

Appendix 3: Financial Overview

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2013-16 Three-year Plan Rates Summary (%)

	2014	2015	2016
Total Rates Increase	7.63%	7.21%	7.25%
Rates increase including growth	6.60%	6.57%	6.50%
Special Earthquake Charge	1.93%	1.93%	1.93%
Ordinary Rates Increase incl Growth	4.67%	4.64%	4.57%
<i>Represented by:</i>			
Capital Programme:	4.16%	3.28%	3.82%
LTP Committee / Council Changes:	0.28%	0.05%	0.00%
Operational Changes:	1.20%	1.92%	1.45%
Growth in Rates Base:	-0.97%	-0.60%	-0.70%
Impact on existing ratepayers	4.67%	4.64%	4.57%

2013-16 Three-year Plan Rates Summary (\$)

	2014	2015	2016
Total Rates Increase	23,599	24,008	25,859
Rates increase including growth	20,599	22,008	23,359
Special Earthquake Charge	6,419	7,100	7,838
Ordinary Rates Increase incl Growth	14,180	14,908	15,522
<i>Represented by:</i>			
Capital Programme per schedule 1:	12,847	10,912	13,639
LTP Committee / Council Changes per schedule 2:	865	150	-
Operational Changes per schedule 3:	3,468	5,846	4,383
Growth in Rates Base	-3,000	-2,000	-2,500
Impact on existing ratepayers	14,180	14,908	15,522

Financial Overview

The table below shows the total funding requirements for Christchurch City Council for the Three-year Plan 2013-16. The tables at the end of this appendix split this funding requirements between Council activities (excluding earthquake rebuild), Council operating deficits, earthquake response and recovery funding and funding for major community facilities.

	Three-year Plan 2013 - 2016		
	2013/14	2014/15	2015/16
Funding Summary			
Operating expenditure	419,046	426,801	426,819
Capital programme	849,961	999,706	959,447
Transfers to reserves	10,216	9,395	9,634
Interest expense	38,483	50,195	70,740
Debt repayment	8,584	11,320	15,024
Total expenditure	1,326,290	1,497,417	1,481,664
funded by :			
Fees, charges and operational subsidies	143,669	148,359	145,439
Dividends and interest received	65,029	63,716	66,184
Transfers from reserves	105,080	7,283	6,661
Asset sales	58,292	21,768	1,296
Development contributions	18,000	22,604	21,140
Earthquake rebuild recoveries	413,593	432,974	384,208
Capital grants and subsidies	17,165	22,011	19,139
Total funding available	820,828	718,715	644,067
Balance required	505,462	778,702	837,597
Borrowing for Capital programme and grants	80,144	92,176	92,237
Borrowing for Earthquake recovery	92,547	329,746	362,721
Rates required	332,771	356,780	382,639
Nominal rates increase	7.63%	7.21%	7.25%
Percentage rate increase to existing ratepayers	6.60%	6.57%	6.50%

Rates for 2013/14

This Three-year Plan sets total rates for 2013/14 at \$333 million (GST exclusive), an increase of \$24 million, or 7.6 per cent above last year's rates, but a 6.6 per cent increase for existing ratepayers as a result of the 1 per cent increase expected in the rating base.

Full detail of rates, including the total rating requirement for general and targeted rates, and indicative rates for individual properties, is provided in the Funding Impact Statement and Rating Policy section of this Three-year Plan.

Assumptions

In preparing this Plan Council has made a number of significant forecasting assumptions. If actual future events differ they could result in material changes to this

Plan. These key assumptions are detailed in the Significant Forecasting Assumptions section. A high level summary is provided below.

Over the next three years Council's growth projections assume that the population of Christchurch will grow by 1, 0.6 and 0.7 per cent per annum as the rebuild gains momentum. These assumptions are based on analysis performed by Market Economics and based on outputs from the Household Growth Model and the Economic Futures Model. Within the model there were several scenarios and the UDS Partners used Residential - Quick Recovery and Commercial - Medium. Any changes will impact on the percentage rate increase to existing ratepayers.

Inflation is based on rates provided by Business and Economic Research Limited (BERL). Inflation is provided on operating revenue and expenditure, and capital expenditure. A corporate weighted average is calculated and applied across all groups of Activities, with the resulting flow through to the balance sheet. The exceptions are grants, the majority of which are not inflated.

Interest rates are provided by the Council's treasury advisors, PWC, (formerly Asia-Pacific Risk Management Limited) and assume that Council will take advantage of the current low interest rate environment to lock in long-term interest rate swaps to the full extent possible.

Operational Expense

Operational expense includes all of the day-to-day costs necessary to run the Council. These include;

- direct operational costs, maintenance work on the city's infrastructure, insurance, energy and computer and communication costs.
- debt servicing costs. These are the interest and debt repayment incurred under the Council's borrowing programme
- depreciation

Depreciation

Depreciation expense is charged on a straight line basis on both operational and infrastructure assets and is included within the Groups of Activity Statements. However, Council does not rate for depreciation, it rates for the renewal and replacement of existing assets. Council budgets for \$100 million of renewals per year, \$50 million of which has been utilised for the rebuild of earthquake damaged assets since the 2011/12 year. This amount will reduce to \$40 million in year two of the Plan.

