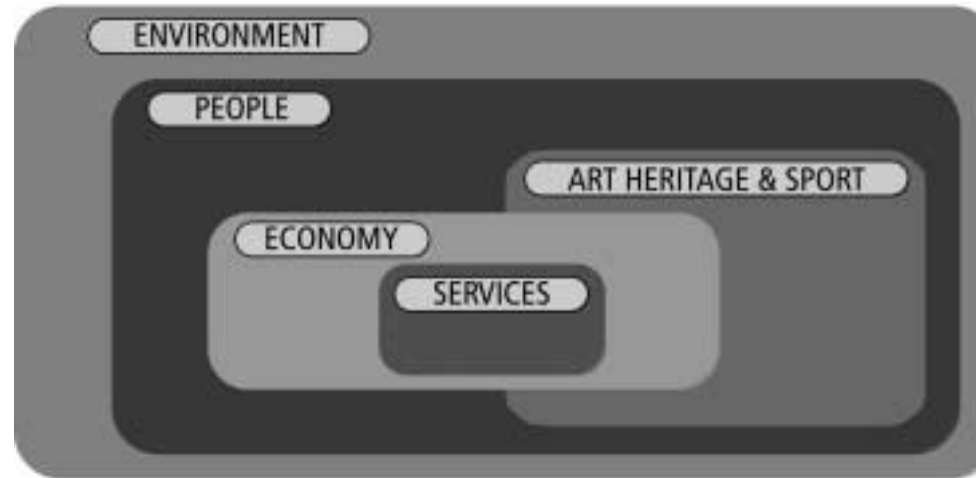


1.1.0

*INTRODUCTORY  
INFORMATION*

## Vision for Christchurch



Christchurch is a place for people at one with each other and the environment, becoming one of the world's leading sustainable cities, socially, environmentally and economically. We recognise the need to preserve our natural ecosystems or ENVIRONMENT, on which all life depends, including PEOPLE. People in turn see the ECONOMY, SERVICES, and ART, HERITAGE & SPORT as important aspects of community life.

### A vision for Christchurch as we want it to be

1. Christchurch people enjoy belonging to their local community, to their city and to Canterbury.
2. All people - of whatever background - feel welcome here.
3. The unique position of the tangata whenua is acknowledged and respected.
4. Children are nurtured, young people are encouraged and the elderly are respected.
5. Neighbours help each other and join together to achieve shared aims.
6. People are free from the threat of crime or injury.
7. Unique characteristics - including heritage buildings and natural features - are preserved.
8. Everyone has access to good housing, health care and education and to sufficient resources for their well-being.
9. Everyone has opportunities for fun, sport, recreation, art and culture.
10. Convenient and efficient transport is available for individuals and for business.
11. Christchurch has a thriving economy and full employment.
12. The beauties of our garden city - its trees, flowers and open spaces - are enhanced.
13. The quality of air, water and soils, of hills, plains, streams and open spaces is improved.

**Vision for Christchurch (continued)**

**Indicators**

- Satisfaction with Christchurch as a place to live, work and spend time (Residents' Survey).
- Participation by people of all cultures in Council decision making bodies and processes.
- Consultation with tangata whenua in Council decision making processes.
- Participation in community based activity (Residents Survey).
- Crime rates (NZ Police).
- Casualty rates (Road Survey Report).
- Heritage buildings, places and objects listed in City Plan.
- Number of sites in city that have natural value.
- Multiple Hardship Index.
- Household expenditure on housing, health care, and education.
- Sport and spare-time activities (Residents Survey).
- Satisfaction with transport networks (City Streets Survey).
- Labour force participation rates.
- Regional Economic Activity (National Bank).
- Satisfaction with building, alterations, extensions or developments (Residents Survey).
- Total hectares of parks per head of population (Parks Database).
- Number of high smog days (Environment Canterbury).
- Quality of water from aquifers and in rivers, streams and coastlines.

### **MISSION STATEMENT OF THE CHRISTCHURCH CITY COUNCIL**

Providing leadership to achieve the vision for Christchurch through effective local governance and the delivery of high quality services.

In achieving the mission the Council will:

- be responsive to local needs;
- give strong expression to local identity;
- be democratic, effective and efficient;
- be highly accountable for its actions;
- advocate in the interests of the whole community;
- add value to the city's economy;
- enhance the quality of the city's environment;
- use sustainable management principles;
- be efficient in its delivery of high quality services;
- work constructively towards common goals held with central government and the regional unit of local government;
- be both a good corporate citizen and a good employer.

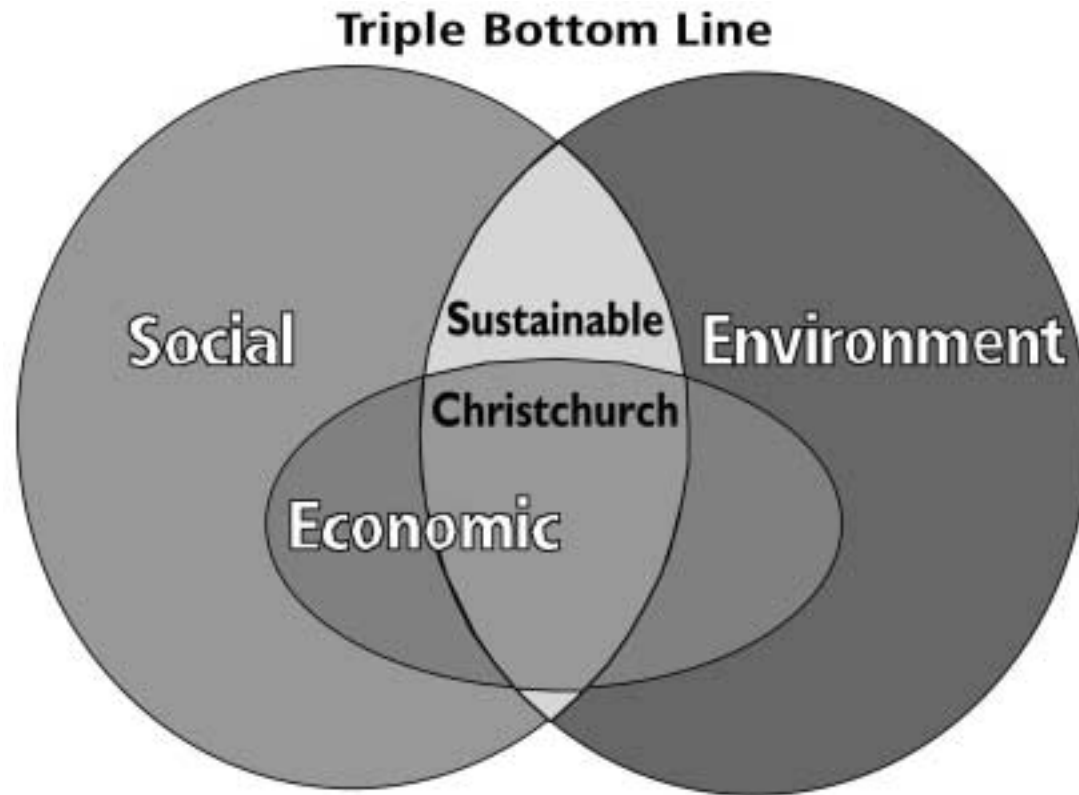
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### **TE PŪRONGO TIKANGA Ā TE KAUNIHERA O ŌTAUTAHĪ**

Mā te hāngai tonu o ngā ture ā-rohe me te tuku i te ratonga hiranga e whakakaha ake i te toiora o ngā tāngata katoa me te taone nui o Ōtautahi.

Te tutukitanga pai o ngā tikanga o te Kaunihera ka:

- tahuri mai ki ngā hiahia o te iwi kāinga
- tautoko kaha i te tuakiri o te iwi kāinga
- whakahaere ngātahi ai te manapori, te whakatutuki, te whakahaere i ngā kaupapa
- whakatau tika i āna mahi katoa
- kaiwawao i ngā kaupapa hei painga mo te iwi kāinga
- whai hua ake ki te ao ohanga o te taone nui
- whakakaha ake i te pai o te taiao o te taone nui
- whakahaere i ngā kaupapa mahi hāpai kia pūmau ai
- whakahaere tika ai i āna ratonga katoa
- mahi ngātahi ai ki te whakatutuki i ngā whāinga e whāia nei e te Kāwanatanga me te Wāhanga ā rohe o te Kaunihera ā rohe
- tū hei rangatira tōpū, hei kaituku mahi



### **The Triple Bottom Line**

When making decisions and planning the Christchurch City Council will take into consideration the social impact, the environmental impact and the economic benefits. This process is referred to in planning as the triple bottom line and will assist us in creating a sustainable city for the future. The aim is to have as many activities as practical providing social, environmental and economic benefits all at the same time. The council will be publishing its 2003 annual report on a triple bottom line basis rather than just presenting the financial bottom line. This means that the next Financial Plan and Programme, for 2002/03, will highlight the social, environmental and economic impacts and benefits of all Council activities.

## Strategic Goals in the Triple Bottom Line



This is an action diagram.

The three circles, A. SOCIAL, B. ENVIRONMENTAL and C. ECONOMIC are like telescope sights showing three areas on which to focus. To make our city more sustainable is important. The closer the circles, the closer we are to our vision of a Sustainable Christchurch.

The arrows show actions the Council is taking to move the circles closer.

D. DEMOCRATIC GOVERNANCE, E. URBAN DESIGN (eg essential infrastructure) FOR SOCIAL AND ENVIRONMENTAL benefits, F. FINANCIAL STEWARDSHIP, G. TREATY OF WAITANGI and CULTURAL DIVERSITY actions.

## **STRATEGIC GOALS**

The following goals have been identified as being vital to the community and the Council:

### **Outcomes**

#### **A. Community Cohesion and Well-being**

Provide or facilitate the delivery of services and opportunities in order to enhance the safety, health and well-being of Christchurch people.

#### **B. Economic Development**

Foster opportunities for sustainable economic development in order to generate employment and income and enhance the quality of life of all residents.

#### **C. Environmental Sustainability**

Conserve and where practicable restore the natural environment and develop the built environment to enhance the distinct character of Christchurch and maximise the quality of life for current and future generations.

### **Processes**

which we will or have put in place to help deliver the outcomes

#### **D. Democratic Governance**

Provide high quality consultative leadership and advocacy to ensure that Christchurch residents achieve their desired outcomes.

#### **E. Essential Infrastructure**

Maintain and improve the physical and service infrastructure of the city in order to generate wealth, promote health and safety, reduce hazards and facilitate social opportunities.

#### **F. Financial Stewardship**

Maintain an asset and investment base and ensure that appropriate levels of income match commitments to expenditure in order to support long term goals.

#### **G. Treaty of Waitangi and Cultural Diversity**

Respect the unique position of tangata whenua and value the contribution of all peoples in Christchurch.

## **STRATEGIC OBJECTIVES**

### **A COMMUNITY COHESION AND WELL-BEING**

The City Council will enhance community cohesion and well-being through:

A1 Maximising opportunities for residents to participate in learning and leisure activities by

- providing access to books and other information through the city's public libraries
- supporting and providing visual and performing arts
- facilitating education and learning opportunities especially pre-schools and pre-employment activities
- advocating for quality provision of education and training at all levels.

A2 Strengthening communities by

- funding and supporting community initiatives, festivals and community organisations
- initiating and supporting community development projects
- facilitating collaboration between public, private and community agencies
- advocating for an equitable share of national resources
- advocating for provision of social and income support that is adequate to meet residents needs and allow them to participate in the life of the community
- working with community groups, government agencies and other funding bodies to address key areas of social need.

A3 Contributing to safe and healthy lifestyles by

- promoting and protecting health standards
- providing parks, festivals and recreation and leisure services
- supporting self help initiatives
- advocating for quality health and disability services
- supporting crime reduction and public safety initiatives
- providing affordable housing for those on low incomes.

A4 Celebrating, protecting and increasing understanding of cultural diversity by

- supporting a range of arts, festivals and events
- facilitating the cultural expression of ethnic and cultural groups
- recognising the unique role of tangata whenua.

A5 Ensuring that the needs and aspirations of children, youth, elderly and people with disabilities are taken into account in all Council activities.



## **B ECONOMIC DEVELOPMENT**

The City Council, recognising that economic growth is not an end in itself but a means to achieve social goals, will:

B1 Foster broad-based sustainable economic development that generates real employment, income and social opportunities for all residents

B2 Create an environment that encourages enterprise, innovation and development of new ideas and technologies and minimises barriers to economic development

B3 Create an environment in which businesses flourish

B4 Support the contribution the public, private and voluntary sectors make to the local economy and promote co-operation within and between these sectors.

## **C ENVIRONMENTAL SUSTAINABILITY**

The City Council will contribute to Christchurch's environmental sustainability through:

C1 Managing our impact on the environment in order to

- enhance air quality in the city
- protect artesian water resources
- maintain water quality in streams and rivers
- maintain production potential of fertile soils
- minimise erosion.

C2 Ensuring that the development and redevelopment of the built environment

- enhances the unique qualities of the city particularly the physical characteristics such as the parks, gardens, riverbank and buildings
- provides for accessible working and leisure activities and facilities
- offers a range of desirable residential choices
- stimulates economic activity
- increases the central city's role as the heart of the city
- enhances health and safety.

C3 Protecting significant natural features of the physical environment (such as the Port Hills and the estuary), open spaces and landscape elements, native habitat and ecosystems, significant buildings and sites and other taonga.

C4 Promoting efficient use of physical resources, an increase in recycling and material recover, and a reduction of waste.

C5 Minimising the risks from earthquake, flood, fire and other natural hazards.

## **D DEMOCRATIC GOVERNANCE**

The City Council will facilitate democratic governance for the residents of Christchurch by:

- D1 Creating and maintaining mechanisms for citizens' participation in decision-making and policy development.
- D2 Protecting the rights of all citizens.
- D3 Developing cross-sector networks at local, regional, national and international level which will deliver positive outcomes for the people of Christchurch.
- D4 Providing leadership and advocacy in partnership with public, private and voluntary agencies which ensure the city's interests are reflected in regional and national decisions.
- D5 Developing a fair, cost-effective regulatory framework which protects health and safety, maintains environmental standards, and promotes business and social opportunities.

