Draft Annual Plan 2011/12 - Financial Overview

SUMMARY OF PROPOSED CHANGES

All figures ($000)	Year 2 2010/11	Year 3 2011/12
Rates Forecast (Previous Draft)		
2010/11 Annual Plan Forecast	269,357	284,240
Capital Changes per schedule 1 - rates impact		-3,023
Operational Changes per schedule 2		4,581
Internal Changes per schedule 3		-544
Total Rates	269,357	285,254
Nominal Rates Increase		**5.90%**
Growth in Rating Base	1,500	
Total Rates (10/11 base adjusted for growth)	270,857	285,254
Rates Increase to Existing Ratepayers		**5.32%**

Rates Forecast (Revised Draft Annual Plan)		
Previous Rates Forecast	270,857	285,254
Capital Changes per schedule 1 - rates impact		-747
Operational Changes per schedule 2		33,113
Internal Changes per schedule 3		-1,133
Operational Deficit Borrowed for		-27,953
Total Rates	270,857	288,534
Nominal Rates Increase		**6.53%**
Growth in Rating Base (Reduction in Capital Values)	-2,528	
Total Rates including Premium (10/11 base adjusted for growth)	268,329	288,534
Earthquake Premium (2.21%)		5,930
Total Rates (10/11 base adjusted for growth)	268,329	282,604
Rates Increase to Existing Ratepayers (excl Premium)		**5.32%**

Schedule 1 - Capital Changes	
Previous Draft	
Expansion of St Albans Resource Centre	-1,063
Hockey Pitches	532
Chch Transport Interchange	-29,463
Central City Bus Priority	-1,037
Hornby Bus Priority	-1,026
Deans Ave / Riccarton Rd Intersection	-1,026
Wigram Magdala - Southern Motorway Arterial	-2,241
NZTA Capital Subsidy changes	12,089
Local Government Funding Agency	2,500
Development Contributions reduction	9,070
Total change	**-11,664**

SUMMARY OF PROPOSED CHANGES

All figures ($000)	Year 2 **2010/11**	Year 3 **2011/12**
Revised Draft		
Changes in Capital programme (growth and aspirational projects)		-32,245
Change in NZTA subsidy on Capital programme changes above		2,223
Infrastructure Rebuild Programme		343,000
Infrastructure Rebuild Programme recoveries & subsidies		-289,370
Convention Centre upgrade deferred		-6,393
Development Contributions reduction		9,000
Court Theatre capital grant deferred		-2,000
Town Hall Refurbishment refund	-12,000	
Total change	**-12,000**	**24,215**
Overall change	**-12,000**	**12,551**

Schedule 2 - Operational Changes	
Previous Draft	
Rugby World Cup - Additional Traffic Management Costs*	175
Increase in Events and Festivals Funding	202
Heritage Staff (1 FTE)	122
Urban Planning Staff (1 FTE)	122
Additional staff (2.5) to service Council Committees*	140
Increase Museum operational grant (2% higher than LTCCP)	74
Vbase: transfer of $45m AMI Stadium debt to Council	2,672
LGFA interest saving	-205
District Plan Review (bring forward to 2011/12)*	2,800
Palmers Rd Pump Station Renewal covered by insurance	-1,571
* Items subsequently adjusted below	
Total change - Rates impact	**4,581**
Revised Draft	
HR - Counselling services	50
Our City closure	-446
Increase in social media and communications staff	320
Reduction in RWC Traffic Management Costs*	-150
Central Library closure	-1,406
QEII closure (Leisure Centre and ELC)	-1,204
Centennial Leisure Centre closure	-325
Reduction in Art Gallery Sponsorship	149
Lost net revenue from CBD parking infringements	1,505
Cordon Management Costs	1,272
Royal Commision costs	320
Defer recruitment of staff to service Council Committees*	-70
Reduction in District Plan Budget*	-2,800
Central City Plan - Consultants and CPG Staff	3,800
Central City Plan - marketing and communications	500
Central City Plan - additional EXPO	250
Heritage storage for demolitions	50

