

Financial Overview

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The sections below outline significant changes contained in the 2023/24 Annual Plan compared to what was forecast in the 2021-31 Long Term Plan (LTP). The tables below show the total funding requirements for the Council for 2023/24 and the variance from that detailed in the LTP. Overall, operating expenditure and interest costs are \$737.7 million; \$111.2 million higher than the LTP, while the capital programme at \$746.4 million is \$70.3 million higher than the LTP. Key changes to the financial statements are reflected and explained below.

Operating expenditure

Operational expenditure, including interest costs, is \$111.2 million higher than the LTP, significant changes include:

- Higher interest costs (\$41.4 million), due to increased interest rates (offset by higher interest revenues of \$30.0m where on-lending is involved).
- Additional inflation (\$33.0 million) incurred in 2021/22 and 2022/23.
- Additional chlorination and maintenance costs in Water Supply (\$5.9 million)
- Higher costs in Regulatory and Compliance (\$3.1 million), mostly to service higher volumes of Building and Resource Consents which is fully recovered.
- Increased insurance premiums (\$3.8 million)
- Cathedral Restoration grant (\$3 million) brought forward from 2024/25 to 2023/24.
- Burwood Landfill (\$2.7 million), new consent granted for continued operations until 2023/24 (offset by higher revenues),
- Electricity pricing increase (\$2.6 million).
- Events Ecosystem grant funding for city promotion (\$2.1 million).
- Roving Pothole repair team (\$2 million), 51% subsidised by Waka Kotahi.
- Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill implementation costs (\$0.85 million).
- Revaluation of the Council's Infrastructure networks has led to \$0.7 million additional Environment Canterbury rates.
- Closed Landfill maintenance (\$0.7 million), remediation work required due to climate change and sea level rises. Partially offset by Waka Kotahi subsidies of \$0.4 million.

- Road condition and risk assessment costs associated with condition ratings (\$0.7 million net of subsidy).

These increases are partially offset by:

- Delayed opening date for Parakiore Recreation and Sport Centre (\$8.5 million) – offset by lower revenues.

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets. However, we do not rate for depreciation, instead the Annual Plan includes rating of \$192.7 million for the renewal and replacement of existing assets. This is consistent with Council's Financial Strategy.

Revenue

Property based rates are the primary source of Council’s revenue. A brief explanation of each source of revenue is included in the Funding Impact Statement.

Revenue excluding rates is \$169.8 million higher than the LTP. Significant changes include:

- Crown funding for Te Kaha Arena (\$87.2 million), due to re-timing of the projected spend. This was planned to be received in previous years in the LTP.
- Higher interest revenues, due to increased interest rates (\$35.4 million).
- Increased Waka Kotahi capital subsidies (\$21.1 million), largely due to additional eligible funding for Climate Emergency Response Fund projects.
- Higher subvention receipts planned (\$22.2 million).
- Revenue from the Crowns Better Off Funding scheme (\$8.1 million)
- Burwood Landfill continued operations (\$4.6 million).
- Higher Consenting revenues (\$4 million), reflecting higher volumes.

- Increased Waka Kotahi operational subsidies (\$5.1 million) – reflecting increased Transport expenditure.
 - Higher Transwaste dividend (\$2.3 million).
 - Additional revenue from Surplus property sales (\$1 million).
- These increases are partially offset by:
- Delay in third party capital grants for Performing Arts Precinct (\$5 million), now budgeted in 2024/25 due to project delays.
 - Lower Shovel Ready revenues (\$8.4 million), to align with updated planned capital delivery.
 - Adjusting the opening date for Parakiore Recreation and Sport Centre (\$8.5 million).

Rates

The average rates increase to existing ratepayers for 2023/24 is 6.41%. Full details of rates, including the total rating requirement for general and targeted rates, and indicative rates for individual properties, are provided in the Funding Impact Statement.