Revenue Sources

The primary source of revenue is, and will remain, property based rates. A brief explanation of each source of revenue is included in the Funding Impact Statement section.

Surplus, operating deficits, and sustainability

Council's budget for 2013/14 shows an accounting surplus of \$431 million before revaluations of \$58 million. Under accounting standards Council is required to show all revenue, including earthquake-related recoveries from insurance, central Government and NZ Transport Agency, as income for the year. However, these recoveries

reimburse Council for emergency response and recovery expenditure as well as compensating it for damage to its assets and infrastructure. Once these revenues are stripped away Council estimates that it will record an operating deficit of \$16.1 million for the 2013/14 year, and \$85.6 million overall for the five years 2011/12 to 2015/16. The funding of this deficit is set out in the Financial Strategy.

Council does not consider that these anticipated operating deficits will undermine its financial sustainability.

Borrowing

The Plan estimates new borrowing of \$1.05 billion over the three year period. Despite this anticipated increase in debt, the Council is continuing to ensure prudent and sustainable financial management of its operations. The implication of this is that Council will not borrow beyond its ability to service and repay that borrowing.

Operating Expenditure

In preparing this Three-year Plan Council has recognised the need to ensure costs are kept under tight control and that rate increases are kept as low as realistically possible. Financial forecasts prepared as part of this plan indicate that the rate increase to existing ratepayers for the next three years will be 6.60 per cent, 6.57 per cent and 6.50 per cent, inclusive of the 1.93 per cent special charge. Because rates include interest expense and debt repayment, the capital programme causes 4.16% per cent to the rate increase. This includes the impact of bringing forward significant growth-related capital expenditure in the 2012/13 Annual Plan.

As a result costs have been closely reviewed and reductions of almost \$12 million have been made, primarily in infrastructure and facility maintenance budgets, although significant cuts have also been made to IT and printing costs. Included in the \$12 million is a \$2.5 million reduction in the review of the District Plan as a result of spreading the work over a longer period. Other expenses, with the exception of salaries have been held to 2012/13 levels. The effect of this has been to hold the 2013/14 operating expenditure budget (excluding recovery costs) to \$371 million, \$5 million lower than in last year's Annual Plan.

BERL has estimated inflation to be at 3.0 per cent and applying this rate to the 2012/13 budget would have given an upper limit of \$449 million, meaning that the overall saving is closer to \$16 million.

Costs have also been tightly controlled in year two and three of the plan, with operating savings of \$5 million included in 2014/15 budgets.

Capital programme expenditure

Council plans to invest \$850 million in the capital programme in year one which is in line with that of the previous year. The programme increases in years two and three to one billion, and \$960 million respectively. Details of the projects are in the Planned capital programme section.

Credit rating

Council's international credit rating from Standard and Poor's (S&P) is reviewed annually and was downgraded in 2012 from AA negative outlook to AA- a negative

outlook. The negative outlook primarily reflected the increased debt and Council's contingent liabilities being the difficulty faced in securing insurance cover, combined with the possibility of future earthquakes. Standard & Poor's also noted that two years after the earthquake, Council's forecasts still include uncertainty regarding the timing of capital grants from the Crown. Mention was made of the Council's good cash reserves and access to debt when required, and of its ongoing prudent financial management.

