

# Financial Overview

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The sections below outline significant changes contained in the 2025/26 Draft Annual Plan compared to what was forecast in the 2024-34 Long Term Plan (LTP). The tables below show the total funding requirements for the Council for 2025/26 and the variance from that detailed in the LTP. Overall, operating expenditure and interest costs are \$861.3 million; \$17.5 million higher than the LTP, while the capital programme at \$736.1 million is \$30.2 million higher than the LTP. Key changes to the financial statements are reflected and explained below.

## Operating expenditure

Significant changes to what was provided in the LTP for 2025/26 include:

- An increase in staff salaries & wages costs of \$8.0 million, due to pay equity, living wage and contract settlement adjustments, resulting in increased payroll costs.
- Additional inflation over than provided in the LTP (\$6.5 million).
- Additional water services maintenance costs identified, primarily as a result of contract rates increases greater than inflation provided for, and additional capital projects being completed, which will result in consequential operational costs to maintain (\$4.1 million).
- Higher Burwood Landfill operating costs (\$4.8 million), due to an extension of the consent, allowing operations to continue longer than planned in the LTP (offset by increased revenues).
- Reduction in staff cost capitalisation of \$3.7 million following a review of costs that can be capitalised, primarily relating to software development.
- Taumata Arowai (\$1.6 million) & Commerce Commission (\$0.5 million) levies, to be introduced to enable regulatory oversight of water services.
- Additional digital contract and software cost increases over and above inflation (\$1.1 million).
- Additional \$1.1 million of resourcing, internal staff and external commissioners, to enable local government plan changes.
- Additional service allowance costs (\$0.4 million) due to a change in terms for the staff salary & wages collective agreement and an increased number of staff on the collective agreement.
- Additional postage costs of \$0.4 million for the 2025/26 local government elections, due to price increases over and above inflation.
- Additional noise control contract costs of \$0.4 million for additional resources due to levels of service not being met with existing resourcing.
- Reduced interest costs of \$6.3 million due to lower interest rates and a lower opening debt position.
- Reduction in insurance premiums of \$9.2 million, following representations made directly to insurance brokers.

## 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. This Draft Annual Plan includes rating \$220.9 million for the renewal and replacement of existing assets. This is consistent with Council's Financial Strategy.

## Revenue

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

Significant changes for 2025/26 from the LTP include:

- Additional Burwood Landfill revenue of \$6.8 million.
- An additional \$6.0 million of subvention receipts planned.
- An additional \$1.6 million of regulatory compliance revenues, relating to resource

management consents (\$0.9 million), building consents & inspections (\$0.3 million) and Food Safety & Health (\$0.4 million).

- Reduced interest revenues, due to lower interest rates (\$3.5 million).

## Rates

The average rates increase to existing ratepayers for 2025/26 is 7.58%. Full details of rates, including the total rating requirement for general and targeted rates, and indicative rates for sample properties, are provided in the Funding Impact Statement – Rating Information.

## Surplus, operating deficits, and sustainability

The proposed Annual Plan for 2025/26 shows an accounting surplus of \$216.7 million before revaluations of \$690.7 million. 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 Crown recoveries, 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 cash operating costs are met from operating revenue.

\$14.0 million of the forecast operating surplus in the 2024/25 financial year, primarily as a result of savings in insurance, subvention receipts and debt servicing costs has been identified as being available to be carried forward. The Draft Annual Plan proposes applying this portion of the forecast operating surplus to reduce rates in the 2025/26 financial year.

## Capital programme expenditure

The capital programme has been reviewed with heavy focus on deliverability, to ensure ratepayers are not levied in advance of funds being required. Key factors taken into account when considering deliverability were:

- Supply chain issues
- Cost escalation
- Human resource availability (internal and external)

We plan to invest \$736.1 million in the capital programme in 2025/26, an increase of \$30.2 million from that shown in the LTP.

