

STATEMENT OF PROPOSAL ON THE DRAFT ANNUAL PLAN 2008/09

This statement is required to be made by the Local Government Act 2002. It is to be read with the Christchurch City Council's draft Annual Plan 2008/09 which is set out in the following pages.

The purpose of the draft Annual Plan 2008/09 is to:

- Contain the annual budget and funding impact statement for the 2008/09 year;
- Identify any variation from the financial statements and funding impact statement included in the 2006-16 Long Term Council Community Plan (LTCCP) in respect of the 2008/09 year;
- Support the 2006-16 LTCCP in providing integrated decision-making and co-ordination of the resources of the Council;
- Contribute to the accountability of the Council to the community; and
- Extend opportunities for participation by the public in decision-making processes relating to the costs and funding of activities to be undertaken by the Council.

The draft Annual Plan 2008/09 has been prepared in accordance with the principles and procedures that apply to the preparation of the financial statements and funding impacts statement included in the 2006-16 LTCCP. It also contains appropriate references to the 2006-16 LTCCP in which the Council's activities for the 2008/09 year are set out.

The draft Annual Plan 2008/09 contains the following information:

- A statement of the intended levels of service provision for each group of activities undertaken by the Council, including the performance targets and other measures by which actual levels of service provision can be assessed;
- The estimated expenses of achieving and maintaining the levels of service provision, including the estimated expenses associated with maintaining the service capacity and integrity of assets;
- A statement of how the expenses are to be met;
- A statement of the estimated revenue levels, any other sources of funds, and the rationale for their selection.

The activities of the Council are those identified in the 2006-16 LTCCP. The proposals in the draft Annual Plan 2008/09 are the Council's preferred options for continuing the intentions published in the 2006-16 LTCCP.

Reasons Why Information in Draft Annual Plan Departs from LTCCP

Section 85(2)(b) of the Local Government Act 2002 requires this statement of proposal to give reasons why any information included in the draft annual plan departs from the information specified in the LTCCP for the same year. The only information that departs from that proposed in the LTCCP is the forecasted rate increase. The rate increase in the draft annual plan is 7.58%, which is lower than the LTCCP forecast rate of 9%, principally due to the following:

- CCHL dividend increase \$3.5m
- Biosolids delay in sending to Kate Valley - \$1.4m saving
- Museum Levy reduction \$0.9m – delayed redevelopment project
- Insurance saving \$1.4m
- Transfer of \$3.7m software development staff costs to capital
- Not rating for \$3.1m Asset write offs
- Temporary revenue from new Bus Exchange properties of \$0.5m
- Interest expense net down \$4.4m due to delayed borrowings

- Partial special fund drawdowns from the ACC contingency reserve and emergency capital funds \$0.6m

Offsetting the above reductions is:

- Introduction of the Waste Minimisation Plan, 3 bin option with increased costs \$6.2m
- Rates remissions – increase of \$0.4m to \$1.35m
- Development Contributions - down \$1.25m timing delay due to new policy
- Staff costs – \$6.9m over LTCCP due to market pressure
- Depreciation \$7.1m over LTCCP due to revaluations
- Incremental inflation impact on contracts - \$7.6m over LTCCP

[The following section will only be included in this statement of proposal if the Council resolves to adopt targeted rates on the Waste Minimisation Plan, which will lead to the need for draft 2008 Amendments to the 2006-16 LTCCP.]

Concurrent LTCCP Amendment – Summary of Information for that Proposal

Section 85(2)(c) of the Local Government Act 2002 requires that if the making of an amendment to the LTCCP and the adoption of the annual plan is to take place concurrently the summary of information prepared for the LTCCP amendment must be included in the statement of proposal for the annual plan. The following sets out that summary of information (without the submissions section, as it contains the same information as in this statement of proposal).

Details of the Proposal

It is proposed that the 2006-16 LTCCP be amended by replacing the existing Revenue and Financial Policy with a new policy, and with consequential amendments to the 2006-26 LTCCP arising from that amendment. The draft 2008 Amendments to the 2006-16 LTCCP and an Auditor's report on the amendments are attached to the statement of proposal for the amended LTCCP.

Reasons for the Proposal

At its meeting on 4 March 2008 the Christchurch City Council resolved to introduce two waste minimisation targeted rates to assist in funding the kerbside collection and disposal of organic waste, recycling and rubbish.

The funding for the new proposal will be:

- A new uniform targeted rate for organic waste and recycling;
- A 75% part charge for outlying depot based service (in the Banks Peninsula wards);
- User charges for collections within the CBD; and
- The balance of the net cost funded by general rates.

The proposed targeted rates will be charged on a uniform basis to all occupied parts of a rating unit which receive or are entitled to receive the standard service of three separate bins for organic waste, recycling and rubbish. An alternative service will be available in specific circumstances that will be defined by the Council under its service entitlement rules. Introduction of the new targeted rates requires changes to be made to the Revenue and Financing Policy, which can only be done by an amendment to the LTCCP.

