Highlights

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

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

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

Levels of service

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

Changes to policies

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

The adopted programme of capital projects has been designed to support these levels of service. Planned projects can be seen in capital programme section in Volume 1.

Major projects

Over the next 10 years the council will spend $2.52 billion on a range of projects across the city. This includes the maintenance and renewal of Christchurch's extensive existing infrastructure, as well as the development of new services, facilities and infrastructure networks. Some of the major projects proposed over the next decade are listed below.

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

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

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

Social housing – The Christchurch City Council has been providing low-cost accommodation to low-income residents of Christchurch for almost 70 years; today, the Council has 2655 units at 116 complexes. City Housing is a self-funding entity which manages the Council's social housing, receiving no funding from rates. $43.5 million is budgeted over the next 10 years for replacements and improvements on social housing stock.

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

New city libraries – The Council invests in libraries to support the cultural and learning needs of the community. As our city continues to grow, demand for these services will increase. Guided by the Libraries 2025 Facilities Plan, the Council has allocated $123.5 million over the next 10 years on building new libraries in the growth areas of Belfast (with budget of $9.7 million allocated over 2017–19), Halswell ($8.3 million over 2012–14), Hornby ($9.4 million over 2016–18) and Linwood ($9.4 million over 2016–18), in addition to $3.1 million for a new Aranui library from 2010, and $83.5 million on development options for the Central Library from 2019.

Parks development – It is important that everyone is able to enjoy Christchurch's parks and open spaces for recreation, leisure and sport. $75 million of funding is proposed over the next 10 years for developing neighbourhood parks, including $37.8 million on the purchase of land for new neighbourhood parks; $36 million is proposed for sports parks across the city, including $3.5 million on land purchases for new sports parks; and the 10–year plan includes $16 million for maintaining and developing our regional parks, including $3.3 million for the purchase of Te Oka Farm on Banks Peninsula and $3 million towards Cashmere Forest Park.

Recreation and leisure facilities – The Council promotes healthy, active lifestyles by providing the community with facilities for sports, recreation, fitness and leisure. As our communities grow and develop, their recreation and leisure needs will change and Council must budget for new and improved facilities. In the next 10 years the Council proposes spending of: $9.1 million on building the new Graham Condon Leisure Centre in Papanui during in 2009–10; $2.8 million over three years from 2012 to upgrade the Centennial Fitness Centre in the central city; $21.7 million over four years from 2015 to develop a new leisure centre in the south-west of the city; $1 million over 2010–11 to develop test cricket facilities at Hagley Oval; $1.5 million over 2009–10 for a new artificial surface at English Park in St Albans; $1 million for the upgrade of Cowles Stadium to start in 2011; $24.3 million over 2013-15 for a new Indoor Multi Sports Stadium; $26.1 million for a new Aquatic Facility to be built in 2017-19; and $1.2 million for 2 Hockey pitches in 2013 and 2017.

Christchurch City Council

Highlights

Transport – Traffic demand management is a key issue for the Christchurch City Council and it is proposing significant funding to create a safe, secure, responsive and sustainable transport network. As well as building and maintaining our roads, this work includes promoting alternative transport methods such as walking, cycling and public transport. $671 million is proposed for improvements to roading networks across the city and the peninsula over the next 10 years. There is a strong focus on relieving traffic congestion in the busiest areas north and south of the city.

- $51.5 million over 10 years is budgeted to extend and improve roads in the city's south, servicing growth areas in the south-west.
- $63.4 million has been allocated to address northern roading issues, including the extension of the northern arterial ($7.5 million over 2017–19) and Hills Road ($11 million over 2016–19) and capacity improvements on Cranford Street ($19.2 million over 2016–19), and Northcote Road ($7.5 million over 2015–17)
- $68 million has been budgeted to promote active travel, where the council encourages walking or cycling by making it easier and more pleasant for people to choose alternative transport methods and help reduce the pressure on our roads.

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

Western interceptor – $51.5 million is proposed for future stages of the Western Interceptor project. The Western Interceptor sewer pipeline is being built to reduce overflows to the Avon River during wet weather and allow for growth in the south-west of the city. Eventually, it will extend from Riccarton through the city to the new Pump Station 11 built on the corner of Bass and Randolph Streets.

Transport Interchange – $86.6 million is proposed to develop a new Transport Interchange in the central city. This is a key component of the Council's plans to revitalise the central city and meet increasing demand for public transport. Plans for the new transport interchange may include extra facilities and services such as retail outlets that meet the needs of passengers and other users.

Strategic land purchases

The Council needs to continue to purchase key land for development. The Council has currently purchased land worth $31 million for drainage and surface water management in the growing south-west area of Christchurch. A Budget of $134 million is proposed in this plan for continued land purchase to support growth plans and meet compliance standards. This includes land in the city's south-west, Belfast and other key areas, and for cemeteries, parks and waterways.