The additional capital programme expenditure proposed in 2025/26 compared to the LTP mainly relates to the following:

- Additional \$10.2 million of water supply mains renewals programme works.
- Re-timing \$6.0 million for the Akaroa wastewater treatment plant.
- Additional \$5.0 million for Addington Brook filtration devices.
- Re-timing \$3.4 million for the Highsted Styx Mill reserve wetland.
- Re-timing \$3.2 million for traffic signal renewals.
- Re-timing \$3.1 million for the Performing Art Precinct.
- Additional \$3.0 million for Ōtākaro Avon River Corridor Stopbank from Pages Road to Bridge Street.
- Re-timing \$2.6 million for the Eastman Sutherland and Hoon Hay Wetland.
- Re-timing \$2.5 million for the Te Aratai College cycle connection
- Re-timing \$2.4 million for the Ōtākaro-Avon River Corridor City to Sea Shared Use Pathway.
- Re-timing \$2.2 million of Christchurch Art Gallery renewals.
- Re-timing \$2.1 million for the South Library and Service Centre.

- Additional \$2.0 million for the Evans Pass Road and Reserve Terrace remedial works.
- Additional \$1.8 million for the Southshore wastewater discharge odour treatment.
- Re-timing \$1.8 million for the Spencer Park amenity block rebuild.
- Re-timing \$1.6 million for the Selwyn pump station, pressure main and sewer upgrades.
- Re-timing \$1.6 million for the Cunningham House heritage building renewal.
- Re-timing \$1.5 million for the One New Zealand Stadium at Te Kaha turf farm.
- Re-timing \$1.4 million for the Robert McDougall Gallery base isolation.

These increases are partially offset by:

- Re-timing \$16.2 million for the Christchurch wastewater treatment plant activated sludge plant.
- Re-timing \$8.8 million for the Christchurch wastewater treatment plant biogas storage upgrade.
- Re-timing \$9.5 million of Jellie Park renewals.
- Re-timing \$3.1 million for the One New Zealand Stadium at Te Kaha.

- Reduction in digital capitalisation \$2.0 million.

## Capital programme funding

The capital programme is funded by rates, Crown recoveries, subsidies and capital grants, development contributions, and the proceeds of asset sales and debt.

The 2025/26 capital programme funding has decreased by \$43.2 million from the LTP as a result of:

- Reduced Waka Kotahi capital subsidies (\$11.2 million) due to an overstatement in the LTP.
- Reduced Shovel Ready and MCR capital funding (\$32.0 million) due to an overstatement the LTP.

## Borrowing

The Draft Annual Plan includes proposed new borrowing of \$443.3 million. This is \$66.9 million higher than planned in the LTP largely due to a reduction in capital revenues. The additional servicing cost of the new borrowing is \$9.4 million in 2025/26, increasing to an annualised amount of \$21.8 million from 2026/27. Total net cost of debt servicing including repayments rated for of \$82.2 million is planned to be \$187.1

million in 2025/26, totalling 22.6% of the total planned rates to be levied.

Gross debt in 2025/26 increases to \$3.17 billion. This is \$48.5 million lower than planned in the LTP, largely due to receipt of the insurance settlement for the Christchurch Wastewater Treatment Plant.

## 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 in 2025/26.

In addition there are a further seven ratios required under the Local Government (Financial Reporting and Prudence ) Regulations 2014 (two are only reported annually within the Annual Report), which determine the financial prudence of Council's budgets. All of these, except the Balanced Budget and Debt Servicing Benchmarks are planned to be met in 2025/26.

The Balanced Budget Benchmark is forecast to not now be met in 2025/26 due to significantly lower capital revenues than were planned in the LTP. The underlying reason for the benchmark not being met is rates not fully funding asset renewals at this stage, in accordance with Council's financial strategy.

The Debt Servicing benchmark is forecast at 11.9% (limit 10%). There is no concern around the Council's ability to service the debt.

See further commentary on these benchmarks in the Financial Prudence Benchmarks section.



