

Long Term Financial Strategy

Long Term Financial Strategy

Overview

- The Council maintains a 20 year financial model which takes account of all plans and financial arrangements. The Model enables the impact of projects and borrowing to be evaluated and monitored to ensure these are sustainable in the long term.
- The Financial Summary tracks revenues and expenditures, borrowings and debt levels up to the year 2007/08.
- At the heart of the Long Term Financial Strategy (LTFS) are four ratios. These ratios provide financial limits which the Council is committed to operating within over a 20 year time frame.
- The four key ratios and the maximum limits are:

Term Debt as a percentage of Total Assets	- Maximum	12%
Term Debt as a percentage of Realisable Assets	- Maximum	33%
Net Interest as a percentage of Operating Revenue	- Maximum	8%
Net Debt in relation to funds flow	- Maximum	5 times
- The graphs on page xx clearly illustrate that the projected ratios are within the maximum levels.
- A fundamental principle of the LTFS is to reduce the degree of dependence on borrowing.
- The LTFS has built into it provision for inflation at the rate of 2% per annum.
- The LTFS includes an unspecified operating sum of \$550,000 in years 2 and 3 and \$850,000 per year thereafter.
- The LTFS includes unspecified capital sums in year 2 onwards. The amount available in year 1 and year 2 is \$2.6M.
- The unspecified sums enable new projects to be added without altering the overall financial situation.
- Confirming the strength of the Council's overall financial position is the current AA international credit rating. This was first given by Standard and Poor's in 1993 and re-confirmed in 1995 and 1997.

Long Term Financial Strategy Forecasts

Long Term Financial Strategy - Financial Forecasts

	1998/99 \$M	1999/00 \$M	2000/01 \$M	2001/02 \$M	2002/03 \$M	2003/04 \$M	2004/05 \$M	2005/06 \$M	2006/07 \$M	2007/08 \$M
City Council Operating Account										
Operating Expenditure	226.51	232.75	236.25	242.01	252.08	259.19	266.80	273.30	280.00	288.21
Rates	(120.08)	(125.65)	(131.32)	(136.43)	(143.46)	(150.01)	(157.32)	(162.89)	(169.18)	(177.78)
Other Revenue	(107.17)	(108.15)	(109.39)	(109.75)	(114.45)	(116.27)	(118.41)	(121.03)	(122.83)	(123.97)
Deficit/(Surplus)	(0.75)	(1.05)	(4.47)	(4.17)	(5.83)	(7.09)	(8.93)	(10.61)	(12.01)	(13.54)
Percentage Rate Increase	1.95%	2.92%	2.88%	2.33%	3.64%	3.13%	3.49%	2.24%	2.60%	3.85%
City Council Capital Account										
Capital Expenditure	99.67	85.11	99.20	97.15	86.32	97.31	94.50	88.94	92.25	95.67
Carry Forward Capital Expenditure	0.00									
Provision for Debt Repayment	4.01	3.71	3.11	2.78	3.88	4.73	5.95	7.08	8.01	9.03
Total Capital Cost	103.68	88.82	102.31	99.93	90.20	102.03	100.45	96.02	100.26	104.69
Funded by :										
Depreciation & Surplus(Deficit)on Operations	(43.33)	(45.20)	(48.77)	(48.93)	(51.25)	(52.96)	(55.27)	(57.23)	(58.72)	(60.22)
Less Capital from CCHL for Debt Repayment	(134.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Surplus Capital to Reserve for investment	86.42	(11.14)	(42.89)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserves	(9.90)	(7.62)	(9.09)	(7.04)	(7.04)	(7.64)	(7.04)	(7.04)	(7.04)	(7.04)
External Funding for Capital Projects	(2.88)	(24.86)	(1.56)	(3.51)	(3.79)	(0.69)	(0.61)	(0.61)	(0.61)	0.00
Borrowing required for the annual programme	0.00	0.00	0.00	40.45	28.11	40.74	37.52	31.13	33.89	37.42
Key Assets / Liabilities of CCC										
Gross Debt	132.67	112.34	100.92	137.48	165.26	205.66	242.83	273.60	307.12	344.18
less Sinking Funds & Debt Repayment	(95.79)	(68.81)	(18.85)	(19.28)	(24.66)	(31.29)	(39.63)	(49.71)	(61.48)	(75.13)
Reserves										
Term Debt	36.87	43.53	82.07	118.20	140.60	174.37	203.20	223.89	245.65	269.05
Less Reserve Funds	(22.96)	(21.72)	(22.95)	(22.64)	(22.85)	(22.97)	(23.74)	(24.62)	(25.58)	(26.60)
Net Debt	13.92	21.81	59.12	95.56	117.74	151.40	179.46	199.26	220.07	242.44
Net Debt (CCC & CCHL)	135.68	139.82	172.47	204.36	222.08	251.37	275.13	290.70	307.37	329.74
Total Assets	3,465.33	3,478.63	3,525.23	3,568.80	3,600.61	3,642.59	3,680.79	3,712.50	3,746.64	3,783.27
Realisable Assets	1,885.90	1,875.73	1,897.87	1,921.43	1,931.12	1,935.17	1,939.03	1,942.69	1,946.16	1,949.43
Financial Ratios										
Term Debt/Total Assets	4.53%	4.60%	5.50%	6.32%	6.76%	7.49%	8.08%	8.45%	8.84%	9.38%
Term Debt/Realisable Assets	8.33%	8.53%	10.21%	11.73%	12.60%	14.09%	15.33%	16.15%	17.02%	18.20%
Net Interest paid/operating revenue	4.60%	3.71%	4.09%	4.83%	5.42%	5.95%	6.55%	6.96%	7.23%	7.60%
Net Debt/Funds Flow from Operations	2.44	2.45	2.82	3.31	3.46	3.80	3.99	4.07	4.17	4.33

Long Term Financial Strategy

Introduction

The Local Government Amendment No. 3 1996 ('the Act') has introduced a new legislative framework for financial management by local authorities. The need for this legislation was influenced by a number of issues, namely:

- the move to promote greater local autonomy in borrowing decisions, balanced by the strengthening of financial management accountability;
- reports from the Audit Office on the condition of local government infrastructural assets and the absence of long term planning;
- the rating challenges appearing before the Courts; and
- the ongoing debate with the business community about the proper role and scope of local government.

The purpose of the Act is to promote prudent, effective and efficient financial management by local authorities. In essence, its provisions require the Council's decisions on financial matters to take account of some basic principles which include:

- prudent management
- sustainability
- other options
- funding
- maintenance of debt at prudent levels in accordance with policy
- balancing of the books

There is a clear intention under the Act that the Long Term Financial Strategy (LTFS) will reflect the assumptions, objectives and anticipated outcomes set down in the Investment Management Policy, the Borrowing Management Policy, and the Funding Policy. These policies are also included in this Strategic Statement booklet which was adopted as part of the 1998 Annual Plan.

(a) Population Growth

The pattern of demographic change can be expected to have a substantial influence on the demand for the Council's services over the next two decades. These changes will include significant increases in the overall population base of the City, a gradual decline in the population aged under 15 years and a progressive ageing of the population.

Recent population growth in the City has exceeded previous projections prepared by Statistics New Zealand during the early 1990s. These projections suggest that the City population would grow to 308,600 by 2001. Results from the 1996 Census show that the City is already well ahead of this growth path (See Table 1).

Statistics New Zealand's latest population projections (1996 Base) take into account the City's recent high population growth. According to these projections, the population of Christchurch will continue to grow over the next 25 years reaching 352,100 people by 2021. This is an expected increase of 43,000 people (see Table 1).

Although, the City's population is expected to grow substantially, the rate at which growth occurs will gradually decline from an annual average rate of 0.9 per cent in 1996-2001 to 0.3 per cent in 2016-2021. This reflects the expected decline in natural increase and migration from overseas.

For further details on the factors contributing to the population changes, see Appendix 1.

(b) Urban Growth

The distribution of urban growth and development over the next 10 years will also affect the demand for Council services. Considerable research has been done in this area in order to develop the urban growth strategy which has been incorporated in the City Plan.

