Funding impact statement and rating policies

Funding Impact Statement and Rating Policies

The Funding Impact Statement discloses the revenue and financing mechanisms selected under the LTCCP and is based on the Revenue and Financing Policy adopted by Council. The rate component of the funding mechanisms will change over the next few years in that a new targeted rate will be set for the Central City mall redevelopment project on business ratepayers in the central city, starting in 2007/08 and increasing to the full amount in 2008/09, then continuing until 2022.

Revenue and financing mechanisms selected

The revenue and financing mechanisms selected were developed from an analysis of the Council activities and funding requirements under the Revenue and Financing Policy. The process and analysis includes:

- For operational expenditure:
  - The nature of the services supplied by each activity;
  - The period over which the services are supplied;
  - The gross cost and the allocation of this cost to the users of services and ratepayers;
  - The direct benefits of services and any charges made for these;
  - The allocation of the shortfall of user charges to ratepayers;
  - The allocation of costs to ratepayers by differential sectors and by targeted rates.
- For capital expenditure:
  - The gross cost;
  - The timing of the budget provision;
  - The funding sources including loans.

The Financial Overview on page 59 discloses the funding of operational and capital expenditure totals.

The Council has budgeted to receive revenue from a number of sources and mechanisms and these are detailed on that table (net of GST).

User Charges and other direct revenues

These are developed from the various pricing policies under the Activity Management Plans for each service area of Council. Any charge made reduces the dependence on rates.

Development Contributions are set out under the Development Contributions Policy. In addition, the Council will receive grants, subsidies and other funds. It is the Council's intention to maximize revenue from these sources.

Capital financing

Capital expenditure is financed under the policy outlined in the Revenue and Financing Policy statement. The residual financing source is loans.

Rate Setting Policies

Rates are the residual funding source of operational expenditure. The Council has set rates totaling $202.865 million in accordance with this LTCCP for the financial year 2006/07.

The Valuation System used for rating:

The valuation system used for rating is the Capital Value system.

The value of each rating unit is set by independent valuers and based on values as at 1 August 2004. A rating unit is the property which is liable for rates and is generally a separate property with its own certificate of title. The next revaluation will occur on 1 August 2007.

Inspection of rates information for each rating unit:

The Capital Values, the District Valuation Roll, and the Rate Information Database information and the estimated liability for rates for 2006/07 for each rating unit is available for inspection on the Council's Internet site (www.ccc.govt.nz) under the heading 'Ratesinfo' or by enquiry at any Council Service Centre.

Funding impact statement and rating policies

Differential system used:

Differential rating will be used for general rates and the Central City Mall redevelopment Targeted rate. Each rating unit is assigned to a category, based on land use and City Plan zoning, and the sum of all categories is the basis of allocation of rates.

The differential categories used are:

- Sector A - Business
- Sector B - Residential and other
- Sector C - Rural

The full text of the differential categories is detailed in the rating policy text beginning on page 244.

The categories used for differentiation are land use and zoning as allowed under Schedule 2, clauses 1, 2 and 3 of the Local Government (Rating) Act 2002.

Rates to be set as part of the LTCCP

Rates are set under Clause 10 of Schedule 10 of the Local Government Act 2002 and Section 23 of the Local Government (Rating) Act 2002. The rates mechanisms are intended to be used for the next 10 years will change in that the Central City Mall Redevelopment targeted rate will be introduced from 2007/08. This will lower the city-wide general rate by $866,250 per annum.

The following rates will be set for 2006/07, 2007/08, and 2008/09 (after that year, the same rates will continue):

Rates	2005/06 Decimals	Rates $000's	2006/07 Decimals	Rates $000's	2007/08 Decimals	Rates $000's	2008/09 Decimals	Rates $000's
	former CCC only	CCC and BPDC				CBD at 70%		CBD at 70%
General Rate by Differential Sectors								
Sector A - Business	0.00372429	34,397	0.00423126	39,498	0.00451499	42,792	0.00496616	47,725
Sector B - Residential	0.00253837	93,188	0.00291711	107,636	0.00318240	119,222	0.00361795	137,430
Sector C - Rural	0.00190377	4,871	0.00218784	4,550	0.00238680	5,039	0.00271347	5,809
		132,456		151,684		167,053		190,964
Uniform Annual General Charge								
Business	$115	1,806	$115	1,918	$115	1,918	$115	1,918
Residential	$115	15,787	$115	16,508	$115	16,508	$115	16,508
Rural	$115	193	$115	444	$115	444	$115	444
		17,786		18,870		18,870		18,870
Targeted Rates								
Water Supply Targeted Rate								
Full Charge	0.00035530	17,462	0.00037806	17,858	0.00038978	18,693	0.00041110	19,991
Half Charge			0.00018903	270	0.00019489	283	0.00020555	302
Land Drainage Targeted Rate	0.00030378	13,621	0.00016485	7,664	0.00016927	7,990	0.00017776	8,507
Sewerage Targeted Rate	0.00051415	25,320	0.00065452	31,690	0.00070460	34,638	0.00077593	38,676
Water Fire Connection Targeted Rate	$100	70	$100	78	$100	78	$100	78

Funding impact statement and rating policies

Rates	2005/06 Decimals	Rates $000's	2006/07 Decimals	Rates $000's	2007/08 Decimals	Rates $000's	2008/09 Decimals	Rates $000's
	former CCC only	CCC and BPDC				CBD at 70%		CBD at 70%
Central City Mall Redevelopment Targeted Rate					0.00012681	260	0.00046899	975
Governors Bay Water Loan Uniform Rate		8	$111	16	$111	16	$111	16
Governors Bay Sewer Loan Uniform Rate		13	$1,106	24	$1,106	24	$1,106	24
Church Bay Water Loan Uniform Rate		21	$495	21	$495	21	$495	21
Church Bay Sewer Loan Uniform Rate		48	$1,106	48	$1,106	48	$1,106	48
		56,563		57,669		62,051		68,638
Total revenue sought from rates as set		206,805		228,223		247,974		278,472
(GST Inclusive)								
Rates penalties		1,350		1,510		1,510		1,510
Excess water supply targeted rates		2,081		2,452		2,531		2,607
Total rates income		210,236		232,185		252,015		282,589
Rates (net of GST) as set - see Financial Overview Page 59		**183,827**		**202,865**		**220,421**		**247,531**

Rate type descriptions

The allocation of rates to rate types is determined under the Revenue and Financing Policy. A full description of that policy is contained on page 259.

General Rates

General rates are set on capital values on a differential basis for rating units liable for General rates under the Local Government (Rating) Act 2002. General rates [including the Uniform Annual General Charge, (UAGC)] provide for approximately 75.07% of the total rate requirement of the Council, being the net rate requirement after targeted rates are determined. General rates (and UAGCs) therefore fund all activities of the Council except those funded by targeted rates.

Most activity net rate requirements are on straight capital value, that is 80.68% to Residential and Rural, and 19.32% to Business sector. If straight capital value rating was followed for all rates there would be no difference in decimals for the sectors: all would pay the same rates value for value. The one exception is in General rates with 'Streets' activity allocated substantially to the Business Sector. As a result the Business sector pays more General rates than their relative capital value share.

Council have concluded that the Rural sector should be charged less General rates than the Residential sector therefore a property in the Rural sector will be charged 75% of the General rate (excluding UAGCs) that a property in the Residential sector is charged.

Uniform Annual General Charge

The Council has decided a portion of General rates is to be assessed as a uniform annual general charge of $115 per rating unit on each separately-used or inhabited part of a rating unit. This is not based on a calculation of part of any Activity costs but is assessed to be a reasonable amount to charge.

The uniform charge will modify the impact of rating on a city-wide basis ensuring all rating units are charged a fixed amount to recognize the costs, associated with each property, which are uniformly consumed by the inhabitants of the community.

Funding impact statement and rating policies

Targeted Rates

Targeted rates are set to recover the net operating cost of Water Supply, Sewerage Collection and Disposal and Land Drainage respectively. The main rate requirement for the targeted rates of Water, Sewerage and Land Drainage is assessed on the relative capital value of all liable rating units in the serviced area. There is no differential applying for these targeted rates.

A half rate is made for Water where the service is available but no connection is made.

In addition the Council will set the following targeted rates:

Central City Mall Redevelopment targeted rate, to be set commencing in 2007/08, rising to the full amount of the recovery in 2008/09 and continuing until 2022. The rate will be assessed to business ratepayers in the central city area, to recover loan servicing costs on a $7 million loan over 15 years. It is estimated to be $866,250.

Water Supply Fire Connection - The targeted rate will be set on a uniform basis to the rating units serviced, at $100 per fire service connection.

The Excess Water Supply Targeted Rate applies to other than private residential property within the water-supply serviced area and is assessed as the meters are read. Only Rating Units with consumption in excess of the allowance are charged.

These two water targeted rates fund part of the water supply activity costs.

The Uniform Targeted rates for loan servicing costs for the Church Bay and Governors Bay Water and Sewerage Schemes is a continuation of the original agreements to fund the capital costs of those schemes.

The estimated loan balances at 30 June 2006 and rates:

- Church Bay Sewer Loan – 43 ratepayers – loan balance estimated $113,519
- Church Bay Water Loan – 42 ratepayers – loan balance estimated $49,656

To be repaid by targeted rate over 3 years

- Governors Bay Sewer Loan – 138 ratepayers – loan balance estimated $154,753
- Governors Bay Water Loan – 143 ratepayers – loan balance estimated $100,765

To be repaid by targeted rate over 10 years. A full definition of the rate types is contained in the rating policies text beginning on page 244.

Funding impact statement and rating policies

Comparative Rates Due by Ratepayers

Rates Payable – 2005/06 Actual for the current CCC area and compared with the draft plans for 2006/07, 2007/08 and 2008/09

Residential	2005/06 Actual $ CCC rates only	2006/07 Plan $	% Change over prev year	2007/08 Plan $	% Change over prev year	2008/09 Plan $	% Change over prev year
Sample capital values							
80,000	412	444	7.81%	471	5.97%	514	9.12%
100,000	486	526	8.32%	560	6.30%	613	9.59%
200,000	857	938	9.44%	1,004	7.07%	1,112	10.69%
Ave. Resident $260,000	1,080	1,185	9.68%	1,271	7.28%	1,410	10.98%
300,000	1,228	1,349	9.88%	1,449	7.37%	1,610	11.11%
400,000	1,600	1,761	10.05%	1,893	7.53%	2,108	11.34%
500,000	1,971	2,172	10.21%	2,338	7.63%	2,606	11.48%
600,000	2,342	2,584	10.32%	2,783	7.70%	3,105	11.57%
800,000	3,084	3,407	10.45%	3,672	7.79%	4,101	11.69%
1,000,000	3,827	4,230	10.52%	4,561	7.84%	5,098	11.77%
Business							
Excluding CBD							
Sample capital values							
80,000	507	549	8.34%	577	5.10%	621	7.65%
100,000	605	658	8.74%	693	5.32%	748	7.97%
200,000	1,095	1,201	9.66%	1,271	5.83%	1,381	8.69%
300,000	1,584	1,744	10.08%	1,849	6.02%	2,014	8.96%
400,000	2,074	2,286	10.24%	2,426	6.12%	2,647	9.10%
500,000	2,564	2,829	10.35%	3,004	6.18%	3,280	9.19%
600,000	3,054	3,372	10.42%	3,582	6.23%	3,914	9.25%
800,000	4,033	4,458	10.54%	4,738	6.28%	5,180	9.33%
1,000,000	5,013	5,544	10.59%	5,894	6.31%	6,446	9.37%

Funding impact statement and rating policies

Residential	2005/06 Actual $ CCC rates only	2006/07 Plan $	% Change over prev year	2007/08 Plan $	% Change over prev year	2008/09 Plan $	% Change over prev year		
Business									
Including CBD - see Page 243 and 245									
				At 70%		At 70%		At 60% option	At 50% option
Sample capital values									
80,000	507	549	8.34%	587	6.94%	659	12.18%	654	649
100,000	605	658	8.74%	706	7.25%	795	12.68%	789	782
200,000	1,095	1,201	9.66%	1,296	7.94%	1,475	13.80%	1,462	1,449
300,000	1,584	1,744	10.08%	1,887	8.20%	2,155	14.22%	2,136	2,116
400,000	2,074	2,286	10.24%	2,477	8.34%	2,835	14.44%	2,809	2,784
500,000	2,564	2,829	10.35%	3,068	8.43%	3,515	14.58%	3,483	3,451
600,000	3,054	3,372	10.42%	3,658	8.48%	4,195	14.67%	4,156	4,118
800,000	4,033	4,458	10.54%	4,839	8.56%	5,555	14.79%	5,504	5,452
1,000,000	5,013	5,544	10.59%	6,020	8.60%	6,915	14.86%	6,851	6,78
Rural									
Excl targeted rates									
Sample capital values									
80,000	267	290	8.62%	306	5.49%	333	8.93%		
100,000	305	334	9.44%	354	5.96%	388	9.66%		
200,000	496	553	11.40%	592	7.20%	661	11.53%		
300,000	686	771	12.44%	831	7.74%	934	12.33%		
400,000	877	990	12.90%	1,070	8.04%	1,206	12.77%		
500,000	1,067	1,209	13.30%	1,308	8.23%	1,479	13.05%		
600,000	1,257	1,428	13.58%	1,547	8.36%	1,752	13.25%		
800,000	1,638	1,865	13.87%	2,024	8.53%	2,298	13.50%		
1,000,000	2,019	2,303	14.06%	2,502	8.64%	2,843	13.65%		

Note: 2005/06 rates excludes BPDC, whereas future years are city wide.

