Our Community at a Glance

Our Long Term Council Community Plan 2009–2019
Christchurch O–Tautahi

The following pages contain summarised information about the LTCCP.

Highlights

In any long-term council community plan the key questions will always be:

- What is happening to the levels of service the community receives?
- Are there any changes to any major policies?
- What major projects will be constructed around the city?

The answers to those questions are set out below in summary form, with references to further detail as required.

Levels of service

Council's levels of service remain stable or in some cases slightly increased over those in the 2006–16 LTCCP. Details of each level of service may be found the section on Council activities and services.

Changes to policies

The policy on determining significance has been redrafted to provide more objective guidelines. Details may be found in Volume 2.

The recommended programme of capital projects has been designed to support these levels of service. Funded and unfunded projects can be seen in capital programme section at the end of Volume 1.

Major projects

Over the next 10 years the council will spend $2.46 billion on a range of projects across the city. This includes the maintenance and renewal of Christchurch's extensive existing infrastructure, as well as the development of new services, facilities and infrastructure networks. Some of the major projects proposed over the next decade are listed below.

Central city revitalisation – The revitalisation of Christchurch's central city is a key goal for the Council. Encouraging more people to live within the four avenues, renovating our open spaces and public areas, protecting our heritage and promoting business in the centre of town are all key to the Council's strategy to build a stronger city. Over the next 10 years the Council is proposing budget of:

- $2.8 million for urban renewal in the central city
- $5.8 million for the continuation of the City Mall Revitalisation
- $11.5 million over five years for the extension of the tram along Oxford Terrace, City Mall, High Street and Colombo Street
- $7.1 million for heritage protection in the city.

New community centres – Christchurch's population is growing rapidly and the Council must ensure the city can keep pace with this growth. The city's boundaries are also growing and the Council has identified a need for three new community centres at a cost of $7.4 million to service the suburbs of Halswell (with work to be carried out in 2012–14), Belfast (2017–19) and Hornby (2017–18).

Social housing – The Christchurch City Council has been providing low-cost accommodation to low-income residents of Christchurch for almost 70 years; today, the Council has 2655 units at 116 complexes. City Housing is a self-funding entity which manages the Council's social housing, receiving no funding from rates. $53 million is budgeted over the next 10 years for replacements and improvements on social housing stock. Consultation is underway on how this should be funded.

New Civil Defence building – Christchurch City Council is a member of the Canterbury Civil Defence Emergency Management Group, a partnership of local authorities, emergency services and other organisations tasked with providing effective and comprehensive management of major hazards and their consequences anywhere in Canterbury. The Council is proposing it spend $3.8 million in its capital programme to contribute to the construction of a new Civil Defence building in 2010/11.

New city libraries – The Council invests in libraries to support the cultural and learning needs of the community. As our city continues to grow, demand for these services will increase. Guided by the Libraries 2025 Facilities Plan, the Council has allocated $123.5 million over the next 10 years on building new libraries in the growth areas of Belfast (with budget of $9.7 million allocated over 2017–19), Halswell ($8.3 million over 2012–14), Hornby ($9.4 million over 2016–18) and Linwood ($9.4 million over 2016–18), in addition to $3.1 million for a new Aranui library from 2011, and $83.5 million on development options for the Central Library from 2019.

Parks development – It is important that everyone is able to enjoy Christchurch's parks and open spaces for recreation, leisure and sport. $75.7 million of funding is proposed over the next 10 years for developing neighbourhood parks, including $37.8 million on the purchase of land for new neighbourhood parks; $36.3 million is proposed for sports parks across the city, including $3.5 million on land purchases for new sports parks; and the 10–year plan includes $16 million for maintaining and developing our regional parks, including $3.3 million for the purchase of Te Oka Farm on Banks Peninsula.

Recreation and leisure facilities – The Council promotes healthy, active lifestyles by providing the community with facilities for sports, recreation, fitness and leisure. As our communities grow and develop, their recreation and leisure needs will change and Council must budget for new and improved facilities. In the next 10 years the Council proposes spending of: $9.1 million on building the new Graham Condon Leisure Centre in Papanui, starting in 2010; $2.8 million over three years from 2012 to upgrade the Centennial Fitness Centre in the central city; $21.7 million over four years from 2015 to develop a new leisure centre in the south-west of the city; $1 million over 2010–11 to develop test cricket facilities at Hagley Oval; $1.6 million over 2012–13 for a new artificial surface at English Park in St Albans; and $1 million for the upgrade of Cowles Stadium to start in 2011.

Christchurch City Council

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Transport – Traffic demand management is a key issue for the Christchurch City Council and it is proposing significant funding to create a safe, secure, responsive and sustainable transport network. As well as building and maintaining our roads, this work includes promoting alternative transport methods such as walking, cycling and public transport. $663 million is proposed for improvements to roading networks across the city and the peninsula over the next 10 years. There is a strong focus on relieving traffic congestion in the busiest areas north and south of the city.

- $51.5 million over 10 years is budgeted to extend and improve roads in the city's south, servicing growth areas in the south-west.

  $63.4 million has been allocated to address northern roading issues, including the extension of the northern arterial ($7.5 million over 2017–19) and Hills Road ($7.3 million over 2016–19) and capacity improvements on Cranford Street ($19.2 million over 2016–19), and Northcote Road ($7.5 million over 2015–17)

  $68 million has been budgeted to promote active travel, where the council encourages walking or cycling by making it easier and more pleasant for people to choose alternative transport methods and help reduce the pressure on our roads.

Public transport – The Council wants to improve the public passenger system through the funding of new public transport infrastructure. The aim is to reduce the number of car trips in the city, make our roads more efficient and decrease congestion. $162 million is proposed over 10 years on public transport infrastructure, including $14.2 million to introduce new bus priority routes to Hornby via Riccarton Road (2010–11), New Brighton (2011-12), Sumner via Ferrymead (2012–13) and Cranford Street (2017–18). Creating bus priority routes makes bus travel through key areas faster and more efficient, attracting more passengers and resulting in less congestion on the roads.

Western interceptor – $51.5 million is proposed for future stages of the Western Interceptor project. The Western Interceptor sewer pipeline is being built to reduce overflows to the Avon River during wet weather and allow for growth in the south-west of the city. Eventually, it will extend from Riccarton through the city to the new Pump Station II built on the corner of Bass and Randolph Streets.

Transport Interchange – $106.7 million is proposed to develop a new Transport Interchange in the central city. This is a key component of the Council's plans to revitalise the central city and meet increasing demand for public transport. Plans for the new transport interchange may include extra facilities and services such as retail outlets that meet the needs of passengers and other users.

Strategic land purchases

The council needs to continue to purchase key land for development. The council has currently purchased land worth $31 million for drainage and surface water management in the growing south-west area of Christchurch. Budget of $128 million is proposed in this plan for continued land purchase to support growth plans and meet compliance standards. This includes land in the city's south-west, Belfast and other key areas, and for cemeteries, parks and waterways.

Town Hall and Convention Centre

The draft LTCCP includes $20.2 million for the refurbishment of Christchurch's Town Hall, built in 1972. The expansion of the neighbouring Christchurch Convention Centre is also proposed at a cost $44.7 million.

