

Financial Overview

The background is a solid teal color. A thick, white, curved line starts from the left edge, dips slightly, and then rises steadily towards the top right corner, creating a sense of upward movement or growth.

Financial Overview

This section provides an overview of financial information included in the Draft Long Term Plan (LTP). The results flow from an extensive review of operating costs which commenced in January 2020, enabling savings to be made immediately post COVID-19 for the 2021 Annual Plan and also for this LTP. A significant review of capital expenditure was also undertaken, focussing on deliverability and affordability, but also taking into account the need to prevent further deterioration in our asset networks with resulting significantly higher future maintenance costs. We have had to limit the programme level and resultant borrowing in the first three years to preserve a prudent amount of debt headroom through the 2025/28 period, where the net debt ratio peaks, to ensure we retain appropriate borrowing capacity / financial resilience in case of another event.

For further high level funding information please read the Financial Strategy. The table below shows the total funding requirements for the Council for the ten years of the Draft LTP. Key items or changes in the financial statements are mentioned below.

Operating expenditure

Significant items:

- Operational expenditure is lower in 2021/22 than planned in the 2020/21 year. This is the result of a series of Councillor Workshops identifying further cost savings of \$25.6 million.
- Communities and Citizens expenditure increases through to 2022/23 due to the planned opening of the Metro Sports Facility, and the Hornby Library, Customer Services, South West Leisure Centre. The 2024/25 – 2026/27 years include the Canterbury Museum capital redevelopment grant of \$7.8 million annually (\$23.5 million total).
- Increased Christchurch NZ base funding of \$5.5 million each year, making total funding \$13.6 million per year. Previous Development Christchurch Limited funding of \$2 million each year has been redistributed to Christchurch NZ.

- Vbase capital grant for Christchurch Arena upgrade - \$5.2 million (2021/22) and \$1.8 million (2022/23 and 2023/24).
- Arts Centre capital grant for restoration - \$3.9 million (2021/22) and \$0.8 million (2022/23 and 2023/24).
- Vbase operational grant - \$4.3 million from 2022 through to 2026, reducing to \$3.3 million annually thereafter.
- Decreasing interest expense due to a combination of lower interest rates and Christchurch City Holdings Limited (CCHL) planning to borrow in their own name; once current debt holdings held with Council mature.

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 draft LTP period. In 2021/22 we will rate for \$150.6 million of renewals and this reaches \$321.5 million by 2030/31.

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.

Significant items:

- Communities and Citizens fees and charges revenue increases through to 2022/23 with the opening of Metro Sports and the Hornby

Library, Customer Services, South West Leisure Centre.

- CCHL dividends are \$104 million lower compared to the 2018 LTP between the years 2022–2028, due to the impact of COVID-19. CCHL dividends increase over the LTP period from \$16.1 million in 2022 to \$64.2 million in 2031.
- Interest revenues decline throughout the LTP period from \$15.7 million in 2021/22 to \$6.3 million in 2030/31, due to CCHL planning to borrow in their own name once current debt holdings with Council mature (offset by lower interest expense).

Rates

The proposed average rates increase to existing ratepayers for 2021/22 is 5.56%. 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 Draft 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 draft LTP.

(Note that the balanced budget benchmark shown in the Financial Prudence Benchmarks section is calculated on a slightly different basis and shows a small deficit in 2024/25. This is primarily due to Council's policy of rating for renewals rather than depreciation. The intention is to steadily increase the level of rating for renewals in line with the Financial Strategy.

Capital programme expenditure

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 \$585.9 million in the capital programme in 2021/22, and a total of \$5.7 billion over the 10 year LTP period. This is \$1.3 billion higher than the previous LTP. While \$0.2 billion relates to the inclusion of the Crown's funding share of the Canterbury Multi-use Arena, the balance has a focus on infrastructure renewals.

Capital spend is higher in the first three years of the draft LTP due to the expenditure for the new Metro Sports Facility and the Canterbury Multi-use Arena.

