

Financial Overview

Financial Overview

This section provides an overview of financial information included in the Long Term Plan (LTP). For further high level funding information, readers should refer to the Financial Strategy.

The table below shows the total funding requirements for the Council for the ten years of the LTP. Key items or changes in the financial statements are mentioned below.

Operating expenditure

Significant items:

- Communities and Citizens expenditure increases through to 2021/22 largely due to new facilities coming on stream. These include new libraries and leisure centres.
- Housing expenditure drops in the next few years as earthquake repair work is completed
- Increased rates costs on piped networks of \$6.5 million p.a. following the 2016 general revaluation
- Additional annual fire service levy costs of \$1.8 million reflecting the change in legislation are incorporated by 2019/20
- Additional costs for insurance, \$3.0 million by 2020/21
- Maintenance costs of \$1.2 million p.a. from 2019/20 due to acquiring red zone areas from the Crown

- Increasing interest expense until a peak in 2025/26.
- The last year for funding for Regenerate Christchurch is 2020/21.

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets. However, the Council does not rate for depreciation, but for the renewal and replacement of existing assets. The target is based on the long run average from the 30 year renewal programme in the Infrastructure Strategy. While rates are below that level currently, the position progressively improves through the LTP period with the intention that by 2028/29 Council will be fully funding long run average renewals via rates and other capital subsidies rather than borrowing. In 2018/19 Council will rate for \$124 million of renewals and this reaches \$245 million by 2027/28.

Revenue

Council's primary source of revenue is property-based rates, although earthquake rebuild recoveries continue to contribute throughout the rebuild. A brief explanation of each source of revenue is included in the Revenue and Financing policy section.

Significant items:

- Communities and Citizens fees and charges revenue increases through to 2022/23 with the opening of new leisure facilities
- Refuse Disposal revenues decline largely due to decreasing earthquake material volumes through Burwood Landfill until its closure in 2022.
- Regulatory and Compliance revenues in the next few years are lower than 2017/18 due to the return of consent volumes to pre earthquake levels
- The remainder of the capital release from CCHL will be received as a \$140 million dividend in 2018/19.

Rates

The proposed average rates increase to existing ratepayers for 2018/19 is 5.50%, plus a further 0.22% which is the 10 year special heritage (Cathedral) targeted rate, being the Council's contribution towards the restoration. Rate increases are projected to fall through the LTP period to levels more in line with Council inflation. 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

This LTP shows accounting surpluses before revaluations in all years. 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 earthquake-related recoveries from central Government, 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 across all years of the LTP.

(Note that the balanced budget benchmark shown in the Financial Prudence Benchmarks section is calculated on a slightly different basis and shows small deficits from 2019/20 to 2022/23. This is primarily due to Council's policy of rating for renewals rather than depreciation.)

Capital programme expenditure

Council plans to invest \$479.7 million in the capital programme in 2018/19, and a total of \$4.4 billion over the 10 year LTP period. This total is very similar to the previous LTP, with some timing changes reflecting deliverability and affordability.

The annual programme increases in 2020/21 and 2021/22 to around \$510 million due to the Multi Use Arena and then gradually reduces.

The Infrastructure Strategy provides the programme level detail of proposed spend.

Capital programme funding

The capital programme is funded by earthquake recoveries, subsidies and grants for capital expenditure, development and financial contributions, the proceeds of asset sales, capital release and debt.

The capital release programme as set out in the previous amended 2015/25 LTP has been reduced reflecting the Council decision not to sell City Care Limited or other Council Controlled Organisations. The remaining \$140 million of capital release will be received in 2018/19. Council borrowing is higher due to the reduction, however higher CCHL dividends are supporting the funding of this extra debt. The borrowing mix between the parties ensures prudent borrowing levels for both the Council and CCHL.

Borrowing

The LTP includes new borrowing for the capital programme in 2018/19 of \$5.9 million. This is lower than normal due to funds on hand from borrowing in 2017/18 to match previously arranged interest rate hedging contracts. Overall, gross debt in 2018/19 decreases by \$25.4 million after debt repayment, which has been rated for, is applied. Over the period of the LTP gross debt is

forecast to increase by \$924 million to \$2.72 billion.