How we plan for the future

The Local Government Act 2002 defines the way councils work with their communities. The Act sets out a clear purpose for local government – to promote their community's social, economic, cultural and environmental well-being.

Planning for the future begins with community outcomes – high level statements of the kind of community our people have told us they would like to live in. The statement of outcomes, which is revised every six years in consultation with the community, is used to guide and inform the Council, central Government and others about community needs.

Council then prepares a long term council community plan (LTCCP), which sets out the activities and services the Council intends to provide as its part in contributing to community outcomes. The LTCCP looks ahead 10 years. It details the levels of service the Council intends to provide and the capital works it plans to undertake. The LTCCP also provides a complete set of financial projections, including the rates required.

The Council reports on its achievements – the services it delivered and its financial results, each year in its annual report.

When putting together the LTCCP, the Council reviews all the activity and services it provides and considers what new services may be needed, while at the same time looking for ways to contain costs to keep rates increases as low as possible and borrowing within prudent limits.

The accompanying diagram shows the complete planning cycle.

Christchurch City Council

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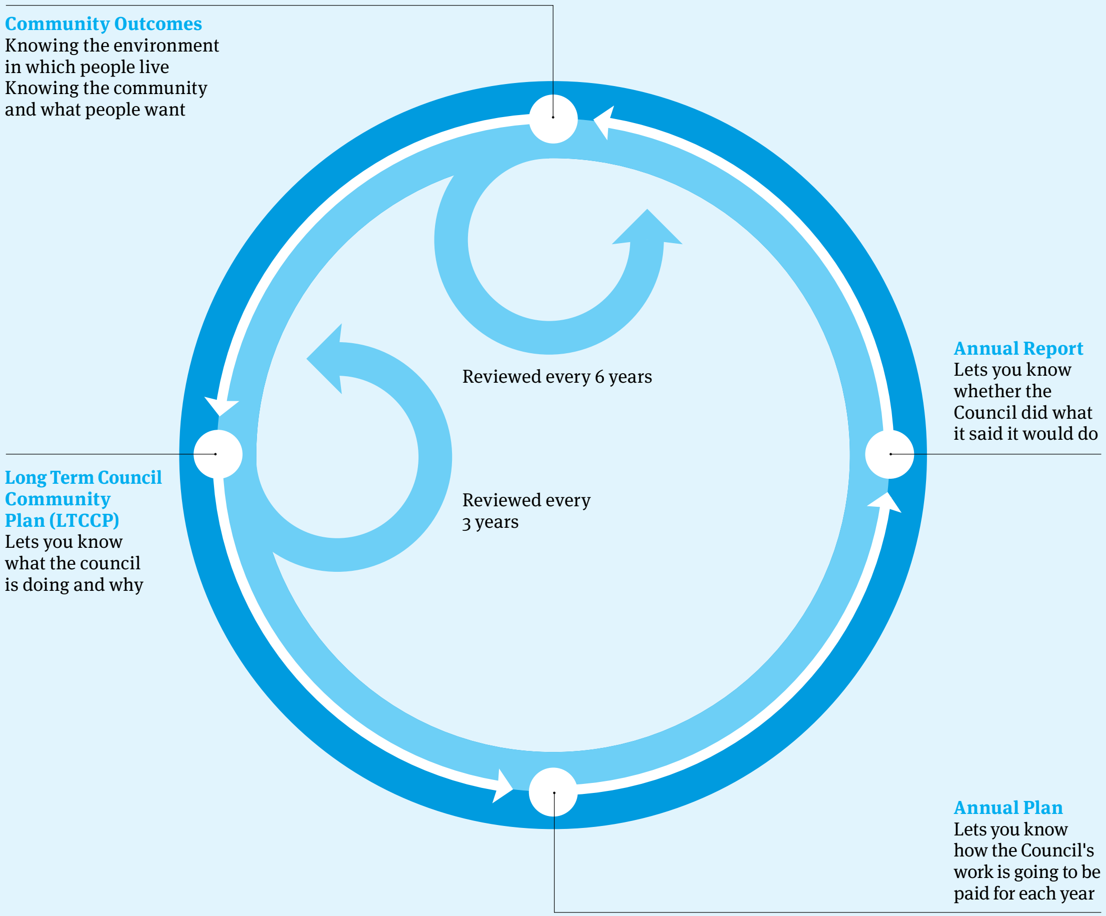
The Council's planning cycle



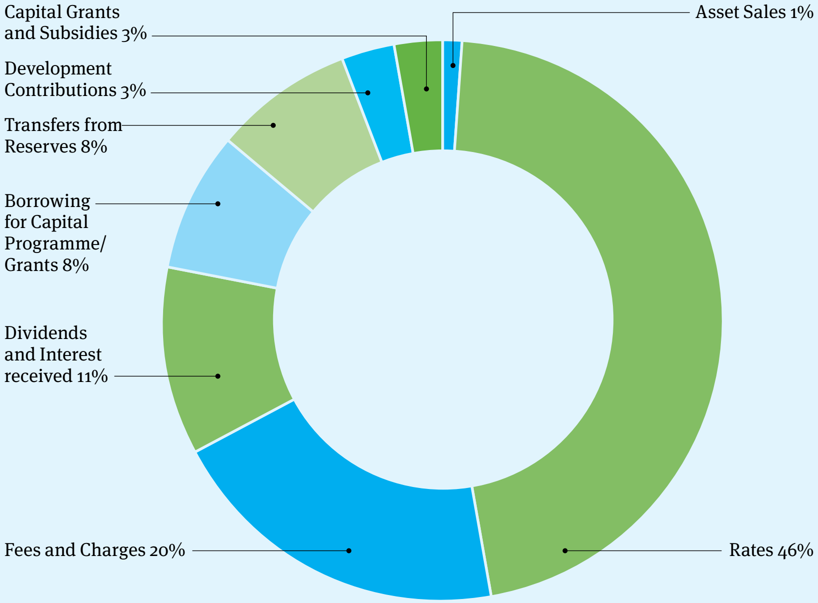
How we pay for services

Rates are the main source of funding for the activities of the Christchurch City Council. More than $250 million is collected in rates each year; this helps to pay for essential services such as water supply, roading and wastewater treatment, as well major capital projects and the provision of events and festivals.

The Council supplements its income with funding from other sources such as fees and charges, government subsidies, interest and dividends from shares in other companies.

The Council owns shares in a number of major local companies through its wholly owned subsidiary Christchurch City Holdings Limited (CCHL). These companies include Christchurch International Airport, City Care, Lyttelton Port Company, and Red Bus. These and other companies owned or part-owned by the Council pay dividends to assist with the operating costs of the Council.

