

funding impact statement

The Funding Impact Statement discloses the revenue and financing mechanisms selected under the LTCCP for the next two years and is based on the outcome of the Revenue and Financing Policy adopted by Council.

The funding of Council operations has been amended by the adoption as part of this LTCCP of:

- the 2004/05 Annual Plan (included within the LTCCP)
- the Financial Summary, outlining proposed capital expenditure and the financing thereof,
- the Revenue and Financing Policy,
- the Financial Contributions Policy,
- the rating policies.

The next review of these policies will occur as part of the next Long Term Council Community Plan in 2006/07 however amendments may be made annually as part of an amended LTCCP.

Revenue & Financing Mechanisms

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 includes:

- 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 capital expenditure financing is detailed on the Financial Summary

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

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Budgeted operating expenditure:

	2004/5	2005/6	2006/7
	\$	\$	\$
Budgeted operating expenditure	309.46	323.38	330.89
General revenue made up of:			
Interest & Dividends from CCHL	29.10	29.50	45.30
Interest	18.75	16.29	14.86
Fees and charges	87.06	86.35	86.26
Financial Contributions	5.65	5.52	5.78
Grants and subsidies	19.11	21.01	21.41
Total General Revenue	159.67	158.67	173.61
Rates:			
General rates	104.23	110.58	116.39
UAGC	15.43	15.43	15.43
Targeted rates	45.16	46.70	48.23
Total Rates set	164.83	172.71	180.05
Rares penalties	1.20	1.20	1.20
Total Rates	166.03	173.91	181.25
Budgeted operating surplus	16.25	9.21	23.97

Financing capital expenditure:

	2004/05 \$	2005/06 \$	2006/07 \$
Capital expenditure financing:			
Depreciation and surplus funds used	72.31	68.15	85.52
Capital repayments / sales of assets	1.85	5.81	5.52
Reserves used - Debt Repayment Reserve	53.66	47.57	14.75
Reserves used - Other Reserves	5.28	7.16	8.49
External funding for capital expenditure	0.27	0.55	0.54
Borrowing	2.15	0.45	43.98
Total Capital Financing	135.52	129.70	158.80

Rate Setting and Rating Policies

The Council has set rates in accordance with this Annual Plan for the financial year 2004/05 which total \$164.830 million. This is the amount that the ratepayers of Christchurch will be required to contribute in order to fund this Plan.

The Council has resolved on a range of rating policies, as detailed in this LTCCP statement. These are generally a continuation of those used last year. However the impact may change for individual rating units.

The Valuation System used for rating:

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

The value of each rating unit is set by independent valuers and based on values as at 1 September 2001. A rating unit is the property which is liable for rates and is generally a separate property with its own certificate of title. The next revaluation will occur on 1 August 2004.

Inspection of rates information for each rating unit:

The Capital Values, the District Valuation Roll, and the Rate Information Database information and the estimated liability for rates for 2004/05 for each rating unit is available for inspection on the Council's Internet site (www.ccc.govt.nz) under the heading 'Ratesinfo' or by enquiry at any Council Service Centre.

Differential system used:

Differential rating will be used for general rates only. Each rating unit is assigned to a category, based on land use and City Plan zoning, and the sum of all categories is the basis of allocation of rates.

The differential categories used are:

- Sector A - Business
- Sector B - Residential and other
- Sector C - Rural

The full text of the differential categories is detailed in the rating policy text.

The categories used for differentiation are land use and zoning as allowed under Schedule 2, Clause 1, 2 & 3 of the Local Government (Rating) Act 2002.

Rates Required

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

Rates to be set and the rate types:

The following rates have been set (GST Inc):

	2004/05 \$	2005/06 \$	2006/07 \$
General Rates			
Residential	80,625,889	85,539,987	90,032,119
Business	34,623,590	36,733,877	38,662,956
Rural	2,011,190	2,133,770	2,245,825
Total General Rates by Capital Value	117,260,669	124,407,634	130,940,901
Uniform Annual General Charge			
	\$115	\$115	\$115
Residential	15,453,585	15,453,585	15,453,585
Business	1,698,895	1,698,895	1,698,895
Rural	211,370	211,370	211,370
Total Uniform Annual General Charge	17,363,850	17,363,850	17,363,850
Targeted Rates			
Water	14,600,460	15,306,622	15,773,706
Water - Half for non connected	262,276	-	-
Sewerage	23,591,298	24,517,848	25,420,582
Land Drainage	12,285,372	12,644,168	12,998,689
Water Fire connection Targeted Rate - \$100	70,300	70,300	70,300
Total Targeted Rates	50,809,706	52,538,938	54,263,277
Rates for Revenue Policy	185,434,225	194,310,422	202,568,028