Options for the CBD Mall Redevelopment Rate

- 2008/09 rates only - this is the first full year of the targeted rate
- the table compares the rate result with and without the CBD rate
- Includes the alternative options of 60% and 50%

		No CBD rate	With a CBD rate					
		Included within		Difference		Difference		Difference
		General rates	At 70%	over no rate	At 60%	over no rate	At 50%	over no rate
Average Residential - $260,000		1,415	1,410	-0.36%	1,411	-0.31%	1,412	-0.26%
Residential - $400,000		2,116	2,108	-0.38%	2,109	-0.32%	2,110	-0.27%
Residential - $600,000		3,117	3,105	-0.38%	3,106	-0.33%	3,108	-0.27%
Business - $300,000	Outside	2,020	2,014	-0.29%	2,015	-0.25%	2,016	-0.21%
Business - $500,000	of the CBD	3,290	3,280	-0.30%	3,282	-0.26%	3,283	-0.21%
Business - $600,000		3,925	3,914	-0.30%	3,915	-0.26%	3,917	-0.21%
Business - $300,000	Within	2,020	2,155	6.67%	2,136	5.72%	2,116	4.77%
Business - $500,000	the CBD	3,290	3,515	6.83%	3,483	5.85%	3,451	4.88%
Business - $600,000		3,925	4,195	6.87%	4,156	5.89%	4,118	4.91%

Notes:

(1) Residential and Business rates are those on fully serviced properties, and include a single uniform annual charge of $115 per property, excluding the Central City targeted rate.

(2) Rural properties are assumed not to pay Water, Sewerage or Land Drainage Targeted rates. They include a uniform annual charge of $115 per property.

(3) Rates include GST but do not include the Canterbury Regional Council Rates.

(4) Some properties may also be liable for the additional targeted rates of Fire connection, excess water and Church and Governors Bay uniform loan servicing rates.

(5) The City Council is the rate collecting agent for Environment Canterbury (the Canterbury Regional Council). Their rates are in addition to those above. Combined assessments and invoices will be issued by the City Council as in the past.

(6) The comparison with BPDC rates is not shown. Each former BPDC ratepayer may compare the proposed rate with that assessed last year.

Funding impact statement and rating policies

Detailed Information about Rate Types

General Rates

General Rate by differential sector:

The General Rate is set under Section 13(2)(b) of the Local Government (Rating) Act 2002 and is set differentially on the following sectors:

Sector A - Business

Sector B - Residential and Other

Sector C - Rural

All liable rating units will be assigned to a differential rate sector.

The liability of the rating unit will be the capital value times the decimal (multiplier) applicable for the differential sector applying to the rating unit.

Purpose of General Rate:

To fund the general operations of the Council beyond that funded by user charges, other revenue, the Uniform Annual General Charge, and targeted rates as detailed below.

The detail of the requirement is contained within the Financial Overview on page 59 and the Revenue and Finance Policy Summary on page 259.

Uniform Annual General Charge (UAGC) of $115

The Uniform Annual General Charge is assessed on each separate rating unit or, if relevant, on each separately used or inhabited part of a rating unit.

It is set under Section 15(1)(b) of the Local Government (Rating) Act 2002.

Purpose of the Uniform Annual General Charge:

To fund the general operations of the Council beyond that funded by user charges, other revenue, general rates and targeted rates as detailed below.

Targeted Rates

These rates are set under Sections 16 (3)(b), 18(1), Schedule 2 Clause 5, and Schedule 3 Clause 8 of the Local Government (Rating) Act 2002.

Water Supply Targeted Rate – Full Charge and half charge:

Rate Factor used: this targeted rate is assessed on every separately rated property to which water is supplied and the half charge to rating units situated within 100 metres from any part of the waterworks where the connection is not made. The liability is calculated on the capital value of the rating unit times the decimal (multiplier).

Purpose of Water Rates:

To recover the water supply costs.

Land Drainage Targeted Rate:

Rate Factor used: this targeted rate is assessed on every separately rated property which is in the serviced area. The serviced area is that of the current land drainage area extended to include all developed land within the city or where there is a land drainage service and also includes:

- the areas of the Peninsula zoned:
    - Akaroa Hillslopes
    - Boat Harbour
    - Industrial
    - Lyttelton Port
    - Papakaianga
    - Recreation Reserve
    - Residential
    - Residential Conservation
    - Small Settlement
    - Town Centre

- Those Land Drainage areas in Okains Bay and Purau that have been charged Land Drainage Targeted rates

The liability is calculated on the capital value of the rating unit times the decimal (multiplier).

Purpose of Land Drainage Targeted Rate:

To recover the land drainage utility costs.

Sewerage Targeted Rate:

Rate Factor used: this targeted rate is assessed on every separately rated property which is in the serviced area. The liability is calculated on the capital value of the rating unit times the decimal (multiplier).

Purpose of Sewerage Targeted rate:

To recover the sewer drainage and sewage treatment costs.

Central City Mall Redevelopment Targeted Rate:

Rate Factor used: this targeted rate is assessed on every separately rated property which is:

- In the differential Sector A – Business; and
- In the town planning zone Central City or Central City edge under the operative City Plan.

The liability is calculated on the capital value of the rating unit times the decimal (multiplier).

Purpose of the targeted rate:

To recover the annual costs of loan servicing from the liable rating units for the proposed Central City Mall Redevelopment Loan, estimated to be $7 million. The loan servicing costs will be on a table basis over 15 years at an estimated 7% (actual interest rates will be used when the rate is set in the future).

This targeted rate ends 30 June 2022.

Loan Servicing Targeted Rates:

- Church Bay Sewerage Loan Targeted Rate – 2006/07 charge $1,106
- Church Bay Water Supply Loan Targeted Rate – 2006/07 charge $495
- Governors Bay Sewerage Loan Targeted Rate – 2006/07 charge $176
- Governors Bay Water Supply Loan Targeted Rate – 2006/07 charge $111

Rate Factor used: these targeted rates are assessed on every separately rated property which is in the serviced area. The rates are uniform charges and one charge for each rate is assessed to liable rating units.

Purpose of loan servicing targeted rates:

To recover the annual costs of loan servicing from the rating units who have entered into a commitment to service the loans by way of annual uniform charges under the former Banks Peninsula District Council.

The Church Bay rate ends on 30 June 2009 and the Governors Bay rate ends 30 June 2016.

Water Supply Fire Connection Targeted Rate:

Assessed as a uniform charge of $100 per connection for those rating units which have a connection.

Rate Factor used: this targeted rate is assessed on every separately rated property which has one or more of these connections.

Purpose of the Water Supply Fire Connection Targeted rate:

To recover costs of water supply fire connection on a per-connection basis.

Excess Water Supply Targeted Rate

This targeted rate is assessed as the water meters are read on every separately rated liable property as defined by the Bylaw (see below) which has a metered water supply, and invoiced after each reading.

This targeted rate is set under Section 19(2) (b) of the Local Government (Rating) Act 2002, in addition to Sections 16 (3)(b), 18(1), Schedule 2 Clause 5, and Schedule 3 Clause 8 of the Local Government (Rating) Act 2002.

Purpose of the Excess Water Supply Targeted rate:

To recover water-supply costs beyond those included in the water-supply rates.

Excess Water Supply Targeted Rate – Further Information

Section 19(2)(b) of the Local Government (Rating) Act 2002 allows for a "scale of charges". Invoices are raised for this rate as the result of water-meter readings on liable properties. The Christchurch City Water Related Services Bylaw 2001 outlines the intention to charge.

The water allowance is determined following the annual rates assessment and is expressed as a daily allowance, that is the total water allowance for the rating unit divided by 365 with a minimum of .6986 cubic meters per day.

The water allowance is determined by dividing the Water Supply Targeted Rate assessed on the rating unit by an allowance factor. The allowance factor unit rate will be determined by Council resolution from time to time and is now 45 cents. The water allowance is 1 cubic meter for each complete 45 cents (the factor) of the targeted water rate assessed.

Water used in excess of the water allowance, will be charged at the rate of 45 cents per cubic meter to all consumers having an extraordinary supply, as defined in the Christchurch City Water Related Services Bylaw 2001. These are the liable rating units.

The daily allowance shall continue until the next rates assessment is issued for the rating unit.

Rating units having an "ordinary supply" as defined in the Christchurch City Water Related Services Bylaw 2001, i.e. non-commercial consumers being principally residential single units on a rating unit, will not be charged an excess water supply targeted rate.

Where two or more rating units share a water meter and have, in the opinion of the Council, a common usage, the readings and allowances may be aggregated, not withstanding the charge is payable by the ratepayer of the rating unit to which the meter is attached.

The annual rates assessment identifies those ratepayers who are potentially liable for excess water charges. It does not include the calculated liability as the water reading does not coincide with the assessment. Water meters are read progressively throughout the year. Following each reading, a water-excess charge invoice is issued for those rating units which are liable. The invoice will refer to the assessment and will 'bill' for the consumption for the period of the reading. The latest water allowance will be used, calculated on a daily basis.

Differential System Used

Differential rating is used for general rates and the Central City Mall Redevelopment Targeted rate. Other targeted rates are set without differentials.

The quantum of general rates required from each differential sector is based on the Revenue and Financing Policy and Funding Impact Statement calculations on an activity-by-activity basis, giving the Council-wide rate requirement. The whole of the Central City Targeted rate will be recovered from business ratepayers in the central city.

The rating differential categories used are:

Sector A - Business Properties

Any rating unit which is:

(a) Used for a commercial or industrial purpose (including travellers and special purpose accommodation, offices and administrative and associated functions, and commercially-owned and operated utility networks); or

(b) Land zoned Business, Central City, Commercial, Industrial or Rural-Industrial (or equivalent zoning) in the City Plan administered by the Council, situated anywhere in the city, except where the predominant use is residential.

Sector B - Residential and Other Properties

Includes any rating unit which is:

(a) Used for residential purposes (including home-ownership flats); or

(b) Land zoned Living, Residential (or equivalent zoning) or Rural-Residential, Small Settlement, Papakainga, Akaroa Hill Slopes, Residential Conservation or Boat Harbour in the City Plan administered by the Council, and is within the sewered area and used other than for a commercial or industrial purpose (including travellers and special-purpose accommodation, offices and administrative and associated functions); or

(c) A Council-operated utility network; or

(d) Land not otherwise classified under sectors A, or C.

Sector C - Rural Properties

Includes any rating unit which is: zoned Rural (or any equivalent zoning) in the City Plan administered by the Council, or zoned residential or rural-residential in the City Plan administered by the Council and situated outside of the sewered area, and where the rating unit is:

(a) Used solely or principally for agricultural, horticultural, pastoral or forestry purposes or the keeping of bees or poultry; or

(b) Vacant land not otherwise used.

Does not include any rating unit which is:

(i) Used principally for industrial (including quarrying) or commercial purposes (as defined in sector A above); or

(ii) Is used principally for residential purposes (including home-ownership flats).

Note: for the purposes of the differential sector definitions in this part of the LTCCP, the City Plan means the operative City Plan of the Christchurch City Council and any parts of the transitional or proposed district plans of any former local authority that are operative.

Uniform Annual General Charge

Multiple Uniform Annual General Charge per Rating Unit

The Council will charge multiple uniform charges against each separately-used or inhabited part of a rating unit provided such UAGC is not subject to a rate remission under the policy.