Town Hall and Convention Centre

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

How we plan for the future

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

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

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

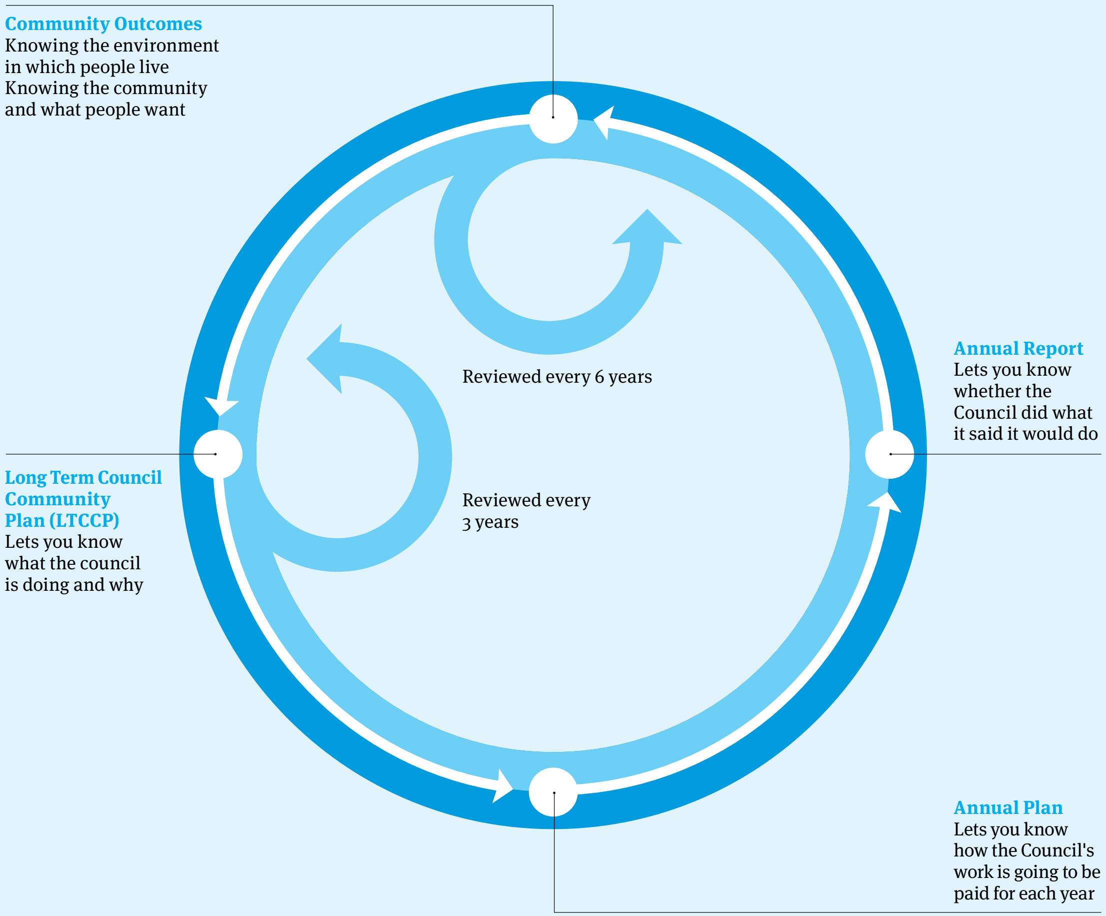
The Council reports on its achievements – the services it delivered and its financial results, each year in its annual report.

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

The accompanying diagram shows the complete planning cycle.

Christchurch City Council

The Council's planning cycle



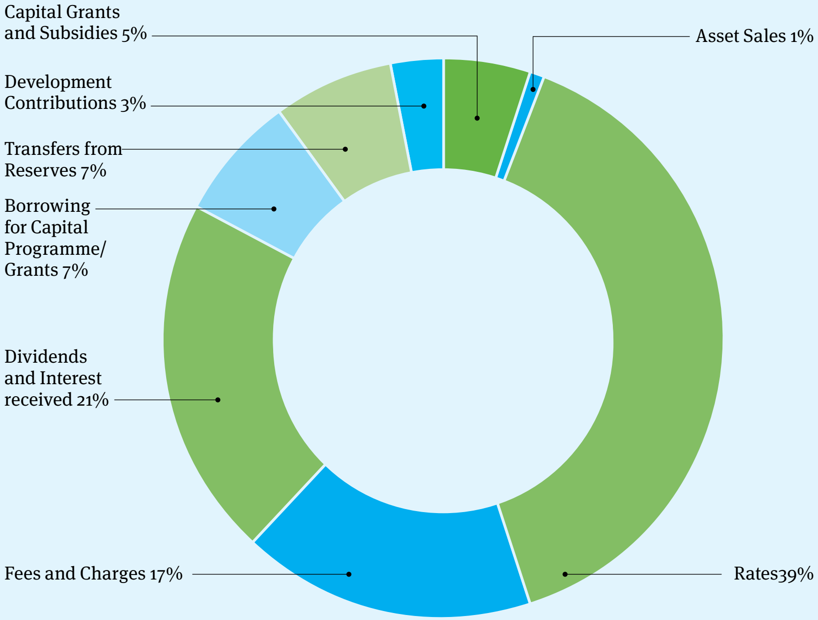
How we pay for services

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

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

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

Where the money comes from



Where our funding will come from:

Funding sources 2009–2010	%	$M
Rates	39%	256.1
Fees and charges	17%	114.5
Dividends and interest received	21%	141.1
Borrowing for capital programme/grants	7%	49.0
Transfers from reserves	7%	47.6
Development contributions	3%	18.7
Capital grants and subsidies	5%	30.6
Asset sales	1%	4.3
Total:	**100%**	**661.9**