The Council exceeds the Debt Servicing Performance Benchmark in all years of the LTP, peaking at 14.5% of revenue in 2023/24. This Benchmark is set by Statistics New Zealand and is based on the city's expected growth. Council exceeds the Benchmark due to the level of borrowing required for the rebuild of major assets following the earthquakes. In accordance with the financial strategy Council will continue to ensure prudent and sustainable financial management of its operations and will not borrow beyond its ability to service and repay that borrowing.

Financial risk management strategy

There is no change to those policies which measure Council's management of financial risk (liquidity and funding risk management, interest rate exposure and counterparty credit risk).

An important element in assessing the value of Council's risk management strategy is its five key financial ratios. These are included under Debt Affordability within the Financial Prudence Benchmarks section of this document. The Council anticipates staying well within its financial ratio limits for the LTP period and beyond.

Plan 2017/18	Financial Overview		Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000										
	Funding Summary											
449,286	Operating expenditure	1	489,453	491,381	496,473	496,375	506,722	517,918	539,628	544,173	553,465	567,412
493,641	Capital programme	2	479,651	455,156	509,985	508,841	449,223	415,556	381,277	362,290	387,884	411,722
5,142	Transfers to reserves	3	5,782	5,213	6,873	9,915	10,471	10,871	11,291	13,067	13,566	13,994
89,978	Interest expense	4	94,929	99,267	110,382	121,621	131,094	137,637	142,583	144,313	144,099	143,755
47,708	Debt repayment	5	39,275	46,030	61,125	68,062	68,748	77,163	84,419	87,396	92,349	93,969
1,085,755	Total expenditure		1,109,090	1,097,047	1,184,838	1,204,814	1,166,258	1,159,145	1,159,198	1,151,239	1,191,363	1,230,852
	<i>funded by :</i>											
142,296	Fees, charges and operational subsidies	6	160,364	157,708	161,003	166,415	174,502	177,816	182,416	189,297	193,971	198,928
237,936	Dividends and interest received		230,155	81,748	88,654	87,530	85,776	94,642	98,417	98,780	104,125	106,820
73,393	Transfers from reserves	7	137,284	7,454	7,901	9,238	9,229	9,284	19,276	9,457	9,385	9,426
2,523	Asset sales	8	465	4,986	485	496	508	520	533	546	561	576
18,113	Development contributions		21,215	20,952	21,873	24,276	24,115	23,112	23,012	23,564	24,130	24,734
21,334	Earthquake rebuild recoveries		-	4,600	-	-	-	-	-	-	-	-
46,089	Capital grants and subsidies		63,634	48,093	36,539	38,830	30,714	28,542	47,415	32,498	47,138	40,791
541,684	Total funding available		613,117	325,541	316,455	326,785	324,844	333,916	371,069	354,142	379,310	381,275
544,071	Balance required		495,973	771,506	868,383	878,029	841,414	825,229	788,129	797,097	812,053	849,577
88,459	Borrowing	9	5,916	250,019	316,312	294,147	223,743	177,893	110,335	89,093	81,951	92,993
455,612	Rates	10	490,057	521,487	552,071	583,882	617,671	647,336	677,794	708,004	730,102	756,584
447,423	Rates to be levied on 1 July		483,605	514,804	545,143	576,808	610,449	639,955	670,243	700,273	722,185	748,469
7.88%	Nominal rates increase on 1 July		8.09%	6.45%	5.89%	5.81%	5.83%	4.83%	4.73%	4.48%	3.13%	3.64%
5.46%	Percentage rate increase to existing ratepayers		5.72%	5.50%	5.00%	4.97%	4.97%	4.00%	4.00%	3.75%	2.42%	2.92%