SUMMARY OF PROPOSED CHANGES

All figures ($000)	Year 2 **2010/11**	Year 3 **2011/12**
CCT funding		150
Reduction in other SPG projects		-500
Increase in roading maintenance (net of subsidies)		1,328
Increase in CWW maintenance and operating costs (net of subsidies)		1,467
Reduction in Parking Revenue (net impact)		5,285
Removal of Central City Shuttle		-1,050
Public Transport cost reduction (Interchange sites)		-345
Reduced waste revenue from Selwyn and lower water billing rev		500
Reduced rental revenue from damaged buildings		1,235
Increase in below-ground insurance premium		630
Increase in above ground insurance premium (excl Housing)		2,391
Vbase $9m funding - net interest cost		518
Dividends net reduction		13,560
Interest expense to fund 10/11 opex cash deficit		1,363
Loan principal repayment on borrowing for 10/11 opex cash deficit		833
Partial year interest expense to fund 11/12 opex cash deficit		596
Rates adjustments for demolished properties		1,700
Rates remissions		1,637
Total change - Rates impact		**33,113**
Overall change - Rates impact		**37,693**

Schedule 3 - Internal Changes	
Previous Draft	
Increase in software maintenance costs	305
Increase in data storage requirements	275
Increase in Trade Waste revenues	-900
Reduced Solid Waste operating costs	-372
Reduced Parking revenue	1,265
Reduced Cemetery revenue	240
Reduced Cell Site revenue	265
Reduced Commercial rents	255
Street Lighting electricity increase	480
NZTA Subsidy approved at higher level than planned / higher expenditure	-454
Parking - property rental saving	-550
Asset management growth and budget corrections	430
Facilities management savings in Greenspace	-200
Additional revenue from private plan changes	-100
Decrease in centrally-funded graduate positions	-121
Transwaste dividend reduction	432
Rates penalties increased to $2m	-128
Staff costs allocated to capital projects	-570
Lower inflation assumption for capital renewals	-710
Lower inflation assumption for operating expenditure	-386

SUMMARY OF PROPOSED CHANGES

All figures ($000)	Year 2 **2010/11**	Year 3 **2011/12**
Total change - Rates impact		**-544**
Revised Draft		
Council overhead savings		-1,133
Total change - Rates impact		**-1,133**
Overall change - Rates impact		**-1,677**

Schedule 4 - Non-Rates Funding		
Previous Draft		
Earthquake Rates remissions	EQ Recovery Fund	1,115
Antarctic Festival	Cap Endowment Fund	150
Total change - Non Rates		**1,265**
Revised Draft		
Earthquake Rates remissions	EQ Recovery Fund	-1,115
Antarctic Festival	Cap Endowment Fund	-150
Increase in insurance premiums	Housing	2,025
Total change - Non Rates		**760**
Overall change - Non Rates		**2,025**

COMMENTARY OF PROPOSED CHANGES

1. This financial overview contains a summary of the financial changes proposed in the Draft Annual Plan 2011/12. The overview also contains an estimate of the overall cost of response and recovery from the September 2010 and February 2011 earthquakes, together with the proposed financial strategy for funding the Council's operating deficits over the next three years as well as the additional response and recovery costs (including the Infrastructure Rebuild Programme) faced by Council.

A. Schedule 1 – Capital Changes Commentary

Proposed Changes in Previous Draft

2. The table below shows the multi-year impact of proposed changes to the capital works programme pre 22 February:

All figures ($000)	2011/12	2012/13	2013/14	Total Change
Expansion of St Albans Resource Centre	-1,063	-502	1,565	-
Hockey Pitches	532	-532		-
Chch Transport Interchange	-29,463	-21,760	51,222	-
Central City Bus Priority	-1,037		1,037	-
Hornby Bus Priority	-1,026	1,026		-
Deans Ave / Riccarton Rd Intersection	-1,026	1,026		-
Wigram Magdala - Southern Motorway Arterial	-2,241	1,167	1,074	-
NZTA Capital Subsidy changes	12,089	7,433	-20,966	-1,445
Local Government Funding Agency	2,500			2,500
Total change	**-20,734**	**-12,142**	**33,931**	**1,055**

- **Expansion of St Albans Resource Centre.** The commencement of this work is proposed to be deferred by one year (to 2012/13, completion in 2013/14) to allow additional time to reconsider requirements in light of the earthquake damage to the existing centre.

