



draft

Christchurch City Council Annual Plan 2007/08

Companion document to draft 2007 Amendments to the Long-Term Council Community Plan 2006-16



CHRISTCHURCH

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**Christchurch City Council
draft Annual Plan 2007/08**

For the period 1 July 2007 to 30 June 2008

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Statement of proposal

Introduction

This statement is required to be made by the Local Government Act 2002. It is to be read with the proposal for the Christchurch City Council's draft Annual Plan 2007/08 which is set out in the following pages. The Annual Plan includes information for the 2007/08 year in relation to each group of activities contained in the Long-Term Council Community Plan (LTCCP) 2006-16 and the reasons that any information in the draft Annual Plan departs from the LTCCP.

This statement also includes a Summary of Information in relation to the draft 2007 Amendments to the LTCCP 2006-16 and should be read in conjunction with those amendments.

The purpose of the Christchurch City Council's draft Annual Plan 2007/08 is to:

- contain the proposed annual budget and funding impact statement for the year to which the Annual Plan relates;
- identify any variation from the financial statements and funding impact statement included in the LTCCP in respect of the year;
- support the LTCCP in providing integrated decision-making and co-ordination of the resources of the Christchurch City Council;
- contribute to the accountability of the Christchurch City Council to the community; and
- extend opportunities for participation by the public in decision-making processes relating to the costs and funding of activities to be undertaken by the Christchurch City Council.

The activities of the Christchurch City Council are those identified in the LTCCP 2006-16. The proposals in this draft Annual Plan are the Council's preferred options for continuing the intentions published in the LTCCP 2006-16.

Submissions

The draft Annual Plan 2007/08 will be available for inspection from Wednesday 11 April 2007 during ordinary office hours at the following places:

- Civic Offices, 163 Tuam Street, Christchurch.
- Christchurch City Council libraries and service centres.

A copy of the draft may also be viewed on the Council's website www.ccc.govt.nz/lccp.

Submissions on the drafts may be made to the Council from Wednesday 11 April to 5pm Friday 11 May 2007. These may be made electronically at www.ccc.govt.nz/haveyoursay, by email to ccc-plan@ccc.govt.nz, by using the submission forms contained in the draft Annual Plan 2007/08 and draft 2007 Amendments to the LTCCP 2006-16, or in any other written form.

Any person who makes a submission will have the opportunity to be heard by the Council, but must make that request. Hearings will be held from Monday 28 May to Tuesday 5 June 2007.

Cautionary Note

The forecast financial statements in this draft Annual Plan 2007/08 are prepared on the basis of best estimates available at the time of preparing the accounts. Actual results are likely to vary from the information presented and the variations may be material.

The purpose of this draft Annual Plan is to consult with the community on the spending priorities outlined within the plan, and may not be appropriate for any other purpose. Following the consultation period, there may be changes made to the plan. The final Annual Plan 2007/08 will be adopted on 28 June 2007.

Comparative Information

The 2006/07 comparative information is based on the LTCCP 2006-16. The comparative numbers for the balance sheet have been adjusted to reflect the Council's position at 30 June 2007 under New Zealand Equivalents to International Financial Reporting Standards.

Scope of Information

The draft Annual Plan 2007/08 covers the operations of the Council only; the results of its subsidiary companies are not consolidated. The financial position of the Council's holding company, Christchurch City Holdings Ltd, is, however, combined with the Council's financial position for the purpose of calculating ratios required under the Council's investment policy.

Responsibility

The Council and management of the Christchurch City Council accept responsibility for the preparation of the draft Annual Plan 2007/08 and the judgements applied therein.

Authorisation for Issue

The draft Annual Plan 2007/08 was adopted by the Council on 23 March 2007 and authorised for release for the purposes of public consultation.

The Annual Plan 2007/08 will be issued in final form, following public consultation, not later than 1 August 2007.

Summary of information

The Christchurch City Council presents for public consideration the draft Annual Plan 2007/08 and the draft 2007 Amendments to the Long-Term Council Community Plan (LTCCP) 2006-16. Consultation on the draft Annual Plan has been combined with consultation on the draft 2007 Amendments to the LTCCP.

The draft Annual Plan contains the Council's budget for 2007/08 and identifies any variations from the financial statements and funding impact statements of the LTCCP that relate to that year. These include a proposed rate increase of 7.35%, 0.57% more than budgeted for in the 2006-16 LTCCP.

The draft 2007 Amendments to the LTCCP contain the following proposed changes to the LTCCP.

Development Contributions Policy (DCP)

In 2006, the Council issued a moratorium on the DCP and resolved to review the basis, structure and application of the policy and, if appropriate, recommend a revised policy.

The Council now puts forward a significantly revised policy and proposes to move from the discounted Development Contribution charges toward 100% recovery by spreading that increase evenly over the next three years.

A third of the average increase in levies will be added cumulatively each year until the full levy is being charged at 100%. This equates to the current discounted charge plus 33% of the average increase in 2007/08, the discounted charge plus 66% of the average increase in 2008/09, and the discounted charge plus 100% of the average increase in 2009/10. The other major changes in the new DCP are:

- Introducing a one HUE (household unit equivalent) charge per lot on each subdivision;
- Provision of a small household unit occupancy weighting adjustment;
- Correction of the HUE conversions;
- Removal of the HUE credit roll back provision on historic credits;
- Provision of a credit for existing undeveloped non-residential lots subdivided by 1 July 2004;
- Introduction of cost-based development contributions for reserves;
- Full integration of the former Banks Peninsula District Council into the DCP and the adoption of universal catchments;
- Committing to further analysis of the Council's development contributions in comparison to other Councils; and
- The review and removal of past projects not clearly growth-related.

Endowment Property

The Council intends to sell an endowment property that it owns near Methven and use the proceeds to aid city funds.

This property was originally given by the Crown to the Sydenham Borough Council, and was acquired by the Council when it amalgamated with the Sydenham Borough in 1903. The purpose of the endowment was to aid Sydenham Borough (now Christchurch City) funds. By selling this property, the Council is likely to earn a significantly higher rate of return from other investments.

Council-controlled companies

The Council proposes to establish four new Council-controlled companies for future use by the Council and five Council-controlled companies for Christchurch City Holdings Ltd (CCHL) to use.

This is a business strategy that allows the Council and CCHL the flexibility to react in a timely manner to situations as they arise instead of going through separate procedures each time an opportunity presents itself.

The establishment of these Council-controlled companies has no financial impact on the Council or rates.

Jade Stadium

The Council proposes to loan \$40 million at commercial rates to its fully-owned subsidiary Jade Stadium Ltd for the purpose of upgrading the stadium for the 2011 Rugby World Cup.

Because the Council group of companies intends to borrow the \$40 million, such a debt would significantly affect the Council's finances. The proposal may have an effect on rates if the Council does not receive funding of \$20 million towards the upgrade from the Government. The Statement of Proposal relating to the Jade Stadium loan provides full details.

Inspection of Statements of Proposal and Submissions

The statements of proposal for the draft Annual Plan 2007/08, the draft 2007 Amendments to the LTCCP and the Jade Stadium loan may be inspected during ordinary office hours at the Civic Offices, 163 Tuam Street, Christchurch, at Council libraries and services centres, and at any time on the Council's website www.ccc.govt.nz/ltccp.

Submissions on the statements of proposal may be made to the Council from Wednesday 11 April until 5pm Friday 11 May 2007.

Table of contents

	Page		
Statement of proposal	2	Economic development	30
Summary of information	4	Parks, open spaces and waterways	31
Introduction from the Mayor	8	Recreation and leisure	32
Introduction from the Acting Chief Executive	9	Refuse minimisation and disposal	33
Have your say	10	Regulatory services	34
Submission form	11	Streets and transport	35
General information	13	Wastewater collection and treatment	36
Financial commentary		Water supply	37
Financial overview	14	Financial statements	
Financial ratios	15	Income statement	40
Key assets and liabilities of Christchurch City Council and Christchurch City Holding Ltd	17	Statement of change in equity	40
Financial overview table	18	Balance sheet	41
Capital funding summary	18	Cashflow statement	42
Operating budget summary	19	Accounting policies	45
Capital expenditure summary	20	Financial assumptions	58
Capital works programme	21	Financial policies	
Council activities and services		Funding impact statement	62
City development	26	Rate setting and rating policies	63
Community support	27	Amendments to City Council fees & charges 2007/08	68
Cultural and learning services	28	Capital endowment fund	74
Democracy and governance	29		

Introduction from the Mayor



Keeping our promises for the future

Greetings. I am pleased to present the Annual Plan 2007/08 for your consideration. This is the ninth and last time that I will be writing the preface to the Annual Plan. I must say that I have always enjoyed the process by which we set our Annual Plans and this year has been no exception.

The Local Government Act 2002 requires us to have a financial plan for each year and to consult with you, our ratepayers. This year the financial plan takes the form of an annual plan.

An annual plan is significantly different in purpose from a long-term plan. In preparing an annual plan, we are taking the forecasts made in the long-term plan prepared last year (LTCCP) and reporting to you what it will cost to run the city in today's dollars and in the current financial climate.

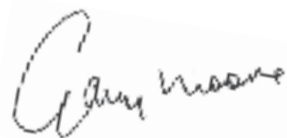
It was clear from the feedback in 2006 that Christchurch residents did not want a reduction in service. So, we are not making major changes to the LTCCP or Council levels of service performance measures, even though costs continue to rise. This year, to maintain levels of service, we propose a rate increase of 7.35% that is very close to what we forecast (0.57% higher than previously anticipated). We have also added further cost-cutting measures across the Council organisation.

While the Annual Plan presents a budget, the Council is also intending to make a few changes to the LTCCP, including a domestic visitor campaign and the kerb and renewal programme. Such projects will be partially funded by an increased annual dividend of \$2 million from Christchurch City Holdings.

Other proposed changes we are required to consult with our ratepayers on include the sale of a Council-owned endowment property near Methven and the redevelopment of Jade Stadium. These and the amended Development Contributions Policy can be found in the 2007 Amendments to the LTCCP, a companion document to the Annual Plan.

Last year this Council put a moratorium in place for our Development Contributions Policy. Over the past year, a Working Party has met under the Chairmanship of the Honourable David Caygill producing a report that was considered by this Council early this year. The Working Party will continue to provide its advice to the Council as it is vital to the interests of this city that dialogue with the development sector continues and future development occurs within a sustainable framework.

I urge you as ratepayers to read the amendments to our LTCCP in the spirit in which it is presented. This is a lightly modified document from that presented and adopted last year. We have planned well for our future and have provided for our future financially. I can assure you that you can continue to have confidence in this Council and in our future direction as a city.

A handwritten signature in dark ink, which appears to read 'Garry Moore'. The signature is fluid and cursive, written on a light-colored background.

Garry Moore

Mayor
Christchurch City Council



Becoming world class

In my role as Acting Chief Executive, I am delighted to present the Council's draft Annual Plan for 2007/08 and the draft 2007 Amendments to the Long-Term Council Community Plan (LTCCP) 2006-16 for public consultation.

Last year we put a lot of effort into our 10-year LTCCP. This extremely sound plan, signed off by Audit New Zealand as best practice, is our contract with the community.

The Annual Plan 2007/08 is firmly based on the levels of service the community supported in the development of our Community Plan. In preparing the plan for the year ahead, we have balanced our budgets to ensure we can meet this long-term commitment to the community. Underpinning everything we do at the Council is our vision for the organisation of making Christchurch world class.

The year ahead is very much business as usual. In spite of the many challenges, the Council is in good financial heart. Our performance on delivering the capital programme is our best for many years. This will continue in the year ahead as we tackle projects, such as the Kerb and Channel Renewal Programme and the Aquatics Facilities Plan, identified as important for the city's progress.

We have experienced significant cost pressures in the maintenance area, particularly around streets, where the costs are increasing far greater than we had budgeted for 18 months ago. The past five years have seen the cost of materials for roading contracts rise by 10.3%, fuel costs by 6.5% and manual labour costs by 6.1%. It is a situation faced by local authorities throughout the country.

The Council revenue has fallen, particularly for parking, but some of this has been offset by excellent financial results from the Council's leisure centres, for example. Another financial pressure has been managing the revaluation of our assets, something we are doing by prudent budgeting. In the year ahead, we will also reap the reward of the many internal efficiencies we have instituted within the organisation.

We are seeking public feedback on the Annual Plan and the amendments to the LTCCP, including our draft Development Contributions Policy and the funding requirement for the Jade Stadium redevelopment. It is important that if you feel strongly about any of the issues set out in this plan, you make a submission. The Council will consider all submissions before adopting the plan to take effect on 1 July 2007.

The Council's new Chief Executive, Tony Marryatt will be in his role to implement our Annual Plan, but in the meantime I look forward to receiving your feedback.

A handwritten signature in dark ink, appearing to read 'A. McArthur', with a stylized flourish at the end.

Stephen McArthur
Acting Chief Executive

Have Your Say

Welcome to the Christchurch City Council public consultation on the draft Annual Plan 2007/08 and the draft 2007 Amendments to the Long-Term Council Community Plan (LTCCP) 2006-16.

