

Funding Impact Statement

Funding Impact Statement

New legislation requires the Council to provide a Funding Impact Statement. This includes the funding and rating policies provided in previous years. There are generally few changes in the impact of either revenue charging policies or rating policies on individual ratepayers.

The funding of Council operations were developed under the Funding Policy adopted in July 2001 (and as amended). This policy was drawn up under the old Local Government Act, but the financial principles and processes used are in accordance with the financial management requirements of Section 101 (3) (a) of the new Act and therefore the results in terms of allocation of costs to users and ratepayers is still relevant and will be used for 2003/04.

The allocation process will be reviewed next year as part of the introduction of the Long Term Council Community Plan.

Revenue & financing mechanisms

The Revenue and Financing mechanisms are developed from an analysis of the Council activities and includes a process which identifies:

- the gross cost and the allocation of this to the users of services and ratepayers
- the direct benefits of services and any charges made for these
- the allocation of costs to ratepayers by differential sectors
- and the allocation of the shortfall of user charges to ratepayers.

This is outlined in summary in the table on page 35 entitled 'Summary of the Funding Impact Statement'.

The Council has budgeted to receive revenue from a number of sources and these are detailed in the table which follows.

General revenue made up of:

• Interest & dividends from CCHL	\$28.90M
• Interest	\$14.79M
• Fees & charges	\$77.67M
• Development contributions	\$2.12M
• Financial contributions	\$2.95M
(under the Resource Management Act)	
• Grants & subsidies	\$17.73M
• Other operating revenue	\$1.90M
Total	<u>\$146.06M</u>
Rates revenue made up of:	
General Rates	\$97.79M
Uniform Annual General Charge	\$12.41M
Targeted rates	<u>\$41.87M</u>
Total Rates to be set	\$152.07M
Rates Penalties	<u>\$1.40M</u>
Total	<u>\$153.47M</u>

The Council has budgeted operating expenditure of \$284.45M leaving an operating surplus of \$13.67M. The surplus will be used to finance capital expenditure or placed in reserves.

Rate Setting and Rating Policies

The Council will set rates in accordance with this Annual Plan for the financial year 2003/04 for \$152.07M. This is the amount that the ratepayers of Christchurch will be required to contribute in order to fund this draft Plan.

Funding Impact Statement

The Council has resolved on a range of rating policies. The full detail of these is on pages 175 to 186. These are generally a continuation of those used last year. However the impact may change for individual rating units. These policies are subject to this Annual Plan special consultation process.

The Valuation System used for rating

The valuation system used for rating is the Capital Value system.

The value of each rating unit is set by independent valuers and based on values as at 1 September 2001. A rating unit is the property which is liable for rates and is generally a separate property with its own certificate of title.

Of significance is the change in the legislation making the 'ratepayer' the owner, whereas for those commercial properties with rate paying tenants, it was the 'occupier'. The change does not cause a change in the quantum of rates, rather who pays. Ratepayers affected have been notified.

Inspection of rates information for each rating unit

The Capital Values, the District Valuation Roll, and the Rate Information Database information and the estimated liability for rates for 2003/04 for each rating unit is available for inspection on the Council's Internet site (www.ccc.govt.nz) under the heading 'Ratesinfo' or by enquiry at any Council Service Centre.

Differential system used

Differential rating will be used for both general rates and targeted rates. Each rating unit is assigned to a category, based on land use, and the sum of all categories is the basis of allocation of rates in the Funding Impact Statement, formally known as the Funding Policy.

The differential categories used are:

- Sector A - Residential and other
- Sector B - Commercial/Industrial
- Sector C - Rural
- Sector D - Non-rateable

The full text of the Differential categories is detailed on page 178.

The quantum of rates required from each sector is based on the Funding Impact Statement calculations on an activity by activity basis and summed up to the Council-wide rate requirement as expressed in the table on page 35 called 'Summary of the Funding Impact Statement'.

The sector requirement will be assessed on each rating unit within the sector based on its relative Capital Value or in the case of Uniform Annual General Charge, on the basis of one charge per each separately occupied part of a rating unit liable.

Rates to be set and the rate types

It is planned to set the following rates for 2003/04 (GST included):

- General Rates \$109,982,778
- Uniform Annual General Charge \$13,965,505 set as \$105 per charge
- Targeted rates of:
 - Water Supply – Full Charge \$12,025,216
 - Water Supply – Half Charge \$226,789
 - Sewerage \$23,423,178
 - Land Drainage \$11,375,872
 - Hollis Avenue Roothing Extension \$22,603
 - Water Supply Fire Connection \$52,300
 - Excess Water Supply Not known until meters are read & invoiced

The full text of the Rates Setting Statement is on pages 175 to 177.

Funding Impact Statement

Rate Type Descriptions

General Rates

General Rates are levied on capital values according to the Funding Impact Statement on a differential basis. General rates (including the Uniform Annual General Charge) provide for approximately 72.47% of the total rate requirement of the Council, being the net rate requirement after targeted rates are determined. General rates (and UAGCs) therefore fund all activities of the Council except those funded by targeted rates.