- **Hockey Pitches.** This $532,000 project is proposed to be brought forward from 2012/13 to allow the early development of Nunweek Park as a result of earthquake damage to Porritt Park. This was subsequently brought forward to 2010/11 and has been paid.

- **Christchurch City Transport Interchange.** Completion of this project is scheduled for the 2013/14 financial year, consistent with the 2010/11 Annual Plan. The cash flow has been re-phased to better reflect the anticipated construction programme. Construction is programmed to start in the middle of 2012 and expected to take two years.

- **Central City Bus Priority.** Proposed to be rescheduled to align with the delivery of the Interchange.

- **Hornby Bus Priority.** This project is proposed to be rescheduled in order to take account of the Transport Plan that will be considered by Council this year.

- **Deans/ Riccarton Roundabout.** This project is proposed to be rescheduled to align with the timing of the delivery of the Hornby Bus Priority project.

- **Wigram Magdala Southern Motorway Arterial.** Proposed reprogrammed to match NZTA's timing of the Southern Motorway.

- **NZTA Capital Subsidy Changes.** Reflects changes in the capital programme.

- **Local Government Funding Agency.** This is a new capital project allowing for a $2.5 million equity investment by Council in the proposed Local Government Funding Agency (LGFA). This investment will be rates neutral because the LGFA will pay a dividend of 2% above the LGFA's cost of funds which will more than offset CCC's funding costs.

- **Development Contribution Changes.** Development contributions revenue forecasts have been reduced to better align with actual contributions being received.

Proposed Changes in Revised Draft

3. The capital works programme now also includes the infrastructure rebuild programme, which will be delivered by the Alliance or directly by Council. This is estimated to total $343 million in 2011/12. A breakdown is provided in Appendix 1.

4. The changes on Schedule 1 are outlined below:

   - **Changes in Capital Programme (non-renewals).** Staff have reviewed the capital works programme to identify any projects or programmes that have been affected by the earthquake and have recommended that some projects be deferred or removed from the programme as a result of other capital or planning work underway (for example, Central City Plan, infrastructure rebuild programme). A complete list of the projects recommended for deferral or removal is attached in Appendix 1.

   - **Changes in NZTA Subsidies on Capital Programme.** This reflects the loss in subsidy revenue related to the reduced programme above.

   - **Infrastructure Rebuild Programme.** The current estimate for the total rebuild is $2.151 billion. A significant portion of this programme will be funded by insurance and government subsidies. The Council's Capital Works Programme budgets for the total cost of the projects, with capital funding from insurance and government subsidies shown in the attached financial statements (financial overview) as capital grants and subsidies. Capital grants and subsidies are based on the best possible estimate of likely insurance and subsidy payments. These will be further updated and reported to Council as the programme is refined.

     Staff have made an assessment of the cash flow for the rebuild based on the current estimate and likely programme. The Alliance will continue to refine the estimate, cash flow and programme. This information will be presented to Council as part of the Infrastructure Rebuild Plan in the next three months. The Infrastructure Rebuild Plan will include the scope of work, estimate, programme, community participation processes, communication plan, network resilience, optioneering and how betterment will be managed.

     The Alliance is being established and is currently in its 120-day intensive planning phase. At the conclusion of this phase, the full Alliance Agreement will be executed. In parallel with this planning phase, critical-high priority repairs are being undertaken under the delivery framework implemented post the September earthquake, for example, repairs to sewer pressure mains.