Where the money comes from



Where our funding will come from:

Funding sources 2009–2010	%	$M
Rates	46%	256.1
Fees and charges	20%	111.5
Dividends and interest received	11%	64.0
Borrowing for capital programme/grants	8%	46.0
Transfers from reserves	8%	44.6
Development contributions	3%	18.7
Capital grants and subsidies	3%	14.3
Asset sales	1%	4.3
Total:	**100%**	**559.4**

Where your rates dollars go

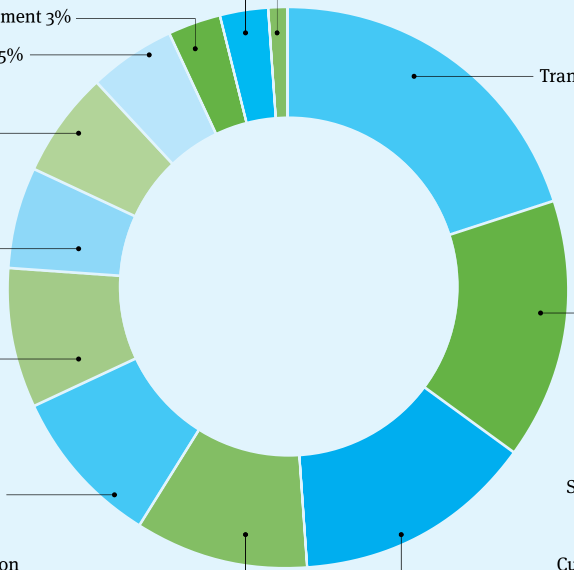
Much of Council spending goes toward providing the "business as usual" services that are needed to keep the city running smoothly. This includes services like maintaining our roads, parks, sewerage systems and water supply. Council must also allow for increased demands on infrastructure due to population growth, and the need for new roads, subdivisions, parks and open spaces.

In addition, the community asks the Council to invest in new projects and services, such as building new libraries and leisure centres, or upgrading city assets.

Capital expenditure on infrastructure, such as new roads, can have a significant impact on rates. In this Christchurch Long Term Council Community Plan 2009–2019, the Council has reviewed and prioritised a range of new projects, totalling $2.46 billion over the next ten years. See the capital works programme for more details.

It is important to note that the impact on rates from these projects is in addition to any other rates increase arising from normal pressures such as inflation, city growth and increased day-to-day operating costs. As the city continues to grow, demand on our base capital programme also increases, and this limits the amount of money available for new projects.

Proposed rates contribution for each group of activities



Where your rates dollars go

How your rates will be spent 2009/2010

		Net Cost	Cents per dollar of Rates	Avg Residential
Group of activity		**$000s**		**Rates / week**
1	Streets & Transport	56,293	19.52	$5.46
2	Parks & Open Spaces	42,116	14.60	$4.09
3	Cultural and Learning Services	39,525	13.70	$3.84
4	Refuse Minimisation & Disposal	29,799	10.33	$2.89
5	Wastewater Collection and Treatment	26,703	9.26	$2.59
6	Community Support	22,239	7.71	$2.16
7	Water Supply	17,050	5.91	$1.66
8	Recreation and Leisure	16,838	5.84	$1.63
9	City Development	15,865	5.50	$1.54
10	Economic Development	9,327	3.23	$0.91
11	Democracy & Governance	9,175	3.18	$0.89
12	Regulatory Services	3,526	1.22	$0.34
	Total: (GST incl)	**288,456**	**100.00c**	**$28.00**

How capital expenditure is funded

In very broad terms Council spends around $100 million every year renewing and replacing existing assets plus another $100 million on new assets that either provide increased levels of service for Christchurch or increase the capacity of Council's infrastructural assets to accommodate the needs of the growth community.

Council's overall approach to funding capital expenditure is as follows:

- Where revenues are available to fund a specific capital expenditure project, such as New Zealand Transport Agency subsidies, these revenues will be the first source of funding for that project.
- Where capital expenditure provides a direct benefit to the growth community Council will collect development contributions in accordance with the Development Contributions Policy which will be used towards funding that expenditure.
- Where reserve or special funds are available to fund a specific capital expenditure project, such as development contributions, financial contributions, or bequests, these reserves will be the next source of funding for that project.
- Any funds received from the sale of assets will go to the remaining unfunded portion of the capital programme.
- Funding sources for the balance of the capital programme as a whole will be as follows:

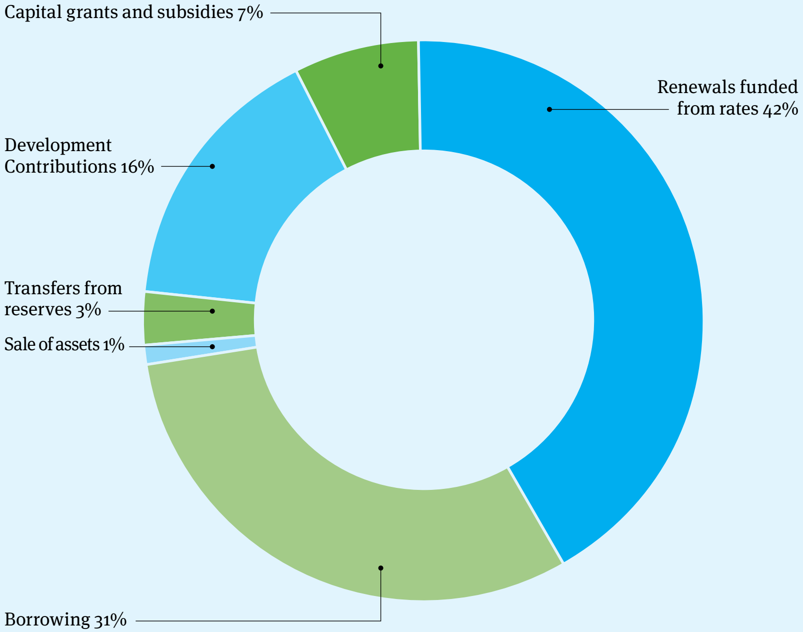
Capital expenditure type	Funding source
strategic property investments	interest-only borrowing
equity investments in CCTOs	interest-only borrowing
investment property	borrowing
new short-life assets	borrowing
other assets	borrowing
housing assets	housing revenue (this may include borrowing which is 'ring-fenced' from other Council debt and serviced through housing revenue)
renewal and replacement assets	rates

For details of Council's planned capital expenditure see the capital works programme.

Where our funding will come from

Funding Sources for 2009/10 to 2018/19 Capital Expenditure	%	$M
Renewals funded from rates	42%	1,028.7
Borrowing	31%	756.3
Sale of assets	1%	25.0
Transfers from reserves	3%	83.3
Development Contributions	16%	386.2
Capital grants and subsidies	7%	178.3
Total:	**100%**	**2,457.8**

Where capital expenditure funding comes from



Financial summary

The financial reports in this draft LTCCP have been developed within the parameters set out in the Revenue and Financing policy and are supported by a detailed budget for each of the Council's activities. There is an underlying assumption of continuing business.

Underlying process

In preparing this LTCCP Council has recognised the need to ensure that its costs are kept under tight control and rates increases are kept as low as realistically possible. Financial forecasts prepared for the 2006–16 LTCCP indicated rates increases in excess of 8% over the next two years.

However, in response to submissions received from ratepayers that rate increases be affordable, staff and Councillors have reviewed the previous budgets for efficiencies allowing Council to hold rate increases to less than 5% while not impacting on levels of service. This draft LTCCP has been prepared on that basis and achieves a balanced budget for each of the 10 years with operating revenue exceeding expenditure.