The main points of the strategy are:

- An emphasis on urban consolidation through developing vacant land in the existing built up area and redeveloping some suburbs at higher densities. Originally it was intended the majority of projected demand for housing and business over the next 20 years would be met through this process. It is possible secondary development options may now be introduced earlier than expected to meet the higher level of growth which is occurring within the City. The existing contingency plan to accommodate this high level of growth focuses on the Halswell/Wigram area. Details of this plan are contained in Volume II Section 6.3.16 of the City Plan.
- Selected areas of fringe development for urban purposes where adverse effects are minimal. Some additional areas could also be zoned as a result of the submissions to the City Plan.
- Retention of the focus of commercial development on the Central City and suburban focal points.

The existing urban growth strategy has taken into account rates of expansion above those considered to be most likely at the time of formulation (ie 1991 medium projections). However, if population growth continues at the current rate, consideration will need to be given to the possible allocation of additional land for residential and possibly industrial and commercial use.

The Council has also begun working with neighbouring districts and the Regional Council to formulate a long term urban development strategy ie beyond the district plan period.

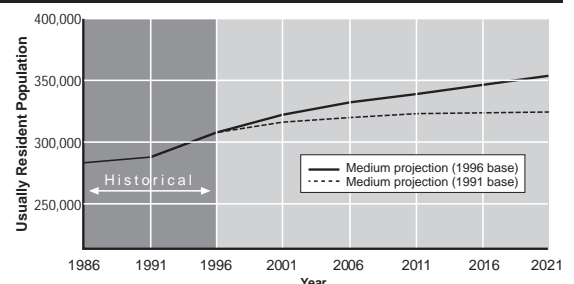
The Environmental Policy and Planning Unit will continue to closely monitor trends in City growth.

Factors considered when preparing the long term financial strategy (LTFS)

Whereas the Annual Plan tends to focus on specific projects or programmes, the LTFS reflects the Council's vision for the future. It reflects the Council's judgement as to the way in which the changing needs and demands of the community should be accommodated. The factors which were considered when preparing this LTFS are outlined under the headings:

- Population Growth
- Urban Growth
- Economic Factors

Table 1: Historical and projected population



Source: Statistics New Zealand, 1991 and 1996 Base Population Projections

(c) Economic Factors

Real GDP

Nationally the economy is expected to grow by 2.1 per cent in 1998, before peaking at 3.6 per cent in 2000. This growth is underpinned by a tax cut in 1998. The New Zealand Institute of Economic Research (NZIER) has forecast growth of:

	1998	1999	2000	2001	2002
Annual % GDP growth (As at December 1997)	2.1	3.0	3.6	3.2	2.8

Government

The Government will be spending \$1 billion more in 1997/98 than it intended to spend prior to the coalition agreement. The balance is forecast to increase to \$2.5 billion in 1997/98, then fall to \$1.7 billion in 1999 as a consequence of the tax cut programme, increasing again to \$2.6 billion by the year 2001.

Inflation

Underlying inflation is expected to fall during 1997/98. Inflation is then expected to rise due to higher government spending and tax cuts. Monetary tightening will keep inflation comfortably under the 3 per cent Reserve Bank upper target for the entire forecast period.

The NZIER forecasts inflation to be:

Prices					
(annual % change)	1998	1999	2000	2001	2002
CPI	0.5	2.5	2.2	1.2	1.6
Underlying Inflation (As at December 1997)	0.6	2.2	2.7	1.9	1.5

Interest Rates

Interest rates are expected to rise in 1998, as the Reserve Bank acts to protect its inflation target in the face of tax cuts and higher government spending. Current NZIER forecasts for key interest rates are:

Interest Rates (For year ending March)	1998	1999	2000	2001	2002
90 day bills	8.8	9.4	8.6	7.3	7.4
1st Mortgage	7.9	8.3	7.9	7.4	7.2

Business

Business confidence has fallen in recent months and this reflects fallout from the Asian crisis. Despite this, and the high exchange rate, export volumes are recovering and real output continues to grow. Demand is expected to lift further in the second half of 1997/98 as government spending rises. The tax cuts scheduled for 1 July 1998, will boost demand in 1998/99. Profits troughed in 1996/97 and investment has weakened, but both are expected to pick up strongly in 1998/99 as demand rises.

Households

Growth in household spending continues to ease. The tax cuts are expected to generate an upswing in the household sector. Household savings will also pick up with the increase in disposable income.

Labour Market

Both wage and employment growth are declining. They are expected to pick up over the last two years of the decade as the labour market responds to a tax cut led recovery in the economy. The national unemployment rate is expected to remain largely unchanged at approximately 6 per cent for the rest of the decade.

Significant Assumptions and Provisions

In establishing the financial forecasts and projections, a number of provisions and assumptions have been made. The main ones are:

- Interest rates of 8.7% for 1998/99 and 8.5% for subsequent years.
- Debt repayment of all borrowings on a 20 year rolling basis.
- Full depreciation of all operating and infrastructural assets.
- Inflation of 2% on both operating projections and capital projections.
- An increase in the rating base of \$2.5M for 1998/99 and \$2M from 1999/00 onwards.
- Costings for 1998/99 capital projects based on developed plans.
- Costings for capital projects in subsequent years based on estimates which will be revised as more detailed planning work is undertaken.
- The asset management plan work, completed in 1997, has been used to produce renewal programmes for all major infrastructural assets.
- A commitment to implementing year 1 of the capital programme.
- The capital programme for subsequent years is supported by the Council but should not be regarded as committed.
- Provision is made for unspecified operating and capital expenditures. These provisions have been made to allow for some flexibility in future years. The unspecified operating provisions are \$550,000 in years 2 and 3 and \$850,000 thereafter. There is an unspecified capital provision of between \$2.6M and \$6.0M per annum.
- Surpluses will be generated in 1999/00 at a minimum of 1.25% of the provision for debt repayment. (The purpose of this assumption is to moderate the dependence on debt for financing capital expenditure.)

Key Issues

The key issues addressed by the LTFS are described below:

• Land for Urban Development

The construction of new homes remains high in Christchurch. In 1996 there were 116,000 dwellings in the city and projections suggest that this will increase by almost 20% to 140,000 over the next two decades. It is becoming evident that the provision of land for urban development in existing and proposed district plans for Christchurch and neighbouring authorities is likely to be inadequate to meet needs over this period. As a result the City Council has begun working with surrounding districts and the Canterbury Regional Council to ensure that significant land shortages are avoided.

• Social Initiatives

Individuals and groups within the community not coping with the pace of change is another key issue. The results of this are crime, and increased anti-social behaviour among all groups but especially children and young people.

The City Council does not accept that it has sole responsibility for addressing this issue. It is vital that central government exercises leadership and also that the community at large, including a very wide range of voluntary groups and the commercial sector recognise that they have a role to play. The Council's primary role will be that of a catalyst and facilitator, although at the margin the Council sees its role as making targeted interventions especially to support initiatives developed within the voluntary sector of the community.

This issue will continue to be a priority for the Council. Examples of the social programmes included in the LTFS include:

- Joint programmes with Central Government to provide supervised work placement for 'high risk' young people.
- Funding social workers attached to schools to work with 'at risk' children and their families.
- Provision of support funding for community development facilitators to strengthen community ties and support community activities.
- Funding of a Youth Advocate.
- Working with the Crime Prevention Unit and the Trust Bank Community Trust to fund programmes to turn around the behaviour of primary school aged disruptive children and truants.

•Improving the City Basic Infrastructure

During 1996 and 1997 a complete review was undertaken of service standards for all of the Council's main infrastructure functions. This exercise known as the Asset Management Review involved looking in detail at the costs and benefits of different 'levels of service' for assets such as roads, water supply and parks.

The major changes resulting from the Asset Management Review process include the provision of funding for:

- A major upgrade of the capacity, discharge quality and odour control at the Bromley Treatment Plant. The Plant receives the majority of the liquid waste from residences and businesses around Christchurch.
- Starting a major programme of protecting, stabilising, improving and revegetating Christchurch's waterways and wetlands to provide an environmentally sustainable asset condition.
- Increasing the rate of land purchase for new sports grounds, new cemeteries, neighbourhood parks and natural areas such as the Port Hills.