Where your rates dollars go

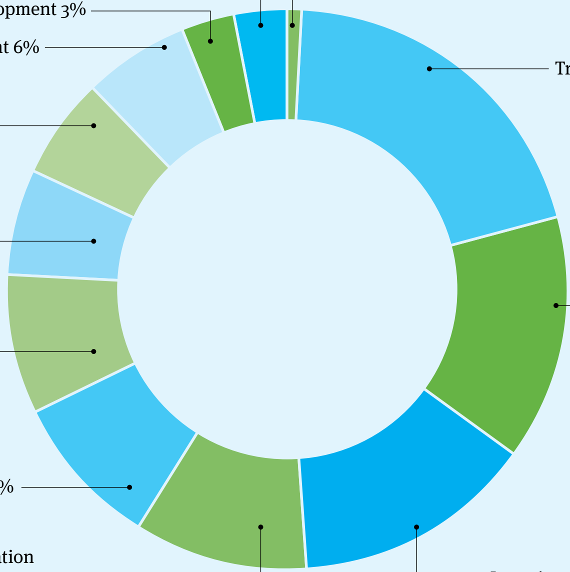
Much of Council spending goes toward providing the "business as usual" services that are needed to keep the city running smoothly. This includes services like maintaining our roads, parks, sewerage systems and water supply. Council must also allow for increased demands on infrastructure due to population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

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

Capital expenditure on infrastructure, such as new roads, can have a significant impact on rates. In this Christchurch Long Term Council Community Plan 2009–2019, the Council has reviewed and prioritised a range of new projects, totalling $2.5 billion over the next ten years. See the capital works programme for more details.

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

Rates contribution for each group of activities



Where your rates dollars go

How your rates will be spent 2009/2010		Net Activity Cost (excl GST)	Cents per dollar of Rates	Avg Residential (incl GST)
Group of activity		$000s		Rates / week
1	Streets & Transport	57,512	19.67	$5.50
2	Parks & Open Spaces	41,726	14.27	$3.99
3	Cultural and Learning Services	39,859	13.63	$3.82
4	Refuse Minimisation & Disposal	30,335	10.38	$2.90
5	Wastewater Collection and Treatment	27,353	9.36	$2.62
6	Community Support	22,696	7.76	$2.17
7	Water Supply	17,142	5.86	$1.64
8	Recreation and Leisure	17,352	5.93	$1.66
9	City Development	16,221	5.55	$1.55
10	Economic Development	9,139	3.13	$0.87
11	Democracy & Governance	9,458	3.23	$0.90
12	Regulatory Services	3,588	1.23	$0.34
	Total:	**292,381**	**100.00c**	**$27.96**

How capital expenditure is funded

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

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

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

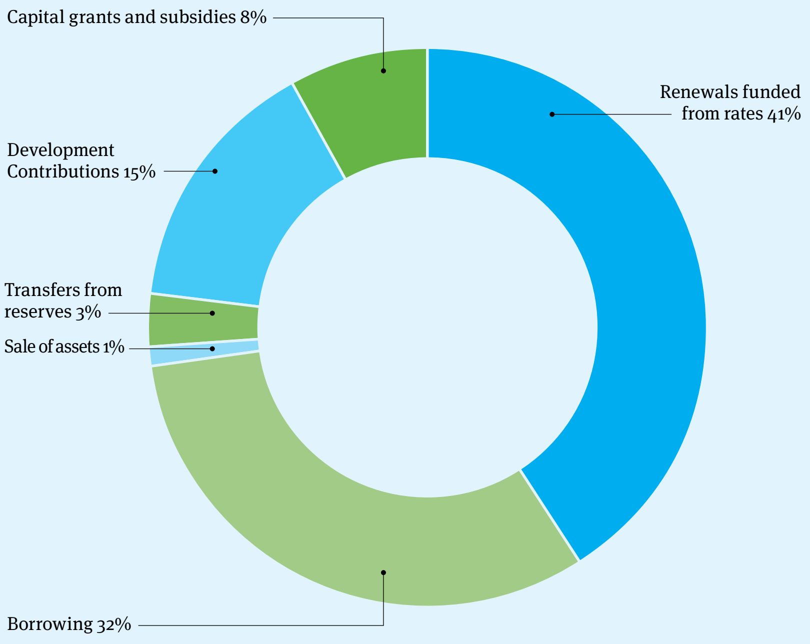
Capital expenditure type	Funding source
strategic property investments	interest-only borrowing
equity investments in CCTOs	interest-only borrowing
investment property	borrowing
new short-life assets	borrowing
other assets	borrowing
housing assets	housing revenue (this may include borrowing which is 'ring-fenced'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

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

Where our funding will come from

Funding Sources for 2009/10 to 2018/19 Capital Expenditure	%	$M
Renewals funded from rates	41%	1,028.7
Borrowing	32%	793.7
Sale of assets	1%	25.0
Transfers from reserves	3%	78.7
Development Contributions	15%	386.2
Capital grants and subsidies	8%	205.3
Total:	**100%**	**2,517.6**

Funding Sources for 2009/10 to 2018/19 Capital Expenditure



Financial summary

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

Underlying process

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

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

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

2009–19 LTCCP	Rates increase to existing ratepayers:
09/10	3.90%
10/11	3.84%
11/12	4.21%
12/13	4.19%
13/14	4.39%
14/15	4.18%
15/16	4.15%
16/17	3.66%
17/18	3.78%
18/19	4.00%

