

# Financial Overview

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The sections below outline significant changes contained in the 2022/23 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 2022/23 and the variance from that detailed in the LTP. Overall, operating expenditure and interest costs are \$638.4 million; \$38.5 million higher than the LTP, while the capital programme at \$578.3 million is \$109.5 million lower than the LTP. Key changes to the financial statements are reflected and explained below.

## Operating expenditure

Operational expenditure is \$38.5 million higher than the LTP, significant changes include:

- Higher interest costs (\$15.9 million), due to increased interest rates (offset by higher interest revenues where on-lending is involved).
- Additional inflation added of \$6.9 million reflecting higher inflation being incurred in 2021/22.
- Higher costs in Regulatory and Compliance (\$5.6 million) to service higher volumes of Building and Resource Consents (offset by higher revenues).
- Edgware Pool – grant to St Albans Pavilion and Pool Incorporated brought forward from 2024/25, and increased from \$1.25 million to \$3 million, subject to certain

conditions being met. Funded from borrowing.

- Burwood Landfill (\$2.7 million), new consent granted for continued operations until FY2024 (offset by higher revenues),
- Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill - \$1.8 million included for implementation of the Act.
- Provision for an electricity pricing increase (\$1.7 million).
- Central City Vacant Land Remissions (\$0.95 million), reflecting properties eligible for remission.
- Governors Bay Restoration Trust grant (\$0.85 million), grant for contribution towards Governors Bay Jetty. Funded from borrowing.

These increases are partially offset by:

- Adjusting the opening date for Parakiore Recreation and Sport Centre (\$5.9 million) – partially 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 \$164.6 million for the renewal and replacement of existing assets. This is consistent with the Financial Strategy.

## Revenue

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

Total revenue excluding rates is \$44.1 million lower than the LTP, significant changes include:

- Delayed Crown funding for Te Kaha Arena (\$73.3 million), due to re-timing of the projected spend.
- Adjusting the opening date for Parakiore Recreation and Sport Centre reducing revenues by \$3.9 million.  
These decreases are partially offset by:
- Higher interest revenues, due to increased interest rates (\$13.3 million).
- Earlier Shovel Ready revenues (\$6.4 million), with budgets brought forward from 2023/24 and 2024/25 to align with updated planned capital delivery.
- Burwood Landfill continued operations (\$5.8 million).
- Higher Regulatory and Compliance revenues (\$5.2 million) reflecting higher volumes.
- Additional revenue from Surplus property sales (\$1.9 million).

- Higher Transwaste dividend planned of \$1.6 million.

## Rates

The average rates increase to existing ratepayers for 2022/23 is 4.66%. 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 2022/23 shows an accounting surplus of \$323.8 million before revaluations of \$344.3 million. 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 and affordability, to ensure ratepayers are not levied in advance of funds being required. Key factors taken into account when considering deliverability were:

- Covid-19
- 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 \$578.3 million in the capital programme in 2022/23, a decrease of \$109.5 million from that shown in the LTP.

The significant decreased spend in the capital programme in 2022/23 compared to the LTP mainly relates to the current delivery timeframe of Te Kaha Arena with \$122.5 million of spend moved to future years, partly offset by \$6 million for decontamination costs carried forward from 2020/21.

Other key changes from the LTP affecting 2022/23 are increases which include:

- Bringing back from future years (effectively delivering earlier) \$3.6 million for the Performing Arts Precinct.
- Bringing back \$5.1m million for roading improvements based on development timeframes.
- Bringing back \$4 million for Central City roading projects to align with the delivery timeframes of Te Kaha Arena and Performing Arts Precinct.
- Provision for an estimated \$30 million of 2021/22 works expected to be carried forward to 2022/23, with a further \$145 million moving to later years.

These are offset by:

- Re-timing of \$6.9 million for the Robert McDougall Gallery strengthening works
- Re-timing of \$6.5 million for the Organics processing plant development.
- Re-timing of \$4.9 million for Jellie Park renewal and replacement works.
- Other re-phasing of budgets from 2022/23 into future years of the LTP to reflect current delivery timeframes.