The basis of a unit of occupancy is that which can be separately let and permanently occupied. For the purposes of this charge, where the occupancy is an accessory one or is ancillary to another property or part thereof no separately used part exists. For example:

- Not separately used parts of a rating unit include:
  - A residential sleep-out or granny flat without independent kitchen facilities;
  - Rooms in a hostel with a common kitchen;
  - A hotel room with or without kitchen facilities;
  - Motel rooms with kitchen facilities -Individual storage garages/sheds/partitioned areas of a warehouse;
  - Individual storage garages/sheds/partitioned areas of a warehouse;
  - Individual offices/premises of partners in a partnership.
- Separately used parts of a rating unit include:
  - Flats/apartments;
  - Flats which share kitchen/bathroom facilities;
  - Separately leased commercial areas even though they may share a reception.

Uniform Annual General Charge (UAGC) for Common Usage Rating Units

Section 20 of the Act precludes the Council from charging UAGCs where contiguous land is in common usage and in the same ownership.

The Council has resolved on a remission policy that will allow it to remit the additional UAGCs on contiguous land in common usage where the rating units are not in the same ownership name.

Also remission of the charge will be considered where the Council has determined that a building consent will not be issued for the primary use of the land (under the City Plan).

Funding impact statement and rating policies

Rate Payments

The instalments due dates are:

Area One	Instalment One	15 August 2006
Area One	Instalment Two	15 November 2006
Area One	Instalment Three	15 February 2007
Area One	Instalment Four	15 May 2007
Area Two	Instalment One	15 September 2006
Area Two	Instalment Two	15 December 2006
Area Two	Instalment Three	15 March 2007
Area Two	Instalment Four	15 June 2007
Area Three	Instalment One	31 August 2006
Area Three	Instalment Two	30 November 2006
Area Three	Instalment Three	28 February 2007
Area Three	Instalment Four	31 May 2007

The rate areas will continue generally as in the past and are published on each annual rate assessment.

Where a due date falls on a day that is not a working day the next working day convention applies.

The due date for excess water supply rates will be the 20th of the month following the invoice date. The due date for any amended rates invoice issued outside of the normal dates shall be specified on that rate invoice as determined by the Council.

The imposition of the current penalty occurs one business day after the due dates above.

Rate penalties

Where rates are not paid on time, penalties will be imposed to provide incentives for payments by due dates.

- 'Current penalties' - A penalty of 10% on so much of any instalment that has been invoiced after 1 July 2006 and which is unpaid after the due date plus two working days;
- 'First arrears penalty' - A further penalty of 10% on so much of any rates (including penalties) assessed in any previous financial year and which are unpaid as at 1 October 2006; and
- 'Second arrears penalty' - A further penalty of 10% on any rates to which the 'first arrears penalty' has been added and which remain unpaid as at 1 April 2007.

Dates for penalties will be adjusted annually thereafter.

Penalties will not be imposed on rates postponed or on current year's rates where payment is being made by monthly direct debit, on any excess water supply targeted rate, or where the Council believes a remission will be granted.

Once imposed, penalties become rates and may be subject to rates remissions. Where the penalty imposition date falls on a day that is not a working day the next working day convention applies.

Payment of Rates

- The Council has resolved on the acceptable payment methods.
- Payments by cash will be accepted at any Council service centre office.
- Rates are payable at any Council service centre during normal business hours by cash, EFT/POS cash flow, or cheque made out to the Council.
- Cheques may be posted to the Council prior to the due date as evidenced by the postmark
- Payment by credit card will be accepted under limited circumstances.
- Payments by direct debit will be facilitated and encouraged.
- Payment by direct credit or automatic payment will be facilitated.
- Rate payments will be allocated pro rata to the oldest rates due to the Regional Council and City Council unless specifically directed in writing by the ratepayer.

Rates Remissions Policy

Rates remissions may apply where there is significant public good in the use of the land. In addition there are grounds for remission where penalties have been imposed but there is a reasonable excuse for late payment, or it is just and reasonable to do so.

Postponement will be considered where the ratepayer is experiencing financial hardship.

1. Remission of current year's rate penalties due to one-off non-payment or where there are timing mis-match issues

Remission statement

Business ratepayers may be allowed one current-year rate-penalty remission in five years and all other ratepayers may be allowed one current-year rate-penalty remission in two years where the ratepayer can illustrate that a genuine error or oversight has occurred.

Objective of the remission

To avoid penalising ratepayers incurring penalties on current rates:

(a) Who have paid their rates late due to a genuine mistake; or

(b) Who are paying by regular bank transaction and where minor penalties occur due to timing differences.

Conditions and criteria for the remission

(a) Written applications will generally be required for other than the minor timing mismatch issues;

(b) Staff may waive the written application provided they are satisfied the full details of the application are recorded;

(c) The reason for the late payment must be stated and must not be deliberate non-payment;

(d) It is appropriate that the Council show consideration to ratepayers who have made genuine mistakes provided that it is not a repetitive omission;

(e) Business ratepayers will be allowed one remission in five years and all other ratepayers will be allowed one remission in two years;

(f) It is expedient to remit penalties where there are minor mis-matches of payments and due dates e.g. direct debit mis-matches. In these circumstances written applications are not required;

(g) The outstanding rates (excluding the penalties to be remitted) must be paid in full for the remission to be granted.

Remission applies to

All ratepayers, although with different criteria.

2. Remission of rates penalties imposed where there is an inability to pay

Remission statement

The remission may apply to properties that are the residence of the ratepayer, and applies under the following circumstances:

(a) To penalties which have been imposed in the last two-year period, and/or where payment has been overlooked due to sickness, death or significant financial hardship or generally where it is considered to be just and equitable to do so;

(b) Where such action would facilitate immediate payment of all outstanding rates;

(c) Where there is an acceptable arrangement to pay existing arrears and annual rates over an agreed time frame.

Objective of the Remission

To encourage ratepayers who are in arrears due to financial difficulty or other genuine unusual circumstances to make arrangements to clear arrears and keep their payments up to date.

Conditions and criteria for the remission

(a) Remissions shall be based on written applications. This may be waived in limited circumstances at the discretion of officers;

(b) Remission of penalties in the latest two-year period in the case of residential properties where payment has been overlooked due to sickness or death or generally where it is considered to be just and equitable to do so;

(c) Remission of penalties may be considered where there is an offer for immediate settlement of all rates outstanding which can be facilitated by the remission of arrears penalties in addition to remission of the current penalties. This would apply where there are substantial arrears;

(d) Remission of penalties incurred during the agreed payment time.

Remission applies to

All ratepayers where the rating unit is the primary residence.

3. Remission of current penalties where there is payment in full for the year

Remission statement

Remission of current year penalties where there is payment in full for the year once the full year's rates have been assessed.

Objective of the remission

To encourage payment of current rates in a lump sum or the balance of the current rates where non-payment of an instalment has occurred.

Conditions and criteria for the remission

The remission applies where a ratepayer chooses to make payments different from the instalment due dates, typically paid in full on an annual one-payment basis:

(a) Where the total current year's rates are paid on instalment 2;

(b) Rates must be paid in full.

Remission applies to

All ratepayers.

4. Remission of rates where the land is used by 'not-for-profit' clubs, associations and churches, for sport or for community benefit other than horse or dog racing

Remission Statement

A. 100% remission of all rates (except excess water supply targeted rate) may be made for 'not-for-profit' organisations occupying Council land under lease where there is predominant community benefit.

B. Remission of rates on other than Council-owned land where it is used by 'not-for-profit' community or sports organisations may be granted on the basis of:

(a) Up to 100% remission of general rates and uniform annual general charge; and

(b) Up to 50% (i.e. of the rates that would be payable if they were fully rateable) remission of targeted rates for water supply, sewerage, and land drainage rates;

(c) The remission does not apply to any excess water supply targeted rate or targeted water supply fire connection rate.

Objective of the remission

To encourage the sustainability of community-based organisations and the benefit they provide to community good by part-remitting rates.

Conditions and criteria for the remission

(a) All remissions are at the discretion of the Council and will be assessed on a case-by-case basis;

(b) The remission applies where the land is used by qualifying entities, predominantly those that are fully or partially non-rateable under Schedule 1 of the Local Government (Rating) Act 2002;

(c) The remission may include land over which a liquor licence is held provided this is incidental to the primary purpose of occupancy;

(d) The distinction between those occupying Council land and those on their own land recognises the benefits of independent ownership that accrue to the private land owners;

(e) The rates payable after the remission are 50% of the full service rates of water, sewerage and land drainage if the rating unit is in the serviced area;

(f) Applications for the remissions must be in writing. The Council reserves the right to require annual applications to renew the remission or require certification from the applicant that the property is still eligible for the remission and that the land use has not changed;

(g) It is a precondition of remission that the residual rates are paid in full;

(h) The remission may be phased in over several years.

Remission Applies to:

All incorporated sport and recreation clubs, associations and community organisations (which includes places of religious worship or used for any branch of the arts) which have within their constitution appropriate clauses to qualify them as charities or where there are clauses which ensure they are 'not-for-profit' and where there is, in the opinion of the Council, significant public good which results from the occupation of the land for the purpose of their sport or recreation.

The Council (at its absolute discretion) shall determine the extent of public benefits that are provided to the community. This determination shall be the basis of the extent of the remission.

The remission does not apply to rating units owned or occupied by:

(a) Chartered clubs – except that a sports area may qualify provided it is significant and is set aside exclusively for that use;

(b) Political parties;

(c) Trade unions and associated entities; and

(d) Any other entity where the benefits are restricted to a class or group of persons, and not to the public generally.

5. Remission of all rates on land occupied and used by the Christchurch City Council for community benefit

Remission statement

The Council may remit all rates other than excess water supply targeted rate or targeted water supply fire connection rate on land owned by or used by the Christchurch City Council and which is used:

(a) For a public garden, reserve, or children's playground;

(b) For games and sports (except galloping races, harness races, or greyhound races);

(c) For a public hall, community centre, library, art gallery, or other similar institution;

(d) For swimming pools;

(e) For public conveniences; and

(f) For any other community benefit use excluding infrastructural asset rating units.

This remission does not apply to land leased to others where the use is not by the Council.

Remission of all rates on land owned by or used by the Christchurch City Council which is used for rental housing.

Objective of the remission:

To encourage the sustainability of such facilities in the community by remitting rates.

Conditions and criteria for the remission:

To all Council-owned and/or used land where the use is for the purposes above.

Remission applies to:

All land owned and/or used by the Council and used for the purposes outlined.

The remission does not extend to land used as Council offices or yards, infrastructural asset rating units, or leased for commercial purposes.

6. Remission of uniform charges and excess water supply targeted rate or any rate where the Council considers it just and equitable to do so

(Note: Generally the rates discussed below would not be assessed for the affected properties.)

Remission statement

Remission of additional uniform charges where Section 20 of the Act would apply except for the prerequisite of common ownership.

Remission of any uniform charge where the Council has determined that a building consent will not be issued for the primary use of the land (under the City Plan).

Remission of any excess water supply targeted rate that would be offset by unused water allowance from contiguous properties in common usage or where the excess consumption was outside of the control of the ratepayer.

Remissions of any rate where the Council by specific resolution considers it just and equitable to do so.

Objectives of the remission

To allow an equitable application of uniform charges and excess water charges where several rating units are used as one, but where there are several different ownerships. To allow remission of the UAGC where, because of some significant impediment, the rating unit cannot be used for the primary use under the City Plan.

Remission of any rate will allow the Council to correct anomalies.

Conditions and criteria for the remission

The remission applies where ratepayers are related parties and the land is contiguous and is used in common or where the rating unit suffers from a “natural” feature which renders it unsuitable for building.

The balance of the rates must be paid in full without arrears.

The remission of any rate under the latter objective will be by specific resolution of the Council after ratepayer application.

Remission applies to

All ratepayers.

Rates Postponement Policy

Postponement of rates on land which is the private residence of the ratepayer where the ratepayer is experiencing financial hardship.

Postponement statement

Up to 100% of rates may be postponed for a period determined by the Council where the ratepayer is experiencing financial hardship.

Objective of the postponement

To encourage the owner-occupation of land used in whole or part as the primary residence of the ratepayer where the ratepayer does not have the financial capacity to meet the rates as assessed or the payment of the rates assessed would create financial hardship.

Conditions and criteria for the postponement

The postponement applies where the land is the primary residence owned and occupied by the ratepayer; and:

(a) The ratepayer can demonstrate financial hardship; and

(b) The ratepayer is over 65 years (generally but not exclusively); and

(c) Where the applicant, being generally over 65 years of age, has experienced a significant increase in rates following revaluation causing hardship.

Younger ratepayers may apply and will be considered on their merits

Postponement will be considered on individual merits following a written application.

