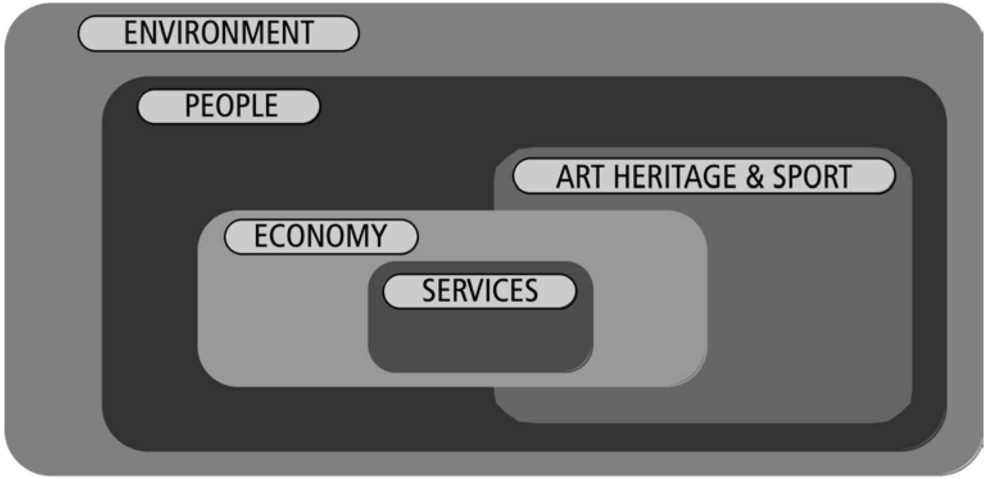
1.1.0

Draft Corporate Plan
2003/04 Edition

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 Survey).
- 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 aquifiers 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.

TE PŪRONGO TIKANGA Ā TE KAUNIHERA O ŌTAUTAHI

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

TRIPLE BOTTOM LINE REPORTING

What is Triple Bottom Line Reporting?

Triple Bottom Line (TBL) reporting was developed by John Elkington (from the UK).

TBL concerns all aspects of an organisation's performance, not merely the meeting of financial targets.

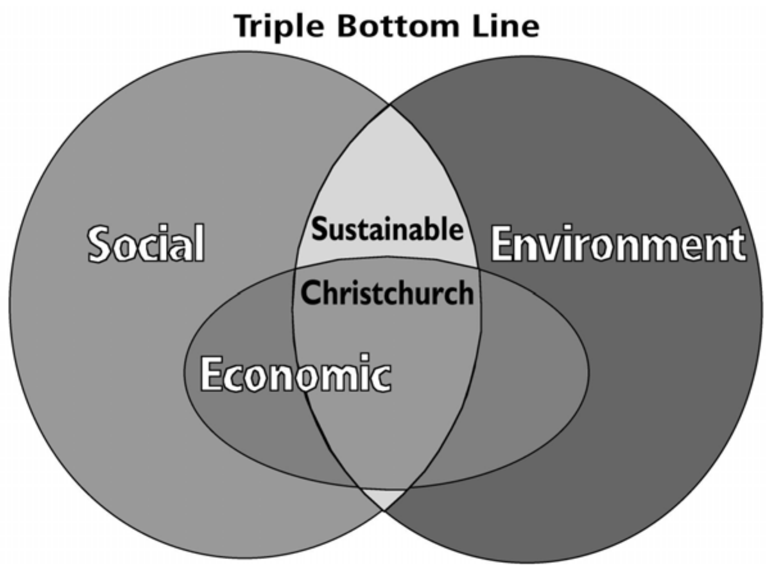
At the heart of the TBL philosophy is an acknowledgement that an organisation has impacts on society and the environment as well as financially on its stakeholders. Such impacts may be positive or negative. They may be exerted directly by the organisation itself, or by way of the organisation's influence upon others.

By adopting the TBL philosophy an organisation takes a position on the three core areas: economic prosperity, environmental quality, and social justice. It adopts value statements or principles which then serve as a compass in steering its strategy, policies, targets, and activities.

TBL reporting is the mechanism by which an organisation conveys its values or principles and its performance in matching them.

For each of our 14 significant activities, objectives, environmental, social and economic measures have been prepared (see the performance indicator matrices on pages 44 to 91 of the Draft Financial Plan). They also include targets and it is against these targets that our actual performance will be compared in the 2004 Annual Report. In addition to the 14 significant activity measures, there are some 'corporate' or 'headline' measures. These are core measures which have been selected for their ability to track/demonstrate progress toward achieving the Council's Strategic Goals.

The 'link to the Strategic Objective' refers to the Council's Strategic Objectives which are printed on pages 1.1.7 to 1.1.10.



Triple Bottom Line and Sustainability

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 (the triple bottom line process) 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.

This is an action diagram.

The three circles, A. SOCIAL, B. ECONOMIC and C. ENVIRONMENTAL 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.

REPORTING PRINCIPLES

TBL reporting is a relatively new phenomenon and there is no established best way of doing it – we will learn more from every report published. Achieving a balance between detail and making the report interesting and readable is difficult. The aspirations behind our TBL measures can be summarised in the following principles. (These principles were adopted by the Council on 16 July 2002.)

- **Balanced** – we are prepared to report both positive and negative results on aspects of our performance.
- **A living report** – we are committed to a living report **-** it will develop and evolve over time.
- **Use of externally derived measures and benchmarks** – we have where appropriate used these and are prepared to be judged by our performance against these measures.
- **Holistic** – we endeavour to show the full picture of the relevant issues.
- **Accessible** – both web and print versions of this document will be available.
- **Interactive** – the reader can engage the CCC via different channels such as contacting us by telephone (941-8999) or email **-** info@ccc.govt.nz
- **Synergistic** – TBL reporting is a mechanism by which we can convey the organisation's values/principles and its performance in matching them.
- **Verifiable** – an independent third party will as part of the annual audit process verify that actual performance is supported by appropriate evidence.

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 FOR EACH OF THESE GOALS FOLLOW.

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, riverbanks, historically important exotic and indigenous trees 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.[1]

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

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

[1] In this context this refers to land or bodies of water and cultural importance to Māori.

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 the 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 Māori in Christchurch.

G3 Considering and protecting the aspirations of all people in all the planning and delivery of all Council activity.

For an action diagram of the strategic goals and objectives, see page 1.1.5.

CHRISTCHURCH CITY COUNCIL

MAYOR

Garry Moore CA

DEPUTY MAYOR

Councillor Lesley Keast QSM JP

COUNCILLORS

Oscar Alpers LLB Notary Public
Carole Anderton
Paddy Austin MA(Hons) PhD
Erin Baker MBE
Helen Broughton MA DipEd(GC)
Sally Buck MEd
Graham Condon QSM JP
Barry Corbett
David Cox
Anna Crighton JP MA(Hons)
Carole Evans QSO JP
Megan Evans
Ishwar Ganda JP
Pat Harrow DipHort
Alister James LLB
Denis O'Rourke LLB
Gail Sheriff
Barbara Stewart
Ingrid Stonhill
Sue Wells BA
Chrissie Williams BTech(Hons)
Norm Withers
Ron Wright JP MPMI

MEMBERSHIP OF COMMUNITY BOARDS

Burwood-Pegasus

Don Rowlands (Chair)
Bob Andrews ANZIM
Glenda Burt
Carole Evans QSO JP (Cr)
Carmen Hammond
Alister James LLB (Cr)
Caroline Kellaway JP
Andy Lea JP
Gail Sheriff (Cr)
Chrissie Williams BTech(Hons) (Cr)

Hagley-Ferrymead

Bob Todd OBE JP (Chair)
Erin Baker MBE (Cr)
Rod Cameron
David Cox (Cr)
Anna Crighton JP MA(Hons) (Cr)
John Freeman JP MA
Yani Johanson
Denis O'Rourke LLB (Cr)
Linda Rutland
Brendan Smith MB ChB

Spreydon-Heathcote

Phil Clearwater MA(Hons) (Chair)
Oscar Alpers LLB Notary Public (Cr)
Carole Anderton* (Cr)
Lynda Carter
Barry Corbett (Cr)
Paul de Spa BA DipTchg
Sonia Gill BA ATCL AREINZ
Elizabeth Maunsell
Sue Wells BA (Cr)

Fendalton-Waimairi

Mike Wall (Chair)
Sally Buck MEd (Cr)
Val Carter
Cheryl Colley JP MA(Hons) BBS DipTchg
George Hampton
Pat Harrow DipHort (Cr)
Yiyi Ku MMus(Dist)
Mark Kunnen MP
Barbara Stewart (Cr)
Ron Wright JP MPMI (Cr)