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

	Rates $000's	Nominal rates increase	Rate increase including growth
Plan 2009/10	256,066	5.18%	3.90%
Plan 2010/11	269,022	5.06%	3.84%
Plan 2011/12	283,461	5.37%	4.21%
Forecast 2012/13	298,472	5.30%	4.19%
Forecast 2013/14	314,707	5.44%	4.39%
Forecast 2014/15	330,991	5.17%	4.18%
Forecast 2015/16	347,836	5.09%	4.15%
Forecast 2016/17	363,680	4.56%	3.66%
Forecast 2017/18	380,538	4.64%	3.78%
Forecast 2018/19	398,879	4.82%	4.00%

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

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

- increased organisational focus on efficient delivery of Council-approved activities and levels of service (LOS) – e.g. holding staff numbers to the current levels except where Council has approved an increase
- limiting incremental operating cost to additional services or LOS
- increasing most user charges to match inflation over the previous year
- maintaining tight control over the total amount of capital expenditure
- changing Council's approach to intergenerational equity and the funding of capital expenditure

Within this LTCCP, Council has ensured that:

- — assets that are new or relate to level of service improvements are funded either from capital subsidies, development contributions, or from debt which is repaid over 30 years. Previously Council funded a portion of these new assets from rates
- — the repayment of debt is funded through rates or corporate revenues
- — the renewal and replacement of existing assets is funded through rates

- borrowing for some grants, which would previously have been funded through rates, when those grants will provide amenities for Christchurch residents over an extended period of time. For example, grants made to the Canterbury Museum Trust for improvements to Museum buildings.
- transferring ownership of the Town Hall to Vbase Limited (a CCTO). This will provide efficiencies for the operation and management of the Town Hall, and it also has the benefit of being more tax efficient for the Council group
- reducing opening debt by:
  - — drawing down $19 million of reserves, being;
    - — $11 million of the Income Equalisation Reserve,
    - — $5 million of the Emergency Capital Reserve, and
    - — $3 million of other sundry contingencies.

Christchurch City Council

Financial Summary

Assumptions

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

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

At the time of finalising this LTCCP the global economy continues to be in a period of uncertainty. This LTCCP has been prepared based on data available at the time. It reflects the current recession through assumptions around rating base, inflation, borrowing costs, return on investments, CCTO income, capital works, and development contribution revenue.

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

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

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

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

Forecast interest rates are based on advice provided by Council's treasury advisors, Asia Pacific Risk Management, and include interest on existing investment and borrowing portfolios as well as forecast new investments and debt at anticipated future interest rates.

Christchurch City Council

Financial Summary

Revenue

The primary revenue source is, and will remain, property based rates. Rates revenue is projected to increase from a base of $256 million to $399 million in 2018/19. This represents an average increase in rates of 4 percent for individual ratepayers. Other revenue includes:

- user fees and charges
- New Zealand Transport Agency (NZTA) subsidies
- development contributions
- interest, and
- payments from Christchurch City Holdings Limited, (CCHL) and other associates

At the time of finalising the LTCCP there was a strong indication from the IRD that a favourable ruling would not be forthcoming on the proposal to receive charitable donations from CCTOs through a charitable trust. Work is currently underway with CCHL to identify other means of returning additional funds to the Council. Amongst the options being considered are extraordinary dividends and funding from a revised charitable trust structure. The 2009/10 year of the LTCCP includes $78 million of contributions, over and above the normal dividend stream which reflects the expected outcome of this work.

Funding capital expenditure

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

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

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

Operational expense

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

They include:

- direct operating costs: staff costs, maintenance work on the city's infrastructure, insurance, energy and computer and communication costs
- debt servicing costs. These are the interest costs incurred under the Council's borrowing programme. They are projected to increase from $21 million to $54 million
- depreciation, (see below)

Depreciation

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

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

Rating for the renewal and replacement of existing assets:

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

Surplus

The financial forecasts show accounting surpluses ranging between $43 million and $125 million over the ten year period. While it may surprise some readers that Council plans to make a surplus, under accounting standards Council is required to show all revenue, including capital revenue as income for the year. Capital revenues include items such as development contributions, NZTA subsidies for capital expenditure, and vested assets. These revenue items are used to fund capital expenditure.

Borrowing

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

In developing its capital programme the Council has considered the following issues on an individual asset basis and an activity basis:

1. the community outcomes to which the capital expenditure will contribute
2. who creates the need for that capital expenditure
3. who benefits from the asset, and
4. the period over which the benefit will occur

Following these considerations Council has considered a variety of funding options and sought that which best addresses the issues while minimising funding costs.

Christchurch City Council

Financial Summary

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

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

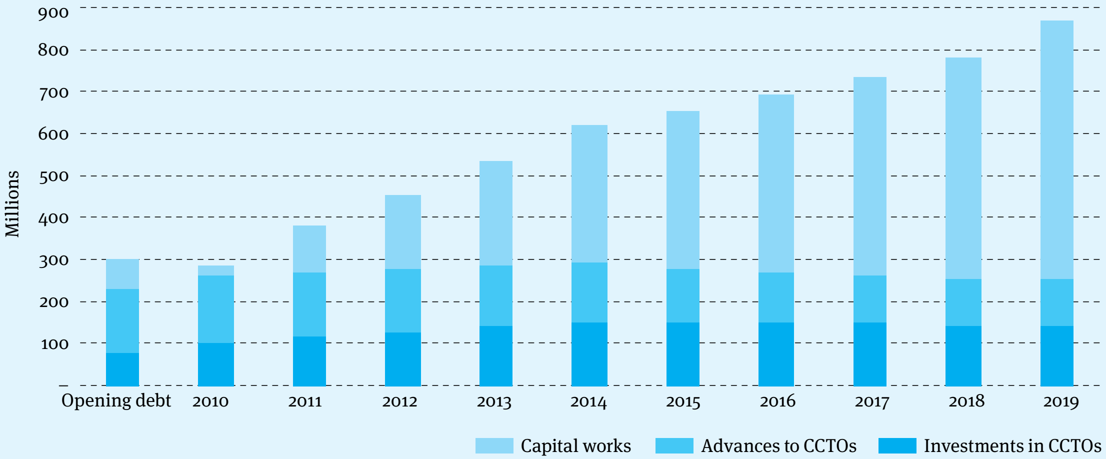
Capital Expenditure Type	Funding Source
strategic property investments	interest-only borrowing
equity investments in CCTOs	interest-only borrowing
investment property	borrowing
new short-life assets	borrowing
other assets	borrowing
housing assets	housing revenue (this includes borrowing which is 'ring-fenced'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

