

Financial Overview

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The sections below outline significant changes contained in the 2026/27 Annual Plan compared to what was forecast in the 2024-34 Long Term Plan (LTP). The tables below show the total funding requirements for the Council for 2026/27 and the variance from that detailed in the LTP. Overall, operating expenditure and interest costs are \$903.5 million; \$35.1 million higher than the LTP, while the capital programme at \$598.9 million is \$86.7 million lower than the LTP. Key changes to the financial statements are reflected and explained below.

Operating expenditure

Significant changes to what was provided in the LTP for 2026/27 include:

- Transferring \$22.6 million of software development costs from capital expenditure, following a review of the accounting standard treatment of software as a service.
- An increase in staff salaries & wages costs of \$18.2 million, due to contract settlement living wage adjustments, and converting consultant expenditure to staff positions.
- An additional \$16.0 million in grants funding, primarily as a result of Airforce Museum funding (\$5.0 million), OPP EcoGas funding (\$15.0 million, previously included in the capital programme), offset by a reduction in the Venues Ōtautahi Operational Grant (\$3.2 million) following a revised SOI, and a reduction in the Christchurch NZ funding (\$1.8 million), due to in-housing the urban development function.
- Additional inflation over that provided in the LTP (\$9.4 million), primarily reflecting higher inflation being incurred in 2025/2026.
- Reduction in staff cost capitalisation of \$5.0 million following a review of costs that can be capitalised, and a reduction in the amount of time capitalizable.
- Higher Burwood Landfill operating costs (\$2.8 million), due to an extension of the consent, allowing operations to continue longer than planned in the LTP (offset by increased revenues).
- Taumata Arowai (\$1.6 million) & Commerce Commission (\$0.5 million) levies, introduced to enable regulatory oversight of Water Services.
- Reduced solid waste & resource recovery MRF recycling costs, residual waste collection costs and organics processing costs (\$6.0 million), due to updated contract pricing.
- Reduced interest costs of \$21.3 million due to lower interest rates, a lower opening debt position and a reduction in the capital programme expenditure.
- Reduction in insurance premiums of \$10.6 million, following representations made directly to insurance brokers.

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 figure is based on the long run average from the 30 year renewal programme in the Infrastructure Strategy and while we are rating below that currently, the position progressively improves through the LTP period. This Annual Plan includes rating of \$241.6 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 LTP Funding Impact Statement.

Significant changes for 2026/27 from the LTP include:

- Additional Burwood Landfill revenue of \$7.2 million.
- An additional \$6.2 million of subvention receipts planned.
- An additional \$4.4 million of regulatory compliance revenues, including building regulation, consents and inspections (\$1.9 million), and resource management applications (\$2.1 million).

- Reduced Hagley Park parking fees, due to lower usage than anticipated in the Long-Term Plan (\$1.4 million)
- Reduced interest revenues, due to lower interest rates, and lower on-lending to subsidiaries (\$13.7 million).

Rates

The average rates increase to existing ratepayers for 2026/27 is 7.96%. Full details of rates, including the total rating requirement for general and targeted rates, and indicative rates for sample properties, are provided in the Funding Impact Statement – Rating Information.

Surplus, operating deficits, and sustainability

The proposed Annual Plan for 2026/27 shows an accounting deficit of \$25.1 million before revaluations of \$741.5 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 cash operating costs are met from operating revenue, noting that Council will not run a balanced budget for 2026/27 (refer Financial Prudence benchmarks section for more detail).

Capital programme expenditure

The capital programme has been reviewed with a 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 and human resource availability (internal and external).

We plan to invest \$598.9 million in the capital programme in 2026/27, a decrease of \$86.7 million from that shown in the LTP.

The reduction in the capital programme expenditure proposed in 2026/27 compared to the LTP primarily relates to the following:

- Re-timing capital expenditure following a review of the deliverability of the overall programme in 2025/26 and 2026/27, \$51.3 million.
- A change in the accounting standard treatment of digital software as a service,

resulting in planned capital expenditure being reclassified as operational expenditure (\$21.9 million).

- Transferring \$15.0 million to operational expenditure as a capital grant for the Ecogas Organics Processing Plant funding. This reflects more appropriate accounting treatment for the externally owned plant, and which will lower the operating fees paid by users and residents .

Capital programme funding

The capital programme is funded by rates, Crown recoveries, subsidies and capital grants, development contributions, the proceeds of asset sales and debt.

The 2026/27 capital programme funding has decreased by \$33.6 million from the LTP as a result of an overstatement in the LTP of:

- Waka Kotahi capital subsidies (\$2.1 million)
- Shovel Ready and MCR capital funding (\$31.5 million)

Borrowing

The Draft Annual Plan includes proposed new borrowing of \$314.4 million. This is \$37.9 million lower than planned in the LTP largely due to a reduction in the capital programme, following a deliverability review, partially offset by a

reduction in capital revenues and new capital funded grants. The additional servicing cost of the new borrowing is \$6.3 million in 2026/27, increasing to an annualised amount of \$26.0 million from 2027/28. Total net cost of debt servicing, including debt repayments rated for of \$91.1 million, is planned to be \$202.4 million in 2026/27, or 22.5% of the total planned rates to be levied.