Shirley-Papanui

Yvonne Palmer QSM JP (Chair)
Myra Barry QSO JP
Robin Booth
Anne Carroll
Graham Condon QSM JP (Cr)
Megan Evans (Cr)
Dennis Hills JP BSc FNZIC FIM FAPRI CContEd MRSNZ
Ingrid Stonhill (Cr)
Steve Wright

Riccarton-Wigram

Mike Mora (Chair)
Paddy Austin MA(Hons) PhD (Cr)
Neville Bennett BSc(Hons) PhD
Helen Broughton* MA DipEd (GC) (Cr)
Ken Cummings
Ishwar Ganda (Cr)
Lesley Keast QSM JP (Cr)
Peter Laloli
Bob Shearing

*Denotes member elected to both Council and Community Board

SENIOR MANAGEMENT

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

Ian Hay CA ACIS AFNZIM
Director of Business Projects

Bob Lineham BCom FCA FNZIM
Director of Finance

Dorothea Brown NZLA Cert FNZLA AFNZIM
Director of Human Resources

Simon Markham BA BTP
Director of Information

Peter Mitchell LLB(Hons)
Director of Legal and Secretariat Services

Ken Lawn BA DipTP MNZPI
Director of Operations

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

GUIDE TO THE CORPORATE PLAN : 2004 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 Revenue and Financing Policy, Funding Impact Statement, Rates Setting and Rates Policies, Statement of Accounting Policies and The Equal Employment Opportunity 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 2003/04 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 to. 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 this Plan.

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

    This represents those items which have been approved by the Council since the 2003 Financial Plan was adopted on 16 July 2002.

  - **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.

- **Contributions towards the $10M Net Rates Savings Target**

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

- **Restructuring of Budgets**

  This section draws attention to any major restructuring of Unit budgets. Details of the 2002/03 situation are noted and are followed by the changes for 2003/04.

- **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 2003/04 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.

- **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.

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.)

- **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.

REVENUE AND FINANCING POLICY

Introduction

The Local Government Act requires the Council to adopt a Revenue and Financing Policy which ensures operating revenue is set at a sufficient level to meet the projected operating expenses and that funding for capital expenditure is prudent recognizing the service capability of assets throughout their useful life.

The Act, in Part 6, Subpart 3, outlines a series of financial management requirements.

This policy statement reflects those requirements, recognizing that this is a transitional year and that further policy requirements will be addressed as part of a comprehensive review of the Council's financial planning policies towards the Long Term Council Community Plan.

The main objective of the policy is to ensure that the Council's long term programme is financially sustainable, that major projects, resulting operating costs, and debt are maintained at manageable levels.

Also it is an important principle of the financial management policy to generate surpluses thereby enabling the Council to reduce its dependence on borrowing to fund capital works.

Financial Management Principles

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

- Debt will be repaid within 20 years of raising to ensure inter-generational equity
- At least 56% of average annual capital expenditure will be funded from depreciation and operating surpluses
- The balance of capital expenditure will be funded from loans, reserves and sale of assets
- Operating expenditure will be funded from operating revenue
- The Council should budget for an operating surplus each year

Operating Expenses and Revenue

Operating expenses and revenue are defined by current Accounting Standards which include a provision for depreciation, landfill aftercare, and other costs (see the Statement of Accounting Policies Pages 1.1.44 to 1.1.50).

The expenses are allocated to Council activities and are grouped into 'Significant Activities' in the Draft Financial Plan. The rationale and nature of each Significant Activity is that published in the Strategic Statement 2002.

Ordinary operating revenue is set for each Activity based on the Funding Impact Statement principles (formally the Funding Policy) generally to recover expenses where there is a defined customer for the services and where Council considers a user charge should be made. The revenue received is fees and charges, grants and subsidies, financial contributions from developers, and other revenue, if any. Revenue from investments is optimized under the policy direction of the Investment Policy.

Capital funding is firstly from depreciation and available surpluses, proceeds from asset sales, utilisation of reserves and, where necessary, borrowing. This is discussed later in this statement.

Rates are used as the residual operational funding source after operating revenues and are allocated to rating differential sectors based on the Funding Impact principles.

The net result is a rate requirement for the year as shown on the summary tables of Financial Overview on page 23 and on the Summary of the Funding Impact Statement on page 1.1.26. This includes the policy on the rating base (Capital Value), extent of uniform charges, the choice of differential sectors, and the type of rates, both general and targeted.

The projections for operational expenditure and capital expenditure shall include provision for inflation.

Operating Surpluses

The Long Term Financial Strategy, adopted in July 2001, made provision for operating surpluses. These surpluses were increased to fund additional capital expenditure and repay debt. A formula was established which ensures that the funds generated from a combination of depreciation (less funds appropriated back to reserves and separate accounts) plus the balance of the operating surplus (in excess of the debt repayment provision) is sufficient to fund 56% of the average annual forecast capital expenditure over the next 20-year period. This funding percentage increases from 57% in 2003/04 to 66% by 2011/12.

Application of Cash Surpluses

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

Reserves and Loan Repayment Funds

The Council maintains various cash reserves. Some are a product of legislation eg Cash in lieu of Reserves Fund and others are a creation of Council resolution.

Reserves once created (from reserved external revenue, Separately Funded Account surpluses, or retentions of operating results) will be held in partitioned equity accounts.

The utilization of reserves is by way of Council resolution, typically by the adopted Financial Plan.

Capital Endowment Reserve

This reserve has a number of special conditions which are detailed in the Investment Policy.

It shall be invested and utilized in accordance with that policy and reported on annually in the Financial Plan and Annual Report.

Loan-repayment provisions

A provision by way of reserve or sinking-fund contribution will be made each year for the repayment of all new loans raised by the Council and the existing debt of Christchurch City Holdings Ltd (excluding that serviced by table-loan repayments). The provision will be no less than 3% of the amount borrowed and designed to ensure a repayment within 20 years for each loan. Funds in the Loan-Repayment Reserve or Sinking Fund will be used to retire debt. (see the Liability Management Policy on page 187 of the Draft Financial Plan for the full text on this Policy.)

Avoidance of borrowing for capital works

Funds in the Debt-Repayment Reserve will be used in lieu of borrowing to fund capital works and to repay loans as they fall due.

Separately Funded Accounts

The accounts and balances for Dog Control and Housing will be kept separate within the Council's ledgers to ensure the cash balance is maintained. However, for Annual Reporting purposes, the Separately Funded accounts are reflected in the Income Statement and Balance Sheet of the Council.

Financial Ratios

The Council has identified five key financial ratios to measure prudent management of financial resources which are reported on each year. Provided the Council maintains its financial projections under the measures identified for each ratio, the Council's finances are considered to be prudent.

The ratios are:

(a) Net interest paid on term debt by the Council and Christchurch City Holdings Ltd (parent company) combined will not exceed 8% of the consolidated gross revenue, provided interest rates do not rise above 8.5%. This parameter is subject to review in the event of the latter.

(b) Term Debt as a percentage of total assets of the Council and Christchurch City Holdings Ltd (parent company) shall be no more than 12%.

(c) Term Debt as a percentage of realisable assets (includes net-trading enterprise investments 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 not be less than 1:1 at each year's 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.)

Capital and Infrastructural Asset Expenditure

Sufficient expenditure will be applied to maintain the existing asset base at least to current standards or to standards adopted through an asset-management plan for each class of asset.

Depreciation

Depreciation is provided on both operational and infrastructural assets on a straight line value basis.

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.

Long-Term Financial Strategy

The Council will maintain a Long-Term Financial Strategy. This is updated each year and is summarised in the financial table on page 23 of the Draft Financial Plan.

Other Financial Policies

Other policies shall be read together with this Revenue and Financing Policy. They include:

- the Long-Term Financial Strategy (2002 as amended);
- the Funding-Impact Statement;
- the Statement of Accounting Policies;
- the Rating Setting and Rating Policies;
- the Investment Policy;
- the Liability-Management Policy;
- the Policy on Partnerships with the Private Sector; and
- the Policy on Determining Significance.

FUNDING IMPACT STATEMENT

Funding Impact Statement

New legislation requires the Council to provide a Funding Impact Statement. This includes the funding and rating policies provided in previous years. There are generally few changes in the impact of either revenue charging policies or rating policies on individual ratepayers.

The funding of Council operations were developed under the Funding Policy adopted in July 2001 (and as amended). This policy was drawn up under the old Local Government Act, but the financial principles and processes used are in accordance with the financial management requirements of Section 101 (3) (a) of the new Act and therefore the results in terms of allocation of costs to users and ratepayers is still relevant and will be used for 2003/04.

