financial Prudence Benchmarks section is calculated on a slightly different basis and shows a small deficit in 2024/25. This is primarily due to Council's policy of rating for renewals rather than depreciation. The intention is to steadily increase the level of rating for renewals in line with the Financial Strategy.)

Capital programme expenditure

The capital programme has been developed to ensure that the programme is both financially sustainable and aligned with Council's ability to deliver.

We plan to invest \$634 million in the capital programme in 2021/22 of which \$90 million relates to carry forwards of projects previously budgeted in 2020/21 that are yet to be delivered. We plan to invest a total of \$5.8 billion over the 10 year LTP period which is \$1.4 billion higher than the previous LTP. While \$0.2 billion relates to the inclusion of the Crown's funding share of the Canterbury Multi-use Arena, the balance has a focus on infrastructure renewals.

Capital spend is higher in the first three years of the LTP due to the expenditure for the new Metro Sports Facility and the Canterbury Multi-use Arena.

Capital programme funding

The capital programme is funded by Crown recoveries, subsidies and grants for capital expenditure, development contributions, the proceeds of asset sales and debt. Included in the LTP are Crown revenues of \$286.9 million, comprised of Canterbury Multi Use Arena contributions of \$55.9 million in 2021/22 and \$141.8 million in 2022/23, Shovel Ready revenues (\$73 million spread from 2021/22 – 2024/25), and Water Reform revenues (\$16.1 million in 2021/22).

Borrowing

Short term COVID-19 borrowing (repaid over 5 years) in 2021/22 has reduced from \$21.15 million as indicated in the 2021 Annual Plan to \$7.25 million in this LTP. This is a result of identifying \$6.5 million of surplus property which is planned to be sold, and applying additional rates smoothing to reduce short term borrowing (\$7.4 million).

Total short term COVID-19 related borrowing is now forecast to be \$33.1 million rather than \$86.1 million as indicated when the 2021 Annual Plan was resolved. The reduction is due to the items above, together with additional dividend from CCHL (\$15.2 million), lower interest expense (\$3.1 million) in 2020/21 than planned, and an improved operational forecast result for 2020/21 (\$17.9m). The 2019/20 operational deficit was also \$2.8 million lower than originally forecast.

The LTP includes \$346.6 million of further borrowing in 2021/22. After rating for repayment of existing debt, new borrowing and borrowing for on-lending to Ōtautahi Community Housing Trust, there is a net debt change of \$317.3 million. \$90 million of this relates to previously budgeted capital works being carried forward.

Gross debt is forecast to increase by \$1.5 billion over the period of the LTP to \$3.6 billion.

Financial risk management strategy

The Council has five financial ratios which form a key part of its financial risk management strategy, four of which are also limits for Council's borrowing from the Local Government Funding Agency. These define the limits within which the Council must maintain its balance sheet and borrowing ratios. The Council anticipates staying well within these five financial ratio limits throughout the LTP period. In addition there are a further seven ratios required under the Local Government (Financial Reporting and Prudence) Regulations 2014 (two are Annual Report only ratios) which determine the financial prudence of Council's budgets. Two of these benchmarks have minor breaches. The balanced budget benchmark (100%) is not met in 2024/25 (99.3%). This unbalanced budget is considered financially prudent given it is for one year only. The debt servicing benchmark (under 10%) is not met between the 2026/27 – 2028/29 years (10.1% - 10.3%). There is no concern around Council's ability to service the debt. Forecast results against the benchmarks and key ratios are included within the Financial Prudence Benchmarks section of this document.