   - **Infrastructure Rebuild Programme Recoveries.** Estimated recoveries from NZTA, insurance, and Central Government. The shortfall will be funded through deferral of the renewals programme.

   - **Convention Centre.** Planned equity investment to fund the expansion of the Convention Centre has been removed from the 2011/12 plan.

- **Development Contribution Changes.** Development contributions revenue forecasts have been further reduced for 2011/12 following the earthquake.

- **Court Theatre Capital Grant.** The proposed capital grant has been deferred.

- **Vbase** will repay the monies advanced earlier in the year to pay for the Town Hall refurbishment.

5. The table below summarises the high-level changes to the capital programme.

Programme	LTP for 2011/12 as Amended	Proposed Changes in Previous Draft	Previous Draft 2011/12	Proposed Changes in Revised Draft	Recommend for 2011/12	Deferred	Added / (Deleted)
Renewal Programme	90,956		90,956	(55,088)	35,868	(1,746)	(53,342)
Growth & Aspirational Projects	139,322	(35,855)	103,467	(32,245)	71,222	(22,920)	(9,325)
EQ Rebuild Programme	-		-	343,000	343,000	-	343,000
Corporate	10,852	2,500	13,352	(2,533)	10,819	-	(2,533)
Grand Total	**241,130**	**(33,355)**	**207,775**	**253,135**	**460,910**	**(24,666)**	**277,801**

6. The resulting recommended programme for 2011/12 is provided in Appendix 1 and is summarised below.

- **Renewal Programme.** Permanent savings of $53.3m have been identified in the renewal programme. Changes include $23.3m in kerb and channel renewals, $7.2m in water and wastewater reticulation and mains renewals, $5.6m in carriageway resurfacing and smoothing, $4.5m in greenspace renewals $3.4m in footpath resurfacing, $3.2m land drainage, $1.2m in corporate asset renewals, $1.2m in recreation and sport renewals and $1.0m in libraries renewals.

  Deferred renewals relate to committed renewal projects that have been delayed by the earthquake but will be completed after the 2011/12 year.

- **Growth & Aspirational Projects.** Permanent savings of $9.3m have been recommended including $5.0m in land drainage growth, $2.7m of improvements on parks and $1.2m in street lighting, cycleway improvements and neighbourhood improvements.

  Deferred projects of $22.9m include $4.5m on the Botanic Gardens Entry Pavilion, $3.9m Public Transport projects, $3.8m in inner city transport and tram works, $3.5m for the new Civil Defence Building, $3.2m in intersection improvements and $1.9m for the Colombo Street Store site redevelopment.

  A full list of deferred projects is included in Appendix 1.

- **EQ Rebuild Programme.** As discussed above.

- **Corporate.** This reduction results from the deferral of the Town Hall and Convention Centre projects offset by an additional equity investment in Vbase (discussed in another Council paper).

B. Schedule 2 – Operational Changes Commentary

Proposed Changes in Previous Draft

- **Rugby World Cup (RWC).** Following the test run of traffic management for the NZ Rugby World Cup 2011 during the 2010 Bledisloe Cup, it was identified that budgets did not adequately cover these requirements. The approach from police throughout the country has been to direct full separation of pedestrians and vehicles on pedestrian access routes such as ' Rugby Road', requiring full road closures. This is different from a normal test match and places us in a difficult position if we do not follow police direction and an incident happens. The full cost of this for the five pool games and quarter finals is expected to be $225,000 including staff time involved in enforcement services on the roads surrounding the event (see further comment below on changes made post 22 February).

- **Increases to Events and Festivals Funding.** Funding of $202,000 is proposed to maintain Events and Festival funding to the same level as 2010/11. In recent years Council has approved funding to events such as the Christchurch Writers Festival, Festival of Cycling, Diwali, Festival of Flowers, Coast to Coast, Christchurch Marathon, Chart Fest, Lyttleton Festival of Lights and Le Race which has resulted in budgets for Festival and Events funding having a shortfall. The $202,000 increase will maintain funding levels to events currently funded by Council.