Public submissions will be accepted from Wednesday 11 April until 5pm Friday 11 May 2007.

To assist the Council in processing submissions, two different forms are being provided to keep your comments on the draft Annual Plan separate from the draft Amendments to the LTCCP. Each document has its own specific submission form.

You may make a submission using the form provided in the consultation documents or in any other written form, so long as you identify yourself and provide your full name, address and telephone number. You may send your submission by mail (post), email, internet submission form or delivery in-person.

The draft Annual Plan 2007/08, the draft 2007 Amendments to the LTCCP 2006-16 and the LTCCP 2006-16 are all available on the Council website at www.ccc.govt.nz/lccp. Hard copies are available at the Tuam Street Civic Offices ground floor reception, Council libraries and service centres and upon request by ringing the call centre (941-8999).

Submitters may request to speak to the Councillors on the main points of their written submission at a public hearing. The hearings for the draft Annual Plan and draft Amendments to the LTCCP are from Monday 28 May 2007 to Tuesday 5 June 2007.

The Council will acknowledge receipt of all submissions and will confirm a request for a hearing date either by email, fax, letter or telephone.

The Council will meet on Thursday 28 June 2007 to adopt the Annual Plan 2007/08 which will take effect from 1 July 2007. Copies of the final versions will be available to the public starting 1 August 2007.



Submission form

Draft Annual Plan 2007/08 Submission Form

PLEASE READ BEFORE COMPLETING YOUR SUBMISSION

The public consultation period is from Wednesday 11 April 2007 to Friday 11 May 2007.

It will help us if you:

- clearly state the issue you want the Council to consider:
 - what specific action you think the Council should take, and
 - why that should be done.
- cite the specific page(s) of the draft Annual Plan 2007/08.
- type or use black ink for your submission.

Please note: We are legally required to make all written or electronic submissions available to the Councillors and to the public. This includes the name and address of the submitter. All submissions will be published on the Council's website from 18 May 2007.

You may send us your submission:

By mail:
(no stamp is required) to

Freepost 178
Annual Plan
Christchurch City Council
PO Box 237
Christchurch

By email:
ccc-plan@ccc.govt.nz
Please make sure that your full name and address is included with your submission.

On the internet:

You may enter your submission using the form provided on the Council's website at www.ccc.govt.nz.

Please follow all the instructions on the website.

No anonymous submissions will be accepted.
Whether you use this form or not, you must identify yourself and provide your full name, address and telephone number.

Submissions must be received (NOT postmarked) at the Tuam Street Civic Offices no later than 5pm on Friday 11 May 2007. To ensure receipt, hand deliver last-minute submissions to Tuam Street.

Your submission

If you wish, you can present your submission at a hearing. If that is the case, please tick the appropriate box below. The hearings will be held from 28 May 2007 to 5 June 2007. Ten minutes will be allocated for speaking to your submission, including time for questions from the Councillors. The Council will confirm the date and time of your hearing in writing, by email or by telephone call.

Tick ☐ OR ☐
one

I do NOT wish to present my submission at the hearing, and ask that this written submission be considered

I wish to talk to the main points in my written submission at the hearings to be held between Monday 28 May 2007 and Tuesday 5 June 2007

Are you completing this submission:

☐ For yourself

☐ On behalf of a group or organisation

If you are representing a group or organisation, how many people do you represent?

Your Name

Organisation name (if applicable)

Contact Address

Phone No. (day)

Phone No. (evening)

Email (if applicable)

Signature

Date

What is an annual plan?

An Annual Plan is a report that sets out the budget and explains how a local authority intends to finance the activities and services it provides for the next financial year as directed by its long-term plan.

An Annual Plan cannot be used to change the long-term plan, to add projects or activities or significantly increase or decrease levels of service.

Instead an Annual Plan focuses on the adjustments a local authority must make in light of the previous year's financial performance, updated financial figures, cost increases and inflation.

All local authorities are required to produce an Annual Plan and to consult the community before finalising that document.

How to use this document

There are two documents for public consideration; the draft Annual Plan 2007/08 and the draft 2007 Amendments to the Long-Term Council Community Plan (LTCCP) 2006-16.

The draft Annual Plan presents the budget for the period 1 July 2007 to 30 June 2008. It set out the Council's commitments to deliver levels of service and capital projects. To find out more about these commitments please look at the LTCCP 2006-16.

The draft Annual Plan provides a side-by-side comparison of the LTCCP financial forecast of each Council activity and service with an updated cost. Explanations of any significant variations between the two figures are provided.

There is a Measures and Targets section for each group of activities showing the level of service the Council intended to provide. At the end of the year, the Measures and Targets help the public assess how successful the Council was in delivering its commitments.

The draft 2007 Amendments to the LTCCP 2006-16 includes among other significant changes, the Development Contributions Policy (DCP). The DCP provides the Council with a method to obtain contributions of cash and/or land from developers. This funds the additional demand for reserves, network infrastructure and community infrastructure created as a result of growth.

Each document has its own specific financial overview and financial impact statement.

Each document has two different submission forms to help distinguish between comments on the draft Annual Plan from comments on the draft Amendments to the LTCCP.

Financial Overview

The Annual Plan is a planning document which concentrates on the budget and Levels of Service for the financial year ending 30 June 2008. The objective of this overview is to compare the plan with the corresponding budget in the Long-Term Council Community Plan (LTCCP) 2006/16. The information provided may not be appropriate for other purposes. Actual results are likely to vary from those forecast, and variations may be material.

Rates for the year 2007/08 are planned to increase by 7.35%, 0.57% more than budgeted in the LTCCP. This increase is primarily the result of higher than expected costs in street maintenance combined with lower parking revenue and the decision not to close service centres. Efficiency savings of \$2.6 million, a \$2.0 million increase in dividends from Christchurch City Holdings Limited (CCHL) and the decision not to fully rate for the effect of revaluing part of the asset infrastructure have helped limit the impact.

Levels of Service

There has been no change to the levels of service set out in the LTCCP. However, in the interests of transparency and to meet the requirements of the Local Government Act 2002, all level-of-service performance targets for 2007/08 are set out in this document.

Operational Expenditure

Operational expenditure includes all of the day to day costs necessary to run a large multi-functional organisation including staff costs, maintenance and service costs on the city's infrastructure assets, insurance, energy, professional consultancy and computer costs.

Plan costs are very close to the LTCCP being only \$2.5 million, (0.9%) higher. The main variances are an extra \$3.6 million on street maintenance contracts, \$0.8 million as a result of the decision not to close service centres and \$0.9 million on marketing campaigns designed to attract both domestic and international visitors. Offsetting these increases is a cost reduction of \$0.9 million due to the closure of Jellie Park for redevelopment, \$0.5 million in Waste Minimisation costs, and efficiency savings of \$2.6 million across the Council.

Regulatory service costs have increased by \$1.0 million as a result of the continuing buoyancy in the building industry and from further compliance costs imposed by central government. This cost is largely recovered from increased revenue and has no rate impact.

In addition \$1.1 million is planned to be spent on contributions to the electrical upgrade of ChristChurch Cathedral. This money comes from a special fund and has little impact on rates.

Depreciation

The revaluation of the streets and water supply assets resulted in depreciation being \$4.4 million, (4.9%) above the LTCCP figure. The Council has elected not to rate for this variance as there is an expectation that it will be covered by the amount already budgeted for in the next two years of the LTCCP.

Interest Expense

This reflects loan servicing costs for the year.

Operational Revenue

Fees and charges

Fees and charges have been reduced by \$3.3 million, (3.8%), due to a \$2.0 million drop in parking revenue, a \$1.0 million reduction in revenue from Jellie Park, and a \$0.5 million reduction in Waste Minimisation Levies as a result of the High Court decision. Offsetting these are additional revenue in Regulatory services as a result of increased demand and a small increase in fees across some of the Council's pools and leisure centres.

Development contributions

These have dropped by \$11.0 million, (54.0%), as a result of the revision of the Development Contributions policy. These changes are explained more fully in the draft 2007 Amendments to the LTCCP 2006-16.

Grants and subsidies

Grants and subsidies have increased by \$4.7 million, (18.4%), due to increased Land Transport New Zealand subsidies, \$2.8 million of which relates to capital works.

Interest and dividends

Interest and dividends have increased by \$2.0 million, (3.5%), due to an increase in the CCHL dividend.

Surplus

A surplus reduces the need to borrow for capital works. The planned surplus has decreased by \$13.2 million, (43.7%), as a result of the drop in development contributions and the decision not to fully rate for depreciation.

Capital Expenditure

The capital programme has increased by \$15.0 million, (6.7%), as a result of projects being reprogrammed into 2007/08. Gowerton Place housing development (\$1.6 million), Jellie Park upgrade (\$1.3 million), the Western Interceptor sewer upgrade (\$4.5 million), waterways and wetlands land purchases (\$5.0 million) and \$0.8 million of library projects were originally scheduled for 2006/07. \$13.2 million of urgent work has been brought forward from later years including part of the waste minimisation scheme and several sewer and water supply projects. Offsetting this is \$12.7 million of projects originally scheduled for 2007/08 but running ahead of schedule. These include the Blenheim Road deviation (\$1.5 million), Ocean Outfall (\$5.3 million), and the fifth and sixth digesters at the Waste Treatment Plant (\$5.9 million). Kerb and channelling work has increased as a result of inflation.

Borrowing and Consolidated Debt

Provision is made for the repayment of the Council debt by way of annual contributions to the loan repayment reserve. These contributions are calculated to ensure that parcels of debt are repaid no later than 30 years after they are initially borrowed.

The financial model assumes that loan repayment reserves are accumulated in perpetuity whereas in practice opportunity may be taken to repay portions of the debt from these accumulated funds as shorter term maturities are refinanced, typically each three to five years.

Intergenerational Equity

The Council has put in place the following mechanisms to ensure intergenerational equity:

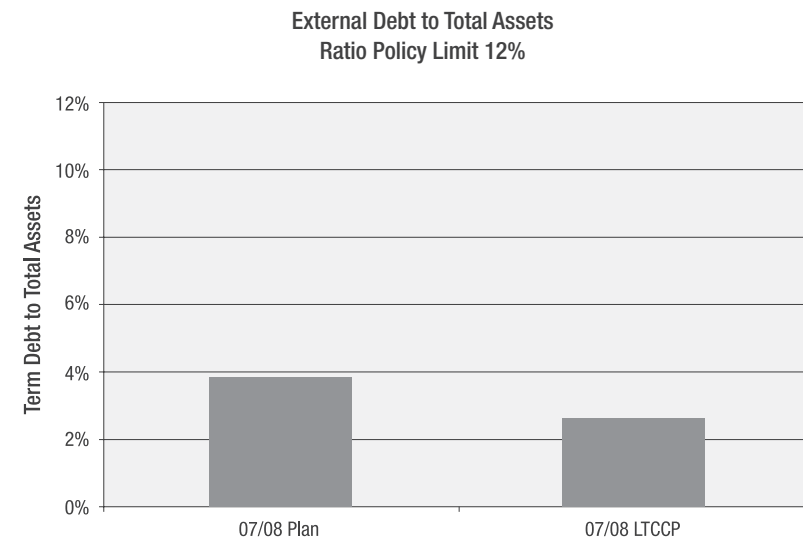
- All assets are depreciated at a rate assessed to reflect their particular life.
 - Loans raised to fund capital works are repaid over a 30-year period.
- Council revenue inclusive of rates is set at a level sufficient to meet the operational expenses in each year including:
 - Depreciation on capital assets employed. An exception this year is \$4.4 million of the incremental depreciation resulting from revaluation of streets and water supply assets.
 - Interest on outstanding debt
 - Debt repayment contributions, sufficient to fund the repayment of outstanding debt over a 30-year cycle.
 - Asset management plans have been developed for all major asset types to ensure that the renewal of existing assets is appropriately planned for and carried out. This renewal work is funded by depreciation and development contribution funds generated through revenue. Any shortfall is drawn from reserves or borrowed.

Credit Rating

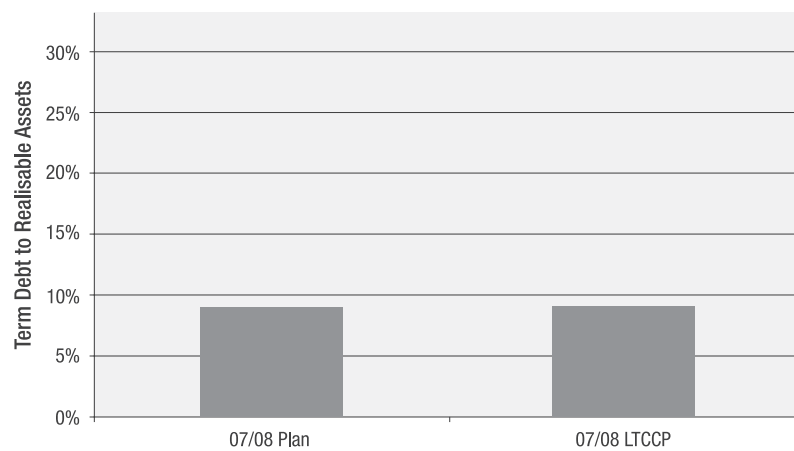
The AA+ international credit rating received by the Council from Standard and Poor's in 1993 was reviewed and confirmed in 2006 and reflects the strong overall financial position of the Council.