The allocation process will be reviewed next year as part of the introduction of the Long Term Council Community Plan.

Revenue & financing mechanisms

The Revenue and Financing mechanisms are developed from an analysis of the Council activities and includes a process which identifies:

- the gross cost and the allocation of this to the users of services and ratepayers
- the direct benefits of services and any charges made for these
- the allocation of costs to ratepayers by differential sectors
- and the allocation of the shortfall of user charges to ratepayers.

This is outlined in summary in the table on page 1.1.26 entitled 'Summary of the Funding Impact Statement'.

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

General revenue made up of:

• Interest & dividends from CCHL	$28.90M
• Interest	$14.79M
• Fees & charges	$77.67M
• Development contributions	$2.12M
• Financial contributions (under the Resource Management Act)	$2.95M
• Grants & subsidies	$17.73M
• Other operating revenue	$1.90M
Total	$146.06M

Rates revenue made up of:

•	General Rates	$97.79M
•	Uniform Annual General Charge	$12.41M
•	Targeted rates	$41.87M
•	Total Rates to be set	$152.07M
•	Rates Penalties	$1.40M

Total		$153.47M
		=======

The Council has budgeted operating expenditure of $284.45M leaving an operating surplus of $13.67M. The surplus will be used to finance capital expenditure or placed in reserves.

Rate Setting and Rating Policies

The Council will set rates in accordance with the Financial Plan for the financial year 2003/04 for $152.07M. This is the amount that the ratepayers of Christchurch will be required to contribute in order to fund this draft Plan.

The Council has resolved on a range of rating policies. The full detail of these are on pages 1.1.27 to 1.1.43. These are generally a continuation of those used last year. However the impact may change for individual rating units. These policies are subject to the Financial Plan special consultation process.

The Valuation System used for rating

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

The value of each rating unit is set by independent valuers and based on values as at 1 September 2001. A rating unit is the property which is liable for rates and is generally a separate property with its own certificate of title.

Of significance is the change in the legislation making the ‘ratepayer’ the owner, whereas for those commercial properties with rate paying tenants, it was the ‘occupier’. The change does not cause a change in the quantum of rates, rather who pays. Ratepayers affected have been notified.

Inspection of rates information for each rating unit

The Capital Values, the District Valuation Roll, and the Rate Information Database information and the estimated liability for rates for 2003/04 for each rating unit is available for inspection on the Council’s Internet site (www.ccc.govt.nz) under the heading ‘Ratesinfo’ or by enquiry at any Council Service Centre.

Differential system used

Differential rating will be used for both general rates and targeted rates. Each rating unit is assigned to a category, based on land use, and the sum of all categories is the basis of allocation of rates in the Funding Impact Statement, formally known as the Funding Policy.

The differential categories used are:

- Sector A - Residential and other
- Sector B - Commercial/Industrial
- Sector C - Rural
- Sector D - Non-rateable

The full text of the Differential categories is detailed on page 1.1.30.

The quantum of rates required from each sector is based on the Funding Impact Statement calculations on an activity by activity basis and summed up to the Council-wide rate requirement as expressed in the table on page 1.1.26 called 'Summary of the Funding Impact Statement'.

The sector requirement will be assessed on each rating unit within the sector based on its relative Capital Value or in the case of Uniform Annual General Charge, on the basis of one charge per each separately occupied part of a rating unit liable.

Rates to be set and the rate types

It is planned to set the following rates for 2003/04 (GST included):

- General Rates $109,982,778
- Uniform Annual General Charge $13,965,505 set as $105 per charge
- Targeted rates of:
    - Water Supply – Full Charge $12,025,216
    - Water Supply – Half Charge $226,789
    - Sewerage $23,423,178
    - Land Drainage $11,375,872
    - Hollis Avenue Roading Extension $22,603
    - Water Supply Fire Connection $52,300
    - Excess Water Supply Not known until meters are read & invoiced

The full text of the Rates Setting Statement is on pages 1.1.27 to 1.1.29.

Rate Type Descriptions

General Rates

General Rates are levied on capital values according to the Funding Impact Statement on a differential basis. General rates (including the Uniform Annual General Charge) provide for approximately 72.47% of the total rate requirement of the Council, being the net rate requirement after targeted rates are determined. General rates (and UAGCs) therefore fund all activities of the Council except those funded by targeted rates.

Uniform Annual General Charge

A portion of general rates is levied as a uniform annual general charge of $105 per rating unit or each separately used or inhabited part of a rating unit.

The uniform charge is levied to recover costs which have been determined in the funding impact statement 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.

Targeted Rates

The following rates will be set and assessed on a capital value basis differentially to the rate sectors as shown on the Funding Impact Summary table on page 1.1.26.

- Water supply – full charge – for properties connected to the Council's water system
- Water supply – half charge – for properties within the serviced area but not connected to the Council's water system
- Sewerage – for properties within the serviced area where a service connection is available
- Land drainage – for properties within the serviced area
- Hollis Avenue Roading Extension. – for properties within the serviced area.

The Water Supply Fire Connection targeted rate will be set on a uniform basis to the rating units serviced, of $100 per connection.

The Excess Water Supply Targeted Rate will be set as part of the Financial Plan but will be assessed as the meters are read. The estimated revenue from this source is $1.422M.

A full definition of the rate types is contained on pages 1.1.27 to 1.1.29.

Rates Due by Ratepayers

The new Local Government (Rating) Act 2002 has required Councils to redefine the rate process, the rate remission and postponement policy, rate penalty and the rating relationship with Environment Canterbury.

The City Council is the rate collecting agent for Environment Canterbury (the Canterbury Regional Council). Combined assessments and invoices will be issued by the City Council as in the past.

Rates Payable - 2002/03 Actual and 2004 Financial Plan Compared

	Capital Value $	2002/03 Actual[3] $	2004 Plan[3] $	Difference $
Residential [1] [4]				
	120,000	700	724	24
	160,000	898	930	32
	200,000	1,096	1,136	40
	260,000	1,394	1,446	50
	300,000	1,592	1,652	60
	400,000	2,087	2,168	81
Commercial [1] [4]				
	100,000	844	847	3
	160,000	1,288	1,292	4
	200,000	1,583	1,589	6
	300,000	2,322	2,331	9
	500,000	3,800	3,814	14
Rural [2] [4]				
	200,000	606	614	8
	300,000	856	869	13
	400,000	1,107	1,124	17
	500,000	1,357	1,378	21

Notes

(1) Fully serviced properties, and includes a Uniform Annual General Charge of $105 per property.
(2) Not paying Water, Sewerage or Land Drainage Targeted rates. Includes a Uniform Annual General Charge of $105 per property.
(3) Includes GST but does not include the Canterbury Regional Council Rates.
(4) Some properties may also be liable for the Targeted Water Supply Fire Connection rate of $100 per connection per property, or the Hollis Avenue Extension Targeted rate.

Rates Process

Summary of the rates process under the new Act:

- The rate requirement for the Council is determined by the net result of the operating budget for next year and is summarised in the Draft Financial Plan page 23.
- The Funding Impact analysis which results in the allocation of rates to differential sectors - the summarised result is on the table on page 1.1.26.
- The Council resolved on a Uniform Annual General Charge of $105 – with a rate yield of $12.4M.
- The balance of rates are allocated to rating units liable based on Capital Values.
- The rate requirement and allocation is formally determined by the adoption of the Financial Plan.

- The rates are then applied (assessed) to each rating unit (the rateable property) and a notice of assessment will be sent to each ratepayer in October 2003.
- The owner of the rating unit is now primarily the ratepayer. This may be a change for some leased rating units. Ratepayers concerned have been informed.
- Several uniform charges will be applied where there is multiple occupancy of a rating unit (there was only one in the past).
- Rates are invoiced to each ratepayer four times a year. The first instalment is based on 25% of last year's rates.
- Payment must be made by the due date or a 10% penalty is imposed.
- Payment may be made by direct debit, by post or by payment at a Council counter.

Remissions and Postponement

Rate remission may apply where there is significant public good in the use of the land. In addition remission may apply where penalties have been imposed but there is a reasonable excuse for late payment in accordance with the Council's remission policy.

Postponement will be considered where the ratepayer is experiencing financial hardship.
The policy on remissions and postponement is detailed on pages 1.1.35 to 1.1.41.

Determining Funding Needs and Allocation

The new Local Government Act 2002 requires within the context of prudent financial management that the funding needs of the Council be determined after consideration of:

- Community outcomes from each activity
- Distribution of benefits within the community from the activity
- The period over which the benefits occur
- The extent to whether parts of the community require the activity to be undertaken
- Costs, benefits and consequences of distinct funding of an activity
- The impact of funding allocation on the social, economic environmental and cultural well-being of the community.

