

The Funding of Operating Expenditure and Rates

The Revenue and Financing Policy determines the funding allocation for the Council. The policy is included in the LTCCP. This Funding Impact Statement reflects this policy.

Changes in revenue mechanisms from last year

The significant change this year is the impact of the revaluation of the rating base. The new capital values apply from 1 July 2005. This will affect the distribution of rates between sectors in addition to the change of rates for any property. The Council has decided to retain the rate allocation principles of the Revenue and Financing Policy as they are still relevant. It has decided against any attempt to negate the impact of the revaluation.

There has been no significant change to fee setting or other revenue sources.

Revenue and Financing Mechanisms

The revenue and financing mechanisms were developed from an analysis of the Council activities and funding requirements under the Revenue and Financing Policy. The process and analysis includes:

- For operational expenditure:
 - the nature of the services supplied by each activity,
 - the period over which the services are supplied,
 - the gross cost and the allocation of this cost to the users of services and ratepayers,
 - the direct benefits of services and any charges made for these,
 - the allocation of the shortfall of user charges to ratepayers,
 - the allocation of costs to ratepayers by differential sectors.
- For capital expenditure:
 - the gross cost,
 - timing of the budget provision,
 - funding sources including loans.

The capital expenditure financing is detailed in the Financial Summary.

The Council has budgeted to receive revenue from a number of sources and these are detailed (net of GST) in the table which follows.

	2005/06 Plan \$m	2005/06 LTCCP \$m
Budgeted operating expenditure (Note 1)	316.23	323.38
General revenue made up of:		
Dividends	30.11	29.50
Interest	18.82	16.29
Fees and charges	73.53	86.35
Financial Contributions	7.53	5.52
Grants and subsidies	23.14	21.01
Total General Revenue	153.13	158.67
Rates:		
General rates	110.96	110.58
Uniform Annual General Charge	15.81	15.43
Targeted rates	47.44	46.70
Total Rates set	174.21	172.72
Rates penalties	1.20	1.20
Total Rates	175.41	173.92
Budgeted operating surplus	12.31	9.21

Note 1 – The operation of the refuse stations have been assigned to the Recovered Materials Foundation. The costs and revenues are consequently reduced by \$15.2m and \$15.5m respectively.

funding impact statement

Financing capital expenditure:

	2005/06 Plan \$m	2005/06 LTCCP \$m
Capital expenditure financing:		
Depreciation and surplus funds used	72.23	68.15
Capital repayments / sales of assets	4.41	5.81
Reserves used - Debt Repayment Reserve	78.90	47.57
Reserves used - Other Reserves	10.51	7.16
External funding for capital expenditure	0.55	0.55
Borrowing	1.60	0.45
Total Capital Financing	168.20	129.70

Note - Carry forwards of unspent capital expenditure is now disclosed in the Annual Plan 2005/06. Funding is from reserve funds.

Rate Setting and Rating Policies

The Council has set rates in accordance with this Annual Plan for the financial year 2005/06 which total \$174.208 million.

The Council has resolved on a range of rating policies, as detailed in the LTCCP statement. These are generally a continuation of those used last year.

The Valuation System used for Rating

The valuation system used for rating is the Capital Value system.

The value of each rating unit has been revised as at 1 August 2004. These revised values are used for rating from 1 July 2005. As a consequence there are shifts in the incidence

of rates (excluding the impact of rates requirement changes for 2005/06) as follows:

- Residential sector increases by 3.13%
- Business Sector decreases by 7.17%
- Rural sector increases by 2.44%
- Non rateable sector decreases by 40.94%

Council has not changed its rating policies this year to mitigate the impact of revaluation.

Inspection of Rates Information for each Rating Unit

The Capital Values, the District Valuation Roll, the Rate Information Database information, and the estimated liability for rates for 2005/06 for each rating unit is available for inspection on the Council's Internet site (www.ccc.govt.nz) under the heading 'Ratesinfo' or by enquiry at any Council Service Centre.

Differential System used

Differential rating has been used for general rates only. Each rating unit is assigned to a category, based on land use and City Plan zoning, and the sum of all categories is the basis of allocation of rates.

The differential categories used are:

- Sector A – Business
- Sector B – Residential and other
- Sector C – Rural

The full text of the differential categories is detailed on page 110 of Volume 3 of the 2004/14 Long Term Council Community Plan.