- **Additional Heritage Planning Staff.** One additional qualified heritage planner is proposed. Council has progressively adopted a more proactive approach to heritage management, grants, and ensuring that heritage issues are comprehensively addressed in central city and suburban regeneration, and on the peninsula. Issues of waahi tapu and cultural heritage, while required in legislation, are not able to be resourced at present due to a lack of capacity. It is anticipated that the upcoming city plan review will have a significant focus on heritage matters, as well as matters of amenity and character. Heritage has also been a major issue post earthquake, and it is anticipated that the dialogue with owners and investors as a result of this will be a permanent change in the level of activity for the team.

- **Additional Urban Design Planning Staff.** One additional urban design staff member is required. Urban design elements are an increasingly integral part of development in the city, at Urban Development Strategy/area plan/ City plan levels, and for individual developments. The recent plan change 59 (L3/L4) is built around a comprehensive design-led approach, while the Urban Design Panel process has been successful in raising an interest in design quality in the city. Our current capacity is not sufficient to meet demand from across the Council for design advice and skills, and the anticipated demand on these skills is steadily increasing. The effects of the earthquake on building activity and the new Council's strong interest in the central city revitalisation work programme will compound the need.

- **Additional Staff to Service Council Committees (2.5).** A further $140,000 is proposed to meet the additional staff costs associated with additional Council Committees (see further comment below on changes made post 22 February).

- **Canterbury Museum Operational Grant.** The Museum's budget submitted to the Council has requested a funding increase 2% higher than that provided for in the 2009-19 LTCCP.

- **Vbase.** Transfer for $45 million debt to Council. Detail on this is provided in the main body of this report.

- **Local Government Funding Authority (LGFA) Interest Savings.** It is expected that the LGFA will lend to Council at a rate 0.40% less than alternative borrowings. Council has forecast an interest saving of $205,000 for the 2011/12 financial year

and will review this amount during the 2012-22 LTP process as more Council debt is migrated to the Agency.

- **District Plan Review.** It is proposed to add $2.8 million to operating budgets to allow for additional staff and consultants to carry out this review earlier and more quickly than previously planned (see further comment below on changes made post 22 February).

- **Palmers Rd Pump Station Renewal.** This capital project was scheduled for 2011/12 but as a result of the damage suffered in the earthquake will be met by insurance. Consequently, it is proposed that the renewals programme for 2011/12 be reduced by $1.571 million.

Proposed Changes in Revised Draft

- **HR Counselling Budget.** $50,000 additional funding is recommended for counselling services due to the ongoing psychosocial impact of the earthquakes (plus aftershocks), as staff usage of the Christchurch City Council staff support programme has almost doubled. This is needed to help us maintain a "good employer" status from a local government perspective, and to meet our health, safety and welfare obligations.

- **Our City Closure.** Canterbury Provincial Council Chambers and Our City O-Tautahi will likely be closed to the public for the foreseeable future. Costs and revenue have been removed from the Annual Plan.

- **Increase in Social Media and Communications Staff.** One Senior Communications Adviser for Central City Plan, one Communications Adviser to work with Regulation and Democracy Services area on cordons, one dedicated Web content/social media adviser, four library staff secondments until 30 November to work on website.

- **Reduction in RWC Traffic Management Costs.** $25,000 is required for traffic management implementation for major event days at the new RWC 2011 Fanzone and Festival location of North Hagley Park. This is a reduction from $175,000 for the original plan for closure of Rugby Rd, from the Square to the Stadium, when matches were to be staged in Christchurch.

- **Central Library Closure.** Central Library is currently closed to the public and will be so for at least the next year. Costs and revenues have been removed from the Annual Plan.

- **QEII Closure.** Both the QEII Park Recreation and Sport Centre and the QEII Early Learning Centre are closed to the public. There are no longer costs or revenue for this facility included in the Annual Plan.