A postponement fee expressed as an annual percentage will be applied to the rates outstanding. The fee will be treated as a rate assessed. The fee will be the Council's 'cost of capital' as published in its Annual Plan. Rates penalties will not be applied or will be remitted for any rates that have been postponed.

Funding impact statement and rating policies

Rates remain a charge against the property until the property ceases to be the place of residence of the applicant or the criteria no longer apply, at which time the outstanding rates must be paid.

There must be a written application and declaration of eligibility.

The postponement will continue to apply until:

(a) The ratepayer ceases to be the owner or occupier of the rating unit; or

(b) The ratepayer ceases to use the property as their residence; or

(c) Until a date specified by the Council,

whichever is the sooner.

Postponement applies to

Any land owned and occupied by the ratepayer as their primary residence.

Transitional arrangements imposed by statute will continue.

Transitional postponements

There are transitional postponement provisions provided for in the Act and generally these cease on revaluation or change of circumstances. The Council will only apply the requirements of the Act, but no further unless the ratepayer qualifies under other policy conditions.

Postponement – general issues

The postponed rates will remain a charge against the property and must be paid either at the end of the postponement term or when the property is sold. Postponed rates may include rate arrears owing from a previous financial year.

A fee (effectively interest) will be charged annually where rates have been postponed at the end of each rating year on the accrued rates postponed (including any fees) outstanding at the beginning of that financial year, at the Council's estimated cost of borrowing, estimated to be 6.85%. This percentage is published every year as part of the Annual Plan.

Remission and Postponement Policy of Rates on Maori Freehold Land

Remission statement

The City contains a number of Multiple Owned Maori Freehold Land properties which are unoccupied and unimproved. In some cases these are creating a significant rating burden on the Maori owners who often do not have the means nor, in some cases, the desire to make economic use of the land. Often this is because of the nature of the ownership, because the land has some special significance, which would make it undesirable to develop or reside on, or is isolated and marginal in quality. In addition, it is recognised that significant rate arrears can act as a disincentive to any new occupation of the Multiple Owned Maori Freehold Land, where a new occupier could become responsible for the payment of any arrears of rates on the land.

The Council has recognised that the nature of this Maori land is different to General Land and has therefore formulated this policy to deal with some of the issues that this raises.

Objective of the policy

The Council has recognised that certain Maori-owned lands have particular conditions, ownership structures or other circumstances which make it appropriate to remit or postpone rates for defined periods of time.

The Council and the community benefit through the improved collection of rates that are collectable and the removal from the rating debt of that debt which is considered non collectable. The Council is required to consider every application for remission and/or postponement of rates on Maori Owned Land pursuant to Section 114 of the Local Government (Rating) Act 2002 and will then consider the most appropriate tool if any, including either remission or postponement, to assist in making ownership and occupancy of the land feasible.

Conditions and criteria for postponement or remission

General:

- The rating units must be Maori land, (as defined in Te Ture Whenua Act 1993 Part VI Section 92 Part 3 of the Local Government (Rating) Act 2002);
- Council will have the sole discretion on whether to grant the remission or postponement and may seek such additional information as they may require before making their final decision;
- The policy does not provide for the permanent remission or postponement of rates on the property concerned;
- If the status of the land changes so that it no longer complies with the criteria the remission or postponement ceases;
- Council expects that any rating relief will be temporary, each application will be limited to a term of three years however the Council may consider renewing the rate relief upon the receipt of further applications from the owners;
- In the event that subsequent applications for rating relief are made by only one or a minority of owners, the Council may require that these are signed or supported by such greater proportion of owners as may be required from time to time;
- The land must have, in the opinion of the Council, historical, ancestral or cultural significance.

Policy applying to unoccupied land

The rating unit must be unoccupied. Section 96 of the Local Government (Rating) Act 2002 defines “occupation” where a person/persons do one or more of the following for his or her profit or benefit:

- Resides upon the land;
- Depastures or maintains livestock on the land;
- Stores anything upon the land; or
- Uses the land or any improvement thereon in any way.

Land not in occupation under the definition above is deemed to be unoccupied.

In general, the criteria for granting rates relief would include some or all of the following:

1. **Unoccupied and Unimproved**
   The land is unoccupied and has no or minimal improvements.
2. **The Land is Land Locked**
   Much Maori land is land locked, i.e. does not have legal access to the Council or National Roading Network.
3. **Fragmented Ownership**
   Ownerships vary in number and individual share proportions. Owners are scattered throughout the country and even worldwide. Attempts to contact a majority representation are often painstaking and difficult.
4. **The Land has Particular Conservation Value**
   Because of their remoteness and inaccessibility, much Maori Land has a high conservation value, which Council or the community may wish to preserve.
5. **Unsecured Legal Title**
   Many land titles have not been surveyed, therefore they cannot be registered with the District Land Registrar. Owners seeking finance for development of their land are restricted, as mortgages cannot be registered against the title.
6. **Isolation and Marginal in Quality**
   The lands are geographically isolated and are of marginal quality.
7. **No Management Structures**
   Lands have no management or operating structures in place to administer matters.
8. **Rating Problems**
   Because of the above factors there is a history of rate arrears and/or a difficulty in establishing who is/should be responsible for the payment of rates.

Policy applying to occupied land

- The new occupier must enter into an agreement in writing to keep the current and future rates up to date whilst they are in occupation of the land;
- The rates are paid within one month of the due date;
- Burden of proof of eligibility is on the owner/s of the property;
- Where land is in multiple ownership a copy of the minutes authorising individuals to act for owners should be enclosed if available;
- In the event of the land or any portion of the land being sold within that three-year period a claw-back provision applies to enable the Council to recover the rates postponed for the applicable period. This claw back may, at the Council's sole discretion, relate to the whole property or only to that portion of the land that has been sold;
- The Council or duly-designated officers are given approval to undertake periodic inspection of land to confirm unoccupied status;
- The Council reserves the right to seek further information e.g. Schedule of Owners, if the Council deems it necessary.

Remission applies to

Owners, or authorised agents of the owners, of Multiple-Owned Maori Freehold Land, with different conditions applying to occupied or unoccupied land.

Funding impact statement and rating policies

Revenue and financing policy

Revenue and Financing Policy

Introduction

The Local Government Act 2002 requires the Council to adopt a Revenue and Financing Policy which ensures that operating revenue is set at a sufficient level to meet the projected operating expenses, and that sources of funding are sufficient to meet capital expenditure. This policy will ensure the Council's community plan is financially sustainable and that debt is maintained at a manageable level. Included within the policy is a requirement to produce a balanced budget as defined in section 100 of the Act.

The Revenue and Financing Policy sets the context for rates, revenue charges, and capital expenditure funding, all of which are disclosed in the Funding Impact Statement. It has been developed within the context of the other financial policies of Council, and will apply for the next three years.

Inclusion of Banks Peninsula

With a few major exceptions, a uniform policy applies to the total area of the two merged councils, and it is based on that of the previous Christchurch City Council. There is a significant change to the user charges and rates for the former Banks Peninsula District Council community. The major exceptions are that the uniform targeted loan servicing rates for Church Bay and Governors Bay will continue, and the land drainage area of benefit has been extended to include developed areas of the Peninsula. As a result of the amalgamation all other rates and user charges will be brought into line with the City Council policies.

Funding of expenditure

The Local Government Act 2002 prescribes a series of issues to be considered. Section 101(3) requires each activity to be analysed, and decisions made about the most appropriate method of funding the operating and capital expenditure.

The following matters were considered for each activity when deciding how to fund the Council's operational expenditure:

- The Community Outcomes to which the activities contribute;
- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;
- The period in or over which those benefits are expected to occur;
- The extent to which the actions or inactions of the community contribute to the need to undertake the activity;
- The costs and benefits, including consequences for transparency and accountability, of funding the activity; and
- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

The policy has two discrete areas; the financing of capital expenditure and of operating expenses.

Financing of capital expenditure

The Council's capital expenditure covers:

- Purchase of assets, and
- New investments in Council companies.

The capital expenditure to be financed is developed on the city wide priority basis for all assets and the need for efficient city-wide funding basis. It is corporately funded, rather than by Council activity or group of activities, however there is some use of reserve funds specific to certain asset purchases. With the exception of the debt repayment term which has been extended from 20 to a maximum of 30 years, this is a continuation of the current policy. The amounts are disclosed on the Financial overview table on page 65.

The sources of funding include:

- Revenues received for capital expenditures, such as Transfund subsidies – these are included in the operating surplus;

Revenue and financing policy

- Depreciation funds, being revenue received to cover the cost of depreciation;
- Financial contributions and development contributions (see the Development Contributions Policy in Volume 2);
- Sale of assets;
- Draw-down of special funds set aside for capital expenditure; and
- Borrowing.

The Council's financial management principles, as disclosed on page 59, provide that:

- Rating for depreciation will be applied to capital expenditure annually;
- Debt will be repaid within 30 years of raising to ensure inter-generational equity;
- The balance of capital expenditure will be funded from reserves, sale of assets and loans;
- Operating expenditure will be funded from operating revenue;
- The Council will budget for an operating surplus each year;
- Financial management will be based on maintaining projections within the four financial ratios; and
- The Council has the objective of maintaining at least an AA credit rating from Standard and Poor's.

New targeted rates are introduced in this LTCCP for recovering loan servicing charges, interest and principal, for:

- Central City mall redevelopment
- Church Bay and Governors Bay

The principal recovered will offset the specific loan repayments.

Financing Operational Expenditure

Activity funding – some underlying assumptions

The full description of each Activity, its service description and objectives is contained in the Activity Management Plans.

The activities are included within each Group of Activity page in this LTCCP. The Group pages outline the costs of each Activity, revenue sources for each and the rationale. The table at the end of this policy is a summary of the Activity analysis and revenue source with emphasis on rate revenue.

Further information is available on the nature and outcome of the activity analysis if required.

General versus direct benefits, and the impact on the community:

The Council services are divided into 46 activities. These in turn are summarised into 12 groups of activities. (See the Council's Activities section in this LTCCP).

The services produced can be analysed as being either for public good or private good. Public goods provide general benefits to the community as a whole, while private goods yield direct benefits to consumers. The majority of services provided by the Council have some public good characteristics and lie on a continuum between the two. For example, the Parks activities provide direct benefits to the users, both citizens and ratepayers and general benefits to the community, who have, for instance, an open space in their neighbourhood.

The distinction is largely based on the nature of the services, who they are produced for, the customers of the service, and why the Council provides them.

The benefits for each activity have been identified within the Group of Activities, which include a description of the activity and its contribution to Community Outcomes. The funding decisions follow this description.

Benefit analysis:

The funding analysis of activities is based on the following assumptions:

- The gross cost of an activity is assumed to equal the benefits delivered by the activity;
- An allocation of benefits is made between general benefits and direct customer benefits. This is a subjective choice of the Council;
- General benefits are funded by rates, generally on a straight capital value basis, as the benefit applies to the community as a whole. The community is represented by the capital values of rating units and therefore capital values are the rating base, because:
  - Capital value reflects relative value of utilisation of Council services;
  - Conceptually it reflects relative ability to pay in that ownership of property reflects an acceptance of relative holding costs of a property;
  - Rates are a property-based tax and sound taxation principles should be applied such as transparency, neutrality, fairness of allocation; and
  - There is an underlying assumption that all Council services add to the quality of life in the city and are therefore of value to all sectors of the community.

Direct customer benefits are those where there is a consuming "customer", either a person or entity, and the service provided by the council is wholly or substantially consumed by them.

User charges:

The direct benefits are the result of Council analysis of each activity as required by Local Government Act 2002 Section 101.3. That analysis concluded that some activities produce direct benefits, namely the portion of the cost of the service accruing to the direct customers. This does not mean that a user charge will follow, but merely that if a charge was to be made (or in fact could be made given the nature of the service and the ability of Council to charge) this would be the maximum.

Charges can be made to customers of the service if the Council policies for user charges allow or if there is an appropriate charging mechanism for the service. Where a charge is made, the

Revenue and financing policy

price decision will take into account the relevant service delivery policy, access to services and affordability issues. These decisions of Council are made after taking into account the social, economic, environmental, and cultural wellbeing of the community (as required by the Act and the interests of the community).

Where, in the opinion of the Council, there is no practical means of charging the users or there is a Council policy constraint such as promoting open access to a service the charge revenue is less than the direct benefit costs. In those circumstances no charge is made or the charge is less than a full charge.

Often, at an activity level, user charges for a Council service activity will not cover the direct costs to users (the direct benefits). In that case a user charge shortfall occurs. Funding of direct benefit shortfalls is by rates by relative capital values (predominantly General rates but also some targeted rate) because: shortfalls of direct benefits after user charges occur as a result of Council policy decisions, as expressed in pricing policies, where Council has decided not to charge the customers a full cost recovery, and the stakeholders are represented by those who pay rates, expressed as relative capital values.