Surplus, operating deficits, and sustainability

The Annual Plan for 2023/24 shows an accounting surplus of \$117.8 million before

revaluations of \$1.1 billion. Under accounting standards Council is required to show all revenue, including those that are capital related such as development contributions, NZ Transport Agency capital subsidies and some Crown recoveries, as income for the year. After adjusting for these capital revenues and taking into account rating for renewals rather than depreciation, the Plan is based on a balanced funding budget, effectively ensuring operating costs are met from operating revenue.

Capital programme expenditure

The capital programme has been reviewed with heavy focus on deliverability, to ensure ratepayers are not levied in advance of funds being required. Key factors taken into account when considering deliverability were:

- Supply chain issues
- Cost escalation
- Human resource availability (internal and external), and
- The Government’s current reform programme (3 Waters, Future of Local Government, RMA)

We plan to invest \$746.4 million in the capital programme in 2023/24, a increase of \$70.3 million from that shown in the LTP.

The significant increased spend in the capital programme in 2023/24 compared to the LTP mainly relates to the current delivery timeframe of Te Kaha Canterbury Multi Use Arena with \$94.1 million of budget brought forward from future years and re-timing of \$16.4 million for Matatiki: Hornby Centre to align with their current work programmes.

Other key changes from the LTP affecting 2023/24 are increases which include:

- Funding increase of \$21.3 million for the Transport Choices programme.
- Funding increase of \$5.0 million for Transport Weather Event remediation.

These are offset by:

- Re-timing of \$24.3 million for the Organics processing plant development.
- Re-timing of \$6.4 million for Pages Road Bridge renewal.
- Re-timing of \$5.9 million for Jellie Park renewal and replacement works.
- Re-timing of \$5.5 million for Te Kete Wānanga o Wai Mōkihi - South Library & Service Centre Earthquake Repairs.

- Re-timing of \$4.7 million for Major Cycleway - Nor'West Arc Route (Section 3) University to Harewood.
- Re-timing of \$4.4 million for Somerfield Pump Station and Pressure Main (Wastewater).
- Re-timing of \$4.3 million for Akaroa Wharf Renewal.
- Re-timing of \$3.9 million for Lyttelton Rail Tunnel Pipeline Renewals (Water Supply).
- Re-timing of \$3.5 million for Innes Road Street Renewal (Mersey to Philpotts).
- Other re-phasing of budgets from 2023/24 into future years of the LTP to reflect current delivery timeframes of projects.

Capital programme funding

The capital programme is funded by Crown recoveries, subsidies and grants for capital expenditure, development contributions, the proceeds of asset sales and debt. Included in the Annual Plan are Crown revenues of \$111.6 million, mainly comprised of Te Kaha Arena contributions of \$87.2 million, Shovel Ready revenues of \$13.9 million and Better Off funding of \$8.1 million.

Borrowing

The Annual Plan includes net new borrowing of \$294 million. This is \$29 million lower than planned in the LTP largely due to the higher capital contributions in the current year. The additional servicing cost of the new borrowing is \$6.0 million in 2023/24, increasing to an annualised amount of \$14.7 million from 2024/25. Total net cost of debt servicing including repayments rated for is planned to be \$138 million in 2023/24, totalling 20.3% of the total planned rates to be levied.

Gross debt in 2023/24 increases to \$2.66 billion. This is \$252.5 million lower than planned in the LTP, largely due to lower capital programme requirements in the last two years.

Financial risk management strategy

The Council has five financial ratios which form a key part of its financial risk management strategy, four of which are also limits for Council's borrowing from the Local Government Funding Agency. These define the limits within which the Council must maintain its balance sheet and borrowing ratios. The Council anticipates staying well within these five financial ratio limits in 2023/24.

In addition there are a further seven ratios required under the Local Government (Financial Reporting and Prudence) Regulations 2014 (two are only reported annually within the Annual Report) which determine the financial prudence of Council's budgets. All of these, except the Debt Servicing and Rates Affordability Benchmarks are planned to be met in 2023/24.