- **Centennial Recreation and Sport Centre.** The Centennial Recreation and Sport Centre is currently closed to the public. There are no longer costs or revenue for this facility included in the Annual Plan.

- **Art Gallery Sponsorship.** External sponsorship targets have been reduced due to difficulties meeting these within the current economic and fundraising climate.

- **Lost Net Revenue from CBD Parking Infringements.** It is estimated that only 40% of the infringements revenue and 75% of court recoveries will be collected with the loss of the Central Business District.

- **Cordon Management Costs.** An estimated 23 internal staff will be required to manage the cordons. There will also be some structural engineering and portacom

costs incurred. Staff currently working on cordon management have come from other units within the Council and budget has been transferred from these units.

- **Royal Commission Costs.** An allowance has been made for costs incurred for legal advice, scanning of commercial files and expert witness costs.

- **Defer Recruitment of Staff to Service Council Committees.** With a delay in the committees it is assumed support staff to service these committees will not be required until the end of 2011.

- **Reduction in the District Plan Budget.** The proposed increase in budget for the District Plan review has been removed to allow for the Central City Plan work. Parts of the City Plan review will be addressed in the Central City Plan process including a new planning framework and provisions for the land within the four avenues. Funding remains for other pieces of City Plan work relating to PC1, and advancement of the Urban Development Strategy.

- **Central City Plan – Consultants and Capital Programme Group (CPG) Staff.** A number of external consultants have been brought in to support the Central City Plan, which reflects its scoping scale and compressed timeframe. Also, allowance has been made for additional Capital Programme Group costs for staff working on the Central City Plan rather than Capital projects. These costs would normally be capitalised.

- **Central City Plan – Marketing, Communications and Expo costs.** There will be ongoing consultation, advertising, graphic design and printing costs. A second Expo is also proposed to launch and consult on the draft Central City Plan.

- **Heritage Storage for Demolitions.** As a result of ongoing demolition, Council is seeking to protect and retain key elements of remnant heritage. Some of this must be stored under cover. Council is leasing space to provide for temporary storage of fragile remnants.

- **Christchurch and Canterbury Tourism (CCT) Funding.** The memorandum of understanding with CCT, Christchurch International Airport Limited and Ministry of Economic Development states that in addition to baseline funding for CCT the Council will consider increasing its partnership funding by $150,000 as part of its annual plan deliberations. This allowed for a shared funding agreement with the government to be signed to support CCT's short and medium term plan to re-attract visitors to Christchurch.

- **Reduction in Other Strategy and Planning Group Projects.** There has been a reprioritising of projects from across the group into supporting the Central City Plan. In some instances this is a shift in work (e.g. Urban Renewal) and in other instances projects have been put on hold to allow staff to be reallocated to priority areas.

- **Increase in Roading Maintenance (Net of Subsidies).** Operational costs include an increase of $13,000,000 for the maintenance of temporary service in the rebuild areas. This has been offset by NZTA Opex subsidy $10,472,000 and maintenance savings of $1,200,000.

- **Increase in City Water and Waste Maintenance and Operating Costs (Net of Subsidies).** Additional maintenance and operating costs includes $1,467,000 for higher wear & tear on pumps due to sand and extra electricity due to pumping on pipes that are normally mainly gravity systems. These are costs which would normally meet the criteria under the increased cost of working insurance policy but the increase is unable to be proven with sufficient accuracy.

- **Reduction in Net Parking Revenue.** Several off-street parking facilities and approximately half of the 404 parking meters in the Red Zone are no longer operable. The resulting budget changes include lost revenue of $7,945,000 offset by savings operating & office costs, maintenance costs and staff costs of $2,660,000.

- **Removal of Central City Shuttle.** Removal of the Central City Shuttle service is proposed, which would result in savings of $1,050,000.

- **Public Transport Cost Reductions.** The Bus Exchange is not operable resulting in net cost savings of $345,000.