Uniform Annual General Charge

A portion of general rates is levied as a uniform annual general charge of \$105 per rating unit or each separately used or inhabited part of a rating unit.

The uniform charge is levied to recover costs which have been determined in the funding impact statement to:

- provide benefits which are people related;
- have a reasonable correlation between the number of properties and the spread of benefits in the community; and
- to be uniformly consumed by the inhabitants of the community.

Targeted Rates

The following rates will be set and assessed on a capital value basis differentially to the rate sectors as shown on the Funding Impact Summary table on page 35.

- Water supply – full charge – for properties connected to the Council's water system
- Water supply – half charge – for properties within the serviced area but not connected to the Council's water system
- Sewerage – for properties within the serviced area where a service connection is available
- Land drainage – for properties within the serviced area
- Hollis Avenue Roading Extension. – for properties within the serviced area.

The Water Supply Fire Connection targeted rate will be set on a uniform basis to the rating units serviced, of \$100 per connection.

The Excess Water Supply Targeted Rate will be set as part of this Annual Plan but will be assessed as the meters are read. The estimated revenue from this source is \$1.422M.

A full definition of the rate types is contained on pages 175 to 177.

Rates Due by Ratepayers

The new Local Government (Rating) Act 2002 has required Councils to redefine the rate process, the rate remission and postponement policy, rate penalty and the rating relationship with Environment Canterbury.

The City Council is the rate collecting agent for Environment Canterbury (the Canterbury Regional Council). Combined assessments and invoices will be issued by the City Council as in the past.



The recently developed Cambridge Green on the corner of Salisbury and Barbadoes Streets.

Funding Impact Statement

Rates Payable - 2002/03 Actual and 2004 Financial Plan Compared

Capital Value \$	2002/03 Actual ⁽³⁾ \$	2004 Plan ⁽³⁾ \$	Difference \$
Residential ^{(1) (4)}			
120,000	700	724	24
160,000	898	930	32
200,000	1,096	1,136	40
260,000	1,394	1,446	50
300,000	1,592	1,652	60
400,000	2,087	2,168	81
Commercial ^{(1) (4)}			
100,000	844	847	3
160,000	1,288	1,292	4
200,000	1,583	1,589	6
300,000	2,322	2,331	9
500,000	3,800	3,814	14
Rural ^{(2) (4)}			
200,000	606	614	8
300,000	856	869	13
400,000	1,107	1,124	17
500,000	1,357	1,378	21

Notes

- ⁽¹⁾ Fully serviced properties, and includes a Uniform Annual General Charge of \$105 per property.
- ⁽²⁾ Not paying Water, Sewerage or Land Drainage Targeted rates. Includes a Uniform Annual General Charge of \$105 per property.
- ⁽³⁾ Includes GST but does not include the Canterbury Regional Council Rates.
- ⁽⁴⁾ Some properties may also be liable for the Targeted Water Supply Fire Connection rate of \$100 per connection per property, or the Hollis Avenue Extension Targeted rate.

Rates Process

Summary of the rates process under the new Act:

- The rate requirement for the Council is determined by the net result of the operating budget for next year and is summarised in the Annual Plan page 23.
- the Funding Impact analysis which results in the allocation of rates to differential sectors - the summarised result is on the table on page 35.
- The Council resolved on a Uniform Annual General Charge of \$105 – with a rate yield of \$12.4M.
- The balance of rates are allocated to rating units liable based on Capital Values.
- The rate requirement and allocation is formally determined by the adoption of this Annual Plan.
- The rates are then applied (assessed) to each rating unit (the rateable property) and a notice of assessment will be sent to each ratepayer in October 2003.
- The owner of the rating unit is now primarily the ratepayer. This may be a change for some leased rating units. Ratepayers concerned have been informed.
- Several uniform charges will be applied where there is multiple occupancy of a rating unit (there was only one in the past).
- Rates are invoiced to each ratepayer four times a year. The first instalment is based on 25% of last year's rates.
- Payment must be made by the due date or a 10% penalty is imposed.
- Payment may be made by direct debit, by post or by payment at a Council counter.

Remissions and Postponement

Rate remission may apply where there is significant public good in the use of the land. In addition remission may apply where penalties have been imposed but there is a reasonable excuse for late payment in accordance with the Council's remission policy.

Funding Impact Statement

Postponement will be considered where the ratepayer is experiencing financial hardship. The policy on remissions and postponement is detailed on pages 181 to 186.

Determining Funding Needs and Allocation

The new Local Government Act 2002 requires within the context of prudent financial management that the funding needs of the Council be determined after consideration of:

- Community outcomes from each activity
- Distribution of benefits within the community from the activity
- The period over which the benefits occur
- The extent to whether parts of the community require the activity to be undertaken
- Costs, benefits and consequences of distinct funding of an activity
- The impact of funding allocation on the social, economic environmental and cultural wellbeing of the community.