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

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

Total debt increases from an opening balance of $303 million to $870 million over the period of the LTCCP. The most significant increase is for capital works, which increases from $75 million through to $618 million. Monies borrowed for on-lending to CCTOs and ECan (Advances) reduce from $147 million to $108 million as the loans are repaid.

Total Debt 2009–2019



To put this into context, with total Council assets worth $9.7 billion in 2018/19 $870 million of borrowing would equate to a mortgage of $31,000 on a $350,000 house.

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

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

Christchurch City Council

Financial Summary

Financial sustainability

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

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

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

Intergenerational equity

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

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

Credit rating

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

Financial Risk Management strategy

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

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

* *excludes non government capital contributions*

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

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

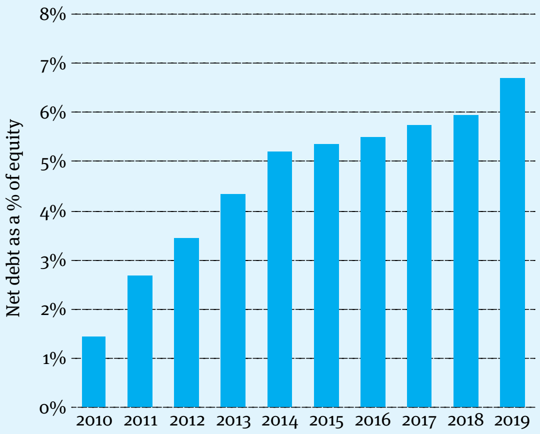
The ten year projections are well within the ratio limits (see ratio tables below), although by 2018/19 the net debt as a percentage of total revenue has reached 90 percent (policy limit 100 percent). At the time of preparing this LTCCP there are no forecasts which indicate this policy limit will be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

Christchurch City Council

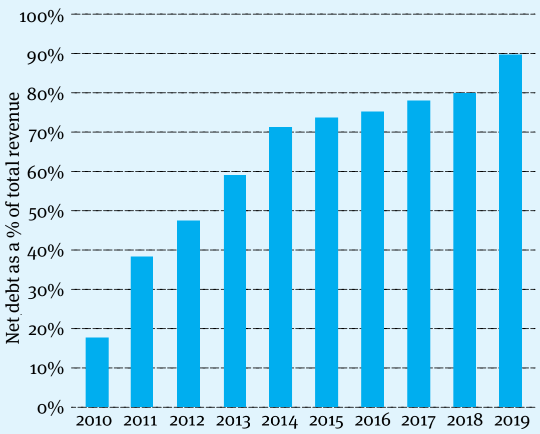
Financial Summary

Ratio tables

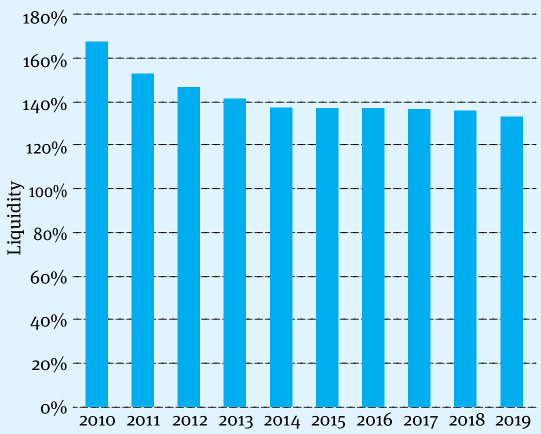
Net debt as a % of equity
Ratio policy limit 20%



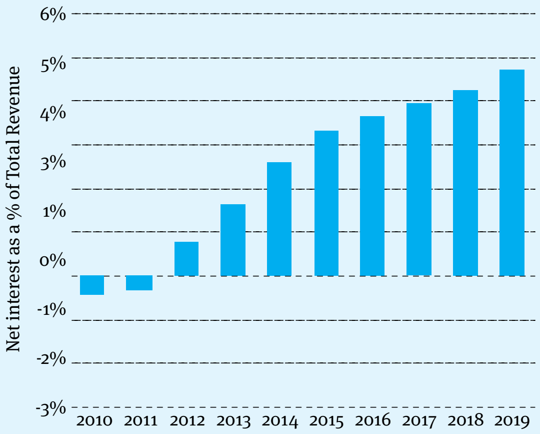
Net debt as a % of total revenue
Ratio policy limit 100%