## **E ESSENTIAL INFRASTRUCTURE**

The Council will improve and sustain essential infrastructure services which will:

- E1 Ensure high quality utilities (water supply, sewerage, and waste and stormwater management) meet the reasonable service demands of residents at efficient prices.
- E2 Develop a network of roads, cycleways, footways and passenger transport to provide both for personal mobility and the needs of commerce and industry.
- E3 Design projects to enhance environmental and social sustainability and otherwise avoid or mitigate, where possible, adverse effects of both natural and technological hazards on people, property and environment.
- E4 Where possible recognise and report on social, environmental and economic impacts and benefits.

## **F FINANCIAL STEWARDSHIP**

The Council will practise good financial stewardship by:

- F1 Applying financial policies which maintain or enhance the value of the Council's asset base.
- F2 Ensuring that financial assets, liabilities and cash flows are sustainable in the long term.
- F3 Operating under accounting procedures which
  - are consistent with generally accepted accounting practice
  - comply in all respects with external financial reporting requirements
  - enable the true costs of goods and services produced to be determined.
- F4 Maintaining a controlling interest in those trading activities where it is critical that they are managed in a way that has regard, not only to commercial requirements, but also to wider social and economic objectives.

- F5 Operating a funding and charging system which ensures that Council services are accessible to all residents.
- F6 Assess whether programmes and activities are achieving the desired outcomes in the most effective, efficient and financially prudent manner.
- F7 Continuing to improve efficiency in the delivery of Council activities and programmes and measuring the value created through efficiency gains.

**G TREATY OF WAITANGI AND CULTURAL DIVERSITY**

The Council will recognise the Treaty of Waitangi and value cultural diversity through

- G1 Protecting the rights of tangata whenua under the Treaty of Waitangi.
- G2 Maintaining mutually acceptable consultation procedures with the tangata whenua.
- G3 Considering and protecting the aspirations of all people in all the planning and delivery of all Council activity.

### 1.1.11

## CHRISTCHURCH CITY COUNCIL

### MAYOR

Garry Moore CA

### DEPUTY MAYOR

Councillor Lesley Keast QSM JP

### COUNCILLORS

Carole Anderton  
Paddy Austin MA (Hons) PhD  
Erin Baker MBE  
Robin Booth  
Sally Buck MEd  
David Buist

David Close QSO MA (NZ) MA (Essex)  
Graham Condon QSM JP  
Barry Corbett  
Anna Crighton JP MA (Hons)  
Carole Evans QSO JP  
Ishwar Ganda

Pat Harrow Dip Hort  
Ian Howell OBE FNZIM  
Alister James LLB  
Charles Manning MA (S'ton)  
Denis O'Rourke LLB  
Gail Sheriff

Barbara Stewart  
Ingrid Stonhill  
Sally Thompson QSM  
Sue Wells BA  
Ron Wright JP MPMI

### MEMBERSHIP OF COMMUNITY BOARDS

#### Burwood-Pegasus

Chrissie Williams (Chair)  
Glenda Burt  
Carole Evans (Cr)  
Alister James (Cr)  
Caroline Kellaway JP

Andy Lea  
Anne McCormack  
Don Rowlands  
Gail Sheriff (Cr)

Bob Todd OBE JP (Chair)  
Erin Baker (Cr)  
John Freeman JP MA  
Derek McCullough

#### Hagley-Ferrymead

Charles Manning (Cr)  
Aaron O'Brien BA  
Dennis O'Rourke (Cr)  
Linda Rutland

Oscar Alpers LLB Notary Public (Chair)  
Carole Anderton (Cr)  
Lynda Carter  
Phil Clearwater MA(Hons)  
Barry Corbett (Cr)

#### Spreydon-Heathcote

Sonia Gill BA ATCL AREINZ  
Ian Howell (Cr)  
Elizabeth Maunsell  
Sue Wells (Cr)

#### Fendalton-Waimairi

Keith Nuttall JP (Chair)  
Diana Bradley  
Sally Buck (Cr)  
Val Carter  
Pat Harrow (Cr)  
Elected members as at 12 July 2001

Yiyi Ku MMus(Dist)  
Barbara Stewart (Cr)  
Mike Wall  
Ron Wright (Cr)

Yvonne Palmer QSM JP (Chair)  
Myra Barry QSO  
Robin Booth (Cr)  
Anne Carroll  
Graham Condon (Cr)

#### Shirley-Papanui

Dennis Hills JP BSc FNZIC FIM  
FAPRI CContEd MRSNZ  
Ingrid Stonhill (Cr)  
Sally Thompson (Cr)  
Steve Wright

Mike Mora (Chair)  
Paddy Austin (Cr)  
Neville Bennett BSc(Hons) PhD  
Helen Broughton MA DipEd (GC)  
David Buist (Cr)

#### Riccarton-Wigram

Mary Corbett JP TCC  
Ishwar Ganda (Cr)  
Bob Shearing  
Alison Wilkie

### SENIOR MANAGEMENT

Mike Richardson MA(Econ) MA(Town&Reg Planning) MRTPI FRS FNZIM  
City Manager

Simon Markham BA BTP  
Director of Information

Ian Hay CA ACIS ANZIM  
Director of Business Projects and Relationships

Ken Lawn BA DipTP MNZPI  
Director of Operations

Bob Lineham BCom FCA AFNZIM MILAM  
Director of Finance

Jonathan Fletcher BE(Hons) ME(EnvEng) MPP MIPENZ MNZAE  
Director of Policy

Dorothea Brown NZLA Cert FNZLA AFNZIM  
Director of Human Resources

**CHRISTCHURCH CITY COUNCIL**  
**LIST OF COMMITTEES, SUB-COMMITTEES AND OTHER APPOINTMENTS**

<b>Strategy and Resources Committee</b> Councillor David Close (Chair) Councillor Carole Anderton Councillor Graham Condon Councillor Anna Crighton Councillor Carole Evans Councillor Pat Harrow	<i>Principal Adviser: Mike Richardson</i> Councillor Ian Howell Councillor Alister James Councillor Denis O'Rourke Councillor Gail Sheriff Councillor Barbara Stewart Councillor Ron Wright	<b>Projects and Property Committee</b> Councillor Ron Wright (Chair) Councillor Erin Baker Councillor Robin Booth Councillor Anna Crighton	<i>Principal Adviser: Ian Hay</i> Councillor Ishwar Ganda Councillor Ian Howell Councillor Denis O'Rourke Councillor Gail Sheriff
<b>Parks and Recreation Committee</b> Councillor Graham Condon (Chair) Councillor Carole Anderton Councillor Paddy Austin Councillor Erin Baker Councillor Sally Buck Councillor David Buist	<i>Principal Adviser: Don Hampton</i> Councillor Barry Corbett Councillor Ishwar Ganda Councillor Pat Harrow Councillor Gail Sheriff Councillor Ingrid Stonhill	<b>Environment Committee</b> Councillor Anna Crighton (Chair) Councillor Paddy Austin Councillor Robin Booth Councillor Sally Buck Councillor Barry Corbett	<i>Principal Adviser: Allan Watson</i> Councillor Carole Evans Councillor Pat Harrow Councillor Lesley Keast Councillor Charles Manning Councillor Sue Wells
<b>Community Services Committee</b> Councillor Carole Anderton (Chair) Councillor Erin Baker Councillor Sally Buck Councillor Barry Corbett Councillor Ishwar Ganda Councillor Alister James	<i>Principal Adviser: Simon Markham</i> Councillor Lesley Keast Councillor Barbara Stewart Councillor Ingrid Stonhill Councillor Sally Thompson Councillor Sue Wells	<b>City Services Committee</b> Councillor Denis O'Rourke (Chair) Councillor Robin Booth Councillor Sally Buck Councillor David Buist Councillor Graham Condon Councillor Carole Evans	<i>Principal Adviser: Jonathan Fletcher</i> Councillor Ian Howell Councillor Alister James Councillor Charles Manning Councillor Ingrid Stonhill Councillor Sally Thompson Councillor Ron Wright
<b>Council Hearings Panel</b> Councillor Charles Manning (Chair) Councillor Carole Evans All members of the Council and all Community Board members  The Mayor is a member of all Standing Committees ex officio.		<b>City Plan Hearings Committee</b> Councillor Charles Manning (Chair) The Mayor Councillor David Buist Councillor David Close Councillor Anna Crighton Councillor Lesley Keast Mr David Cox Mr Newton Dodge	Mrs Margaret Murray Mr Rex Arbuckle Mr Alex Clark Ms Maria Tait Mr Bill Edwards Mr Maurice Nutira Ms Cushla Dwyer

Committees, sub committees and other appointments as at 12 July 2001.

**CHRISTCHURCH CITY COUNCIL**  
**LIST OF COMMITTEES, SUB-COMMITTEES AND OTHER APPOINTMENTS**

<b>Canterbury Waste Subcommittee</b> Councillor Denis O'Rourke (Chairman) (Christchurch City Council) Mayor Noeline Allan (Banks Peninsula District Council) Councillor Lee Burdon (Timaru District Council) Councillor David Close (Christchurch City Council) Councillor John Coles (Waimate District Council) Councillor Gerald Herbert (Hurunui District Council)	Councillor Stan Scoringe (Mackenzie District Council) Councillor Bryan Seddon (Kaikoura District Council) Mayor Janice Skurr (Waimakariri District Council) Councillor Bev Tasker (Ashburton District Council) Councillor Bill Woods (Selwyn District Council) Councillor Ron Wright (Christchurch City Council)	<b>Resource Management Committee</b> Councillor Charles Manning (Chair) Councillor David Buist	<i>Principal Adviser: Ken Lawn</i> Councillor Lesley Keast Councillor Sue Wells
<b>Recess Special Committee</b> The Recess Special Committee comprises the Chairperson of the relevant Standing Committee and the Mayor, or, in their absence, their respective deputies.		<b>Control of Public Places/Fencing of Swimming Pools</b> Chairman of City Services Committee (Councillor Denis O'Rourke) Chairman of Environment Committee (Councillor Anna Crighton)	<b>Special Committee</b> Councillor Erin Baker Councillor Pat Harrow or their nominees
<b>Maori Liaison Sub-Committee</b> The Mayor The Deputy Mayor Councillor David Buist	Councillor David Close Councillor Barry Corbett Councillor Anna Crighton Councillor Sue Wells	<b>Legislation Sub-Committee</b> Councillor David Close Councillor Carole Evans Councillor Alister James	Councillor Charles Manning Councillor Denis O'Rourke Councillor Sue Wells
<b>City Manager Liaison Sub-Committee</b> The Mayor Councillor David Buist Councillor David Close		<b>Audit Sub-Committee</b> The Mayor Councillor David Close Councillor Ian Howell Councillor David Buist Councillor Denis O'Rourke	
<b>Metropolitan Funding Sub-Committee</b> The Mayor Chairman of Strategy and Resources Committee (Councillor David Close) Chairman of Parks and Recreation Committee (Councillor Graham Condon) or nominee	Chairman of Community Services Committee (Councillor Carole Anderton) or nominee Councillor Sally Thompson Councillor David Buist Councillor Carole Evans	<b>Local Government Association Zone 5</b> The Mayor Councillor Gail Sheriff Councillor Pat Harrow Alternates: The Deputy Mayor, Councillor David Close, Councillor Denis O'Rourke	

Committees, sub committees and other appointments as at 12 July 2001.

## **GUIDE TO THE CORPORATE PLAN : 2002 EDITION**

The Corporate Plan is large and complex and to make it more user friendly, the following format has been developed. The main features of this format are:

- **Introductory Section**

Consists of the budget tables (budget summaries) together with other background information like the Statement of Accounting Policies, Statement of Financial Management Policies, Statement of Funding Policy, Borrowing Management Policy, the Investment Policy and the Equal Employment Policy.

- **Unit Budgets**

The remainder of the Corporate Plan is made up of the budgets and plans for each of the Council's Business Units.

The Unit's budgets and plans can be divided into the following sections:

- **Key Changes (Summary Pages)**

The Key Change pages are the summary pages which appear at the beginning of the Unit's budget.

- **Key Changes**

Key changes for 2001/02 are identified with respect to:

- resources - staffing and fixed assets
- charges - fees and user charges
- operational outputs - programme expenditure including major projects
- capital outputs - expenditure on capital projects

- **Committed Costs (Operational)**

These are costs which the Council is committed. They may relate to the operating costs on a new Council facility built in the previous year or compliance costs which have been imposed on Council by Central Government. They may also represent a commitment which the Council has made subsequent to the adoption of the previous Corporate Plan and prior to the adoption of the draft version of this Plan.

- **Items Committed by Council during the year (Operational)**

This represents those items which have been approved by the Council since the 2000 Financial Plan was adopted on 6 July 2000.

- **Costs Due to Growth**

Costs which are directly attributable to the growth in the cities population and the consequential increase in demand for Council services.

- **New Operating Initiatives**

These are new items which were not allowed for in the long term financial model. They reflect changing priorities and are a Council response to meet changed conditions.

- **Efficiency Gains**

This schedule highlights all the efficiency gains and cost savings which have been reflected In Unit budgets.

- **Capital Committed by Council during the year**

This schedule represents those capital items which have been approved by the Council since the 2000 Financial Plan was adopted on 6 July 2000.

- **Restructuring of Budgets**

This section draws attention to any major restructuring of Unit budgets. Details of the 2000/01 situation are noted and are followed by the changes for 2001/02.

- **New Capital Initiatives**

Like the new operating initiatives these items were not allowed for in the long term financial model. They may reflect a response to changed conditions or they may relate to meeting health and safety requirements.

This format change is intended to highlight in summary form the significant changes for each sub budget.

- **Operating Summary and Budget**

On the summary pages the output classes are in upper case and in bold. Outputs which are a subset of output classes are in lower case. Where there are sub outputs, the outputs are in upper case but not in bold.

Capital expenditure is termed “Capital Outputs” and is shown “below the line” on the summary page.

For the operating budgets the output class is identified in the header at the top of the page.

The budget text has been prepared at either the output class or output level. The text consists of a brief description of the output class or output, the objectives for 2000/01 and the performance indicators. The performance indicators assess performance in relation to the objective(s).