•An Environmentally Sustainable City

In addition to Kerbside Recycling, the Council in partnership with the private sector and environmental interest groups has established a Recovered Materials Foundation. This organisation will focus on finding the most effective way of reusing and recycling materials. Where possible it will also seed new technology and processes which will provide employment opportunities in Christchurch.

•A Child Friendly City

Implementation of the Council's children's strategy will continue with further investments in initiatives like safe cycle routes to schools, the Library's pre-school outreach programme and Kidsfun After School Programmes.

•A Vibrant City Centre

This continues to be a principal objective of the Council and the LTFS provides for a continuation of environmental improvements, notably the refurbishment of Cathedral Square. Central city marketing and other similar initiatives are designed to encourage Christchurch people to continue to see the city centre as the heart of the community.

•Community Facilities

The 8,500 seat WestpacTrust Centre is now under construction at Addington. Implementation of modern library and swimming pool facilities in those parts of the city which are currently poorly served are provided for within the LTFS. Construction of a new city art gallery on the corner of Worcester Boulevard/ Montreal Street is also included within the LTFS with the completion date planned for 2002/03.

The LTFS makes provision for significant expenditure on Queen Elizabeth II Pools. The planned expenditure which totals \$19.3M over a five year period will bring this important facility up to international standards. Included within this sum is a leisure pool.

•Smog Free City

A total of \$1.9M spread over four years has been included in this Strategy for anti smog initiatives. It will include grants to enable users of open fires and coal burners to convert to cleaner technologies. These grants will also include funding for thermal insulation.

•A New Landfill

The Council together with the other territorial local authorities in Canterbury and the Canterbury Regional Council have formed the Canterbury Waste Joint Standing Committee (CWJSC) in order to plan for and develop a new landfill site for the region. The City contributes more than 60% of the refuse to landfill in the region and thus has a major interest in this project. The current City landfill at Burwood, in Bottle Lake Forest, has a resource consent that expires in 2002 and the aim of the CWJSC is to have a new site consented and developed by then.

•Access for All

The LTFS continues to address some of the imbalances in the distribution of facilities and service standards around the city, these are important equity issues. A good example here is sewerage and water reticulation on the rural urban fringe.

ACTIVITIES

The Act requires each local authority to justify why it is undertaking its range of activities.

The reasons why the Council operates each activity are set out in Appendix 2. Reasons vary and include:

- community choice (arising from consultation with community);
- requirement of legislation (eg regulatory services, democracy costs);
- to maintain or improve the environment;
- not economic for third parties to provide.

Financial Analysis

The LTFS is a planning document. There are, however, detailed budgets sitting behind the long term financial projections. All the financial data has been keyed into a financial planning model which produces projected balance sheets, cashflows, debt levels, investments and rate requirements. Many scenarios have been modelled and the Council's preferred options relating to each activity are reflected in the strategy.

The overall objective of the financial analysis is to portray the impact of a complex range of decisions in a way that is financially achievable and economically affordable for the city's ratepayers.

The paragraphs which follow explain in detail the financial summary which is included in the introductory section of the Strategy.

•Operational Expenditure

Operational expenditure includes all the day-to-day costs necessary to run a large multi-function organisation.

Operational expenditure is made up of:

- Direct Operating Costs. These costs include staff costs, insurance, energy, computing and maintenance work on the city's infrastructural assets.
- Debt Servicing Costs. These costs are the interest costs incurred as a result of the Council's borrowing programme. They are projected to decline in years 2, 3 and 4 and to increase in subsequent years once the Council commences borrowing in 2002/03.
- An inflation provision. A 2% provision per annum has been incorporated within the Model to ensure that the projections are realistic.
- An unspecified operating sum. This has been allowed for in each year and will enable some new initiatives to be accommodated within the existing programme. The sums vary from \$550,000 in years 2 and 3 to \$850,000 in years 4 to 10.
- Depreciation. Has also been included within the operating costs. Depreciation is explained in more detail in the next section.

•Depreciation

The charging of depreciation records the wearing out of the assets which contribute to the services provided by the Council. As the Council has progressively valued all of the city's assets and added to them, the amount of depreciation has grown to \$50M in 1998/99. By 2007/08 depreciation is projected to be \$59M.

The proceeds from depreciation are used to renew the basic infrastructure. This includes kerb and channels, water mains, sewer pipes and recreation assets such as playgrounds.

By rating for depreciation the Council is ensuring that sufficient money is set aside for renewal of the city's basic infrastructure at a rate which maintains its value and standard of service.

• Operational Revenue

Operating revenues include user charge revenues, Transfund subsidies and dividends from Christchurch City Holdings Limited (CCHL).

User charge revenues are projected to grow by 9% over the 10 year period. This reflects the impact of revenue from the two new swimming pools, increased revenue from the Transfer Stations plus adjustments for inflation.

The dividends from CCHL are explained in the section which follows.

• Dividends from Christchurch City Holdings Limited (CCHL)

The Council anticipates a growing level of dividends over the next few years due to an increased ratio of dividends to profit, increased rates of return on assets employed and increased profitability. These three factors affect each company to differing degrees. The Council primarily holds its investment in these companies to protect the community's interest. However, it considers that reasonable rates of return should be received to ensure that the companies strive to maximise operating efficiencies and have sufficient resources to finance their own capital needs.

Dividend projections are conservatively assessed to protect the Council from fluctuations from budget and CCHL holds reserves to cope with such fluctuations.

• Surpluses

The LTFS forecasts operating surpluses. This is in line with the policy adopted in 1994 for the Council to operate an annual surplus.

Surpluses will help to progressively reduce the need to borrow for capital works. They will also provide a significant contribution to the annual repayment of debt.

Surpluses are generated at 1.25 times the level of debt repayment in 1999/00 and 1.50 times from 2000/01 onwards. 2000/01 also includes a special add on of \$200,000 to help smooth the impact of future rate increases.

These surpluses will increase the rate at which the Council is quitting its debt and reduce the future levels of new debt necessary to maintain and enhance the city's services.

• Capital Expenditure

The capital expenditure programme includes a number of large projects. These include the Bromley Sewerage Treatment Plant expansion, the new landfill, Centennial Pool, Pioneer Pool and QE II Leisure Pool, Cathedral Square Redevelopment, the Art Gallery, the Pier Terminal Building and the Fendalton and Spreydon Libraries.

Like the operating budgets the capital projects also include a 2% inflation provision and an unspecified provision from year 2 onwards. The unspecified capital provisions are significant (up to \$6M in 2001/02) and they enable the Council to add to the existing programme without increasing the overall cost.

Details of the first five years of the capital expenditure programme are to be found in the capital budget of Volume II.

• Borrowing and Consolidated Debt

Provision for the repayment of Council debt is made by annual contributions to sinking fund reserves. These contributions are calculated to ensure tranches of debt are repaid no later than 20 years after they are initially borrowed. The financial model assumes sinking funds are accumulated in perpetuity whereas in practice opportunity will be taken to repay portions of the debt from accumulated sinking funds as shorter term maturities are rolled over.

For the purpose of presentation it is essential to recognise sinking funds as an offset against gross debt. The product of the offset is called Term Debt and reflects the actual projected indebtedness.

The Council also has reserve funds set aside for future projects and consistent with normal commercial practice this is offset to determine the Net Debt of the Council.

• Intergenerational Equity

Intergenerational equity helps to ensure that today's users pay today's costs of utilising Council assets. Such a policy prevents costs being incurred by the current generation which are for the benefit of future generations.

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

- All assets are depreciated at a rate assessed to reflect the life of particular assets.
- The majority of new capital works are funded by loans which are repaid on a rolling basis over a 20 year period from surpluses generated in the operating account.
- Revenue of the Council is required to be sufficient to meet:
 - depreciation on capital assets employed
 - interest on outstanding debt
 - the proportion of outstanding debt due to be repaid each year.
- Asset Management Plans have been developed for all major assets types to ensure that an appropriate rate of renewal of existing assets is planned for and carried out. This renewal work is generally funded by a first call on depreciation funds generated by revenue.