## Notes to Financial Overview

Long Term Plan 2024/25	Note 1 Operating Expenditure	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
		\$000		
191,349	Communities & Citizens	217,379	222,996	5,617
18,464	Economic Development	19,881	18,051	(1,830)
7,074	Flood Protection & Control Works	7,822	8,234	412
19,961	Governance	21,939	21,979	40
18,438	Housing	19,375	19,821	446
97,135	Parks, Heritage and Coastal Environment	101,284	108,269	6,985
73,475	Regulatory & Compliance	68,976	73,065	4,089
75,208	Solid Waste & Resource Recovery	73,479	78,918	5,439
66,377	Stormwater Drainage	70,335	69,366	(969)
20,117	Strategic Planning & Policy	22,270	22,583	313
190,837	Transport	203,524	211,101	7,577
166,929	Wastewater	176,984	175,137	(1,847)
105,307	Water Supply	111,582	112,392	810
110,339	Corporate	108,129	109,887	1,758
<b>1,161,010</b>	<b>Total group of activity expenditure</b>	<b>1,222,959</b>	<b>1,251,799</b>	<b>28,840</b>
350,484	Less depreciation (non cash)	379,163	390,518	11,355
144,094	Less interest expense shown separately	149,087	142,804	(6,283)
<b>666,432</b>	<b>Operating expenditure</b>	<b>694,709</b>	<b>718,477</b>	<b>23,768</b>

Communities & Citizens expenditure increase is due to event funding (\$2.1 million) being transferred from Economic Development, and staffing cost increases.

Economic Development – see above.

Parks increase is driven by higher depreciation (\$6.4 million) following a revaluation in June 2024.

Regulatory & Compliance increase is due to additional resourcing required in Building and Resource Consents and Planning.

Solid Waste & Resource Recovery includes expenditure for continued Burwood Landfill operations (\$4.8 million).

Stormwater Drainage includes lower depreciation of \$1.0 million.

Transport increase is mainly due to higher depreciation (\$6.1 million) and increased overheads allocated.

Wastewater reduction includes depreciation (\$1.3 million).

Water Supply expenditure increase includes higher maintenance costs and Crown levies, partly offset by lower depreciation (\$2.1 million).

Corporate expenditure is higher due to increased depreciation.

Long Term Plan 2024/25	Note 2 Capital Programme	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP	Expenditure Category		
					Renewals & Replacements	Improved LOS	Increased Demand
		\$000					
30,252	Communities & Citizens	54,139	50,900	(3,239)	48,337	1,875	688
-	Economic Development	-	-	-	-	-	-
33,492	Flood Protection & Control Works	38,396	49,173	10,777	997	25,633	22,543
-	Governance	-	-	-	-	-	-
5,182	Housing	5,238	5,238	-	5,238	-	-
78,336	Parks, Heritage and Coastal Environment	79,991	87,022	7,031	40,888	36,453	9,681
107	Regulatory & Compliance	91	94	3	91	3	-
9,625	Solid Waste & Resource Recovery	10,072	12,100	2,028	5,223	6,877	-
33,762	Stormwater Drainage	31,375	34,847	3,472	30,522	2,892	1,433
545	Strategic Planning & Policy	486	1,553	1,067	-	1,553	-
151,130	Transport	156,624	167,747	11,123	77,844	82,331	7,572
74,487	Wastewater	127,170	113,927	(13,243)	69,520	35,445	8,962
75,021	Water Supply	70,328	81,120	10,792	57,923	17,717	5,480
249,664	Corporate	131,898	132,333	435	16,860	115,473	-
<b>741,603</b>	<b>Total capital programme</b>	<b>705,808</b>	<b>736,054</b>	<b>30,246</b>	<b>353,443</b>	<b>326,252</b>	<b>56,359</b>