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 Draft LTP are Crown revenues of \$285.1 million, comprised of Canterbury Multi Use Arena contributions of \$55.9 million in 2021/22 and \$141.8 million in 2022/23, Shovel Ready revenues (\$70.5 million spread from 2021/22 – 2024/25), and Water Reform revenues (\$16.9 million in 2021/22).

Borrowing

Short term COVID-19 borrowing (repaid over 5 years) in 2021/22 has reduced from \$21.15 million as indicated in the 2021 Annual Plan to \$5.75 million in this Draft LTP. This is a result of identifying \$8 million of surplus property which is proposed to be sold, and applying additional rates smoothing to reduce short term borrowing (\$7.4 million).

Total short term COVID-19 related borrowing is now forecast to be \$49.6 million rather than \$86.1 million as indicated when the 2021 Annual Plan was resolved. The reduction is due to the items above, together with additional dividend from CCHL (\$15.2 million) and lower interest expense (\$3.1 million) in 2020/21 than planned. The 2019/20 operational deficit was also \$2.8 million lower than originally forecast.

The draft LTP includes \$293 million of further borrowing in 2021/22. After rating for existing debt

repayment and repayment of debt from CCHL there is a net debt change of \$98.8 million.

Gross debt is forecast to increase by \$871.3 million over the period of the Draft LTP to \$3 billion.

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 throughout the LTP period. 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. One of these benchmarks is not met in 2024/25, the balanced budget benchmark (99%). This unbalanced budget is considered financially prudent given it is for one year only. Forecast results against the benchmarks and key ratios are included within the Financial Prudence Benchmarks section of this document.

Plan 2020/21	Financial Overview		Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000										
	Funding Summary											
493,336	Operating expenditure	1	491,607	508,020	528,646	557,420	560,576	571,944	577,398	596,114	608,179	624,288
507,090	Capital programme	2	585,940	660,918	668,761	537,355	520,409	541,160	559,500	533,053	538,354	551,647
88,635	Interest expense	3	81,837	75,121	73,937	73,662	75,229	77,372	75,330	74,623	70,226	69,229
50,629	Debt repayment		59,504	68,622	88,342	98,065	96,981	103,014	109,554	117,332	123,961	130,309
-	Movements in reserves	6	1,627	688	2,812	-	2,640	2,719	1,604	3,112	2,479	2,554
1,139,690	Total expenditure		1,220,515	1,313,369	1,362,498	1,266,502	1,255,835	1,296,209	1,323,386	1,324,234	1,343,199	1,378,027
	funded by :											
127,999	Fees, charges and operational subsidies	4	140,881	149,920	158,231	162,859	168,115	171,757	175,990	181,258	185,133	189,833
47,567	Dividends and interest received		34,843	46,741	63,442	67,761	62,334	62,104	63,760	66,486	69,493	73,672
4,994	Asset sales	5	8,496	7,669	520	533	546	560	576	592	609	625
21,874	Development contributions		24,276	24,115	23,112	23,013	23,565	24,131	24,734	25,402	26,088	26,766
43,579	Capital contributions, grants and subsidies		124,218	200,040	56,675	36,461	36,652	41,365	34,775	34,561	30,478	31,503
142,618	Movements in reserves	6	-	-	-	6,972	-	-	-	-	-	-
1,569	Working Capital reduction		-	-	-	-	-	-	-	-	-	-
390,200	Total funding available		332,714	428,485	301,980	297,599	291,212	299,917	299,835	308,299	311,801	322,399
749,490	Balance required		887,801	884,884	1,060,518	968,903	964,623	996,292	1,023,551	1,015,935	1,031,398	1,055,628
192,265	Borrowing	7	292,982	260,427	403,640	278,092	229,714	225,586	224,043	181,202	172,931	162,962
557,225	Rates	8	594,819	624,457	656,878	690,811	734,909	770,706	799,508	834,733	858,467	892,666
550,831	Rates to be levied on 1 July		586,104	615,559	647,785	681,508	725,383	760,951	789,510	824,464	847,921	881,846
	5.75% Nominal rates increase on 1 July		6.40%	5.03%	5.24%	5.21%	6.44%	4.90%	3.75%	4.43%	2.85%	4.00%
	3.80% Percentage rate increase to existing ratepayers		5.56%	4.19%	4.40%	4.37%	5.59%	4.07%	2.93%	3.60%	2.03%	3.18%