On the budget pages direct costs are those costs which relate directly to the output. Transfers from the suspense account(s) represent the outputs share of joint costs. Joint costs may include labour costs, superannuation, ACC and office expenses. While labour and labour related costs may be transferred on an hours worked basis, other allocated costs may be transferred on a capacity or usage basis.



- **2001/02 Capital Section**

This section of the budget details the capital outputs (or capital expenditure). Capital expenditure has been grouped under the following “output headings”:

- Renewals and Replacements. (Maintaining existing assets necessary to sustain agreed levels of service.)
- Asset Improvements. (Capital expenditure that improves or adds to the level of service of existing assets.)
- New Assets. (Works or purchases creating wholly new assets.)

Where a capital item straddles two or more outputs, the majority rule has been applied. (eg. If it is 80% renewal and 20% improvement, it has been placed in the renewal class.)

- **10 year Capital Programme**

This section projects capital expenditure forward for the next 10 years. Whereas the first five years are detailed on a line by line basis, the remaining five years are general provisions which are not supported by detailed projects.

- **Fees Schedule**

Although now at the back of each Unit plan and budget, the fee schedules are of no less importance. As was the case in previous Corporate Plans, managers have been asked to calculate the projected revenue from the fees as a percentage of total cost. This has been included in the schedule in order to highlight those services which are not fully recovered by fees.

## STATEMENT OF FINANCIAL MANAGEMENT POLICIES

In 1994 the Council adopted a Financial Management Policy which provided a framework for ensuring that the Council's long term programme was financially sustainable. Elements of this policy are now required by the Local Government Act. A summary of the Financial Management Policy is noted below:

### Principles and Policy

The following principles underlie the policy on financial and debt management:

- Debt repayment programme over 20 years to ensure inter-generational equity.
- 55% of average annual capital expenditure for year 1 (rising in steady progression over the next 10 years to 66%) to be funded from depreciation and operating surpluses.  
[Note: The average percentage has been increased from 60% to 66% and spread over 10 years.]
- New asset net additions funded both from loans and internal financing.
- Operating expenditure will be funded from operating revenue.

### 1. Operating Surpluses

The operating surpluses are calculated using a formula. The surpluses for the first four years of the Plan will be:

Year	Dollar provision for surplus in the 2002 Plan
2001/02	\$8.16M *
2002/03	\$11.45M
2003/04	\$16.76M
2004/05	\$10.23M

(\*) Has been adjusted to remove the effect of the Orion Gas Proceeds of \$128M.

### 2. Reserves and Sinking Funds

Provision by way of reserve/sinking fund will be made each year for repayment of all new loans raised by the Council, plus the existing debt of Christchurch City Holdings Ltd, at no less than 3% of the amount borrowed, i.e. to fix a debt repayment time frame of 20 years for the City Council.

### 3. Financial Ratios

- (a) Net interest paid on term debt by the Council and Christchurch City Holdings Ltd combined will not exceed 8% of the consolidated gross revenue, provided interest rates do not increase above 8.5%. This parameter would be reviewed in the event of interest rates rising above this level.
- (b) Term Debt as a percentage of total assets of the Council and Christchurch City Holdings Ltd shall be no more than 12%.

- (c) Term Debt as a percentage of realisable assets (includes net trading enterprise assets but excludes Infrastructural and Restricted Assets) shall be no more than 33%.
- (d) Net debt to funds flow from operations shall not exceed five times, ie an ability to repay debt over five years (medium term) before net capital additions.  
  
(Note: Funds flow from operations is the net cash surplus of gross revenue over operating cash expenses (excludes depreciation).)
- (e) The liquidity ratio (current assets: current liabilities) shall be not less than 1:1 at each year end. (Note: Current assets excludes for this purpose cash investments relating to specified reserve funds and current liabilities excludes the current portion of term debt.)

**4. Operating Expenditure**

The operating expenditure of the Council shall be met from operating revenues.

**5. Infrastructural Asset Expenditure**

Sufficient expenditure will be applied to maintain the existing infrastructural asset base at least to current standards or to standards adopted through an asset management programme.

**6. Depreciation**

Cash generated from revenue derived to meet depreciation charges will be applied for funding renewal works in the first instance followed by capital works and debt reduction.

**7. Application of Cash Surpluses**

Cash surpluses in excess of budget from any year will be applied to reduce the borrowing requirement of the subsequent year.

## **STATEMENT OF FUNDING POLICY**

### **The key issues of the Funding Policy are:**

- This Policy is required to be reviewed every three years.
- The allocations have been revised resulting in a new funding requirement mix.
- Rates are still the primary funding source at 44.86% of total funding.
- This year a one-off special dividend of \$128m is expected from CCHL. This is applied to debt repayment and a long term reserve fund.
- The Commercial sector rates will decrease and other sectors will increase under the Funding Policy.
- The Council has resolved on a special temporary modifier to reduce the rate increase from Residential, Rural and Institutions and transfer \$1.89m rates on Commercial properties.
- The Uniform Annual General Charge will remain at \$105 per property.

### **PURPOSE OF THE FUNDING POLICY**

The purpose of this policy statement is to set out a rationale for the funding of the Council functions both now and in the future.

#### **Background**

The Funding Policy has been developed by the Council pursuant to the requirements of legislation and the financial management policies. It provides for each of the service delivery outputs to be grouped into like functions, to review the purpose, beneficiaries and the most appropriate funding source, predominantly either user charges or property based rates.

Typically each output has unique issues. However there has been an attempt to establish funding policies which are consistent, rational and fair given the various communities in the City. The individual Outputs are grouped, summarised and published as 'functions'. The full detail of the Output Statements is available on request.

There are approximately 285 outputs. While this review is based on these, the results have been summarised into 17 functions for the purpose of publication.

#### **Legislative Requirements**

The Funding Policy has been developed under the requirements of the Local Government Act. This Act describes in detail a process which is required to be followed to achieve a systematic review of the funding mechanisms for all activities or functions of the Council so that the funding is derived as closely as possible from the beneficiaries of those activities or functions.

The gross expenditure of a function is assumed to equate to the benefits derived and is then assigned to a benefit type. The Act identifies three types of benefits / expenditure:

#### 1.1.20

- That which is independent of the number of persons who benefit from the expenditure, or generates benefits which do not accrue to identifiable persons or groups of persons, or which generates benefits to the community generally (general benefits); and
- That which provides direct benefits to persons or categories of persons (direct benefits); and
- That which is needed to control negative effects caused by the action or inaction of persons or categories of persons (negative effects).

The Act then requires local authorities to identify how the costs of the above expenditure should be allocated to the persons or categories of persons to which it delivers services.

The Act then goes on to prescribe how each type of expenditure should be funded:

- Expenditure which gives rise to general benefits may be funded from rates.
- Expenditure which gives rise to direct benefits generally should be funded by contributions from the persons or categories of persons who benefit from that expenditure either by user charges or targeted rates including uniform charges.
- Expenditure necessary to control negative effects should be funded by those whose action or inaction caused the negative effects to occur and failing recovery, rates.

The Act also identifies considerations which may, if the local authority so chooses, allow the local authority to modify the allocation of costs arrived at above:

- The obligation of the local authority to act in the interests of its residents and ratepayers.
- The fairness and equity arising from any allocation of costs.
- Any lawful policy of the local authority, to the extent that allocating costs may effectively promote that policy.
- Provide for transition from an existing funding regime to a new funding regime.

Finally, the Act allows the local authority to consider issues of practicability and efficiency when choosing funding mechanisms. Generally for many services the Council provides, charging the users is impracticable as the cost of monitoring use and collection would either defeat the purpose of the Service or not be possible.

### **GENERAL PRINCIPLES**

The Act sets out a range of broad principles which must be considered in establishing a funding policy. The Council in establishing its own specific policy has adopted the following definitions, principles and procedures.

### **Who is the Beneficiary of a Function**

The Council has formed an opinion on who are the beneficiaries. They will be either:

- The community as a whole in which case the benefits are likely to be General benefits.
- Individuals who are customers of the Council service and are capable of separate identity. There is therefore a Direct Benefit.
- Categories of persons in receipt of a Direct Benefit. In this case the Council has used the Rate Differential groupings of Residential, Commercial / Industrial and Rural as the definition of categories. These are referred to as the rate sectors.

### **General Benefits**

Defined as expenditure which:

- provides benefits which are independent of the number of persons who benefit from the expenditure; or
- generates benefits which do not accrue to identifiable persons or groups of persons; or
- which generates benefits to the community generally

These benefits will generally be funded by the community as a whole using capital value rates payable in the main by properties liable for General Rates because:

- The general benefits relate to the community as a whole.
- Capital value represents the stakeholders (general community) interest.
- Capital value has a broad correlation with the ability to pay.
- Capital value is independently assessed.
- It is considered by the Council to be the most suitable rating mechanism available to Council through the Rating Powers Act.

### **Direct Benefits**

- Direct benefits are defined as expenditure which provides benefits to persons or categories of persons in a manner which matches the extent to which the direct benefits accrue to persons or categories of persons.
- These benefits will be charged to the direct beneficiary through the making of a user charge where this is practicable, and where direct charging is consistent with Council policy, and with fairness and equity for that particular service. In other circumstances, direct benefits will be funded from rates.

#### 1.1.22

- Direct benefits will be largely, if not wholly, funded by user charges for consents processes (to the extent permitted by law), Council housing, refuse disposal (ie the cost of operating transfer stations and the landfill), and certain services delivered directly to individuals or groups.
- Direct benefits will be partially funded from rates for those services the Council wishes to make available to the whole community regardless of ability to pay, where the Council seeks to assist or encourage organisations or individuals, or where the Council is seeking to influence developments and trends in the City.
- User Charges for all of the Council's services are reviewed every year as part of the budget process on the basis of:
  - the cost of the service
  - the market acceptability of the current charge
  - fairness and equity of charges
  - Council Policy regarding the impact of user charges on the community and the Council's purpose in providing the service.
- Where direct benefits will not be fully funded by user charges, then the following mechanisms may be used (this is further discussed in the section on Modifications):
  - Separate rates based on capital values for those properties within the serviced area
  - Uniform charges
  - Capital Value rating to defined user groups
- Separate rates will generally be used as a mechanism for allocation of the cost of direct benefits when:
  - a user group can be defined or benefits are available to a defined area
  - a standard service is available
  - there is generally no alternative supplier
- Uniform Annual Charges (UAGC) will generally be used as a mechanism for allocation of the cost of direct benefits when:
  - The benefit is people related.
  - There is a reasonable correlation between the number of properties and the spread of benefits in the community.
  - Consumption of Benefits is relatively uniform by the inhabitants of the community.
- Capital value rating to defined user groups will generally be used as a mechanism for allocation of the cost of direct benefits when:
  - Individual beneficiaries are difficult to identify, but are part of one of the ratepaying sectors recognised by the Council – the rate sector is the category of persons.
  - Services are property related and hence add value to a property.
  - Availability of services lead to the enhancement of properties or the amenity of the City as a whole.
  - The Council seeks to assist individuals or organisations, or seeks to influence trends and developments in the City.
  - The Council wishes services to be widely available regardless of ability to pay.

### **Control of Negative Effects**

- Where costs are needed to control negative effects caused by the action or inaction of persons or categories of persons then those costs will be allocated to those persons by:
- Firstly a direct charge to the exacerbator (ie person who caused the cost to be incurred. This is the polluter pays approach.); or
- Where a direct charge is not possible, then by the use of one of the following rating mechanisms according to similar principle outlined for direct benefits in the preceding section:
  - Separate rates
  - Uniform charges
  - Capital Value rating

### **Modifications**

- In accordance with the provisions of the Local Government Act, where appropriate, the Council has given consideration to modifying the allocation of costs to take account of:
  - The obligation of the Council to act in the interests of its residents and ratepayers.
  - The fairness and equity arising from any allocation of costs.
  - Policies of the local authority which can be effectively promoted through the utilisation of particular charging mechanisms.
  - Transition from an existing funding regime to a new funding regime.
  - The suitability of a mechanism to:
    - achieve an appropriate allocation of costs
    - be an efficient mechanism
    - be effective and efficient as a separate funding mechanism
    - help identify the expenditure needs to which costs relate.
- Modifications may be made in respect of particular functions and these are described on the function pages.

The main modifications used are:

- to recognise under recovery of user charges over Direct Benefits
- to apply benefits accruing to the institution sector to the other fully rateable sectors. The Rating Powers Act only allows water, refuse and sewerage costs to be levied against the institutions. All other functions must be reallocated to the other sectors.
- a transitional modifier to avoid sudden changes to the rate paying sectors



## **Capital Funding**

- Capital Expenditure will be funded from the following sources:
  - Surplus Cash Flow principally generated from depreciation plus or minus any operating surplus or deficit.
  - Reserve Funds and bequests.
  - Capital Grants received from external parties.
  - Loans raised as per the Council's borrowing policy.

Capital funding is not seen as a Function in its own right but is expressed within each of the operating functions through the depreciation charge and interest costs.

## **Intergenerational Equity**

Within the Funding policy is a recognition that today's users pay today's costs of utilising the Council's assets. To prevent costs being incurred by the current generation which are for the benefit of future generations, the following mechanisms are employed by the Council:

- All assets are depreciated at a rate assessed to reflect the life of particular assets. This depreciation is included in the operating costs of the functions using the assets, along with the annual interest costs on loans used to fund the assets.
- Loans raised to fund new capital works are repaid on a rolling basis over a 20 year period from surpluses generated in the operating account.
- Therefore revenue of the Council is required to be sufficient to meet:
  - Depreciation on capital assets employed.
  - Interest on outstanding debt.
  - Surpluses available to fund the proportion of outstanding debt due to be repaid each year.

## **Corporate Revenues**

- The Council receives a significant amount of corporate revenue, the principal revenue types being dividends, interest and petrol tax.
- These revenues are independent of any specific function of the Council but generally relate to returns on investments which the Council holds on behalf of the community such as its major trading enterprises - Orion Group, Christchurch International Airport, Lyttelton Port Company and Red Bus Company.
- These Revenues are allocated as a credit against General Rates in proportion to capital value because capital value reflects the ratepayers stake (share) in the city.
- The Council receives from time to time significant special dividends by way of capital repatriation from Christchurch City holdings Ltd and possibly other LATEs. These are sourced from surplus capital of the subsidiary companies. On each occasion the Council makes a decision on the use of these funds but generally they will be treated (from a Funding Policy perspective) as capital funds not as operating revenue which offsets General Rates. Therefore they will not reduce the rate requirement in the year of receipt and are transferred to capital as part of the operating surplus.