• Capital Restructuring

Provision has been made in the LTFS for capital repatriation from subsidiaries. This funding has been applied to reducing Council debt. Any further capital repatriation in subsequent years has not been provided for in the Financial Model at this stage as there is no certainty as to quantum or likelihood.

The Council intends to keep under review the capital structure of its subsidiaries to ensure that trading enterprises are adequately geared.

Appropriate gearing of companies ensures that the capital employed is efficiently funded. Debt incurs interest costs which are a deductible expense to a business and debt is therefore a cheaper form of finance than equity funding.

• Financial Statement Projections

The detailed long term projections are to be found in Appendix 4. They should be read in conjunction with the Statement of Accounting Policies. The Statement of Accounting Policies is published in Volume II.

The financial projections have been prepared in accordance with the Institute of Chartered Accountants of New Zealand Reporting Standard 29 (FRS 29). Disclosures relating to FRS 29 are detailed in Appendix 3 (Page 42).

• Credit Rating

In 1993 the Council received an AA international credit rating from Standard and Poor's. This rating was reviewed and confirmed by Standard and Poor's in 1995 and in 1997.

AA is defined by Standard & Poor's as a 'very strong' capacity to meet financial commitments. By way of comparison an A rating is a 'strong' capacity to meet financial commitments and 'BBB' reflects adequate protection parameters.

This high rating reflects the strong overall financial position of the Council and the steps taken to eliminate the operating deficit and control the level of debt through a clearly defined debt management policy.

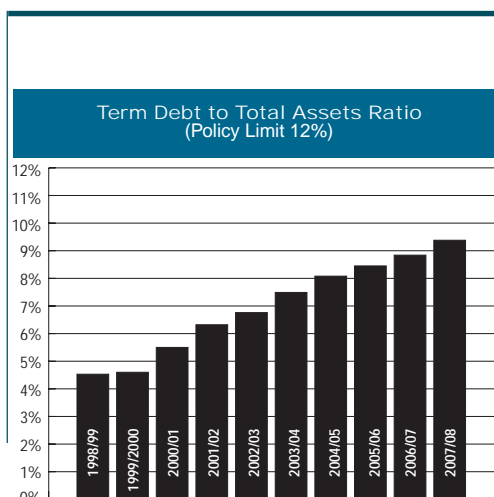
• Financial Ratios

The impact which the Council's LTFS has on the four key financial ratios are graphed at the right. These ratios relate to the Christchurch City Council and CCHL combined. The policy limits are defined in the statement alongside each graph. These limits represent the outer bench marks for the Council to live within the long term.

The ratio limits are highlighted by the top line on each graph.

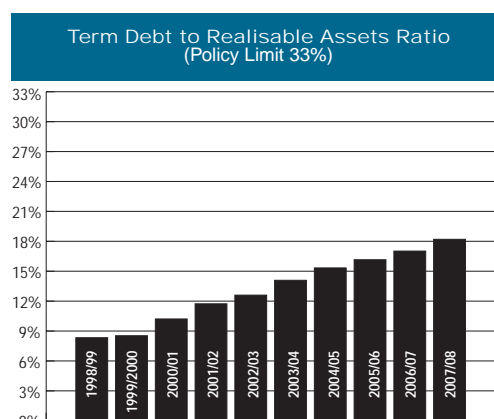
This ratio compares the term debt (ie gross debt, less the dedicated debt repayment reserves) with the total assets of the Council and sets a maximum of 12 per cent.

This is like saying how large your mortgage is compared to the value of all your assets. The ratio is currently 4.53 per cent and reaches a peak of 8.84 per cent in 2006/07.



This ratio compares total debt with a significantly reduced category of assets which are more normal business type assets.

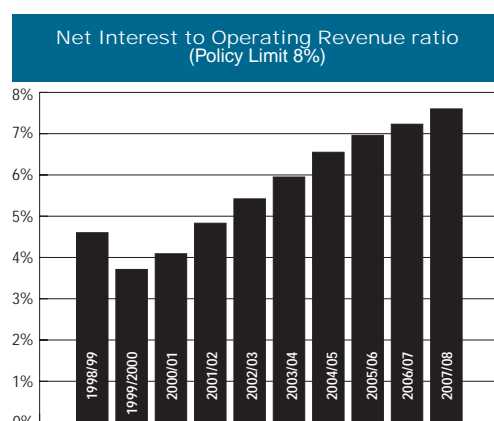
The assets used as the measurement base exclude those which are basic to the needs of the city, such as roads, sewers, parks and water supply but includes property, vehicles and trading investments. The ratio has a maximum of 33 per cent. It is currently 8.33 per cent and reaches a peak of 17.02 per cent in 2007/08.



This ratio measures how much of the Council's income is spent on interest.

It is like comparing how much of your income goes towards servicing your mortgage.

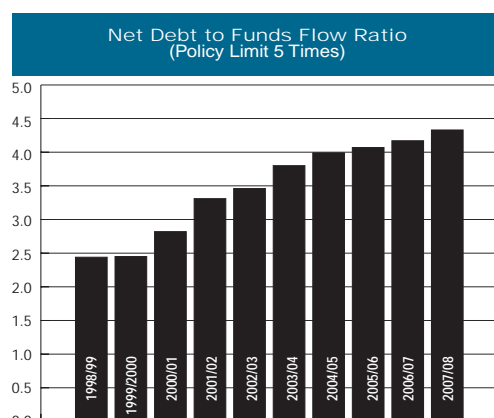
The maximum is 8 per cent. The ratio is currently 4.60 per cent and reaches a peak of 7.23 per cent in 2007/08.



Net debt is total debt less all other cash reserve funds which the Council holds. The ratio compares this with the annual cash flow of the Council.

It is like checking how many years cashflow would be necessary to repay net debt or comparing how many years total income it would take to repay your mortgage.

The maximum of 5 indicates that net debt could be repaid with five times the annual cashflow. Currently the ratio is 2.44 times and reaches a peak at 4.17 times in 2006/07.



Appendix 1

Population growth

1. Projected Net Migration

Migration is the largest component of the projected population growth. However, it is also the most volatile and is heavily influenced by economic, social and political factors, both nationally and internationally. Based on current trends, Statistics New Zealand predicts that the current level of migration is unlikely to be sustained. Accordingly they have projected a decline in net migration from 7,000 people during 1996-2001 to 4,000 people per five year period until 2021. Although this is a relatively large reduction, the net migration component will remain comparatively high.

2. Projected Natural Increase

Natural increase is largely shaped by fluctuations in the number of births. These fluctuations are a result of a variety of demographic and social factors including the number of women in the population of childbearing age and shifts in family formation norms (ie change to later marriage and older parenting).

The net population gain from natural increase is projected to decline from 6,530 for the period 1996-2001 to 1,960 people between 2016 and 2021. This reflects the projected decline in the Total Fertility Rate (TFR) from 1.59 children per woman during 1996-2001 to 1.52 during 2016 to 2021 (Table 2).

Table 2.
Christchurch City Usually Resident Population Projections,
1996-2021 (Medium Projection)

Year Ending 31 March	Usually Resident Pop	Pop Change Number	Pop Change Averag Annual Rate(%)	Births Number	Births Annual Rate	Deaths Number	Deaths Annual Rate	Natural Increase	Pop Age Dist(%) 0-14	Pop Age Dist(%) 15-64	Pop Age Dist(%) 65+	Median Age	TFR	Net Migrtn	Life Exp At Birth Male	Life Exp At Birth Female
Historical																
1986	282,216	6,243	0.4	18,272	13.1	12,721	9.1	5,551	20.6	66.9	12.5	31.7	1.6	710	70.3	76.4
1991	289,077	6,861	0.5	20,638	14.5	13,359	9.4	7,279	19.5	67	13.4	32.8	1.76	(400)	71.9	77.8
1996	309,030	19,953	1.3	20,766	13.9	13,405	9	7,361	19.4	67	13.6	33.7	1.69	12,590	73.5	79.1
Medium Projection																
2001	322,600	13,600	0.9	20,150	12.8	13,620	8.6	6,530	19.4	67.3	13.3	35	1.59	7,000	74.7	80
2006	331,800	9,200	0.6	19,290	11.8	14,030	8.6	5,260	18.4	68.2	13.4	36.7	1.55	4,000	75.6	80.7
2011	339,600	7,800	0.5	18,220	10.9	14,460	8.6	3,760	17.4	68.6	14	38.5	1.53	4,000	76.4	81.3
2016	346,100	6,500	0.4	17,510	10.2	14,960	8.7	2,550	16.2	68	15.8	40.2	1.52	4,000	77.2	81.9
2021	352,100	6,000	0.3	17,450	10	15,490	8.9	1,960	15.5	66.9	17.7	41.4	1.52	4,000	77.9	82.5

Assuming medium fertility, medium mortality and medium migration

Source: Statistics New Zealand, 1991 and 1996 Base Population Projections

3. Changing Age Structure

In line with national trends, some significant changes have occurred in the age structure of Christchurch's population over recent years. Most notably, there has been a progressive decline in the number and proportion of young people in the City's population and a gradual increase in the elderly.

