

## 6. FINAL CHRISTCHURCH CITY COUNCIL ANNUAL PLAN 2005/06

<b>General Manager responsible:</b>	General Manager Corporate Services
<b>Officer responsible:</b>	General Manager Corporate Services
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### PURPOSE OF REPORT

1. The purpose of this report is for the Council to approve adjustments to the draft Annual Plan, following the consultation process, finalise the financial results and to recommend adoption of the Annual Plan for 2005/06.

### EXECUTIVE SUMMARY

2. This year's process was different than previous years and reflected the fact that it was the first Annual Plan under our 2004/14 LTCCP.
3. The change in approach, and the intention of the Council to make only minor adjustments to the plan (Section 85 LGA 2002) rather than significant changes, was made clear when we released the draft to the public.
4. The number of submissions received (198) was down on last year and reflected the fact that 2005/06 was not an LTCCP year. Most submissions related to matters/issues that we will look at as we develop the 2006/16 LTCCP. The items identified by submitters that the Council agreed needed further consideration and investigation are detailed in the minutes of the Annual Plan submission consideration meeting (to be separately circulated).
5. Between the draft and this final, we have made a number of overhead allocation changes between activities. This has not had any impact on the total rate requirement. We have also reviewed our capital expenditure carry forwards and the items as detailed below.
6. Rates remain at 3.49%; .04% below the LTCCP indicated increase.

### AMENDMENTS/CHANGES TO THE PLAN

#### Capital Expenditure Carry Forwards

7. In the draft, allowance was made for \$20m of capital items to be carried forward from 2004/05. We believe that this will now be closer to \$25m.
8. The final plan now provides for \$25m carry forward capital. There is **no** rating impact.

#### Allocation of Overheads to Activities

9. The draft Annual Plan was developed from a top down budget approach. During the period between the draft and final, management have been building the detailed budgets to reflect the agreed draft budget Council adopted.
10. The detailed budget build resulted in the allocation of overheads in a far more detailed (and different) method than in the draft. This has resulted in changes to individual activity costs (both up and down). It has **not** caused a rate change, nor have any service levels or work programmes changed.

#### Transfund Revenue for Capital Works

11. During the detailed budget build we became aware of an overstatement in the projected revenue from Transfund (\$1.3m). Although this subsidy is recognised as "revenue", it is not available to apply against rating requirements. The surplus is adjusted to ensure this Transfund revenue has no rating impact.

#### Depreciation Cost

12. There were a number of adjustments to our depreciation cost for 2005/06 and again there is **no** rating impact.

### **Aidanfield Land Purchase**

13. The Council at its meeting of 17 March 2005, approved funding provision of \$3m in 2005/06 for strategic land purchases. \$1.5m was to come from the existing capital budgets with the balance coming from Cash in Lieu Reserves.
14. This change in capital expenditure and reserves is now reflected in the Final Annual Plan. There is **no** rating impact.

### **Allocation of Community Boards' Project Funding**

15. The draft Annual Plan provided for \$2.4m Community Board project funding within the Democracy and Governance budgets. This was because details of which projects would be funded from the budget were not known at the time of the draft plan.
16. We have now allocated the budget to the appropriate activities.

### **Unallocated \$250k Included in the Draft Annual Plan**

17. Two projects considered as part of the Annual Plan submissions have seen the \$250k now allocated:
  - \$150k to the Democracy and Governance Budget being provision for costs associated with the Banks Peninsula District Council abolition (costs of by-election and consulting costs for various integration projects).
  - \$100k to Environmental Services Unit for additional planning work.

### **Housing Expenditure**

18. The Unit has identified a need to undertake a more extensive maintenance programme than was in the LTCCP budget. It has requested an additional \$2.6m for the 2005/06 year. This request reflects the poor state of a number of properties and the need to accelerate the maintenance programme. In addition an extra \$1.7m of capital expenditure has been included for Gowerton Place. A separate report will be forwarded to the Council.
19. Surpluses (and losses) from Housing operations go to the Housing Development Fund, a reserve account. It **does not** have an impact on rates. The Facility Assets Unit has advised that drawing down this extra \$2.6m will not have any long-term impact on the sustainability of the housing development fund, subject to further review of the level of service.

### **Miscellaneous Adjustments**

20. While building the budget at the detail level, a number of adjustments were made. Some of the significant items were:
  - Internal rent for Parklands and Upper Riccarton libraries had been omitted - \$500k cost to Libraries but offset by increased internal income in the Property Unit.
  - Carry forward of unspent monies from previous years' allocations of economic development funding was discussed as part of the paper on the Capital Endowment Fund at the March Council meeting when monies were allocated for the 2005/06 year. This had not been added into the draft numbers. This adjustment does not impact on rates as the operating surplus is also adjusted.
  - Adjustments in the refuse area, including internal costs and revenue being counted twice, have been corrected. This resulted in an improved nett cost to service for this area.
21. Overall the adjustments (up and down) have resulted in no rating impact, as while costs did increase we found compensating savings.