The anticipated rate increases for existing ratepayers for each of the ten years are:

2009–19 LTCCP	Proposed rates increases to existing ratepayers:
09/10	3.90%
10/11	3.91%
11/12	4.16%
12/13	3.98%
13/14	4.61%
14/15	3.87%
15/16	3.85%
16/17	3.81%
17/18	3.85%
18/19	3.71%

These anticipated rates increase are to existing ratepayers. The total growth in rates collected by Council includes both rates from existing ratepayers and rates from new ratepayers (the growth community). The total rates collection anticipated during the course of this LTCCP is:

	Rates $000's	Nominal rates increase	Rate increase including growth
Plan 2009/10	256,052	5.18%	3.90%
Plan 2010/11	269,175	5.12%	3.91%
Plan 2011/12	283,492	5.32%	4.16%
Forecast 2012/13	297,887	5.08%	3.98%
Forecast 2013/14	314,753	5.66%	4.61%
Forecast 2014/15	330,065	4.86%	3.87%
Forecast 2015/16	345,883	4.79%	3.85%
Forecast 2016/17	362,177	4.71%	3.81%
Forecast 2017/18	379,222	4.71%	3.85%
Forecast 2018/19	396,398	4.531%	3.711%

Council has achieved this lower than anticipated level of rates growth while still maintaining a strong financial position. This is the result of an increased focus on the cash necessary to fund Council operations and on a commitment to equitable sources of funding that, as far a possible, match the benefits received from Council expenditure to the funding of those benefits. A key component of this commitment is the linking of expenditure on new assets to debt funding, the repayment of that debt over the period that the asset is anticipated to benefit the City (up to a maximum of 30 years), and the funding of debt repayment through rates.

Specific actions that Council has taken to ensure the forecast rates growth in this draft LTCCP are lower than previously anticipated are:

- increased organisational focus on efficient delivery of Council-approved activities and levels of service (LOS) – e.g. holding staff numbers to the current levels except where Council has approved an increase.
- limiting incremental operating cost to additional services or LOS
- increasing most user charges to match inflation over the previous year
- maintaining tight control over the total amount of capital expenditure
- changing Council's approach to intergenerational equity and the funding of capital expenditure. Within this LTCCP Council has ensured that:
  - assets that are new or relate to level of service improvements are funded either from capital subsidies, development contributions, or from debt which is repaid over 30 years. Previously Council funded a portion of these new assets from rates
  - the repayment of debt is funded through rates or corporate revenues
  - the renewal and replacement of existing assets is funded through rates.
- borrowing for some grants, which would previously have been funded through rates, when those grants will provide amenities for Christchurch residents over an extended period of time. For example, grants made to the Canterbury Museum Trust for improvements to Museum buildings.
- transferring ownership of the Town Hall to Vbase Limited (a CCTO). This will provide efficiencies for the operation and management of the Town Hall, and it also has the benefit of being more tax efficient for the Council group
- taking advantage of new tax laws which allow organisations to increase their tax deductions for charitable donations. It is proposed that a charitable trust be established which will receive charitable payments from Council Controlled Trading Organisations and others.

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- reducing opening debt by:
  - drawing down $19 million of reserves, being;
    - $11 million of the Income Equalisation Reserve,
    - $5 million of the Emergency Capital Reserve, and
    - $3 million of other sundry contingencies.
  - applying $73 million of charitable donations expected to be received from CCTOs to repay debt drawn down to fund infrastructural assets.

The availability of the $73 million is subject either to obtaining a favourable decision to the ruling sought from the IRD or, should that not be forthcoming, a decision of the CCHL board to distribute an extraordinary dividend.

Assumptions

In preparing this draft LTCCP Council has made a number of forecasting assumptions which are so significant that if actual future events differ from the assumptions they could result in material changes to this LTCCP. These key assumptions are detailed in the Significant Forecasting Assumption section of this LTCCP and a high level summary is provided below.

Over the next decade Council's long term growth projections suggest the population of Christchurch will grow by approximately 1 percent per annum. Over the same period the number of households will grow by approximately 0.7 percent each year. To provide services to this growing community Council has assumed that the cost of providing its services will increase by 0.5 percent per annum (this is less than the rate of growth because of an assumption of increased scale efficiencies in providing these services).

At the time of preparing this draft LTCCP the global economy is in a period of unprecedented turmoil. This LTCCP has been prepared based on data available at the time of writing. It reflects the current recession through assumptions around Rating Base, Inflation, Borrowing Costs, Return on Investments, CCTO Income, Capital Works, and Development Contribution revenue.

Another key assumption in this draft LTCCP is the assumption that environmental change (i.e. global warming) will not have a significant impact on the environment or economy of Christchurch within the ten year LTCCP period. Despite this assumption Council is recognising that there will be a cost associated with carbon emissions. This cost has been estimated by Business and Economic Research Limited (BERL) and factored into Council's inflation assumptions.

Inflation has been provided on operating expenditure, operating revenue, capital expenditure based on information provided by BERL and as set out in the table below. The corporate weighted average is calculated and applied across all Groups of Activities for each year, with the resulting flow through to the balance sheet. The Council's investment in its subsidiaries is not inflated as the value in each year is subject to many variables and it is not possible to accurately forecast the change.

Forecast interest rates are based on advice provided by Council's treasury advisors, Asia Pacific Risk Management, and include interest on existing investment and borrowing portfolios as well as forecast new investments and debt at anticipated future interest rates. These forecast rates take account of the January adjustment to the Official Cash Rate and incorporate the higher margins that banks and other lending institutions are currently charging as a result of the market turmoil.

	10–11	11–12	12–13	13–14	14–15	15–16	16–17	17–18	18–19
Opex expenditure									
Annual	3.08	2.88	2.79	2.39	2.37	2.53	2.64	2.48	2.63
Cumulative	3.08	5.96	8.75	11.14	13.51	16.04	18.68	21.16	23.79
Revenue									
Annual	3.08	2.88	2.79	2.39	2.37	2.53	2.64	2.48	2.63
Cumulative	3.08	5.96	8.75	11.14	13.51	16.04	18.68	21.16	23.79
Capex (and depreciation)									
Annual	3.66	3.36	3.42	3.02	3.12	3.13	3.03	3.01	3.11
Cumulative	3.66	7.02	10.44	13.46	16.58	19.71	22.74	25.75	28.86

2009-19 LTCCP Interest Rates	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Earnings	5.10%	5.70%	5.70%	5.70%	5.70%	5.70%	5.60%	5.60%	5.60%	5.60%
Borrowings	5.50%	6.25%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%

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Operational revenue

The primary operational revenue source is, and will remain, property based rates. Rates revenue is projected to increase from a base of $256 million to $396 million in 2018/19. This represents an average increase in rates of slightly under 4 percent for individual ratepayers. Other operating revenue includes;

- user fees and charges,
- New Zealand Transport Agency (NZTA) subsidies,
- development contributions,
- interest,
- dividends from Christchurch City Holdings Limited, (CCHL) and other associates, and , subject to a favourable outcome from the consultation,
- donations from a charitable trust.