Where the activity is wholly funded by targeted rates, the shortfall is charged to the targeted rate payers.

Fees are set by Council and the revenue is reflected in the LTCCP Group of Activity pages. On the Group page disclosing the financial budget are notes giving further explanation of the level of fees and subsidies and the rationale of their selection. The table on page 268 shows how effect is given to this policy.

Rates distribution, some underlying assumptions:

The major outcome of this Revenue and Financing Policy is the basis of allocation of rates.

Most general benefits (and direct benefit shortfalls) apply equally to all rate paying sectors and therefore relative capital values or rating units (the properties) is the appropriate primary driver of allocation of the net rate requirement.

All rating is based on relative capital value without differentiating between rating sectors, with the exceptions as noted below where benefits do not apply equally.

The capital values for each sector are estimated to be in the following proportions:

• Business sector	19.32%
• Residential and Base sector	76.37%
• Rural Sector	4.30%

Where there is an unequal allocation of rates to rating units, the allocation of rates must use differential sectors. This means that the rating units are divided into rating sectors, using attributes of the property (primarily land use) as the deciding factor. The framework for differentiation is defined in the Local Government (Rating) Act 2002 and the application for this Council is defined in the Funding Impact Statement on page 237.

The results of this Revenue and Financing Policy define the rate requirement which is then allocated to each sector, resulting in different rate decimals for each sector for the rate type.

Differential rating is used for general rates only and uses the three sectors listed above.

Revenue and Finance Policy: Conclusions for funding of operating expenditure

General conclusions:

The analysis conclusions for each activity is shown on the Group of Activity pages in this LTCCP. The following is a summary of the conclusions. This summary is reflected in the table on page 267.

The activities of the Council have been reviewed and the following conclusions reached:

- General benefits will be recovered by rates based on capital values;
- Direct benefits may be recovered by fees and charges;
- In many activities, there is no practical charging mechanism and therefore fee charging for direct benefits is not possible;
- There is a shortfall of direct benefits and rates are the best funding source;

- The rate funded shortfall of direct benefits accrues to rating units, assumed to be in proportion to capital value;
- Corporate revenues, made up of interest on funds, dividends and petroleum tax are raised to the maximum possible amount and are assumed to accrue to ratepayers who pay General rates on the basis of straight capital value. They do not offset activity costs, but reduce the total rates.

The basis of the exception to straight capital value rating

The total net operating cost of the Council is recovered by rates on a straight capital value basis to general rates except for those listed below.

The exceptions that have been identified by the Council are:

- The activity 'streets', in the group 'Streets and Transport';
- Land classed as 'rural' for differential rating purposes;
- Uniform Annual General charges:
- Targeted rates – charges by capital values, but to serviced properties for water, sewerage, and land drainage; and
- Targeted rates for loan servicing for the Central City mall redevelopment, charged to Central City business ratepayers;
- Targeted rates for some water and sewerage services – Church Bay and Governors Bay schemes and Excess Water Charges.

Streets activity loading on the Business Sector

There is an exceptional demand on city streets by the business sector. A study has identified that one heavy vehicle is equal to over 10,000 cars in terms of wear and tear to the road system.

The study concludes that after taking into account:

- The class of vehicles using the roads;
- The distance travelled by each class;
- Adjustments to equivalent distance by class;
- Allocating the class of vehicles to sectors; and
- Adjusting the allocation by the number of rating units.

there is justification for a rate loading applied to the business (differential) sector for general rates. This loading is to the advantage of the residential and rural (differential) sectors.

The Council has concluded that an allocation of 55% to the business sector is appropriate based on the City Streets unit's funding model.

It is the business sector as a group which necessitates considerable extra expenditure to provide the strength of roads for heavy traffic. Its use of land and the traffic movements from it, and the potential land use as a result of Business zoning, means the business sector contributes significantly to the need to undertake the service.

The standard of construction necessary and supplied by Council for Streets is sufficient to meet forecast use. Where that use includes significant heavy vehicles, the standard of construction and the quantum of maintenance is substantially higher than would be necessary if there was no heavy traffic. If Council chose not to provide extra maintenance the road structure would breakdown resulting in a subsequent increase in vehicle maintenance and running costs and a reduction in utility from the road network. There is, therefore, a justification to fund this activity separately from other activities of Council.

Within the Streets Activity costs, the allocation to the business sector can be broken down into the expenditure type:

- Depreciation on streets is allocated at 61.48% to the business sector and is made up of two components:
  - A full allocation to the business sector of depreciation on major arterial, minor arterial, and collector roads due to the heavy vehicle predominant use of those roads; and
  - An allocation to the business sector of 50% of the balance of depreciation on all other roads.

Revenue and financing policy

- Capital expenditure, which is the basis of depreciation, is focused significantly on provision and expansion of capacity both for heavy trade vehicles and volume;
- Maintenance expenditure is allocated 46% to the business sector on the basis that significant maintenance of the road network is caused by the volume and weight of heavy trade vehicles;
- Maintenance expenditure is a reactive response to road surface failure. The cause is age, high use, changed use, or road structure breakdown. Much of this is exacerbated by heavy trade vehicles. Predominant light vehicle use does not on its own cause road surface failure;
- The resulting weighted average allocation to the business sector for streets activity is 55%.

Rural sector rate differential

Rating units in the rural sector will continue to have a lower general rate. The rural sector will have a fixed relationship of 75% of the general rate decimal (the multiplier) applying to the residential and base sector. This maintains the current relationship.

This lower general rate (as compared to residential) is justified on the following basis:

- A lower standard of services generally is provided to outlying rural properties, (no footpaths or street lighting);
- There is a greater distance from Council provided services and therefore reduced use of those amenities by ratepayers (lack of adjacent parks etc);
- The impact of the level of services provided by the Council on property values (farm land may not be enhanced by community services).

Note - there is no difference between sectors for water, sewerage, and land drainage rate decimals.

Targeted rates

Targeted rates will continue to be set for the following reasons:

- The activities and targeted rates of water and sewerage continue on straight capital values, with the rates applied to the serviced properties only, and in the case of water, half rates to those not connected.
- Land drainage rates will apply to the serviced area, adjusted annually, but to recover the direct benefits of the utility portion only.
- The underlying allocation assumptions are the same as for the general rate activities assumptions, except that the rate is restricted to the serviced area only and is not differentiated.
- The excess water targeted rate and the water supply fire connection targeted rate will continue as in the past, with the unit charge increase.
- A new targeted rate on the central city business ratepayers to recover the loan servicing costs to fund 70% of the city mall redevelopment capital costs of $10m (total):
  - The $7m loan will serviced on a table basis over 15 years estimated to be at 7%;
  - The rate will commence in the year following the completion of a stage of the project, the rate estimated to start 2007/08;
  - The liable ratepayers will be:
    - business ratepayers, as defined in the rate differential policy – see page 244 of the LTCCP; and
    - in the central city area zoned Central City and Central City – Edge, see zoning map attached on page 266.
  - The rate is estimated to recover $866,250 GST exclusive.
- The two special loan-servicing targeted rates for Church Bay and Governors Bay will continue as originally intended and agreed with the ratepayers concerned at the time the schemes were commissioned:
  - The estimated balance of the loans as at 1 July 2006 is:

- Church Bay water and sewerage scheme – $163,175 with three years to run;
- Governors Bay water and sewerage scheme - $255,518 with 10 years to run.

- The uniform targeted rate in each case will be set to recover interest and principal on a table basis with the interest rate being 7%.
- Any ratepayer may make an advanced payment of the balance of their liability for these uniform targeted rates on the basis of:
  - For rating years other than the current year, the amount payable will be the Net Present Value of the uniform rates estimated to be payable, discounted at the current interest rate;
  - For the current year, the balance of the rates assessed.

Uniform Annual General Charge (UAGC):

A UAGC of $115 applies to rating units. The Council has concluded that $115 is appropriate because:

- It is a fair modification of rates after considering the overall impact of rates allocated; and
- It is a fair allocation within each differential sector because the UAGC impacts on rates incidence, not on rate sector allocation. The charge recognises a common service to all properties.

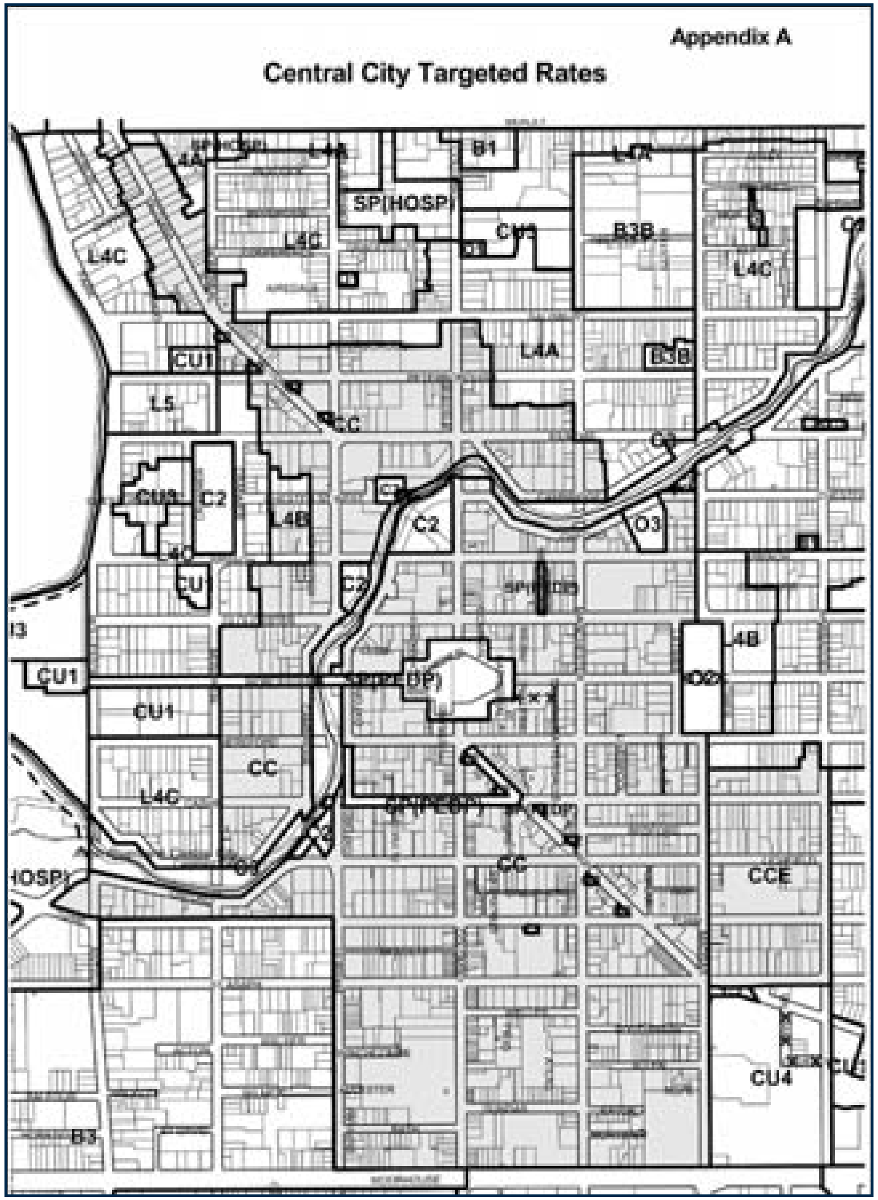
The UAGC is applied to each separately-occupied part of a rating unit as defined in the rating policies because this better represents the ratepayer consumption of services. This means that a rating unit with multiple occupancies may have to pay several UAGC's.

Revenue and financing policy

Summary of the rates system to be used

Rates fund the net operational costs of the Council, expressed on an activity basis:

- Differentials will apply for General Rates only;
- Capital Value is the rating base;
- All activities other than those specified for targeted rates below, will be funded by General Rates and assessed to rating units by:
    - Capital Values,
    - Differentiated to rate sectors of Residential, Business and Rural, and
    - Uniform Annual General Charge of $115 on each separately used part of a rating unit.
- Targeted rates will be set for:
    - Water supply activities,
    - Sewerage activities,
    - Land Drainage utility activities,
    - Water fire connection and excess water supply,
    - Central City Mall redevelopment,
    - Church Bay and Governors Bay water and sewerage rates.



Funding Impact Statement and the rating policies

The financial results of this policy are expressed in the tables contained in the Funding Impact Statement on page 237.