Financial Ratios

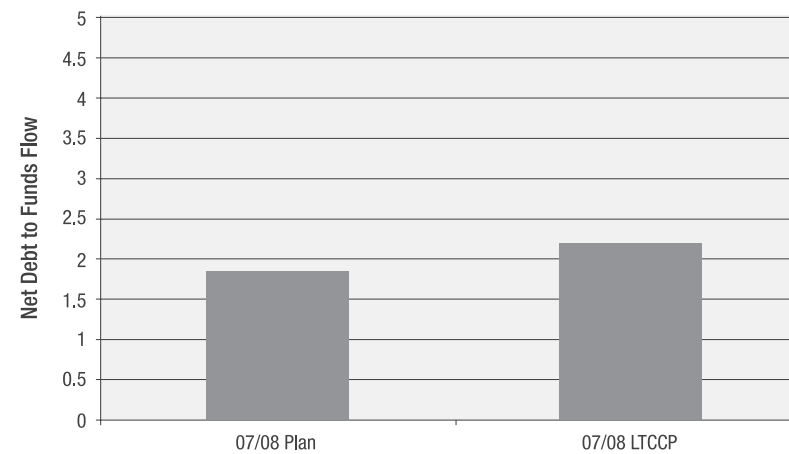
A key part of the Council's risk management strategy is its four key financial ratios. These ratios relate to the consolidated financial position of Christchurch City Council and Christchurch City Holdings Limited (CCHL) and define the limits within which the Council must maintain its balance sheet and borrowing ratios.



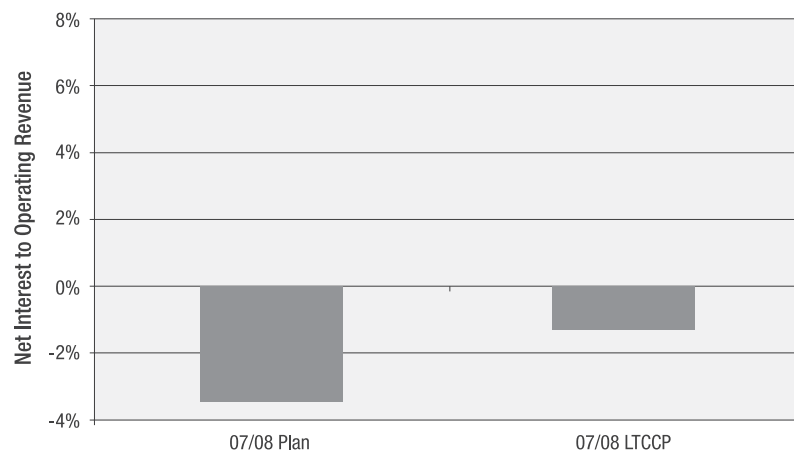
External Debt to Realisable Assets
Ratio Policy Limit 33%



Net Debt to Funds Flow
Policy Limit 5 Times



Net Interest to Operating Revenue
Ratio Policy Limit 8%



**Key Assets/Liabilities of Christchurch City Council
and Christchurch City Holdings Ltd**

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Gross debt	211,161	173,092
/ess sinking funds, debt and loan repayment reserves	9,494	9,098
Term debt	201,667	163,994
Gross debt (CCC and CCHL)	211,161	303,056
Total assets (CCC and CCHL)	5,504,033	6,609,603
Realisable assets (CCC and CCHL)	2,346,709	3,350,711

Financial overview

Financial Overview

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Operating Summary		
Operating expenditure	283,019	280,563
Depreciation	94,288	89,888
Interest expense	10,285	10,502
Total operating expenditure	387,592	380,953
funded by :		
Fees, charges and rates penalties	84,146	87,489
Development contributions	9,439	20,504
Grants and subsidies	29,960	25,305
Dividends and interest received	59,955	57,928
Total operating revenue before rates	183,500	191,226
Required operating surplus (before vested assets)	17,001	30,189
Rates required	221,093	219,916
Net annual impact of activities undertaken:		
Percentage (%) rate increase	7.35%	6.78%
Required operating surplus consists of :		
Revenues to fund capital expenditure	29,054	37,888
Funding for debt repayment provision	2,269	2,233
Funding for landfill aftercare expenditure	445	219
Removal of separately funded activities results	(1,318)	(2,178)
Operational transfers to/from special funds	(9,074)	(7,973)
Depreciation not rated for	(4,375)	-
Operating Surplus (before vested assets)	17,001	30,189

Capital Works Programme Funding Summary

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Capital expenditure	238,957	223,930
funded by :		
Depreciation rated for	85,327	85,230
Sale of assets	7,323	7,239
Landfill aftercare funded from rates and reserves	1,515	1,515
Funding from debt repayment reserve	31,614	22,882
Funding for capital from other reserves	3,557	2,012
Revenues for capital projects	29,054	37,888
Total funding available	158,390	156,766
Borrowing required for capital works programme	80,567	67,164

Operating Budget Summary

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Revenue		
City development	1,004	1,036
Community support	14,956	14,191
Cultural and learning services	3,467	3,678
Democracy and governance	320	330
Economic development	166	172
Parks, open spaces and waterways	7,735	10,574
Recreation and leisure	9,367	10,270
Refuse minimisation and disposal	4,465	4,986
Regulatory services	20,455	19,496
Streets and transport	41,593	41,480
Wastewater collection and treatment	5,699	10,334
Water supply	4,955	6,277
	114,182	122,824
Other revenue		
Rates	221,093	219,916
Dividends	35,805	34,189
Interest	24,150	23,739
Other income	9,363	10,474
	290,411	288,318
	404,593	411,142

Operating Budget Summary

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Expenditure		
City development	15,579	14,377
Community support	32,790	33,105
Cultural and learning services	42,697	43,781
Democracy and governance	12,972	13,000
Economic development	11,680	10,410
Parks, open spaces and waterways	43,973	45,595
Recreation and leisure	25,207	27,232
Refuse minimisation and disposal	19,298	20,475
Regulatory services	26,940	25,697
Streets and transport	87,748	77,570
Wastewater collection and treatment	33,343	34,486
Water supply	20,695	19,691
	372,922	365,419
Other expenditure		
Corporate	14,670	15,534
	387,592	380,953
Operating surplus	17,001	30,189

For further details on operating revenue and expenditure, please refer to the individual Group of Activities starting on page 24.

Financial overview

Capital Expenditure Summary

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
City development	518	537
Community support	5,087	7,901
Cultural and learning services	7,300	6,589
Democracy and governance	16	17
Economic development	87	90
Parks, open spaces and waterways	39,982	35,402
Recreation and leisure	16,650	14,957
Refuse minimisation and disposal	7,148	1,769
Regulatory services	389	389
Streets and transport	60,438	61,624
Wastewater collection and treatment	73,750	68,873
Water supply	13,520	9,498
Corporate	14,072	16,284
Total capital programme	238,957	223,930

Capital works programme

Capital Works Programme		2007/08 Plan \$000's	2007/08 LTCCP \$000's
	Notes		
City Development			
Technical Projects		18	19
Local Projects		500	518
		518	537
Community Support			
Technical Projects	1	1,694	5,109
Local Projects			
Gowerton Place Housing Complex		1,600	
Banks Peninsula Social Housing		210	218
Social Housing		1,583	1,641
Metropolitan Projects			
Porritt Park Upgrade			933
		5,087	7,901
Cultural & Learning Services			
Technical Projects		6,275	6,303
Local Projects		750	
Metropolitan Projects			
Artwork Acquisitions		275	286
		7,300	6,589
Democracy & Governance			
Technical Projects		16	17
		16	17

Economic Development		
Technical Projects	87	90
	87	90
Parks & Open Spaces		
Technical Projects	22,885	17,751
Local Projects		
Bridges & Buildings	480	459
Carparks, Driveways, Pathways	138	143
Cemeteries	95	98
Harbour Structures	106	110
Landscape and Tree Planting	1,386	1,334
Park Lighting	85	88
Playgrounds and Recreational Facilities	606	647
Reserves Development	2,740	2,089
Revegetation Projects	97	99
Walkways and Track Development	98	60
Waterways & Wetlands Restoration	5,784	5,027
Metropolitan Projects		
Botanic Gardens / Hagley Park	55	161
Botanic Gardens Entry Pavilion	150	
Coast Care Development	170	176
District Sports Park Purchases	260	269
Inner City Park Development	100	104
Inner City Riverbanks	180	186
Lyttelton Marina	2 1,927	4,227
Mona Vale	10	10
Neighbourhood Reserve Purchases	830	498
Strategic Reserve Purchases	1,800	1,866
	39,982	35,402

Capital works programme

Recreation & Leisure		
Technical Projects	1,729	1,750
Metropolitan Projects		
Jellie Park Aqualand Redevelopment	10,022	9,061
Northwest Pool Facility	4,000	4,146
Porritt Park Upgrade	899	
	16,650	14,957
Refuse Minimisation & Disposal		
Technical Projects	310	166
Metropolitan Projects		
Closed Landfills Aftercare	1,515	1,515
SW Kerbside Recycling Bins	87	87
Transfer Stations - Renewal Programme	1	1
Waste Minimisation Initiatives	3	5,235
	7,148	1,769
Regulatory Services		
Technical Projects	389	389
	389	389
Streets & Transport		
Technical Projects	20,869	22,374
Local Projects		
Street Renewals	19,987	15,857
Cycleways	1,694	1,458
Road Network Improvements	867	878
Street Light Upgrading	4	1,073
Neighbourhood Improvements		594

Metropolitan Projects		
Antigua / Moorhouse		5
Avonside / Fitzgerald	5	1,140
Bealey / Carlton / Harper		26
Blackspot Remedial Works		170
Blenheim Road Deviation	300	1,772
Blenheim / Middleton		5
Bromley School Safety		
Bus Exchange	2,096	2,073
Bus Priority Routes	1,562	1,544
Chattertons / Old West Coast		285
City Mall Upgrade	6	3,668
Ctrl City Dev Strategy Projects		21
Ferry Rd / Humphreys Dr Roundabout		1,574
Ferryroad Bridge		2,396
Grays / Ryans		212
Greater Akaroa Community Plan	79	78
Greens / Langdons		5
Hereford St Pedestrian Crossing		
Keighleys / Korora		
Keighleys / McGregor		
Lyttelton Town Centre Upgrade		719
Major Amenity Area Projects	6	912
Memorial / Roydvale		
Moorhouse Ave Safety Works		
One-way system safety	5	5
Pedestrian Safety Works		148
Pound / Ryans		236
Public Transport Infrastructure		555
Road Network Improvements		277
Safety Improvements		888
School Road Safety	7	66
	60,438	61,624

Capital works programme

Wastewater Collection, Treatment and Disposal		
Technical Projects	4,877	3,035
Local Projects	4,175	3,063
Metropolitan Projects		
Ocean Outfall Pipeline	44,533	38,091
CWTP Biosolids Drying Facility	3,350	
CWTP Trade Waste Receiving Tanks	1,413	
CWTP Digesters	1,618	7,410
CWTP Upgrade Projects	5,556	12,468
Western Interceptor Pipeline	5,618	2,591
Pump Station #11 Tie In		
Pumping Main #11		
Reticulation Network	2,610	2,215
	73,750	68,873
Water Supply		
Technical Projects	6,492	3,796
Local Projects	3,861	2,566
Metropolitan Projects		
Reticulation Network	2,371	2,348
Wells & Headworks	796	788
	13,520	9,498

Corporate		
Technical Projects		
Asset Management Programme	3,790	7,866
Computer & Other IT Equipment	5,301	4,304
Fitout - New Civic Offices		
Office Furniture & Equipment	231	140
Other Expenditure	3,750	2,937
Vehicle Replacement Programme	1,000	1,037
	14,072	16,284
Total Capital Programme	238,957	223,930

Notes:

- \$3.5 million for the construction of a new Civil Defence building has been reprogrammed to 2010/11 to coincide with construction of the new Civic offices.
\$1.2 million for the construction of a new Banks Peninsula service centre has been removed, as the premises have been leased.
- \$3.0 million for the Lyttelton Marina has been reprogrammed from 2007/08 and 2008/09 to 2009/10.
- \$21.4 million for Waste Minimisation initiatives, initially planned for 2008/09, has been reprogrammed across 2007/08 and 2008/09.
- Projects classified as Local in the LTCCP have been reprogrammed and reclassified as Technical - Street Lighting.
- This project has been reprogrammed to 2008/09 due to design and consultation delays.
- The City Mall has been reclassified from Major Amenity Projects in the LTCCP to a separate project.
- School road safety projects have been reclassified from Metropolitan to a separate Technical project classification.



**Christchurch City Council
draft Annual Plan 2007/08**

The following pages contain Council activities and services.