- **Reduced Waste Revenue from Selwyn District Council and Lower Water Billing Revenue.** Cross-boundary revenue from Selwyn District Council for waste treatment at CWTP has been reduced by $300,000. Selwyn is now building a temporary sewer to divert waste elsewhere. Lower water billing revenue of $200,000 is also forecast.

- **Reduced Rental Revenue from Damaged Buildings and Facilities.** Damage to Transport and Greenspace assets has resulted in lost rental revenues including: Activities on Streets $365,000, Bus Exchange and Transport Interchange site $275,000, Tram tracks $305,000 and Heritage buildings (such as Canterbury Provincial Council Buildings and Mona Vale) $290,000.

- **Increase in Below-Ground Insurance Premium.** Allowance has been made for a 300% increase in below ground (LAPP) premiums. Insurance cover is still be to confirmed by the LAPP trustees.

- **Increase in Above-Ground Insurance Premium (Excluding Housing).** Allowance has been made for a 400% increase in above ground insurance premiums. Insurance cover is still be to confirmed. The increased premium on housing is included in the section on non-rates funding.

- **Vbase $9 Million Funding Net Interest Cost.** There are additional interest costs for the $9 million further equity investment in Vbase.

- **Dividends Net Reduction.** The board of Christchurch City Holdings Limited have advised that their dividend will reduce by $14.0 million, and Local Government Insurance Corporation's (Civic) dividend of $0.06 million will not be paid. These are partially offset by a $0.5 million increase in the Transwaste dividend.

- **Interest Expense and Principal Repayment to Fund 2010/11 Opex Cash Deficit.** The forecast operating cash deficit of $27 million for the 2010/11 financial year will be met through borrowing which as a result increases interest expense and principal repayment contributions.

- **Partial Year Interest Expense to Fund 2011/12 Opex Cash Deficit.** The forecast operating cash deficit of $28 million for the 2011/12 financial year will be met by borrowing progressively through the year resulting in increased interest expense.

- **Rates Adjustments for Demolished Properties.** Should the Government adopt an Order in Council allowing the Council to reassess rates for properties where demolition or construction is completed within the year there will be a net cost of $1.7 million in 2011/12 as demolitions are anticipated to exceed new constructions. This net loss is expected to reverse in 2012/13 and future years as construction outstrips demolitions.

- **Rates Remissions.** Rates remissions recommended to Council, which would extend the current 40 per cent remission for residential properties unable to be

occupied and 30 per cent for business properties within cordons, will cost $1.7 million in 2011/12.

C. Schedule 3 – Internal Changes Commentary

Proposed Changes in Previous Draft

7. During the preparation of the 2011/12 Annual Plan, Council staff have continued to refine the estimation of a number of budget items. In total, these items result in a saving to the operating budgets and a reduction in rates. In 2011/12 the saving is $1,683,000. The proposed changes to budgets are outlined below. Post 22 February, the items marked * have been further adjusted in Schedule 2 above.

- **Increase in Software Maintenance Costs.** An increase in budget of $305,000 is proposed to ensure IT budgets are sufficient for increased licence and maintenance costs from software vendors.

- **Increase in Data Storage Requirements.** Council is increasingly storing electronic data rather than paper-based records driven by the move to electronic data management and other IT improvements. Additional costs of $275,000 per annum are proposed to ensure Council has sufficient capacity to meet projected data storage growth.

- **Increased Trade Waste Revenues*.** Revenue is budgeted to increase by $900,000 mainly due to efficiencies in identifying and charging existing customers along with two new customers who are expected to add a further $500,000.

- **Reduced Solid Waste Operating Costs.** Staff are budgeting operating costs to reduce by $372,000 as a result of lower collections costs and reduced Kate Valley Equalisation Fees.

- **Reduced Parking Revenue*.** Parking revenue has been reduced by $1.265 million to align with actual revenue received over the past two years.

- **Reduced Cemetery Revenue.** This budget has been revised downwards by $240,000 to reflect actual results. The death rate is lower than estimated and there is an increasing trend towards cremations.