Revenue and Financing Policy - Summary table

Funding of operating expenses for 2006/07

	Total Cost Net GST	Direct Benefits	Activity Revenue	Direct Benefits Shortfall	General Benefits	Total Rates Net GST	Total Rates GST Inc	Residential Rates	Business Rates	Rural Rates	Non rateable Rates	Total Rates GST Inc
General Rate Funded Activities												
All activities other than Streets	299,400	156,804	173,480	-16,676	142,596	125,920	141,660					
Allocation - General rates by capital values		52.37%			47.63%			76.37%	19.32%	4.30%		
Streets activity - carriageway portion	29,348	14,674	3,664	11,010	14,674	25,684	28,894					
Allocation - with a loading on Business		50.00%			50.00%			42.99%	54.59%	2.42%		
Total General Rates	328,748	171,478	177,144	-5,666	157,270	151,604	170,554					
Rates by Capital Value								107,636	39,498	4,550		**151,684**
Uniform Annual General Charge - $115								16,508	1,918	444		**18,870**
Total General Rates								124,144	41,416	4,994		170,554
Targeted Rates:												
Water Supply Targeted Rate	18,813	15,050	2,630	12,421	3,763	16,184	18,206	14,219	3,227	138	622	**18,206**
Allocation		80.00%			20.00%			78.10%	17.73%	0.76%	3.42%	
Sewerage	32,031	25,625	3,862	21,763	6,406	28,169	31,690	24,842	5,631	110	1,107	**31,690**
Allocation		80.00%			20.00%			78.39%	17.77%	0.35%	3.49%	
Land Drainage	6,855	3,428	43	3,384	3,428	6,812	7,664	6,114	1,428	122		**7,664**
Allocation		50.00%			50.00%			79.77%	18.63%	1.59%	0.00%	
Church Bay and Governors Bay Loan rates	96	96		96		96	109	109				**109**
Allocation		100.00%						100.00%				
	386,543	215,677	183,679	31,998	170,867	202,865	228,223	169,428	51,702	5,364	1,729	228,223

Notes:
The total cost is the sum of all activities of the Council.
The direct benefits are the portion of the total cost accruing to direct customers of the activities.
Activity revenue is the total of fees, grants and subsidies.
General benefits are the total costs less the cost of direct benefits.
Total rates is the sum of all direct benefit shortfalls plus general benefit costs.
Rates are allocated to the rate types and sectors as shown.
The General rates allocation percentage is the share of Capital Value. It does not include the rural sector adjustment.
Rates are shown GST inclusive.

Revenue and Financing Policy

2006 /07 schedule of Activities within Groups

Activity	Direct Benefits	General Benefits	User Charge %	Subsidies	Targeted rates	General rate (including UAGC)
Central City Revitalisation	50.00%	50.00%	10.80%	0.00%		89.20%
City and Community Forward Planning and Urban Renewal	75.00%	25.00%	0.00%	0.00%		100.00%
Heritage Protection	50.00%	50.00%	14.03%	3.89%		82.07%
Civil Defence and Rural Fire	50.00%	50.00%	11.23%	0.00%		88.77%
Community Grants	50.00%	50.00%	0.24%	0.00%		99.76%
Community Support	20.00%	80.00%	1.47%	0.90%		97.63%
Early Learning Centres	80.00%	20.00%	24.28%	50.92%		24.80%
Halls and Conveniences	50.00%	50.00%	6.10%	0.00%		93.90%
Housing	80.00%	20.00%	82.27%	0.00%	Not funded from General rates	
Art Gallery	80.00%	20.00%	12.21%	2.72%		85.07%
Libraries	80.00%	20.00%	8.04%	0.28%		91.68%
Museums	0.00%	100.00%	1.24%	0.00%		98.76%
Our City O-Tautahi	50.00%	50.00%	5.73%	0.00%		94.27%
Democracy and Governance Support	0.00%	100.00%	0.00%	0.00%		100.00%
Elected Member Representation	0.00%	100.00%	0.00%	0.00%		100.00%
City Promotion and International Relations	61.31%	38.69%	1.55%	0.00%		98.45%
Economic Development	80.00%	20.00%	1.84%	0.37%		97.79%
Employment Development	80.00%	20.00%	0.00%	0.00%		100.00%
Visitor Promotions	80.00%	20.00%	1.94%	0.00%		98.06%
Cemeteries	80.00%	20.00%	53.17%	0.96%		45.88%
Regional Parks	40.00%	60.00%	8.70%	0.03%		91.27%
Regional Parks	40.00%	60.00%	11.43%	0.00%		88.57%
The Botanic Gardens	40.00%	60.00%	3.38%	0.00%		96.62%
Urban Parks	40.00%	60.00%	4.12%	0.00%		95.88%
Waterways and Land Drainage	50.00%	50.00%	0.48%	0.00%	63.08%	36.44%

Pools and Leisure Centres, Stadia and Sporting Facilities	60.00%	40.00%	40.86%	0.00%		59.14%
Recreation and Leisure	80.00%	20.00%	3.06%	4.44%		92.50%
Recreation Programmes	80.00%	20.00%	14.28%	8.27%		77.45%
Sports Support and Promotion	80.00%	20.00%	0.17%	0.00%		99.83%
Black Bag Collection and Disposal	90.00%	10.00%	30.83%	0.00%		69.17%
Refuse Transfer and Disposal	50.00%	50.00%	42.90%	0.00%		57.10%
Waste Minimisation	50.00%	50.00%	43.31%	0.00%		56.69%
Enforcement and Inspection Activities	98.04%	1.96%	86.72%	0.00%		13.28%
Maintaining and Reviewing the City Plan	0.00%	100.00%	1.41%	0.00%		98.59%
Regulatory Approvals	100.00%	0.00%	72.47%	0.00%		27.53%
Cycle and Pedestrian Linkages - Off-Street	50.00%	50.00%	0.00%	10.12%		89.88%
Off-Street Parking	95.00%	5.00%	118.45%	0.00%		-18.45%
Pedestrian Malls - Off Street	50.00%	50.00%	0.00%	0.00%		100.00%
Public Passenger Transport	80.00%	20.00%	0.00%	12.65%		87.35%
Streets	50.00%	50.00%	12.37%	12.44%		75.19%
Wastewater Collection	80.00%	20.00%	-0.08%	0.00%	100.08%	
Wastewater Treatment and Disposal	80.00%	20.00%	29.58%	0.00%	70.42%	
Water Conservation	0.00%	100.00%	0.00%	0.00%	100.00%	
Water Supply	80.00%	20.00%	13.98%	0.00%	86.02%	
City Solutions	0.00%	100.00%	47.17%	0.00%		52.83%
Property	0.00%	100.00%	78.12%	0.00%		21.88%

Liability management policy

This policy should be read in conjunction with the Investment Policy.

1 Purpose

To enable the Council's debt funding and associated interest rate exposures to be managed in a prudent manner.

To establish a framework and a set of guidelines within which the treasury function of the Christchurch City Council (the Council) can operate.

2 Objectives

a) To minimise the Council's cost of borrowing through the effective control and management of its debt portfolio within the limits established by this policy;

b) To ensure the Council's continued ability to meet its debts in an orderly manner as and when they fall due in both the short and long term;

c) To maintain a prudent level of liquidity to meet both planned and unforeseen cash requirements;

d) To safeguard the Council's financial resources by establishing and regularly monitoring treasury credit limits and managing exposures within these limits.

e) To seek continued improvement in financial risk management strategies through ongoing evaluation and review of appropriate risk management techniques and strategies;

f) To maintain appropriate internal controls and staffing to minimise operational risk;

g) To ensure the Council's debt management is in accordance with the Council's requirements under the Local Government Act 2002;

h) To maintain the Standard and Poor's credit rating of the Council/Christchurch City Holdings Limited (CCHL) at AA (Long-Term) and A1+ (Short-Term) or better.

3 Management Structure, Responsibilities and Delegations

	Responsibilities
Council	• Approve the Liability Management Policy, and review, at least three yearly, as part of the LTCCP process. • Approve all new borrowing. • Amend liquidity profiles as required. • Monitor compliance with the Liability Management Policy through the receipt of periodic reports. • Appoint Sinking Fund Commissioners. • Grant delegated authority to act on liability management issues.
Chief Executive	• Ensure compliance with this policy through the appointment and accountability of appropriate staff. • Appoint a Treasury Review Team. • Execute deeds of charge for security.

4 Risk Control Limits

4.1 Liquidity

4.1.1 Committed and Uncommitted Facilities

The Council shall maintain, as a minimum, sufficient approved financing facilities to cover at least 120% of the peak cumulative anticipated net debt requirements on a rolling 12-month basis.

4.1.2 Maturity Profile of Committed Facilities

The debt maturity profile shall be maintained so that no more than 35% of the relevant debt matures within twelve months unless the total relevant debt outstanding is lower than $30 million. The relevant debt is the total external debt for the Council excluding any leases, table loans and floating rate short-term loan issues. This ratio must be reviewed by the Treasury Review Team if the Council's long-term credit rating from Standard and Poor's falls below AA-.

4.1.3 Liquidity Parameters (Financial management ratios)

a) Total external debt as a percentage of total assets of the Council/CCHL shall be no more than 12%.

b) Total external debt of the Council/CCHL combined as a percentage of realisable assets, (all assets excluding infrastructure and restricted assets), shall be no more than 33%.

c) The ratio of net external debt of the Council/CCHL to funds flow from operations shall not exceed five; i.e. an ability to repay debt over five years. (This calculation excludes net capital additions).

d) Net interest paid on term debt by the Council/CCHL will not exceed 8% of the consolidated gross revenue.

e) Should interest rates rise above 8.5%, the Chief Executive will recommend new ratios to Council.

Note 1: 'term debt' is defined as gross debt less dedicated debt repayment reserves, and 'net external debt' is total debt less all other cash reserve funds.

Note 2: when calculating financial management ratios, the debt levels and liquid investments of Christchurch City Holdings Limited, parent only, are added to the Council figures. Similarly, any reference to consolidated figures means the sum of the Council and CCHL, parent only, numbers.

4.1.4 Funding

a) Borrowed funds will be used to fund capital expenditure, equity investment or to meet short-term liquidity requirements. For the purposes of this clause "short term" means for less than one year.

b) The forecast interest rate payable on external debt intended to be raised by the Council in the ensuing year will be budgeted for and disclosed in the LTCCP and/or the Annual Plan.

c) Except as qualified in clauses d) and j) below, all external debt of the Council, including financial leases, must be authorised by the LTCCP or a separate resolution of the Council.

d) The aggregate amount the Council determines as not being so significant as to require specific authorisation under Section 112 (c) (ii) (A), of the Local Government Act 2002, is $1million.

e) Loans raised by the Council should normally be secured by a charge on rates revenue. The Chief Executive is authorised to execute a charge instrument charging rates revenue for the benefit of lenders to Council. Council may authorise other security in special circumstances.

f) Except as qualified in clause g) below, new loans raised in any particular year are to be no greater than the amount disclosed in the LTCCP and applied only to capital projects and investments listed in that Plan.

g) All new loans required to fund expenditure which was not provided for in the Annual Plan shall require Council approval by a specific resolution of the Council, including the reasons that the expenditure was not originally included. Staff shall have evidence of such approvals before any debt is raised.