## Trade Waste Charges 1/7/2005 to 30/6/2006

22. Calculation of the charges has been undertaken in terms of the Trade Wastes Bylaw 2000 and follows the previously approved charging policy. This policy is based on a six year rolling average of costs (four years of actual costs and two years of proposed budgeted costs) applied to a six year rolling average of flow, biochemical oxygen demand and suspended solids to determine the unit rates above. These unit rates are then applied to the expected discharges from all the industries on this charging system to estimate the revenue for the coming year.
23. Total Trade Waste revenue quoted in the Draft Annual Plan included revenue calculated using the new charge rates.
24. All customers presently charged under the Trade Waste Bylaw have been advised of the new charges.

### Proposed changes:

<b>Charge</b>	<b>Current</b>	<b>Proposed</b>
<b>Volume</b> (without approved flow recording devices)	42.26 cents/per m <sup>3</sup>	45.12 cents/per m <sup>3</sup>
<b>Volume</b> (with approved flow recording devices)		
Discharge between 8am-4pm	42.26 cents/per m <sup>3</sup>	45.12 cents/per m <sup>3</sup>
Discharge between 4pm-8am	14.09 cents/per m <sup>3</sup>	15.04 cents/per m <sup>3</sup>
<b>Suspended Solids</b>	31.84 cents/per kg	35.25 cents/per kg
<b>Biochemical Oxygen Demand</b>	22.44 cents per kg	22.44 cents per kg

25. There is no change to the charge rate for Biochemical Oxygen Demand (BOD<sub>5</sub>) which remains at 22.44 cents per kg. All above charges include GST.
26. The amount of increased revenue expected to be received, due to the increase in the charge rates, is some \$145,000.

### FINANCIAL SUMMARY

27. As a result of all the above, the financial position is as follows:

<b>FINANCIAL SUMMARY</b>				
	<b>Final Budget 2005/06 \$M</b>	<b>Draft Budget 2005/06 \$M</b>	<b>Variance Draft vs Final \$M</b>	<b>LTCCP 2005/06 \$M</b>
<b>OPERATING SUMMARY</b>				
Operating Expenditure	242.62	234.65	7.97	248.19
Depreciation	67.70	68.27	(0.56)	68.72
Interest Expense	5.91	5.91	0.00	6.47
<b>Total Operating Expenditure</b>	<b>316.23</b>	<b>308.83</b>	<b>7.40</b>	<b>323.37</b>
Ordinary Revenues	(82.38)	(78.31)	(4.07)	(93.06)
Grants & Subsidies	(23.14)	(24.30)	1.16	(21.01)
Interest & Dividends from CCHL	(30.00)	(30.00)	0.00	(29.50)
Interest Received	(18.82)	(18.67)	(0.15)	(16.29)
Rates	(174.21)	(174.21)	(0.00)	(172.72)
<b>Operating Surplus/Contribution to Capital Projects</b>	<b>(12.31)</b>	<b>(16.66)</b>	<b>4.35</b>	<b>(9.21)</b>
<b>Percentage Rate Increase</b>	<b>3.49%</b>	<b>3.49%</b>		<b>3.53%</b>
<b>CAPITAL FUNDING SUMMARY</b>				
Capital Expenditure	163.50	155.40	8.09	125.01
Provision for Debt Repayment	4.70	4.70	0.00	4.69
<b>Total Capital Cost</b>	<b>168.20</b>	<b>160.10</b>	<b>8.09</b>	<b>129.70</b>
Funded by :				
Depreciation & Surplus (Deficit) on Operations	(72.23)	(74.58)	2.35	(68.15)
Capital Repayment/Sale of Assets in Total	(4.41)	(4.41)	0.00	(5.81)
Funded from Debt Repayment Reserve	(78.90)	(73.61)	(5.28)	(47.57)

Reserves	(11.36)	(6.20)	(5.16)	(7.16)
External Funding for Capital Projects	(0.55)	(0.55)	0.00	(0.55)
Borrowing Required for the Annual Programme	0.75	0.75	0.00	0.45
<b>KEY ASSETS / LIABILITIES OF CCC</b>				
Gross Debt	96.27	96.27	0.00	97.44
less Sinking Funds & Debt Repayment Reserves	(32.63)	(32.91)	0.28	(38.66)
Term Debt	63.64	63.36	0.28	58.78
Less Reserve Funds	(152.45)	(158.97)	6.53	(147.83)
Net Debt	(88.80)	(95.61)	6.81	(89.05)
Total Assets (CCC & CCHL)	4,816.76	4,808.11	8.66	4,508.36
Realisable Assets (CCC & CCHL)	2,262.21	2,263.71	(1.50)	2,170.88
<b>Net Debt (CCC &amp; CCHL)</b>	14.62	7.81	6.81	(26.17)