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

Long Term Plan 2024/25	Note 3 Interest Expense	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
		\$000		
83,930	General Borrowing	97,943	95,214	(2,729)
17,351	Equity investments	15,592	15,364	(228)
41,378	Advances to Council organisations	33,805	30,531	(3,274)
1,435	Advances to housing trust	1,747	1,694	(53)
<b>144,094</b>		<b>149,087</b>	<b>142,803</b>	<b>(6,284)</b>
68,519	Debt Repayment	83,860	82,189	(1,671)
	<b>Interest Received</b>			
42,207	Subsidiaries	34,661	31,387	(3,274)
-	Loan repayment investments	-	-	-
1,435	Special and other fund investments	1,152	1,307	155
4,872	Short term investments	3,690	3,385	(305)
1,532	Housing trust	1,856	1,803	(53)
<b>50,046</b>		<b>41,359</b>	<b>37,882</b>	<b>(3,477)</b>
<b>162,567</b>	<b>Net Cost of Debt Servicing + Debt Repayment</b>	<b>191,588</b>	<b>187,110</b>	<b>(4,478)</b>
21.4%	Percentage of rates levied	23.0%	22.6%	(0.4%)

General borrowing costs are lower due to lower interest rates, partly offset by higher borrowing.

Interest expense and revenues relating to advances to Council organisations is lower due to lower interest rates.

Debt repayment is lower due to lower 2024/25 borrowing due to the Christchurch Wasterwater Treatment Plant insurance receipt.



<b>Long Term Plan 2024/25</b>	<b>Note 5 Asset Sales</b>	<b>Long Term Plan 2025/26</b>	<b>Annual Plan 2025/26</b>	<b>Variance To LTP</b>
		<b>\$000</b>		
8,650	Surplus property sales	3,257	3,260	3
550	Surplus roading land sales	568	569	1
<b>9,200</b>		<b>3,825</b>	<b>3,829</b>	<b>4</b>

Council has identified surplus property that is planned to be sold in 2025/26.

<b>Long Term Plan 2024/25</b>	<b>Note 6 Movements in reserves</b>	<b>Long Term Plan 2025/26</b>	<b>Annual Plan 2025/26</b>	<b>Variance To LTP</b>
		<b>\$000</b>		
(5,435)	Interest credited to special funds and reserves	(5,314)	(5,468)	(154)
(114,494)	Deposits	(126,303)	(123,967)	2,336
121,272	Withdrawals	129,437	128,306	(1,131)
<b>1,343</b>		<b>(2,180)</b>	<b>(1,129)</b>	<b>1,051</b>

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

Long Term Plan 2024/25	Note 7 Borrowing	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
		\$000		
741,603	Capital Programme	705,808	736,054	30,246
19,235	Capital grants	13,039	13,085	46
330	Operational costs	321	270	(51)
<b>761,168</b>	<b>Total funding requirement</b>	<b>719,168</b>	<b>749,409</b>	<b>30,241</b>
	<b>Funding sources</b>			
9,200	Sale of assets	3,825	3,829	4
207,642	Rates (for renewals)	215,737	220,933	5,196
1,133	Rates (for landfill aftercare)	1,823	3,017	1,194
5,182	Reserve drawdowns	5,238	5,237	(1)
23,440	Development contributions	24,120	24,237	117
85,993	Capital contributions, grants and subsidies	91,988	48,835	(43,153)
<b>332,590</b>	<b>Total funding available</b>	<b>342,731</b>	<b>306,088</b>	<b>(36,643)</b>
<b>428,578</b>	<b>Borrowing requirement</b>	<b>376,437</b>	<b>443,321</b>	<b>66,884</b>
-	Borrowing for on-lending	-	-	-
68,519	Less debt repayment	83,860	82,189	(1,671)
13,000	Less borrowing on behalf of subsidiaries repaid	13,000	13,000	-
<b>347,059</b>	<b>Net change in borrowing</b>	<b>279,577</b>	<b>348,132</b>	<b>68,555</b>
2,592,677	Opening debt	2,939,736	2,822,646	(117,090)
<b>2,939,736</b>	<b>Closing debt</b>	<b>3,219,313</b>	<b>3,170,778</b>	<b>(48,535)</b>

Long Term Plan 2024/25	Note 8 Rates	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
		\$000		
760,845	Rates levied 1 July	833,617	827,572	(6,045)
5,234	Excess water charges	5,386	5,449	63
5,300	Penalties	5,300	5,517	217
<b>771,379</b>		<b>844,303</b>	<b>838,538</b>	<b>(5,765)</b>