Section 2 – Notes to Financial Overview

Plan 2017/18	Note 1 Operating Expenditure	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000									
121,515	Communities & Citizens	134,094	146,879	152,890	170,586	176,494	180,892	188,188	192,899	197,475	202,994
873	Flood Protection & Control Works	9,200	4,242	1,459	1,700	1,942	2,122	2,251	2,383	2,502	2,647
22,068	Governance	15,731	17,721	16,995	16,911	18,757	18,308	17,976	19,928	19,063	19,167
26,981	Housing	27,252	23,922	22,708	20,746	21,850	22,868	23,990	24,736	25,937	27,338
51,182	Parks, Heritage and Coastal Environment	54,915	57,178	57,272	58,102	60,268	61,768	63,054	64,532	65,304	67,182
46,385	Refuse Disposal	49,484	47,420	48,259	49,624	49,986	51,710	53,854	55,707	57,489	59,050
55,110	Regulatory & Compliance	53,493	55,510	56,142	57,718	59,096	60,209	61,324	62,835	63,907	65,440
110,268	Roads & Footpaths	108,902	114,941	121,963	129,693	137,795	142,111	146,301	152,632	156,352	162,909
34,419	Stormwater Drainage	30,575	31,889	33,479	35,417	37,518	39,446	41,328	43,254	45,005	47,032
34,351	Strategic Planning & Policy	42,276	43,017	43,494	36,852	36,796	37,331	47,708	37,912	38,355	39,033
21,439	Transportation	20,422	24,055	25,644	26,855	28,644	29,637	31,310	33,395	35,270	37,530
88,734	Wastewater	94,781	99,047	104,035	109,626	113,357	115,816	120,949	126,153	130,861	135,803
49,027	Water Supply	62,722	64,426	67,999	71,606	74,806	77,683	80,973	83,916	86,695	89,728
90,913	Corporate Revenues & Expenses	105,535	97,264	99,337	97,701	100,042	104,497	104,595	101,751	99,446	97,180
753,265	Total group of activity expenditure	809,382	827,511	851,676	883,137	917,351	944,398	983,801	1,002,033	1,023,661	1,053,033
214,001	Less depreciation (non cash)	225,000	236,863	244,821	265,141	279,535	288,843	301,590	313,547	326,097	341,866
89,978	Less interest expense shown separately	94,929	99,267	110,382	121,621	131,094	137,637	142,583	144,313	144,099	143,755
449,286	Operating expenditure	489,453	491,381	496,473	496,375	506,722	517,918	539,628	544,173	553,465	567,412
Note 2											
Capital Programme											
134,220	Communities & Citizens	85,932	72,652	103,016	48,058	33,098	34,689	28,817	26,879	28,826	28,999
20,083	Flood Protection & Control Works	16,325	28,070	48,346	65,929	44,661	34,956	34,617	38,758	41,221	46,461
606	Governance	-	-	-	-	-	-	-	-	-	-
6,148	Housing	2,804	3,661	4,117	7,702	7,879	8,068	8,270	8,477	8,697	8,932
37,825	Parks, Heritage and Coastal Environment	26,217	28,833	28,350	33,528	38,411	31,886	19,115	20,509	20,908	18,443
768	Refuse Disposal	2,532	2,571	2,966	2,728	1,535	6,359	1,539	6,634	774	795
10	Regulatory & Compliance	-	2	-	21	-	3	30	6	-	-
73,247	Roads & Footpaths	94,023	96,015	75,826	88,088	65,904	56,777	74,489	66,488	75,284	70,158
72,216	Stormwater Drainage	18,834	19,756	22,439	19,012	35,369	32,220	23,559	25,572	29,786	39,875
930	Strategic Planning & Policy	896	922	1,020	1,050	384	363	372	381	391	402
70,642	Transportation	59,036	21,711	34,405	29,108	17,816	14,227	38,180	15,484	45,668	38,029
40,461	Wastewater	63,683	65,947	85,817	75,355	59,658	52,277	62,397	78,305	75,883	86,454
21,067	Water Supply	35,812	36,433	53,281	54,569	47,385	51,282	47,378	40,284	60,434	65,144
15,418	Corporate Revenues & Expenses	73,557	78,583	50,402	83,693	97,123	92,449	42,514	34,513	12	8,030
493,641	Total capital programme	479,651	455,156	509,985	508,841	449,223	415,556	381,277	362,290	387,884	411,722