• Decline in Children

The number of children aged under 15 years living in the City declined by 7,000 people between 1981 and 1991 (Table 3). Proportionately, the under 15 years group also declined from 23.1 per cent to 19.5 per cent of the resident population.

In 1996, 59,997 people were aged under 15 years. Latest Census results show a small increase in the actual number of residents in this age group between 1991 and 1996 although proportionately the group continued to decline.

Changes in the under 15 age group are linked more to changes in birth rates and infant and child mortality than to migration, since most migrants are of working age. The slight numeric increase in the under 15 age group between 1991 and 1996, resulted from a brief but significant increase in the number of births in the City during this period. This was a result of the combined effects of women who originally delayed childbearing, choosing to have children during the early 1990s and an increase in the number of women in the childbearing age group.

Age projections for Christchurch suggest that the latest increase in the under 15 age group was merely a temporary departure from the longer term downward trend. It is expected that the number and proportion of children in the City will continue to decline over the next twenty five years (Table 3). By 2021 it is expected that the under 15 age group will number 54,400 and comprise only 15.5 per cent of the population.

• Increase in the Elderly

In contrast to the under 15 years age group, the City's elderly population (65 years and over) increased substantially during the 1980s reflecting national trends. In 1981, people aged over 65 numbered 32,070 or 11.6 per cent of the resident population. Ten years later the elderly numbered 38,793 people and comprised 13.4 per cent of the population. At the time of the 1996 Census, 41,904 people were over 65 years. This translated to 13.6 per cent of the population.

Over the next 25 years the City's elderly population will grow significantly. The projected growth is attributable to the movement of the large baby boom generation (ie people born between 1945 and 1965) into the older age groups. By 2011 the first of the baby boomers will be entering retirement ages. The elderly are then expected to comprise 14 per cent of the population. From this point, there will be a dramatic increase in the 65+ population. In 2016, the 65+ age group is projected to comprise 15.8 per cent of the population increasing to nearly 18 per cent by 2021 (Table 3).

Table 3. Historical and Projected Population

Year	0-14 years	%	15-64 years	%	65+ years	%	Total
Historical							
1981	63,531	23.1	179,889	65.3	32,070	11.6	275,490
1986	58,020	20.6	187,950	66.8	35,313	12.6	281,283
1991	56,448	19.5	193,662	67.0	38,793	13.4	288,903
1996	59,997	19.4	207,129	67.0	41,904	13.6	309,030
Projected							
2001	62,470	19.4	217,140	67.3	42,950	13.3	322,560
2006	61,170	18.4	226,140	68.2	44,510	13.4	331,820
2011	59,060	17.4	233,020	68.6	47,520	14.0	339,600
2016	56,190	16.2	235,330	68.0	54,610	15.8	346,130
2021	54,400	15.5	235,500	66.9	62,200	17.7	352,100

Source: Statistics New Zealand, 1991 and 1996 Base Population Projections

Appendix 2

Rationale for council activities

Local government enables the community to do together what people are not able to do individually.

1. Art Gallery

This activity provides for the maintenance and development of some 4,500 items of artwork, mounting of regular exhibitions from the permanent collection and temporary touring exhibitions. It also involves the provision of information and advice on the visual arts.

There is no statutory requirement for the Council to be in the business of Art Galleries. However, certain legal obligations have been imposed on the city in respect of bequests and trusts made to the city in the past. This means that the Council becomes responsible for the collection items and donations which have been gifted to the city.

Both the Robert McDougall Art Gallery and the Annex aim to enhance the cultural well-being of the community through the cost effective provision and development of an art museum to maximise enjoyment of visual art exhibitions. This also involves promoting public appreciation of the Canterbury region's art heritage by collecting, conserving, studying and disseminating knowledge of works of art.

2. Car Parking

This activity provides for: the management and operation of off-street parking facilities and on-street parking meters; the fair enforcement of traffic regulations and parking by-laws; policing stationary vehicles; administering the removal and disposal of abandoned vehicles; the control of revenue from these activities.

Statutory requirement to engage in these activities is delegated to local authorities by central government through the Transport Act 1962 and pursuant to the provisions of the Local Government Act (1974).

The aim of the car parking activity is to enhance the amenity and accessibility of commercial areas. It also aims to ensure an efficient safe operation of the city's roading system by managing public parking resources and fair enforcement of traffic regulations and parking by-laws.

3. City Streets

This activity provides maintenance of the city streets system, including road and footpath surfaces, kerbs and channels, traffic signals and street lighting; traffic safety education, planning of new roads, and provision of the tram tracks to a commercial operator.

Statutory requirements to engage in these activities are contained in the Transit New Zealand Act (1989), the Land Transport Act (1993), the Local Government Act (1974), the Transport Act (1962) and the Resource Management Act (1991).

The long term transport vision of the Council aims to provide a city which has a sustainable, safe, convenient and efficient system of roads, cycleways, footways and passenger transport services ... so that ...

- People are satisfied with the level of service for personal mobility, and they have freedom of choice of transport mode - by car, bus, cycle or on foot.
- Businesses (and therefore the economy) are supported by levels of service for goods movement which are consistent with efficient business operations.
- Christchurch is the safest city in New Zealand, as perceived by road users and as judged by crash data.
- Christchurch is the most cycle friendly city - anywhere.
- People use passenger transport much more than they do today - and it keeps growing as a proportion of all trips.
- Christchurch is the most pedestrian friendly city, anywhere - especially for children, the elderly and the disabled.
- Physical assets on streets meet agreed community expectations and they are managed in the most cost effective way.
- The City's natural and physical environment is protected and enhanced.

4. Community Services

This activity is based around the operation of a network of seven suburban service centres - six providing service delivery and technical liaison, one with payment and information services only, and two contracted agencies. It also includes counter services provided at the Civic Offices. Three of the seven service centres act as a decentralised base for the delivery of selected public services. The service centres are responsible for providing administrative support to community boards, organising and managing community activities and facilities for defined

communities and facilitating technical liaison between customers and other Council business units.

The Order in Council which established the Christchurch City Council in 1989 required the Council to establish and maintain, at least until 1 November 1995, six service delivery centres. Although the period specified in the Order in Council has elapsed, the Council sees the suburban service delivery network as a key element to providing accessible local government and better customer service.

The overall service objective of this activity is to effectively respond to local public service needs by providing for and promoting high quality and timely Council service delivery to the public from a network of service delivery centres and community facilities.

5. Economic Development and Employment

The Christchurch City Council funds the Canterbury Development Corporation, which facilitates the creation of employment opportunities for young people and adults, assists with employment creation and provides a range of services to enhance the sustainability of small businesses by focusing on improved management capability. As part of its services focused on economic development, the Council also contributes to the work of the Canterbury Tourism Council, which provides services to visitors to the city, including convention marketing, tourism marketing and visitor information services.

These activities are carried out pursuant to the Council's policies: Business Policy - Attracting New Business To Christchurch (1990); and Employment and Economic Development Strategies (1990).

This activity also includes the promotion and operation of the Town Hall, Convention Centre and the soon to be completed Westpac Trust Sport and Entertainment Centre. These multi-functional facilities are designed to attract major sporting and entertainment events and any other shows or exhibitions requiring extensive indoor space.

