

Financial Overview

This section provides an overview of financial information included in the Draft 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, \$2.6 million by 2010/21
- Maintenance costs of \$1.2 million p.a. from acquiring red zone areas from the Crown

- Increasing interest expense until a peak in 2025/26.

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets. However, we do not rate for depreciation, we rate 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 and while we are below that currently, the position progressively improves through the LTP period. In 2018/19 we will rate for \$124 million of renewals and this reaches \$245 million by 2027/28.

Revenue

Our 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 2021/22 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 paid 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 Cathedral 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 we are 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 2020 to 2023. This is primarily due to our policy of rating for renewals rather than depreciation.)

Capital programme expenditure

The preferred option for the capital programme has been developed to ensure that the programme is both financially sustainable and aligned with Council's ability to deliver.

We plan to invest \$530 million in the capital programme in 2018/19, and a total of \$4.3 billion over the 10 year LTP period. This total is very similar to the previous LTP, with some timing changes reflecting deliverability and affordability.

Capital spend drops to \$400 million or less after 2019/20 with the exception of 2023-25 when the new multi-purpose arena Anchor project is planned.

The Infrastructure Strategy provides the programme level detail of proposed spend. Overall spend on Major Community Facilities and Anchor projects is tabled in the Financial Strategy. The proposed timing of this spend can be seen in the Proposed Capital Programme.

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 to not 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 \$59 million. After rating for existing debt repayment there is a net debt

change of \$5.8 million. This is low due to available funds from some prior borrowing in 2017/18 to match previously arranged interest rate hedging contracts. Gross debt is forecast to increase by \$846 million over the period of the LTP to \$2.6 billion.

In accordance with our financial strategy we will continue to ensure prudent and sustainable financial management of our operations and will not borrow beyond our ability to service and repay that borrowing.

Financial risk management strategy

There is no change to those policies which measure our 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 Financial Overview 2017/18			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	465,124	482,279	496,784	504,987	509,620	517,406	541,811	549,227	558,526	572,494
493,641	Capital programme	2	530,231	464,715	390,530	400,704	427,650	465,506	456,249	377,935	372,491	396,762
5,142	Transfers to reserves	3	5,826	5,663	7,495	10,628	11,203	11,617	12,055	13,869	14,388	14,836
89,978	Interest expense	4	95,459	100,653	109,868	116,238	122,575	129,374	137,011	141,263	141,199	140,228
47,708	Debt repayment	5	46,172	43,774	53,144	61,478	62,645	78,110	83,018	84,267	89,966	90,527
1,085,755	Total expenditure		1,142,812	1,097,084	1,057,821	1,094,035	1,133,693	1,202,013	1,230,144	1,166,561	1,176,570	1,214,847
<i>funded by :</i>												
142,296	Fees, charges and operational subsidies	6	153,768	157,231	163,020	170,659	174,625	177,966	182,704	189,592	194,274	199,239
237,936	Dividends and interest received		226,999	79,308	85,869	86,809	85,150	94,090	97,942	101,610	103,816	106,589
73,393	Transfers from reserves	7	135,169	5,856	5,974	9,517	9,520	9,579	19,463	9,662	9,591	9,636
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		59,365	42,637	33,476	38,336	29,945	32,640	45,715	37,666	48,029	42,416
541,684	Total funding available		596,981	315,570	310,697	330,093	323,863	337,907	369,369	362,640	380,401	383,190
544,071	Balance required		545,831	781,514	747,124	763,942	809,830	864,106	860,775	803,921	796,169	831,657
88,459	Borrowing	9	58,957	263,424	198,627	186,393	201,578	223,633	187,010	99,570	65,668	76,407
455,612	Rates	10	486,874	518,090	548,497	577,549	608,252	640,473	673,765	704,351	730,501	755,250
447,423	Rates to be levied on 1 July		480,422	511,407	541,569	570,475	601,030	633,092	666,214	696,620	722,584	747,135
7.88%	Nominal rates increase on 1 July		7.38%	6.45%	5.90%	5.34%	5.36%	5.33%	5.23%	4.56%	3.73%	3.40%
5.46%	Percentage rate increase to existing ratepayers		5.72%	5.50%	5.00%	4.50%	4.50%	4.50%	4.50%	3.84%	3.00%	2.68%