Plan 2017/18	Note 3	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Transfers to Reserves										
		\$000									
4,513	Interest credited to special funds and reserves	4,069	3,997	3,985	3,987	4,081	4,140	4,247	4,443	4,536	4,650
-	- Housing cash operating result	-	-	1,652	4,784	5,260	5,592	5,901	7,481	7,875	8,189
311	Dog control cash operating result	186	147	167	144	130	139	143	143	155	155
68	Burwood Landfill capping contribution	69	69	69	-	-	-	-	-	-	-
250	Flood defence fund	-	-	-	-	-	-	-	-	-	-
-	- Cathedral fund	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
-	- Recovery of 2016/2017 opex deficit	458	-	-	-	-	-	-	-	-	-
5,142		5,782	5,213	6,873	9,915	10,471	10,871	11,291	13,067	13,566	13,994
	Note 4										
	Interest Expense										
58,980	General borrowing	63,274	66,204	76,025	86,938	95,816	102,427	106,890	108,058	108,128	107,682
8,666	Equity investments	8,545	8,573	8,504	8,647	8,735	8,484	8,116	7,913	7,707	7,696
22,332	Advances to Council organisations	22,902	23,648	24,550	24,718	25,255	25,455	26,327	27,115	27,075	27,240
-	- Advances to housing trust	208	842	1,303	1,318	1,288	1,271	1,250	1,227	1,189	1,137
89,978		94,929	99,267	110,382	121,621	131,094	137,637	142,583	144,313	144,099	143,755
	Note 5										
	Debt Repayment provided for										
47,708	Ratepayer funded loans	39,275	46,030	61,125	68,062	68,748	77,163	84,419	87,396	92,349	93,969
47,708		39,275	46,030	61,125	68,062	68,748	77,163	84,419	87,396	92,349	93,969

Plan 2017/18	Note 6 Fees, Charges and Operational Subsidies \$000	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
14,581	Communities & Citizens	17,440	18,384	18,913	22,076	27,104	27,672	28,289	29,350	30,235	31,170
-	Flood Protection & Control Works	-	-	-	-	-	-	-	-	-	-
-	Governance	-	703	-	-	748	-	-	801	-	-
11,976	Housing	14,371	15,949	18,039	18,983	19,979	20,749	21,570	23,980	24,963	26,013
3,837	Parks, Heritage and Coastal Environment	4,302	4,053	4,138	4,225	4,313	4,408	4,510	4,618	4,728	4,846
11,695	Refuse Disposal	11,425	11,097	10,401	9,629	8,778	8,649	8,415	8,617	8,824	9,045
48,326	Regulatory & Compliance	44,658	45,560	46,649	47,492	48,418	49,548	50,590	51,805	53,029	54,339
13,530	Roads & Footpaths	14,574	14,939	15,034	15,243	15,606	15,981	16,381	16,803	17,230	17,687
21	Stormwater Drainage	21	16	17	11	12	12	12	12	13	13
1,094	Strategic Planning & Policy	700	797	1,151	1,063	1,194	1,221	1,475	1,395	1,557	1,596
14,515	Transportation	16,517	18,314	18,887	19,439	19,866	20,404	20,868	21,365	21,848	22,283
5,804	Wastewater	6,774	6,994	7,245	7,399	7,554	7,719	7,897	8,087	8,280	8,488
613	Water Supply	625	637	650	665	679	693	708	726	743	761
17,251	Corporate Revenues & Expenses	29,693	20,999	20,611	20,921	20,980	21,183	21,701	21,738	22,521	22,687
143,243	Total group of activity operating revenue	161,100	158,442	161,735	167,146	175,231	178,239	182,416	189,297	193,971	198,928
947	Less non cash revenue	736	734	732	731	729	423	-	-	-	-
142,296	Fees, charges and operational subsidies	160,364	157,708	161,003	166,415	174,502	177,816	182,416	189,297	193,971	198,928
Note 7											
Transfers from Reserves											
153	Reserves a/c - reserve purchases	202	153	224	-	-	-	-	-	-	-
6,148	Housing - net capital programme	2,804	3,586	3,941	7,208	7,208	7,208	7,208	7,208	7,208	7,208
7,711	Housing cash operating result	5,179	-	-	-	-	-	-	-	-	-
-	Dog Account - capital programme	-	-	-	-	-	-	-	-	-	-
2,763	Capital endowment fund - grants	3,640	3,646	3,667	2,030	2,021	2,076	2,068	2,249	2,177	2,218
56,550	Debt repayment reserve	125,270	-	-	-	-	-	-	-	-	-
-	Housing debt repayment	-	-	-	-	-	-	-	-	-	-
68	Burwood Landfill remediation	69	69	69	-	-	-	-	-	-	-
-	QEII Redevelopment Plan	120	-	-	-	-	-	-	-	-	-
-	Cathedral Fund	-	-	-	-	-	-	10,000	-	-	-
73,393		137,284	7,454	7,901	9,238	9,229	9,284	19,276	9,457	9,385	9,426
Note 8											
Asset Sales											
58	Plant and vehicle disposals	-	19	-	-	-	-	-	-	-	-
2,000	Surplus property sales	-	4,492	-	-	-	-	-	-	-	-
465	Surplus roading land sales	465	475	485	496	508	520	533	546	561	576
2,523		465	4,986	485	496	508	520	533	546	561	576