### **Capital Endowment Fund**

In 2001/02 the Council will receive funds totalling \$175 million as a result of Orion selling its North Island gas networks. These funds will be repatriated by Christchurch City Holdings Limited to Council by way of a special dividend of \$128 million and through the purchase of trading assets from Council of \$47 million. The Council will apply \$100 million to the reduction of current and forecast debt and to

### **DETAILS OF THE FUNDING POLICY**

The Council will fund its services for the 2001/02 financial year as follows:

User Charges	33.39%
Grants and Subsidies	4.20%
Net Corporate Revenues	17.56%
Capital Value Rating	40.89%
Uniform Annual Charge	3.97%

These have been adjusted for the Special Dividend of \$128m from Christchurch City Holdings Ltd.

The Council has applied the analyses described above to each of the outputs recognised by its accounting system, and aggregated these into 17 functions. If costs were to be allocated in the way suggested by the sum of the individual analyses, rates to the residential sector would have increased by 3.39%, the rural sector increased by 41.48%, institutional sectors by 18.42%, and the commercial sector would have decreased by 3.17%. The Council was concerned that only one sector would experience a rate decrease and resolved as follows:

- To achieve a greater degree of fairness and equity (s122G(b) Local Government Act 1974).
- To respect the obligations to act in the interest of all residents (s122G(a) Local Government Act 1974).

2.20% in total rates together with the new funding policy, the following modifications are implemented:

- Uniform Annual General Charge to remain at \$105 and
- a modification transfer of (GST inc.):
  - \$1.89m to the commercial sector,
  - \$1.15m from the residential sector,
  - \$640,000 from the rural sector and
  - \$100,000 from Institutions (on the Sewerage rate)
- The modifications are to phase out over three years subject to the impact of the next capital value revaluation due to affect next year's rate allocation.

As a result of the Council's resolution:

Rates for 2001/02 will be shared among the ratepaying sectors as follows:

Residential	71.35%
Commercial/Industrial	26.32%
Rural	1.44%
Institutions	0.89%

The different sectors will experience increases in their rates from 2000/01 as follows:

Residential	2.32%
Commercial / Industrial	1.54%
Rural	9.85%
Institutions	10.42%

The following summary table shows how the costs of benefits and modifications to the cost of benefits have been calculated for the Council's operations as a whole, together with the funding to be received from user charges, grants and subsidies, net corporate revenues, capital value rating, and the uniform annual charge.

Details of the funding policy are disclosed in the function tables following the summary table. Details of how the funding policy affects individual properties may be found in Appendices 1, 2 and 3.

The Utility networks will be rated for the first time in 2001/02. The Council networks of Water, Sewerage and Stormwater will be rated as residential and other because they are operated for the community benefit on a not for profit basis. The private sector utilities will be rated as commercial as they are the core operational assets of those businesses.

**SUMMARY OF THE FUNDING POLICY**

The budgeted costs of the benefits the Council proposes to provide in 2001/02, and their proposed funding, are shown in the following table.

Net of GST.

Includes \$105 Uniform Annual General Charge and the global modification, to 'avoid sudden changes'.

		<b>Users</b>	<b>Residential</b>	<b>Commercial</b>	<b>Rural</b>	<b>Institutions</b>	<b>Totals</b>
	<b>Cost and Modifications</b>						
<b>Costs</b>							
62.76%	General Benefits	0	201,396,319	53,154,779	6,899,206	13,049,712	274,500,016
36.90%	Direct Benefits	127,299,737	11,438,540	19,731,193	250,273	52,461	158,772,203
0.33%	Negative Effects	1,456,377					1,456,377
	Total Costs	128,756,115	212,834,859	72,885,972	7,149,479	13,102,172	434,728,597
	<b>Modifications</b>						
	Transfer User Costs to Rating	(26,339,261)	21,870,869	3,753,752	100,217	614,423	
	Non-Rateable		9,539,944	2,524,898	335,776	(12,400,618)	
	Avoiding Sudden Changes		(1,022,222)	1,680,000	(568,889)	(88,889)	
	Total Modifications	(26,339,261)	30,388,591	7,958,650	(132,897)	(11,875,084)	
	<b>Total Costs and Modifications</b>	102,416,854	243,223,450	80,844,623	7,016,582	1,227,088	434,728,597
	<b>Funded By</b>						
23.58%	User Charges	102,416,854					102,416,854
3.04%	Grants and Subsidies		5,162,344	7,604,436	117,365		12,884,145
41.47%	Net Corporate Revenues		139,899,334	37,026,590	4,924,011		181,849,935
29.06%	Capital Value Rating		86,913,332	35,458,344	1,815,512	1,227,088	125,414,276
2.84%	Uniform Annual General Charge		11,248,440	755,253	159,693		12,163,387
	<b>Total Funding</b>	102,416,854	243,223,450	80,844,623	7,016,582	1,227,088	434,728,597
	<b>Share of Rates</b>		71.35%	26.32%	1.44%	0.89%	
	<b>Adjusted for the \$128M Special Dividend from CCHL</b>						
33.36%	User Charges						102,416,854
4.30%	Grants and Subsidies						12,884,145
17.19%	Net Corporate Revenues						53,849,935
41.12%	Capital Value Rating						125,414,276
4.02%	Uniform Annual General Charge						12,163,387
100.00%	<b>Total Funding</b>						306,728,597

## **BORROWING MANAGEMENT POLICY**

### **1 Introduction**

This policy has been established to ensure the prudent financial management for the issuance and management of Council debt.

The policy incorporates the requirements of the Local Government Act and should be read together with the Investment Policy. Together they form the Treasury Management Policy of the Council.

This policy is for the Christchurch City Council and includes the Christchurch City Council Sinking Fund Commissioners. For the purposes of limiting total debt levels of the Council and financial management ratios, the debt levels and liquid investments of Christchurch City Holdings Ltd, parent only, (a 100% owned holding company) are added to the Council figures.

To determine the scope of this policy, the definition of terms used shall be that of the Local Government Act and Accounting Standards in force. Standard and Poor's has provided a joint credit rating for both the Council and Christchurch City Holdings Ltd. The rating is AA (Long Term) and A1 (Short Term). It is an objective of this policy that the ratings at this level be maintained as a minimum.

### **2 Principles**

The following principles underlie the policy:

- 2.1 Borrowed funds will be used to fund capital expenditure and investment. An allowed exception is for working capital overdraft under section 4.12. Debt will be used as a residual funds source after funds generated from depreciation are applied to renewal and new capital expenditure. The mix of debt and revenue funding for capital funding will be determined by the Financial Plan each year.
- 2.2 Debt raised will be repaid over the economic life of assets restricted to a maximum of 20 years to ensure inter-generational equity.
- 2.3 Interest costs are part of operating expenditure and will be funded from operating revenue.
- 2.4 The annual debt repayment provision will be funded from operating revenue.
- 2.5 Interest rate exposure will be managed consistent with the aim to:
  - have interest costs where possible at or below interest rates projected from time to time in the Council's Long Term Financial Strategy or the rates determined to be economically feasible for specific assets funded
  - hedging is only allowed for debt in place (or part thereof) or where there is a commitment to borrow in the near future and not for speculative purposes
  - remain risk averse
  - maintain a mix of both fixed and floating rates, where appropriate, to maintain flexibility and advantage in case of interest change.
- 2.6 Debt financing is recognised as a component in the Council's Funding Policy and Long Term Financial Strategy to provide inter-generational equity which prevents costs being incurred by the current generation which are for the benefit of future generations.

### **3 Limits on Total Borrowing**

- 3.1 The forecast interest rate payable on external debt intended to be raised by the Council in the ensuing year will be budgeted for and disclosed in the Financial Plan.
- 3.2 Total external debt as a percentage of total assets of the Council and Christchurch City Holdings Ltd, parent only, shall be no more than 12%.
- 3.3 The total external debt of the Council and Christchurch City Holdings Ltd combined as a percentage of realisable assets (all assets excluding infrastructural and restricted assets) shall be no more than 33%.
- 3.4 Net interest paid on term debt by the Council and Christchurch City Holdings Ltd combined will not exceed 8% of the consolidated gross revenue provided interest rates do not rise above 8.5%. Should rates rise then the Council will approve a further limit to contain interest costs.
- 3.5 The ratio of net external debt of the Council and Christchurch City Holdings Ltd combined to funds flow from operations shall not exceed five times, ie an ability to repay debt over five years (medium term) before net capital additions.

**Note:** Funds flow from operations is the net cash surplus of gross revenue over operating cash expenses (excludes depreciation).

### **4 Borrowing**

- 4.1 All external debt of the Council including financial leases must be authorised by resolution of the Council.
- 4.2 The aggregate amount the Council determines as not being so significant as to require specific authorisation under Section 122Z (c) (ii) (A), is \$500,000.
- 4.3 Loans raised by the Council are to be secured by a charge on Rates revenue.
- 4.4 Except as qualified in section 4.6 below, new loans raised in any particular year are to be no greater than the amount disclosed in the Financial Plan for that year and applied only to capital projects and investments listed in the Financial Plan.
- 4.5 Borrowing will be applied to project funding after utilisation of other capital funding identified in the Financial Plan in accordance with the principle set out in section 2 above.
- 4.6 All new loans required to fund expenditure which has arisen subsequent to the Financial Plan being confirmed shall require Council approval by a specific resolution of the Council including the reasons why expenditure was not included in the Financial Plan.
- 4.7 Debt may be raised in either fixed or floating rate terms, and for short (ie up to one year) or long maturity terms subject to limits.
- 4.8 The term of a loan must not be longer than the economic life of the capital assets it funds (as defined by the Council resolution) and in any event no more than 20 years.
- 4.9 A loan may be raised in several tranches for terms less than 20 years. Repayments at maturity of a tranche within the term of a loan may be refinanced without further Council resolution. Refinancing loans shall not add to the term of the original loan.

- 4.10 For new loans, the Council must consider the risks of borrowing including a sensitivity analysis to changing interest rates.
- 4.11 The borrowing resolution shall define who has the authority to raise loans. Should it be silent then authority is granted to staff as defined in section 9.2 below.
- 4.12 Unless the Council resolves to the contrary and subject to any instruction issued by the Director of Finance, the Funds Accountant may raise loan funds by way of bank overdraft to cover short term cash shortfalls limited to a maximum of \$2m. Borrowing under this clause is not subject to the constraints of clauses elsewhere in this policy.

The Director of Finance may from time to time issue guidelines and instructions on the raising of overdraft funds up to the \$2m limit. Any overdraft so raised shall be reported to the Director of Finance within two working days. For the purposes of this clause the term “short-term” means for terms of less than one year.

## **5 Repayment of Debt**

- 5.1 Debt may be repaid by one or a combination of:
  - Annual Sinking Fund instalments where the Sinking Fund Commissioners hold the funds as a separate trust, for the Council, for the sole purpose of debt repayment of specific loans.
  - Annual Contributions to a Loan Repayment Reserve to be held by the Council for the sole purpose of applying at appropriate opportunities to repayment or reduction of loans.
  - Annual table repayment instalments providing for full repayment over the term of a loan being 20 years or less.
  - Repayment from revenue or other sources.
- 5.2 With the exception of table loans, a minimum of 3% of the aggregate of the initial external debt raised by the Council and Christchurch City Holdings Ltd, combined, shall be repaid annually in accordance with one or a combination of the options set out in 5.1 above. Initial Debt is defined as the original sum of any loan borrowed which has not been fully repaid.
- 5.3 The rate of 3% shall be reviewed from time to time to ensure that with accumulated interest earnings on invested funds that sufficient funds are available to repay each initial loan tranche at the end of 20 years. At all times 3% shall be a minimum.
- 5.4 Sinking Funds and Loan Repayment reserves may be applied to earlier repayment of loans in conjunction with refinancing of tranches. In such cases the annual contributions to sinking funds or loan repayment reserves shall be recalculated to ensure that sufficient funds will be on hand to ensure repayment of the balance within the 20 year time frame.
- 5.5 When the repayment provision for any specific loan has been fully funded, no further contributions will be required for that loan.
- 5.6 The Funds Accountant, after consultation with the Director of Finance and the Company Secretary of Christchurch City Holdings Ltd, may select the specific debt to be repaid in any one year to optimise the mix of debt types retained within the group.

## **6 Interest Rate Exposure**

- 6.1 The interest rate policy of the Council is to manage the exposure to adverse interest rates consistent with the need to have interest costs, where possible, at or below interest rates projected from time to time in the Council's Financial Plan or Long Term Financial Strategy or the rates determined to be economically feasible for specific assets funded.
- 6.2 The Funds Accountant may implement an interest rate strategy with interest rates higher than that budgeted, where this is supported by an interest rate view and strategy formed under the procedures of 6, 7, 8, and 9 below.
- 6.3 The Council may have an exposure to both fixed and floating interest rates. Fixed Rate Debt may vary between 35% and 100% of total debt maintained by either direct borrowing under these terms or by interest rate hedging. There is a preference for fixed rate borrowing to fund long term asset acquisition.
- 6.4 The Funds Accountant shall be authorised to enter into interest rate hedging contracts to avoid an exposure to adverse rates based on the interest rate view.
- 6.5 All hedging contracts are only to protect the actual debt and debt planned to be raised. Speculation is not permitted.
- 6.6 All hedging contracts are to be discussed with the Director of Finance and in his absence with the Funds and Financial Policy Manager prior to being entered into and reported to the Director of Finance immediately following (the same day) the transaction is entered into and to the Strategy and Resources Committee quarterly.
- 6.7 Hedging can only take place with counterparties who have a long term credit rating of 'A-' or better.

## **7 Liquidity Policy**

- 7.1 The debt maturity profile shall be maintained so that no more than 35% of the relevant debt matures in either of the current or following fiscal year unless the total relevant debt outstanding is lower than \$30,000,000. The relevant debt is the total external debt for the Council but excludes any leases, table loans, and floating rate short term loan issues.
- 7.2 Where possible, maturity dates should be spread throughout the year.