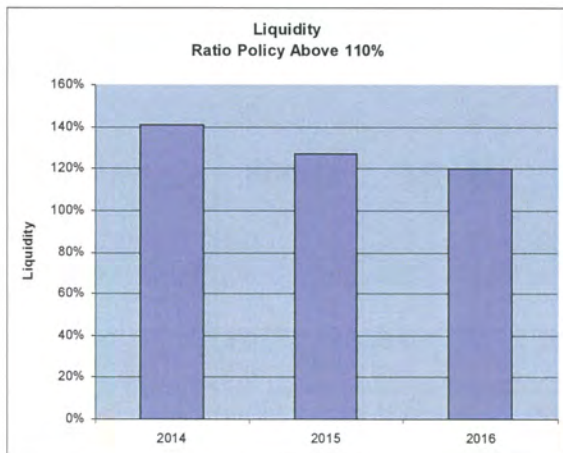
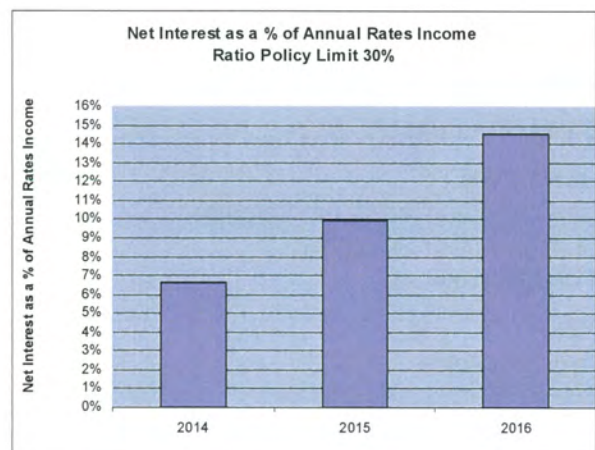
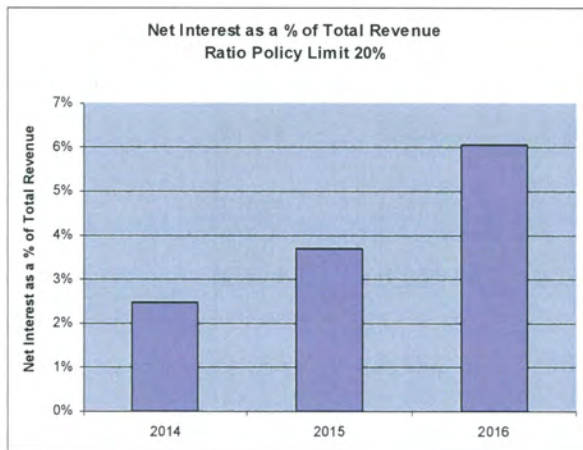
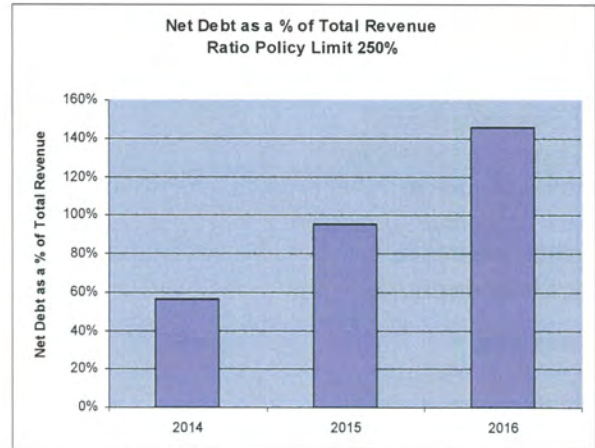
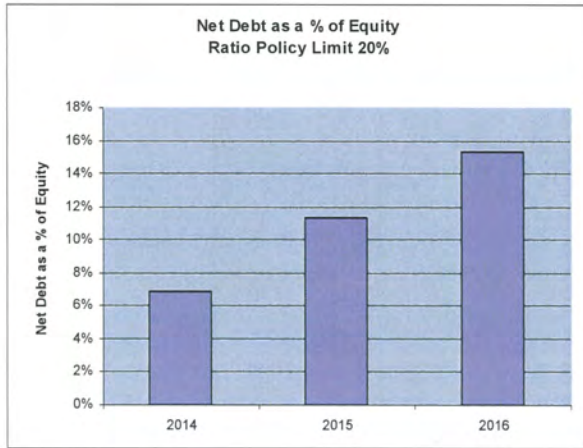
Financial Risk Management Strategy

Council has policies to assist in managing its financial risk, including liquidity and funding risk management, interest rate exposure and counterparty credit risk. Further detail is provided within the Liability Management Policy. An important element in assessing the value of Council's risk management strategy is its five key financial ratios.

Key Financial Ratios	
net debt as a percentage of equity	<20%
net debt as a percentage of total revenue*	<250%
net interest as a percentage of total revenue*	<20%
net interest as a percentage of annual rates income (debt secured under debenture)	<30%
liquidity (term debt + committed loan facilities + liquid investments to current external debt)	>110%
<i>*excludes non government capital contributions</i>	
<i>Net debt is defined as total consolidated debt less liquid financial assets/ investments.</i>	

All ratios other than 'net debt as a percentage of equity' have been increased to reflect Council's increasing debt and interest over the next six years as detailed in the Financial Strategy. The new ratios are based on those set by LGFA and represent good practice. As indicated in the ratio tables below the Council anticipates staying well within its ratio limits for the three years of this Plan. Future forecasts of total borrowings and Council's key debt ratios are included in the Financial Strategy.

Ratio tables



	Three-year Plan		
	2013/14	2014/15	2015/16
Operating expenditure	371.2	383.5	391.5
Capital Grants	3.2	7.3	11.8
Capital Programme	175.3	228.1	236.0
Transfers to reserves	58.8	51.2	53.1
Interest expense	32.4	36.0	41.4
Debt repayment provision	8.6	11.3	15.0
Landfill aftercare	0.3	0.4	0.3
Total expenditure	649.8	717.9	749.3
funded by :			
Operating revenue	123.3	133.4	137.7
Dividends received	48.7	48.9	51.3
Interest received	14.8	14.8	14.9
Transfers from reserves	12.3	7.3	6.7
Asset Sales	1.2	1.2	1.3
Development contributions	18.0	22.6	21.1
Capital grants and subsidies	22.3	30.9	28.9
Total funding available	240.7	259.1	261.8
Balance required	409.1	458.8	487.5
Borrowing			
Borrowing for Capital programme	82.2	116.5	130.3
Borrowing for opex deficit	-0.2	-8.5	-19.1
Total Borrowing	82.0	108.0	111.2
Rates			
Ordinary Rates	310.8	327.4	345.0
Special Earthquake Charge*	16.3	23.4	31.2
Total Rates	327.1	350.8	376.3
Total Rates Increase	7.63%	7.21%	7.25%
Rates increase incl growth	6.60%	6.57%	6.50%
Special Earthquake Charge*	1.93%	1.93%	1.93%
Ordinary Rates Increase incl Growth	4.67%	4.64%	4.57%