Funding Capital Expenditure

As noted above, the cost of renewing and replacing assets is primarily funded though rates, with the total cost being offset by capital revenues from sources such as NZTA. This means that the cost of replacing the assets which benefit existing ratepayers are being funded by those ratepayers.

Funding for assets that are new or relate to level of service improvements are funded either from capital subsidies, development contributions, or from debt which is repaid over 30 years (previously Council funded a portion of these new assets from rates). The repayment of this debt is funded through rates or corporate revenues.

When these new assets eventually come to be renewed or replaced they will be funded the same as any other renewal or replacement – via rates. Effectively this means that the ratepayers enjoying the benefit of those assets, for example what was the growth community when an asset was funded from development contributions, will become the ratepayer base that funds the renewal.

Operational expense

Operational expense includes all of the day-to day costs necessary to run the Council.

They include;

- direct operating costs: staff costs, maintenance work on the city's infrastructure, insurance, energy and computer and communication costs.
- debt servicing costs. These are the interest costs incurred under the Council's borrowing programme. They are projected to increase from $18 million to $53 million.
- depreciation, (see below)

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets.

Throughout the period of the LTCCP 2009–2019, the Council will continue to collect rates to cover the cost of asset depreciation. The money collected, combined with other funding sources such as NZTA subsidies, will fund the replacement and renewal of Council's existing assets. In any year when the cost of asset renewal and replacement is less than the depreciation calculated on existing assets Council will limit the amount recovered through rates to the total amount of renewal and replacement.

Rating for the renewal and replacement of existing assets:

- provides a direct link between the planned expenditure based on asset conditions and the rates levied, rather than a theoretical link to the non-cash expense of depreciation,
- eliminates the potential volatility in annual rates caused by major fluctuations in asset valuations.

Surplus

The financial forecasts show accounting surpluses increasing from $36 million to $70 million over the ten year period. While it may surprise some readers that Council plans to make a surplus, under accounting standards Council is required to show all revenue, including capital revenue as income for the year. Capital revenues include items such as development contributions, NZTA subsidies for capital expenditure, and vested assets. These revenue item are used to fund capital expenditure.

Borrowing

Council borrows to fund the purchase or building of those assets which meet increased demand or improved service levels, and new investments in Council controlled organisations (CCOs) and Council controlled trading organisations (CCTOs).

In determining the appropriate sources of funding, and methods for accessing that funding, Council takes the following factors into account:

- the capital expenditure programme, which generates the need for funding, is developed on a city wide priority basis for all assets
- an efficient city-wide funding basis for the capital programme can reduce the total cost of that programme, whereas linking funding sources to individual projects can fragment funding sources and result in increased funding costs and reduced operational flexibility.
- the funding sources chosen can influence intergenerational equity

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On this basis Council has determined that it will fund the capital expenditure programme in the following way:

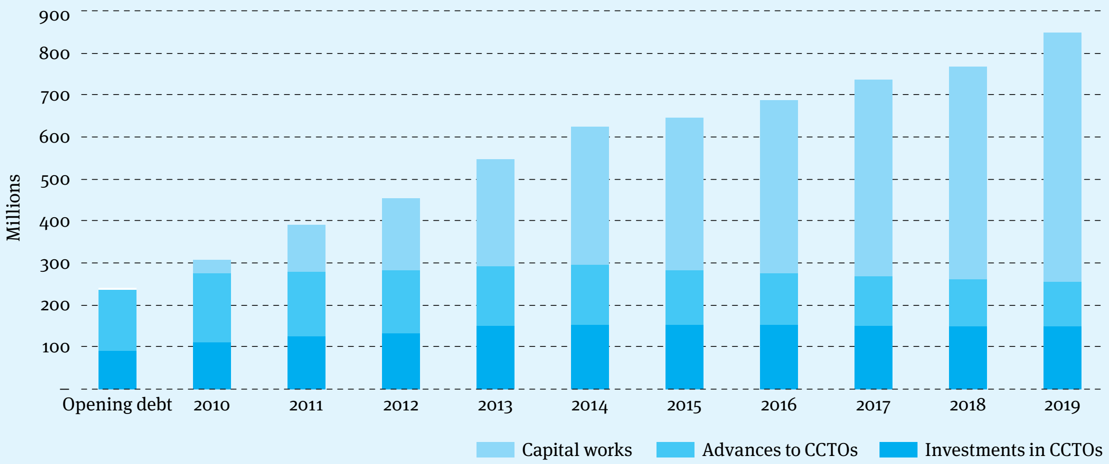
1. where revenues are available to fund a specific capital expenditure project, such as New Zealand Transport Agency subsidies, these revenues will be the first source of funding for that project.
2. where capital expenditure provides a direct benefit to the growth community the Council will collect development contributions in accordance with the Development Contributions Policy to fund that expenditure.
3. where reserve or special funds are available to fund a specific capital expenditure project, such as development contributions, financial contributions, or bequests, these reserves will be the second source of funding for that project.
4. any funds received from the sale of assets will be attributed to the replacement capital programme.
5. the funding sources for the balance of the capital programme as a whole will be as follows:

Capital Expenditure Type	Funding Source
strategic property investments	interest only borrowing
equity investments in CCTOs	interest only borrowing
investment property	borrowing
new short-life assets	borrowing
other assets	borrowing
housing assets	housing revenue (this includes borrowing which is 'ring-fenced' from other Council debt and serviced through housing revenue)
renewal and replacement assets	rates

In addition to its borrowings, the Council also has a significant level of funds invested externally. Where possible the Council will reduce its level of external borrowing by borrowing from funds managed by the Council where there are no relevant restrictions on the investment of those funds. The net effect of this will be to lower both external borrowing and external investment, reduce borrowing costs, and maintain investment income for reserve funds.

Council provides for the repayment of debt through a debt repayment reserve. All loans are treated as table loans and contributions are calculated to ensure that the loans are repaid over a maximum of 30 years. As funds are accumulated into the debt repayment reserve they are applied against new capital work.

Total debt increases from an opening balance of $240 million to $853 million over the period of the Draft LTCCP. The most significant increase is for capital works which increase from $2 million through to $596 million. Monies borrowed for on-lending to CCTOs and ECan (Advances) reduce from $147 million to $108 as the loans are repaid.



To put this into context, with total Council assets worth $9.7 billion in 2018/19 $853 million of borrowing would equate to a mortgage of $31,000 on a $350,000 house.

Despite this anticipated increase in total debt the Council is continuing to ensure prudent and sustainable financial management of its operations. The implication of this is that Council will not borrow beyond its ability to service and repay that borrowing. This is demonstrated by the Ratio Tables below which show that Council:

- will not pay more than 5 percent of its annual revenue on interest costs
- plans to remain within its maximum borrowing limits throughout the ten year period of this Draft LTCCP

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Financial Sustainability

Asset management plans developed by Council to plan for the long term infrastructural needs of Christchurch show that over the rest of this century Council will be faced with some significant peaks of asset renewal and replacement. These peaks reflect the times when major components of the City's infrastructure which were built in the post-World War II years reach the end of their useful lives. For example: 2016 will see a peak in the Council's need to replace roadside kerb and channel; water main renewals will reach a peak in the decade between 2020 and 2029; and wastewater reticulation renewals will peak in the decade 2050 to 2059 and again in 2080 to 2089.