The previous Funding Policy of the Council included all of these considerations on an activity by activity basis and was intended to run for a further year, therefore no further review is required this year other than minor amendments for changed activities.

A major review will occur as part of next year's Long Term Council Community Plan.

Details of the Funding Impact Statement

The Council plans to fund its services for the 2003/04 financial year as follows (2001/02 and 2002/03 are included for comparison purposes):

	2001/02	**2002/03**	**2003/04**
User Charges	33.39%	33.50%	34.41%
Grants and Subsidies	4.20%	4.11%	5.29%
Net Corporate Revenues	17.56%	17.32%	14.78%
Capital Value Rating	40.88%	41.24%	41.80%
Uniform Annual Charge	3.97%	3.83%	3.72%

In adopting the 2004 Funding Impact Statement, the Council resolved to avoid significant difficulties for the residential and rural sectors by making the following modifications:

- transferring $841,667 of costs to the commercial sector
- transferring ($196,667) of costs from the residential sector
- transferring ($645,000) of costs from the rural sector

The Council has resolved to completely remove the residential modifier, while leaving the rural modifier unchanged. This leaves unaltered the subsidy provided to the Rural Sector. The rationale for maintaining the status quo for Rural Sector rates is that a full review of the revenue, financing and Funding Impact Statement will be undertaken as part of developing the Council’s first Long Term Council Community Plan next year. The revised modifications are:

- transferring $645,000 of costs to the commercial sector
- transferring ($645,000) of costs from the rural sector

The different sectors will experience changes to their rates over the 2002/03 rates as follows:

Residential	+3.87%	Rural	+3.05%
Commercial/Industrial	+0.44%	Institutions	+17.56%

Rates for 2003/04 will be shared among the ratepaying sectors as follows:

Residential	72.06%	Rural	1.52%
Commercial/Industrial	25.39%	Institutions	1.03%

The summary table on the next page shows how the costs and benefits and modifications to the cost of benefits have been calculated. Also included is the funding to be received from user charges, grants and subsidies, net corporate revenues, capital value rating and the uniform annual general charge.

SUMMARY OF THE FUNDING IMPACT STATEMENT

The budgeted costs of the benefits the Council proposes to provide in 2003/04, and their proposed funding, are shown in the following table:

		Users	Residential	Commercial	Rural	Institutions	Totals
	Cost and Modifications						
Costs							
47.37%	General Benefits	0	115,582,674	31,171,553	3,992,598	7,524,780	158,271,605
52.21%	Direct Benefits	140,785,773	12,359,475	20,980,443	266,718	53,060	174,445,469
0.42%	Negative Effects	1,391,208	0	0	0	0	1,391,208
		142,176,981	127,942,149	52,151,996	4,259,316	7,577,839	334,108,281
Modifications							
	Transfer User Costs to Rating	(27,206,117)	22,878,750	3,736,307	40,645	550,415	0
	Non-Rateable	0	5,005,732	1,358,856	183,977	(6,548,564)	0
	Avoiding Sudden Changes (Modifier)	0	0	573,333	(573,333)	0	0
		(27,206,117)	27,884,482	5,668,496	(348,712)	(5,998,150)	0
	Total Costs and Modifications	**114,970,865**	**155,826,632**	**57,820,492**	**3,910,603**	**1,579,690**	**334,108,281**
	Funded By						
	User Charges						
33.98%	User Charges	113,548,865	0	0	0	0	113,548,865
0.43%	Excess Water Supply Targeted Rate	1,422,000	0	0	0	0	1,422,000
5.29%	Grants and Subsidies	0	8,478,886	8,962,210	213,097	20,746	17,674,939
14.78%	Net Corporate Revenues	0	37,758,742	10,249,988	1,387,755	0	49,396,485
	Total User Charges	114,970,865	46,237,629	19,212,197	1,600,852	20,746	182,042,289
	Rates						
29.27%	General Rates by Capital Value [1]		66,231,331	29,768,639	1,782,592	(0)	97,782,561
3.72%	Uniform Annual General Charge		11,475,887	779,396	158,500	0	12,413,783
0.01%	Targeted Water Supply Fire Connection Rates		6,133	37,244	0	3,111	46,489
3.26%	Water Targeted Rates		8,262,377	1,976,370	88,970	562,954	10,890,671
3.03%	Land Drainage Targeted Rate		7,904,498	2,027,136	180,252	0	10,111,886
6.23%	Sewer Targeted Rate		15,708,777	4,019,509	99,438	992,879	20,820,602
	Total Rates		109,589,003	38,608,294	2,309,752	1,558,944	152,065,993
	Total Funding	**114,970,865**	**155,826,632**	**57,820,492**	**3,910,603**	**1,579,690**	**334,108,281**

[1] Includes the Hollis Avenue Targeted Rate

RATES SETTING AND RATES POLICIES

The Financial Plan includes a Rates-Impact Statement which describes the Rating system and requirement for 2003/04. The rates required will be set and assessed under the following processes and policies.

Detailed below are the proposed rates to be set as part of the adoption of the financial Plan for 2003/04 and rates policies to be used.

The Valuation System used for rating

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

The value of each rating unit is set by independent valuers and based on values as at 1 September 2001. A rating unit is the property which is liable for rates and is generally a separate property with its own certificate of title.

Inspection of Rates Information for each Rating Unit

The Capital Values, The District Valuation Roll, and the Rate Information Database information and the estimated liability for rates for 2003/04 for each rating unit are available for inspection on the Council's Internet site under the heading 'Ratesinfo' or at any Council Service Centre.

Rates to be Set as part of this Financial Plan

Rates are set under Section 23 of the Local Government (Rating) Act 2002 and Section 281 of the Local Government Act 2002.

The following rates are proposed to be set for 2003/04.

	Cents in the $ of Capital Value 2003/04 per rating unit	Revenue Sought* from Intended Rates (GST included) $
GENERAL RATES		
General Rate by differential sector:		
Sector A - Commercial/Industrial	.575704	33,489,719
Sector B - Residential and Other	.347704	74,487,644
Sector C - Rural	.254626	2,005,415

The General Rate is set under Section 13(2)(b) of the Local Government (Rating) Act 2002.
Purpose of General rate: To fund the general operations of the Council beyond that funded by user charges, other revenue, the Uniform Annual General Charge, and targeted rates as detailed below. The detail of the requirement is contained on the Financial Overview Policy summary, page 23 of the Draft Financial Plan and the Funding Impact summary page 1.1.26.

Uniform Annual General Charge of $105 on each separate rating unit or if relevant on each separately used or inhabited part of a rating unit.	$105	13,965,505

The UAGC is set under Section 15(1)(b) of the Local Government (Rating) Act 2002.
Purpose of the Uniform Annual General Charge: To fund the general operations of the Council beyond that funded by user charges, other revenue, general rates, and targeted rates as detailed below.

TARGETED RATES

Water Supply Targeted Rate – Full Charge:

Sector A - Commercial/Industrial	.042066	2,135,189
Sector B - Residential and Other	.043962	9,163,180
Sector C - Rural	.043852	98,348
Sector D - Institutions (Non-rateable)	.044046	628,499

Water Supply Targeted Rate – Half Charge:

Sector A - Commercial/Industrial	.021033	88,227
Sector B - Residential and Other	.021981	131,995
Sector C - Rural	.021926	1,743
Sector D - Institutions (Non-rateable)	.022023	4,824

Rate Factor used - on every separately rated property within each differential sector to which water is supplied.
The half charge is assessed to every rating unit situated within 100 metres from any part of the waterworks where a connection is not made.
This Targeted Rate is set under Section 16(4)(b) of the Local Government (Rating) Act 2002.
Purpose of Water rates: To recover the water supply costs.

Land Drainage Targeted Rate:

Sector A - Commercial/Industrial	.041416	2,280,528
Sector B - Residential and Other	.041416	8,892,560
Sector C - Rural	.041416	202,784

Rate Factor used - on every separately rated property, within each differential sector, which is in the serviced area.
This Targeted Rate is set under Section 16(4)(b) of the Local Government (Rating) Act 2002.
Purpose of Land Drainage Targeted rate: To recover the land drainage costs.

Sewerage Targeted Rate:

Sector A - Commercial/Industrial	.082651	4,521,948
Sector B - Residential and Other	.082613	17,672,374
Sector C - Rural	.085662	111,867
Sector D - Institutions (Non Rateable)	.082612	1,116,989

Rate Factor used - on every separately rated property, within each differential sector, which is in the serviced area.
This Targeted Rate is set under Section 16(4)(b) of the Local Government (Rating) Act 2002.
Purpose of Sewerage Targeted rate: To recover the sewer drainage and sewage treatment costs.