The aim of these facilities is to provide cultural, social and economic benefits to the Christchurch community by promoting the convention and entertainment facilities as pre-eminent venues for presenting the performing arts, conventions, trade exhibitions, sports and entertainment.

The overall service objective in the economic development and employment area is to provide sustainable economic development and increased employment through ensuring the co-ordinated provision of information, advisory, support and marketing services which result in the level of investment and the number of jobs in the city being greater than would otherwise be the case.

6. Environmental Policy and Services

(a) Environmental Policy and Planning

This activity undertakes to:

- review and monitor the objectives and policies of the City Plan prepared under the Resource Management Act 1991;
- monitor the preparation and administration of policy statements and plans prepared by the Canterbury Regional Council and adjacent local authorities;
- prepare concept plans for urban renewal and environmental improvements of the city, including the Central City;
- provide policy advice on planning and development, conservation, design and heritage, transportation and environmental health issues, that affect the city;
- develop projects and prepare feasibility studies for achieving the objectives and policies of the City Plan, other than by regulation;
- administer funds set aside for promoting heritage retention and the removal of non-conforming activities;
- provide information and analysis of the economic, social and environmental issues of the city;
- promote an awareness of the environmental issues and values of the city; and
- provide a preliminary advice service to businesses on planning and regulatory matters.

This service arises from community desires to maintain and enhance the environment in which we all live, work and play. Specifically the Resource Management Act 1991 requires the Council to prepare a City Plan and to monitor

achievements of the Plan. The Act also requires the Council to consider the achievements of its objectives in ways other than by regulations contained in the Plan. Authority for a number of these is also contained in the Local Government Act. Many of the environmental policy and planning activities are related to identifying and promoting projects in this area.

The service objective of the Council for this activity is to manage and plan the use, development and protection of the natural and physical resources of the city in a sustainable way which:

- meets the reasonable foreseeable needs of future generations;
- provides effective opportunities for business and other economic activities;
- protects and enhances the significant natural environmental qualities of the city;
- provides for a diverse range of housing needs;
- maintains and enhances the amenity values of the city;
- enhances the landscape, visual and heritage qualities of the city;
- limits the adverse effects of activities on the environment;
- provides for a pattern of community, recreation and shopping facilities that effectively services the needs of the city;
- co-ordinates development with the provision of services;
- provides effectively for movement around the city; and
- balances the right of landowners to develop activities and the rights of the community to have external effects minimised.

Further, to apply the principles of environmental health in ways which promote the health, safety, comfort and well-being of the citizens of the city and to monitor the environmental, social and economic well-being of the city.

(b) Environmental Services

This activity includes the preparation and implementation of the City Plan; the processing of land use and subdivision consents; administration of the Building Act, Building Code, environmental health statutes, animal control; providing information and advice on statutes and regulations, processing information for land information memoranda, and the monitoring and control of adverse environmental effects.

Statutory requirements to engage in these activities are contained in the following:

Resource Management Act (City Plan and planning administration); Building Act 1991; Dog Control Act 1996; Food Act 1981; Health Act 1956; Sale of Liquor Act 1989; Dangerous Goods Act 1974; and the Hazardous Substances and New Organisms Act 1996;

The Council endeavours to manage the use, development and protection of the natural and physical resources of the city in a manner which enables the city, and its communities and people, to provide in a sustainable, healthy and safe way, for their social, economic and cultural needs. It also undertakes to ensure that the statutory purposes and principles of building control, health, dangerous goods and liquor licensing, and of animal control, are achieved with minimal compliance costs.

7. Housing

This activity provides for the maintenance and enhancement of Council owned elderly persons housing stock, public rental housing and some general housing and administering of its tenancy.

The Christchurch City Council has chosen as a matter of policy to continue to be engaged in providing affordable quality housing for needy groups. All tenants are of limited means, and most are elderly. Rental levels are such that this function is at least 100% self funding and is therefore not a charge on rates.

The overall service objective of the Housing Section is to provide personal welfare and contribute to the community's social well-being by ensuring that safe, accessible and affordable housing is available to elderly persons, people with disabilities and people on low incomes.

8. Library and Information Services

The Council operates a Central Library, 11 community libraries, one children's library and two mobile libraries which issue over five million items each year to 225,000 registered members. Services include lending a wide range of books, magazines, compact discs, videos and software; access to and assistance with information, both print and electronic; programmes and initiatives which support

literacy, education, culture, arts and literature; and research and reference facilities for Canterbury and New Zealand material.

Statutory reference to libraries is made in the Local Government Act 1974, under S 601 (4), which provides for councils to run libraries. The Act allows for charges to be made for certain services, but states that membership shall be free to all residents.

The overall service objective for this activity is to develop the knowledge, literacy and information skills of the city's residents and to contribute to the city's cultural, economic and social well-being and cultural understanding by providing and promoting accessible, non-exclusive, high quality and cost effective library and information services. There is also an objective to continue to provide effective lending and information services to clients of the library system.

9. Parks

This activity includes the maintenance and development of the city's parks and urban tree resource, the provision of sport and recreation facilities and cemeteries, rural fire fighting and related planning, information and regulatory functions.

Statutory requirements to engage in these activities are contained in the Reserves Act, Local Government Act (1974), Resource Management Act (1991), Rural Fires Act and the Burial and Cremation Act.

The overall service objective for this activity is to enhance the quality of life of the city's residents and visitors by providing parks and open spaces so as to conserve natural resources, promote the city's unique identity and service the need for sport and recreation. Also, to ensure that Christchurch remains the country's premier garden city and that our public parks and gardens remain internationally recognised.

10. Public Accountability

The public accountability activity provides for the government of the city by the Mayor and Councillors. This function of the Council aims to achieve the purposes of local government, including recognising the identity, values and rights of the Christchurch community, providing for choice in the provision of public facilities and services, and encouraging effective public participation in the governance of the city. Public accountability also includes publishing the Annual Plan and Annual Report to enable the public to assess the effectiveness and performance of the Council. It also covers the monitoring of the Council's trading activities such as Southpower, Christchurch International Airport and the Lyttelton Port Company.

The Council has a statutory responsibility to engage in this activity under the Local Government Act 1974 and the Local Government Official Information and Meetings Act 1987.

The overall service objective for this activity is to achieve the purposes of local government, including recognising identity, values and rights of the Christchurch community, providing for choice in the provision of public facilities and services, and encouraging effective public participation in local government.

11. Sewerage

Specific activities regarding the provision of liquid waste services include sewage and other liquid waste collection (reticulation and pumping), sewage treatment and disposal. These activities have a significant impact on the maintenance of the health of the citizens of Christchurch and the quality of their environment and are based on a comprehensive reticulation network for the collection, transport, treatment and disposal of sewage and other liquid wastes, including 1,353 km of sewer mains with 100,000 lateral connections, 80 pumping stations and three sewage treatment works. The latter treat 150 million litres per day of sewage to required standards and includes the operation of effluent disposal and biosolids reuse systems.

Liquid waste services are provided by the Council under the requirements of the Health Act 1956, Local Government Act 1974 and Resource Management Act 1991.

In summary, the aim is the provision of liquid waste management services for the community in a safe and environmentally responsible manner. This will include:

- understanding and meeting customers' needs;
- planning for city growth;
- promotion and implementation of a waste strategy of reduction, reuse, recycling, recovery, and safe residue disposal for liquid waste;

- maintaining appropriate information systems;
- conforming with all statutory requirements;
- promotion of sustainability;
- maintaining cultural sensitivity;
- operating on a cost accountable basis including regularly reviewing operating costs and revenue; and
- a policy of continuous improvement in all areas of operation and management.

12. Sport, Leisure, and Events

(a) Sport and Recreation

This activity provides for the operation and maintenance of a variety of swimming pools, recreation facilities and sports stadia. A range of community services including provision and operation of pre-school facilities, community creches and toilet facilities are also provided.

Maintenance and administration of the city's rest rooms and conveniences is a statutory requirement under the Health Act 1956. The Council has also endorsed a Recreation and Sport Policy Statement (1996).

The overall service objective of this activity is to enhance the health and well-being of the people of Christchurch and their enjoyment of life through the provision and promotion of selected sport and recreation programmes and facilities, and providing access to advice and advocacy on community issues.