In many cases it would not be possible for Council to meet these required asset renewals in the years they are anticipated because it would not have sufficient funds and because Christchurch contractors are unlikely to have enough capacity to carry out the work. To overcome these potential problems Council plans for and manages peaks in asset renewal and replacement by carrying out work in advance of need – replacing the assets before they are exhausted and smoothing the workload so that Council and contractors have the resources to carry out the work.

Financial analysis carried out in the preparation of this LTCCP shows that, for the remainder of this century, Council's renewal and replacement strategy will ensure the replacement of assets as or before they reach the end of their useful life. This will be achieved at current forecast expenditure levels for renewals and replacement and will not require significant increases in rates or borrowing.

Intergenerational equity

Where possible Council has processes in place to better achieve intergenerational equity and ensure that today's ratepayers pay only for their share of the city's assets. This is primarily achieved by funding the cost of renewing and replacing assets though revenue sources including rates. This means that the cost of replacing the assets which benefit existing ratepayers are being funded by those ratepayers.

Funding for assets that are new or relate to level of service improvements is provided either from capital subsidies, development contributions, or from debt which is repaid over 30 years (previously Council funded a portion of these new assets from rates). The repayment of this debt is funded through rates or corporate revenues. This means that rates in future years, received from ratepayers who are benefiting from those new assets, are servicing the debt on these new assets.

Credit rating

Council received a AA+ international credit rating from Standard and Poor's (S&P) in 1993. This rating is reviewed annually and was reconfirmed in December 2008.

Financial Risk Management Strategy

Council has policies to assist in managing its financial risk, including liquidity and funding risk management, interest rate exposure and counterparty credit risk. Further detail is provided within the Liability Management Policy. An important element in assessing the value of Council's risk management strategy is its five key financial ratios. These ratios have been set with the objective of maintaining an S&P AA+ rating.

Ratio	
net debt as a percentage of equity	<20%
net debt as a percentage of total revenue*	<100%
net interest as a percentage of total revenue*	<10%
net interest as a percentage of annual rates income (debt secured under debenture)	<15%
liquidity (term debt + committed loan facilities + liquid investments to current external debt)	>120%

* *excludes non government capital contributions*

* *Revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue. Revenue excludes developer contributions and vested assets. Rates income excludes regional levies.*

Net debt is defined as total consolidated debt less liquid financial assets/investments.

The ten year projections are well within the ratio limits (see ratio tables below), although by 2018/19 the net debt as a percentage of total revenue has reached 90 percent (policy limit 100 percent). At the time of preparing this draft LTCCP there are no forecasts which indicate this policy limit will be breached beyond 2018/19, and this ratio will be monitored as part of the development of future LTCCPs.

Christchurch City Council

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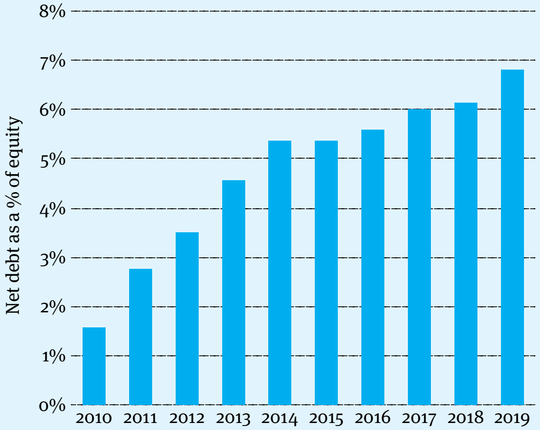
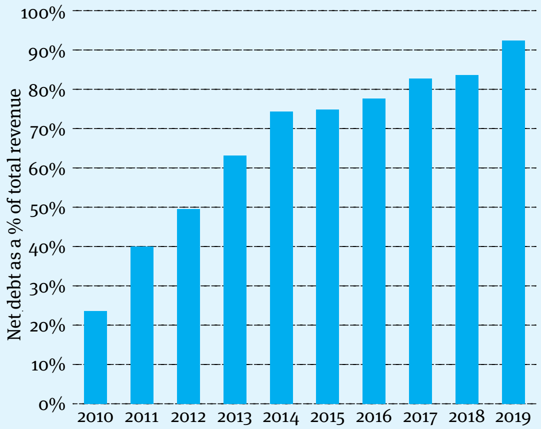
Ratio graphs

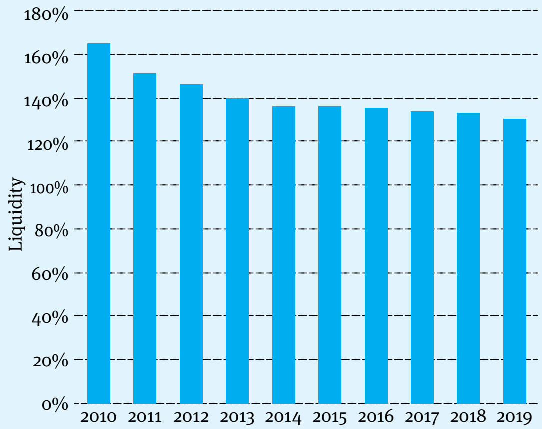
Net debt as a % of equity
Ratio policy limit 20%



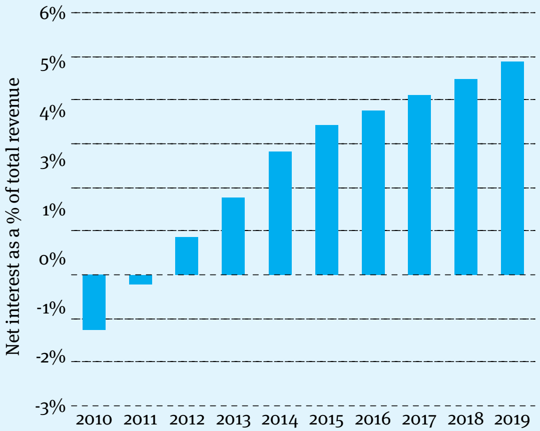
Net debt as a % of total revenue
Ratio policy limit 100%



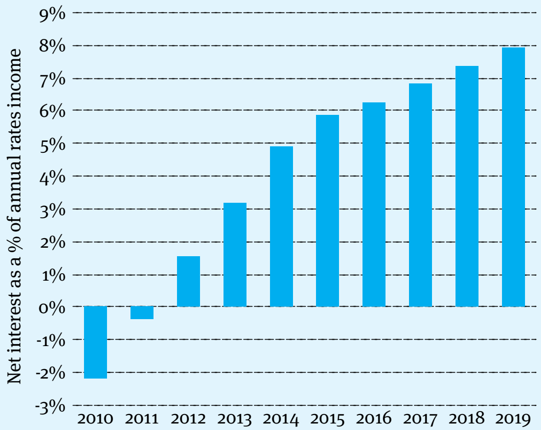
Liquidity
Ratio policy above 120%



Net interest as a % of total revenue
Ratio policy limit 10%



Net interest as a % of rates income
Ratio policy limit 15%



Christchurch City Council

Financial Summary

Summary

This overall approach to financial management ensures Council will continue to be in a sound financial position. At the end of this ten year draft LTCCP period Council equity (the value of ratepayers 'investment' in Council, or the value of all of Council's assets less all its liabilities) will have grown from $6.7 billion to $8.7 billion. The total value of its assets will have grown from $7.1 billion to $9.7 billion, and this will include $147 million in cash and financial investments (compared to $107 million in 2009/10).