Table 1a - Operating Deficit*			
* funded by Special Earthquake Charge	2013/14	2014/15	2015/16
Increased BAU Costs	6.9	6.4	6.4
Lower BAU Revenue	6.8	5.4	3.9
Dividends reduced			
Interest revenue reduced	1.2	0.5	0.5
Rates growth lost		1.6	0.8
	14.9	13.9	11.6
Council Surplus			
Interest expense	1.2	1.0	0.6
	16.1	14.9	12.2
funded by :			
Borrowing for EQ Opex deficit	-0.2	-8.5	-19.1
Special Earthquake Charge	16.3	23.4	31.2
	16.1	14.9	12.2
Debt Balance	27.6	19.1	0.0

Table 2 - Earthquake Response and Recovery Funding (includes Infrastructure Rebuild Programme)	2013/14	2014/15	2015/16
Interest expense	6.1	19.1	31.3
Rebuild Programme	575.5	559.6	524.3
Emergency and response costs	44.6	35.9	23.5
Buildings / Infrastructure improvement allowance	25.5	27.1	24.2
Transfers to reserves	0.0	0.0	0.0
	651.7	641.7	603.2
<i>funded by :</i>			
Operational Subsidies	20.4	14.9	7.8
Rebuild subsidies and recoveries	344.1	306.5	308.3
Interest revenue	0.0	0.0	0.0
Transfers from reserves	68.0	41.8	43.5
Asset Sales	0.0	0.0	0.0
Borrowing for Rebuild	219.3	278.5	243.6
Rates	0.0	0.0	0.0
	651.7	641.7	603.2
Debt Balance	311.1	589.6	833.3

Table 3 - Major Community Facilities Funding	2013/14	2014/15	2015/16
Interest expense		-4.9	-2.0
Rebuild Programme	100.9	230.4	236.8
Transfers to reserves	1.5	0.0	0.0
	102.3	225.4	234.9
<i>funded by :</i>			
Insurance recoveries	64.4	117.6	66.2
Interest revenue	1.5	0.0	0.0
Transfers from reserves	74.7	0.0	0.0
Asset Sales	57.1	15.0	0.0
Rebuild Fund - Improvement allowance	25.5	27.1	24.2
Borrowing for Rebuild	-128.6	41.0	100.1
Ordinary rates	2.1	18.7	38.0
Major Community Facilities rates charge	5.6	6.0	6.4
	102.3	225.4	234.9
Debt Balance	-128.6	-87.5	12.6

Schedule 1 - Capital Programme

	2014	2015	2016
Capital Programme	175,334	228,131	236,044
Capital Grants	3,220	7,342	11,817
Funded by:			
Sundry asset sales	-1,192	-1,246	-1,296
Development Contributions	-18,000	-22,603	-21,140
Renewals rated for	-48,003	-60,630	-63,055
Capital subsidies and grants	-22,306	-30,917	-28,884
Transfers from Special Funds	-6,824	-3,652	-3,200
Total annual rates funded borrowing requirement	82,229	116,425	130,285
Rates impact (largely due to previous years borrowing):			
Increased interest cost	6,512	3,735	5,849
Increased debt repayment provision	4,276	2,738	3,693
Renewals inflation	2,854	4,440	4,097
Renewals growth	-475	-	-
Removal of one off rating for Banks Peninsula wharf renewals	-320	-	-
Year-on-year rates impact of Capital Programme	12,847	10,912	13,639

Schedule 2 - LTP Committee / Council Changes

	2014	2015	2016
Total Walk-In hours increased by 6 per week	8	-	-
Additional Call Centre staff - 4 FTEs	216	-	-
Additional funding for broadcasting Council Meetings	86	-	-
Hospital Grounds - one hour free parking	150	-	-
Akaroa Museum collection insurance	10	-	-
Feb 22 Annual Commemoration	50	-	-
Cost increase for free events	60	-	-
Temporary accommodation permits - 2 FTEs	-	150	-
Liquor Licencing - 2 FTEs	138	-	-
Health licencing - 2 FTEs	-	163	-
Health Licencing - Cost recovery from fees	-	-163	-
Building Compliance Schedule Audits - 1 FTE	-	-	63
Building WOF - Cost recovery from fees	-	-	-63
Art Gallery - Security Services	148	-	-
	865	150	-

Endorsed by LTP Committee in Customer Services activity management plan (to meet LOS 2.6.2)

Endorsed by LTP Committee in Customer Services activity management plan (to meet LOS 2.6.9)

Endorsed by LTP Committee in Public Affairs activity management plan (to meet LOS 13.6.3)

Endorsed by LTP Committee – December 2012 meeting.

Endorsed by LTP Committee in Art Gallery and Museums activity management plan (to meet LOS 3.0.16)

Endorsed by LTP Committee in Civic and International Relations activity management plan (to meet LOS 5.0.8)

Endorsed by LTP Committee in Events and Festivals activity management plan (to meet LOS 7.2.3)

Endorsed by LTP Committee in Licencing and Enforcement activity management plan (to meet LOS 9.0.17)

Endorsed by LTP Committee in Licencing and Enforcement activity management plan (to meet LOS 9.0.18)

Endorsed by LTP Committee in Licencing and Enforcement activity management plan (to meet LOS 9.0.18)

As above

Endorsed by LTP Committee in Building Consent activity management plan (to meet LOS 9.1.9)

As above

Considered by LTP Committee in Art Gallery and Museums activity management plan (to meet LOS 3.0.11) Further information to hand since.