Other key changes from the LTP that do not materially impact 2022/23 include:

- Funding increase of \$20.5 million to the Ōtākaro Avon River Corridor (OARC) Programme.
- Funding increase of \$14.5 million to the Water Supply Pumping & Storage Civils and Structures Renewals programme.
- Funding increase of \$11.2 million to the Wastewater Lateral renewals programme.
- Funding increase of \$10 million to the Water Supply - New Small Supplies programme to prioritise the Koukourārata Drinking Water Scheme.

## 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 \$106.8 million, comprised of Te Kaha Arena contributions of \$68.5 million and Shovel Ready revenues of \$38.3 million.

## Borrowing

The annual plan includes new borrowing of \$177.5 million. This is \$114.9 million lower than planned in the LTP due to the lower capital programme spend, and funds borrowed early during 2021/22. The additional servicing cost of the new borrowing is \$2.9 million in 2022/23, increasing to an annualised amount of \$13.2 million from 2023/24. Total cost of debt servicing is planned to be \$126.4 million in 2022/23, totalling 20.2% of the total planned rates to be levied.

Gross debt in 2022/23 increases by \$118.2 million to \$2.3 billion. This is \$330.5 million lower than planned in the LTP, due to the 2021/22 capital programme forecast to be \$175 million under delivered and carried forward to future years, a reduction of \$50 million in working capital, Christchurch City Holdings Ltd refinancing \$50 million of debt directly, and a lower capital programme planned in 2022/23.

## 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 2022/23. In addition there are a further seven ratios required under the Local Government (Financial Reporting and Prudence ) Regulations 2014 (two are Annual Report only ratios) which determine the financial prudence of Council's budgets. All of these, except the Debt Servicing Benchmark are planned to be met in 2022/23. The Debt Servicing benchmark is forecast at 10.2% (limit 10%). It is expected to peak in 2024/25 at 11.3%. In the LTP this benchmark was expected to be breached in 2026/27 – 2028/29. There is no concern around the Council's ability to service the debt.

Long Term Plan 2021/22	Financial Overview	Note	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
					\$000
	<b>Funding Summary</b>				
500,451	Operating expenditure	1	514,816	537,463	22,647
633,974	Capital programme	2	687,802	578,307	(109,495)
85,429	Interest expense	3	85,011	100,893	15,882
54,249	Debt repayment	3	65,783	55,255	(10,528)
1,657	Movements in reserves	6	1,038	-	(1,038)
<b>1,275,760</b>	<b>Total expenditure</b>		<b>1,354,450</b>	<b>1,271,918</b>	<b>(82,532)</b>
	<b>funded by :</b>				
144,733	Fees, charges and operational subsidies	4	150,271	156,181	5,910
20,419	Dividends received		36,062	37,696	1,634
17,841	Interest received	3	16,448	29,743	13,295
6,996	Asset sales	5	6,134	8,008	1,874
24,276	Development contributions		24,115	24,115	-
120,167	Capital grants and subsidies		197,948	131,142	(66,806)
-	- Movement in reserves	6	-	71,851	71,851
-	- Working Capital reduction		-	902	902
<b>334,432</b>	<b>Total funding available</b>		<b>430,978</b>	<b>459,638</b>	<b>28,660</b>
<b>941,328</b>	<b>Balance required</b>		<b>923,472</b>	<b>812,280</b>	<b>(111,192)</b>
346,586	Borrowing	7	292,385	177,481	(114,904)
<b>594,742</b>	<b>Rates</b>	8	<b>631,087</b>	<b>634,799</b>	<b>3,712</b>
588,027	<b>Rates to be levied on 1 July</b>		622,189	625,888	3,699
6.75%	Nominal rates increase on 1 July		5.81%	6.44%	0.63%
<b>4.97%</b>	<b>Percentage rate increase to existing ratepayers</b>		<b>4.97%</b>	<b>4.66%</b>	<b>(0.31%)</b>