City development

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Central city revitalisation	1,877	2,086
City & community forward planning & urban renewal	7,361	6,898
Heritage protection	6,341	5,393
Total expenditure	15,579	14,377
Activity operational revenue -		
Central city revitalisation	273	282
Heritage protection	731	754
Total operational revenue	1,004	1,036
<i>Fees and charges</i>	<i>793</i>	<i>818</i>
<i>Grants and subsidies</i>	<i>211</i>	<i>218</i>
<i>Total operational revenue (by source)</i>	<i>1,004</i>	<i>1,036</i>
Net operational cost	14,575	13,341
Vested assets	-	-
Net cost of services	14,575	13,341
Capital expenditure		
Renewals and replacements	18	19
Improved service levels	500	518
Increased demand	-	-
Total capital expenditure	518	537

Measuring our achievements*

Measures and targets	07/08
Residents' survey results:	95%
Satisfaction with "look and feel of the city".	80%
% who agree that building or land development has not made their area worse**	65%
Satisfaction with overall city and environmental planning.	74%
% increase in awareness of heritage issues.	72%
Rate of growth in the number of businesses in the central city compared to city-wide (per year).	Central city growth is 45% of city-wide.
% change in the number of pedestrians in the central city compared to base in 1993.	2% increase

Rationale for activity funding

Revenue is sought from sponsorship and subsidies where possible. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Capital expenditure is funded corporately.

Explanation of operational variances from the LTCCP

Planning staff have been reallocated from other areas into the city and community forward-planning and urban renewal activity.

Additional expenditure of \$1.1 million has also been planned to protect the heritage of the city via contributions to the electrical upgrade of ChristChurch Cathedral. This is funded from a special fund and has little impact on rates.

Explanation of capital variances from the LTCCP

There are no significant variances.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

** Survey question to be re-designed

Community support

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Civil defence and rural fire	1,660	1,879
Community grants	4,565	4,625
Community support	8,285	7,899
Early learning centres	2,294	1,761
Halls and conveniences	2,064	2,385
Housing	13,922	14,556
Total expenditure	32,790	33,105
Activity operational revenue -		
Civil defence and rural fire	187	193
Community support	297	166
Early learning centres	1,735	1,364
Halls and conveniences	239	131
Housing	12,498	12,337
Total operational revenue	14,956	14,191
<i>Fees and charges</i>	<i>13,799</i>	<i>13,183</i>
<i>Grants and subsidies</i>	<i>1,157</i>	<i>1,008</i>
Total operational revenue (by source)	14,956	14,191
Net operational cost	17,834	18,914
Vested assets	-	-
Net cost of services	17,834	18,914
Capital expenditure		
Renewals and replacements	3,487	7,901
Improved service levels	-	-
Increased demand	1,600	-
Total capital expenditure	5,087	7,901

Measuring our achievements*

Measures and targets	07/08
Occupancy rates of early learning centres owned and operated by CCC.	75-85% occupancy rate across three centres
Satisfaction with child education and environment provided.	90%
% satisfaction with quality of support provided to target community groups.	80 - 85% range
Christchurch housing rental stock provided by Council.	2,641 units provided
Occupancy rates of housing units.	90 - 97% range
Tenant satisfaction with management service.	75 - 80%

Rationale for activity funding

User charges and rents for services and accommodation provided are collected at a level considered reasonable by the Council. For some services, making a user charge would counter the Council's policy of providing open access to services. The level of revenue sought from these activities by the Council for the 10 years covered by the LTCCP is illustrated above. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Capital expenditure is funded corporately.

Explanation of operational variances from the LTCCP

The Council identified \$0.8 million of cost-savings in the LTCCP for service centre closures. The decision to close the service centres was subsequently reversed, and these costs have therefore been included in the Community support activity.

Personnel costs for staff of the early learning centres have increased by \$0.3 million as a result of negotiated revisions to employment agreements.

The costs of property management have been reallocated across the Council to the activities for which the property is primarily used; this has resulted in expenditure being removed from certain activities and added to others.

Explanation of capital variances from the LTCCP

\$1.6 million has been reprogrammed from 2006/07 to 2007/08 for the Gowerton Place housing development.

\$3.5 million for the construction of a new Civil Defence building has been reprogrammed to 2010/11 to coincide with construction of the new Civic offices.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Cultural and learning services

Cultural and learning services

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Art gallery	7,923	8,237
Libraries	28,285	28,478
Museums	6,011	6,587
Our City O-tautahi	478	479
Total expenditure	42,697	43,781
Activity operational revenue -		
Art gallery	1,193	1,232
Libraries	2,166	2,334
Museums	79	82
Our City O-tautahi	29	30
Total operational revenue	3,467	3,678
<i>Fees and charges</i>	<i>3,171</i>	<i>3,373</i>
<i>Grants and subsidies</i>	<i>296</i>	<i>305</i>
Total operational revenue (by source)	3,467	3,678
Net operational cost	39,230	40,103
Vested assets	-	-
Net cost of services	39,230	40,103
Capital expenditure		
Renewals and replacements	7,025	6,304
Improved service levels	275	285
Increased demand	-	-
Total capital expenditure	7,300	6,589

Measuring our achievements*

Measures and targets	07/08
Number of visits to the art gallery and net cost of providing the service.	375,000 at < \$23
Visitor satisfaction with the quantity and quality of art gallery programmes.	80 - 85%
Size of general library collection (items per capita of population).	3 - 3.5 items
Number of library items issued, per capita, per year.	Achieve national average or better
Customer satisfaction with the library service.	85 - 90%
Number of visitors to Our City O-Tautahi	14,000 visitors

Rationale for activity funding

Due to the customer focus of this activity, user charges are collected for services at a level considered reasonable by the Council, in line with the Council's policy of open access to services.

Revenue is also sought from grants and subsidies where possible.

The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Capital expenditure is funded corporately.

Explanation of operational variances from the LTCCP

The levy payable to the Canterbury Museum Trust Board has been reduced by \$0.3 million following cancellation of the museum redevelopment project.

The costs of property management have been reallocated across the Council to the activities for which the property is primarily used; this has resulted in expenditure being removed from certain activities and added to others.

Explanation of capital variances from the LTCCP

\$0.8 million of libraries projects have been reprogrammed from 2006/07 to 2007/08.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Democracy and governance

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Democracy and governance support	6,403	6,619
Elected member representation	6,569	6,381
Total expenditure	12,972	13,000
Activity operational revenue -		
Democracy and governance support	320	330
Total operational revenue	320	330
<i>Fees and charges</i>	<i>320</i>	<i>330</i>
<i>Grants and subsidies</i>	<i>-</i>	<i>-</i>
Total operational revenue (by source)	320	330
Net operational cost	12,652	12,670
Vested assets	-	-
Net cost of services	12,652	12,670
Capital expenditure		
Renewals and replacements	16	17
Improved service levels	-	-
Increased demand	-	-
Total capital expenditure	16	17

Measuring our achievements*

Measures and targets	07/08
% of residents satisfied with the way the Council involves the public in decision-making.	75%
% of residents satisfied that the Council makes decisions in the best interests of Christchurch.	75%
% of Council meetings that are publicly notified at least 10 working days prior to meeting.	100%
% of agendas and reports available from Council 2 clear working days prior to each meeting.	100%

Rationale for activity funding

There are few opportunities for direct revenue from these activities. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Capital expenditure is funded corporately.

Explanation of operational variances from the LTCCP

There are no significant variances.

Explanation of capital variances from the LTCCP

There are no significant variances

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Economic development

Economic development

Cost of proposed services	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
City promotion and international relations	1,127	1,185
Economic development	5,165	5,347
Employment development	2,000	2,087
Visitor promotions	3,388	1,791
Total expenditure	11,680	10,410
Activity operational revenue -		
City promotion and international relations	17	18
Economic development	120	124
Visitor promotions	29	30
Total operational revenue	166	172
<i>Fees and charges</i>	<i>146</i>	<i>151</i>
<i>Grants and subsidies</i>	<i>20</i>	<i>21</i>
Total operational revenue (by source)	166	172
Net operational cost	11,514	10,238
Vested assets	-	-
Net cost of services	11,514	10,238
Capital expenditure		
Renewals and replacements	87	90
Improved service levels	-	-
Increased demand	-	-
Total capital expenditure	87	90

Measuring our achievements*

Measures and targets	07/08
Number of business start-ups per year.	500
Business mentoring and coaching.	1,000 hours of coaching. 400 mentor matches.
Growth in International Visitor numbers.	Achieve national growth rate at all times. Exceed year-end national growth percentage by 10%. (i.e if national growth rate is +4%, we aim for minimum +4.4%).
Increase in international Visitors' length of stay, and their spend.**	Aim that market share of Regional Tourism Organisational spend is not less than 15.4% of national total.
Increase in domestic visitor numbers.	Strategy under development
Number of skilled migrants relocated per year.	40

Rationale for activity funding

There are few opportunities for direct revenue from these activities. Revenue is sought from grants and subsidies where possible. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Capital expenditure is funded corporately.

Explanation of operational variances from the LTCCP

Additional expenditure of \$0.9 million for the "Be There" and "What's On" marketing campaigns, designed to attract both domestic and international visitors to Christchurch, has been included in Visitor Promotion expenditure.

Explanation of capital variances from the LTCCP

There are no significant variances.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

** Note that due to national and international economic variables, economic development targets are liable to change.

Parks, open spaces and waterways

Parks, open spaces and waterways

Cost of proposed services	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Cemeteries	1,332	1,383
Regional parks	5,175	6,987
The Botanic Gardens	3,288	4,821
Urban parks	20,300	18,233
Waterways and land drainage	13,878	14,171
Total expenditure	43,973	45,595
Activity operational revenue -		
Cemeteries	729	752
Regional parks	355	649
The Botanic Gardens	160	169
Urban parks	751	722
Waterways and land drainage	38	39
Capital revenues	5,702	8,243
Total operational revenue	7,735	10,574
<i>Fees and charges</i>	<i>7,720</i>	<i>10,559</i>
<i>Grants and subsidies</i>	<i>15</i>	<i>15</i>
Total operational revenue (by source)	7,735	10,574
Net operational cost	36,238	35,021
Vested assets	9,916	10,279
Net cost of services	26,322	24,742
Capital expenditure		
Renewals and replacements	11,491	13,206
Improved service levels	649	660
Increased demand	27,842	21,536
Total capital expenditure	39,982	35,402

Measuring our achievements*

Measures and Targets	07/08
Area of urban park per 1,000 population (ha=hectares)	4.7 ha (total 1,631 ha)
% of urban residences within 400 metres of a park.	90%
Area of regional park per 1,000 population.	13.2 ha (total 4,620 ha)
Customer satisfaction with appearance of parks and with range of recreation opportunities available in parks.	>90% 85%
Recreation facilities:	
Playgrounds per 1,000 children (based on projections for no. of children in the city)	>4
Youth facilities per 1,000 youth	>1
Playing fields per 1,000 sports participants	14 winter 7 summer
Number of people visiting the Botanic Gardens per year (m = million).	1.2 million
Customer satisfaction with appearance of waterways & wetlands	75%
Capacity of CCC cemeteries	13,500 full plots (20+year capacity). 3,500 ash plots (20+ year capacity).
% of non-flooding properties.	99%

Rationale for activity funding

User charges for certain services, such as cemeteries and ground hire, are collected at levels considered reasonable by the Council. In many areas, such as providing access to open spaces, charging is not feasible.

The level of revenue sought from these activities by the Council for the 10 years covered by the LTCCP is illustrated above.

The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities. Development contributions are applied towards appropriate capital expenditure. The balance is funded corporately.

Explanation of operational variances from the LTCCP

The reduction in capital revenues results from a reduction in development contribution revenue due to revisions to the Development Contributions Policy.

The costs of property management have been reallocated across the Council to the activities for which the property is primarily used; this has resulted in expenditure being removed from certain activities and added to others.

Explanation of capital variances from the LTCCP

Strategic land purchases of \$5.0 million have been reprogrammed from 2006/07 to 2007/08.

Within the Parks activities, costs have been aligned to each activity in a manner that better reflects actual expenditure than was used in the LTCCP calculations.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Recreation and leisure

Recreation and leisure

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Pools and leisure centres, stadia and sporting facilities	17,761	19,186
Recreation and leisure	2,919	2,956
Recreation programmes	2,486	3,162
Sports support and promotion	2,041	1,928
Total expenditure	25,207	27,232
Activity operational revenue -		
Pools and leisure centres, stadia and sporting facilities	8,327	8,673
Recreation and leisure	215	223
Recreation programmes	583	638
Sports support and promotion	2	2
Capital revenues	239	734
Total operational revenue	9,367	10,270
<i>Fees and charges</i>	<i>9,039</i>	<i>9,900</i>
<i>Grants and subsidies</i>	<i>328</i>	<i>370</i>
Total operational revenue (by source)	9,367	10,270
Net operational cost	15,840	16,962
Vested assets	-	-
Net cost of services	15,840	16,962
Capital expenditure		
Renewals and replacements	12,862	10,817
Improved service levels	3,788	4,140
Increased demand		
Total capital expenditure	16,650	14,957

Measuring our achievements*

Measures and targets	07/08
Number of customer visits to leisure centres per year.	Over 2.6 million
Provision of 1 multi-use leisure centre per 50,000 population.	6 centres
Area of pool provided per capita (m ² = square metres).	1m ² per 105 persons
Facilities meet legislative requirements measured by NZ 'PoolSafe' accreditation.	All indoor and summer pools are PoolSafe accredited.
Attendance numbers at Council recreation, arts and sporting programmes per year.	570,000 attendees.
% of customers satisfied with range and quality of recreation, arts and sporting programmes.	0.9
Number of customer visits per year to Council operated stadia and sporting facilities.	410,000 visits
% satisfaction with the quality of major festivals and events provided.	At least 90%
Number of national or international events hosted in Christchurch per year.	6 international events 12 national events
\$ value of economic benefits delivered to the city per year, through hosting of sporting events.	At least \$20 million

Rationale for activity funding

User charges for certain services, such as entry fees and hire, are collected at levels considered reasonable by the Council, in line with the Council's policy of providing open access to services.