Schedule 3 - Operational Changes

	2014	2015	2016	Comments
Refuse / Recycling / Organics contract costs	370	54	324	Changes in costs are in line with contracted changes relating to volumes and inflation.
Electricity costs due to growth	-	163	197	Increased charges are a direct reflection of expected volume changes at the Council Treatment Plant.
NZTA Operational Subsidy	81	-619	1,102	Operational subsidy alters in line with the level of works being undertaken on the roads via Rebuild works. This drops in 2016 as roading works relating to Rebuild is higher in the first years of LTP.
Consenting / Building Inspection Activities	1,490	-660	-38	High revenue targets in 2012/13 for Rebuild work would have resulted in an over-recovery (profit) in the consenting and inspections area. This has not eventuated so volumes have been re-modelled for the Plan which better reflects the policy of 100% user pays (ie. break even)
Libraries (net cost)	157	810	415	Libraries building maintenance was increased in 2014 to ensure maintenance can be conducted on a proactive basis in line the the Asset Management Plans. New Halswell library operational cost was planned for part of 2014/15 and for the full year 2015/16.
Art Gallery (net cost)	-463	526	-	Art Gallery is assumed to remain closed in 2013/14, which gives a net cost saving and is planned to reopen in 2014/15.
Metro Sports Facility (net cost)	-	-	500	2015/16 Operational costs for new facility prior to opening. Full-year costs will be budgeted in the 2016/17 year (in the 2015 LTP).
Eastern Aquatic Facility (net cost)	-	254	304	2014/15 Operational costs prior to opening and 2015/16 year one after opening.
Athletics Track	-	500	-	2014/15 first year of new Athletics Track.
World Cup Cricket	100	650	-750	Bid for World Cup Cricket.
Election Costs	820	-755	-	Elections held in 2013/14.
Central City / District Plan Review costs	-2,500	3,467	-1,687	Central City budget for grants and consultants reduces in 2013/14, and District Plan review starts in 2014/15.
Three-yearly Valuation costs	840	-840	-	Assumes the city-wide revaluation will be carried out in 2013/14.
LTP Costs	-	450	-450	Audit costs to audit the Long-term Plan
Test Cricket - Maintenance of facilities	300	-	-	Maintenance costs for new test cricket venue.
Land Contamination Review costs	150	-150	-	Project Manager for land contamination project.
District Licencing Committee Costs	202	202	-	Relates to the new liquor legislation. 2013/14 has six months of committee costs and 2014/15 a full twelve months.
Implementation of Earthquake-prone Buildings Policy	276	-108	-53	Budget for desktop assessment of Earthquake-damage prone buildings.
Central City Business Association Grant dropping out	-	-	-150	Funding of CCBA to be reviewed at next LTP.
CDC Operating Grant (rates funded)	-350	-	-	2012/13 was the last year of CDC special projects funding as resolved by Council. This funding has been replaced by increased funding for the Canterbury Regional Innovation System from the Capital Endowment Fund.
CCT Operating Grant (rates funded)	-	-	-150	Partnership funding drops in 2015/16.
Civic Building Rental and Insurance Costs	1,233	-	-	Rental increase in accordance with the lease agreement.
Software licencing	849	-	-	License costs associated with the increase in post-earthquake staff numbers as well as new systems (Capital Programme Management, Consents & Customer).
Geo Dome Costs	217	-	-	Cost of continued operation of the Geo Dome
Reduction in Cellsite Revenue	405	-	-	Due to a change in legislation, there is an inability to charge for cell site rentals on public roads.
"Go Ahead" Campaign	100	-	-	Marketing for the Rebuild
Savings from IT Projects	-450	-450	-450	Budgeted savings to be achieved through the implementation of the IT Business Solutions capital programme.
Commissioners' Fees	-250	-	-	Expected lower commissioner costs for plan changes
Printing Costs	-380	-	-	Lower printing costs resulting from technology changes
Road Opening Fees	-600	-	-	Road opening fees have been under review for the last year and the charge has now been reinstated now process has been completed.

Interest earnings	-	-5	-39
Dividends and Tax	-	-	-2,555
Net Opex Inflation Adjustment	7,134	6,898	7,248
Inflation on CDC Operational Funding	94	58	109
Inflation on CCT Operational Funding	75	29	54
Community Facilities Rates Charge	344	366	390
Other Net Savings / misc changes	-6,775	-4,993	62
	3,468	5,846	4,383

Increased interest received due to an increase in interest rates
 \$2.3m higher dividends revenue based on forecasts from subsidiaries; \$0.2m
 increase in subvention receipts from subsidiaries
 Council wide inflation adjustment as individual numbers are not shown as
 inflated.
 Core funding inflation proofed
 Core funding inflation proofed
 The rates gathered through the 1.84% Major Community Facilities rates charge
 increase as a result of the general rates increase each year. This is used to
 repay the borrowing taken on for the Major Community Facilities rebuild
 programme.

Sum of savings made across the Council.