As part of the amendment the opportunity was taken to update the policy by removing the explicit reference to the rates and charges of the former Banks Peninsular District Council, (BPDC), updating the balances of the Church Bay and Governors Bay targeted rates and updating the relative proportions of capital value for each of the business, residential and rural sectors.

Financial and Economic Considerations

Successful implementation of the 2006 Waste Minimisation Plan will result in considerable benefits to the Council's ratepayers. It is acknowledged that to achieve these benefits, it will be necessary to increase rates in the 2008/09 and 2009/10 financial years.

The cost of the Refuse Minimisation group of activities is \$21.5 million: \$11.3 million to be funded from the new targeted rates and \$10.2 million from general rates, although for those properties, predominately in the Banks Peninsula wards, with community drop off facilities for rubbish and recycling a lower uniform targeted rate (75% of the full charge) will be assessed to reflect the different level of service. In the central business district the 6 day a week rubbish collection will continue but a charge will be introduced for collection bags once the new service is introduced. The targeted rate will not apply to this area. The risk of not adopting the waste minimisation targeted rates may be that a less equitable funding mechanism is used to finance the implementation of the 2006 Waste Minimisation Plan.

Social, Environmental Economic and Cultural Considerations

In addressing these proposals, the Council has had regard to social, environmental economic and cultural considerations, particularly the potential impact of the new waste minimisation targeted rates. The Council is not aware of any cultural issues that should be taken into account. Any impact in terms of the present and social wellbeing of ratepayers is minimal, and this proposal will not have an impact on the environment. (However, implementation of the Council's 2006 Waste Management Plan will result in the reduction of waste (particularly organic waste) going to the Kate Valley Landfill and greater opportunities for recycling.) The chosen rate charging structure reflects sound economic considerations.

Analysis of Options Considered by the Council

The Council is required by the Local Government Act 2002 to have a Revenue and Financing Policy. There is no other practicable option.

The current charging option in that policy for this activity has all the costs recovered in the general rate by capital value. Any cost increases resulting from a change in the level of service would impact all general ratepayers proportionally to their capital value. The Council could adopt a single, but differentiated uniform targeted rate. However, it is believed that a simpler and clearer option is a separate targeted rate for each charge to each of the two areas of benefit.

Submissions

The draft Annual Plan 2008/09 will be available for inspection from Monday 17 March 2008 during ordinary office hours at the following places:

- Civic Offices, 163-173 Tuam Street, Christchurch.
- Christchurch City Council Libraries and Service Centres.

A copy of the draft may also be viewed on the Council's website: www.ccc.govt.nz/ltccp.

Submissions on the draft may be made to the Council from Monday 17 March until 5.00pm on Monday 21 April 2008. The submissions may be made:

- Electronically at www.ccc.govt.nz/haveyoursay
- By email to consultation@ccc.govt.nz
- By using the submission forms contained in the draft 2008 Amendments to the 2006-16 LTCCP.
- Or in any other written form to the Christchurch City Council, PO Box 237, Christchurch.

Any person who makes a submission will have the opportunity to be heard by the Council, but must make that request. Hearings will be held from Monday 12 May to Wednesday 14 May 2008.

The Local Government Act 2002 requires the Council to make all written submissions on its draft 2008/09 Annual Plan available to the public. This requirement is subject to the provisions of the Local Government Official Information and Meetings Act 1987. Anyone wishing to withhold any information of a private or personal nature from their submissions should first discuss this with Kevin Roche, Ph 941-8112.

Cautionary Note

The forecast financial statements in this draft Annual Plan 2008/09 have been prepared on the basis of best estimates available at the time of preparing the accounts. Actual results are likely to vary from the information presented and the variations may be material.

The purpose of this draft Annual Plan is to consult with the community on the spending priorities outlined within the Plan, and may not be appropriate for any other purpose. Following the consultation period, there may be changes made to the Plan. The final Annual Plan 2008/09 will be adopted on 25 June 2008.

Comparative Information

The 2007/08 comparative information is based on the 2006-16 LTCCP. The comparative numbers for the balance sheet have been adjusted to reflect the Council's position at 30 June 2008 under New Zealand equivalents to International Financial Reporting Standards.

Scope of Information

The draft Annual Plan 2008/09 covers the operations of the Christchurch City Council only. The results of its subsidiary companies are not consolidated. The financial position of the Council's holding company, Christchurch City Holdings Limited, is, however, combined with the Council's financial position for the purpose of calculating ratios required on the Council's investment policy.

Responsibility

The Council and management of the Christchurch City Council accept responsibility for the preparation of the draft Annual Plan 2008/09 and the judgements applied there in.

Authorisation for Issue

The draft Annual Plan 2008/09 was adopted by the Council on 6 March 2008 and authorised for release for the purposes of public consultation.

The Annual Plan 2008/09 will be issued in final form, no later than 1 August 2008.