The categories used for differentiation are land use and zoning as allowed under Schedule 2, Clauses 1, 2 and 3 of the Local Government (Rating) Act 2002.

The objective of the differential policy is to implement the Revenue and Financing Policy, and in particular:

- Allow for a higher rate requirement on the Business sector from the City Streets 'Vehicle Ways' activity than that applied to the Residential and other, and the Rural sectors. The Vehicle Ways activity is the only activity identified in the LTCCP as appropriate for specific differential treatment.
- A reduced general rate applied by capital values for the 'Rural' sector to reflect generally the remote location from services and the assumed lower consumption of services for each rating unit. The reduced rates are 75% of the General Rate decimal applicable to the Residential and other sector.

In line with last year, Council has set GST inclusive rates of:

- General Rates - cents in the dollar Capital Value:
 - Sector A – Business – 0.372429
 - Sector B - Residential and other – 0.253837
 - Sector C – Rural – 0.190377
- A Uniform Annual General Charge of \$115 is assessed on each rating unit or separately occupied part thereof.
- Targeted Rates - cents in the dollar of Capital Value:
 - Water targeted rate – 0.035530 (half for non connected)
 - Sewerage targeted rate – 0.051415
 - Land Drainage targeted rate – 0.030378

There are no differentials for targeted rates in that for each rate a common rate in the dollar of Capital Value applies to all rating units inside the serviced area.

- Targeted rates for water supply services of:
 - Water Supply Fire Connection – The targeted rate has been set on a uniform basis to the rating units serviced, at \$100 per fire service connection
 - Targeted rates for water consumed, measured by meter, and supplied to other than private residential consumers

These two water targeted rates fund part of the water supply activity costs.

A full definition of the rates is on page 108 of Volume 3 of the 2004/14 Long Term Council Community Plan.

The following rates (GST incl) have been set for 2005/06:

	2005/06 Plan \$m	2005/06 LTCCP \$m
General Rates		
Residential	89,291,871	85,539,987
Business	33,281,934	36,733,877
Rural	2,258,424	2,133,770
Total General Rates by Capital Value	124,832,229	124,407,634
Uniform Annual General Charge		
	\$115	\$115
Residential	15,786,625	15,453,585
Business	1,806,420	1,698,895
Rural	193,315	211,370
Total Uniform Annual General Charge	17,786,360	17,363,850

funding impact statement

	2005/06 Plan \$m	2005/06 LTCCP \$m
Targeted Rates		
Water	15,955,292	15,306,622
Water - Half for non connected	267,321	-
Sewerage	23,636,082	24,517,848
Land Drainage	13,437,277	12,644,168
Water Fire connection Targeted Rate	70,300	70,300
Total Targeted Rates	53,366,272	52,538,938
Rates for Revenue Policy	195,984,861	194,310,422
Excess Water Supply Targeted rate	2,081,250	1,927,125
Total Rates	198,066,111	196,237,547
Rates Sector Total		
Residential	147,004,536	140,633,340
Business	44,668,587	48,485,921
Rural	2,868,049	2,749,188
Non-rateable	1,443,689	2,441,973
Total Rates	195,984,861	194,310,422

Rates Payable (GST incl) – 2005/06 on the new Capital Values

Residential Capital Values	Residential \$	Business \$	Rural (Excl Targeted Rates) \$
80,000	412		
100,000	486	605	305
200,000	857	1,095	496
300,000	1,228	1,584	686
400,000	1,600	2,074	877
500,000	1,971	2,564	1,067
600,000	2,342	3,054	1,257

Notes:

- (1) Residential and Business rates are those on fully serviced properties, and include a single uniform annual charge of \$115 per property
- (2) Rural properties are assumed to not pay Water, Sewerage or Land Drainage Targeted rates. They include a uniform annual charge of \$115 per property
- (3) Rates include GST but do not include the Canterbury Regional Council Rates.
- (4) Some properties may also be liable for the Targeted Water Supply Fire Connection rate of \$100 per connection per property.
- (5) The City Council is the rate collecting agent for Environment Canterbury (the Canterbury Regional Council). Their rates are in addition to those above. Combined assessments and invoices will continue to be issued by the City Council.
- (6) The revaluation in capital values means that the planned rates per property cannot be directly compared to the previous year's rates. To compare to previous rates, a ratepayer should use the figures on the chart above compared to the City Council rates on their 2004/05 rate assessment.