The level of revenue sought from these activities by the Council for the 10 years covered by the LTCCP is illustrated above. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Development contributions are applied towards appropriate capital expenditure. The balance is funded corporately.

Explanation of operational variances from the LTCCP

Expenditure has decreased by \$0.9 million due to the closure of Jellie Park for redevelopment in 2007/08 (along with a corresponding decrease in revenue), and additional savings are anticipated from the QEII LPG pipeline from Burwood landfill. Staff savings are also planned for this area.

The reduction in capital revenues results from a reduction in development contribution revenue due to revisions to the Development Contributions Policy.

Explanation of capital variances from the LTCCP

\$1.3 million of cost for the upgrade of Jellie Park has been reprogrammed from 2006/07 to 2007/08.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Refuse minimisation and disposal

Refuse minimisation and disposal

Cost of proposed services	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Black bag collection and disposal	7,544	7,736
Refuse transfer and disposal	3,579	4,148
Waste minimisation	8,175	8,591
Total expenditure	19,298	20,475
Activity operational revenue -		
Black bag collection and disposal	2,465	2,468
Refuse transfer and disposal	1,988	2,008
Waste minimisation	12	510
Total operational revenue	4,465	4,986
<i>Fees and charges</i>	<i>4,465</i>	<i>4,986</i>
<i>Grants and subsidies</i>	<i>-</i>	<i>-</i>
<i>Total operational revenue (by source)</i>	<i>4,465</i>	<i>4,986</i>
Net operational cost	14,833	15,489
Vested assets	-	-
Net cost of services	14,833	15,489
Capital expenditure		
Renewals and replacements	6,814	1,584
Improved service levels	314	165
Increased demand	21	20
Total capital expenditure	7,148	1,769

Measuring our achievements*

Measures and targets	
Zero breaches of resource consents by the Council's solid waste facilities.	Zero breaches of resource consents by the Council's solid waste facilities.
Opening hours of refuse stations - 8.5 hours per day, 7 days per week (excluding public holidays).	Continue to open 8.5 hours per day, 7 days per week (excluding public holidays).
Percentage of black rubbish bags and recycling crates collected weekly.	Maintain collection at > 99%
Kilogrammes of waste sent to landfill per capita, per year.	
Domestic: (target maximum of 170 kg per capita by 2020).	300 kg
Commercial: (target maximum of 235 kg per capita by 2020).	415 kg
Total amount of waste (tonnes) sent to landfill per year.	260,000 tonnes ± 5%

Rationale for activity funding

User charges are collected for services considered reasonable by the Council to fulfil the objectives of the service and within the constraints of the market, eg sale of bags and disposal fees. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Development contributions are applied towards appropriate capital expenditure. The balance is funded corporately.

Explanation of operational variances from the LTCCP

A \$0.5 million reduction in Waste Minimisation Levy revenue has occurred due to legislative decisions on this charge. A corresponding reduction in expenditure has occurred.

Explanation of capital variances from the LTCCP

The \$20.0 million waste minimisation initiative for 2008/09 identified in the LTCCP (page 83) has had \$5.0 million of expenditure brought forward to 2007/08.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Regulatory services

Regulatory services

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Enforcement and inspection activities	9,313	9,350
Maintaining and reviewing the City Plan	1,861	1,987
Regulatory approvals	15,766	14,360
Total expenditure	26,940	25,697
Activity operational revenue -		
Enforcement and inspection activities	8,216	8,449
Maintaining and reviewing the City Plan	60	31
Regulatory approvals	12,179	11,016
Total operational revenue	20,455	19,496
<i>Fees and charges</i>	<i>20,455</i>	<i>19,496</i>
<i>Grants and subsidies</i>	<i>-</i>	<i>-</i>
Total operational revenue (by source)	20,455	19,496
Net operational cost	6,485	6,201
Vested assets	-	-
Net cost of services	6,485	6,201
Capital expenditure		
Renewals and replacements	389	389
Improved service levels	-	-
Increased demand	-	-
Total Capital Expenditure	389	389

Measuring our achievements*

Measures and targets	07/08
% of walk-in customers satisfied with service received	80%
% of all regulatory applications processed within statutory time-frames	100%
% of responses to complaints or requests for investigations completed: • Within 10 working days (simple request), • 60 working days (complex request)	Simple 100% Complex 80%
% of responses to excessive noise within an average of 30 minutes	100%
% of Priority 1 complaints (wandering stock and aggressive behaviour by dogs) responded to within 2 hours	100%
% of Priority 2 complaints (other complaints about dogs) commenced within 24 hours	100%
% of potentially higher risk food premises inspected at least once a year	100%

Rationale for activity funding

User charges are collected for services considered reasonable by the Council. The level of revenue sought from these activities by the Council for the 10 years covered by the LTCCP is illustrated above.

Costs are generally recovered in full. The balance of the net operating cost is funded by general rates, as the whole community benefits from these activities.

Capital expenditure is funded corporately.

Explanation of operational variances from the LTCCP

Expenditure is forecast to be higher than the LTCCP following a continuing increase in work volumes due to the buoyant building industry (the increased expenditure offsets increased revenue to deliver these services). Personnel and staff costs have increased to meet the continued growth in building-related applications.

In addition, there are increased costs around central government imposed compliance costs (Building Act Accreditation), general inflationary pressures and provision of an EDMS solution that embraces use of available technology to streamline and enhance current operations.

Explanation of capital variances from the LTCCP

There is no variance

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Streets and transport

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Cycle and pedestrian linkages - off-street	736	820
Off-street parking	5,794	5,630
Pedestrian malls - off-street	3,514	2,829
Public passenger transport	4,431	4,583
Streets	73,273	63,708
Total expenditure	87,748	77,570
Activity operational revenue -		
Cycle and pedestrian linkages - off-street	81	80
Off-street parking	6,983	6,942
Pedestrian malls - off-street	24	12
Public passenger transport	643	549
Streets	14,832	15,039
Capital revenues	19,030	18,858
Total operational revenue	41,593	41,480
<i>Fees and charges</i>	<i>13,659</i>	<i>18,092</i>
<i>Grants and subsidies</i>	<i>27,934</i>	<i>23,388</i>
Total operational revenue (by source)	41,593	41,480
Net operational cost	46,155	36,090
Vested assets	9,627	9,978
Net cost of services	36,528	26,112
Capital expenditure		
Renewals and replacements	39,863	36,262
Improved service levels	13,400	17,633
Increased demand	7,175	7,729
Total capital expenditure	60,438	61,624

Measuring our achievements*

Measures and targets	07/08
% resident satisfaction with the safety of streets.	Not currently measured. Results will be reported as they become available, and future targets will be based on these results. Baseline measures will be established 2008/09.
Accident statistics provided by Land Transport NZ. Aim for ongoing downward trend, within specific targets: Number of vehicle crashes per 10,000 people - 5-year rolling average. Number of cyclist casualties - 5-year rolling average. Number of pedestrian casualties - 5-year rolling average.	<22 <112 <95
Land Transport NZ Smooth Travel Exposure measure: % vehicle travel on smooth roads.	>87%
Kerb and channel renewal (remove dished channels by 2023).	Renew 17 km of kerb and channel.
% resident satisfaction with quality of cycleways.	>65%
% resident satisfaction with quality of pedestrian malls.	>65%
% user satisfaction that cars are safer in off-street parking facilities than parked on street.	>66%
% user satisfaction with the Council's off-street parking facilities.	New measure - Baseline measures will be established in 08/09.
Number of shuttle bus passenger trips per year.	>850,000
% resident satisfaction with the quality of bus signs, shelters and seats.	>65%
% resident dissatisfaction with general road congestion.	New measure - Baseline measures will be established in 08/09.
Congestion: Average travel time for a 10 km trip (minutes:seconds), based on average speeds for monitored portion of network.	15:40

Rationale for activity funding

User charges for certain services, such as parking fees, are collected at levels considered reasonable by the Council. Subsidies will be claimed from Land Transport New Zealand for both operational and cost is funded by general rates, with a loading on the business sector. Development contributions are applied towards appropriate capital expenditure. The balance is funded corporately.

Explanation of operational variances from the LTCCP

Due to a revaluation of roading assets on 1 July 2007, depreciation is now forecast to be \$6.4 million higher than forecast in the LTCCP. This is partially offset by revaluation reductions of \$2.0 million in other areas.

Streets maintenance contracts are now planned to be \$3.6 million higher than forecast in the LTCCP. Inflationary pressures and volume increases (particularly related to litter) are the basis for this increase.

Explanation of capital variances from the LTCCP

\$1.5 million of expenditure for the Blenheim Road Deviation was brought forward to 2006/07 due to construction running ahead of schedule.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Wastewater collection and treatment

Wastewater collection and treatment

Cost of proposed services	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Wastewater collection	20,195	20,939
Wastewater treatment and disposal	13,148	13,547
Total expenditure	33,343	34,486
Activity operational revenue -		
Wastewater collection	16	17
Wastewater treatment and disposal	3,408	3,553
Capital revenues	2,275	6,764
Total operational revenue	5,699	10,334
<i>Fees and charges</i>	<i>5,699</i>	<i>10,334</i>
<i>Grants and subsidies</i>	<i>-</i>	<i>-</i>
<i>Total operational revenue (by source)</i>	<i>5,699</i>	<i>10,334</i>
Net operational cost	27,644	24,152
Vested assets	1,799	1,865
Net cost of services	25,845	22,287
Capital expenditure		
Renewals and replacements	17,439	12,244
Improved service levels	34,498	35,016
Increased demand	21,813	21,613
Total capital expenditure	73,750	68,873

Measuring our achievements*

Measures and targets	07/08
Number of public health issues attributable to the wastewater system.	Maintain zero reported by the Ministry of Health.
Number of persistent breaches of the resource consent by the wastewater treatment plant.	One breach (due to ammonia).
Each year the Ocean Outfall Development proceeds within the Council approved budget and timeframe.	On budget and on time.
% of mains blockages and non-consented overflows responded to within one hour of Council notification.	90% responded to within one hour.
Number of widespread and/or ongoing incidents reported, per year, of objectionable odour from the treatment plant.	5
Number of wet weather sewer overflows into rivers and waterways, per year (10-year rolling average).	4 or fewer

Rationale for activity funding

User charges for certain services, such as trade waste, are collected at levels considered reasonable by the Council. The balance of the net operating cost is funded by a targeted rate on serviced properties based on capital values.

Development contributions are applied towards appropriate capital expenditure. The balance is funded corporately.

Explanation of operational variances from the LTCCP

Depreciation is now forecast to be \$0.6 million lower than forecast in the LTCCP.

The reduction in capital revenues results from a reduction in development contribution revenue due to revisions to the Development Contributions Policy.

Explanation of capital variances from the LTCCP

Reprogramming of work for the Bass to Fitzgerald portion of the new Western Sewer Pipeline and Maidstone Storage (Riccarton Interceptor) trunk sewer projects has increased planned expenditure in 2007/08 by \$4.2 million.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.

Water supply

Cost of proposed services

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Activity operational cost -		
Water conservation	233	236
Water supply	20,462	19,455
Total expenditure	20,695	19,691
Activity operational revenue -		
Water conservation	-	-
Water supply	3,148	2,989
Capital revenues	1,807	3,288
Total operational revenue	4,955	6,277
<i>Fees and charges</i>	<i>4,955</i>	<i>6,277</i>
<i>Grants and subsidies</i>	<i>-</i>	<i>-</i>
<i>Total operational revenue (by source)</i>	<i>4,955</i>	<i>6,277</i>
Net operational cost	15,740	13,414
Vested assets	1,462	1,515
Net cost of services	14,278	11,899
Capital expenditure		
Renewals and replacements	9,244	6,151
Improved service levels	1,863	872
Increased demand	2,413	2,475
Total capital expenditure	13,520	9,498

Measuring our achievements*

Measures and targets	07/08
Number of unplanned shutdowns (over 4 hours) with loss of water, due to reticulation, pumps or reservoirs.	≤ 1 unplanned shutdown on average per week.
95% of leaks reported to be in the Council's reticulation system are repaired to targets: a) major/urgent leaks contractor on site within one hour of the leak being reported; b) medium magnitude leak repaired within one working day; c) minor leaks and faults repaired within three working days.	all targets met > 95% of the time
Achievement of the highest Ministry of Health water supply grade possible without treatment of the water.	Maintain the highest grade possible without treatment.
% customer satisfaction with water quality and taste.	>90% satisfaction.
% of properties where an ordinary water connection at the boundary can supply 25 litres per minute.	> 98%.
Domestic consumption of water per capita (litres per day).	< 318 litres
Commercial consumption of water per capita (litres per day).	100 litres
Total water used by the city per year (million cubic metres M cu, on a 5-year rolling average).	53 M cu +/- 6

Rationale for activity funding

User charges (technically classified as a rate) are made for excess water supplied at the average cost of water. The balance of the net operating cost is funded by a targeted rate on serviced properties based on capital value.