## Notes to Financial Overview

Long Term Plan 2021/22	Note 1 Operating Expenditure	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
\$000				
148,346	Communities & Citizens	167,413	155,428	(11,985)
15,812	Economic Development	17,038	17,075	37
4,216	Flood Protection & Control Works	4,676	4,834	158
16,667	Governance	18,413	19,295	882
15,488	Housing	16,108	15,364	(744)
74,019	Parks, Heritage and Coastal Environment	75,688	85,243	9,555
42,996	Regulatory & Compliance	45,482	51,039	5,557
57,608	Solid Waste & Resource Recovery	60,015	62,765	2,750
43,458	Stormwater Drainage	45,307	47,580	2,273
28,557	Strategic Planning & Policy	25,561	27,493	1,932
148,910	Transport	155,699	160,682	4,983
119,267	Wastewater	121,622	123,483	1,861
78,295	Water Supply	81,813	83,433	1,620
76,760	Corporate	67,030	79,931	12,901
<b>870,399</b>	<b>Total group of activity expenditure</b>	<b>901,865</b>	<b>933,645</b>	<b>31,780</b>
284,519	Less depreciation (non cash)	302,038	295,289	(6,749)
85,429	Less interest expense shown separately	85,011	100,893	15,882
<b>500,451</b>	<b>Operating expenditure</b>	<b>514,816</b>	<b>537,463</b>	<b>22,647</b>

Communities & Citizens expenditure decrease is due to lower depreciation (\$9 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 \$5.9 million. Partially offset by the grant for Edgeware Pool brought forward from 2024/25 and increased from \$1.25 million to \$3 million.

Parks increase is driven by higher depreciation (\$6.2 million) following the revaluation in June 2021 and higher debt servicing costs (\$1.2 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).

Transport increase is mainly due to higher depreciation (\$1.8 million) and debt servicing costs (\$1.8 million) due to higher interest rates.

Corporate expenditure is higher due to increased Debt Servicing costs (\$10.9 million) as a result of higher interest rates. Vacant land rates remissions of \$0.95 million also contribute.

Long Term Plan 2021/22	Note 2 Capital Programme	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP	Expenditure Category		
					Renewals & Replacements	Improved LOS	Increase Demand
		\$000					
72,258	Communities & Citizens	44,593	39,102	(5,491)	20,270	4,729	14,103
-	- Economic Development	-	-	-	-	-	-
43,887	Flood Protection & Control Works	38,987	31,783	(7,204)	10,131	8,635	13,017
-	- Governance	-	-	-	-	-	-
5,890	Housing	5,960	6,228	268	6,228	-	-
31,326	Parks, Heritage and Coastal Environment	50,910	36,491	(14,419)	21,088	12,065	3,338
207	Regulatory & Compliance	134	52	(82)	47	5	-
20,027	Solid Waste & Resource Recovery	10,997	5,022	(5,975)	1,437	3,585	-
20,972	Stormwater Drainage	23,503	23,055	(448)	15,958	4,306	2,791
900	Strategic Planning & Policy	921	1,133	212	-	826	307
135,995	Transport	144,137	152,043	7,906	54,669	66,093	31,281
56,753	Wastewater	69,111	68,505	(606)	50,846	13,904	3,755
64,843	Water Supply	68,919	66,715	(2,204)	58,435	5,188	3,092
180,916	Corporate	229,630	148,178	(81,452)	8,914	139,264	-
<b>633,974</b>	<b>Total capital programme</b>	<b>687,802</b>	<b>578,307</b>	<b>(109,495)</b>	<b>248,023</b>	<b>258,600</b>	<b>71,684</b>

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



Long Term Plan 2021/22	Note 3 Interest Expense	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
\$000				
54,639	General Borrowing	56,804	59,817	3,013
14,926	Equity investments	14,381	16,228	1,847
15,151	Advances to Council organisations	12,522	23,296	10,774
713	Advances to housing trust	1,304	1,552	248
<b>85,429</b>		<b>85,011</b>	<b>100,893</b>	<b>15,882</b>
54,249	Debt Repayment	65,783	55,255	(10,528)
<b>Interest Received</b>				
16,312	Subsidiaries	13,709	24,279	10,570
-	- Loan repayment investments	-	-	-
408	Special and other fund investments	877	1,425	548
763	Short term investments	972	2,377	1,405
807	Housing trust	890	1,662	772
<b>18,290</b>		<b>16,448</b>	<b>29,743</b>	<b>13,295</b>
<b>121,388</b>	<b>Net Cost of Debt Servicing</b>	<b>134,346</b>	<b>126,405</b>	<b>(7,941)</b>
20.6%	Percentage of rates levied	21.6%	20.2%	(1.40%)