Liability management policy

h) Where a loan is raised to fund a specific asset, its term must not be longer than the economic life of the asset it funds, except in the case of equity investments. In all cases the term of a loan may be up to, but not longer than, 30 years.

i) A loan may be raised in several parcels for terms less than the economic life of the capital asset it funds or the 30-year maximum loan term permissible. Repayments at maturity of a parcel within the term of a loan may be refinanced without further Council resolution. However, these refinancing loans shall not add to the original agreed term or make the effective term of the loan longer than 30 years.

j) Unless the Council resolves to the contrary and subject to any instruction issued by the Chief Executive, loan funds may be raised by way of bank overdraft to cover short-term cash shortfalls limited to a maximum of $2 million. Borrowing under this clause is not subject to the constraints of clauses elsewhere in this policy. Any overdraft so raised shall be reported to the Chief Executive within two working days. For the purposes of this clause, "short-term" means for terms of less than one year.

k) Debt may be repaid by one or a combination of the following:
   i. Annual Sinking Fund instalments where the Sinking Fund Commissioners hold the funds as a separate trust, for the Council, for the sole purpose of debt repayment of specific loans;
   ii. Annual Contributions to a Loan Repayment Reserve held by the Council for the sole purpose of repayment or reduction of loans;
   iii. Annual table repayment instalments providing for full repayment over the term of a loan being 30 years or less;
   iv. Repayment from revenue or other sources.

l) Debt will be used as a residual funds source after funds generated from depreciation and appropriate capital revenues are applied to renewal and new capital expenditure. The mix of debt and revenue funding for capital funding will be determined by the Annual Plan each year.

m) With the exception of table loans, a minimum of 1.4% of the aggregate of the initial external debt raised by the Council/CCHL shall be repaid annually in accordance with one or a combination of the options set out in (k) above. Where the term of the initial external debt is less than 30 years, an appropriate (higher) rate will be used to ensure repayment within the term. Initial external debt is defined as the original sum of any loan borrowed which has not been fully repaid. Any annual debt repayment provision will be funded from operating revenue.

n) The rate shall be reviewed annually to ensure that with accumulated interest earnings on invested funds, sufficient funds would be available to repay each initial loan parcel at the end of the term.

o) Surplus Sinking Funds and Loan Repayment reserves may be applied to earlier repayment of loans in conjunction with refinancing of parcels, or to the financing of other capital works.

p) When the repayment provision for any specific loan has been fully funded, no further contributions will be required for that loan.

q) The Treasury Review Team may select the specific debt to be repaid in any one year to optimise the mix of debt types retained within the group.

r) Interest costs are part of operating expenditure and will be funded from operating revenue.

s) Where a specific debt-raising resolution requires more restrictive delegation, the requirements of that resolution shall be followed rather than the general parameters of this policy.

4.2 Risk Management Parameters

4.2.1 Interest Rate Management

a) As a benchmark, 75% of all unmatched long-term debt should generally be on a fixed-rate basis, although the Treasury Review Team has the discretion to vary this proportion in a range between 50% and 100%. To the extent that interest rates on borrowing are matched by corresponding interest income streams calculated on the same basis, they may be excluded from this calculation.

b) Net short-term interest rate exposures (i.e. after netting short-term debt with short-term investments) should be managed in the context of the Council's investment intentions, cash flow projections and the current external environment.

c) For the purposes of this policy, floating rate debt is where interest rates re-price within three months of the current month end. Fixed rate debt is where interest rates are fixed for a period greater than three months from the current month end.

d) Derivative interest rate instruments may be used to hedge interest rates under the following circumstances:

i. They must be applied to a specific class of existing or committed debt or investment of the Council;

ii. They may be used to avoid an exposure to adverse rates based on the interest rate view formed by the Treasury Review Team;

iii. They may be used to change the mix of fixed and floating rate debt;

iv. All hedging contracts longer than twelve months must be discussed with the Director, Strategic Investment, or General Manager, Corporate Services, before being transacted;

v. Contracts to be taken for periods longer than ten years must be discussed in advance with the Treasury Review Team.

e) Derivatives may not be used for speculative purposes under any circumstances.

4.2.2 Approved Hedging Instruments

a) Interest rate swaps;

b) Forward Rate Agreements (FRAs);

c) Bought options on FRAs, swaps or government bonds;

d) Sold options on FRAs, swaps or government bonds, but only as an integral part of a 1:1 collar;

e) All derivative contracts entered into shall be reported to the Treasury Review Team on the day of the transaction.

4.2.3 Hedging Counterparties

a) All hedging counterparties must be a Registered Bank in terms of the Reserve Bank Act and have a long-term credit rating of 'A' or above from Standard and Poor's, or equivalent from another recognised credit rating agency.

b) Other approved counterparties include the Council, and CCHL subsidiaries, and other recognised financial intermediaries with the appropriate credit rating.

c) The following table summarises minimum credit rating requirements and limits:

Counterparty's Minimum S&P Short-Term Credit Rating	Counterparty's Minimum S&P Long-Term Credit Rating	Total Exposure Limit for each Counterparty
A1+ A1	AA- A	$50 million $20 million

d) If any counterparty's credit rating falls below the minimums specified in the above table, all practical steps are to be taken to reduce the credit exposure to that counterparty to zero as soon as reasonable.

e) Exposure to each counterparty is computed as being the total amount borrowed from that counterparty.

f) All settlements shall be by cleared funds

Liability management policy

5 Reporting – Council and Management

5.1 Treasury Review Team

The Treasury Review Team will review the following on a monthly basis:

a) Cash/debt position; the tracking of cash flow and debt levels against plan, the reasons for variances and updated future cash/debt projections;

b) Risk exposure position; the Council's current interest rate position including underlying physical exposures, hedges in place and the actual net risk position, compared to the risk control limits of the policy;

c) Policy compliance; conformity with policy limits and requirements in the areas of liquidity/funding risk, counterparty credit risk, operational risk and debt covenants and ratios;

d) Funding facility report; actual loans against limits;

e) Cost of funds report; actual cost against plan.

5.2 Council

A summarised report incorporating key elements of (a) to (e) above will be made to the Audit and Risk Management Subcommittee twice yearly and the Subcommittee shall make regular progress reports to Council on the management of treasury operations and results.

6 Performance Measurement

6.1 Review

Measuring the effectiveness of the Council's liability and related interest-rate management activities is achieved through objective measures as follows:

a) Adherence to policy;

b) Comparison of actual monthly and year-to-date borrowing margins against. budget rate (as per the Annual Plan) and, for public issued securities, similar New Zealand rated entities issuing into the New Zealand securities markets;

c) Comparison of the financial covenants and ratios to actual borrowing.

Investment Policy

This policy should be read in conjunction with the Liability Management Policy.

1 Purpose

To ensure the prudent management of the Council's funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

To establish a framework and a set of guidelines within which the treasury function of the Christchurch City Council (the Council) can operate.

Investments held by Council-controlled trading organisations (CCTOs) and other subsidiary companies are outside the scope of this policy.

2 Objectives

(a) To preserve the principal of those funds within the portfolio.

(b) To ensure that funds are available as needed to meet those immediate and/or future operating requirements of the Council.

(c) To manage the portfolio in such a fashion as to ensure a satisfactory return, within the context and parameters set out in objectives (a) and (b) above.

3 Management Structure, Responsibilities and Delegations

	Responsibilities
Council	• Approve the Investment Policy, and review, at least three yearly, as part of the LTCCP process. • Monitor compliance with the Investment Policy through the receipt of periodic reports. • Approve investments in CCTOs, other subsidiary companies or trusts including the authorisation of the principal, source of funds, security and general terms, after receiving professional advice on valuation and acquisition procedures, where appropriate. • Approve loans to non-Council entities to facilitate community infrastructure asset creation including the authorisation of the principal, source of funds, security and general terms. • Approve loans to individuals and to community organisations, either on a one-off basis or by class. • Approve investments made outside of this policy. • Appoint Sinking Fund Commissioners. • Grant delegated authority to act on investment issues.
Chief Executive	• Ensure compliance with this policy through the appointment and accountability of appropriate staff. • Appoint a Treasury Review Team.

4 Standard of Prudence

Investments shall be made with judgement and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the professional management of funds, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived.

Investment policy

5 Authorised Investment Categories and their Purpose

The Council's investments are made for a range of purposes and fall broadly into five categories:

5.1 General Funds Investments

5.1.1 These investments are held for general Council use. Typically, they are invested on a commercial basis to produce a financial return for the Council to use in its ordinary course of business.

5.2 Equity investments in Council Controlled Trading Organisations (CCTOs) and other Subsidiary Companies

5.2.1 The Council holds equity investments in a range of CCTOs and other subsidiary companies for a mix of the following purposes:

(a) Providing a rate of return on the investment to be used for general revenue purposes.

(b) Ensuring that ownership of essential infrastructural facilities with monopoly characteristics remain in community ownership.

(c) Separating trading activities or services from the ordinary operations of the Council in the interest of transparency, efficiency and competitiveness of pricing.

5.3 Property Held for Investment Purposes

5.3.1 Investment properties are defined as being held for market return purposes and having no Council operational function.

5.3.2 The decision to hold or dispose of investment property is driven by the performance of this investment compared with similar properties in the market.

5.4 Investment of all Reserve Funds including Trust Funds

5.4.1 These reserve and trust funds have the following characteristics:

(a) The Council has resolved to set aside funds for a specific, defined future purpose.

(b) The Council has defined a minimum holding of the Emergency Capital Fund, set at $5,000,000 to provide a first source of funding available in the case of an emergency arising from a natural disaster.

(c) Estimates of the value of each separate reserve fund including revenue projections are prepared each year.

(d) These funds are available for appropriation in the Annual Plan to finance expenditure incurred for the purpose of the fund.

(e) The investments that make up the Reserve Funds can be held in common with General Funds investments with the earnings apportioned to each separate fund or may be invested separately with professional fund managers in managed portfolios of investments.

(f) Where the source of funds is unspecified Reserve Funds the maximum which can be invested in loans from these sources is 10% of total reserve funds. Specific Loan Reserve Funds, Emergency Capital Fund, Debt Repayment Reserves and other specific short-term reserve funds are excluded from funds able to be invested.

5.4.2 Capital Endowment Fund

The Council has established a separate fund known as the Capital Endowment Fund. It is intended that the capital of this fund will be held together with sufficient income capitalised annually to preserve the real value of the fund after provision for inflation. Part of the original fund will comprise a fluctuation reserve of $3.5 million to facilitate fluctuations in earnings from investments and enable budgeted commitments for earning distributions to be met. The balance of the income will be available to the Council to provide for economic development projects and civic and community projects that will enhance the city or region.

The Capital Endowment Fund will be invested according to criteria applied to other Council reserve funds.

5.5 Sinking Fund Investments

5.5.1 These funds are held in trust by the Commissioners appointed by the Council for the repayment of certain Council loans in accordance with the Council's Liability Management Policy.

5.5.2 Sinking Funds may be invested in the following investment sub-types as detailed in Sections 6.1 and 6.2 of this policy.

5.5.3 Management of Sinking Fund investments shall be subject to the procedures outlined in Section 6 of this policy.

6 Types of Investment

For the purpose of calculating investment limits, "the portfolio" is defined as including all investments held under clauses 6.1, 6.2, 6.3.5 and 6.3.8.

The Council may hold the following types of investments:

6.1 Any issuance by a Registered Bank subject to the following conditions being met:

(a) the bank remains the primary debtor throughout the term of the investment;

(b) the bank maintains a Standard and Poor's short-term credit rating of A-3 or better, and a long-term credit rating of A or better, (equivalent ratings from other credit rating agencies may be used);

(c) the total amount invested with any one bank does not exceed 33% of the portfolio, except where the total bank investments are less than $10,000,000, in which case the investments shall be made with at least two banks.

(d) for the purpose of this clause the amount invested includes short-term bank deposits, accepted bills, certificates of deposit, promissory notes and long-term stocks and bonds. Deposits may include foreign currency to meet the Council's commitments in overseas currencies.

6.2 Short-Term Promissory Notes and Stocks and Bonds issued by Government, State Owned Enterprises, Local Authorities, and suitably rated corporate entities subject to the following conditions being met:

(a) the total amount invested in stock issued by the New Zealand Government may be up to 100% of the portfolio.

(b) the total amount invested with State Owned Enterprises (SOEs) or approved government owned entities does not exceed 33% of the portfolio, with the total investment with any one issuer not exceeding 10%;

(c) the total amount invested with local authorities must not exceed 60% of the portfolio, but subject to a maximum of 10% unless an issuer has a Standard and Poor's long term credit rating of A- or better, (or equivalent), in which case the percentage may be up to 20% of the portfolio. In all cases the stock and/or notes must be rate-secured;

(d) the total amount invested in notes issued by any company in New Zealand must not exceed 33% of the portfolio, with the total investment with any one issuer not exceeding 10%, subject to the issuer or issue having a Standard and Poor's rating of A- or better, (or equivalent).

6.3 Loans and Investments

Loans and investments may be made to the following only after Council resolution, the resolution to include authorisation of the principal, source of funds, security and general terms and conditions.

6.3.1 Loans to CCTOs and other subsidiary companies and trusts where Council or a subsidiary are the settlor.

6.3.2 Loans to individuals (for Council approved purposes).

6.3.3 Loans to community organisations.

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6.3.4 Loans to non-Council entities to facilitate community infrastructural asset creation as approved specifically by the Council.

6.3.5 Shares in (listed) public companies.

6.3.6 Shares in CCTOs and other subsidiaries.

6.3.7 Real estate held for investment purposes.

6.3.8 Professionally managed (external to the Council) portfolios of investments, either by direct investment or through Unit Trusts, including:

(a) Equities both New Zealand and overseas domiciled

(b) Fixed interest, both New Zealand and overseas domiciled

(c) Short term cash

(d) Real estate.