## **8 Credit Exposure**

- 8.1 Hedging can only take place with counterparties who are credit rated 'A-' or better.
- 8.2 Settlement for new loans shall be by cleared funds.
- 8.3 Loan raising should be managed so that the impact of settlement default will not adversely affect the Council.



## **9 Management by Staff of the Borrowing Policies**

- 9.1 All external debt must be authorised by the Council except that under section 4.12 (working capital overdraft). Staff shall have evidence of such approvals before any debt is raised.
- 9.2 Authority is delegated (under this Policy Statement) to the Funds Accountant and in his absence, any one of the Director of Finance, Funds and Financial Policy Manager, Financial Analyst, and the Financial Services Manager to raise external debt funds and to enter into hedging contracts on terms he may determine within the limits and guidelines of this Policy Statement. The day-to-day management and actions may be undertaken by the Funds Accountant, but the responsibility for overview lies with the Director of Finance.
- 9.3 The Funds Accountant shall form a view on future interest rates based on independent professional advice. The view shall be revised at least quarterly. Action to change the Council's fixed, floating interest rate profile shall be based on that view.
- 9.4 The Director of Finance shall appoint a Treasury Review Team to assist on the formation of interest rate views and Borrowing management strategy. The Treasury Review Team shall approve and maintain guidance notes and instructions developed for the proper management of Council's Debt under this policy.
- 9.5 A specific debt raising resolution may require joint delegations for action. If so then the more restrictive delegation shall be followed.
- 9.6 There shall be appropriate segregation of duties amongst staff involved in borrowing and investing of Council funds and this shall be subject to audit review.
- 9.7 The Funds Accountant shall maintain the register of charges and shall file with the Registrar of Companies a copy of the debt instrument from time to time.
- 9.8 Actions taken under the Borrowing Policy are to be reported to the Director of Finance at least weekly, and to the Strategy and Resources Committee quarterly. The actions requiring reporting are:
  - Debt Servicing Costs, both budgeted and actual
  - Comment on Interest Rate Exposure
  - Debt Maturity Profiles and expected timing of Debt Raising
  - Total Debt Raised (including financial leases)
  - Hedging Contracts taken up since the last report
  - Hedging and Derivative Contracts in place at the time of the report

## **INVESTMENT POLICY**

### **1 Introduction**

This policy has been established to ensure prudent financial management of Council investments.

The policy incorporates the requirements of the Local Government Act and should be read together with the Borrowing Management Policy. Together they will form the Treasury Management Policy of the Council.

The policy is for the Christchurch City Council and includes the Christchurch City Council Sinking Fund Commissioners. Investments held by subsidiaries (LATEs) are excluded.

To determine the scope of this policy, the definition of terms used shall be that of the Local Government Act and Accounting Standards currently in force.

The Council proposes to invest \$75M of capital repatriation funds due to be received from Christchurch City Holdings Ltd in mid 2001 in a separate fund known as the Capital Endowment Fund. It is intended that the fund be divided into capital of \$71.5M and fluctuation reserves of \$3.5M and that the capital of this fund will be held intact together with sufficient income capitalised annually to cover inflation. The fluctuation reserve will vary depending on returns from investments. The balance of the income will be available to the Council to provide for economic development projects and civic and community projects that will enhance the city or region.

The Council resolution creating the Capital Endowment Fund is attached as Appendix B.

### **2 Principles**

The following principles underlie the policy:

- Investments shall be managed to maximise the return to the Council consistent with the purpose of the investment and risk avoidance.
- The Council shall maintain a prudent mix of investments.
- Council investment management shall as far as possible be risk averse.
- Investments made outside of the policy require specific resolution of the Council.
- Interest rate exposure and yields on investments are to be managed according to practices outlined in this policy. Hedging, if used, is to cover the protection of the actual physical investment and its return.
- For the Capital Endowment Fund the investment objectives are:
  - Maintain the real value of the capital of the Fund with regard to inflation.
  - Maximise the value of the Fund and therefore the amount that can be distributed from the Fund over the long term, subject to a prudent level of portfolio risk.
  - Maintain a degree of consistency in the amounts that can be withdrawn on an annual basis.

- To fulfil the objectives for the Capital Endowment Fund the following investment principles will be followed in addition to those elsewhere in this policy:
  1. Responsibilities under common law and statute must be met. The following policies will be interpreted and applied subject to this policy.
  2. The inflation-adjusted capital of the Fund shall not be withdrawn.
  3. An appropriate level of portfolio risk will be determined and accepted by the Council in consultation with professional advisors.
  4. An appropriate level of diversification of investments in portfolios across securities, sectors, asset classes and countries must be maintained.
  5. The investment portfolio will accept risks in a prudent manner and investment risk will be minimised for the expected level of return.
  6. The capital of the investment portfolio will be preserved on a quarterly basis by adjusting for (positive) changes in the Statistics New Zealand All Groups CPI.
  7. An investment fluctuation reserve must be maintained to finance budgeted distributions from the Fund.
  8. Liquidity must be considered and maintained at an appropriate level.
  9. The investment structure must be able to accommodate changes in the Fund's requirements and the investment environment.
  10. All aspects of the investment process and functions will be reviewed regularly. In particular:
    - The performance of investment managers will be monitored against benchmarks at least monthly, and against the performance of other investment managers at least quarterly.
    - Investment managers will be monitored on an ongoing basis with respect to their organisational structure, investment processes and personnel.
    - Investment policies and objectives, asset allocation strategy and overall investment management structure will be reviewed at least once every three years.

### **3 Investment Categories Subject to the Policies - Their Purpose**

The Council's investments are made for a range of purposes and fall broadly into five categories:

#### **3.1 General Funds Investments**

3.1.1 These investments are held for the general use of the Council in the form of financial investments for the purpose of providing general finance. Typically they are invested on a commercial basis to produce a financial return pending utilisation as funding for the Council in its ordinary course of business.

3.1.2 General Funds may be invested in the following investment types:

- Cash and short term bank deposits
- Promissory Notes issued by suitably rated corporate entities
- Stocks and bonds
- Loans to community organisations
- Loans to individuals
- Loans to Council subsidiary companies including LATEs
- Loans to non-Council entities to facilitate community infrastructural asset creation (Council approval required)
- Real estate being held for market return purposes only

### **3.2 Equity Investments in Subsidiary Companies**

3.2.1 The Council holds equity investments in a range of subsidiary companies for a mix of the following purposes:

- Providing a rate of return on the investment to be used for general revenue purposes.
- Ensuring that ownership of essential infrastructural facilities with monopoly characteristics remain in community ownership.
- Separating trading activities or services from the ordinary operations of the Council in the interest of transparency, efficiency and competitiveness of pricing.

3.2.2 These investments are made up of:

- A majority interest in major utility trading enterprises through a 100% interest in Christchurch City Holdings Limited - see Schedule 1.
- 100% interest in LATEs which have been established primarily to provide service delivery to the Council on a commercial basis - see Schedule 2.
- Significant interest in trading enterprises primarily for income purposes but recognised as being of benefit to the local economy - see Schedule 3.

### **3.3 Property Held for Investment Purposes**

- Investment properties are defined as being held for market return purposes and having no Council operational function.
- The decision to hold or dispose of investment property is driven by the performance of this investment compared with similar properties in the market.

### **3.4 Investment of Reserve Funds including Trust Funds and the Capital Endowment Fund**

3.4.1 These reserve and trust funds have the following characteristics:

- The Council has resolved to set aside funds for a specific defined future purpose.
- The Council has defined a minimum holding of the Capital Development Reserve Fund, currently set at \$5M to provide a first source of funding available in the case of an emergency arising from a natural disaster.
- Estimates are prepared each year of the value of each separate reserve fund including revenue projections.
- These funds are available for appropriation in the Financial Plan to finance expenditure incurred on the purpose of the fund.
- The investments which make up the Reserve Funds can be held in common with General Funds investments with the earnings apportioned to each separate fund or may be invested separately with professional Fund Managers in managed portfolios of investments.

3.4.2 Reserve and trust funds may be invested in the following investment types:

- Short term bank deposits
- Promissory Notes issued by suitably rated corporate entities
- Stocks and bonds
- Loans to Council subsidiary companies
- Loans to individuals (for Council approved purposes)
- Loans to community organisations
- Shares in publicly listed companies

- Professionally managed portfolios of investments, either by direct investment or through Unit Trusts, including:
- Equities, New Zealand wide, South Island Specific and overseas
- Fixed Interest investments, both New Zealand and overseas
- Short term cash
- Real Estate
- Other Investments the Council may from time to time resolve.

### **3.5 Sinking Fund Investments**

- 3.5.1 These funds are held by the Commissioners appointed by the Council on trust for the repayment of Council loans in accordance with the Council's Borrowing Management Policy.
- 3.5.2 Sinking Funds may be invested in the following types of investment:
- Cash and Short Term Bank Deposits
  - Promissory Notes issued by suitably rated corporate entities
  - Stocks and bonds
- 3.5.3 Management of Sinking Fund investments shall be subject to the procedures outlined in sections 5 and 6 of this policy.

## **4 Types of Investments**

The Council may hold the following types of investments. See other sections of this policy for restrictions on the management of each type:

- Bank deposits, bank accepted bills and bank issued certificates of deposit
- Short Term Promissory Notes issued by companies and Local Authorities as defined by section 6
- Stocks and bonds issued by Government, SOEs, Local Authorities and suitably rated Corporate entities
- Loans to Council subsidiary companies
- Loans to individuals (for Council approved purposes)
- Loans to community organisations
- Loans to non Council entities to facilitate community infrastructural asset creation as approved specifically by the Council
- Shares in (listed) public companies
- Shares in subsidiaries
- Real estate
- Professionally managed (external to the Council) portfolios of investments, either by direct investment or through Unit Trusts, including:
- Equities both New Zealand and overseas domiciled
- Fixed interest both New Zealand and overseas domiciled
- Short term cash
- Real estate
- Other investments the Council may from time to time resolve.

## **5 Outline of Procedures for Management of Each Type of Investment**

### **5.1 General Issues**

- Each type of investment shall be prudently managed having regard to the purpose for which the investment was made and the needs of the Council.
- Delegated authority to act on all investments in accordance with this policy, (except Real Estate, Professionally Managed Funds, and equity investments in LATEs) is granted to any one of the Director of Finance, Funds and Financial Policy Manager, Funds Accountant, Financial Analyst, and Financial Services Manager. The primary responsibility lies with the Funds Accountant.
- The Funds Accountant shall form a view on future interest rates based on independent professional advice. The view shall be revised at least quarterly and shall be used to guide investment strategy.
- The Director of Finance shall appoint a Treasury Review Team to:
  - assist on the formation of interest rate views
  - advise on investment management strategy
  - approve and maintain guidance notes and instruction developed for the proper management of the Council's Investments made under this policy.
- Reporting requirements by the Funds Accountant:
  - Report daily to the Director of Finance - Hedging instruments used (both in advance of any commitment and after being entered into).
  - Report weekly to the Director of Finance - showing a weekly position.
  - Report quarterly to the Strategy and Resources Committee - on the performance results of the investment portfolio excluding shares in subsidiary companies and returns on real estate which will be reported separately as detailed elsewhere in this policy.
- A division of duties between the staff making and checking on the investment transactions is to be maintained to provide for checks on the prudent handling of investment funds.

### **5.2 Short Term Liquid Investments - Bank Deposits and Promissory Notes**

Investment of this type will be managed on the following basis:

- The objective is to minimise the holding whilst having regard to liquidity needs and investment return.
- Invested in authorised bank instruments in accordance with the criteria outlined in section 6 of this policy.
- Compliance with the policy rules on acquisition, disposal, and the settlement process in accordance with the criteria outlined in section 6 of this policy.
- Interest Rate risk management has an objective to maximise yield based on the interest rate view formed by the Funds Accountant as outlined in section 5.1 of this policy.
- The maturity profile of investments will be based on the need for cash funds derived by the daily liquidity needs forecast.

### **5.3 Long Term Financial Investments of Authorised Stocks and Bonds**

- The objective is to maximise the holding whilst having regard to liquidity needs and investment return subject to the size of funds available for investment and the maturity profile matched to the expected need for liquid funds.
- To minimise credit risk, the investments with any one issuer are subject to the limits as defined in section 6 of this policy.

- The interest view, formed by the Funds Accountant, together with the yield and maturity profile of the investments will form the basis of determining action required. In addition, the Funds Accountant is authorised to use hedging instruments to change the interest rate exposure and to change the financial impact of the terms of the investment asset.
- The Council will seek to maximise yields either by primary investment or incidental arrangement.
- The procedures on acquisition, disposal, and the settlement process is set out in section 6 of this policy.

#### **5.4 Loans to Council Owned LATEs**

- Loans to LATEs shall be made only after Council authorisation of the total amount, source of funds, security and the general terms.
- The Director of Finance is authorised to determine the specific terms and conditions of the loan, the maturities and interest cost.
- The administration of the loan investment can be delegated to staff as per section 5.1.

#### **5.5 Loans to non Council entities to facilitate community infrastructural asset creation**

- Examples of this type include the Belfast Industrial Pressure Pipeline loan.
- Loans shall be made only after Council authorisation.
- Such authorisation shall include the total amount, source of funds, security and the general terms.
- The Director of Finance is authorised to determine the specific terms and conditions of the loan, the maturities and interest cost.
- The administration of the loan investment can be delegated to staff as per section 5.1.

#### **5.6 Loans to Individuals, and to Community Organisations**

- These are subject to authorisation by the Council (or Committee if delegated) either on a one-off basis or by class (for example, the drainage conversion loans).
- The funding source will be nominated in each case, mainly Reserve Funds, to avoid the need for Rate funding.
- If the source of funding is a specific Reserve Fund set up for the purpose of making loans (eg the Community Loans Fund), the loans made will be limited to the quantum of that fund.
- If the source is the Capital Development Fund then the funds available will be limited to 20% of the funds in excess of \$5M. \$5M is required as the minimum liquid cash reserve.
- If the source of funds are unspecified Reserve Funds, ie other than the specific loan Reserve Funds, Capital Development Reserve or Debt Repayment Reserves and other specific short term reserve funds, then the maximum which can be invested in loans from these sources is 10% of the available funds. (Note: The Victory Park lighting Loan is excluded as this will be merged with the redevelopment loan.)
- Interest rate to be charged is set by the Council as either a policy decision or on a case by case basis. In the absence of specific instruction, then at no less than the Council's estimated cost of borrowing plus a margin (1% minimum) for administration and risk.
- The Funds Accountant is to prepare loan documentation as required based on legal advice as to form and procedure.
- Security of Loans will generally be a charge on the borrower's land unless specified as being unsecured (as in the case with some community organisations) in which case such other security as the Council, Director of Finance, or the Funds Accountant may determine as being appropriate for this class of loan.
- Loan Guarantees to protect repayment shall be obtained if directed by the Council or if in the opinion of the Director of Finance or the Funds Accountant it is considered to be prudent for a loan of this type.