28. Attached as Appendix A is the Funding Impact Statement and the Operating Result as Appendix B.

### Material Changes Between Draft and Final

29. Opex + \$7.4 m, including:

- Housing accelerated maintenance \$2.6 m
- Refuse minimisation \$2.7 m
- Economic development expenditure \$0.9 m
- Libraries rent \$0.5 m

Revenue (ordinary and grants) + \$2.9 m, including:

- Refuse minimisation \$3.9 m
- Transfund reduction (\$1.3 m)

Rates:

NO CHANGE

Surplus (\$4.3 m), including:

- Transfund capital revenue reduction (\$1.3 m)
- Housing expenditure fund reduction (\$2.6 m)
- Economic development expenditure fund reduction (\$0.8 m)
- Refuse minimisation fund increase \$0.5 m

Capital + \$8 m, including:

- Carry-forward levels increased \$5.0 m
- Housing \$1.7 m
- Aidanfield \$1.5 m

### RATES SETTING FOR 2005/06

30. Rates are set by this resolution following the adoption of the Annual Plan for 2005/06, pursuant to Section 23 of the Local Government (Rating) Act 2002 and Section 95 of the Local Government Act 2002. The Annual Plan Funding Impact Statement outlines the rate requirement.
31. The liability for rates will be detailed on a rates assessment which will be delivered to each ratepayer with the first instalment rates invoice.
32. A rates assessment is a notice to the ratepayer that they will be liable for rates on a particular rating unit. The assessment contains information on the differential classification and the amount of rates that will be levied on the rating unit and their type.
33. Also included is an explanatory brochure containing information regarding payment options, remissions and postponements (where these are operative).

34. The 2005/06 rate requirement is \$195.985m (GST inclusive) as shown in the financial summary. The rates set are listed below by rate type. Rates are assessed to rating units by capital value except for the Uniform Annual General Charge and water charges for metered supply and fire service. The rates payable by each rating unit depends on its rateability and differential sector. The rates due are also shown on the Council web site under Ratesinfo.
35. Detailed information about the rates that are set are contained in the LTCCP and in summary in the Annual Plan, under the headings of:
  - Revenue & Financing Policy,
  - Funding Impact Statement, and
  - Rates Setting and rates policies.
36. There have been no policy amendments affecting rates setting for 2005/06.

#### **STAFF RECOMMENDATIONS**

It is recommended that the Council adopt:

1. The Annual Plan as amended above including:
  - (a) Forecasted financial statements shown in the Financial Management Overview and the Funding Impact Statement disclosing the following budgeted results:
    - Gross costs of \$316.23m
    - Gross general revenue and rate penalties of \$153.13m
    - Operating surplus of \$12.31m
    - Total Rates of \$174.20m
    - Uniform Annual General Charge of \$115
    - Rates increase of 3.49%
  - (b) Amendments to the Trade-Waste charges as outlined in clause 3 (j) above be adopted.
  - (c) The policies contained in the LTCCP as resolved 30 June 2004 continue.
  - (d) The Group Manager Corporate Services be authorized to make any necessary alterations to the Draft Annual Plan for 2005/06 prior to publishing to give effect to the above recommendations and Council's previous decision to produce a more compact final Annual Plan.

2. That the Christchurch City Council set the following rates for the financial year commencing on 1 July 2005 and ending on 30 June 2006:

**SCHEDULE OF RATES FOR 2005/06 (Including GST)**

Rate Type	Cents in the \$ of Capital Value Intended	Revenue sought* from Rates (including GST)
<b>General Rates by Capital Value</b>		
Differential Sectors		
Sector A – Business	0.372429	\$33,281,934
Sector B – Residential	0.253837	\$89,291,871
Sector C – Rural	0.190377	\$2,228,424
<b>Targeted rates by Capital Value</b>		
Water Supply – full charge,	0.035530	\$15,955,292
Water Supply – Half charge	0.017765	\$267,321
Land Drainage	0.030378	\$13,437,277
Sewerage	0.051415	\$23,636,082
<b>Rates set by Uniform Charge or unit charge</b>		
	<b>\$ per rating unit or separately used part</b>	
Uniform Annual General Charge	\$115	\$17,786,360
Water Fire Service Connection	\$100	\$70,300
Excess Water Supply Targeted Rate	\$0.38 per meter	Water included within revenues
<b>Total Rates (including GST)</b>		<b>\$195,984,861</b>