Plan 2017/18	Note 9 Borrowing	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000									
493,641	Capital Programme	479,651	455,156	509,985	508,841	449,223	415,556	381,277	362,290	387,884	411,722
2,778	Capital grants	2,095	9,005	8,983	7,496	1,321	44	60	33	33	30
-	Operational costs	2,170	-	-	-	-	-	-	-	-	-
496,419	Total funding requirement	483,916	464,161	518,968	516,337	450,544	415,600	381,337	362,323	387,917	411,752
	Funding sources										
2,523	Sale of assets	465	4,986	485	496	508	520	533	546	561	576
116,624	Rates (for renewals)	123,990	131,093	138,835	150,715	163,760	177,628	192,419	208,989	226,493	245,002
357	Rates (for landfill aftercare)	352	610	689	665	496	697	415	425	436	448
21,334	Earthquake rebuild recoveries	-	4,600	-	-	-	-	-	-	-	-
62,920	Reserve drawdowns	128,344	3,808	4,235	7,208	7,208	7,208	7,208	7,208	7,208	7,208
140,000	CCHL special dividend	140,000	-	-	-	-	-	-	-	-	-
18,113	Development contributions	21,215	20,952	21,873	24,276	24,115	23,112	23,012	23,564	24,130	24,734
46,089	Capital grants and subsidies	63,634	48,093	36,539	38,830	30,714	28,542	47,415	32,498	47,138	40,791
407,960	Total funding available	478,000	214,142	202,656	222,190	226,801	237,707	271,002	273,230	305,966	318,759
88,459	Borrowing requirement	5,916	250,019	316,312	294,147	223,743	177,893	110,335	89,093	81,951	92,993
47,708	Less debt repayment	39,275	46,030	61,125	68,061	68,747	77,163	84,419	87,396	92,349	93,968
-	Plus new borrowing for housing trust	13,000	17,000	-	-	-	-	-	-	-	-
-	Less borrowing on behalf of subsidiaries repaid	5,000	1,500	1,965	1,953	1,938	2,568	4,685	3,306	3,329	3,367
40,751	Net change in borrowing	(25,359)	219,489	253,222	224,133	153,058	98,162	21,231	(1,609)	(13,727)	(4,342)
1,679,405	Opening gross debt	1,800,634	1,775,275	1,994,764	2,247,986	2,472,119	2,625,177	2,723,339	2,744,570	2,742,961	2,729,234
1,720,156	Closing gross debt	1,775,275	1,994,764	2,247,986	2,472,119	2,625,177	2,723,339	2,744,570	2,742,961	2,729,234	2,724,892
	Note 10 Rates										
447,423	Rates levied 1 July	483,605	514,804	545,143	576,808	610,449	639,955	670,243	700,273	722,185	748,469
2,000	Rates in year income per Order in Council	-	-	-	-	-	-	-	-	-	-
3,189	Excess water charges	3,395	3,565	3,744	3,823	3,903	3,989	4,081	4,178	4,279	4,386
3,000	Penalties	3,057	3,118	3,184	3,251	3,319	3,392	3,470	3,553	3,638	3,729
455,612		490,057	521,487	552,071	583,882	617,671	647,336	677,794	708,004	730,102	756,584