## **5.7 Equity Investments in LATEs and Subsidiaries**

- Investment in shares in subsidiary companies will be made on the authorisation of the Council only after the receipt of professional advice on valuation and acquisition procedures.
- The Council will not involve itself directly in the management of its subsidiary companies. Management services may be contracted by the companies from Council staff.
- Each company which is defined as a LATE in the Local Government Act will be required to prepare annually a Statement of Corporate Intent which sets out the activities and strategic direction of each company, and to report in accordance with the Statement of Corporate Intent and the reporting requirements for LATEs in the Local Government Act.
- Christchurch City Holdings Limited is an investment monitoring company established by the Council to hold its significant trading enterprises on behalf of the Council. The Board will comprise a mix of Councillors and external directors with a majority of Councillors.
- Regular monitoring will be carried out by Christchurch City Holdings Limited (CCHL) of the ownership options, business strategy and operating plans, capital structure and risk management affecting the CCHL subsidiaries and other subsidiaries where the shareholding is held directly by the Council.
- Investment performance of subsidiary companies will be assessed in comparison to the performance of other similar companies in the same industry.
- The CCHL Board will report at least six times a year to the Council's Strategy and Resources Committee on the issues arising from its monitoring role. Ad hoc briefing sessions and seminars for Councillors will also be arranged.
- The Council is responsible for the approval of Statements of Corporate Intent and the appointment of directors for all subsidiaries held directly by the Council and directly by CCHL.
- Directors of all subsidiary companies will be selected according to the policy established by the Council in June 1996.
- Ownership of shares in subsidiaries may be transferred to CCHL when a subsidiary has an established record of financial performance and it is Council policy to retain the investment in the long term.
- This policy does not apply to non-trading companies which are held solely for the purpose of land ownership (eg Travis Group).

## **5.8 Shares in Listed Public Companies**

- Specific authorisation is required by the Council to invest directly in listed equities except in the case of professionally managed portfolios as outlined in 5.10 below.
- There is to be an annual review by a broker to assess price, total value and hold or sell advice.
- Trading is authorised to rationalise a holding and on the advice of a broker. Normally taking up cash issues, sale of rights etc will be subject to advice.
- Staff listed in section 5.1 are authorised to enter into transactions.
- Low value transactions may be actioned by the Funds Accountant without further authority.

## **5.9 Real Estate Held for Investment Purposes**

- Acquisition or sale decisions on investment property shall be made by the Council.
- The properties should be managed in accordance with professional property management principles for the administration and maintaining of properties.
- The Property Manager will maintain accurate records for all individual investment properties including income and expenditure which will then be used for measuring performance of the investment.



- Management principles will be in accordance with prudent commercial terms and conditions effective in the market from time to time.
- The Property Manager will ensure compliance with all relevant statutes.
- The decision to hold or dispose of investment property is driven by the performance of a specific investment compared with similar properties in the market.
- The Property Manager is to report to the Council on a six monthly basis on the performance of all investment property.

#### **5.10 Professionally Managed Portfolios**

- Investments in professionally managed (external to the Council) portfolios may be made for Capital Endowment Fund and other reserve fund investments.
- The initial selection of fund managers will be made by the Council's Strategy and Resources Committee on recommendation from the Treasury Review Team after receipt of professional advice.
- Significant decisions relating to Fund Manager appointments will normally be subject to Strategy and Resources Committee approval but the Treasury Review Team is authorised to act on urgent issues and report to the next meeting of the Strategy and Resources Committee.
- Immediately following the initial selection of fund managers the Council will approve appropriate management guidelines for the ongoing management of the Fund and the level of delegated authority to the Treasury Review Team for ongoing decisions relating to these investments.
- The Treasury Review Team shall:
- Take account of and consider the objectives of the funds, management guidelines, the appropriate level of risk to be accepted and the reserve retention policy of the fund as agreed by the Council from time to time.
- Recommend to the Council the quantum of funds which are available for distribution in any year after provision for inflation protection and management of the fluctuation reserve.
- Monitor the performance and compliance of investment managers.
- Develop and implement appropriate periodic reporting to the Council.

### **6 Assessment and Management of Risks by Type of Investment**

#### **6.1 Authorised Bank Instruments**

The Council may invest in any registered bank in New Zealand subject to the following:

- The bank remains the primary debtor throughout the term of the investment.
- Investments will only be in banks with a Standard and Poor's short term credit rating of A-3 or better and a long term credit rating of A- or better (equivalent Moody's ratings may be used).
- A maximum of 20% of the total investments issued by the financial market (which is made up of short term bank deposits, promissory notes and long term stocks and bonds including those issued by other Local Authorities and Government Stock) may be invested with any one bank except where the total bank investments are less than \$10M, when the investments shall be made with at least two banks.
- Any instrument issued by the bank may be taken up.
- Deposits may include foreign currency to meet Council commitments in overseas currencies.

## 6.2 Authorised Stock or Bond Investments

The Council may invest in any fixed term stock or bond issued in New Zealand subject to the following:

- Up to 100% of the available funds may be invested where the stock is issued by the New Zealand Government or State Owned Enterprise guaranteed by the Government.
- Up to 20% of the available funds may be invested in Civic Bonds issued by the Local Government Finance Corporation as these are backed by rate secured investments in Local Authorities.
- Up to 100% of the available funds may be invested where the stock is issued by a Local Authority (not CCC or CCC LATEs) and is rate secured, but subject to a maximum 20% of the total investments (see 6.1) with any one issuer.
- Up to 35% of the available funds may be invested where the bonds are issued by any company in New Zealand subject to the issuer having a Standard and Poor's long term credit rating of A- or better (equivalent Moody's ratings may be used) and subject to a maximum 20% of the total investments (see 6.1) with any one issuer.

## 6.3 For the Purchase, Sale, and Settlement of Bank Deposits, Stock and Bonds and Listed Public Company Shares

The Funds Accountant and in his absence others listed in section 5.1 have authority to deal in these investments, taking on the authorities of the Funds Accountant, subject to the procedures outlined below and detailed elsewhere in this policy:

### 6.3.1 Making Investments:

- Bank deposit and promissory notes investments are normally made after three quotations are received.
- The Council is not bound to take the highest bid, nor shift funds from one bank to another where reasonable grounds exist to make an alternative decision (eg to maintain a spread of deposits between banks).
- Investments in stock or promissory notes issued under a tender shall be made with the advice of a broker or professional adviser retained by the Council.
- Investments in stock or promissory notes by direct purchase shall be made on the advice of a broker.
- Settlement to be made by direct credit, cheque or by direct debit.

### 6.3.2 Recording of Investments:

- Investments made are to be recorded in separate balance sheet asset accounts.
- A division of duties is to be maintained to provide for checks on the prudent handling of investment funds.
- Daily records of cash monitoring and investment decisions shall be maintained.
- Accrued income on a yield to maturity basis is to be calculated and actioned monthly.

### 6.3.3 Income Recognition:

Income is to be recognised on a yield to maturity basis, with the purchase yield used for both capital values and accrued income. This is applicable as the Council:

- normally selects an investment to match a maturity profile based in the main on an expected need for funds
- would not normally sell the investments earlier unless there is a need for funds
- would not wish short term variation in market interest rates to change the income flows over time from the same investment.

6.3.4 Withdrawal or sale of bank deposits, promissory notes, bonds, and listed equity investments:

- Repayment shall be by cleared funds to minimise the settlement risks.
- The principal proceeds are to be credited to the asset account on the balance sheet with appropriate income recognition.
- Funds are either reinvested or they form part of the liquidity of the Council. In either case the full value is recognised in the equity of the Council. Capital gains or losses are recognised as income and disposed of along with all other income as per the Financial Plan.
- Revenue from any investment is dealt with under the Financial Plan along with all other revenues.

**6.4 Purchase, Sale and Settlement of Real Estate Investments**

- All acquisitions and disposal decisions are to be made by the Council on advice of the Property Manager.
- The property disposal procedures approved by the Council from time to time shall be used for investment property disposals.
- Sale and purchase contracts in the normal form will be used.
- Investment properties are to be recorded as assets in the financial records and have similar treatment to other assets.

**6.5 Purchase, Sale and Settlement of Subsidiary Company Investments**

- In general terms it is the intention of the Council that a majority ownership in these investments will be retained in the long term.
- Any decision to dispose of shares in a subsidiary which would reduce the Council's shareholding to less than 50% will be made only after public consultation as set out in the Local Government Act.
- Where existing assets of the Council are transferred to a new LATE, an Establishment Unit will assess all the options and recommend the methodology, value and other matters according to the established procedure set out in the Local Government Act.
- External professional advice will be sought before making any decision to acquire or dispose of any shareholding in any of the subsidiary company investments.

**6.6 Purchase of Promissory Notes issued by New Zealand Companies and Local Authorities**

The Council may invest in Promissory Notes issued in New Zealand by Corporates and Local Authorities in New Zealand currency provided they have throughout their term a Standard and Poor's short term credit rating of A-3 or better (or equivalent Moody's rating).

- The term would generally be no more than 180 days.
- The interest rate must be better than Bank deposits for the same term to indicate a preference for Promissory Notes.
- For registered Promissory Notes the note must be held in the Council's name.
- For 'bearer' Promissory Notes, the certificate may be held by the Council or by a suitable agent such as a Bank or Austraclear.
- To avoid the Council being exposed to settlement risk, payment on maturity or sale requires settlement by 'Cleared Funds'.

**6.7 Investments in Professionally Managed Investment Portfolio**

- Professionally managed (external to Council) investment portfolios may be used for Reserve Fund investments in accordance with guidelines approved by the Strategy and Resources Committee from time to time. In considering the selection of any managed portfolio to minimise income and capital risk, the following shall be considered (along with any other relevant consideration):
  - The selection of the professional Fund Manager based on performance and competence.
  - The diversification of the asset class.
  - The expected return of each asset.
  - The volatility of return, both in the past and expected.

#### 1.1.43

- The Council's tolerance to risk.
  - The appropriate reserve retention level necessary to preserve the fund value and earning potential.
  - The income distribution expectations of the Council.
- 
- The management of the investment, once made with an (external to Council) professional Fund Manager, shall be handled entirely by that Fund Manager. Therefore the restrictions stated elsewhere in this policy governing the selection and handling of direct investments shall not apply.
  - It is recognised that title to the underlying investments will be with the Fund Manager who will handle the investments on the Council's behalf. The Council will receive an acknowledgement of its interest in the investment pool.

## STATEMENT OF RATING INFORMATION

### Rating Policy is based on the Funding Policy

The application of the Funding Policy determines the allocation of rates to sectors and therefore the rates on each property. For information on the Funding Policy please refer to the relevant section in the Strategic Statement.

### Rating Overview

The rating system provides the net funding requirement for the Council's programme as set out in this Financial Plan. Rates are levied as a tax on property in compliance with the statutory provisions of the Rating Powers Act (1988).

Property values were revised in September 1998. The next revaluation is in September 2001 and these will apply to the 2002/03 year.

Rates of \$137.58M (exclusive of GST) will be levied for 2001/02. This is an overall increase in the rate requirement of 2.28% over 2000/01 after taking into account the growth in the rating base.

### Rate Types

It is planned to levy the following rates. (The figures noted below are exclusive of GST):

• General rates	\$90,568,471
• A Uniform Annual General Charge	\$12,163,387 (\$105 per property)
• Separate rates for:	
- Water	\$11,138,943
- Sewerage	\$15,048,873
- Land and Stormwater Drainage	\$8,657,988

### Rate Type Descriptions

#### *General Rates*

General Rates are levied on capital values according to the Funding Policy. General rates (including the Uniform Annual General Charge) provide for approximately 74.67% of the total rate requirement of the Council, being the net rate requirement after separate rates are determined.

#### *Uniform Annual General Charge*

A portion of general rates is levied as a uniform annual general charge of \$105 per rateable assessment, payable irrespective of property values.

The uniform charge is levied to recover costs which have been determined in the funding policy to:

- provide benefits which are people related;
- have a reasonable correlation between the number of properties and the spread of benefits in the community; and
- to be uniformly consumed by the inhabitants of the community.

*Separate Rates*

**Separate Water Rate.** This rate is levied on properties in the serviced area to recover the costs of water supply. Connected properties pay full water rates, non connected pay half rates.

User Charges based on metered consumption are also made for water consumed by properties, other than private residential properties. An allowance is made for the amount of water rates charged.

**Separate Sewerage Rate.** This rate is levied to recover the costs of sewerage on all properties within the serviced area.

**Separate Land Drainage Rate.** This rate is levied to recover the costs of land drainage from ratepayers within the land drainage district.

**Differential Rating**

Differential rating is applied to both General Rates and Separate Rates levied on Capital Values. The quantum of rates required from each sector (Residential, Commercial/Industrial, Rural, and Non Rateable) is based on the Funding Policy allocation which is derived from an analysis of each Council output. The sector requirement for each rate type is then applied to properties within each sector, based on the relative capital values.

The differential sectors are:

**Sector A - Commercial and Industrial Properties**

Any separately rateable property which is:

- (a) used for a commercial or industrial purpose (including travellers and special purpose accommodation, offices and administrative and associated functions, and commercially owned and operated utility networks); or
- (b) vacant land zoned commercial, industrial or rural industrial under the transitional district plan administered by the Council.

**Sector B — Residential and Other Properties**

Includes any separately rateable property which is:

- (a) used for residential purposes (including home ownership flats); or
- (b) vacant land zoned residential or rural residential under the transitional district plan administered by the Council; or
- (c) Council operated utility networks; or
- (d) land not otherwise classified under sectors A, C or D.