Schedule 4 - Non Rates Funded Changes

	2014	2015	2016
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Housing:			
Insurance costs	-1,588	-	-
Maintenance costs	554	66	-150
Rental revenue	191	-738	-
Earthquake Response costs and recoveries:			
- Water Supply	723	-1,182	-1,200
- Wastewater Collection	-7,203	-5,000	-5,000
- Treatment Plant	1,750	-	-
- Stormwater	-	-	-
- Roading	-3,707	-400	-4,000
- Parks	1,400	-1,000	-1,000
- Geotech	-2,465	-1,134	-92
- Building Assessments	1,362	-	-1,500
- Other	304	-319	-
- Increased cost of working - Tankered Waste	-1,400	600	400
- Transitional Projects removed	-	-	-
- CERA recoveries	3,180	3,709	3,720
- NZTA recoveries	2,531	228	2,280
- Insurance recoveries	145	900	750

Insurance costs reduced to match the reduced number of units available
 Correction of budget requirement for maintenance of social housing stock
 Housing stock reduced in 2013/14 as a result of DEE assessments and restored
 by 2014/15

Capital Endowment Fund:			
Antarctic Festival	-65	-	-
CDC grant	350	150	-
CCT grant	-	150	-
New Zealand Open (Mens) Golf	-	-450	-
Inflation Protection utilised for grants	1,708	-1,708	-
Events	-	-	240
	-2,230	-6,128	-5,552

Increase in CEF-funded grant to CDC to \$850k in 2014 for CRIS, increasing to
 \$1 million per annum in 2015.
 CCT receives \$850k special project funding in 2014, increasing to \$1 million per
 annum from 2015.
 End of existing commitment
 as resolved by Council
 Council-resolved support to FIFA Under 20 World Cup in 2016 of \$200k,
 increase in one-off events funding of \$40k.

Where your rates go

The Council relies on rates for about 33 per cent of its income and will collect \$333 million (GST exclusive) in rates during 2013/14. This is \$23.6 million more than in 2012/13 and represents an average increase in rates of 6.6 per cent to existing ratepayers.

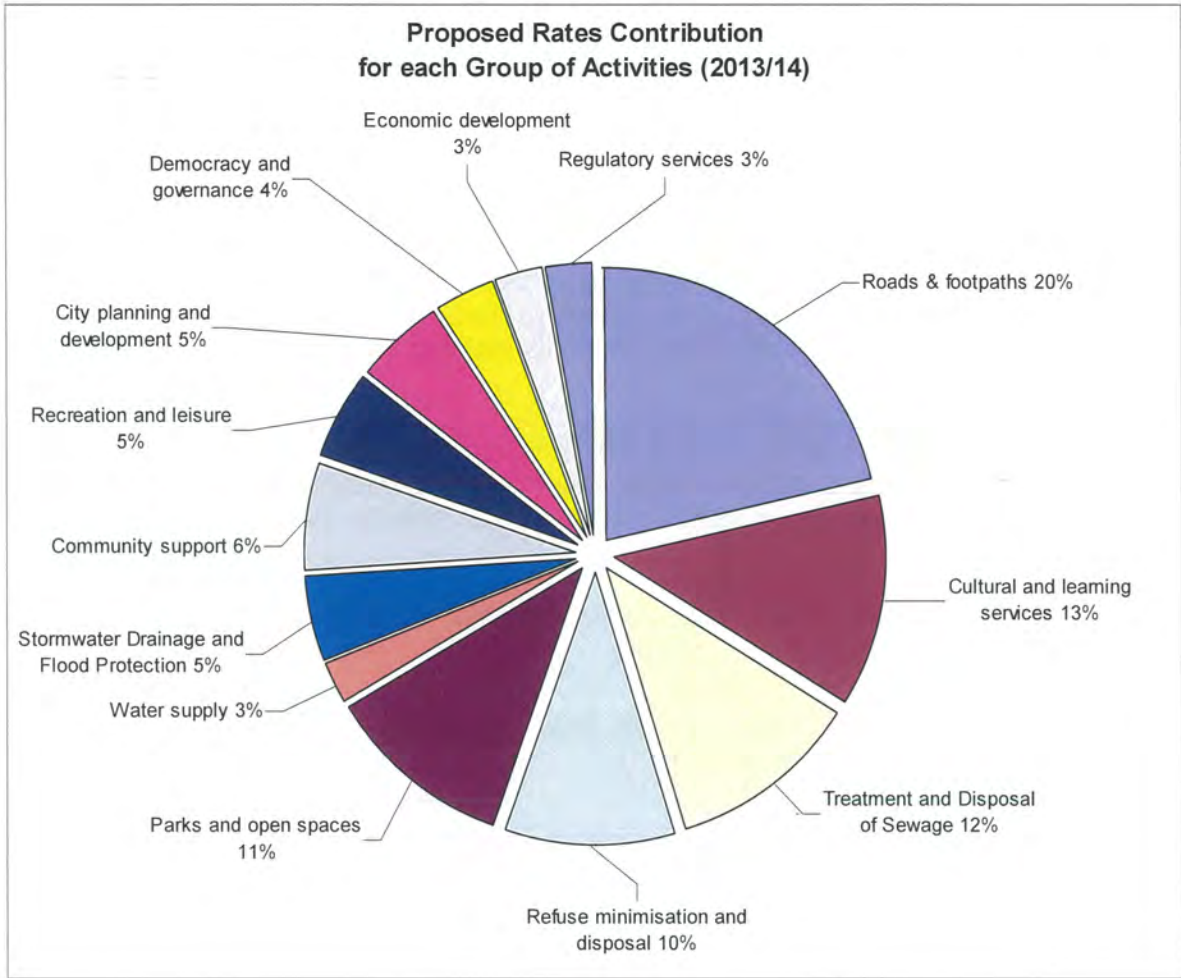
Much of the Council's spending goes toward providing essential services to keep the city running smoothly. This includes maintaining our roads, parks, sewerage systems and water supply. The Council must also allow for increased demand for new infrastructure such as new roads, subdivisions, parks and open spaces. There is \$50 million in rates that would normally be spent on infrastructure renewals that has been transferred across to the rebuild programme.