- **Reduced Cell Site Revenue.** Cell site numbers have dropped since the LTCCP was adopted. This adjustment reflects current cell site contracts.

- **Reduced Commercial Rents*.** Following the completion of the purchase of all the sites required for the Transport Interchange, a more accurate budget can be set. Revenue has been reduced by $255,000.

- **Street Lighting Electricity Increase.** The budget has increased by $480,000 due to electricity charges being higher than anticipated.

- **Increased NZTA Subsidy*.** Increased NZTA operational subsidy relating to higher electricity costs above and higher eligible maintenance costs.

- **Decrease in Parking Rental Costs.** This proposes a reduction of $550,000 as a result of the purchase of part of the Tuam St carpark site from Tuam Ltd, removal of fleet carparking costs from Tuam St and a decrease in the rental cost of the Farmer's carpark.

Proposed Changes in Revised Draft

- **Earthquake Rates Remissions.** The above addition has been removed and subsequently $1.7 million has been provided in the rates funded section.

- **Antarctic Festival.** Planning around this festival has been cancelled for 2011/12.

- **Increase in Housing Insurance Premiums.** Allowance has been made for a 400% increase in above ground insurance premiums. Insurance cover is still be to confirmed.

- **Asset Management Net Growth.** This item is a budget correction of $430,000 and reflects more complete and detailed asset management information now available from the implementation of the Asset Management System.

- **Facilities Management Savings in Greenspace.** Following the consolidation and repricing of this cost by the new facilities management contract with City Care Ltd, savings of $200,000 have been identified.

- **Additional Cost Recoveries from UDS Partners.** Additional cost recoveries budgeted for Regional Policy Statement Plan Change 1 and the UDS.

- **Decrease in Graduate Positions.** The Graduate Programme was put in place to attract graduates in areas of skill shortage to the Council. The organisation has no need to take in more graduates in 2011/12.

- **Reduction in Transwaste Dividend*.** This change is a timing adjustment as Transwaste now declare their final dividend after year end which will reduce the dividend for the year by $432,000.

- **Rates Penalties Increased.** Budget for rates penalties is proposed to be increased by $128,000 to be in line with recent trends.

- **Staff Costs Allocated to Capital Projects.** A higher capital programme has led to a higher allocation of staff time towards capital rather than operational projects. This increase is expected to be $570,000.

- **Inflation on Capital Renewals.** This reflects a lower BERL inflation expectation for capital renewals. The LTCCP estimated this to be 3.36% whereas latest estimates are 2.56%, a reduction of 0.8%. Across $89 million of renewals expenditure, this results in a reduction of $710,000.

- **Inflation on Operating Expenditure.** This reflects the lower BERL inflation expectations and results in a reduction of $386, 000.

Proposed Changes in Revised Draft

- **Council Overhead Savings.** As a result of the fewer number of facilities and libraries to be operated Council overhead costs for these facilities will be reduced by $1.1 million over the next year.

D. Schedule 4 – Non-Rates Funding Commentary

Proposed Changes in Previous Draft

- **Earthquake Rates Remissions.** The Council's Remissions Policy is forecast to require $1.115 million in reduced rates revenue to be funded from the Earthquake Recovery Fund (see further comment below on changes made post 22 February).

- **Events Strategy Increase (Antarctic Festival).** There is an opportunity to create a further Iconic Event for the city, to meet an objective in the 2001-2017 Christchurch Events Strategy. This involves bringing the current small civic-based NZ Antarctic Festival up to Iconic status and turning it into a major showcase of NZ and its Antarctic connection. This will require an additional $150k funding and it is proposed that this is funded from the unspent funds from the Civic & Community portion of the Capital Endowment Fund. This event has support from the Ministry of Economic Development who requested a feasibility study which concluded that an event would offer long-term legacies for Christchurch and New Zealand. We have applied for additional funding from the NZ Major Events Agency.