Water Supply Fire Connection Targeted Rate: Assessed as a uniform charge of $100 per connection. Rate Factor used - on every separately rated property which has one or more connections. This Targeted Rate is set under Section 16(4)(a) of the Local Government (Rating) Act 2002. Purpose of the Water Supply Fire Connection Targeted rate: To recover costs of water supply fire connection on a per-connection basis.	$100	52,300
Excess Water Supply Targeted Rate: Assessed as the water meters are read on liable rating units – see below for the full text. Rate Factor used - on every separately rated property within the defined group, which has a water supply. Purpose of the Excess Water Supply Targeted rate: To recover water supply costs beyond those in the water-supply rates. This is effectively a user charge.	To be invoiced after each reading	
Hollis Avenue Extension Targeted Rate: Assessed on all rating units (excluding the Council reserve) which adjoins the Hollis Avenue extension proposed on Lot 14 DP 49657. There are 13 rating units which have a right of way over Lot 14 DP 49657 (the access way). Lot 14 will be dedicated as a legal road and the rights of way extinguished. The 13 rating units' legal obligation to form the road will be expressed as a targeted rate for 15 years on the adjoining 13 lots. The Council will pay for its beneficial use to the extent of 15%. The targeted rate area will expand to include subsequent subdivision of any of the 13 rating units and any future rating units which connect to or adjoin the Hollis Avenue road extension.	.593096	22,603
Rate Factor used - on every rating unit within the serviced area. This Targeted Rate is set under Section 16(4)(b) of the Local Government (Rating) Act 2002. Purpose of the Hollis Avenue Extension Targeted Rate: To recover costs of road formation spread over 15 years based on a table loan at 7% on 85% of the estimated cost of $250,000 (GST inc).		
Total Revenue Sought from Intended Rates		$171,074,241

* Excludes expected rate remissions

Excess Water Supply Targeted Rate

This targeted rate is set under Section 19(2)(b) of the Local Government (Rating) Act 2002 which allows for a "scale of charges". Invoices are raised for this rate as the result of water-meter readings on liable properties. The Christchurch City Water Related Services Bylaw 2001 outlines the intention to charge.

The scale of charges for the Excess Water Supply Targeted Rate is:

- Water used in excess of the water allowance, be charged to all consumers having an extraordinary supply, as defined in the Christchurch City Water Related Services Bylaw 2001. These are the liable rating units.

- The water allowance is determined annually by dividing the Water Supply Targeted Rate assessed on the rating unit by an allowance factor. The allowance factor unit rate will be determined by Council resolution from time to time and is now 27 cents. The water allowance is 1 cubic metre for each complete 27c (the factor) of the targeted water rate assessed.

- The water allowance is determined following the annual rates assessment and is expressed as a daily allowance, that is the total water allowance for the rating unit divided by 365 with a minimum of .6986 cubic metres per day.

- The daily allowance shall continue until the next rates assessment is issued for the rating unit.

- Rating units having an "ordinary supply" as defined in the Christchurch City Water Related Services Bylaw 2001, ie non-commercial consumers being principally residential single units on a rating unit, will not be charged an excess water supply targeted rate.

- Where two or more rating units share a water meter and have, in the opinion of the Council, a common usage, the readings and allowances may be aggregated, not withstanding the charge is payable by the ratepayer of the rating unit to which the meter is attached.

The annual rates assessment will identify and inform the ratepayers who are potentially liable for excess water charges. It will not, however, be able to include the calculated liability as the water reading will not coincide with the assessment. Water meters will be read progressively throughout the year. Following each reading, a water-excess charge invoice will be issued for those rating units liable. The invoice will refer to the assessment and will 'bill' for the consumption for the period of the reading. The latest water allowance will be used, calculated on a daily basis.

Differential system used

Differential rating will be used for both general rates and some targeted rates. Each rating unit is assigned to a category, based on land use, and the sum of all capital values within each categories is the basis of allocation of rates in the Funding Impact Statement, formally known as the Funding Policy.

The differential categories used are:

- Sector A - Residential and other
- Sector B - Commercial / Industrial
- Sector C - Rural
- Sector D - Non-rateable

The quantum of rates required from each differential sector is based on the Funding Impact Statement calculations on an activity-by-activity basis and added up to the Council wide-rate requirement as expressed in the table on page 1.1.26 called 'Summary of the Funding Impact Statement'.

The rates payable by a rating unit will be assessed on the capital value of each rating unit within the differential sector based on its relative Capital Value (plus UAGCs and special targeted rates).

The rating Differential Sectors are:

Sector A - Commercial and Industrial Properties

Any rating unit which is:

(a) used for a commercial or industrial purpose (including travellers and special-purpose accommodation, offices and administrative and associated functions, 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 rating unit 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 rating unit 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 rating units described in Section 8 of the Local Government (Rating) Act 2002.

Although this sector is exempt from paying general rates, it is still liable for targeted rates for water and sewerage.

Multiple Uniform Annual General Charge per Rating Unit

The Council will charge multiple uniform charges against each separately used or inhabited part of a rating unit.

The basis of a unit of occupancy is that which can be separately let and permanently occupied. For the purposes of this charge, where the occupancy is an accessory one or is ancillary to another property or part thereof no separately used part exists. For example:

- Not separately used parts of a rating unit:
  - A residential sleep-out or granny flat without independent kitchen facilities
  - Rooms in a hostel with a common kitchen
  - A hotel room with or without kitchen facilities
  - Motel rooms with kitchen facilities
  - Individual storage garages/sheds/partitioned areas of a warehouse
  - Individual offices/premises of partners in a partnership

- These are separately used parts of a rating unit:
  - Flats/apartments
  - Flats which share kitchen/bathroom facilities
  - Separately leased commercial areas even though they may share a reception

Uniform Annual General Charge (UAGC) for Common Usage Rating Units

Section 20 of the Act precludes the Council from charging UAGCs where contiguous land is in common usage and in the same name.

The Council has resolved on a remission policy that will allow it to remit the additional UAGCs on contiguous land in common usage where the rating units are not in the same name.

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

Rating Units - Divisions and Transitional Arrangements

The Act has redefined the basis of rating to a ‘rating unit’, generally based on a certificate of title.

There are transitional arrangements and some limited capacity for the lessee of the whole rating unit to remain the ratepayer.

Applications to the Council are expected to be based on a statutory declaration from the owner that transitional arrangements apply.

Also there is capacity under section 27(5) of the Act for a single rating unit to be split into two or more parts to allow for the different rating treatment of each part eg commercial/industrial on one part and residential for the other.

Such a split would be based on information supplied by the ratepayer, but determined by the Council.

Due Dates for Payment of Rates

The instalments due dates are:

- Area One, Instalment One – 15 August 2003
- Area One, Instalment Two – 15 November 2003
- Area One, Instalment Three – 15 February 2004
- Area One, Instalment Four – 15 May 2004
- Area Two, Instalment One – 15 September 2003
- Area Two, Instalment Two – 15 December 2003
- Area Two, Instalment Three – 15 March 2004
- Area Two, Instalment Four – 15 June 2004
- Area Three, Instalment One – 31 August 2003
- Area Three, Instalment Two – 30 November 2003
- Area Three, Instalment Three – 29 February 2004
- Area Three, Instalment Four – 31 May 2004

The areas are defined by the Valuation Roll districts as contained in the resolution dated 29 June 1994, but:

Area 1: includes generally the Central City and the suburbs of Street Albans, Merivale, Mairehau, Papanui, Riccarton, Addington, Spreydon, Sydenham, Beckenham and Opawa;

Area 2: includes generally the suburbs of Shirley, New Brighton, Linwood, Woolston, Mt Pleasant, Sumner, Cashmere and Heathcote;

Area 3: includes generally the suburbs of Belfast, Parklands, Harewood, Avonhead, Bishopdale, Ilam, Fendalton, Hornby, Templeton and Halswell.

Where a due date falls on a day that is not a working day then the next working day convention applies ie Interpretation Act 1999 applies.

The due date for excess water supply rates will be the 20th of the month following the invoice date. The due date for any amended rates invoice issued outside of the normal dates shall be specified on that rate invoice as determined by the Council.

The imposition of the current penalty occurs two business days later than the due dates above.

The Council will issue an interim instalment which will be calculated in accordance with Section 50. It will be based on 25% of rates payable in the previous rating year. This is because it will not be possible to issue an assessment based on the new year's Financial Plan prior to the issuing of the instalment one rate invoice.