**Sector C - Rural Properties**

Includes any separately rateable property which is:

- (a) used solely or principally for:
  - (i) agricultural or horticultural or pastoral purposes; or
  - (ii) for the keeping of bees or poultry; or

- (b) zoned rural under the transitional district plan administered by the Council, but does not include any separately rateable property which is:
  - (i) zoned rural industrial or rural residential under the transitional district plan administered by the Council; or
  - (ii) zoned rural and used principally for residential purposes (including home ownership flats).

### **Sector D — Institutions (Non-Rateable)**

These are properties which are deemed not to be rateable properties pursuant to Sections 4, 5 and 6 of the Rating Powers Act 1988. Although this sector is exempt from paying general rates, it is still liable for separate rates for water and sewerage.

Rates for 2001/02 will be shared among the ratepaying sectors as follows:

- Residential and Base	71.35%
- Commercial/Industrial	26.32%
- Rural	1.44%
- Institutions	0.89%

The different rating sectors will experience changes to their rates over the 2000/01 rates as follows:

- Residential and Base	+ 2.32%
- Commercial/Industrial	+ 1.54%
- Rural	+ 9.85%
- Institutions	+ 10.42%

### **Rating by Instalments**

The Council provides for rates to be paid in four instalments, with instalment one generally equal to the previous year's instalment four. A ratepayer may elect to pay the whole of the year's rates in one sum before instalment two due date without additional charges.

### **Additional Charges**

An additional charge of 10% will be added to each instalment which remains unpaid after its due date. Previous years' rates which are unpaid will have 10% added firstly in October 2001 and, if still unpaid, again in April 2002.

Additional Charges may be remitted in accordance with the following criteria:

- (a) All applications must be in writing.
- (b) All rates must be paid in full, as a general rule, before remission is considered.
- (c) Remission will generally be given where late payment has arisen due to sickness, death, age or other acceptable genuine reasons.
- (d) No additional charge will be added where payment is received over the counter on the day following due date or through the mail on the second day following the due date.
- (e) Remission of second and subsequent additional charges where satisfactory arrangements are in place for regular payment of arrears.

- (f) Remission on payments made within five working days of due date, where there is no substantiated reason for remission, up to a maximum of one such remission every two years.
- (g) Remission in respect of commercial, professional or industrial properties will generally not be granted other than once every five years.
- (h) The remission of penalty on current year's rates may be granted where an agreed arrangement for payment is in place which is in excess of the current year's rates.

### **Postponement of Rates**

Statutory provision exists for the Council to remit or postpone rates in cases of extreme financial hardship. The Council has a policy of considering the postponement of rates where hardship exists. Postponed rates are a charge against the property and must be paid either at the end of the postponement term or when the property is sold.

Generally applicants will be over age 65 but consideration will be given in other special circumstances of need.

Interest will be charged on postponed rates for new applicants at the Council's cost of capital rate, currently 6.8%, without incurring additional charges.

### **Environment Canterbury**

The Council acts as agent for the collection of rates for the Environment Canterbury (Canterbury Regional Council) which determines its own rate levels. This policy does not refer to those rates.

### **Funding Policy**

The Funding Policy allocates rates to the four sectors referred to earlier. The factors considered when making such an allocation include:

- general benefits which go to the community
- direct benefits which can be directly attributable to persons or categories of person
- where there is a need to control negative effects (eg pollution)
- modifications. In order to avoid significant adjustment difficulties, the Council may adjust the amount which a sector has to pay.

For further information on the Funding Policy refer to the Strategic Statement.



**Actual Rates Payable – 2000/01 Actual and the 2002 Financial Plan Compared**

Capital Value	Year	General Rates		Water Rates \$	Land Drainage \$	Sewerage Rates \$	Total \$
		Uniform Charge \$	By Capital Value \$				
<b>Residential <sup>(1)</sup></b>							
80,000	2001/02	105	259	37	29	50	480
	2000/01	105	246	40	28	51	471
120,000	2001/02	105	389	55	44	74	667
	2000/01	105	369	61	43	76	654
160,000	2001/02	105	518	74	59	99	855
	2000/01	105	493	81	57	101	836
200,000	2001/02	105	648	92	73	124	1,042
	2000/01	105	616	101	71	126	1,019
260,000	2001/02	105	842	120	95	161	1,324
	2000/01	105	800	132	92	164	1,294
300,000	2001/02	105	972	138	110	186	1,511
	2000/01	105	924	152	107	189	1,476
400,000	2001/02	105	1,296	185	183	248	1,980
	2000/01	105	1,231	202	178	253	1,934
<b>Commercial <sup>(1)</sup></b>							
100,000	2001/02	105	587	45	37	62	836
	2000/01	105	598	23	36	63	824
160,000	2001/02	105	940	72	59	98	1,274
	2000/01	105	957	36	57	101	1,256
200,000	2001/02	195	1,175	90	73	123	1,566
	2000/01	105	1,196	45	71	126	1,544
300,000	2001/02	105	1,762	135	110	185	2,297
	2000/01	105	1,794	68	107	189	2,263
500,000	2001/02	105	2,937	226	183	308	3,758
	2000/01	105	2,990	113	178	316	3,701

**Actual Rates Payable – 2000/01 Actual and the 2002 Financial Plan Compared**

Capital Value	Year	General Rates		Water Rates \$	Land Drainage \$	Sewerage Rates \$	Total \$
		Uniform Charge \$	By Capital Value \$				
<b>Rural</b> <sup>(1)</sup>							
100,000	2001/02	105	232	41	37	64	478
	2000/01	105	201	55	36	67	463
200,000	2001/02	105	463	83	73	127	852
	2000/01	105	401	110	71	134	822
300,000	2001/02	105	695	124	110	191	1,225
	2000/01	105	602	166	107	201	1,180
400,000	2001/02	105	927	166	146	255	1,598
	2000/01	105	802	221	142	268	1,538
500,000	2001/02	105	1,159	207	183	318	1,972
	2000/01	105	1,003	276	178	335	1,897

**Notes:**

- (1) Fully serviced properties, and includes a Uniform Annual General Charge of \$105 per property.
- (2) Includes GST and does not include the Canterbury Regional Council Rates.
- (3) 2000/2001 = 2000 Actual rates payable  
2001/2002 = 2002 Financial Plan.

## STATEMENT OF ACCOUNTING POLICIES

### Statement of Reporting Entity

The Christchurch City Council is a territorial local authority formed under the Local Government Act 1974 (as amended).

### Measurement Base

The measurement base adopted is that of historical cost as modified by the revaluation of certain assets.

### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

#### (a) Fixed Assets

Fixed assets have been divided into three broad categories:

##### (i) Operational Assets

Operational assets include land, buildings, furniture and office equipment, fixed plant, vehicles and mobile plant. Operational assets are valued at depreciated replacement value at 30 June 1991 with additions recorded at cost. The only exception is land and buildings that are revalued to net current value on an existing use basis every three years. All operational assets with the exception of land are depreciated and details of the depreciation methods and rates are noted below.

##### (ii) Infrastructural Assets

Infrastructural assets are the fixed utility systems. They include roads, footpaths, bridges, traffic signals, water, sewerage and drainage systems.

Infrastructural assets were valued as optimised depreciated replacement cost except for land under roads that was valued at 30 June 1992 by Quotable Value NZ at its rating value. Additions to Infrastructure Assets since valuation are recorded at cost.

Infrastructural assets are also depreciated and details of the depreciation methods and rates are noted below.

##### (iii) Restricted Assets

Restricted assets cannot be disposed of because of legal and other restrictions. They include:

- Land and buildings with restrictions on sale - eg, Reserves
- Trust Housing
- Library books - New Zealand Collection
- Properties held in trust for other organisations
- Works of Art

Restricted assets are not depreciated except for Trust Housing and Historic Buildings. These assets are valued on the same basis as Operational Assets.

**(b) Depreciation**

Depreciation is provided in respect of an operational or infrastructural asset. Depreciation is included in each cost of service statement and is an accounting method for writing off the cost of an asset over its estimated useful life. Where it is not shown as a line item it is disclosed by way of note.

**(i) Operational Assets**

Depreciation is on a straight line basis for all operational assets other than mobile plant. Mobile plant is depreciated on a diminishing value (DV) basis.

The following rates have been applied:

**Buildings:**

Plant	2%-50% of valuation
Fixtures	2%-50% of valuation
Property	1%-6.7% of valuation

Computers and associated equipment	25% of cost price
Chattels	20% of cost price
Library Books	10%-33% of cost price

**Mobile Plant:**

Light Vehicles	20% DV	Trucks, Trailers, Buses	15% DV
Small Plant	50% DV	Medium Plant	33.3% DV
Heavy Plant	15% DV	Specialist Plant	7.5% DV

**(ii) Infrastructural Assets**

Expenditure on infrastructural asset replacement and renewal is capitalised. The expensing of these assets is by way of depreciation. This is calculated using the long run average renewals approach (LRARA). This approach has been used for the following assets:

Roading  
Sewer, Stormwater and Water Systems and Associated Plant  
Water Meters  
Street Lighting  
Traffic Signals  
Bridges  
Bus Shelters

(iii) Restricted Assets - The only restricted assets that are depreciated are:

Trust Housing	1% of valuation
Historic Buildings	1% of valuation

(iv) Assets under Construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion, and then depreciated.

(c) **Landfill Aftercare Costs**

As operator of the Burwood landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill after closure. To provide for the estimated cost of aftercare, a charge is made each year based on volumes processed through the landfill.

The estimated cost is calculated based on estimates of:

(i) Total current cost

This is defined as the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period. The estimate has been based on costs of closure of similar landfills by other local authorities.

(ii) Total capacity

The estimated length of time needed for post-closure care is 30 years.

The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities. The estimated future costs to perform this obligation have been accrued and charged.

The calculations assume no change in the legislative requirements for closure and post-closure treatment.

(d) **Debt Servicing**

Significant Activities are charged a share of the Council's actual borrowing. These costs are apportioned on the book value of the Operational and Infrastructural Assets employed at 1 July 2001.

(e) **Goods and Services Tax (GST)**

GST has been excluded from all budgetary provisions except for rental housing, accounts receivable and accounts payable.

**(f) Cost Allocations**

The costs of all internal services are either charged directly to service delivery activities or allocated to them.

Where the user of the service can be identified the recovery is made by way of direct charge. This applies to services provided by City Solutions. Where this is not possible, the costs are allocated by way of corporate overhead. The basis of the corporate overhead allocation is reviewed each year in order to ensure that the allocation best matches the service being utilised. Internal service costs which are allocated out as corporate overhead include: the Corporate Office, Corporate Services, Management Information Services and Financial Services.

Rate collection costs are included within the corporate overhead and are apportioned on the basis of the rates funding applied to each activity.

Debt servicing costs are allocated out separately using assets held as the allocation base.

**(g) Research and Development Costs**

Research and development costs are expensed in the period incurred. Development costs are deferred where it is probable that future benefits will exceed those costs. Deferred development costs are amortised over future periods in relation to expected future revenue.

**(h) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined by FIFO or weighted average methods.

**(i) Investments**

Subsidiaries, except for Christchurch City Holdings Ltd (CCHL) associates and shares in the Local Government Insurance Corporation Limited and New Zealand Counties Investment Company Limited are valued by the share of equity as per the latest Statement of Financial Position. Shares in CCHL are valued at independent market valuation.

**(j) Donated Goods and Services**

The Council receives the benefits of many services provided by volunteers. These services are greatly valued. They are however, difficult to measure in monetary terms. From an accounting point of view these services are not considered material in relation to the Council's total expenditure.

Vested land is included at current value and Infrastructural Assets are included at the cost to the subdivider.

**(k) Leases****(i) Finance Leases**

These leases effectively transfer all the risks and benefits of ownership to the lessee. Finance Leases are included in liabilities at their current value.

Assets purchased under such leases are included in fixed assets and depreciated at usual rates.

(ii) **Operating Leases**

Under these leases, the lessor effectively retains all the risks and benefits of ownership. These lease payments are charged as expenses in the periods in which they are incurred.

**(l) Employment Entitlements**

Provision is made in respect of the Council's liability for gratuity allowances, and annual and long service leave. The liabilities for leave have been calculated on an actual entitlement basis at current rates of pay. The retiring gratuity liability has been assessed on an actuarial basis.

**(m) Third Party - Transfer Payment Agencies**

The Council collects monies for many organisations including Environment Canterbury, Building Industry Authority and others. Where collections are processed through the Council's books, any monies held are included in the Accounts Payable figure in the Statement of Financial Position.

**(n) Projected Cost of Service 2000/01 and 2001/02**

(See pages 31 to 54 of the Financial Plan.)

**(o) Comparative Figures**

Certain comparative figures have been restated to reflect changes in presentation.

**(p) Income Tax**

The income tax expense charged to the Statement of Financial Performance includes the expense and the income tax effects of timing differences. This has been calculated using the liability method.

**(q) Financial Instruments**

The Christchurch City Council is party to financial instrument arrangements as part of its everyday operations. These financial instruments include Banking Funds, Bank Deposits, Short Term Investments, Accounts Receivable, Sinking Fund Investments, Accounts Payable and Term Debt.

Revenues and expenses are recognised in the Statement of Financial Performance.

All financial instruments are recognised in the Statement of Financial Position, with the exception of Guarantees and Contingent Assets and Liabilities. Any income or expenditure arising from the exercising of a Guarantee, or upon a contingency becoming an actual asset or liability, will be recognised in the Statement of Financial Performance at the time of confirmation.

The following methods and assumptions were used to value each class of financial instrument:

- (i) Accounts Receivable and Long Term Receivable are recorded at estimated realisable value.

- (ii) Short Term Investments are valued at fair value.
- (iii) Investments in Government and Local Authority Stock are valued at cost with premiums paid or discounts taken on acquisition amortised over the life of the investment. Income is recognised on a yield to maturity basis.
- (iv) Share investments, gifted in trust, are valued at fair value.
- (v) Loans to various sporting and cultural organisations are recorded at fair value.
- (vi) All other financial instruments, including Cash and Bank balances, Accounts Payable and Term Debt are valued at fair value.

(r) **Investment and Development Property**

The Council has no properties purchased or acquired for the primary purpose of earning capital gains or rental income.