The Rates Affordability Benchmark is forecast to be breached due to significantly higher inflation than was planned in the LTP.

The Debt Servicing benchmark is forecast at 11.4% (limit 10%). There is no concern around the Council's ability to service the debt.

See further commentary on these benchmarks in the Financial Prudence Benchmarks section.

Annual Plan 2022/23	Financial Overview	Note	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
			\$000		
	Funding Summary				
537,463	Operating expenditure	1	536,800	606,614	69,814
578,307	Capital programme	2	676,059	746,407	70,348
100,893	Interest expense	3	89,765	131,147	41,382
55,255	Debt repayment	3	86,709	59,568	(27,141)
-	Movements in reserves	6	3,037	-	(3,037)
1,271,918	Total expenditure		1,392,370	1,543,736	151,366
	funded by :				
156,181	Fees, charges and operational subsidies	4	158,093	191,303	33,210
37,696	Dividends received		54,541	56,823	2,282
29,743	Interest received	3	17,621	53,063	35,442
8,008	Asset sales	5	520	1,544	1,024
24,115	Development contributions		23,112	23,112	-
131,142	Capital grants and subsidies		56,289	154,046	97,757
71,851	Movement in reserves	6	-	1,993	1,993
902	Working Capital reduction		-	347	347
459,638	Total funding available		310,176	482,231	172,055
812,280	Balance required		1,082,194	1,061,505	(20,689)
177,481	Borrowing	7	411,981	372,728	(39,253)
634,799	Rates	8	670,213	688,777	18,564
625,888	Rates to be levied on 1 July		661,120	679,750	18,630
6.44%	Nominal rates increase on 1 July		6.26%	8.61%	2.35%
4.66%	Percentage rate increase to existing ratepayers		5.42%	6.41%	0.99%

Notes to Financial Overview

Annual Plan 2022/23	Note 1 Operating Expenditure	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
155,428	Communities & Citizens	175,568	165,450	(10,118)
17,075	Economic Development	17,047	19,280	2,233
4,834	Flood Protection & Control Works	5,152	3,989	(1,163)
19,295	Governance	18,341	19,369	1,028
15,364	Housing	16,660	17,392	732
85,243	Parks, Heritage and Coastal Environment	79,444	91,922	12,478
51,039	Regulatory & Compliance	47,877	50,963	3,086
62,765	Solid Waste & Resource Recovery	62,726	67,521	4,795
47,580	Stormwater Drainage	46,975	56,294	9,319
27,493	Strategic Planning & Policy	26,312	33,112	6,800
160,682	Transport	163,607	180,270	16,663
123,483	Wastewater	125,999	155,667	29,668
83,433	Water Supply	85,837	108,435	22,598
79,931	Corporate	71,896	100,888	28,992
933,645	Total group of activity expenditure	943,441	1,070,552	127,111
295,289	Less depreciation (non cash)	316,876	332,791	15,915
100,893	Less interest expense shown separately	89,765	131,147	41,382
537,463	Operating expenditure	536,800	606,614	69,814

Communities & Citizens expenditure decrease is due to lower depreciation (\$13.8 million) following a revaluation of buildings in June 2021. Adjusting the opening date for Parakiore Recreation and Sport Centre results in lower planned expenditure of \$8.5 million.

Economic Development includes \$1.9 million relating to Events Eco system funding.

Flood Protection & Control Works expenditure decrease is driven by lower staff costs allocated to the activity (\$1.2 million).

Parks increase is driven by higher depreciation (\$6.7 million) following the revaluation in June 2021 and higher debt servicing costs (\$1.3 million) due to higher interest rates.

Regulatory & Compliance increase is a result of higher planned volumes of Building and Resource Consents requiring additional resourcing.

Solid Waste & Resource Recovery includes expenditure for continued Burwood Landfill operations (\$2.7 million).