Over that same ten year period Council's total borrowings will have grown from $301 million to $853 million. While this 183 percent increase is substantial the increase in debt is being used to fund assets that will benefit Christchurch residents for decades to come. Also, despite the level of debt forecast in 2018/19 Council's balance sheet remains very strong, with net debt as a percentage of total equity at 6.8 percent compared to Council's policy limit of 20 percent.

Overall Council considers its financial strategy to be prudent. It ensures that Council resources are safeguarded, assets are maintained and renewed, debt remains at an affordable level, while ensuring that rates increases are kept at an affordable level throughout the period of this LTCCP and beyond.

Christchurch City Council

Financial Summary

Financial overview	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
Funding summary											
Operating expenditure	1	316,185	338,073	349,631	360,415	366,552	370,598	381,000	393,827	402,931	416,694
Capital programme	5	214,353	230,952	223,819	265,302	253,833	209,160	232,074	262,204	261,051	310,091
Transfers to reserves	2	10,655	10,582	11,747	12,139	12,715	13,186	13,305	13,628	14,042	13,391
Interest expense	3	17,782	22,254	27,970	33,056	38,829	42,714	44,474	47,378	49,950	53,308
Debt repayment	4	378	1,525	5,336	7,443	9,086	14,470	17,564	19,698	25,289	26,893
Total expenditure		**559,353**	603,386	**618,503**	**678,355**	**681,015**	**650,128**	**688,417**	**736,735**	**753,263**	**820,377**
funded by:											
Fees, charges and operational subsidies	6	111,488	118,797	122,652	126,578	129,859	133,495	136,006	140,263	143,979	147,758
Dividends and interest received		64,014	72,365	73,047	75,223	77,308	79,334	80,168	81,629	82,484	83,786
Transfers from reserves	7	44,551	5,150	5,165	5,065	5,064	5,064	5,050	9,585	10,085	9,986
Asset sales	8	4,289	1,128	5,774	1,206	1,243	1,282	1,322	1,362	6,428	930
Development contributions		18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
Capital grants and subsidies		14,334	17,580	22,435	30,155	21,922	13,882	13,977	13,135	15,860	15,068
Total funding available		**257,348**	**240,874**	**261,051**	**272,175**	**272,582**	**272,207**	**278,460**	**296,754**	**310,844**	**312,235**
Balance required		**302,005**	**362,512**	**357,452**	**406,180**	**408,433**	**377,921**	**409,957**	**439,981**	**442,419**	**508,142**
Borrowing for capital programme/grants		45,953	93,341	73,964	108,293	93,680	47,856	64,076	77,807	63,199	111,746
Rates		**256,052**	**269,171**	**283,488**	**297,887**	**314,753**	**330,065**	**345,881**	**362,174**	**379,220**	**396,396**
Nominal rates increase		5.18%	5.12%	5.32%	5.08%	5.66%	4.86%	4.79%	4.71%	4.71%	4.53%
Percentage (%) rate increase to existing ratepayers		**3.90%**	**3.91%**	**4.16%**	**3.98%**	**4.61%**	**3.87%**	**3.85%**	**3.81%**	**3.85%**	**3.71%**

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Note 1: Operating expenditure

	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
City development	17,525	18,982	19,231	20,160	19,432	20,009	20,757	20,987	21,308	22,196
Community support	40,699	44,062	47,566	46,566	47,778	48,838	50,011	51,455	53,418	56,752
Cultural and learning services	43,460	45,991	53,636	60,117	58,030	56,497	57,192	59,563	62,156	66,409
Democracy and governance	9,175	10,969	10,342	10,487	11,876	11,037	11,082	12,643	11,823	11,927
Economic development	9,408	9,078	9,334	9,189	9,411	9,620	9,859	10,119	10,370	10,635
Parks, open spaces and waterways	50,979	53,803	56,610	60,006	62,384	64,252	64,332	66,583	67,941	69,185
Recreation and leisure	33,416	36,546	37,961	39,185	40,176	41,233	42,309	43,672	45,016	47,560
Refuse minimisation and disposal	34,423	36,130	37,301	38,582	39,996	41,231	42,677	44,211	45,609	47,115
Regulatory services	26,127	28,833	29,648	30,602	31,107	31,684	32,322	33,224	33,408	34,234
Streets and transport	98,729	102,930	109,093	115,343	126,417	134,723	141,159	148,594	155,719	157,355
Wastewater collection and treatment	36,599	41,983	45,171	47,847	50,985	53,510	56,021	59,284	62,593	66,469
Water supply	22,604	24,127	25,476	27,037	28,585	29,605	30,218	31,729	33,210	34,684
Corporate	21,434	25,098	24,062	24,330	24,101	24,224	23,807	23,852	24,316	24,939
Total Group of Activity expenditure	**444,578**	478,532	**505,431**	**529,451**	**550,278**	**566,463**	**581,746**	**605,916**	**626,887**	**649,460**
Less depreciation	110,611	118,205	127,830	135,980	144,897	153,151	156,272	164,711	174,006	179,458
Less interest expense	17,782	22,254	27,970	33,056	38,829	42,714	44,474	47,378	49,950	53,308
Operating expenditure	**316,185**	**338,073**	**349,631**	**360,415**	**366,552**	**370,598**	**381,000**	**393,827**	**402,931**	**416,694**

Christchurch City Council

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Note 2: Transfers to reserves	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
Interest earned credited to funds	7,101	7,989	8,282	8,639	9,025	9,444	9,716	10,162	10,371	10,576
Ratepayer funding of 8% of Dog Control costs	143	146	146	146	146	146	145	145	146	146
Kilmore St Carpark Depreciation Reserve Fund	20	20	20	20	20	20	20	20	20	20
Housing operating cash surplus	3,226	2,297	3,165	3,206	3,393	3,445	3,286	3,160	3,370	2,519
Dog Control operating cash surplus	165	130	134	128	131	131	138	141	135	130
	10,655	**10,582**	**11,747**	**12,139**	**12,715**	**13,186**	**13,305**	**13,628**	**14,042**	**13,391**
Note 3: Interest Expense										
Existing capital works borrowing	105	96	4	–	–	–	–	–	–	–
Borrowing for new capital works and grants	725	3,772	8,313	12,793	18,317	22,468	25,084	28,516	31,966	35,750
Borrowings for equity investments	5,229	6,534	7,702	8,578	9,229	9,373	9,260	9,181	9,103	9,025
Borrowings for advances	11,700	11,827	11,925	11,658	11,259	10,862	10,120	9,671	8,871	8,521
Separately funded activities borrowing	23	25	26	27	24	11	10	10	10	12
	17,782	**22,254**	**27,970**	**33,056**	**38,829**	**42,714**	**44,474**	**47,378**	**49,950**	**53,308**
Note 4: Debt Repayment rated for										
Targeted Rates - loan principal	74	74	74	–	–	–	–	–	–	–
Existing capital works debt	54	54	54	54	54	54	54	54	54	54
3.3% debt repayment per policy	–	1,397	4,008	5,989	9,032	11,916	13,510	15,644	18,235	20,339
Extra debt repayment	250	–	1,200	1,400	–	2,500	4,000	4,000	7,000	6,500
	378	**1,525**	**5,336**	**7,443**	**9,086**	**14,470**	**17,564**	**19,698**	**25,289**	**26,893**