Rate penalties

Where rates are not paid on time, penalties will be imposed to provide incentives for payments by due dates.

- 'Current penalties' - A penalty of 10 per cent on so much of any instalment that has been invoiced after 1 July 2003 and which is unpaid after the due date plus two working days;

- ‘First arrears penalty’ - A further penalty of 10 per cent on so much of any rates (including penalties) assessed in any previous financial year and which are unpaid as at 1 October 2003; and

- ‘Second arrears penalty’ - A further penalty of 10 per cent on any rates to which the ‘first arrears penalty’ has been added and which remain unpaid as at 1 April 2004.

Penalties will not be imposed on rates postponed or on current years rates where payment is being made by monthly direct debit nor on any excess water supply targeted rate.

Once imposed, penalties become rates and may be subject to rates remissions. Where the penalty imposition date falls on a day that is not a working day then the next working day convention applies ie Interpretation Act 1999 Section 35 (6).

Payment of Rates

The Council has resolved on the acceptable payment methods.

- Payments by cash will be accepted at any Council service centre office.
- Rates are payable at any Council service centre during normal business hours by cash, EFT/POS cash flow, or cheque made out to the Council
- Cheques may be posted to the Council prior to the due date as evidenced by the postmark
- Payment by credit card will not be accepted.
- Payments by direct debit will be facilitated and encouraged.
- Payment by direct credit or automatic payment will be facilitated.
- Rate payments will be allocated pro rata to the oldest rates due to the Regional Council and City Council unless specifically directed in writing by the ratepayer.

Council not to collect small amounts

The Council has resolved not to collect amounts less than $20 pa (subject in each case to Council discretion). Where there are several rating units in common usage with small amounts due, the exemption will not apply.

Remissions and Postponement Policy

Rate remission may apply where there is significant public good in the use of the land. In addition there are grounds for remission where penalties have been imposed but there is a reasonable excuse for late payment, or it is just and reasonable to do so.

Postponement will be considered where the ratepayer is experiencing financial hardship.

Rates Remission Policy

1. Remission of current year's rate penalties due to one-off non-payment or where there are timing mis-match issues

Remission statement

Commercial ratepayers will be allowed one current year rate penalty remission in five years and all other ratepayers will be allowed one current year rate penalty remission in two years where the ratepayer can illustrate that a genuine error or oversight has occurred.

Objective of the remission

To avoid penalising ratepayers incurring penalties on current rates:

(a) who have paid their rates late due to a genuine mistake, or

(b) who are paying by regular bank transaction and where minor penalties occur due to timing differences.

Conditions and criteria for the remission

(a) Written applications will generally be required for other than the minor timing mismatch issues.

(b) Staff may waive the written application provided they are satisfied the full details of the application are recorded.

(c) The reason for the late payment must be stated and must not be deliberate non-payment.

(d) It is appropriate that the Council show consideration to ratepayers who have made genuine mistakes provided that it is not a repetitive omission.

(e) Commercial ratepayers will be allowed one remission in five years and all other ratepayers will be allowed one remission in two years.

(f) It is expedient to remit penalties where there are minor mis-matches of payments and due dates eg direct debit mis-matches. In these circumstances written applications are not required.

(g) The outstanding rates (excluding the penalties to be remitted) must be paid in full for the remission to be granted.

Remission applies to

All ratepayers, although with different criteria.

2. Remission of rates penalties imposed where there is an inability to pay

Remission statement

The remission may apply to properties which are the residence of the ratepayer, and applies to penalties which have been imposed in the last two-year period, and/or where payment has been overlooked due to sickness, death or significant financial hardship or generally where it is considered to be just and equitable to do so.

Secondly for any ratepayer, remission of penalties where such action would facilitate immediate payment of all outstanding rates.

Objective of the Remission

To encourage ratepayers who are in arrears due to financial difficulty or other genuine unusual circumstances to make arrangements to clear arrears and keep their payments up to date.

Conditions and criteria for the remission

(a) Remissions shall be based on written applications. This may be waived in limited circumstances at the discretion of officers.

(b) Remission of penalties in the latest two-year period in the case of residential properties where payment has been overlooked due to sickness or death or generally where it is considered to be just and equitable to do so.

(c) Remission of penalties may be considered where there is an offer for immediate settlement of all rates outstanding which can be facilitated by the remission of arrears penalties in addition to remission of the current penalties. This would apply where there are substantial arrears.

Remission applies to

All ratepayers.

3. Remission of current penalties where there is payment in full for the year

Remission statement

Remission of current year penalties where there is payment in full for the year once the full year's rates have been assessed.

Objective of the remission

To encourage payment of current rates in a lump sum or the balance of the current rates where non payment of an instalment has occurred.

Conditions and criteria for the remission

The remission applies where a ratepayer chooses to make payments different from the instalment due dates, typically paid in full on an annual one-payment basis:

(a) Where the total current year's rates are paid on instalment 2;

(b) Where instalment 2 has been missed and the balance of the current year's rates is paid by instalment 3 subject to instalment 1 having been paid by the due date.

(c) Rates must be paid in full without arrears.

Remission applies to

All ratepayers.

4. Remission of rates where the land is used by 'not-for-profit' clubs, associations and churches, for sport or for community benefit other than horse or dog racing

Remission Statement

A. 100% remission of all rates (except excess water supply targeted rate) may be made for 'not-for-profit' organisations occupying Council land under lease where there is predominant community benefit.

B. Remission of rates on other than Council-owned land where it is used by 'not-for-profit' community or sports organisations may be granted on the basis of:

(a) Up to 100% remission of general rates and uniform annual general charge, and

(b) Up to 50% (ie of the rates that would be payable if they were fully rateable) remission of targeted rates for water supply, sewerage, and land drainage rates

(c) The remission does not apply to any excess water supply targeted rate or targeted water supply fire connection rate.

Objective of the remission

To encourage the sustainability of community-based organisations and the benefit they provide to community good by part-remitting rates.

Conditions and criteria for the remission

(a) All remissions are at the discretion of the Council and will be assessed on a case-by-case basis.

(b) The remission applies where the land is used by qualifying entities, predominantly those that are fully or partially non-rateable under Schedule 1 the Local Government (Rating) Act.

(c) The remission may include land over which a liquor licence is held provided this is incidental to the primary purpose of occupancy.

(d) The distinction between those occupying Council land and those on their own land recognises the benefits of independent ownership that accrue to the private land owners.

(e) The rates payable after the remission are 50% of the full service rates of water, sewerage and land drainage if the rating unit is in the serviced area.

(f) Applications for the remissions must be in writing. The Council reserves the right to require annual applications to renew the remission or require certification from the applicant that the property is still eligible for the remission and that the land use has not changed.

(g) It is a precondition of remission that the residual rates are paid in full.

(h) Qualified applicants who face a significantly lower remission (as compared to the previous policy) as a result of the criteria above may be granted an additional remission to allow an adjustment over several years.

Remission Applies to

All incorporated sport and recreation clubs, associations and community organisations (which includes places of religious worship or used for any branch of the arts) which have within their constitution appropriate clauses to qualify them as charities or where there are clauses which ensure they are 'not-for-profit' and where there is, in the opinion of the Council, significant public good which results from the occupation of the land for the purpose of their sport or recreation.

The Council (at its absolute discretion) shall determine the extent of public benefits that are provided to the community. This determination shall be the basis of the extent of the remission.

The remission does not apply to rating units owned or occupied by:

(a) Chartered clubs – except that a sports area may qualify provided it is significant and is set aside exclusively for that use;
(b) Political parties;
(c) Trade unions and associated entities; and
(d) Any other entity where the benefits are restricted to a class or group of persons, and not to the public generally.

5. Remission of all rates on land occupied and used by the Christchurch City Council for community benefit

Remission statement

Remission of all rates other than excess water supply targeted rate or targeted water supply fire connection rate on land owned by or used by the Christchurch City Council and which is used:

(a) For a public garden, reserve, or children's playground;
(b) For games and sports (except galloping races, harness races, or greyhound races);
(c) For a public hall, community centre, library, art gallery, or other similar institution;
(d) For swimming pools;
(e) For public conveniences; and
(f) For any other community benefit use excluding infrastructural asset rating units.

This remission does not apply to land leased to others where in that case the use is not by the Council.

Remission of all rates on land owned by or used by the Christchurch City Council which is used for rental housing.

Objective of the remission

To encourage the sustainability of such facilities in the community by remitting rates.

Conditions and criteria for the remission

To all Council-owned and/or used land where the use is for the purposes above.

Remission applies to

All land owned and/or used by the Council and used for the purposes outlined.