Notes to Financial Overview

Plan 2020/21	Note 1 Operating Expenditure	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
142,907	Communities & Citizens	147,669	166,586	172,638	188,135	191,025	194,868	190,610	195,664	200,119	205,404
2,616	Flood Protection & Control Works	4,188	4,574	4,965	5,434	5,972	6,457	6,922	7,441	7,981	8,477
17,905	Governance	16,131	17,958	17,370	17,218	19,577	18,886	18,746	20,914	19,948	20,185
21,668	Housing	15,618	16,238	16,791	17,304	17,899	18,431	19,065	19,770	20,412	21,114
71,454	Parks, Heritage and Coastal Environment	72,758	74,257	77,713	78,844	82,054	85,725	87,214	89,240	91,440	95,175
56,505	Solid Waste & Resource Recovery	57,561	59,947	62,650	63,617	65,685	67,199	69,284	70,963	72,152	74,163
41,697	Regulatory & Compliance	43,446	46,033	48,493	49,774	51,022	52,492	53,625	55,224	56,375	57,890
42,957	Stormwater Drainage	43,415	45,081	46,625	48,338	50,288	52,530	54,790	57,401	59,727	62,414
36,406	Strategic Planning & Policy	42,431	40,748	41,479	51,274	41,752	42,421	43,043	43,819	44,419	45,113
145,963	Transport	147,776	154,326	161,952	171,260	179,292	187,925	195,389	206,540	211,907	217,193
113,995	Wastewater	118,668	120,762	124,735	129,867	133,367	137,518	143,275	149,497	154,386	159,083
75,475	Water Supply	77,764	81,295	85,056	89,098	92,429	94,258	98,216	102,070	106,230	106,557
82,959	Corporate	70,534	57,300	58,745	54,276	52,570	50,937	48,280	45,058	40,356	37,959
852,507	Total group of activity expenditure	857,959	885,105	919,212	964,439	982,932	1,009,647	1,028,459	1,063,601	1,085,452	1,110,727
270,536	Less depreciation (non cash)	284,515	301,964	316,629	333,357	347,127	360,331	375,731	392,864	407,047	417,210
88,635	Less interest expense shown separately	81,837	75,121	73,937	73,662	75,229	77,372	75,330	74,623	70,226	69,229
493,336	Operating expenditure	491,607	508,020	528,646	557,420	560,576	571,944	577,398	596,114	608,179	624,288
		\$000									
Plan 2020/21	Note 2 Capital Programme	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
111,945	Communities & Citizens	71,058	43,804	26,145	31,605	32,231	31,265	29,047	29,774	33,855	31,097
24,376	Flood Protection & Control Works	41,778	28,014	32,385	44,775	51,101	43,244	42,256	45,738	44,049	47,854
-	Governance	-	-	-	-	-	-	-	-	-	-
11,527	Housing	5,890	5,960	4,995	5,076	5,278	6,629	6,903	6,118	7,253	7,532
26,996	Parks, Heritage and Coastal Environment	35,977	40,990	56,482	64,484	58,915	66,816	95,083	66,821	72,519	74,598
2,966	Solid Waste & Resource Recovery	20,026	10,997	3,783	2,137	3,254	4,618	4,787	3,042	2,740	3,068
3	Regulatory & Compliance	207	134	22	160	72	40	63	54	46	-
21,861	Stormwater Drainage	21,130	23,042	25,250	29,615	26,245	26,711	29,869	30,365	29,962	31,461
904	Strategic Planning & Policy	900	921	943	966	990	1,017	1,044	1,073	1,104	1,134
102,330	Transport	135,663	140,689	137,982	143,875	143,084	141,220	144,236	147,404	153,384	157,552
55,755	Wastewater	56,930	67,949	72,485	85,227	93,722	103,714	90,846	81,825	72,539	73,172
35,462	Water Supply	65,416	68,626	85,335	80,179	81,969	87,723	89,520	91,873	90,985	94,425
112,965	Corporate	130,965	229,792	222,954	49,256	23,548	28,163	25,846	28,966	29,918	29,754
507,090	Total capital programme	585,940	660,918	668,761	537,355	520,409	541,160	559,500	533,053	538,354	551,647