(b) Festivals, Events and City Promotion

This activity includes co-ordinating four annual festivals, along with weekly city centre entertainment, including markets and concerts. Some of these activities receive cash sponsorship from businesses. Around \$150,000 per year is also provided through 'in kind' contributions from various businesses. In addition, the Council core funds a programme of festivals and events through the year, which also receive cash and 'in kind' sponsorships. As part of its service to Christchurch, the Council also promotes retail activity in the city centre, working in partnership with the retailers concerned to standardise and extend opening hours, produce shopping guides, advertise the city centre as a shopping destination and co-ordinate parking promotions.

Council policy is to protect and enhance the viability of the city centre in the best interests of the community.

The overall service objective for this activity is to plan and organise festivals and events.

13. Waste Minimisation and Disposal

Specific activities of the Council with regard to refuse are carried out under a Solid and Hazardous Waste Management Strategy which includes the following elements:

- reduction including commercial and in-house cleaner production initiatives;
- reuse including operation of commercial recycling centres at Parkhouse, Metro and Styx Mill Transfer Stations;
- recycling including domestic kerbside recycling collection, partnering with Recovered Materials Foundation for reuse of collected materials, provision of information and publicity, research and local drop-off points for recyclables, compost production at the Metro Place Garden City Compost Facility;
- residue disposal including residential kerbside and inner-city refuse collection, operation of three transfer stations and one landfill; and
- aftercare of various old landfills.

The size of the operation is indicated by the input of approximately 250,000 tonnes per year of refuse to the landfill.

Solid waste services are provided by the Council under the requirements of the Health Act 1956, Local Government Act 1974 (including Amendment No. 4 1996) and the Resource Management Act 1991.

In summary the aim is the provision of solid waste management services for the community in a safe and environmentally responsible manner. This will include:

- understanding and meeting customers' needs;
- planning for city growth;
- promotion and implementation of a waste strategy of reduction, reuse, recycling, recovery, and safe residue disposal for solid waste;
- maintaining appropriate information systems;
- conforming with all statutory requirements;
- promotion of sustainability;
- maintaining cultural sensitivity;
- operating on a cost accountable basis including regularly reviewing operating costs and revenue; and
- a policy of continuous improvement in all areas of operation and management.

14. Water Supply

Specific activities carried out by the Council in this area includes the operation of 81 pump stations to extract potable water from underground aquifers and reticulate the supply via 1,300 km of mains to 102,600 connections. Five storage and 25 secondary reservoirs support the system.

While there is no mandatory requirement that the Council provides these services, empowerment to undertake the activity is provided by the Local Government Act 1974. The ability to fund the services derives from the Rating Powers Act 1988.

The overall service objective for this activity is to provide a sufficient, reliable and cost effective supply of high quality water to the Christchurch community while sustainably managing the city's water resources, and protecting people and property from fire and flood.

15. Waterways and Wetlands

Waterways and wetlands are managed to provide an effective drainage network for the city comprising 85 km of rivers and streams, 278 km of open waterways, 572 km of piped stormwater drains and seven retention basins. The activity is also responsible for retaining and enhancing those elements of the land drainage system that contribute to the city's landscape, natural environment and recreation values.

Appendix 3

Financial Reporting Standard No. 29 (FRS 29) Disclosures

In accordance with the Institute of Chartered Accountants of New Zealand Financial Reporting Standard 29, the following information is provided in respect of the Long Term Financial Strategy:

(a) Cautionary Note

The Long Term Financial Strategy and financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

(b) Nature of Prospective Information

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place.

The financial information presented consists of both forecasts and projections. The financials for 1998/99 are forecasts which reflect the most probable outcome. The financials for 1999/00 and subsequent years are projections. They are based upon varying assumptions about the conditions that might exist and possible courses of action.

(c) Assumptions

The principle assumptions underlying the forecasts and projections are noted on page 30. These assumptions were valid as at 29 June 1998, the date this Long Term Financial Strategy was adopted.

(d) Extent to which Prospective Information Incorporates Actual Results

Although the period covered by the Long Term Financial Strategy contains no actual operating results, some financial information has however been extrapolated from the Council's audited Financial Statements as at 30 June 1997.

(e) Purpose for which the Prospective Information is Prepared

The Long Term Financial Strategy has been prepared in accordance with the Local Government Amendment Act (No. 3) 1996. The purpose of this legislation is to promote prudent, effective, and efficient financial management by local authorities.

Appendix 4

Long Term Financial Projections

Statement of financial performance

Statement of financial position

Statement of cash flows

Statement of movements in equity

Statement of financial performance

STATEMENT OF FINANCIAL PERFORMANCE (LTFs)

	1998/99 \$M	1999/00 \$M	2000/01 \$M	2001/02 \$M	2002/03 \$M	2003/04 \$M	2004/05 \$M	2005/06 \$M	2006/07 \$M	2007/08 \$M
INCOME										
Rates	121.19	126.76	132.43	137.54	144.57	151.12	158.43	164.00	170.29	178.89
Interest	10.36	9.73	6.71	4.87	4.97	5.34	5.83	6.49	7.30	8.23
Petroleum Tax	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90
Dividends	17.78	18.34	21.22	22.21	23.35	24.63	25.98	27.79	28.58	28.58
Levies Grants & Donations	3.50	3.50	3.80	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Sundry Revenue	1.24	1.13	1.21	1.26	1.25	1.25	1.25	1.25	1.25	1.25
Significant Activity Income	71.91	73.05	74.06	75.02	78.49	78.65	78.96	79.10	79.31	79.51
TOTAL INCOME	227.87	234.42	241.33	246.80	258.53	266.90	276.34	284.53	292.63	302.36
EXPENDITURE										
Levies	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84	2.84
Professional Expenses re Subsidiaries	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Sundry Expenditure	2.52	2.60	2.62	2.55	2.59	2.56	2.61	2.57	2.58	2.58
Significant Activity Cost	170.77	175.63	178.31	183.16	192.27	198.58	205.18	210.78	216.58	223.88
Depreciation	50.50	51.80	52.60	53.58	54.51	55.33	56.29	57.23	58.12	59.03
TOTAL EXPENDITURE	227.12	233.37	236.87	242.63	252.70	259.81	267.42	273.92	280.62	288.82
NET OPERATING SURPLUS (DEFICIT)	0.75	1.05	4.47	4.17	5.83	7.09	8.93	10.61	12.01	13.54
Capital Grants - Contributions	2.88	4.86	1.56	3.51	3.79	0.69	0.61	0.61	0.61	0.00
Capital Repatriation from Trading Activities	13.00									
NET ACCOUNTING SURPLUS (DEFICIT)	16.63	5.91	6.02	7.67	9.62	7.79	9.54	11.23	12.63	13.54
RETAINED EARNINGS										
Balance 1 July	157.23	146.06	183.49	243.88	255.48	265.47	273.63	283.55	295.15	308.15
Net Surplus (Deficit) Transferred	16.63	5.91	6.02	7.67	9.62	7.79	9.54	11.23	12.63	13.54
	173.86	151.98	189.52	251.55	265.10	273.26	283.17	294.78	307.78	321.69
Transfer to Funds	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)	(11.32)
Transfer from Funds	11.69	11.69	11.69	11.69	11.69	11.69	11.69	11.69	11.69	11.69
Other Transfers	(78.17)	31.14	53.99	3.55	0.00	0.00	0.00	0.00	0.00	0.00
Realised Revaluation Reserves	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BALANCE 30TH JUNE	146.06	183.49	243.88	255.48	265.47	273.63	283.55	295.15	308.15	322.07

