

The Council has committed to retain the capital of this fund intact and apply the income to:

- Maintaining the value of the fund after inflation; and
- Providing for economic development and civic and community projects that will enhance the city or region.

To maintain accountability for the fund the Council has agreed that the structure of the fund as outlined above will be recorded in the Funding Policy at each review and reported on separately in the Financial Plan and Annual report of the Council each year.

If the Council wishes to change the policy of not using the capital from the fund it has agreed that an 80% voting majority of the Council is needed.

details of the funding policy

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

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

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

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

- To achieve a greater degree of fairness and equity (s122G(b) Local Government Act 1974).
- To respect the obligations to act in the interest of all residents (s122G(a) Local Government Act 1974).
- To avoid the significant adjustment difficulties for the residential and rural sectors which would come from a sudden and significant change from the 2.28% in total rates together with the new funding policy, the following modifications are implemented:
 - Uniform Annual General Charge to remain at \$105 and
 - a modification transfer of (GST inc.):
 - \$1.89m to the commercial sector,
 - \$1.15m from the residential sector,
 - \$640,000 from the rural sector and
 - \$100,000 from Institutions (on the Sewerage rate)

- The modifications are to phase out over three years subject to the impact of the next capital value revaluation due to affect next year's rate allocation.

As a result of the Council's resolution:

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

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

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

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

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

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

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