The previous Funding Policy of the Council included all of these considerations on an activity by activity basis and was intended to run for a further year, therefore no further review is required this year other than minor amendments for changed activities.

A major review will occur as part of next year's Long Term Council Community Plan.

Details of the Funding Impact Statement

The Council plans to fund its services for the 2003/04 financial year as follows (2001/02 and 2002/03 are included for comparison purposes):

	2001/02	2002/03	2003/04
User Charges	33.39%	33.50%	34.41%
Grants and Subsidies	4.20%	4.11%	5.29%
Net Corporate Revenues	17.56%	17.32%	14.78%
Capital Value Rating	40.88%	41.24%	41.80%
Uniform Annual Charge	3.97%	3.83%	3.72%

In adopting the 2004 Funding Impact Statement, the Council resolved to avoid significant difficulties for the residential and rural sectors by making the following modifications:

- transferring \$841,667 of costs to the commercial sector
- transferring (\$196,667) of costs from the residential sector
- transferring (\$645,000) of costs from the rural sector

The Council has resolved to completely remove the residential modifier, while leaving the rural modifier unchanged. This leaves unaltered the subsidy provided to the Rural Sector. The rationale for maintaining the status quo for Rural Sector rates is that a full review of the revenue, financing and Funding Impact Statement will be undertaken as part of developing the Council's first Long Term Council Community Plan next year. The revised modifications are:

- transferring \$645,000 of costs to the commercial sector
- transferring (\$645,000) of costs from the rural sector

The different sectors will experience changes to their rates over the 2002/03 rates as follows:

Residential	+3.87%	Rural	+3.05%
Commercial/Industrial	+0.44%	Institutions	+17.56%

Rates for 2003/04 will be shared among the ratepaying sectors as follows:

Residential	72.06%	Rural	1.52%
Commercial/Industrial	25.39%	Institutions	1.03%

The summary table on the next page shows how the costs and benefits and modifications to the cost of benefits have been calculated. Also included is the funding to be received from user charges, grants and subsidies, net corporate revenues, capital value rating and the uniform annual general charge.

Summary of the Funding Impact Statement

The budgeted costs of the benefits the Council proposes to provide in 2003/04, and their proposed funding, are shown in the following table:

		Users \$	Residential \$	Commercial \$	Rural \$	Institutions \$	Totals \$
Costs and Modifications							
Costs							
47.37%	General Benefits	0	115,582,674	31,171,553	3,992,598	7,524,780	158,271,605
52.21%	Direct Benefits	140,785,773	12,359,475	20,980,443	266,718	53,060	174,445,469
0.42%	Negative Effects	1,391,208	0	0	0	0	1,391,208
		142,176,981	127,942,149	52,151,996	4,259,316	7,577,839	334,108,281
Modifications							
	Transfer User Costs to Rating	(27,206,117)	22,878,750	3,736,307	40,645	550,415	0
	Non-Rateable	0	5,005,732	1,358,856	183,977	(6,548,564)	(0)
	Avoiding Sudden Changes (Modifier)	0	0	573,333	(573,333)	0	0
		(27,206,117)	27,884,482	5,668,496	(348,712)	(5,998,150)	0
Total Costs and Modifications		114,970,865	155,826,632	57,820,492	3,910,603	1,579,690	334,108,281
Funded By User Charges							
33.98%	User Charges	113,548,865	0	0	0	0	113,548,865
0.43%	Excess Water Supply Targeted Rate	1,422,000	0	0	0	0	1,422,000
5.29%	Grants & Subsidies	0	8,478,886	8,962,210	213,097	20,746	17,674,939
14.78%	Net Corporate Revenues	0	37,758,742	10,249,988	1,387,755	0	49,396,485
Total User Charges		114,970,865	46,237,629	19,212,197	1,600,852	20,746	182,042,289
Rates							
29.27%	General Rates by Capital Value ⁽¹⁾		66,231,331	29,768,639	1,782,592	(0)	97,782,561
3.72%	Uniform Annual General Charge		11,475,887	779,396	158,500	0	12,413,783
0.01%	Targeted Water Supply Fire Connection Rates		6,133	37,244	0	3,111	46,489
3.26%	Water Targeted Rates		8,262,377	1,976,370	88,970	562,954	10,890,671
3.03%	Land Drainage Targeted Rate		7,904,498	2,027,136	180,252	0	10,111,886
6.23%	Sewer Targeted Rate		15,708,777	4,019,509	99,438	992,879	20,820,602
Total Rates			109,589,003	38,608,294	2,309,752	1,558,944	152,065,993
Total Funding		114,970,865	155,826,632	57,820,492	3,910,603	1,579,690	334,108,281

⁽¹⁾ Includes the Hollis Avenue Targeted Rate