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	134,679	149,878	161,127	176,366	175,871	181,013	188,375	193,310	197,932	203,425
873	Flood Protection & Control Works	989	1,137	1,326	1,529	1,727	1,870	1,970	2,076	2,177	2,300
22,068	Governance	22,357	24,559	23,923	24,002	26,142	25,816	25,617	27,779	27,038	27,324
26,981	Housing	27,064	23,562	22,241	20,268	21,369	22,380	23,493	24,225	25,416	26,804
51,182	Parks, Heritage and Coastal Environment	55,155	56,544	56,668	57,264	59,349	60,802	62,100	63,632	64,385	66,231
46,385	Refuse Disposal	46,460	47,609	48,442	49,788	50,145	51,860	54,009	55,890	57,674	59,238
55,110	Regulatory & Compliance	53,766	55,767	56,380	57,928	59,330	60,443	61,558	63,079	64,153	65,696
110,268	Roads & Footpaths	109,313	115,718	122,465	129,446	136,797	140,877	145,197	151,981	155,396	160,906
34,419	Stormwater Drainage	30,777	32,116	33,466	35,007	36,695	38,394	40,106	41,916	43,415	45,084
34,351	Strategic Planning & Policy	32,971	33,561	34,179	34,467	34,353	34,908	45,307	35,504	36,034	36,815
21,439	Transportation	22,133	23,196	24,614	25,704	27,396	28,391	30,297	32,547	34,449	36,677
88,734	Wastewater	95,378	99,909	104,556	109,536	112,937	115,310	120,604	126,198	130,825	135,455
49,027	Water Supply	60,852	63,394	66,450	69,481	72,510	75,408	78,888	82,212	85,138	88,314
90,913	Corporate Revenues & Expenses	94,132	94,356	96,572	94,439	95,480	96,631	101,679	102,659	100,540	98,261
753,265	Total group of activity expenditure	786,026	821,306	852,409	885,225	910,101	934,103	979,200	1,003,008	1,024,572	1,052,530
214,001	Less depreciation (non cash)	225,443	238,374	245,757	264,000	277,906	287,323	300,378	312,518	324,847	339,808
89,978	Less interest expense shown separately	95,459	100,653	109,868	116,238	122,575	129,374	137,011	141,263	141,199	140,228
449,286	Operating expenditure	465,124	482,279	496,784	504,987	509,620	517,406	541,811	549,227	558,526	572,494
Note 2											
Capital Programme											
134,220	Communities & Citizens	143,357	115,144	27,397	24,550	32,213	34,689	28,817	26,879	28,826	28,999
20,083	Flood Protection & Control Works	16,652	38,849	48,346	65,929	49,457	34,956	34,617	38,758	41,221	46,461
606	Governance	-	-	-	-	-	-	-	-	-	-
6,148	Housing	2,577	3,773	3,902	7,819	7,999	8,191	8,270	8,477	8,697	8,932
37,825	Parks, Heritage and Coastal Environment	26,597	27,812	28,664	34,156	38,410	31,886	19,116	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	97,961	95,284	75,045	79,904	62,293	54,905	72,875	65,304	75,723	72,031
72,216	Stormwater Drainage	27,596	12,219	22,439	19,012	30,574	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	54,876	13,388	33,165	29,711	15,929	21,233	35,568	25,617	37,221	30,594
40,461	Wastewater	47,279	45,912	73,438	84,396	62,583	55,461	65,180	71,249	62,665	72,674
21,067	Water Supply	27,312	27,755	45,448	58,309	51,210	55,200	51,393	44,400	64,657	69,481
15,418	Corporate Revenues & Expenses	82,596	81,084	28,700	(6,881)	75,063	130,040	114,913	44,149	1,622	8,075
493,641	Total capital programme	530,231	464,715	390,530	400,704	427,650	465,506	456,249	377,935	372,491	396,762

Plan 2017/18	Note 3 Transfers to Reserves	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000									
4,513	Interest credited to special funds and reserves	4,047	4,030	4,094	4,187	4,304	4,379	4,504	4,737	4,851	4,985
-	- Housing cash operating result	-	348	2,096	5,227	5,699	6,030	6,339	7,920	8,313	8,627
311	Dog control cash operating result	252	216	236	214	200	208	212	212	224	224
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		5,826	5,663	7,495	10,628	11,203	11,617	12,055	13,869	14,388	14,836

**Note 4
Interest Expense**

58,980	General borrowing	64,012	68,432	76,814	82,873	88,585	95,435	102,568	106,235	106,417	105,292
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
89,978		95,459	100,653	109,868	116,238	122,575	129,374	137,011	141,263	141,199	140,228

**Note 5
Debt Repayment provided for**

47,708	Ratepayer funded loans	46,172	43,774	53,144	61,478	62,645	78,110	83,018	84,267	89,966	90,527
47,708		46,172	43,774	53,144	61,478	62,645	78,110	83,018	84,267	89,966	90,527

