introduction

This Strategic Statement expresses the Vision, Mission, Strategic goals and objectives of Council and its relationship with the community it serves. In the context of this it then sets out an overview of Council operations and financing for the next ten years. This is expressed in the Long Term Financial Strategy.

Also included is the Funding Policy which details how the Council proposes to fund its operations.

These policies together with the Borrowing Management Policy and the Investment Policy are contained in the revised Strategic Statement.

A companion document, the Financial Plan, reflects the budget intentions of Council for the next year. Together they present a comprehensive view of Council in meeting community needs in the next decade.

In formulating plans to meet its clear vision for the future the Council is forecasting a continuing strong financial position. Some key points are:

- The total assets of Council are over $4,102m, with realisable assets at $2,435m.
- The proposed net debt is forecast at a modest $39m in ten years.
- There are forecast rate increases which are necessary to maintain cash flow requirements but, with the exception of Year 4, these are modest and start off from a low rating base.
- Dividend income averaging $33m p.a. from trading enterprises.
- Capital projects average $97 million per annum primarily focused on regular renewal of infrastructure. Nearly $60 million per annum is financed from depreciation funds.
- Unlike other major cities in New Zealand, Christchurch has infrastructure generally adequate to meet our needs. We therefore do not need the major expenditures in water, sewerage, roading and parks that other cities are facing to deal with deferred maintenance, congestion or rapid growth. The basic infrastructure of the city is in place. Our program now is for improvements and expansions at the margin.
- There are signifcant expenditures planned to further improve the sewerage discharge quality and to provide land fill capacity for the next 20 years.
- There are also some discretionary projects planned which are generally of the nature of community facilities. These include the new Art Gallery and a continuation of the programme to provide for upgrading the suburban library network.

Christchurch has a well planned strategy for the future which is soundly based and will ensure a well provided for city with a strong financial future.

Long Term Financial Strategy

This is the financial plan and forecast for the next ten years The summary on page 17 outlines the key forecasts.

Some of the key issues facing Council over the next ten years are:

- Population growth in Christchurch will slow during the period from a current 0.8% to a projected 0.3% pa. In ten years the population is estimated to be 346,500.
- Land for urban development is available and as taken up will impact on the operating costs of Council.
- Facilitating social, environmental and economic needs arising from community change.
- Improving the city infrastructure to meet the needs of the expanded community.
- The sustainable management of the city's resources including water, sewerage, refuse disposal, land drainage, and parks.
- Sustainable management of the services of Council including prioritising the demand for services.
- Facilitating and leading change in the city so that the whole community functions in sustainable ways.

- Refuse disposal through the development of a new regional landfill.
- Completing new community facilities including the new Art Gallery, new libraries at Beckenham, Avonhead and Parklands. Jade Stadium redevelopment will be supported by lending to Jade Stadium Limited on commercial terms.

The financial impact of the strategy over ten years will be:

- Capital expenditure will average approximately $97m pa .
- Rates will increase this year by 2.28% and range from 1.84% to 6.70% with an average of 3.44%.
- The net debt of Council will rise from minus $93m to $39m
- Over this period the total assets of the Council and CCHC grow from $3,827m to $4,102m.
- Standard & Poors credit rating is targeted to remain at AA (long term)
- Council will invest the proceeds of capital repatriation from the sale of Orion North Island gas network assets in a mix of debt repayment and reserve funds.
- The income from the proposed $75m Capital Endowment Reserve, established from the Orion gas network proceeds, will be used to fund economic development and civic projects.

Funding Policy

The Council has undertaken a thorough review of this policy statement and the draft policy reflects the Council's view of the most appropriate funding source for each of our service outputs. The beneficiaries of each output are identified and a charging mechanism most suited is developed – either user charges or rates. The cost after user charges is the city's rate requirement.

The net cost of each output is generally allocated amongst ratepayer groups according to relative property values or by some other formula, where that is practical and more accurately reflects benefit received. In some cases the charges are uniform (i.e., a fixed rate per property).

The very basis of local government is service to the community which is not easily reduced to formulae. Therefore value judgements by the elected Councillors have been applied in many cases.

This year's Funding Policy has resulted in shifts in rates between sectors caused by:

- Change in the sector allocations for each service output.
- Change in the costs to provide the outputs compared to last year's plan.
- A significant increase in the rating capacity of the city by the rating of network utilities for the first time.
- The change in the mix of user charges proportional to the gross cost of an output.

Also:

- Rates remain the primary funding source at 44.86% of revenues.
- In 2001/02 a one-off special dividend of $128m is expected which is part of the capital repatriation of the proceeds from sale of the gas network assets. These funds are being transferred to reserves as they represent capital.

The changes in rates between sectors was considered by the Council to be too severe this year. Council has decided to modify the rates requirement to smooth out the impact of that change between the sectors by a transfer of:

- $1.890m to the commercial sector,
- $1,150m from the residential sector,
- $640,000 from the rural sector,
- $100,000 from Institutions (on the Sewerage rate)

This is a temporary change in rates incidence. It will be phased out over the next three years. Also it is proposed that the Uniform Annual General Charge of $105 per property will continue.

The combined result of these changes produces different rate increases for different sectors and properties within those sectors. A sample of rates for properties at various capital values is listed on page 68 .

The total rate requirement (including GST) has increased from $144.8m to $154.8m. However when the capital growth in the rating base is allowed for, the increase in 2001/02 is 2.28%. The sector increases are:

Commercial/Industrial	1.54%
Residential/Base	2.32%
Rural	9.85%
Non-rateable/Institutions	10.42%

As noted above, the rating of network utilities has had an impact on the incidence of rates as between the different sectors. The change is particularly noticeable for the non-rateable sector (schools, hospitals etc.) which pays only water and sewerage rates.

It should be noted that the rural sector had a decrease in rates last year.

Conclusion

This Strategic Statement and the accompanying Financial Plan reflects the forecast financial stability of the city for the next decade. Christchurch has the lowest rates for both residential and commercial properties, of any of the main centres. We believe the Council services represent good value when compared to other charges that members of the community pay for other services. In essence the Strategic Statement is about your community's future.

Garry Moore - MAYOR

David Close - CHAIRMAN, STRATEGY AND RESOURCES COMMITEE

Mike Richardson - CITY MANAGER