Plan 2020/21	Financial Overview		Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000										
	Funding Summary											
493,336	Operating expenditure	1	500,451	514,816	536,800	568,371	570,745	584,300	589,743	608,863	622,426	637,989
507,090	Capital programme	2	633,974	687,802	676,059	538,769	525,514	538,076	574,150	517,872	539,210	555,460
88,635	Interest expense	3	85,429	85,011	89,765	95,234	100,984	110,131	115,546	120,859	119,206	119,138
50,629	Debt repayment		54,249	65,783	86,709	99,631	95,616	104,951	111,190	119,359	125,784	132,282
-	Movements in reserves	6	1,657	1,038	3,037	-	2,918	3,058	1,947	3,531	2,919	3,010
1,139,690	Total expenditure		1,275,760	1,354,450	1,392,370	1,302,005	1,295,777	1,340,516	1,392,576	1,370,484	1,409,545	1,447,879
	<i>funded by :</i>											
127,999	Fees, charges and operational subsidies	4	144,733	150,271	158,093	162,716	167,437	171,546	175,804	180,526	185,010	189,707
47,567	Dividends and interest received		38,260	52,510	72,162	78,766	74,941	77,400	80,026	84,832	87,973	92,026
4,994	Asset sales	5	6,996	6,134	520	533	546	560	576	592	609	625
21,874	Development contributions		24,276	24,115	23,112	23,013	23,565	24,131	24,734	25,402	26,088	26,766
43,579	Capital contributions, grants and subsidies		120,167	197,948	56,289	37,185	37,383	41,858	41,047	29,061	30,478	31,503
142,618	Movements in reserves	6	-	-	-	6,667	-	-	-	-	-	-
1,569	Working Capital reduction		-	-	-	-	-	-	-	-	-	-
390,200	Total funding available		334,432	430,978	310,176	308,880	303,872	315,495	322,187	320,413	330,158	340,627
749,490	Balance required		941,328	923,472	1,082,194	993,125	991,905	1,025,021	1,070,389	1,050,071	1,079,387	1,107,252
192,265	Borrowing	7	346,586	292,385	411,981	281,762	236,279	225,565	235,765	175,086	177,435	170,114
557,225	Rates	8	594,742	631,087	670,213	711,363	755,626	799,456	834,624	874,985	901,952	937,138
550,831	Rates to be levied on 1 July		588,027	622,189	661,120	702,060	746,100	789,701	824,626	864,716	891,406	926,318
5.75%	Nominal rates increase on 1 July		6.75%	5.81%	6.26%	6.19%	6.27%	5.84%	4.42%	4.86%	3.09%	3.92%
3.80%	Percentage rate increase to existing ratepayers		4.97%	4.97%	5.42%	5.37%	5.45%	5.03%	3.62%	4.06%	2.31%	3.13%

Notes to Financial Overview

Plan 2020/21	Note 1 Operating Expenditure	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
142,907	Communities & Citizens	148,346	167,413	175,568	191,734	194,992	199,248	195,492	200,834	205,635	211,214
13,144	Economic Development	15,812	17,038	17,047	17,040	17,120	17,108	17,105	17,196	17,156	17,173
2,616	Flood Protection & Control Works	4,216	4,676	5,152	5,633	6,203	6,723	7,217	7,760	8,323	8,831
17,905	Governance	16,667	18,413	18,341	17,605	19,585	19,450	19,163	21,016	20,974	20,639
21,668	Housing	15,488	16,108	16,660	17,169	17,758	18,283	18,914	19,614	20,251	20,949
71,454	Parks, Heritage and Coastal Environment	74,019	75,688	79,444	80,463	83,922	87,970	89,919	92,317	94,670	98,537
41,697	Regulatory & Compliance	42,996	45,482	47,877	49,204	50,438	51,893	53,012	54,595	55,732	57,232
56,505	Solid Waste & Resource Recovery	57,608	60,015	62,726	63,723	65,818	67,376	69,511	71,200	72,372	74,388
42,957	Stormwater Drainage	43,458	45,307	46,975	48,895	51,019	53,563	56,161	58,988	61,461	64,219
23,262	Strategic Planning & Policy	28,557	25,561	26,312	35,958	26,296	27,016	27,688	28,424	29,101	29,817
145,963	Transport	148,910	155,699	163,607	173,365	181,758	191,299	200,032	212,177	217,572	222,805
113,995	Wastewater	119,267	121,622	125,999	131,762	135,784	140,810	147,560	154,399	159,664	164,455
75,475	Water Supply	78,295	81,813	85,837	90,301	94,014	96,356	100,926	105,163	109,595	109,822
82,959	Corporate	76,760	67,030	71,896	74,360	74,055	77,208	77,922	78,578	75,505	73,525
852,507	Total group of activity expenditure	870,399	901,865	943,441	997,212	1,018,762	1,054,303	1,080,622	1,122,261	1,148,011	1,173,606
270,536	Less depreciation (non cash)	284,519	302,038	316,876	333,607	347,033	359,872	375,333	392,539	406,379	416,479
88,635	Less interest expense shown separately	85,429	85,011	89,765	95,234	100,984	110,131	115,546	120,859	119,206	119,138
493,336	Operating expenditure	500,451	514,816	536,800	568,371	570,745	584,300	589,743	608,863	622,426	637,989
		\$000									
Plan 2020/21	Note 2 Capital Programme	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
111,945	Communities & Citizens	72,258	44,593	27,145	31,605	32,231	31,265	29,047	29,774	34,100	34,558
-	- Economic Development	-	-	-	-	-	-	-	-	-	-
24,376	Flood Protection & Control Works	43,887	38,987	30,941	45,312	50,755	43,809	42,836	46,334	44,662	48,484
-	- Governance	-	-	-	-	-	-	-	-	-	-
11,527	Housing	5,890	5,960	4,995	5,076	5,278	6,629	6,903	6,118	7,253	7,532
26,996	Parks, Heritage and Coastal Environment	31,326	50,910	62,009	63,903	63,471	63,993	95,083	66,821	72,519	74,598
3	Regulatory & Compliance	207	134	22	160	72	40	63	54	46	-
2,966	Solid Waste & Resource Recovery	20,027	10,997	3,783	2,137	3,254	4,618	4,787	3,042	2,740	3,068
21,861	Stormwater Drainage	20,972	23,503	27,218	29,615	27,141	26,712	29,869	30,364	29,961	31,461
904	Strategic Planning & Policy	900	921	943	966	990	1,017	1,044	1,073	1,104	1,134
102,330	Transport	135,995	144,137	138,232	145,336	143,084	140,394	158,306	131,628	153,384	157,274
55,755	Wastewater	56,753	69,111	72,483	84,011	93,448	103,714	90,846	81,824	72,537	73,171
35,462	Water Supply	64,843	68,919	85,335	81,393	82,243	87,723	89,520	91,874	90,984	94,425
112,965	Corporate	180,916	229,630	222,953	49,255	23,547	28,162	25,846	28,966	29,920	29,755
507,090	Total capital programme	633,974	687,802	676,059	538,769	525,514	538,076	574,150	517,872	539,210	555,460