Excess Water Supply Targeted rate	1,927,125	1,927,125	1,927,125
Total Rates	187,361,350	196,237,547	204,495,153
Rates Sector Total			
Residential	134,415,596	140,633,340	146,425,336
Business	46,046,286	48,485,921	50,743,269
Rural	2,614,300	2,749,188	2,873,584
Non-rateable	2,358,044	2,441,973	2,525,838
Total Rates	185,434,225	194,310,422	202,568,028

The full text of the Rates Setting Statement is included elsewhere in this document. There is an assumption of continuing capital values and relative operational activity levels. There will be a revaluation of the capital values in August 2004, applicable for rates from July 2005. This will cause a shift in the incidence of rates to a degree not yet identified.

Rate Type Descriptions

The allocation of rates to rate types is determined under the Revenue and Financing Policy. A full description of that policy is contained in this LTCCP.

General Rates

General Rates are set on capital values on a differential basis to rating units liable for General Rates under the Local Government (Rating) Act 2002. General rates (including the Uniform Annual General Charge) provide for approximately 72.74% of the total rate requirement of the Council, being the net rate requirement after targeted rates are determined. General rates (and UAGCs) therefore fund all activities of the Council except those funded by targeted rates.

Most activity net rate requirements are on straight capital value, that is 79.36% to

Residential and Rural, and 20.64% to Business Sector. If straight capital value rating was followed for all rates there would be no difference in decimal for the sectors, all would pay the same rates value for value. The one exception is in General Rates with 'Vehicle Ways' activity allocated substantially to the Business Sector. As a result the Business Sector pays more General Rates than their relative capital value share.

Council have concluded that the Rural sector should be charged less General rates than the Residential sector therefore a property in the Rural Sector will be charged 75% of the General Rate a property in the Residential Sector is charged.

Uniform Annual General Charge

A portion of general rates is assessed as a uniform annual general charge of \$115 per rating unit on each separately used or inhabited part of a rating unit.

The uniform charge will modify the impact of rating on a city wide basis ensuring all rating units are charged a fixed amount to recognize the costs associated with each property which are uniformly consumed by the inhabitants of the community.

Targeted Rates

Targeted rates are set to recover the net operating cost of Water Supply, Sewerage collection and disposal and Land Drainage respectively.

The rate requirement for the targeted rates of Water, Sewerage and Land Drainage is assessed on the relative capital value of all liable rating units in the serviced area. There is no differential applying for targeted rates.

A half rate is made for Water where the service is available but no connection is made.

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

The Excess Water Supply Targeted Rate applies other than private residential property within the Water supply serviced area and is assessed as the meters are read. Only those Rating Units with consumption in excess of the allowance are charged.

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

A full definition of the rate types is contained in the rating policies text.

Comparative Rates Due by Ratepayers

Rates Payable - 2003/04 Actual and 2004/05 Compared

	2003/04 Rates \$	2004/05 Rates LTCCP	
UAGC	\$105	\$115	
Residential			
Capital Values	\$	\$	% Change
80,000	519	541	4.32%
100,000	622	648	4.10%
200,000	1,140	1,181	3.60%
300,000	1,657	1,713	3.41%
400,000	2,174	2,246	3.31%
500,000	2,692	2,779	3.25%
600,000	3,209	3,312	3.21%
Business			
100,000	837	864	3.15%
200,000	1,569	1,612	2.73%
300,000	2,302	2,361	2.57%
400,000	3,034	3,109	2.49%
500,000	3,766	3,858	2.44%
600,000	4,498	4,606	2.41%

Rural			
100,000	369	385	4.60%
200,000	632	656	3.78%
300,000	896	926	3.44%
400,000	1,159	1,197	3.26%
500,000	1,423	1,467	3.14%
600,000	1,686	1,738	3.06%

Notes:

- (1) Residential and Business rates are those on fully serviced properties, and include a single uniform annual charge of \$115 per property (\$105 in 2003/04).
- (2) Rural properties are assumed to not pay Water, Sewerage or Land Drainage Targeted rates. They include a uniform annual charge of \$115 per property (\$105 in 2003/04).
- (3) Rates include GST but does not include the Canterbury Regional Council Rates.
- (4) Some properties may also be liable for the Targeted Water Supply Fire Connection rate of \$100 per connection per property.
- (5) The City Council is the rate collecting agent for Environment Canterbury (the Canterbury Regional Council). Their rates are in addition to those above. Combined assessments and invoices will be issued by the City Council as in the past.