Gross debt in 2026/27 increases to \$2.89 billion. This is \$565.9 million lower than planned in the LTP, largely due to a reduction in on-lending to subsidiaries and the reduction in the capital programme following the deliverability review.

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, Council's main lender. 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 2026/27.

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 Rates Affordability Benchmark, Balanced Budget and Debt Servicing Benchmarks are planned to be met in 2026/27.

The Rates Affordability Benchmark is not met due to a deferred increase from 2025/26 of 2.06% which occurred due to using some of the 2024/25 operating surplus to reduce the 2025/26 rates increase.

The Balanced Budget Benchmark is forecast to not be met in 2026/27 as planned in the 2024-34 Long Term Plan for 2026/27. The underlying reason for the benchmark not being met is rates not fully funding asset renewals at this stage, in accordance with Council's financial strategy.

The Debt Servicing benchmark is forecast at 10.6% (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.

Notes to Financial Overview

Annual Plan 2025/26	Note 1 Operating Expenditure	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
221,957	Communities & Citizens	222,835	237,113	14,278
17,988	Economic Development	20,790	16,598	(4,192)
8,454	Flood Protection & Control Works	8,247	9,133	886
22,066	Governance	21,313	20,565	(748)
20,833	Housing	20,046	20,813	767
112,158	Parks, Heritage and Coastal Environment	106,688	119,629	12,941
72,000	Regulatory & Compliance	70,674	75,292	4,618
75,222	Solid Waste & Resource Recovery	76,534	91,283	14,749
69,029	Stormwater Drainage	73,643	74,300	657
21,906	Strategic Planning & Policy	23,482	22,227	(1,255)
210,618	Transport	213,802	224,770	10,968
176,712	Wastewater	184,926	195,073	10,147
113,463	Water Supply	116,519	119,273	2,754
97,792	Corporate	121,227	97,680	(23,547)
1,240,198	Total group of activity expenditure	1,280,726	1,323,749	43,023
368,850	Less depreciation (non cash)	412,325	420,196	7,871
134,516	Less interest expense shown separately	154,315	133,061	(21,254)
736,832	Operating expenditure	714,086	770,492	56,406

Communities & Citizens increase is due to event funding (\$2.1 million) being transferred from Economic Development, a \$5.0 million grant to the Airforce Museum, and staffing cost increases.

Economic Development – see above, and a \$1.8 million reduction in the Urban Development function being carried out by Christchurch NZ.

Parks increase is driven by higher depreciation (\$7.8 million) following a revaluation in June 2024, lower staff capitalisation.

Regulatory & Compliance increase is due to additional resourcing required in Building and Resource Consents and Planning.

Solid Waste & Resource Recovery includes expenditure for continued Burwood Landfill operations (\$2.8 million), Ecogas OPP funding (\$15.0 million), organics, residual waste & collection cost savings (\$6.0 million).

Stormwater Drainage includes lower depreciation of \$2.2 million and updated interest expense allocation required by LWDW reforms.

Transport increase is mainly due to higher depreciation (\$8.9 million) and increased overheads allocated.

Wastewater reduction includes depreciation (\$3.6 million) and updated interest expense allocation required by LWDW reforms.

Water Supply increase includes higher Crown levies, depreciation and updated interest expense allocation required by LWDW reforms.

Corporate is lower due to reduced interest expense and depreciation, and updated interest expense allocation required by LWDW reforms.

Annual Plan 2025/26	Note 2 Capital Programme	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP	Expenditure Category		
					Renewals & Replacements	Improved LOS	Increased Demand
		\$000					
49,031	Communities & Citizens	39,386	50,124	10,738	47,930	1,524	670
-	Economic Development	-	-	-	-	-	-
20,519	Flood Protection & Control Works	62,767	12,309	(50,458)	232	9,012	3,065
-	Governance	-	-	-	-	-	-
5,238	Housing	6,585	6,343	(242)	6,343	-	-
77,828	Parks, Heritage and Coastal Environment	75,298	88,726	13,428	47,980	32,070	8,676
94	Regulatory & Compliance	11	36	25	36	-	-
12,100	Solid Waste & Resource Recovery	29,951	7,929	(22,022)	1,721	6,208	-
54,816	Stormwater Drainage	21,405	47,509	26,104	16,236	23,724	7,549
588	Strategic Planning & Policy	499	801	302	398	403	-
145,214	Transport	153,255	142,178	(11,077)	83,111	52,265	6,802
97,876	Wastewater	164,778	134,868	(29,910)	91,117	30,980	12,771
76,120	Water Supply	77,079	78,939	1,860	65,030	11,109	2,800
108,398	Corporate	54,605	29,139	(25,466)	14,647	14,492	-
647,822	Total capital programme	685,619	598,901	(86,718)	374,781	181,787	42,333