(s) **Financial Reporting Standard No. 29 (FRS 29) Disclosures**

In accordance with the Institute of Chartered Accountants of New Zealand Financial Reporting Standard 29, the following information is provided in respect of the Long Term Financial Strategy:

(i) **Cautionary Note**

The Long Term Financial Strategy and financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(ii) **Nature of Prospective Information**

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place.

The financial information presented consists of both forecasts and projections. The financials for 2001/02 are forecasts which reflect the most probable outcome. The financials for 2002/03 and subsequent years are projections. They are based upon varying assumptions about the conditions that might exist and possible courses of action.

(iii) **Assumptions**

The principal assumptions underlying the forecasts and projections are noted in the Long Term Financial Strategy Section of the Strategic Statement. These assumptions were valid as at 12 July 2001, the date this Corporate Plan was adopted.

(iv) **Extent to which Prospective Information Incorporates Actual Results**

Although the period covered by the Long Term Financial Strategy contains no actual operating results, some financial information has however been extrapolated from the Council's audited Financial Statements as at 30 June 2000.



**(v) Purpose for which the Prospective Information is Prepared**

The Long Term Financial Strategy is in accordance with the Local Government Amendment Act (No. 3) 1996. The purpose of this legislation is to promote prudent, effective, and efficient financial management by local authorities.

**Changes in Accounting Policies**

There are no changes in accounting policies. These have been applied on a basis consistent with those in previous years.

**Policy Change Statement**

To meet the requirements of Sections S223(1)(a) and (b) and (3)(b) of the Local Government Amendment Act (No. 3) 1996, it is stated that at this time the Council and its related organisations will have similar policies and objectives in 2002/03 and 2003/04. Where relevant, significant changes between the policies, objectives and activities proposed for 2001/02 and those for 2000/01 are described.

**CONTRA AGREEMENTS <sup>(1)</sup>**

<b>Unit</b>	<b>Company Name</b>	<b>Provision</b>	<b>Value (12 Months)</b>	<b>Details</b>	<b>Expiry Date</b>
<b>Waste Management</b>	Telecom (Connectel) Orion (Connetics) Rockgas Distributors Service Electrix Frank Millar Ltd Independent Line Services Design Net Ltd Telstra/Saturn	Service Facility Maps	\$5,000 (approx)	Free exchange of maps detailing underground lateral and reticulation services	By agreement. No fixed contract term.
<b>City Streets</b>	Adshel NZ Ltd	Adshel Bus Shelters	\$10,000	Full advertising rights (with CCC conditions as to content)	31.5.98

(1) The term 'contra' is used to cover any agreements for supply of services or goods to the Council in exchange for services or goods such as advertising, signage, etc.

<b>Unit</b>	<b>Company Name</b>	<b>Provision</b>	<b>Total Value (12 Months)</b>	<b>Details</b>	<b>Expiry Date</b>
<b>Leisure</b>			<b>\$181,770</b>		
	Canterbury Television	Pool Banners (QEII)	\$4,100pa	Television advertising	
	Canterbury International	Pool Banners (QEII)	\$3,600pa	Provision of clothing	
	C93FM	Pool Banners (QEII)	\$3,600pa	Radio advertising	
	Durning Communications	Pool Banners (QEII)	\$3,600pa	Newspaper advertising	
	Christchurch Press	Association with SummerTimes festival	\$5,000	Newspaper advertising	
	The George Hotel	Association with SummerTimes festival Mention in brochure Banner at events	\$8,750	Provision of accommodation and meals	
	Tait Communications	Association with SummerTimes festival Mention in brochure Banner at events	\$12,000	Provision of RTs for festival	
	TVNZ	Naming Rights for KidsFest festival	\$20,000	Television air time	
	Court Florist	Association with SummerTimes festival Mention in brochure	\$400	Provisional flowers for Candlelight Opera	

Unit	Company Name	Provision	Total Value (12 Months)	Details	Expiry Date
	Media Solutions	Association with SummerTimes Festival Mention in brochures, newspaper advertising and on posters	\$10,000	Creation and maintainance of official festival web site	
	AB Equipment	Banners at events Advertising on Superscreen	\$2,000	Free forklifts x 3	
	Hirequip	Banners at events Advertising on Superscreen Mention in brochures	\$3,000	Scissorlift hires x 2	
	Event Volunteers	Event experience	\$10,000	On site assistance with events	
	91ZM	Logo in brochures/newspaper/posters	\$10,000	Radio advertising	
	More FM	Logo in brochures/newspaper/posters	\$10,000	Radio advertising	
	Lite FM	Logo in brochures/newspaper/posters	\$10,000	Radio advertising	
	B98FM	Logo in brochures/newspaper/posters	\$10,000	Radio advertising	
	Newstalk ZB	Logo in brochures/newspaper/posters	\$10,000	Radio advertising	
	Croxley Ltd	Association with a KidsFest event	\$1,500	Crayola drawing products and prizes	

**NB. The \$ figures quoted are estimates only**

## **THE CAPITAL ENDOWMENT FUND**

### **Background**

In April 2000, Orion New Zealand Limited, the Council's energy company (87.6% owned by the Council), sold its North Island gas network and related assets. The gross proceeds of the sale were \$550 million and the net gain on sale was some \$187 million.

The Council's share of the amount being returned to shareholders is \$175 million. The Council has resolved to apply a \$100 million of this to debt reduction and the balance of \$75 million will be invested in a protected long term fund.

This Fund, to be known as the Capital Endowment Fund, will be used for the benefit of current and future generations. The Fund will be ring-fenced from the Council's other funds in order to protect the capital and provide an ongoing income stream to be used for economic development and civic and community projects.

### **Establishment of the Capital Endowment Fund**

In establishing the Fund the Council resolved:

- That up to 100% of the available income from the fund be allocated in year 1 and up to 75% be allocated for subsequent years.
- That the income from the fund be allocated each year in the following way:  
Economic development - 70%;  
Civic and community projects 30%.
- That the above general categories be reviewed on a three yearly cycle.
- That if desired, funding for a particular category be carried forward to another year.
- That civic and community projects which have a cost of less than \$100,000 in any one year not be funded from the Capital Endowment Fund.
- That no single project be funded for more than three years, except in exceptional circumstances.
- That the capital of the fund will not be used unless 80% of the Councillors vote in favour.
- That a statement in the Council's funding policy and long term financial strategy will outline the structure and purpose of the fund.
- That the intention is to protect the capital and the process of applying the income to projects for the benefit of the community.
- That the Council will establish a practice of reporting on the fund in its Financial Plan and Annual Report as a separate activity each year including any significant variations to the policy.

### **Allocating the Economic Development Stream of Income from the Capital Endowment Fund**

The Council will in consultation with the Canterbury Development Corporation, the Canterbury Manufacturers Association and the Canterbury Employers' Chamber of Commerce develop a set of criteria for assessing economic development projects, together with appropriate evaluation mechanisms.

The Council will also ensure that the inclusion of a direct increase in economic activity and job creation are prime criteria in the assessment evaluation.

The Council has specified several projects to be funded from the Economic Development portion of the fund over the next two years (see the schedule on page 30). In 2001/02 \$850,000 remains for allocation by the process being developed in conjunction with the above-mentioned organisations.

### **Allocating the Civic and Community Projects Stream of Income from the Capital Endowment Fund**

The Museum Project was shown in the draft Plan as a potential project to be funded from the income of the Capital Endowment Fund. The amount provided for was \$5.5 million over five years commencing in 2002/03. In addition, a capital commitment of \$2.5 million from the Council's capital budget was also provided for making a total of \$8 million.

The total Museum Project cost is estimated at \$31.3 million and funding is being sought as follows:

Local Government	\$10.0 million
Central Government	\$12.5 million
Raised by Museum (sponsors etc.)	\$8.8 million

The Museum have sought a local commitment to this project so that they can approach Government with a realistic indication of local support. The Council has therefore made a significant commitment to this project over six years as it is considered to be exceptional and therefore requires a commitment to be made for more than three years.

It is proposed to provide funding for the Museum of \$3.5M from the Capital Endowment Fund over six years: 2001/02 - \$250,000; 2002/03 - \$532,500; 2003/04 - \$532,500; 2004/05 - \$732,500; 2005/05 - \$732,500; 2006/07 - \$732,500. In addition, the Financial Plan provides for \$2 million from ordinary revenue plus \$2.5 million capital for the overall project, making a total of \$8 million.

The Council has approved the allocation of \$200,000 in the next 3 years for upgrading special character precinct areas of the Central City and has set aside \$443,500 over 3 years for community projects which are yet to be specified. It has noted that the unallocated portion is also available for community projects in later years.

The Council has resolved that in the allocations to local community projects, the Council will follow the principle that all parts of the city will benefit, over a period, from local projects.

### **Investment Objectives**

The Council will invest the assets of the fund in a broad range of investments designed to achieve the following objectives:

1. Maintain the real value of the capital of the fund with regard to inflation.
2. Maximise the value of the fund and therefore the amount that can be distributed from the fund over the long term, subject to a prudent level of portfolio risk.
3. Maintain a degree of consistency in the amounts that can be withdrawn on an annual basis.

### **Investment Policies**

The Investment Policies adopted by the Council to achieve the above objectives are:

1. Responsibilities under common law and statute must be met.
2. The inflation-adjusted capital of the fund shall not be withdrawn.
3. An appropriate level of portfolio risk will be determined and accepted by the Council in consultation with professional advisers.
4. An appropriate level of diversification across securities, sectors, asset classes and countries must be maintained.

5. The portfolio will accept risks in a prudent manner and investment risk will be minimised for the expected level of return.
6. The capital of the portfolio will be preserved on a quarterly basis by adjusting for changes in the Statistics New Zealand All Groups CPI.
7. An investment fluctuation reserve must be maintained to finance budgeted distributions from the fund.
8. Liquidity must be considered and maintained at an appropriate level.
9. The investment structure must be able to accommodate changes in the fund's requirements and the investment environment.
10. All aspects of the investment process and functions will be reviewed regularly. In particular:
  - The performance of investment managers will be monitored against benchmarks at least monthly, and against the performance of other investment managers at least quarterly.
  - Investment managers will be monitored on an ongoing basis with respect to their organisational structure, investment processes and personnel.
  - Investment policies and objectives, asset allocation strategy and overall investment management structure will be reviewed at least once every three years.

The Council has resolved that a target of up to 10% of the Fund should be invested in South Island owned or based companies consistent with prudent investment practice. The Director of Finance has been requested to report on the form and procedure for this part of the investment fund.

**CAPITAL ENDOWMENT FUND - FUNDING ALLOCATIONS**

	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Estimated Total Available Income From Fund</b>	2,312,500	3,706,250	3,782,375
<b>Not to be allocated until later years (25%)</b>		(926,563)	(945,594)
	-----	-----	-----
Available for allocation	2,312,500	2,779,688	2,836,781
	=====	=====	=====
<b>Amounts Allocated</b>			
<b><i>Economic Development (70%)</i></b>			
<b>Central City Initiatives</b>			
- Central City New Business Initiatives	100,000		
- Central City Project Team	100,000	100,000	
<b>Christchurch Development Corporation (CDC)</b>			
- Central Plains Water Enhancement - Feasibility Studies	295,000		
- Central City Attraction Strategy	100,000		
- Economic Development Projects (subject to an evaluation process being developed)	850,000		
<b>Christchurch &amp; Canterbury Marketing (CCM)</b>			
- Domestic Marketing Campaign	175,000	175,000	
<b><i>Civic and Community (30%)</i></b>			
<b>Community Relations</b>			
- Community Projects (unspecified)	242,500	100,500	100,500
<b>Central City Initiatives</b>			
- Special Character Area Precinct Upgrade	200,000	200,000	200,000
<b>Corporate Expenses/Other</b>			
- Museum - Building & Development Project Grant	250,000	532,500	532,500
	-----	-----	-----
Remaining balance to be allocated	0	1,671,688	2,003,781
	=====	=====	=====



## MANAGEMENT PLAN FOR EQUAL EMPLOYMENT OPPORTUNITY POLICY

(Reference to the Local Government Amendment Act No. 2 1989 Section 119f and 119g)

### POLICY

The Christchurch City Council is committed to having in place practices within the Council which work towards eliminating all forms of discrimination and which are consistent with the Council's Giving Value - Being Valued Culture Statement. This includes barriers to the recruitment, retention, development and promotion of its employees.

In the latter half of 2000 we reviewed the progress and effectiveness of our EEO programme and support over the last decade. We agreed that we should:

- refocus the programme on **Diversity**;
- integrate it with the principles of our culture, Giving Value – Being Valued and the HR Strategy; and with the learning from other organisational development programmes;
- second a Diversity Coordinator @ 0.5 FTE for a period of 12 months to build on past EEO achievement and develop a change process/programme which will deliver inclusion for all and minimise discrimination on any ground.

This secondment was included in the recent process of realigning and restructuring HR services and a Coordinator appointed, starting late June/early July. One of her key tasks will be to develop a new plan and programme.

Meantime the Council's **EEO Policy** stands and **EEO training** continues.

### OBJECTIVES

To ensure that:

- for any given position selection decisions will be made on merit, qualifications and work history relating to the position to be filled, irrespective of gender, race, ethnic or national origins, religious or ethical beliefs, disability, marital status, employment status, family status, political opinions, sexual orientation, or age, which are irrelevant to the person's ability to do the job
- all employees have the opportunity to develop to their full potential and are encouraged to do so
- other differences irrelevant to a person's ability to achieve the requirements of a job do not act as a barrier either to or within employment
- there is ongoing commitment to identify and eliminate discriminatory barriers that cause or perpetuate inequality in the employment of any person or group of persons
- to take stock of EEO development since 1990 and to develop process/programme for refocusing the organisation on Diversity and its integration with the principles of GV-BV and the HR Strategy
- all communications, publications and material produced by the Council are consistent with EEO policy and the principles of valuing Diversity
- all staff are made aware of the Council's commitment to EEO and understand the principles of EEO and Diversity

1.1.65

- the Council has a diverse and flexible workforce and is committed to recognising and valuing different skills, talents and perspectives of our employees

Diversity and its link to EEO are about best practice which is a goal of the Council's Giving Value – Being Valued Culture Statement. A diverse workforce will be able to meet the needs of the Council's diverse customers and communities.