The remission does not extend to land used as Council offices or yards, infrastructural asset rating units, or leased for commercial purposes.

6. Remission of uniform charges and excess water supply targeted or any rate where the Council considers it just and equitable to do so

Remission statement

Remission of additional uniform charges where section 20 of the Act would apply except for the prerequisite of common ownership.

Remission of any uniform charge where the Council has determined that a building consent will not be issued for the primary use of the land (under the City Plan).

Remission of any excess water supply targeted rate that would be offset by unused water allowance from contiguous properties in common usage.

Remissions of any rate where the Council by specific resolution considers it just and equitable to do so.

Objective of the remission

To allow an equitable application of uniform charges and excess water charges where several rating units are used as one, but where there are several different ownerships. Also remission of the UAGC where because of some significant impediment, the rating unit cannot be used for the primary use under the City Plan.

Remission of any rate will allow the Council to correct anomalies.

Conditions and criteria for the remission

The remission applies where ratepayers are related parties and the land is contiguous and is used in common or where the rating unit suffers from a “natural” feature which renders it unsuitable for building.

The balance of the rates must be paid in full without arrears.

The remission of any rate under the latter objective will be by specific resolution of the Council after ratepayer application.

Remission applies to

All ratepayers.

Rates Postponement Policy

1. Postponement policy name

Postponement of rates on land which is the private residence of the ratepayer where the ratepayer is experiencing financial hardship.

Postponement statement

Up to 100% of rates may be postponed for a period determined by the Council where the ratepayer is experiencing financial hardship.

Objective of the postponement

To encourage the owner-occupation of land used in whole or part as the primary residence of the ratepayer where the ratepayer does not have the financial capacity to meet the rates as assessed or the payment of the rates assessed would create financial hardship.

Conditions and criteria for the postponement

The postponement applies:

(a) where the land is the primary residence owned and occupied by the ratepayer; and
(b) the ratepayer can demonstrate financial hardship; and
(c) the ratepayer is over 65 years (generally but not exclusively)
(d) Younger ratepayers may apply and will be considered on their merits
(e) Where the applicant, being generally over 65 years of age, has experienced a significant increase in rates following revaluation causing hardship.

Postponement will be considered on individual merits following a written application.

A postponement fee expressed as an annual percentage will be applied to the rates outstanding. The fee will be treated as a rate assessed. The fee will be the Council's 'cost of capital' as published in its Financial Plan and is based on the Council's estimated borrowing costs at three-year fixed rates. Rates penalties will not be applied or will be remitted for any rates that have been postponed.

Rates remain a charge against the property until the property ceases to be the place of residence of the applicant or the criteria no longer applies, at which time the outstanding rates must be paid.

There must be a written application and declaration of eligibility.

The postponement will continue to apply until:

(a) the ratepayer ceases to be the owner or occupier of the rating unit; or
(b) the ratepayer ceases to use the property as their residence; or
(c) until a date specified by the Council;

whichever is the sooner.

Postponement applies to

Any land owned and occupied by the ratepayer as their primary residence.

Transitional arrangements imposed by statute will continue.

2. Transitional postponements

There are transitional postponement provisions provided for in the Act:

(a) Urban farm postponement continue until change of circumstances.
(b) Commercial land in rural areas - the special rateable values and rates postponement of the balance continue until the next revaluation.
(c) Residential land in commercial areas - the special rateable values and rates postponement of the balance continue until the next revaluation.

Once the time period for the properties end or the circumstances change the transitional provisions cease.

3. Postponement – general issues

The postponed rates will remain a charge against the property and must be paid either at the end of the postponement term or when the property is sold. Postponed rates may include rate arrears owing from a previous financial year.

A fee (effectively interest) will be charged annually where rates have been postponed at the end of each rating year on the accrued rates postponed (including any fees) outstanding at the beginning of that financial year, at the Council's estimated cost of capital, currently 6.8% for 2002/03 and 6.90% for 2003/04. This percentage is published every year as part of the Financial Plan and Programme.

Actual Rates Payable – 2002/03 Actual and the 2004 Financial Plan Compared

Capital Value	Year	General Rates		Water Rates	Land Drainage	Sewerage Rates	Total
		Uniform Charge $	By Capital Value $	$	$	$	$
Residential (1)(2)							
80,000	2003/04	105	278	35	33	66	518
	2002/03	105	276	35	33	52	501
120,000	2003/04	105	417	53	50	99	724
	2002/03	105	414	53	50	77	700
160,000	2003/04	105	556	70	66	132	930
	2002/03	105	552	70	67	103	898
200,000	2003/04	105	695	88	83	165	1,136
	2002/03	105	691	88	84	129	1,096
260,000	2003/04	105	904	114	108	215	1,446
	2002/03	105	898	114	109	168	1,394
300,000	2003/04	105	1,043	132	124	248	1,652
	2002/03	105	1,036	132	126	194	1,592
400,000	2003/04	105	1,391	176	166	330	2,168
	2002/03	105	1,381	176	167	258	2,087
Commercial (1)(2)							
100,000	2003/04	105	576	42	41	83	847
	2002/03	105	590	43	42	65	844
160,000	2003/04	105	921	67	66	132	1,292
	2002/03	105	944	68	67	103	1,288
200,000	2003/04	105	1,151	84	83	165	1,589
	2002/03	105	1,180	85	84	129	1,583
300,000	2003/04	105	1,727	126	124	248	2,331
	2002/03	105	1,770	128	126	194	2,322
500,000	2003/04	105	2,879	210	207	413	3,814
	2002/03	105	2,950	214	209	323	3,800

Actual Rates Payable – 2002/03 Actual and the 2004 Financial Plan Compared

Capital Value	Year	General Rates		Water Rates	Land Drainage	Sewerage Rates	Total
		Uniform Charge $	By Capital Value $	$	$	$	$
Rural [1][2]							
100,000	2003/04	105	255	44	41	86	531
	2002/03	105	250	40	42	68	505
200,000	2003/04	105	509	88	83	171	956
	2002/03	105	501	80	84	136	905
300,000	2003/04	105	764	132	124	257	1,382
	2002/03	105	751	121	126	203	1,306
400,000	2003/04	105	1,019	175	166	343	1,807
	2002/03	105	1,002	161	167	271	1,706
500,000	2003/04	105	1,273	219	207	428	2,233
	2002/03	105	1,252	201	209	339	2,106

Notes:

(1) Some properties may also be liable for the Targeted Water Supply Fire Connection Rate of $100 per connection per property, or the Hollis Avenue Extension Targeted Rate.
These have not been included in the examples above.

(2) Fully serviced properties, and includes a Uniform Annual General Charge of $105 per property.

(3) Includes GST and does not include the Canterbury Regional Council Rates.

(4) 2002/2003 = 2002 Actual rates payable
2003/2004 = 2004 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 fair value by reference to their highest and best use 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. Stormwater Infrastructural Assets have been valued using the optimised depreciated replacement cost method at 30 June 2002, by Meritec Limited. Sewerage Infrastructural Assets have been valued using the optimised depreciated replacement cost at 30 June 2000 by the City Solutions Unit of the Council and peer reviewed by Opus International Consultants Limited and Beca Valuations Limited. Roading and Water Reticulation Infrastructural Assets (including Traffic Signals and Bus Shelters) have been valued using the optimised depreciation replacement cost method at 30 June 2001 by Meritec Limited. Land under roads was valued at 30 June 1992, by Quotable Value NZ for rating purposes. Subsequent additions have been recorded at either purchase cost or assessed cost to the subdivider for vested land.

(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 except for Works of Art that have been valued at market value by the Senior Curator of the Christchurch Art Gallery as at 30 June 2000.

(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.

The following lives have been used:

Buildings	15 - 100 years
Office and Computer Equipment	4 - 5 years
Motor Vehicles / Motorised Plant	2 - 16 years
Mobile Plant	2 - 30 years
Leasehold Land Improvements	10 - 100 years
Library Books	3 - 10 years

(ii) Infrastructural Assets

Expenditure on infrastructural asset replacement and renewal is capitalised. Disclosure is in the capital expenditure summary immediately below the Cost of Service Statement on each of the significant activity pages (see pages 44 to 91 of the 2004 Draft Financial Plan). The expensing of these assets is by way of depreciation. This is calculated on a straight line basis. The following economic lives have been used:

Pavement	Subbase	Not Depreciated
	Basecourse	50 - 90 years
	Surface	2 - 63 years
Signs/Lighting		25 years
Kerb & Channel/ Sumps / Berms		80 years
Bridges		70 - 150 years
Bus Furniture		20 - 40 years
Water Supply		55 - 130 years
Water Meters		20 - 25 years
Stormwater		30 - 120 years
Waterways		15 - 120 years
Sewer		50 - 130 years
Treatment Plant		10 - 50 years
Pump Stations		10 - 80 years

Previously sewer, stormwater and water systems, their plant and water meters have been depreciated using the long run average renewals approach (LRARA). The change from 1 July 2003 will increase the overall depreciation provision by $4.7M.