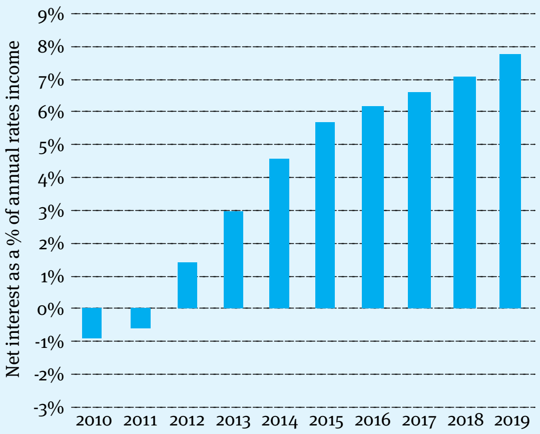
Liquidity
Ratio policy above 120%



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



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



Christchurch City Council

Financial Summary

Summary

This overall approach to financial management ensures Council will continue to be in a sound financial position. At the end of this ten year LTCCP period Council equity (the value of ratepayers' investment in Council, or the value of all of Council's assets less all its liabilities) will have grown from $6.7 billion to $8.8 billion. The total value of its assets will have grown from $7.1 billion to $9.7 billion, and this will include $172 million in cash and financial investments (compared to $105 million in 2009/10).

Over that same ten year period Council's total borrowings will have grown from $303 million to $870 million. While this 187 percent increase is substantial, the increase in debt is being used to fund assets that will benefit Christchurch residents for decades to come. Also, despite the level of debt forecast in 2018/19 Council's balance sheet remains very strong, with net debt as a percentage of total equity at 6.7 percent compared to Council's policy limit of 20 percent.

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

Christchurch City Council

Financial Summary

Budget 2008–9 $000's	Financial overview	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Funding summary											
305,754	Operating expenditure	1	319,882	341,290	353,220	364,003	370,247	374,618	385,399	398,316	407,495	421,350
255,985	Capital programme	5	230,808	235,598	235,425	258,083	262,049	222,036	228,744	252,594	269,964	322,268
15,967	Transfers to reserves	2	11,271	11,427	12,508	13,600	14,697	15,733	15,990	16,485	17,323	17,026
15,655	Interest expense	3	21,054	21,588	27,485	32,397	37,909	42,379	44,552	47,182	49,849	53,991
606	Debt repayment	4	78,653	1,626	5,577	7,781	9,065	14,667	18,190	20,224	25,645	27,641
593,967	**Total expenditure**		**661,668**	**611,529**	**634,215**	**675,864**	**693,967**	**669,433**	**692,875**	**734,801**	**770,276**	**842,276**
	funded by:											
107,751	Fees, charges and operational subsidies	6	114,451	122,324	126,648	131,100	134,975	139,272	141,959	146,407	150,303	154,274
65,444	Dividends and interest received		141,075	71,881	72,579	74,780	76,930	79,060	80,018	81,630	82,882	84,511
22,021	Transfers from reserves	7	47,551	5,150	5,165	5,065	5,064	5,064	4,750	5,100	7,285	9,985
3,654	Asset sales	8	4,289	1,128	5,774	1,206	1,243	1,282	1,322	1,362	6,428	930
14,060	Development contributions		18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
22,058	Capital grants and subsidies		30,570	18,634	31,712	33,802	23,634	13,882	13,977	13,135	15,860	15,068
234,988	**Total funding available**		**356,608**	**244,971**	**273,856**	**279,901**	**279,032**	**277,710**	**283,963**	**298,414**	**314,766**	**319,475**
358,979	**Balance required**		**305,060**	**366,558**	**360,359**	**395,963**	**414,935**	**391,723**	**408,912**	**436,387**	**455,510**	**522,801**
115,532	Borrowing for capital programme/grants		48,994	97,536	76,898	97,491	100,228	60,732	61,076	72,707	74,972	123,922
243,447	**Rates**		**256,066**	**269,022**	**283,461**	**298,472**	**314,707**	**330,991**	**347,836**	**363,680**	**380,538**	**398,879**
10.11%	Nominal rates increase		5.18%	5.06%	5.37%	5.30%	5.44%	5.17%	5.09%	4.56%	4.64%	4.82%
7.58%	**Percentage (%) rate increase to existing ratepayers**		**3.90%**	**3.84%**	**4.21%**	**4.19%**	**4.39%**	**4.18%**	**4.15%**	**3.66%**	**3.78%**	**4.00%**

Christchurch City Council

Financial Summary

Budget 2008–9 $000's	Note 1: Operating expenditure	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
17,297	City development	17,903	19,338	19,596	20,538	19,818	20,413	21,178	21,422	21,760	22,665
38,898	Community support	41,155	42,988	46,646	45,269	46,235	47,097	48,082	49,062	50,322	53,122
43,686	Cultural and learning services	44,027	46,282	53,992	60,500	58,425	56,932	57,670	60,026	62,630	66,924
8,918	Democracy and governance	9,458	11,266	10,644	10,796	12,194	11,366	11,419	12,990	12,178	12,290
11,127	Economic development	9,221	8,855	9,117	8,980	9,171	9,289	9,522	9,777	10,024	10,282
46,905	Parks, open spaces and waterways	50,557	52,710	55,500	58,820	61,131	63,039	63,130	65,304	66,612	67,855
32,051	Recreation and leisure	33,527	37,443	38,568	39,855	41,120	43,162	44,922	46,394	48,158	51,622
25,178	Refuse minimisation and disposal	38,455	40,216	41,506	42,901	44,416	45,767	47,342	48,996	50,519	52,020
26,166	Regulatory services	26,190	28,910	29,720	30,673	31,178	31,758	32,397	33,303	33,489	34,311
101,153	Streets and transport	101,184	103,712	109,855	115,926	126,422	134,660	141,187	148,457	155,519	157,331
32,958	Wastewater collection and treatment	37,133	41,516	44,710	47,319	50,383	53,001	55,599	58,792	62,110	66,124
23,096	Water supply	22,696	23,856	25,207	26,733	28,236	29,270	29,865	31,272	32,637	34,044
19,275	Corporate	20,894	24,730	24,238	24,863	24,983	25,386	25,253	25,605	26,397	27,202
426,708	**Total Group of Activity expenditure**	**452,400**	**481,822**	**509,299**	**533,173**	**553,712**	**571,140**	**587,566**	**611,400**	**632,355**	**655,792**
105,299	Less depreciation	111,464	118,944	128,594	136,773	145,556	154,143	157,615	165,902	175,011	180,451
15,655	Less interest expense	21,054	21,588	27,485	32,397	37,909	42,379	44,552	47,182	49,849	53,991
305,754	**Operating expenditure**	**319,882**	**341,290**	**353,220**	**364,003**	**370,247**	**374,618**	**385,399**	**398,316**	**407,495**	**421,350**