6.3.9 Other investments that the Council may from time to time resolve.

7 Performance Review Criteria

7.1 The performance of any external investment manager used will be monitored against the performance of other investment managers at least quarterly.

7.2 Any external investment manager used will be reviewed annually with respect to their organisational structure, investment processes and personnel.

7.3 Investment policies and objectives, asset allocation strategy and overall investment-management structure will be reviewed at least once every three years.

7.4 The performance of any funds managed without the use of external investment managers will be monitored against suitable benchmarks as determined from time to time by the Chief Executive of the Council.

8 Role of CCHL in Monitoring CCTOs

8.1 Christchurch City Holdings Ltd (CCHL) is an infrastructure investment and monitoring company established by the Council to hold its significant CCTOs and other subsidiary companies on behalf of the Council.

8.2 Each company which is held directly by the Council or CCHL is required to prepare annually a Statement of Intent that sets out its activities and strategic direction and to report in accordance with the Statement of Intent to CCHL except where that company is listed on the stock exchange.

8.3 Regular monitoring will be carried out by CCHL on the operational performance and periodically CCHL will review the ownership options, business strategy and operating plans, capital structure and risk management affecting both the CCHL and CCC-owned CCTOs and other subsidiary companies.

8.4 Investment performance of CCTOs and other subsidiary companies will be assessed in comparison to the performance of similar companies in the same industry taking account of the objectives established in the Statements of Intent.

8.5 The CCHL Board will report directly to the Council at least six times a year on issues arising from its monitoring role. Ad hoc briefing sessions and seminars for Councillors will also be arranged.

8.6 The Council is responsible for the approval of Statements of Intent and the appointment of directors for all CCTOs and other subsidiaries held directly by the Council and CCHL.

8.7 Directors of all CCTOs and other subsidiary companies will be selected according to the policy established by the Council in June 2003.

8.8 Ownership of shares in CCTOs and other subsidiaries may be transferred to CCHL when a subsidiary has an established record of financial performance and it is Council policy to retain the investment in the long term.

8.9 This policy does not apply to non-trading companies or companies which are subsidiary to companies which report directly to CCC or CCHL.

9 Risk Management Parameters

9.1 Hedging

9.1.1 Derivative interest rate instruments may be used to hedge interest rates under the following circumstances:

(a) They must be applied to a specific class of existing investment of the Council;

(b) They may be used to avoid an exposure to adverse rates based on the interest rate view formed by the Treasury Review Team;

(c) All hedging contracts longer than twelve months must be discussed with the Director, Strategic Investment, or General Manager, Corporate Services, before being transacted;

(d) Contracts to be taken for periods longer than ten years must be discussed in advance with the Treasury Review Team.

9.1.2 Derivatives may not be used for speculative purposes under any circumstances.

9.2 Approved Hedging Instruments

(a) Interest rate swaps.

(b) Forward Rate Agreements (FRAs).

(c) Bought options on FRAs, swaps or government bonds.

(d) Sold options on FRAs, swaps or government bonds, but only as an integral part of a 1:1 collar

(e) All derivative contracts entered into shall be reported to the Treasury Review Team on the day of the transaction.

9.3 Hedging Counterparties

(a) Unless otherwise stated, all hedging counterparties must be a Registered Bank in terms of the Reserve Bank Act and have a long term credit rating of 'A' or above from Standard and Poor's, or equivalent from another recognised credit rating agency.

(b) Other approved counterparties include the Council, and CCHL subsidiaries, and other recognised financial intermediaries with the appropriate credit rating.

(c) The following table summarises minimum credit rating requirements and limits:

Counterparty's Minimum S&P Short- Term Credit Rating	Counterparty's Minimum S&P Long- Term Credit Rating	Total Exposure Limit for each Counterparty
A1+	AA-	$50 million
A1	A	$20 million

If any counterparty's credit rating falls below the minimums specified in the above table, all practical steps are to be taken to reduce the credit exposure to that counterparty to zero as soon as reasonable.

(d) Exposure to each counterparty is defined as the total amount invested with that counterparty.

(e) All settlements shall be by cleared funds.

10 Reporting – Council and Management

10.1 Treasury Review Team

The Treasury Review Team will review the following on a monthly basis:

(a) Return on the portfolio and the relevant market return.

(b) Risk exposure position; the Council's current interest rate position including underlying physical exposures, hedges in place and the actual net risk position, compared to the risk control limits of the policy.

(c) Policy compliance; conformity with policy limits and requirements in the areas of

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portfolio composition, counterparty credit risk, and operational risk.

(d) Funding facility and liquidity report; availability of operating and capital funds.

10.2 Council

A summarised report incorporating key elements of (a) to (d) above will be made to the Audit and Risk Management Sub Committee twice yearly and the Sub Committee shall make regular progress reports to Council on the management of treasury operations and results.

11 Performance Measurement

11.1 Review

Measuring the effectiveness of the Council's cash investment activity is achieved through objective measures as follows:

(a) Adherence to policy.

(b) Comparison of actual monthly and year to date investment return vs. budget return (as per the Annual Plan) and comparable fund and financial market indices.

Policy on Partnerships with the Private Sector

Policy objective

To ensure that the Council acts wisely when it enters into business partnerships with the private sector, and to ensure that the Council's interests are protected and the desired outcomes are consistent with its strategic objectives.

Context

From time to time the Council has opportunities to work in partnership with private sector interests to deliver its strategic directions. These opportunities can be quite diverse in nature, and for this reason this policy is broadly based.

The Local Government Act 2002 (Sections 102(4)(d) and 107) requires that a policy be prepared on Public Private Sector Partnership (PPPs) and is adopted by the Council as part of its Long Term Council Community Plan (LTCCP).

Section 107 of the Act states that this policy applies to: ". . . . any arrangement or agreement that is entered into between one or more local authorities and one or more persons engaged in business; but does not include: (a) any such arrangement or agreement to which the only parties are: (i) local authorities; or (ii) one or more local authorities and one or more Council organisations; or (b) a contract for the supply of any goods or services to, or on behalf of, a local authority."

All references to PPPs in this policy are made in the context of the above definition. The focus is on commercial relationships with entities engaged in trading activities undertaken for the purpose of making a profit. The nature of the entity's activities, rather than its legal form, is the relevant consideration in determining whether this is a partnership with "persons engaged in business". This could include charitable trusts.

The term engaged in business means "engaging in a commercial activity".

Policy on partnership with the private sector

Circumstances in which the Council will enter into a PPP

The Council may consider entering into a PPP where:

- the PPP will contribute to the achievement of Community Outcomes identified in the Council's LTCCP; and
- it will promote the social, economic, cultural or environmental well-being of the city; and
- it is a prudent, efficient and effective use of the Council's resources.

Conditions

The Council will only enter into a PPP where:

- There is a partnership agreement which defines the objectives of the partnership and the obligations of all parties;
- The benefits to the community of the proposed partnership will exceed the costs;
- The proposed private sector partner has demonstrated the ability to meet the terms of a proposed agreement between it and the Council;
- The partnership and its proposed business are lawful;
- There are clear financial forecasts of the partnership arrangements;
- The Council's financial and resource obligations under the partnership are defined
- A clear exit/termination strategy is agreed;
- Roles, responsibilities and liabilities of each partner are clearly defined;
- Other conditions that the Council wishes to impose are clearly defined.

The Council **will not** enter into a PPP where:

- The activity is primarily speculative in nature;
- The cost or risk of the PPP is judged by the Council and its advisors to be greater to the community than the benefits that would accrue to the community.

Types of PPP participation

The Council can consider the following methods of participating in a PPP:

- Grants
- Loans
- Investments
- Guarantees

The form of contribution to a PPP will be determined based on the nature of the partnership project, the availability of resources and the assessed risks.

Process of approval

A PPP may only be entered into following a Council resolution or under a delegation from the Council to the Chief Executive. Where the issue is deemed to be significant in terms of the Council's Policy on Significance the Council shall not delegate the decision. Before making a decision to enter into a PPP, at any level of delegation, a comprehensive report which addresses the following issues must be considered:

- The specific strategic directions and Community Outcomes which the proposed partnership will contribute to;
- A full description of the Council's resources (physical and financial) which will be allocated to this partnership;
- An explanation of the nature of the transactions to be entered into, and key performance measures;
- Details of the financial projections of the PPP for a minimum of 5 years;
- An analysis of the financial implications for the Council (both capital and revenue) over the life of the PPP, including an independent assessment from the General Manager Corporate Services or delegated staff;
- An analysis of why the PPP structure is preferable to other service delivery options;
- An assessment of the risks and the Council's potential liabilities, and proposed

Policy on partnership with the private sector

procedures for mitigating these;

- An analysis of potential partners, and the reason for selecting the proposed partners;
- Details of the conditions and milestones that must be met before the Council commits funding or other resources to the PPP;
- The form of a Partnership agreement to be entered into which reflects the intentions and obligations of all parties;
- Details of the proposed monitoring regime of the PPP, including internal and external audit requirements;
- The degree of delegated authority to be given to the partnership arrangement to act on behalf of the Council;
- Details of how the PPP is to be administered and accounted for and the estimated resource requirements and cost to the Council (if any) for administration and accounting;
- An exit strategy and how and when this could be commenced;
- A summary of professional or other advice taken.

Form of consultation

Where practicable the Council will consult on PPPs through the Annual Plan or LTCCP process, or other formal plans.

Generally, where the Council decides to enter into a PPP in accordance with this policy and on matters which are provided for in the Council's LTCCP or Annual Plan, there will be no further requirement for the Council to consult.

However, further public consultation may be undertaken where it is appropriate in the context of the Council's "Policy on Significance".

The Council will undertake additional consultation where:

- A PPP is assessed as being greatly beneficial, but falls outside the conditions or circumstances identified in this policy;
- Financial provision has not been made in the Annual Plan and LTCCP;
- The partnership will result in significant changes in service levels not already reflected in the Annual Plan or LTCCP;
- Ownership or control of a significant asset is to be transferred away from the Council;
- There is expected to be considerable public interest in whether the PPP should proceed and the Council regards the proposal as being significant.

Policy on partnership with the private sector

Assessment and management of risks

An assessment of risks and their management is required before the Council enters into a PPP. This shall be included in a report to the Council or delegated decision-maker before any commitment to enter into the PPP is made.

Where the risks are considered to be significant, the assessment will weigh up the risks against the benefits and the risk management strategies which are proposed.

Risks to be assessed will fall into the following categories:

- Design and construction risk;
- Commissioning and operating risk;
- Service and under performance risk;
- Financial risk to the Council;
- Risk to the capacity of the Council to carry on its activities (whether associated with this partnership or not);
- Risk to the reputation of the Council and the city from failure;
- Counterparty risk.

Council staff charged with monitoring the Council's involvement in a PPP must specifically include and report on risk assessment and management in their monitoring process.

Monitoring and reporting provision of funding and other resources

Monitoring must be performed on an ongoing basis, with formal reports being brought to the appropriate portfolio group at regular intervals, depending on the significance of the Council's involvement in the PPP and the maturity of the partnership.

Formal monitoring reports will be at no less than 12-monthly intervals. However, monitoring and reporting requirements will vary depending on the level of resources the Council has committed to the PPP. The Council will determine the minimum level of monitoring, as part of the process of approval.

In the case of major business partnerships the Council may choose to delegate its monitoring role to Christchurch City Holdings Limited.

Assessing, Monitoring and Reporting Community Outcomes

The extent to which Community Outcomes will be enhanced by the proposed PPP will be assessed as part of the process of approval.

Regular monitoring of the partnership arrangements will be required to ensure that Community Outcomes are being achieved.

The following points shall be considered for inclusion in a monitoring regime to assess how Community Outcomes are being achieved by the PPP:

- Measurable and auditable performance outcomes and objectives should be included where appropriate in partnership documents and reported on as part of the regular monitoring reports to the Council or its delegated monitoring committee;
- Annual financial reports from the PPP must be produced and reported to the Council or portfolio group of the Council for the duration of the arrangement or period of perceived benefit;
- The performance of PPPs will be reported on in the Council's Annual Report where it is of significance.

Policy on partnership with the private sector

Exclusions from this policy

For the sake of clarity it should be noted that this policy does not apply to:

- Grants to community organisations;
- Investment of funds solely for the purpose of financial return. These are subject to the Council's adopted Investment Policy;
- Normal contractual arrangements for the supply of goods and services;
- Commercial arrangements made by Council controlled trading organisations and their subsidiaries;
- Capital contracts of less than $1 million and operating contracts of less than $500,000 in total over the period of the contract where officers have delegated authority from the Council and there has been a specific line item provision in the Annual Plan.