A 1.93 per cent increase in rates will fund borrowing to meet an operating deficit from additional earthquake recovery costs and the loss of several revenue sources, particularly parking. This surcharge will be recovered annually through to 2015/16.

The table and graph below show the activities the Council will provide during 2013/14 and how rates contribute to these activities:

HOW YOUR RATES WILL BE SPENT 2013/14

GROUP OF ACTIVITY	Cents per dollar of rates	Average residential rates each week
Roads and footpaths	21.4c	\$7.76
Cultural and learning services	12.5c	\$4.54
Treatment and disposal of sewage	11.5c	\$4.17
Refuse minimisation and disposal	9.8c	\$3.56
Parks and open spaces	11.1c	\$4.03
Water supply	2.6c	\$0.94
Stormwater drainage and flood protection	5.1c	\$1.85
Community support	6.3c	\$2.29
Recreation and leisure	5.3c	\$1.92
City planning and development	5.2c	\$1.89
Democracy and governance	3.7c	\$1.34
Economic development	2.8c	\$1.02
Regulatory services	2.7c	\$0.98
	100.0c	\$36.29



How capital expenditure is funded

The Council will invest around \$1 billion in the city's infrastructure between 2013 and 2016.

Capital expenditure funding is a subset of the Council's total funding. Earthquake rebuild recoveries, such as insurance, central Government reimbursements and NZ Transport Agency subsidies, are the main source of funding until 2018/19.

Borrowing is the second largest source of funding, followed by rates. Rates are another key source, with \$100 million allocated to the programme.

Capital grants, subsidies and development contributions make up around 4 per cent.

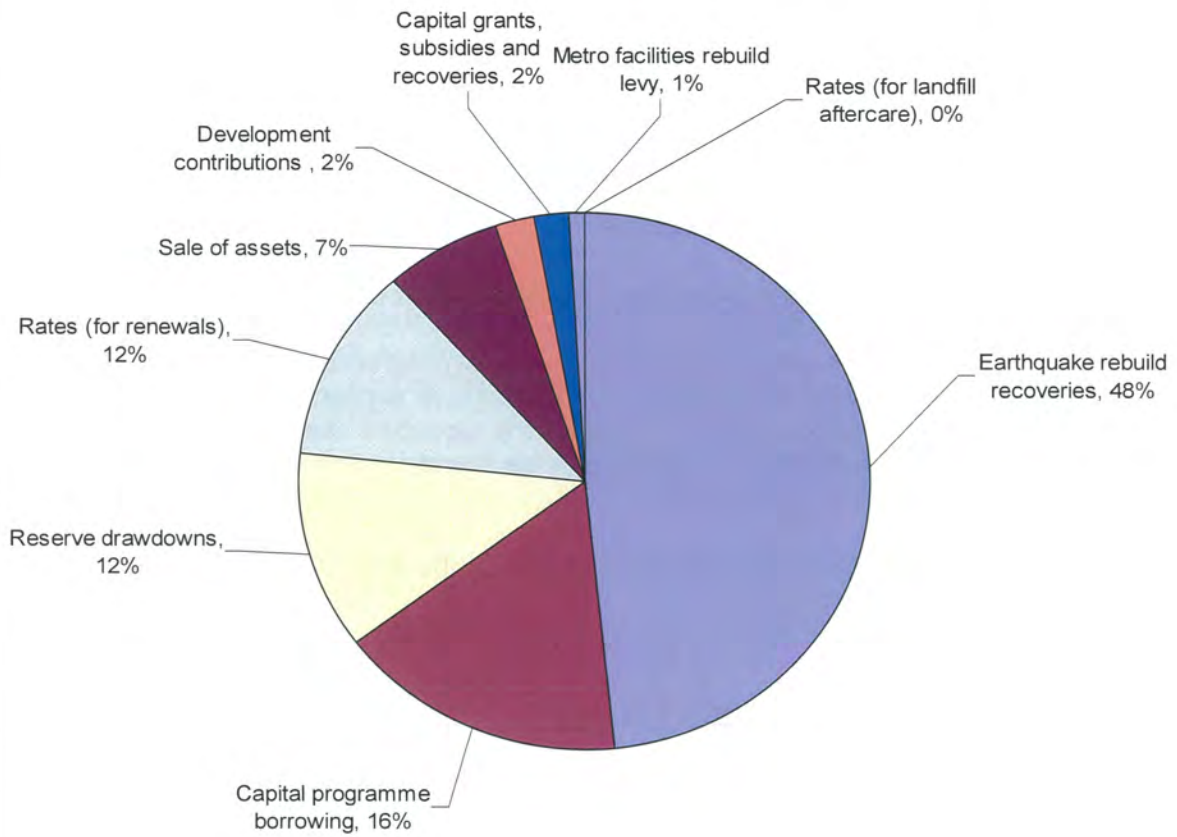
A detailed analysis of the Council's policy for funding its capital programme is available in the Revenue and Financing Policy, and the funding of the rebuild is explained in the Financial Strategy. The table and graph below details funding for the Council's capital programme for 2013/14. The figures for the full three year period can be found in note 5 of the Financial Overview.