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Note 5: Capital Programme Summary

	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
City development	1,082	1,283	1,061	745	979	1,051	1,334	914	854	559
Community support	5,739	8,955	6,610	5,662	4,909	4,452	3,925	10,189	13,818	13,113
Cultural and learning services	8,685	10,853	7,823	10,468	13,224	7,405	7,879	14,775	24,904	98,601
Democracy and governance	–	–	–	–	–	–	–	–	–	–
Economic development	100	104	107	111	114	118	122	125	129	133
Parks, open spaces and waterways	29,748	35,045	37,394	33,267	33,164	33,208	36,077	39,162	41,978	38,092
Recreation and leisure	13,314	4,932	3,701	5,718	2,659	3,719	2,671	10,022	12,664	1,081
Refuse minimisation and disposal	1,313	1,046	1,042	1,109	3,191	3,409	1,107	1,135	1,086	1,119
Regulatory services	59	10	46	5	5	6	6	6	6	6
Streets and transport	67,824	84,903	100,066	122,155	102,709	80,546	80,092	81,730	95,346	89,581
Wastewater collection and treatment	35,660	32,579	27,686	38,949	54,694	42,518	65,288	64,749	42,526	33,740
Water supply	11,032	13,096	13,475	20,687	17,051	16,686	15,334	24,768	20,892	28,591
Corporate	39,797	38,146	24,808	26,426	21,134	16,042	18,239	14,629	6,848	5,475
Total capital programme	**214,353**	**230,952**	**223,819**	**265,302**	**253,833**	**209,160**	**232,074**	**262,204**	**261,051**	**310,091**
funded by :										
Sale of assets	4,289	1,128	5,774	1,206	1,243	1,282	1,322	1,362	6,428	930
Renewals funded from rates	87,766	89,355	92,824	96,473	99,886	103,526	107,295	111,101	115,019	119,184
Landfill aftercare funded from rates	940	695	631	573	533	550	567	584	602	621
Reserve drawdowns	42,399	2,999	3,014	2,914	2,914	2,914	2,900	7,435	7,935	7,835
Development contributions	18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
Capital grants and subsidies	14,334	17,580	22,435	30,155	21,922	13,882	13,977	13,135	15,860	15,068
Total funding available	168,400	137,611	156,656	165,269	163,684	161,304	167,998	184,397	197,852	198,345
Capital programme borrowing	**45,953**	**93,341**	**67,163**	**100,033**	**90,149**	**47,856**	**64,076**	**77,807**	**63,199**	**111,746**
Borrowing for grants	–	–	6,801	8,260	3,531	–	–	–	–	–
Borrowing for onlending	16,200	2,000	2,000	–	–	–	–	–	–	–
Total new borrowing	62,153	95,341	75,964	108,293	93,680	47,856	64,076	77,807	63,199	111,746
Less debt repayment	627	3,234	10,429	13,780	15,578	26,657	24,588	26,584	32,275	32,979
Net change in borrowing	**61,526**	**92,107**	**65,535**	**94,513**	**78,102**	**21,199**	**39,488**	**51,223**	**30,924**	**78,767**
Cumulative debt	**301,253**	**393,360**	**458,895**	**553,408**	**631,510**	**652,709**	**692,197**	**743,420**	**774,344**	**853,111**

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Note 6: Fees, charges and operational subsidies

	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
City development	1,661	1,712	1,761	1,810	1,061	1,086	1,114	1,143	1,171	1,202
Community support	18,459	18,976	19,521	20,067	20,546	21,032	21,564	22,133	22,683	23,280
Cultural and learning services	3,936	4,220	4,492	4,643	4,816	4,959	5,127	5,517	5,691	5,891
Democracy and governance	–	385	–	–	417	–	–	449	–	–
Economic development	82	84	87	89	91	93	96	98	101	103
Parks, open spaces and waterways	8,864	12,517	15,284	16,273	17,791	18,734	20,073	24,813	24,649	25,653
Recreation and leisure	16,578	18,520	19,377	20,079	20,711	21,491	22,151	23,145	23,830	24,589
Refuse minimisation and disposal	4,625	4,807	4,981	5,120	5,242	5,366	5,502	5,647	5,788	5,940
Regulatory services	22,602	23,298	23,967	24,639	25,226	25,823	26,476	27,175	27,850	28,583
Streets and transport	42,436	47,459	53,967	62,643	55,625	49,057	49,209	50,127	54,416	54,775
Wastewater collection and treatment	9,896	11,838	13,632	14,394	15,445	16,166	17,053	19,107	19,974	21,003
Water supply	5,554	6,284	6,993	7,279	7,768	8,057	8,521	9,404	9,895	10,299
Corporate	9,801	12,131	13,003	13,645	14,228	14,663	15,034	15,420	15,799	16,215
Total Group of Activity revenue	**144,494**	**162,231**	**177,065**	**190,681**	**188,967**	**186,527**	**191,920**	**204,178**	**211,847**	**217,533**
Less Development Contributions	18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
Less Capital Grants & Subsidies	14,334	17,580	22,435	30,155	21,922	13,882	13,977	13,135	15,860	15,068
Fees, charges and operational subsidies	**111,488**	**118,797**	**122,652**	**126,578**	**129,859**	**133,495**	**136,006**	**140,263**	**143,979**	**147,758**

Note 7: Transfers from Reserves

	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
Olive Stirratt Bequest - Art works	14	14	14	14	14	14	–	–	–	–
Reserves a/c - Reserve purchases	3,300	–	–	–	–	–	–	–	–	–
Housing - capital programme	3,385	2,985	3,000	2,900	2,900	2,900	2,900	7,435	7,935	7,836
Housing - interest expense	2	1	1	1	–	–	–	–	–	–
Capital endowment fund - grants	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150
Debt Repayment reserve - general capital	35,700	–	–	–	–	–	–	–	–	–
	44,551	**5,150**	**5,165**	**5,065**	**5,064**	**5,064**	**5,050**	**9,585**	**10,085**	**9,986**

Note 8: Asset Sales

	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
Plant and Vehicle Disposals	200	207	215	221	228	236	243	251	257	266
Surplus Property Sales	3,700	518	5,143	554	571	589	607	625	5,670	664
Surplus Roading Land Sales	389	403	416	431	444	457	472	486	501	–
	4,289	**1,128**	**5,774**	**1,206**	**1,243**	**1,282**	**1,322**	**1,362**	**6,428**	**930**


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