Christchurch City Council

Financial Summary

Note 2: Transfers to reserves

Budget 2008–9 $000's		Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
10,367	Interest earned credited to funds	7,101	7,854	8,194	8,595	9,064	9,596	10,008	10,621	11,241	11,786
150	Ratepayer funding of 8% of Dog Control costs	143	146	146	146	146	146	145	145	146	146
20	Kilmore St Carpark Depreciation Reserve Fund	20	20	20	20	20	20	20	20	20	20
5,346	Housing operating cash surplus	3,844	3,275	4,014	4,711	5,337	5,838	5,679	5,558	5,782	4,941
84	Dog Control operating cash surplus	163	132	134	128	130	133	138	141	134	133
15,967		**11,271**	**11,427**	**12,508**	**13,600**	**14,697**	**15,733**	**15,990**	**16,485**	**17,323**	**17,026**

Note 3: Interest expense

Budget 2008–9 $000's		Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
1,154	Existing capital works borrowing	4,135	96	4	–	–	–	–	–	–	–
3,984	Borrowing for new capital works and grants	792	4,044	8,817	13,125	18,386	23,124	26,152	29,310	32,855	37,426
1,947	Borrowings for equity investments	4,404	5,596	6,712	7,588	8,239	8,383	8,270	8,191	8,113	8,035
8,532	Borrowings for advances	11,699	11,827	11,925	11,658	11,258	10,862	10,120	9,671	8,871	8,520
38	Separately funded activities borrowing	24	25	27	26	26	10	10	10	10	10
15,656		**21,054**	**21,588**	**27,485**	**32,397**	**37,909**	**42,379**	**44,552**	**47,182**	**49,849**	**53,991**

Note 4: Debt repayment rated for

Budget 2008–9 $000's		Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
74	Targeted rates - loan principal	74	74	74	–	–	–	–	–	–	–
532	Existing capital works debt	2,549	54	54	54	54	54	54	54	54	54
–	3.3% debt repayment per policy	–	1,498	4,249	6,327	9,011	12,113	14,136	16,170	18,591	21,087
–	Extra debt repayment	76,030	–	1,200	1,400	–	2,500	4,000	4,000	7,000	6,500
606		**78,653**	**1,626**	**5,577**	**7,781**	**9,065**	**14,667**	**18,190**	**20,224**	**25,645**	**27,641**

Christchurch City Council

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Budget 2008–9 $000's	Note 5: Capital programme summary	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
17,431	City development	1,082	1,283	1,061	745	979	1,051	1,334	914	854	559
5,081	Community support	5,739	8,955	6,610	5,662	4,909	4,452	3,561	4,579	10,210	13,113
7,220	Cultural and learning services	8,805	10,978	7,951	10,601	13,361	7,546	8,025	14,925	25,059	98,760
16	Democracy and governance	–	–	–	–	–	–	–	–	–	–
94	Economic development	100	104	107	111	114	118	122	125	129	133
25,450	Parks, open spaces and waterways	32,748	35,045	37,394	33,267	33,164	33,208	36,077	39,162	41,978	38,092
7,892	Recreation and leisure	14,919	4,932	4,210	4,651	17,500	12,637	2,671	11,273	25,550	13,703
23,994	Refuse minimisation and disposal	1,313	1,046	1,042	1,109	3,191	3,409	1,107	1,135	1,086	1,119
117	Regulatory services	59	10	46	5	5	6	6	6	6	6
85,278	Streets and transport	66,481	85,426	108,750	115,055	96,969	80,546	80,092	81,680	95,153	89,315
48,346	Wastewater collection and treatment	35,660	32,928	29,400	39,420	54,932	48,636	65,712	67,002	48,205	39,595
13,221	Water supply	11,223	13,763	14,175	21,165	15,926	14,529	11,945	17,317	15,040	22,556
21,845	Corporate	52,679	41,128	24,679	26,292	20,999	15,898	18,092	14,476	6,694	5,317
255,985	**Total capital programme**	**230,808**	**235,598**	**235,425**	**258,083**	**262,049**	**222,036**	**228,744**	**252,594**	**269,964**	**322,268**
	funded by :										
3,654	Sale of assets	4,289	1,128	5,774	1,206	1,243	1,282	1,322	1,362	6,428	930
95,701	Renewals funded from rates	87,767	89,352	92,823	96,474	99,886	103,526	107,294	111,100	115,021	119,185
1,150	Landfill aftercare funded from rates	940	695	631	573	533	550	567	584	602	621
535	Funding from debt repayment reserve	–	–	–	–	–	–	–	–	–	–
3,295	Reserve drawdowns	45,399	2,999	3,014	2,914	2,914	2,914	2,600	2,950	5,135	7,835
14,060	Development contributions	18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
22,058	Capital grants and subsidies	25,570	18,634	31,712	33,802	23,634	13,882	13,977	13,135	15,860	15,068
140,453	**Total funding available**	**182,637**	**138,662**	**165,932**	**168,917**	**165,396**	**161,304**	**167,697**	**179,911**	**195,054**	**198,346**
115,532	**Capital programme borrowing**	**48,171**	**96,936**	**69,493**	**89,166**	**96,653**	**60,732**	**61,047**	**72,683**	**74,910**	**123,922**
–	Borrowing for grants	823	600	7,405	8,325	3,575	–	29	24	62	–
55,850	Borrowing for onlending	16,200	2,000	2,000	–	–	–	–	–	–	–
171,382	Total new borrowing	65,194	99,536	78,898	97,491	100,228	60,732	61,076	72,707	74,972	123,922
1,919	Less debt repayment	78,903	3,335	10,670	14,117	15,556	26,854	25,213	27,109	32,632	33,726
169,463	**Net change in borrowing**	**(13,709)**	**96,201**	**68,228**	**83,374**	**84,672**	**33,878**	**35,863**	**45,598**	**42,340**	**90,196**
305,454	**Cumulative debt**	**289,293**	**385,494**	**453,722**	**537,096**	**621,768**	**655,646**	**691,509**	**737,107**	**779,447**	**869,643**