The Funding of Operating Expenditure and rates

The Revenue and Financing Policy determines the funding allocation for the Council.
The policy is included in the LTCCP. This Funding Impact Statement reflects this policy.

Summary of Groups of Activities

Budget Income CCC 2003/04 \$000's		Budget Income CCC 2004/05 \$000's	Forecast Income CCC 2005/06 \$000's	Forecast Income CCC 2006/07 \$000's	Projection Income CCC 2007/08 \$000's	Projection Income CCC 2008/09 \$000's	Projection Income CCC 2009/10 \$000's	Projection Income CCC 2010/11 \$000's	Projection Income CCC 2011/12 \$000's	Projection Income CCC 2012/13 \$000's	Projection Income CCC 2013/14 \$000's
1,225	Art Gallery, Museum and "Our City"	810	2,513	313	530	350	420	316	355	516	1,263
1,488	City Development	3,391	400	1,400	1,400	400	400	400	400	400	400
5,862	Community Services	10,854	8,457	9,402	12,025	12,558	4,636	3,502	3,539	13,722	3,549
-	Democracy and Governance	-	-	-	-	-	-	-	-	-	-
490	Economic Development	476	547	560	537	505	563	579	521	566	566
5,411	Library Services	7,675	9,690	5,989	5,542	5,772	5,822	5,897	6,197	6,197	6,372
6,873	Parks and Open Spaces	7,766	7,241	11,886	12,278	7,670	7,470	7,465	7,591	7,782	7,832
5,313	Refuse Minimisation and Disposal	5,964	4,891	4,727	817	635	635	635	635	635	635
29	Regulatory Services	17	64	67	77	77	33	65	63	33	35
15,904	Wastewater Collection, Treatment and Disposal	10,722	14,307	32,749	33,636	15,533	11,824	11,446	9,653	9,100	9,988
39,075	Streets and Transport	30,358	40,469	40,762	44,182	46,994	46,620	48,790	53,213	56,180	58,855
5,302	Water Supply	5,055	5,780	5,984	5,621	5,446	5,321	5,538	5,811	5,413	5,798
6,962	Waterways and Land Drainage	6,953	7,319	7,579	7,264	7,282	7,643	7,643	7,793	7,902	8,002
3,601	Corporate	40,801	20,974	26,869	26,337	27,534	14,763	12,503	12,561	12,363	12,428
-	Provision for Inflation	-	2,358	5,814	8,765	10,625	10,858	12,986	15,835	20,426	22,222
97,535	Capital Programme	130,841	125,007	154,100	159,010	141,380	117,007	117,765	124,166	141,234	137,945
4,630	Provision for Debt Repayment	4,681	4,688	4,701	6,021	8,127	9,754	10,640	11,451	12,350	13,541
24,000	CCFL Equity/Loan Investment	-	-	-	-	-	-	-	-	-	-
126,165	Total Capital Cost	135,522	129,695	158,802	165,030	149,507	126,761	128,405	135,617	153,584	151,486
Investments											
69,679	Depreciation & Surplus (Deficit) on Operations	72,311	68,154	85,516	75,423	82,642	88,288	94,187	98,328	101,439	104,303
2,190	Capital Repayment/Sale of Assets in Total	1,849	5,812	5,524	8,849	3,766	3,827	4,078	4,236	9,405	4,605
28,946	Reserves	58,938	54,729	23,241	10,545	8,869	5,124	3,100	3,076	3,063	3,027
500	External Funding for Capital Projects	274	550	540	-	-	-	-	-	-	-
24,850	Borrowing Required for the Annual Programme	2,150	450	43,980	70,215	54,230	29,522	27,041	29,978	39,677	39,551
126,165	Total Funding Sources	135,522	129,695	158,802	165,030	149,507	126,761	128,405	135,617	153,584	151,486