Development contributions are applied towards appropriate capital expenditure. The balance is funded corporately.

Explanation of operational variances from the LTCCP

Due to a revaluation of water supply assets on 1 July 2007, depreciation is now forecast to be \$0.9 million higher than forecast in the LTCCP.

The reduction in capital revenues results from a reduction in development contribution revenue due to revisions to the Development Contributions Policy.

Explanation of capital variances from the LTCCP

A number of urgent works have been brought forward or allocated additional funding. These include the Cashmere Reservoir, Balguerie Intake Line Replacement, Lyttelton Reticulation, Rapaki Reservoir and Akaroa Water Upgrade projects.

* The Council has not changed any levels of service published in the LTCCP 2006-16. The targets for 2007/08 though unchanged, are set out in this document in the interests of transparency and accountability.



**Christchurch City Council
draft Annual Plan 2007/08**

The following pages contain financial statements and accounting policies.

Financial statements

Christchurch City Council

Income Statement

	Notes	2007/08 Plan \$000's	2007/08 LTCCP \$000's
REVENUE			
Operating revenue	1	183,500	191,226
Rates levied		221,093	219,916
Total operating income		404,593	411,142
EXPENDITURE			
Operating expenditure		283,019	280,563
Depreciation		94,288	89,888
Interest		10,285	10,502
Total operating expenditure	2	387,592	380,953
Operating surplus before vested assets		17,001	30,189
Vested assets		22,805	23,637
Operating surplus before taxation		39,806	53,826
Less tax expense / (benefit)			
Surplus after taxation		39,806	53,826
Net surplus for year		39,806	53,826

Christchurch City Council

Statement of Change in Equity

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
EQUITY AT JULY 1	4,986,842	4,917,001
Net surplus attributable to:		
IFRS adjustment		
Revaluation reserve	168,300	168,300
Retained earnings	39,806	53,826
Total recognised revenues and expenses for the year	208,106	222,126
EQUITY AT JUNE 30	5,194,948	5,139,127

Christchurch City Council			
Balance Sheet			
	Notes	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Equity	3	5,194,948	5,139,127
Non-current liabilities			
Financial liabilities		207,609	169,491
Provisions	4	20,788	18,552
Deferred tax liability		12,837	12,837
Current liabilities	5		
Accounts payable		50,982	59,737
Financial liabilities		3,552	3,601
Provisions		13,606	12,909
TOTAL EQUITY AND LIABILITIES		5,504,322	5,416,254
Represented by:			
Current assets			
Cash and cash equivalents		83,296	135,179
Accounts receivable	6	28,125	40,664
Inventories		1,574	2,066
Financial instruments		39,198	62,347
Non-current assets			
Investments		1,389,191	1,100,429
Investment property		12,840	13,027
Intangible assets		5,633	5,715
Operational assets		787,141	797,935
Infrastructural assets		2,668,212	2,771,611
Restricted assets		489,112	487,281
TOTAL ASSETS		5,504,322	5,416,254

Financial statements

Christchurch City Council

Cash Flow Statement

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
OPERATING ACTIVITIES		
Cash was provided from:		
Rates, grants, subsidies, and other sources	344,638	347,367
Interest received	24,139	23,729
Dividends	35,805	34,189
	404,582	405,285
Cash was disbursed to:		
Payments to suppliers and employees	284,534	273,594
Interest paid	10,285	10,501
	294,819	284,095
NET CASH FLOW FROM OPERATIONS	109,763	121,190
INVESTING ACTIVITIES		
Cash was provided from:		
Sale of assets	7,323	7,239
Investments realised	1,840	1,841
	9,163	9,080
Cash was applied to:		
Purchase of assets	234,733	219,706
Purchase of investments	23,336	15,346
	258,069	235,052
NET CASH FLOW FROM INVESTING ACTIVITIES	(248,906)	(225,972)

FINANCING ACTIVITIES

Cash was provided from:

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Raising of loans	102,015	79,802
	102,015	79,802
Cash was applied to:		
Repayment of term liabilities	2,458	2,457
	2,458	2,457
NET CASH FLOW FROM FINANCING ACTIVITIES	99,557	77,345
Increase/(decrease) in cash	(39,586)	(27,437)
Add opening cash	162,080	152,976
Reclassification of short-term investments from Cash and cash equivalents to Financial instruments	(39,198)	9,640
ENDING CASH BALANCE	83,296	135,179

Represented by:

Cash and cash equivalents	83,296	135,179
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* Prior period figures exclude Banks Peninsula District Council.

Christchurch City Council Notes to the Financial Statements

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
NOTE 1		
SUMMARY OF OPERATING INCOME		
Summary of group of activities revenue		
City development	1,004	1,036
Community support	14,956	14,191
Cultural and learning services	3,467	3,678
Democracy and governance	320	330
Economic development	166	172
Parks, open spaces and waterways	7,735	10,574
Recreation and leisure	9,367	10,270
Refuse minimisation and disposal	4,465	4,986
Regulatory services	20,455	19,496
Streets and transport	41,593	41,480
Wastewater collection and treatment	5,699	10,334
Water supply	4,955	6,277
Activity results represented in income statement	114,182	122,824
Other revenue:		
Interest revenue:		
Subsidiaries	7,086	7,752
Loan repayment investments	11	10
Short term investments	12,323	11,248
Special and other fund investments	4,730	4,729
Total interest revenue	24,150	23,739
Dividend revenue:		
Christchurch City Holdings Ltd		
Ordinary	34,000	32,000
Special	-	-
Transwaste Ltd	1,805	2,189
Total dividend revenue	35,805	34,189

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
NOTE 2		
SUMMARY OF OPERATING EXPENDITURE		
Summary of group of activities costs		
City development	15,579	14,377
Community support	32,790	33,105
Cultural and learning services	42,697	43,781
Democracy and governance	12,972	13,000
Economic development	11,680	10,410
Parks, open spaces and waterways	43,973	45,595
Recreation and leisure	25,207	27,232
Refuse minimisation and disposal	19,298	20,475
Regulatory services	26,940	25,697
Streets and transport	87,748	77,570
Wastewater collection and treatment	33,343	34,486
Water supply	20,695	19,691
Activity results represented in income statement	372,922	365,419
Other expenditure:		
Interest expense not allocated	7,876	8,484
Other corporate expenditure	6,794	7,050
Total other expenditure	14,670	15,534
Total operating expenditure	387,592	380,953

Financial statements

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Specified expenses (included above):		
Audit fees	216	222
Employee benefits expense	108,167	108,125
Donations	19,423	17,902
NOTE 3		
Equity		
Capital reserve	1,733,853	1,733,853
Reserve funds	172,240	173,637
Asset revaluation reserves	2,318,633	2,318,633
Retained earnings	970,222	913,004
Total equity	5,194,948	5,139,127
NOTE 4		
Non-current provisions		
Provision for landfill aftercare	14,032	11,526
Provision for employee entitlements	6,756	7,026
Total non-current provisions	20,788	18,552

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
NOTE 5		
Current liabilities		
Trade creditors	43,793	51,349
Owing to subsidiaries	7,189	8,388
	50,982	59,737
Current portion of gross debt	3,552	3,601
Provision for landfill aftercare	1,315	1,353
Provision for employee entitlements	12,291	11,556
	13,606	12,909
Total current liabilities	68,140	76,247
NOTE 6		
Current assets		
Receivables and prepayments		
Rates debtors	6,090	6,607
Other trade debtors	6,331	9,447
Amount owing by subsidiaries	2,701	1,493
Other receivables/prepayments	12,507	13,135
Dividends receivable	113	8,110
GST receivable	1,864	3,560
	29,606	42,352
Less provision for doubtful debts	(1,481)	(1,688)
Total receivables and prepayments	28,125	40,664

*Prior period figures exclude Banks Peninsula District Council.

Purpose

These policies are intended to comply with New Zealand International Financial Reporting Standards (NZ IFRS).

These policies are intended as guidelines for financial accounting and also as the base for preparation of notes to the financial statements.

Changes to these policies will be proposed as necessary when changes are made to NZ IFRS.

Public Benefit Entity Treatment

Under NZ IFRS, Christchurch City Council ('Council') is a public benefit entity (PBE) and will be subject to policies and exemptions that may not apply, or may differ, to other entities.

1. Statement of Compliance

The 2007/08 Annual Plan has been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS). These standards have been consistently applied to all the years presented from 1 July 2006, unless otherwise stated.

The adoption of NZ IFRS resulted in the following material changes:

	PRE-IFRS \$000's	POST-IFRS \$000's	CHANGE \$000's
Current assets	336,205	336,657	452
Non-current assets	4,002,968	4,029,533	26,565
Current liabilities	64,232	64,488	256
Non-current liabilities	113,188	126,206	13,018
Equity	4,161,753	4,175,496	13,743

2. Basis of financial statement preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of:

- available-for-sale financial assets,
- financial assets and liabilities (including derivative instruments) at fair value through profit or loss,
- certain classes of property, plant and equipment,
- investment property.

Preparing financial statements to conform with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

3. Foreign currency transactions

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

Translation differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

4. Derivative financial instruments

The Council uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with the treasury policies of the respective group entities, the Council does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging policy 5).

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

5. Hedging

Derivatives are first recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Council designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or cancelled, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

6. Property, plant and equipment

The following assets (except for investment properties - refer to note 10(iii)) are shown at fair value, based on periodic (every three to five years) valuations by external independent valuers, less subsequent depreciation:

- Land
- Buildings
- Electricity distribution network
- Airport sealed surfaces
- Harbour structures
- Infrastructure assets
- Heritage assets
- Works of art

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Where the Council has elected to account for revaluations of property, plant and equipment on a class of asset basis, increases in the carrying amounts arising on revaluation of a class of assets are credited directly to equity under the heading revaluation reserve. However, the net revaluation increase shall be recognised in profit or loss to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Assets to be depreciated include:

Operational Assets:

Buildings	10-100 yrs
Office and computer equipment	4-5 yrs
Mobile plant including vehicles	2-30 yrs
Buses	17 yrs

Sealed surfaces (other than roads)	9-100 yrs
Container cranes	5-20 yrs
Harbour structures	3-50 yrs
Electricity distribution system	60 yrs
Gas mains and services	80 yrs
Meters and local control equipment	30 yrs
Leasehold land improvements	5-100 yrs
Library books	3-8 yrs

Vessels	5-25 yrs
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Infrastructure Assets:

Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	2-25 yrs
Streetlights and signs	6-50 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	15-80 yrs
Drain pipes/culverts/retaining walls	25-100 yrs
Bridges	70-120 yrs
Bus shelters and furniture	30 yrs
Water supply	55-130 yrs
Water meters	20-25 yrs
Stormwater	20-150 yrs
Waterways	15-120 yrs
Sewer	50-150 yrs
Treatment plant	15-100 yrs
Pump stations	10-100 yrs

Restricted Assets:

Planted areas	5-110 yrs
Reserves – sealed areas	10-40 yrs
Reserves – structures	25-150 yrs
Historic buildings	100 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

7. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. Further, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount.

8. Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 July 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2005 has not been reconsidered in preparing the Council's opening IFRS balance sheet at 1 July 2005.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see Impairment policy 14). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised over their estimated useful lives.

(iii) Other intangible assets

Other intangible assets that are acquired by the Council are stated at cost less accumulated amortisation (see below) and impairment losses (see Impairment policy 15).

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and it meets the definition of, and recognition criteria for, an intangible asset. All other expenditure is expensed as incurred.

(v) Amortisation

An intangible asset with a finite useful life is amortised over the period of that life. The asset is reviewed annually for indicators of impairment, and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset with an indefinite useful life is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.

9. Biological assets and agricultural produce

A biological asset is a living animal or plant.

Biological assets that are the subject of agricultural activity (i.e., the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets) are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement, and are revalued annually. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

All other biological assets are measured at the lower of cost and net realisable value.

Agricultural produce is the harvested product of the entity's biological assets. Agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

10. Investments

The Council classifies its investments in the following categories:

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Parent company investment in subsidiaries

For the purposes of the parent company financial statements, the Council's equity investments in its subsidiaries are designated as available-for-sale financial assets. They are measured at fair value, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are held in a revaluation reserve until the subsidiary is sold.