** Note the total Capital Programme shown here differs from the total of the capital programme as it includes a net carryforward amount of $5m.*

Christchurch City Council

Financial Summary

Budget 2008–09 $000's		Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Note 6: Fees, charges and operational subsidies										
1,652	City development	1,682	1,734	1,784	1,834	1,086	1,111	1,140	1,168	1,198	1,230
18,744	Community support	18,459	19,366	20,362	21,397	22,397	23,442	24,035	24,669	25,284	25,948
3,212	Cultural and learning services	4,168	4,459	4,738	4,896	5,074	5,225	5,399	5,795	5,977	6,184
–	Democracy and governance	–	385	–	–	417	–	–	449	–	–
202	Economic development	82	84	87	89	91	93	96	98	101	103
11,767	Parks, open spaces and waterways	8,831	12,482	15,249	16,237	17,753	18,695	20,034	24,774	24,608	25,610
12,630	Recreation and leisure	16,175	18,520	19,377	20,079	20,711	21,491	22,151	23,145	23,830	24,589
3,180	Refuse minimisation and disposal	8,120	8,410	8,688	8,931	9,144	9,360	9,597	9,850	10,096	10,360
21,703	Regulatory services	22,602	23,299	23,967	24,639	25,226	25,823	26,476	27,175	27,850	28,583
47,914	Streets and transport	43,672	48,513	63,244	66,290	57,337	49,057	49,208	50,127	54,416	54,775
6,640	Wastewater collection and treatment	9,780	11,668	13,460	14,217	15,266	15,986	16,870	18,922	19,788	20,815
5,495	Water supply	5,554	6,284	6,993	7,279	7,768	8,057	8,521	9,404	9,895	10,299
10,730	Corporate	24,568	11,608	12,389	12,962	13,525	13,964	14,346	14,746	15,128	15,553
143,869	**Total Group of Activity revenue**	**163,693**	**166,812**	**190,338**	**198,850**	**195,795**	**192,304**	**197,873**	**210,322**	**218,171**	**224,049**
14,060	**Less Development Contributions**	18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
22,058	**Less Capital Grants & Subsidies**	30,570	18,634	31,712	33,802	23,634	13,882	13,977	13,135	15,860	15,068
107,751	**Fees, charges and operational subsidies**	**114,451**	**122,324**	**126,648**	**131,100**	**134,975**	**139,272**	**141,959**	**146,407**	**150,303**	**154,274**
	Note 7: Transfers from reserves										
14	Olive Stirratt Bequest - art works	14	14	14	14	14	14	–	–	–	–
–	Reserves a/c - Reserve purchases	6,300	–	–	–	–	–	–	–	–	–
3,103	Housing - capital programme	3,385	2,985	3,000	2,900	2,900	2,900	2,600	2,950	5,135	7,835
4	Housing - interest expense	2	1	1	1	–	–	–	–	–	–
3,068	Capital endowment fund - grants	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150
713	Debt repayment reserve - general capital	35,700	–	–	–	–	–	–	–	–	–
15,119	Income equalisation & other operating reserves	–	–	–	–	–	–	–	–	–	–
22,021		**47,551**	**5,150**	**5,165**	**5,065**	**5,064**	**5,064**	**4,750**	**5,100**	**7,285**	**9,985**
	Note 8: Asset sales										
200	Plant and vehicle disposals	200	207	214	222	228	235	243	250	258	266
750	Surplus property sales	3,700	518	5,143	554	571	589	607	625	5,670	664
2,704	Surplus roading land sales	389	403	417	430	444	458	472	487	500	–
3,654		**4,289**	**1,128**	**5,774**	**1,206**	**1,243**	**1,282**	**1,322**	**1,362**	**6,428**	**930**


DHL