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

Plan 2020/21	Note 3 Interest Expense	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
56,389	General Borrowing	53,800	52,307	54,736	58,235	60,857	64,782	63,107	63,655	60,385	59,937
14,858	Equity investments	14,604	13,845	12,130	11,003	9,942	9,521	9,237	8,431	7,961	7,423
17,223	Advances to Council organisations	13,030	8,205	6,307	3,660	3,705	2,344	2,375	1,926	1,334	1,323
165	Advances to housing trust	403	764	764	764	725	725	611	611	546	546
88,635		81,837	75,121	73,937	73,662	75,229	77,372	75,330	74,623	70,226	69,229

General borrowing includes interest on the \$49.6 million of short term borrowing to cover the loss of revenues due to COVID-19. This is to be repaid over 5 years with the final repayment in 2026/27.

Advances to Council organisations related interest expense reduces over the LTP period as CCHL refinances debt directly with lenders rather than via Council.

Plan 2020/21	Note 4 Fees, Charges and Operational Subsidies	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
17,684	Communities & Citizens	21,443	27,716	28,642	29,425	30,528	31,440	32,410	33,127	34,020	34,901
34	Flood Protection & Control Works	35	35	36	37	38	39	40	41	42	43
44	Governance	45	743	47	48	796	50	51	858	54	56
15,381	Housing	15,798	16,429	17,123	17,811	18,557	19,276	19,980	20,694	21,378	21,985
3,685	Parks, Heritage and Coastal Environment	4,222	4,311	4,405	4,506	4,616	4,727	4,844	4,974	5,109	5,241
9,577	Solid Waste & Resource Recovery	9,885	11,276	11,848	12,653	12,826	13,003	13,191	13,400	13,614	13,826
33,309	Regulatory & Compliance	34,881	37,668	40,049	40,924	41,866	42,829	43,857	44,995	46,164	47,321
17	Stormwater Drainage	515	1,036	1,059	1,083	1,109	1,136	1,165	1,196	1,228	1,260
1,024	Strategic Planning & Policy	844	862	881	901	922	945	968	994	1,021	1,048
36,500	Transport	38,071	37,949	39,077	40,140	41,343	42,612	43,582	44,820	46,025	47,359
5,504	Wastewater	7,305	6,718	6,866	7,023	7,192	7,365	7,549	7,753	7,962	8,169
656	Water Supply	1,450	684	699	715	732	749	769	789	811	831
5,318	Corporate	7,123	5,229	7,928	7,593	7,590	7,586	7,584	7,617	7,705	7,793
128,733	Total group of activity operating revenue	141,617	150,656	158,660	162,859	168,115	171,757	175,990	181,258	185,133	189,833
734	Less non cash revenue	736	736	429	-	-	-	-	-	-	-
127,999	Fees, charges and operational subsidies	140,881	149,920	158,231	162,859	168,115	171,757	175,990	181,258	185,133	189,833

Citizens & Communities revenue increases in 2022/23 due to a full years operation of Linwood Pool and the opening of the new Metro Sports and South West Leisure facilities.

Stormwater Drainage revenues reflect future changes in the Stormwater Bylaw for which the charging of fees will commence during 2022/23.

Wastewater revenues includes \$0.7 million of Water Reform Crown contributions in 2021/22.

Corporate Revenues in 2021/22 includes \$1.9 million of Asset Management (internal service) Water Reform Crown contributions. No subvention credits are planned until 2023/24.

Plan 2020/21	Note 5 Asset Sales	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
4,509	Surplus property sales	8,000	7,161	-	-	-	-	-	-	-	-
485	Surplus roading land sales	496	508	520	533	546	560	576	592	609	625
4,994		8,496	7,669	520	533	546	560	576	592	609	625

Council has identified surplus property that is planned to be sold in 2021/22 and 2022/23. The sale proceeds will be used to repay short term borrowing for COVID-19 related debt.