Stormwater Drainage includes higher depreciation (\$3.5 million), higher rates on infrastructure due to the revaluation impacts (\$1.7 million), and debt servicing costs (\$1 million).

Strategic Planning & Policy includes bringing forward \$3 million of the Cathedral Restoration grant from 2024/25 to 2023/24. Additional expenditure for the implementation of the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill (\$0.85 million).

Transport increase is mainly due to additional costs added to maintenance contracts (\$4 million) due to inflationary pressures, higher debt servicing costs (\$2.2 million) due to higher interest rates, planned establishment of a roving pothole team (\$2 million), and higher depreciation (\$2 million).

Wastewater expenditure increase includes higher depreciation (\$14.8 million) following a reassessment of book values in June 2022, higher debt servicing costs (\$3.5 million) due to higher interest rates, higher rates on infrastructure due to the revaluation impacts (\$2.5 million), and increased insurance costs (\$2.1 million).

Water Supply expenditure increase includes higher depreciation (\$14.8 million) following a reassessment of book values in June 2022, higher debt servicing costs (\$1.9 million) due to higher interest rates, increased insurance costs (\$1.2 million).

Corporate expenditure is higher due to increased Debt Servicing costs (\$27.9 million) as a result of higher interest rates. Depreciation is \$2.2 million lower.

Annual Plan 2022/23	Note 2 Capital Programme	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP	Expenditure Category		
					Renewals & Replacements	Improved LOS	Increase Demand
		\$000					
39,102	Communities & Citizens	27,145	48,138	20,993	24,910	5,246	14,028
-	Economic Development	-	-	-	-	-	-
31,783	Flood Protection & Control Works	30,941	29,546	(1,395)	6,691	10,812	12,938
-	Governance	-	-	-	-	-	-
6,228	Housing	4,995	4,995	-	4,995	-	-
36,491	Parks, Heritage and Coastal Environment	62,009	62,077	68	31,827	24,475	10,216
52	Regulatory & Compliance	22	82	60	77	5	-
5,022	Solid Waste & Resource Recovery	3,783	6,164	2,381	3,853	2,311	-
23,055	Stormwater Drainage	27,218	32,996	5,778	22,817	6,232	3,052
1,133	Strategic Planning & Policy	943	943	-	-	943	-
152,043	Transport	138,232	141,073	2,841	58,174	68,691	12,964
68,505	Wastewater	72,483	42,262	(30,221)	31,468	8,920	1,185
66,715	Water Supply	85,335	56,134	(29,201)	42,742	8,999	3,943
148,178	Corporate	222,953	321,997	99,044	10,265	183,042	-
578,307	Total capital programme	676,059	746,407	70,348	237,819	319,676	58,326

Further detail on the capital projects included under each group of activities above can be found in the Capital Programme schedule of this Annual Plan.

Annual Plan 2022/23	Note 3 Interest Expense	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
59,817	General Borrowing	62,325	69,105	6,780
16,228	Equity investments	13,124	17,310	4,186
23,296	Advances to Council organisations	13,012	42,832	29,820
1,552	Advances to housing trust	1,304	1,900	596
100,893		89,765	131,147	41,382
55,255	Debt Repayment	86,709	59,568	(27,141)
	Interest Received			
24,279	Subsidiaries	14,278	43,659	29,381
-	Loan repayment investments	-	-	-
1,425	Special and other fund investments	1,346	3,357	2,011
2,377	Short term investments	583	4,037	3,454
1,662	Housing trust	1,414	2,010	596
29,743		17,621	53,063	35,442
126,405	Net Cost of Debt Servicing + Debt Repayment	158,853	137,652	(21,201)
20.2%	Percentage of rates levied	24.0%	20.3%	(3.78%)

Interest expense and revenues relating to Council organisations and the Housing trust is a mix of higher interest rates and additional onlending.