Statement of financial position

STATEMENT OF FINANCIAL POSITION (LTFS)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
CURRENT LIABILITIES										
Accounts Payable	24.03	24.03	24.03	24.03	24.03	24.03	24.03	24.03	24.03	24.03
Provision for Taxation	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01
Accruals	13.69	13.69	13.69	13.69	13.69	13.69	13.69	13.69	13.69	13.69
Current Portion of Term Liabilities	37.22	20.60	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
TOTAL CURRENT LIABILITIES	75.95	59.33	46.23	46.23	46.23	46.23	46.23	46.23	46.23	46.23
NON-CURRENT LIABILITIES										
Term Debt	95.45	91.75	93.42	129.98	157.76	198.16	235.33	266.10	299.62	336.68
Provision for Gratuity Allowances	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.90
TOTAL NON-CURRENT LIABILITIES	100.35	96.65	98.32	134.89	162.66	203.06	240.23	271.00	304.53	341.58
RATEPAYERS FUNDS										
Reserves	22.73	22.36	21.98	21.61	21.23	20.86	20.48	20.11	19.73	19.36
Debt Repayment Reserve	88.67	57.54	3.55	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital Reserves	1,756.22	1,756.22	1,756.22	1,756.22	1,756.22	1,756.22	1,756.22	1,756.22	1,756.22	1,756.22
Revaluation Reserve	558.89	558.89	558.89	558.89	558.89	558.89	558.89	558.89	558.89	558.89
Retained Earnings	146.06	183.49	243.88	255.48	265.47	273.63	283.55	295.15	308.15	322.07
TOTAL RATEPAYERS FUNDS	2,572.59	2,578.50	2,584.52	2,592.20	2,601.82	2,609.61	2,619.14	2,630.37	2,643.00	2,656.54
	2,748.89	2,734.48	2,729.07	2,773.31	2,810.71	2,858.90	2,905.61	2,947.60	2,993.76	3,044.35
CURRENT ASSETS										
Cash on Hand	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Bank	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26
Short Term Investments	131.50	83.89	37.22	45.38	57.94	72.70	89.46	107.17	126.93	148.92
Accounts Receivable	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65	11.65
Other Receivables/ Prepayments	7.49	7.49	7.49	7.49	7.49	7.49	7.49	7.49	7.49	7.49
Inventory	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Dividends Receivable	4.37	4.37	4.37	4.37	4.37	4.37	4.37	4.37	4.37	4.37
TOTAL CURRENT ASSETS	158.24	110.62	63.95	72.11	84.68	99.44	116.20	133.91	153.66	175.66
NON-CURRENT ASSETS										
General Investments	476.47	476.47	476.47	476.47	476.47	476.47	476.47	476.47	476.47	476.47
Loan Repayment Investments	7.12	11.28	15.30	19.28	24.66	31.29	39.63	49.71	61.48	75.13
Operational Assets	522.62	530.49	560.18	580.92	589.97	608.71	625.00	640.93	661.03	686.00
Infrastructural Assets	1,314.43	1,328.04	1,329.18	1,334.25	1,338.65	1,340.46	1,339.53	1,331.57	1,319.75	1,303.22
Restricted Assets	270.02	277.59	284.00	290.28	296.28	302.53	308.78	315.02	321.38	327.87
TOTAL NON-CURRENT ASSETS	2,590.65	2,623.85	2,665.12	2,701.20	2,726.04	2,759.46	2,789.41	2,813.70	2,840.10	2,868.70
	2,748.89	2,734.48	2,729.07	2,773.31	2,810.71	2,858.90	2,905.61	2,947.60	2,993.76	3,044.35

Statement of cash flows

STATEMENT OF CASH FLOWS (LTFS)										
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
CASH FLOWS FROM OPERATING ACTIVITIES										
Cash was provided from:										
Rates & Other Revenue	224.05	231.88	240.21	247.87	259.77	267.96	277.12	284.46	292.67	303.27
Interest	9.82	9.19	6.17	4.33	4.43	4.80	5.29	5.95	6.76	7.69
Dividends	17.78	18.34	21.22	22.21	23.35	24.63	25.98	27.79	28.58	28.58
Capital Grants/ Contributions	2.88	4.86	1.56	3.51	3.79	0.69	0.61	0.61	0.61	0.00
Capital Repatriation from Trading Activities	134.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	388.53	264.27	269.16	277.91	291.34	298.09	309.00	318.82	328.63	339.54
Cash was disbursed to										
Payments to suppliers and employees	189.46	197.30	202.61	207.93	215.66	220.59	225.44	229.67	234.45	240.53
Interest	11.48	9.80	8.46	9.27	12.08	14.92	18.27	21.23	23.98	26.98
	200.94	207.10	211.07	217.20	227.75	235.52	243.71	250.90	258.42	267.51
NET CASH FLOW FROM OPERATING ACTIVITIES	187.59	57.17	58.09	60.71	63.59	62.57	65.29	67.92	70.20	72.03
CASH FLOWS FROM INVESTING ACTIVITIES										
Cash was provided from:										
Proceeds of sale of fixed assets	5.88	4.00	1.88	7.81	1.90	1.67	1.62	1.77	1.65	1.52
Sundry Investments	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
	6.28	4.40	2.28	8.21	2.30	2.07	2.02	2.17	2.05	1.92
Cash was applied to:										
Cash outflow for Fixed & Restricted Assets	58.76	43.02	53.07	53.09	35.57	36.66	33.18	32.60	35.36	37.53
Cash outflow for investment in Sinking Funds	4.34	3.62	3.48	3.44	4.84	6.09	7.80	9.54	11.23	13.12
Cash outflow for infrastructural assets	46.79	41.84	38.66	40.40	40.29	47.14	46.34	40.61	39.05	37.97
Cash outflow for Sundry Investments	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
	110.28	88.87	95.62	97.33	81.11	90.28	87.72	83.15	86.03	89.02
NET CASH FROM INVESTING ACTIVITIES	(104.01)	(84.47)	(93.33)	(89.12)	(78.80)	(88.21)	(85.70)	(80.98)	(83.98)	(87.09)
CASH FLOWS FROM FINANCING ACTIVITIES										
Cash was provided from:										
Proceeds of raising Public Debt	6.50	0.00	0.00	40.45	28.11	40.74	37.52	31.13	33.89	37.42
Withdrawals from Sinking Funds	5.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	11.65	0.00	0.00	40.45	28.11	40.74	37.52	31.13	33.89	37.42
Cash was applied to:										
Term Borrowing Reduced	20.03	20.32	11.43	3.88	0.34	0.34	0.35	0.36	0.36	0.37
NET CASH FROM FINANCING ACTIVITIES	(8.39)	(20.32)	(11.43)	36.57	27.78	40.40	37.17	30.77	33.53	37.05
Increase (Decrease) in cash held	75.20	(47.61)	(46.67)	8.16	12.57	14.76	16.76	17.71	19.76	21.99
Opening Cash brought forward	57.60	132.79	85.18	38.51	46.67	59.23	73.99	90.75	108.46	128.22
ENDING CASH FORWARD	132.79	85.18	38.51	46.67	59.23	73.99	90.75	108.46	128.22	150.21
Cash on Hand	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Bank	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26
Short Term Investments	131.50	83.89	37.22	45.38	57.94	72.70	89.46	107.17	126.93	148.92
	132.79	85.18	38.51	46.67	59.23	73.99	90.75	108.46	128.22	150.21
RECONCILIATION WITH OPERATING SURPLUS (DEFICIT)										
Operating Surplus (Deficit)	16.63	5.91	6.02	7.67	9.62	7.79	9.54	11.23	12.63	13.54
Sale of Investment	121.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	50.50	51.80	52.60	53.58	54.51	55.33	56.29	57.23	58.12	59.03
Interest accrued to Loan Repayment Investments	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)	(0.54)
NET CASH FROM OPERATING ACTIVITIES	187.59	57.17	58.09	60.71	63.59	62.57	65.29	67.92	70.20	72.03

Statement of movements in equity

STATEMENT OF MOVEMENTS IN EQUITY (LTFS)

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
RATEPAYERS EQUITY										
Equity at 1 July	2,555.95	2,572.59	2,578.50	2,584.52	2,592.20	2,601.82	2,609.61	2,619.14	2,630.37	2,643.00
Accounting Surplus for year (deficit)	16.63	5.91	6.02	7.67	9.62	7.79	9.54	11.23	12.63	13.54
Equity as at 30 June	2,572.59	2,578.50	2,584.52	2,592.20	2,601.82	2,609.61	2,619.14	2,630.37	2,643.00	2,656.54