Further detail on the capital projects included under each group of activities above can be found in the Capital Programme schedule of the LTP.

Plan 2020/21	Note 3 Interest Expense	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
56,389	General Borrowing	54,639	56,804	62,325	69,014	74,205	82,508	87,323	91,743	91,367	91,949
14,858	Equity investments	14,926	14,381	13,124	12,341	11,489	11,140	10,910	10,353	9,730	9,140
17,223	Advances to Council organisations	15,151	12,522	13,012	12,575	14,054	15,247	16,270	17,720	17,180	17,120
165	Advances to housing trust	713	1,304	1,304	1,304	1,236	1,236	1,043	1,043	929	929
88,635		85,429	85,011	89,765	95,234	100,984	110,131	115,546	120,859	119,206	119,138

General borrowing includes interest on the \$33.1 million of short term borrowing to cover the loss of revenues due to COVID-19. This is to be repaid over 5 years with the final repayment in 2026/27.

Plan 2020/21	Note 4 Fees, Charges and Operational Subsidies	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
17,684	Communities & Citizens	21,622	25,849	28,854	29,642	30,750	31,668	32,645	33,368	34,267	35,154
136	Economic Development	137	140	143	146	150	154	157	162	166	170
34	Flood Protection & Control Works	35	35	36	37	38	39	40	41	42	43
44	Governance	45	302	47	48	323	50	51	348	54	56
15,381	Housing	15,798	16,429	17,124	17,811	18,556	19,276	19,980	20,694	21,377	21,985
3,685	Parks, Heritage and Coastal Environment	4,264	4,358	4,427	4,507	4,616	4,726	4,843	4,975	5,109	5,241
33,309	Regulatory & Compliance	34,881	37,668	40,048	40,925	41,866	42,829	43,857	44,995	46,164	47,321
9,577	Solid Waste & Resource Recovery	10,885	12,276	11,848	12,653	12,826	13,003	13,191	13,400	13,614	13,826
17	Stormwater Drainage	115	220	224	230	235	241	247	253	260	267
888	Strategic Planning & Policy	707	722	738	755	773	791	811	833	855	878
36,500	Transport	38,151	38,175	39,539	40,632	41,789	43,069	44,080	45,299	46,624	47,973
5,504	Wastewater	7,680	6,718	6,866	7,023	7,192	7,365	7,549	7,753	7,962	8,169
656	Water Supply	1,825	684	699	715	732	749	769	789	811	831
5,318	Corporate	9,324	7,431	7,929	7,592	7,591	7,586	7,584	7,616	7,705	7,793
128,733	Total group of activity operating revenue	145,469	151,007	158,522	162,716	167,437	171,546	175,804	180,526	185,010	189,707
734	Less non cash revenue	736	736	429	-	-	-	-	-	-	-
127,999	Fees, charges and operational subsidies	144,733	150,271	158,093	162,716	167,437	171,546	175,804	180,526	185,010	189,707

Citizens & Communities revenue increases in 2022/23 due to a full years operation of Linwood Pool and the opening of the new Metro Sports and South West Leisure facilities.

Solid Waste & Resource Recovery includes a planned extension to the operation of the Burwood Resource Recovery Park for the 2021/22 and 2022/23 years.

Stormwater Drainage revenues reflect future changes in the Stormwater Bylaw for which the charging of fees will commence during 2021/22.

Wastewater revenues includes \$1.1 million of Water Reform Crown contributions in 2021/22.