Debt repayment is materially lower due to early repayment of Covid 5 year debt and other debt.

Annual Plan 2022/23	Note 4 Fees, Charges and Operational Subsidies	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
21,468	Communities & Citizens	28,854	27,220	(1,634)
141	Economic Development	143	249	106
35	Flood Protection & Control Works	36	36	-
302	Governance	47	47	-
16,429	Housing	17,124	15,671	(1,453)
4,428	Parks, Heritage and Coastal Environment	4,427	5,469	1,042
42,854	Regulatory & Compliance	40,048	42,367	2,319
17,868	Solid Waste & Resource Recovery	11,848	16,646	4,798
219	Stormwater Drainage	224	224	-
722	Strategic Planning & Policy	738	1,353	615
37,452	Transport	39,539	44,499	4,960
6,710	Wastewater	6,866	7,159	293
646	Water Supply	699	348	(351)
7,643	Corporate	7,929	30,443	22,514
156,917	Total group of activity operating revenue	158,522	191,731	33,209
736	Less non cash revenue	429	428	(1)
156,181	Fees, charges and operational subsidies	158,093	191,303	33,210

Citizens & Communities revenue decrease is due to adjusting the opening date for Parakiore Recreation and Sport Centre.

Housing revenues have been aligned to Ōtautahi Community Housing Trust calculations.

Regulatory & Compliance revenue increase is driven by higher planned volumes of Building and Resource Consents.

Solid Waste & Resource Recovery revenue increase is driven by the Burwood Landfill continued operations.

Transport revenue increase reflects higher Waka Kotahi subsidies.

Corporate revenues include higher forecast subvention receipts.

Annual Plan 2022/23	Note 5 Asset Sales	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
7,500	Surplus property sales		1,024	1,024
508	Surplus roading land sales	520	520	-
8,008		520	1,544	1,024

Council has identified surplus property that is planned to be sold in 2023/24.

Annual Plan 2022/23	Note 6 Movements in reserves	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
(3,893)	Interest credited to special funds and reserves	(3,518)	(5,535)	(2,017)
(96,548)	Deposits	(118,163)	(99,159)	19,004
172,292	Withdrawals	118,644	106,687	(11,957)
71,851		(3,037)	1,993	5,030

Movements by individual Reserve can be found in the Reserves and Trust Funds section of this Annual Plan.

Annual Plan 2022/23	Note 7 Borrowing	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
578,307	Capital Programme	676,059	746,407	70,348
8,469	Capital grants	4,697	4,768	71
-	Operational costs	-	330	330
586,776	Total funding requirement	680,756	751,505	70,749
	Funding sources			
8,008	Sale of assets	520	1,544	1,024
164,598	Rates (for renewals)	182,641	192,673	10,032
2,355	Rates (for landfill aftercare)	1,018	2,207	1,189
79,077	Reserve drawdowns	5,195	5,195	-
24,115	Development contributions	23,112	23,112	-
131,142	Capital contributions, grants and subsidies	56,289	154,046	97,757
409,295	Total funding available	268,775	378,777	110,002
177,481	Borrowing requirement	411,981	372,728	(39,253)
-	Borrowing for onlending	-	-	-
55,255	Less debt repayment	86,709	59,568	(27,141)
4,000	Less borrowing on behalf of subsidiaries repaid	2,200	19,185	16,985
118,226	Net change in borrowing	323,072	293,975	(29,097)
2,140,272	Opening debt	2,589,030	2,365,607	(223,423)
2,258,498	Closing debt	2,912,102	2,659,582	(252,520)

Annual Plan 2022/23	Note 8 Rates	Long Term Plan 2023/24	Annual Plan 2023/24	Variance To LTP
		\$000		
625,888	Rates levied 1 July	661,120	679,750	18,630
6,105	Excess water charges	6,430	4,959	(1,471)
2,806	Penalties	2,663	4,068	1,405
634,799		670,213	688,777	18,564