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

Annual Plan 2025/26	Note 3 Interest Expense	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
93,783	General Borrowing	109,441	101,694	(7,747)
15,169	Equity investments	14,339	14,649	310
24,541	Advances to Subsidiaries	28,693	15,511	(13,182)
1,023	Advances to housing trust	1,842	1,207	(635)
134,516		154,315	133,061	(21,254)
81,226	Debt Repayment	96,882	91,097	(5,785)
	Interest Received			
25,315	Advances to Subsidiaries	29,540	16,094	(13,446)
846	Special and other fund investments	1,074	607	(467)
4,235	Short term investments	2,933	3,787	854
1,104	Advances to housing trust	1,947	1,292	(655)
31,500		35,494	21,780	(13,714)
184,242	Net Cost of Debt Servicing + Debt Repayment	215,703	202,378	(13,325)
22.3%	Percentage of rates levied	24.2%	22.5%	(1.75%)

General borrowing costs are lower due to lower interest rates, and reduced borrowing.

Interest expense and revenue relating to advances is lower due to lower interest rates and lower onlending to subsidiaries.

Debt repayment is lower due to lower 2024/25 and 2025/26 capital programme borrowing and the Christchurch Wasterwater Treatment Plant insurance receipt.

Annual Plan 2025/26	Note 4 Fees, Charges and Operational Subsidies	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
30,466	Communities & Citizens	33,349	33,650	301
271	Economic Development	273	279	6
39	Flood Protection & Control Works	39	40	1
543	Governance	51	30	(21)
16,988	Housing	17,162	17,933	771
6,716	Parks, Heritage and Coastal Environment	7,868	6,611	(1,257)
46,638	Regulatory & Compliance	45,927	50,302	4,375
24,440	Solid Waste & Resource Recovery	17,587	24,822	7,235
82	Stormwater Drainage	82	84	2
1,587	Strategic Planning & Policy	1,707	1,696	(11)
47,988	Transport	48,483	48,421	(62)
7,347	Wastewater	7,312	7,574	262
31	Water Supply	336	32	(304)
14,324	Corporate	10,467	14,196	3,729
197,460	Total group of activity operating revenue	190,643	205,670	15,027
-	Less non cash revenue	-	-	-
197,460	Fees, charges and operational subsidies	190,643	205,670	15,027

Parks, Heritage and Coastal Environment decrease is driven by lower anticipated revenues from Hagley Park parking fees.

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.

Corporate revenues include higher forecast subvention receipts.

Annual Plan 2025/26	Note 5 Asset Sales	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
3,260	Surplus property sales	17,612	17,819	207
569	Surplus roading land sales	581	588	7
3,829		18,193	18,407	214

Council has identified surplus property that is planned to be sold in 2026/27. The majority relates to Housing and is credited to the Housing Account.

Annual Plan 2025/26	Note 6 Movements in reserves	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
(5,393)	Interest credited to special funds and reserves	(5,234)	(5,157)	77
(123,003)	Deposits	(156,338)	(151,762)	4,576
128,413	Withdrawals	144,378	139,681	(4,697)
17		(17,194)	(17,238)	(44)

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

Annual Plan 2025/26	Note 7 Borrowing	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
647,822	Capital Programme	685,619	598,901	(86,718)
13,085	Capital grants	29,184	49,445	20,261
270	Operational costs	232	300	68
661,177	Total funding requirement	715,035	648,646	(66,389)
	Funding sources			
3,829	Sale of assets	18,193	18,407	214
205,533	Rates (for renewals)	236,555	241,616	5,061
3,765	Rates (for landfill aftercare)	2,018	460	(1,558)
5,238	Reserve drawdowns	6,585	6,343	(242)
24,237	Development contributions	24,651	26,219	1,568
51,625	Capital contributions, grants and subsidies	74,735	41,174	(33,561)
294,227	Total funding available	362,737	334,219	(28,518)
366,950	Borrowing requirement	352,298	314,427	(37,871)
-	Borrowing for on-lending	-	-	-
81,226	Less debt repayment	96,882	91,097	(5,785)
183,000	Less borrowing on behalf of subsidiaries repaid	16,185	156,085	139,900
102,724	Net change in borrowing	239,231	67,245	(171,986)
2,787,007	Opening debt	3,219,313	2,825,369	(393,944)
2,889,731	Closing debt	3,458,544	2,892,614	(565,930)

Annual Plan 2025/26	Note 8 Rates	Long Term Plan 2026/27	Annual Plan 2026/27	Variance To LTP
		\$000		
825,656	Rates levied 1 July	890,818	900,965	10,147
5,844	Excess water charges	5,504	5,953	449
5,517	Penalties	5,300	5,688	388
837,017		901,622	912,606	10,984