Water Supply revenues includes \$1.2 million of Water Reform Crown contributions in 2021/22.

Corporate Revenues in 2021/22 includes \$1.9 million of Asset Management (internal service) Water Reform Crown contributions.

Plan 2020/21	Note 5 Asset Sales	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
4,509	Surplus property sales	6,500	5,626	-	-	-	-	-	-	-	-
485	Surplus roading land sales	496	508	520	533	546	560	576	592	609	625
4,994		6,996	6,134	520	533	546	560	576	592	609	625

Council has identified surplus property that is planned to be sold in 2021/22 and 2022/23. The sale proceeds will be used to reduce short term borrowing for COVID-19 related debt.

Plan 2020/21	Note 6 Movements in reserves	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
(3,472)	Interest credited to special funds and reserves	(3,209)	(3,362)	(3,518)	(3,632)	(3,542)	(3,679)	(3,782)	(4,027)	(4,390)	(4,465)
(88,917)	Deposits	(95,696)	(107,102)	(118,163)	(131,908)	(136,846)	(147,074)	(153,776)	(161,854)	(169,156)	(176,453)
235,007	Withdrawals	97,248	109,426	118,644	142,207	137,470	147,695	155,611	162,350	170,627	177,908
142,618		(1,657)	(1,038)	(3,037)	6,667	(2,918)	(3,058)	(1,947)	(3,531)	(2,919)	(3,010)

Movements by individual Reserve can be found in the Reserves and Trust Funds section of the LTP.

Plan 2020/21	Note 7 Borrowing	\$000	Plan									
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
507,090	Capital Programme		633,974	687,802	676,059	538,769	525,514	538,076	574,150	517,872	539,210	555,460
1,564	Capital grants		9,211	4,602	4,697	12,128	10,068	12,786	3,374	3,594	3,681	3,372
39,131	Operational costs		13,750	-	-	-	-	-	-	-	-	-
547,785	Total funding requirement		656,935	692,404	680,756	550,897	535,582	550,862	577,524	521,466	542,891	558,832
Funding sources												
4,994	Sale of assets		6,996	6,134	520	533	546	560	576	592	609	625
138,678	Rates (for renewals)		150,559	164,598	182,641	202,424	230,987	251,484	266,992	284,597	300,385	321,547
1,732	Rates (for landfill aftercare)		2,461	1,264	1,018	553	620	578	594	610	643	745
144,663	Reserve drawdowns		5,890	5,960	5,195	5,427	6,202	6,686	7,816	6,118	7,253	7,532
21,874	Development contributions		24,276	24,115	23,112	23,013	23,565	24,131	24,734	25,402	26,088	26,766
43,579	Capital contributions, grants and subsidies		120,167	197,948	56,289	37,185	37,383	41,858	41,047	29,061	30,478	31,503
355,520	Total funding available		310,349	400,019	268,775	269,135	299,303	325,297	341,759	346,380	365,456	388,718
192,265	Borrowing requirement		346,586	292,385	411,981	281,762	236,279	225,565	235,765	175,086	177,435	170,114
14,000	Borrowing for onlending		25,000	-	-	-	-	-	-	-	-	-
50,629	Less debt repayment		54,249	65,783	86,709	99,631	95,616	104,951	111,190	119,359	125,784	132,282
1,300	Less borrowing on behalf of subsidiaries repaid		-	4,000	2,200	2,000	2,000	2,700	6,662	7,000	6,823	2,000
-	Less borrowing on behalf of other organisations repaid		-	-	-	2,000	3,000	-	8,000	-	5,000	-
154,336	Net change in borrowing		317,337	222,602	323,072	178,131	135,663	117,914	109,913	48,727	39,828	35,832
2,038,727	Opening debt		2,049,091	2,366,428	2,589,030	2,912,102	3,090,233	3,225,896	3,343,810	3,453,723	3,502,450	3,542,278
2,193,063	Closing debt		2,366,428	2,589,030	2,912,102	3,090,233	3,225,896	3,343,810	3,453,723	3,502,450	3,542,278	3,578,110

The higher than normal increase in borrowing in 2023/24 relates to the Canterbury Multi Use Arena (\$183.3 million).

Plan 2020/21	Note 8 Rates	\$000	Plan									
			2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
550,831	Rates levied 1 July		588,027	622,189	661,120	702,060	746,100	789,701	824,626	864,716	891,406	926,318
3,894	Excess water charges		4,162	6,292	6,430	6,578	6,736	6,898	7,070	7,261	7,457	7,651
2,500	Penalties		2,553	2,606	2,663	2,725	2,790	2,857	2,928	3,008	3,089	3,169
557,225			594,742	631,087	670,213	711,363	755,626	799,456	834,624	874,985	901,952	937,138