(ii) Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Where the Council has the positive intent and ability to hold government bonds to maturity, they are classified as held-to-maturity investments, measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses (see Impairment Policy 15).

General and community loans are designated as loans and receivables. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

Other financial instruments held by the Council are classified as being available for sale and are stated at fair value. The valuation changes are held in a revaluation reserve until the instrument is sold.

Financial instruments classified as held-for-trading or available-for-sale investments are recognised / derecognised by the Council on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Council.

(iii) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties generate cashflow largely independent of other assets held by the entity. Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Any gain or loss arising from a change in fair value is recognised in the income statement.

Rental income from investment property is accounted for as described in the Revenue policy below.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent recording. When the Council begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property, plant and equipment during the re-development.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in the Expenses policy below.

11. Trade and other receivables

(i) Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date (see Revenue policy 21) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Council's contract activities based on normal operating capacity.

(ii) Other trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see Impairment policy 14).

12. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories held for distribution at no charge, or for a nominal amount, are stated at the lower of cost and current replacement cost.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

13. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Council's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

14. Impairment

The carrying amounts of the Council's assets, other than biological assets (see Biological Assets policy 9), investment property (see Investments policy 10(iii)), inventories (see Inventories policy 12) and deferred tax assets (see Income Tax policy 23), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the Council's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their market value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

15. Share capital

(i) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option.

Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it provides for mandatory redemption by the issuer for a specific amount at a specific date (or gives the holder the right to requires such redemption from the issuer), or if it gives the holder the right to put it back to the issuer for cash or another financial asset. Dividends thereon are recognised in the income statement as interest expense.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(iv) Dividends

Dividends are recognised as a liability in the period in which they are declared.

16. Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

17. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

18. Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

19. Employee entitlements

The Council's employee compensation policy is based on Total Cash Remuneration: a single cash payment in compensation for work, where the employee is responsible for and able to individually decide how best to use their remuneration to meet their needs over time in the mix and type of benefits purchased.

Provision is made in respect of the Council's liability for the following short and long-term employee entitlements.

(i) Short-term entitlements

Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet date.

Liabilities for accumulating short-term compensated absences (e.g., sick leave) are measured as the amount of unused entitlement accumulated at the pay period ending immediately prior to the balance sheet date, that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

(ii) Long-term entitlements

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Superannuation is provided as a percentage of remuneration.

(iii) DBP Scheme (the 'Scheme')

The Council participates in the Scheme, which is a multi-employer defined benefit plan. However, because it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, the Council participation in the Scheme is accounted for as if the Scheme were a defined contribution plan.

(iv) Super Trust of New Zealand ('Super Trust')

Council participates in Super Trust, a multi-employer master trust, where money invested in separate schemes is pooled for investment purposes. Super Trust is a defined contribution plan, and contributions to the plan are expensed as incurred.

20. Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognized as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

21. Revenue

(i) Rates, goods sold and services rendered

Revenue from rates is recognised in the income statement at the time of invoicing.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

(ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed.

An expected loss on a contract is recognised immediately in the income statement.

(iii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iv) Government grants

Grants from the government are recognised as income at their fair value where there is a reasonable assurance that the grant will be received and the Council will comply with all attached conditions.

(v) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) Finance lease income

Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Council's net investment in the finance lease.

(vii) Development Contributions

Development contributions are recognised in the income statement in the year in which they are received.

22. Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares (which are redeemable at the option of the holder), interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see Hedging policy 5).

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. All interest payable on borrowings is recognised as an expense in the income statement as it accrues.

23. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

24. Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

25. Third party transfer payment agencies

The Council collects monies for many organizations. Where collections are processed through the Council's books, any monies held are shown as Accounts Payable in the Balance Sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

26. Goods and Services Tax (GST)

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

27. Donated goods and services

The Council receives the benefit of many services provided by volunteers. These services are greatly valued. They are, however, difficult to measure in monetary terms, and for this reason are not included in the financial statements, as their value from an accounting point of view is considered immaterial in relation to total expenditure.

28. Cost allocations

The costs of all internal service activities are allocated or charged directly to external service type activities. External service activities refer to activities which provide a service direct to the public. Internal service activities provide support for the external service activities.

Where the user of a service can be identified, for example City Solutions, the cost recovery is made by way of a direct charge. Where this has not been possible, the costs are allocated by way of corporate overhead.

The basis of the corporate overhead allocation is reviewed each year and every attempt is made to relate the allocation made with the service utilised. Internal service costs which are allocated out as corporate overhead include Corporate Services, Human Resources, and Public Affairs.

29. Plan values disclosed

The plan values shown in the financial statements represent the 2007/08 budget included in the Long-Term Council Community Plan 2006-16.

30. Landfill after care

As operator of the Burwood Landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure.

The provision is calculated based on:

The estimated amount required by the Council to meet its obligations for all equipment, facilities and services. The estimated amounts are based on costs of closure of similar landfills by other local authorities with an allowance for inflation.

The estimated costs have been discounted to their present value using a discount rate of 6%.

- The estimated length of time needed for post-closure care is 35 years.
The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.
- The estimated future costs of meeting this obligation have been accrued and charged. The calculations assume no change in the legislative requirements for closure and post-closure treatment.



**Christchurch City Council
draft Annual Plan 2007/08**

The following pages contain financial assumptions.

Financial assumptions

Financial assumptions

The information provided in the 2007/08 Annual Plan is supported by judgements based on the following assumptions. There is a risk these assumptions may not be borne out as predicted.

Assumption	Risk	Level of Uncertainty	Impact
Borrowing Costs. Interest on Term Debt is calculated at 6.85% per annum. Interest on the Capital Endowment Fund is estimated at 7.00% per annum.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis. If actual interest rates are higher than the assumed rate, this cost would be rated for, or future borrowing requirements adjusted.
Return on investments. Interest on Investments is calculated at 6.95%. Interest on the Capital Endowment Fund is estimated at 7.00%.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis. If actual interest rates are lower than the assumed rate, expenditure priorities would be re-evaluated or alternative funding mechanisms utilised.
CCTO income. CCHL will deliver dividend income as predicted.	CCHL will deliver lower than projected income, and Council will need to source alternate funding.	Low	CCTO's are managed by the Statement of Intent and biannual reporting process. Returns are expected to continue at the current level.
Asset revaluation. The impact of asset revaluations on carrying values and depreciation will occur as projected.	Revaluations will materially differ from projected, thus changing projected carrying values of the assets, and depreciation expense.	Moderate	Variation in values is expected to be low unless valuation methodology changes. Financial effect of uncertainty is unable to be quantified but is expected to be low.
Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice. (The Accounting Policies detail the useful lives by asset class.)	Assets wear out earlier than estimated, or asset lives are changed due to revisions of AMP's or new advice.	Moderate	Capital could be brought forward in event of early expiration of assets, but depreciation expense and financing costs would increase.

Assumption	Risk	Level of Uncertainty	Impact
Sources of funds for replacing significant assets. The sources of funds will occur as projected.	Funding does not occur as projected.	Low	Funding sources are stable.
Contract Rates. Re-tendering of major contracts will result in cost increases comparable to the rate of inflation.	There is a significant variation in price from re-tendering contracts.	High	Council would review the amount of work planned and undertaken.
Capital Works. Capital works projects will occur as projected.	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls.	Moderate	Council is confident in the planning work undertaken on capital projects, but recognises external economic factors may impact upon the costs and delivery timeframes for capital works.



**Christchurch City Council
draft Annual Plan 2007/08**

The following pages contain financial policies.

Funding impact statement

Funding Impact Statement

The Funding Impact Statement for 2007/08 discloses the revenue and financing for the Council based on the mechanisms selected under the Revenue and Financing Policy within the LTCCP.

Revenue and Financing Mechanisms

There has been no significant change to fee setting or other revenue sources.

The types of rates set this year are those planned in the LTCCP.

The revenue and financing mechanisms were developed from an analysis of the Council activities and funding requirements under the Revenue and Financing Policy.

The process and analysis included:

For operational expenditure:

- the nature of the services supplied by each activity,
- the period over which the services are supplied,
- the gross cost and the allocation of this cost to the users of services and ratepayers,
- the direct benefits of services and any charges made for these,
- the allocation of the shortfall of user charges to ratepayers,
- the allocation of costs to ratepayers by differential sectors.

For capital expenditure:

- the gross cost,
- timing of the budget provision,
- funding sources including loans.

The operating and capital expenditure financing is detailed in the Financial Overview.

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

The revenue from development contributions has reduced from that planned in the LTCCP as a result of the review of the development contributions Policy. Full details can be seen in the draft policy statement, part of the amendment to the LTCCP.

Financing operating expenditure

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Budgeted operating expenditure	387,592	380,953
General revenue made up of:		
Fees and charges and rates penalties	84,146	87,489
Development Contributions	9,439	20,504
Grants and subsidies	29,960	25,305
Dividends and interest received	59,955	57,928
Total operating revenue	183,500	191,226
Rates revenue	221,093	219,916
Budgeted operating surplus	17,001	30,189
Financing capital expenditure:		
	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Depreciation rated for		
Sale of assets	85,327	85,230
Landfill aftercare funded from rates and reserves	7,323	7,239
Funding from Debt Repayment Reserve	1,515	1,515
Funding for capital from other reserves	31,614	22,882
Revenue for capital projects	3,557	2,012
Borrowing	29,054	37,888
	80,568	67,164
Total Capital Financing	238,958	223,930

Rate Setting and Rating Policies

The Council proposes to set rates of \$221.09 million in accordance with this draft Annual Plan for the financial year 2007/08.

The rating policies, detailed in the LTCCP statement will apply this year.

The Valuation System used for rating

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

The value of each rating unit was last revised as at 1 August 2004.

The next general revaluation is scheduled to occur on 1 August 2007 and the resulting new values will be used for rating from 1 July 2008.

Inspection of rates information for each rating unit

The Capital Values, the District Valuation Roll, and the Rate Information Database information is available for inspection on a property by property basis on the Council's Internet site (www.ccc.govt.nz) under the heading 'Ratesinfo' or by enquiry at any Council Service Centre.

Rates for 2007/08

General Rates and Differentials:

Differential rating will be used for general rates only. Each fully rateable rating unit is assigned to a differential category, based on the actual land use and City Plan zoning as allowed under Schedule 2, Clause 1,2,& 3 of the Local Government (Rating) Act 2002.

The differential categories used are:

- Sector A – Business,
- Sector B – Residential and other, and
- Sector C – Rural.

The full text of the differential categories is detailed in the LTCCP.

The objective of the differential policy is to implement the Revenue & Financing Policy and in particular:

- Allow for a higher rate requirement on the Business sector from the City Streets activity, more than that applied to the Residential & other and the Rural sectors.

The Streets activity is the only activity identified in the LTCCP as appropriate for specific differential treatment.

- A reduced general rate applied by capital values for the 'Rural' sector to reflect generally the remote location from services and the assumed lower consumption of services for each rating unit. The reduced rates are 75% of the General Rate decimal applicable to the Residential and Other sector.

The Council proposes to set general rates of:

General Rates - Cents in the \$ Capital Value of fully rateable rating units.

- | | |
|--------------------------------------|----------|
| • Sector A – Business – | 0.469903 |
| • Sector B - Residential and other – | 0.311843 |
| • Sector C – Rural – | 0.233883 |

Uniform Annual General Charge (UAGC):

A Uniform Annual General Charge of \$115 is assessed on each fully rateable rating unit or separately occupied part thereof.

The Council will charge multiple uniform charges against each separately-used or inhabited part of a rating unit provided such UAGC is not subject to a rate remission under the policy.

The basis of a unit of occupancy is that which can be separately let and permanently occupied. For the purposes of this charge, where the occupancy is an accessory one or is ancillary to another property or part thereof no separately used part exists.

For example:

- Not separately used parts of a rating unit include:
 - A residential sleep-out or granny flat without independent kitchen facilities;
 - Rooms in a hostel with a common kitchen;
 - A hotel room with or without kitchen facilities;
 - Motel rooms with kitchen facilities -Individual storage garages/sheds/partitioned areas of a warehouse;
 - Individual storage garages/sheds/partitioned areas of a warehouse;
 - Individual offices/premises of partners in a partnership.
- Separately used parts of a rating unit include:
 - Flats/apartments;
 - Flats which share kitchen/bathroom facilities;
 - Separately leased commercial areas even though they may share a reception.

Funding impact statement

Uniform Annual General Charge (UAGC) for Common Usage Rating Units

Section 20 of the Act precludes the Council from charging UAGCs where contiguous land is in common usage and in the same ownership.

The Council has resolved on a remission policy that will allow it to remit the additional UAGCs on contiguous land in common usage where the rating units are not in the same ownership name.

Also remission of the charge will be considered where the Council has determined that a building consent will not be issued for the primary use of the land (under the City Plan).

Targeted rates:

The Council has three types of targeted rates:

- service rates for each of water, sewerage, and land drainage,
- water targeted rates for additional services, and
- loan servicing targeted rates on some Peninsula properties.