Long Term Plan 2021/22	Note 4 Fees, Charges and Operational Subsidies	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
\$000				
21,622	Communities & Citizens	25,849	21,468	(4,381)
137	Economic Development	140	141	1
35	Flood Protection & Control Works	35	35	-
45	Governance	302	302	-
15,798	Housing	16,429	16,429	-
4,264	Parks, Heritage and Coastal Environment	4,358	4,428	70
34,881	Regulatory & Compliance	37,668	42,854	5,186
10,885	Solid Waste & Resource Recovery	12,276	17,868	5,592
115	Stormwater Drainage	220	219	(1)
707	Strategic Planning & Policy	722	722	-
38,151	Transport	38,175	37,452	(723)
7,680	Wastewater	6,718	6,710	(8)
1,825	Water Supply	684	646	(38)
9,324	Corporate	7,431	7,643	212
<b>145,469</b>	<b>Total group of activity operating revenue</b>	<b>151,007</b>	<b>156,917</b>	<b>5,910</b>
736	Less non cash revenue	736	736	-
<b>144,733</b>	<b>Fees, charges and operational subsidies</b>	<b>150,271</b>	<b>156,181</b>	<b>5,910</b>

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

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 decrease reflects lower parking revenues resulting from continuing COVID impacts.

Long Term Plan 2021/22	Note 5 Asset Sales	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
\$000				
6,500	Surplus property sales	5,626	7,500	1,874
496	Surplus roading land sales	508	508	-
<b>6,996</b>		<b>6,134</b>	<b>8,008</b>	<b>1,874</b>

Council has identified surplus property that is planned to be sold in 2022/23.

Long Term Plan 2021/22	Note 6 Movements in reserves	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
		\$000		
(3,209)	Interest credited to special funds and reserves	(3,362)	(3,893)	(531)
(95,696)	Deposits	(107,102)	(96,548)	10,554
97,248	Withdrawals	109,426	172,292	62,866
<b>(1,657)</b>		<b>(1,038)</b>	<b>71,851</b>	<b>72,889</b>

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

Long Term Plan 2021/22	Note 7 Borrowing	Long Term Plan 2022/23	Annual Plan 2022/23	Variance to LTP
		\$000		
633,974	Capital Programme	687,802	578,307	(109,495)
9,211	Capital grants	4,602	8,469	3,867
13,750	Operational costs	-	-	-
<b>656,935</b>	<b>Total funding requirement</b>	<b>692,404</b>	<b>586,776</b>	<b>(105,628)</b>
	<b>Funding sources</b>			
6,996	Sale of assets	6,134	8,008	1,874
150,559	Rates (for renewals)	164,598	164,598	-
2,461	Rates (for landfill aftercare)	1,264	2,355	1,091
5,890	Reserve drawdowns	5,960	79,077	73,117
24,276	Development contributions	24,115	24,115	-
120,167	Capital contributions, grants and subsidies	197,948	131,142	(66,806)
<b>310,349</b>	<b>Total funding available</b>	<b>400,019</b>	<b>409,295</b>	<b>9,276</b>
<b>346,586</b>	<b>Borrowing requirement</b>	<b>292,385</b>	<b>177,481</b>	<b>(114,904)</b>
25,000	Borrowing for onlending	-	-	-
54,249	Less debt repayment	65,783	55,255	(10,528)
-	Less borrowing on behalf of subsidiaries repaid	4,000	4,000	-
<b>317,337</b>	<b>Net change in borrowing</b>	<b>222,602</b>	<b>118,226</b>	<b>(104,376)</b>
2,049,091	Opening debt	2,366,428	2,140,272	(226,156)
<b>2,366,428</b>	<b>Closing debt</b>	<b>2,589,030</b>	<b>2,258,498</b>	<b>(330,532)</b>

<b>Long Term Plan 2021/22</b>	<b>Note 8 Rates</b>	<b>Long Term Plan 2022/23</b>	<b>Annual Plan 2022/23</b>	<b>Variance to LTP</b>
588,027	Rates levied 1 July	622,189	625,888	3,699
4,162	Excess water charges	6,292	6,105	(187)
2,553	Penalties	2,606	2,806	200
<b><u>594,742</u></b>		<b><u>631,087</u></b>	<b><u>634,799</u></b>	<b><u>3,712</u></b>