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

Trust Housing	1% of valuation
Historic Buildings	1% - 4% 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 costs. These costs are apportioned on the book value of the Operational and Infrastructural Assets employed at 1 July 2003.

(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 allocated or charged directly to external service type activities.

External service activities refer to activities which provide a service direct to the public.

Internal service type activities provide support for the external service activities.

Where the user of a service can be identified, for example with City Solutions, the cost recovery is made by way of direct charge. Where this has not been possible, the costs are allocated by way of corporate overhead.

The basis of the corporate overhead allocation is reviewed each year and every attempt is made to relate the allocation made with the service utilised.

Internal service costs which are allocated out as corporate overhead include Corporate Services and Financial Services.

(g) **Revenue recognition**

Rates revenue is recognised when levied. Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at the year end, are accrued on an average basis. Transfund roading subsidies are recognised as revenue upon entitlement, that is, when the conditions related to eligible expenditure have been fulfilled. Other grants and bequests and assets vested in the Council, are recognised as revenue when control over the assets is obtained. Dividends are only recognised as income, net of imputation credits, when the dividends have been declared and have or are almost certain to receive the necessary shareholder approval.

(h) **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.

(i) **Inventories**

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

(j) **Investments**

Subsidiaries, except for Christchurch City Holdings Ltd (CCHL), Associates and shares in the Local Government Insurance Corporation 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 at 30 June 2001.

(k) **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.

(l) **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.

(m) **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.

(n) **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.

(o) **Projected Cost of Service 2003/04 and 2004/05**

The projected cost of service for 2003/04 and 2004/05 relates only to operating expenditure. The projections do not include fixed asset purchases or capital expenditure on infrastructural assets. Details of these costs can be found under the Five Year Capital Expenditure Programme (see pages 119 to 138 of the Financial Plan).

(p) **Comparative Figures**

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

(q) **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.

(r) **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 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.

(s) **Investment and Development Property**

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

(t) **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 2003/04 are forecasts which reflect the most probable outcome. The financials for 2003/04 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 27 March 2003, the date the Financial Plan and Programme 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 2002.

(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

Depreciation on sewer, stormwater and water systems, water meters, their plant and infrastructural assets has been changed from LRARA to Straight Line Depreciation. For further details of this change see Specific Accounting Policies (b) Depreciation (ii) Infrastructural Assets. All other policies 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 2003/04 and 2004/05. Where relevant, significant changes between the policies, objectives and activities proposed for 2003/04 and those for 2004/05 are described.

CONTRA AGREEMENTS (1)

Unit	Company Name	Provision	Value (12 Months)	Details	Expiry Date
Geodata	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.
City Streets	Adshel NZ Ltd	Adshel Bus Shelters	$68,000	Full advertising rights (with CCC conditions as to content)	2023
Leisure					
	The George Hotel	Association with SummerTimes festival Mention in brochure Banner at events	$5,000	Provision of accommodation and meals	
	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	
	Event Volunteers	Event experience	$500	On site assistance with events	
	Lite FM	Logo in brochures/newspaper/ posters	$70,000	Radio advertising	
	Croxley Ltd	Association with a KidsFest event	$1,500	Crayola drawing products and prizes	

(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.

THE CAPITAL ENDOWMENT FUND

Background

In April 2001, the Council set up a Capital Endowment Fund. This Fund was established using a share of the proceeds from the sale of Orion's North Island gas company.

A sum of $75M was set aside in the Fund in order to provide an ongoing income stream which can be applied to economic development and civic and community projects.

(The policies relating to the Capital Endowment Fund are contained within the Investment Policy (see pages 191 to 201 of the Draft Financial Plan.)

Capital Endowment Fund Movements	**2003/04**
	$
Inflation Adjusted Capital	78,640,406
Civic and Community Funds Unallocated from Earlier Years	142,000

Total Projected Opening Balance 1 July 2003	**78,782,406**
Plus Net Interest Earnings	4,150,222
Less Drawdowns for Projects (Funding Allocations)	(2,577,414)

Projected Closing Balance 30 June 2004	**80,355,214**
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CAPITAL ENDOWMENT FUND - FUNDING ALLOCATIONS

	2003/04 $	2004/05 $	2005/06 $
Estimated Total Available Income From Fund after management expenses	2,577,414	2,632,463	2,688,611
Less not to be allocated until later years (25%)		(658,116)	(672,153)
Total available for allocation this year	**2,577,414**	**1,974,347**	**2,016,458**
Economic Development (70%)	1,804,190	1,382,043	1,411,521
Less already allocated:			
Unspecified Economic Development	(1,804,190)		
Balance available for Economic Development Projects	**0**	**1,382,043**	**1,411,521**
Civic and Community 30%	773,224	592,304	669,307
Less already allocated:			
Unspecified Community Projects*	(40,724)		
Special Character Area Precinct Upgrade	(200,000)		
Canterbury Museum Trust Board Building and Development Project Grant	(532,500)	(732,500)	(732,500)
Balance available for Civic and Community Projects	**0**	**(140,196)**	**(127,563)**

*Unspecified provision for 2002/03 and 2003/04 to be accumulated and not specified out until at least 2004/05.

EQUAL EMPLOYMENT OPPORTUNITIES MANAGEMENT PLAN

Charter for Diversity (Incorporating EEO Policy)

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

Diversity

Diversity and its link to Equal Employment Opportunities 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.

Diversity is about all of us. The concept of diversity encompasses acceptance and respect and it means understanding that each individual is unique. It is about understanding each other and moving beyond simple tolerance to embracing and celebrating the rich dimensions of diversity contained within each individual.

The Christchurch City Council is committed to a culture of diversity aimed at recognising, acknowledging, valuing, celebrating and utilising the diversity of people in our organisation and community. Processes and procedures will be regularly reviewed to ensure good management practice in valuing diversity.

Principles of Diversity

Christchurch City Council's Charter for Diversity establishes the principles of our understanding and approach to diversity in the organisation as follows:

- At the Christchurch City Council we are committed to the principle that all workers should be encouraged and provided with the resources to contribute to the organisation's goals to the best of their abilities and experience.
- We believe that in order for people to be able to give their best to the organisation they must feel the things that make them unique such as culture, language, age, abilities/disabilities and gender are respected.
- We believe that an individual's differences as well as similarities compared to others can be valuable resources to the organisation.
- We believe that diversity management is about appreciating diversity in ways that allow it to work for the organisation while at the same time affirming the individual.

Diversity and Good Management

Working with diversity requires sensitivity, understanding, respect, and a commitment to giving everyone a fair go while ensuring the best fit possible between people and organisational goals. It entails a focus on three broad areas:

- Valuing diversity
- Employment equity
- Good management practice

- **Valuing Diversity**

  Valuing diversity means understanding and utilising the advantages and benefits of differences within the workforce.

  People and organisations who value diversity are interested in identifying and overcoming barriers that prevent effective interaction between people, and in creating a work environment which welcomes and fosters diversity.

  An awareness of an understanding of diversity would include improved - team work, individual performance, customer service, customer relations, staff relations and the reduction of conflict.

- **Employment Equity**

  For any position selection decisions will be made on merit, qualifications and work history relating to the position to be filled, in other words a person's ability to do the job. All employees have the opportunity to develop to their full potential and are encouraged to do so.

- **Good Management Practice**

  Good management practice starts with the individual in the organisation recognising their own personal unique talents and experience and working out ways to use these to improve their work practices.

  Managers, teams and people who operate effectively do so by implementing strategies for the utilisation of diversity.

  Diversity is about realising the potential of people in an environment accepting of difference and change.

  Christchurch City Council supports flexible work practices and employment arrangements to support diversity in the workplace.

Equal Employment Opportunity (EEO)

Effective diversity management practice is fundamental to achieving EEO outcomes for people at work. EEO objectives should include:

- A level of cultural diversity in our organisation that reflects the cultural diversity of our community.
- Promoting ethnic diversity within the Christchurch City Council reflecting the ethnic diversity of our community.
- Providing equal access to information for all people including promotional opportunities, job related benefits, and training and development opportunities.
- Workplaces free of discrimination and harassment.
- Aiming for all our people to have the necessary communication and management skills to work in culturally diverse environments.