Services targeted rates:

These are charged by Cents in the \$ of Capital Value of serviced rating units:

- Water supply targeted rate – 0.040230
 - (half for non connected)
- Sewerage targeted rate – 0.068321
- Land Drainage targeted rate – 0.017550

There are no differentials for targeted rates. They are assessed as common rate in the \$ of Capital Value, applying to all rating units serviced by the activity of the targeted rate.

Other water supply targeted rates.

In addition there are targeted rates for the water supply services of:

- Water Supply Fire Connection targeted rate – The targeted rate will be set on a uniform basis to the rating units serviced, at \$100 per fire service connection, and
- Excess Water Supply Targeted Rates - for water consumed, measured by meter, and supplied to other than private residential consumers (as rating units). This rate is charged only when the meter is read and the consumption is in excess of the allowance (derived from the water supply targeted rate assessed divided by 45 cents). The excess charge per cubic meter of water is 45 cents.

These two water targeted rates fund part of the water supply activity costs.

Loan Servicing Targeted rates

These uniform charge rates are charged only to rating units on the Peninsula where the ratepayer elected to pay the capital contribution over time rather than lump sum. This is a continuation of the former Banks Peninsula District Council rate. The Church Bay rate ends on 30 June 2009 and the Governors Bay rate ends 30 June 2016.

The annual charges for 2007/08 are (unchanged from 2006/07):

- Church Bay
 - Sewerage Targeted rate \$1,106
 - Water supply Targeted rate \$495
- Governors Bay
 - Sewerage Loan Targeted rate \$176
 - Water supply Targeted rate \$111

A full definition of all the rates is contained in the LTCCP.

Annual amendments to Fees and charges

Detailed below is the table of fees and charges showing those which have changed from the current year.

A full set of the fees including those which continue in their current level are available for inspection on the CCC internet site:

www.ccc.govt.nz/council/feescharges.

Funding impact statement

Rates to be set and the rate types:

The following rates will be set for 2007/08 (GST Inc):

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
General Rates		
Residential	118,117	118,924
Business	44,960	42,645
Rural	4,812	4,844
Total General Rates by Capital Value	167,889	166,413
Uniform Annual General Charge of \$115		
Residential	16,802	16,667
Business	1,980	1,971
Rural	363	423
Total Uniform Annual General Charge	19,145	19,060
Targeted Rates		
Water	19,355	18,417
Water - Half for non connected	311	296
Sewerage	33,659	34,793
Land Drainage	8,190	8,240
Water Fire connection Targeted Rate - \$100	73	78
Governors and Church Bay Targeted rates	108	109
Total Targeted Rates	61,696	61,933
Rates to be set	248,730	247,406
Excess Water Supply Targeted rate	3,113	3,213
Total Rates	251,843	250,619

Rates Payable

The following is a sample of the impact of City Council rates under the draft 2007/08 Plan, compared with the actual rates for 2006/07.

	2006/07 actual Rates (GST incl)	2007/08 Plan Rates (GST incl)
Residential sector		
Capital Values		\$
100,000	523	553
200,000	931	991
Average residential value 260,000	1,176	1,254
300,000	1,339	1,429
400,000	1,747	1,867
500,000	2,155	2,305
600,000	2,564	2,743
800,000	3,380	3,619
1,000,000	4,196	4,494
Business sector		
100,000	653	711
200,000	1,191	1,307
300,000	1,729	1,903
400,000	2,267	2,499
500,000	2,804	3,095
600,000	3,342	3,691
800,000	4,418	4,883
1,000,000	5,494	6,075
Rural sector (no targeted rates)		
100,000	329	349
200,000	544	583
300,000	758	817
400,000	973	1,051
500,000	1,187	1,284
600,000	1,402	1,518
800,000	1,830	1,986
1,000,000	2,259	2,454



**Christchurch City Council
draft Annual Plan 2007/08**

The following pages contain amendments to city council fees & charges 2007/08.

Amendments to city council fees & charges 2007/08

The fees and charges adopted in 2006/07 continue except where amended below

For a full set of the current charges see: www.ccc.govt.nz/council/feescharges - appendix A & B

Fees and charges set under Section 83, Local Government Act 2002	Fee 2007/08 GST Inclusive Proposed	Previous fee now changed	Change in this Annual Plan
Regulatory Services			
Time and cost charges within Regulatory Services - various charges Amend all the formulas for time and cost charges to reflect an increase due to recover central government imposed compliance costs	Hourly rate determined by Officer's remuneration x 2.2 + GST ÷ 1267.5 hours	Hourly rate determined by Officer's remuneration x 2 + GST ÷ 1267.5 hours	Multiplier increased from 2.0 to 2.2
Resource Consents			
4. Processing Fees The time taken to process an application, including preapplication advice , will be charged at an hourly rate determined by:	Hourly rate determined by Officer's remuneration x 2.2 + GST ÷ 1170 hours	Hourly rate determined by Officer's remuneration x 2 + GST ÷ 1170 hours	Expand scope of charge & increase multiplier
City Plan			
1. Privately requested Plan changes Deposit to be paid @ time of Lodgement of formal request for change (Fixed Charge) Fixed fee payable at time of lodging a formal request for a change to the plan	\$5,000.00	\$5,000.00	Changed text
2. Designation Requests New requirements and changes to existing designations (fixed charge) Fixed fee payable at time of lodging a notice of requirement for a new designation under Section 168 and Fixed fee payable at time of lodging a notice of requirement for alteration of a designation, other than a notice under Section 181(3)	\$3,000.00	\$3,000.00	Changed text
Request to change designation under Section 181(3) RMA (Fixed charge)	\$400.00	\$375.00	Increase charge to bring in line with resource Consent charges
Fixed fee payable at time of lodging a notice of requirement for alteration of a designation under section 181 (3)			Changed text
Fixed fee payable at time of lodging a notice to withdraw requirement under section 168 (4)	\$400.00	Nil	New charge

Amendments to city council fees & charges 2007/08

Fees and charges set under Section 83, Local Government Act 2002	Fee 2007/08 GST Inclusive Proposed	Previous fee now changed	Change in this Annual Plan
100% Recovery of the cost When the costs to process an application exceeds fixed charge, then:	Hourly rate determined by Officer's remuneration x 2 + GST ÷ 1267.5 hours	Nil	Changed text
3. All "Staff time" will be charged at the hourly rate established by formula	Hourly rate determined by Officer's remuneration x 2.2 + GST ÷ 1267.5 hours	Hourly rate determined by Officer's remuneration x 2 + GST ÷ 1267.5 hours	Multiplier increased from 2.0 to 2.2
4. Costs of Commissioner or Council Hearings Panel attending hearing and making a recommendation to the Council will be charged at actual cost	Actual Costs	Actual Costs	Changed text
Disbursement costs such as advertising, photocopying and postage, and fees charged by any consultant engaged by the Council will be charged at actual cost	Actual Costs	Actual Costs	Changed text
4. Additional costs , advertisements , copies, postage etc	Actual Costs		Changed text
Information			
1. Land Information			
- Land Information Memoranda	\$175.00	\$150.00	Increased fee
Consents			
4. Project Information Memoranda:			
- Minor Works <\$10,000	\$110.00	\$100.00	Increased fee
- Additions 10,000 - 50,000	\$145.00	\$135.00	Increased fee
- Additions > 50,000	\$205.00	\$195.00	Increased fee
- Dwellings	\$205.00	\$195.00	Increased fee
- Apartments	\$245.00	\$235.00	Increased fee
- Commercial/Industrial	\$275.00	\$265.00	Increased fee
Code compliance certificates			
Building inspections	\$70.00	\$65.00	Increased fee
Code Compliance certificate	\$50.00	\$45.00	Increased fee
- Certificate for public use	\$50.00	\$45.00	Increased fee

Amendments to city council fees & charges 2007/08

Fees and charges set under Section 83, Local Government Act 2002	Fee 2007/08 GST Inclusive Proposed	Previous fee now changed	Change in this Annual Plan
Streets and Transport			
Activity - Off Street Parking	\$12.00	\$10.00	Fee increase - noted last year
Early Bird parking - per day - changes at the following parks:			
(i) Lichfield Street Car Park			
(ii) Tuam Street Car Park			
(iii) Manchester Street Car Park			
(iv) Oxford Terrace Car Park			
(v) Kilmore Street Car Park			
(vii) Farmers Car Park			
(xiv) Art Gallery Car Park			
Other parking fee changes:			
(iv) Oxford Terrace Car Park			
Reserved Parking - uncovered - per month	\$180.00	\$150.00	Fee increase
Reserved Parking - covered - per month	\$250.00	\$220.00	Fee increase
(v) Kilmore Street Car Park			
Reserved Parking - covered - per month	\$200.00	\$150.00	Fee increase
(vii) Farmers Car Park			
Reserved Parking - covered - per month	\$180.00	\$150.00	Fee increase
(ix) Centennial Pool Car Park			
Basic Charge	\$2.50 per hour	\$1.00 first hour, \$2.20 per hour after 2 hrs	Fee increase
Activities On Street			
Vehicle Crossing Inspection - per crossing	\$75.00	\$60.00	Fee increase
Structures on Streets & application fees			
-Preparation/Transfer of lease Document	\$300.00	\$150.00	Fee increase
Road stopping application	\$500.00	Nil	New charge
New street name Plate and post	\$450.00	Nil	New charge

Amendments to city council fees & charges 2007/08

Fees and charges set under Section 12 Local Government Act 2002		Fee 2007/08 GST Inclusive Proposed	Previous fee now changed	Change in this Annual Plan
Regional Parks				
Barbecues → Gas per use		\$0.50		Delete charge
Barbecues → Wood → per group booking		\$18.00		Delete charge
Barbecues → Gas per group booking		\$27.50		Delete charge
Recreation and Leisure				
Beach Activities- All parks, including New Brighton & Sumner				
Horse riding → any Age		\$12.00		Delete charge
Pools				
Recreation Programmes:				
Tumble times		\$3.00	At Cost	Now a fixed fee
Regulatory Services				
City Plan				
Sales of Plan:				
Former City Council area plan		\$100.00	\$150.00	Fee reduced
City Plan Updating Service				
Former City Council area plan		\$120 p/annum	\$120 p/annum	No change



**Christchurch City Council
draft Annual Plan 2007/08**

The following pages report on the capital endowment fund.

Capital endowment fund

Capital Endowment Fund

In April 2001, Council set up a Capital Endowment Fund of \$75 million. This fund was established using a share of the proceeds from the sale of Orion's investment in a gas company. The Fund is to provide an ongoing income stream which can be applied to economic development and civic and community projects.

In establishing the fund the Council resolved;

1. that up to 100% of the available income from the fund be allocated in year 1 and up to 75% be allocated for subsequent years,
2. that the income from the fund be allocated each year in the following way:
 Economic Development 70%
 Civic and Community Projects 30%
 the above general categories be reviewed on a three yearly cycle,
3. that if desired, funding for a particular category be carried forward to another year,
4. that Civic and Community projects which have a cost of less than \$100,000 in any one year not be funded from the Capital Endowment Fund,
5. that no single project be funded for more than three years, except in exceptional circumstances,
6. that the capital of the fund will not be used unless 80% of councillors vote in favour,
7. allocations to local community projects will follow the principle that all parts of the city will benefit, over a period, from local projects,
8. funds are managed in accordance with Council's Investment Policy.

Capital Endowment Fund Movements

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Inflation Adjusted Capital	86,791	85,855
Unallocated Funds carried forward	194	-
Total Projected Opening Balance 1 July	86,985	85,855
Plus Net Interest Earnings	6,176	6,010
Less Drawdowns for Projects (Funding Allocations)	(4,027)	(3,434)
Projected Closing Balance 30 June	89,134	88,431

Capital Endowment Fund - Funding Allocations

	2007/08 Plan \$000's	2007/08 LTCCP \$000's
Estimated total available income from Fund after management expenses	3,833	3,434
Less not to be allocated until later years (25%)	-	(859)
Total income available for allocation this year	3,833	2,575
Economic Development 70%		
70% of net income available for allocation	2,683	1,803
Previously unspent budgets available for reallocation	136	-
Less already allocated :		
PGA Golf	(400)	-
CCM Projects(Inc replacement CCHLFunding	(350)	-
Ferryhead Historic Park	(150)	-
Canty Economic Development Grants	(1,000)	-
Domestic Campaign	(200)	-
Urban Development Strategy	(200)	-
Film South	(100)	-
Aerospace	(150)	-
Business Retention / Attraction	(50)	-
Workforce Development	(60)	-
Youth Enterprise	(50)	-
Apprenticeships	(50)	-
Advanced Network	(50)	-
Unspecified economic development	-	(1,500)
Balance available for Economic Development Projects	9	303
Civic and Community 30%		
30% of Net Income Available for Allocation	1,150	773
Previously Unspent Budgets Available for Reallocation	58	-
Less already allocated :		
Canterbury Museum Trust Board Building and Development Project Grant	(250)	(250)
Balance available for Civic and Community Projects	958	523

draft



Christchurch City Council **Annual Plan 2007/08**

Companion document to draft 2007 Amendments to the Long-Term Council Community Plan 2006-16