Plan 2017/18	Note 6	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Fees, Charges and Operational Subsidies										
	\$000										
14,581	Communities & Citizens	17,741	18,443	20,741	26,128	27,031	27,622	28,372	29,435	30,322	31,259
-	Flood Protection & Control Works	-	-	-	-	-	-	-	-	-	-
-	Governance	-	703	-	-	748	-	-	801	-	-
11,976	Housing	14,371	15,949	18,038	18,982	19,979	20,749	21,570	23,980	24,963	26,013
3,837	Parks, Heritage and Coastal Environment	4,301	4,052	4,138	4,225	4,313	4,408	4,509	4,618	4,729	4,847
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	44,719	45,624	46,714	47,559	48,486	49,617	50,660	51,878	53,103	54,417
13,530	Roads & Footpaths	14,574	14,939	15,034	15,243	15,606	15,982	16,380	16,804	17,231	17,688
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	18,972	18,900	19,485	20,049	20,489	21,041	21,519	22,032	22,531	22,985
5,804	Wastewater	6,524	6,739	6,985	7,133	7,283	7,442	7,613	7,796	7,982	8,182
613	Water Supply	625	637	650	665	679	692	709	726	743	761
17,251	Corporate Revenues & Expenses	20,529	20,067	20,397	20,703	20,756	20,954	21,470	21,498	22,276	22,434
143,243	Total group of activity operating revenue	154,502	157,963	163,751	171,390	175,354	178,389	182,704	189,592	194,274	199,240
947	Less non cash revenue	734	732	731	731	729	423	-	-	-	-
142,296	Fees, charges and operational subsidies	153,768	157,231	163,020	170,659	174,625	177,966	182,704	189,592	194,274	199,240
	Note 7										
	Transfers from Reserves										
153	Reserves a/c - reserve purchases	201	152	225	-	-	-	-	-	-	-
6,148	Housing - net capital programme	2,577	3,696	3,735	7,318	7,318	7,318	7,208	7,208	7,208	7,208
7,711	Housing cash operating result	4,993	-	-	-	-	-	-	-	-	-
-	- Dog Account - capital programme	-	-	-	-	-	-	-	-	-	-
2,763	Capital endowment fund - grants	1,939	1,939	1,945	2,199	2,202	2,261	2,255	2,454	2,383	2,428
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		135,169	5,856	5,974	9,517	9,520	9,579	19,463	9,662	9,591	9,636

Plan 2017/18	Note 8 Asset Sales	Plan 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000									
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
Note 9 Borrowing											
493,641	Capital Programme	530,231	464,715	390,530	400,704	427,650	465,506	456,249	377,935	372,491	396,762
2,778	Capital grants	60	7,505	7,483	7,496	71	44	60	33	33	30
-	Earthquake response	-	-	-	-	-	-	-	-	-	-
-	Operational costs	2,170	-	-	-	-	-	-	-	-	-
496,419	Total funding requirement	532,461	472,220	398,013	408,200	427,721	465,550	456,309	377,968	372,524	396,792
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	138,834	150,716	163,761	177,630	192,416	208,989	226,492	245,003
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	128,117	3,918	4,029	7,318	7,318	7,318	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	59,365	42,637	33,476	38,336	29,945	32,640	45,715	37,666	48,029	42,416
407,960	Total funding available	473,504	208,796	199,386	221,807	226,143	241,917	269,299	278,398	306,856	320,385
88,459	Borrowing requirement	58,957	263,424	198,627	186,393	201,578	223,633	187,010	99,570	65,668	76,407
47,708	Less debt repayment	46,172	43,774	53,144	61,477	62,644	78,110	83,018	84,267	89,966	90,526
-	Plus new borrowing on behalf of subsidiaries	-	-	-	-	-	-	-	-	-	-
-	Less borrowing on behalf of subsidiaries repaid	7,000	1,500	1,000	1,000	1,000	1,600	1,700	2,300	2,300	2,300
40,751	Net change in borrowing	5,785	218,150	144,483	123,916	137,934	143,923	102,292	13,003	(26,598)	(16,419)
1,679,405	Opening gross debt	1,800,634	1,806,419	2,024,569	2,169,052	2,292,968	2,430,902	2,574,825	2,677,117	2,690,120	2,663,522
1,720,156	Closing gross debt	1,806,419	2,024,569	2,169,052	2,292,968	2,430,902	2,574,825	2,677,117	2,690,120	2,663,522	2,647,103

Plan Note 10												
2017/18	Rates	Plan	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		\$000										
447,423	Rates levied 1 July		480,422	511,407	541,569	570,475	601,030	633,092	666,214	696,620	722,584	747,135
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			486,874	518,090	548,497	577,549	608,252	640,473	673,765	704,351	730,501	755,250