Plan 2020/21	Note 6 Movements in reserves	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
(3,472)	Interest credited to special funds and reserves	(3,243)	(3,112)	(2,969)	(2,826)	(2,571)	(2,664)	(2,691)	(2,770)	(2,918)	(2,993)
(88,917)	Deposits	(101,094)	(110,071)	(119,790)	(133,337)	(138,207)	(145,133)	(152,169)	(159,827)	(167,334)	(174,480)
235,007	Withdrawals	102,710	112,495	119,947	143,135	138,138	145,078	153,256	159,485	167,773	174,919
142,618		(1,627)	(688)	(2,812)	6,972	(2,640)	(2,719)	(1,604)	(3,112)	(2,479)	(2,554)

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

Plan 2020/21	Note 7 Borrowing	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
507,090	Capital Programme	585,940	660,918	668,761	537,355	520,409	541,160	559,500	533,053	538,354	551,647
1,564	Capital grants	9,212	2,698	4,021	9,148	7,878	9,229	31	31	32	33
39,131	Operational costs	13,750	-	-	-	-	-	-	-	-	-
547,785	Total funding requirement	608,902	663,616	672,782	546,503	528,287	550,389	559,531	533,084	538,386	551,680
	Funding sources										
4,994	Sale of assets	8,496	7,669	520	533	546	560	576	592	609	625
138,678	Rates (for renewals)	150,560	164,598	182,641	202,424	230,988	251,483	266,993	284,599	300,384	321,547
1,732	Rates (for landfill aftercare)	2,461	807	1,018	553	620	578	594	610	643	745
144,663	Reserve drawdowns	5,909	5,960	5,176	5,427	6,202	6,686	7,816	6,118	7,253	7,532
21,874	Development contributions	24,276	24,115	23,112	23,013	23,565	24,131	24,734	25,402	26,088	26,766
43,579	Capital contributions, grants and subsidies	124,218	200,040	56,675	36,461	36,652	41,365	34,775	34,561	30,478	31,503
355,520	Total funding available	315,920	403,189	269,142	268,411	298,573	324,803	335,488	351,882	365,455	388,718
192,265	Borrowing requirement	292,982	260,427	403,640	278,092	229,714	225,586	224,043	181,202	172,931	162,962
14,000	Borrowing for onlending	25,000	-	-	-	-	-	-	-	-	-
50,629	Less debt repayment	59,504	68,622	88,342	98,065	96,981	103,014	109,554	117,332	123,961	130,309
1,300	Less borrowing on behalf of subsidiaries repaid	159,700	114,000	110,700	47,500	12,000	75,200	6,662	37,000	6,823	2,000
-	Less borrowing on behalf of other organisations repaid	-	-	-	2,000	3,000	-	8,000	-	5,000	-
154,336	Net change in borrowing	98,778	77,805	204,598	130,527	117,733	47,372	99,827	26,870	37,147	30,653
2,038,727	Opening debt	2,107,970	2,206,748	2,284,553	2,489,151	2,619,678	2,737,411	2,784,783	2,884,610	2,911,480	2,948,627
2,193,063	Closing debt	2,206,748	2,284,553	2,489,151	2,619,678	2,737,411	2,784,783	2,884,610	2,911,480	2,948,627	2,979,280

The higher than normal increase in borrowing in 2023/24 relates to the Canterbury Multi Use Arena (\$183.3 million).

Plan 2020/21	Note 8 Rates	Plan									
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		\$000									
550,831	Rates levied 1 July	586,104	615,559	647,785	681,508	725,383	760,951	789,510	824,464	847,921	881,846
3,894	Excess water charges	6,162	6,292	6,430	6,578	6,736	6,898	7,070	7,261	7,457	7,651
2,500	Penalties	2,553	2,606	2,663	2,725	2,790	2,857	2,928	3,008	3,089	3,169
557,225		594,819	624,457	656,878	690,811	734,909	770,706	799,508	834,733	858,467	892,666