Asset sales have increased to \$58 million for the year, due to the sale of property as part of the Christchurch Central Recovery Plan.

How we fund our capital programme:

Funding sources 2013/14	%	\$000
Earthquake rebuild recoveries	48%	413 593
Capital programme borrowing	16%	139 400
Reserve drawdowns	12%	99 552
Rates (for renewals)	12%	98 001
Sale of assets	7%	58 292
Development contributions	2%	18 000
Capital grants, subsidies and recoveries	2%	17 165
Metro facilities rebuild levy	1%	5 630
Rates (for landfill aftercare)	0%	330
	100%	849 963

Funding sources for the 2013/14 capital programme



Where our funding will come from

Before the earthquakes, rates were the main source of funding for the Council's activities. As the earthquake recovery gains momentum, insurance and central Government reimbursements, and NZ Transport Agency subsidies are becoming more significant. In the 2013/14 year, the Council expects to receive \$ 414 million or 31 per cent of funding from these proceeds. This compares with 28 per cent last year and around 2 per cent in a normal year.

In the 2013/14 financial year, the Council will collect \$333 million in rates to help pay for essential services such as water supply, roading and wastewater treatment, as well as capital renewal and replacement projects and events and festivals. Included within the general rate is a 1.93 per cent surcharge that is used to fund the operating deficit.

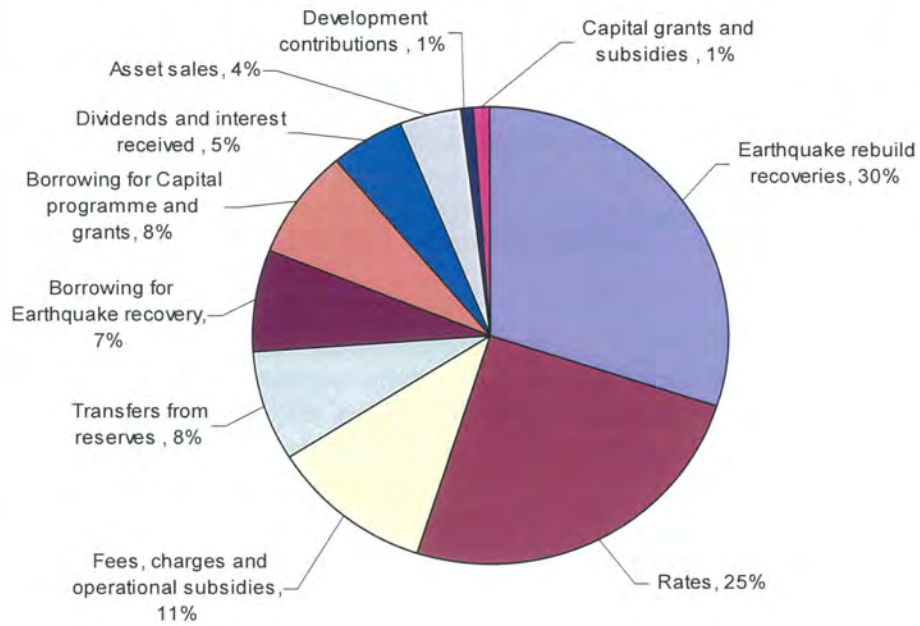
The Council has tried to keep rates as low as possible by holding many costs to the 2012/13 level and driving through savings in maintenance costs and operating costs. This income is supplemented with funding from fees and charges, Government subsidies, development contributions, interest and dividends from subsidiaries.

The Council owns shares in major local companies through its wholly-owned subsidiary Christchurch City Holdings Limited. These companies include Christchurch International Airport, City Care, Lyttelton Port Company, Orion, Eco Central, Enable Services and Red Bus, which together are forecast to pay dividends of \$49 million, a \$7 million increase over last year.

Borrowing is the other key source of funding. In 2013/14, the Council anticipates borrowing \$173 million, increasing to \$454 million in year three as the rebuild gains momentum.

Funding sources 2013/14	%	\$000
Earthquake rebuild recoveries	30%	413 593
Rates	25%	332 773
Fees, charges and operational subsidies	11%	143 669
Transfers from reserves	8%	105 078
Borrowing for earthquake recovery	7%	92 547
Borrowing for capital programme and grants	8%	80 144
Dividends and interest received	5%	65 029
Asset sales	4%	58 292
Development contributions	1%	18 000
Capital grants and subsidies	1%	17 165
	100%	1 326 290

Where our funding will come from 2013/14



Annual Plan 2012/13	Financial Overview	Note	Three-year Plan 2013 - 2016		
			2013/14	2014/15	2015/16
			\$000		
Funding Summary					
436,126	Operating expenditure	1	419,046	426,801	426,819
844,662	Capital programme	5	849,961	999,706	959,447
17,010	Transfers to reserves	2	10,216	9,395	9,634
36,384	Interest expense	3	38,483	50,195	70,740
4,313	Debt repayment	4	8,584	11,320	15,024
1,338,495	Total expenditure		1,326,290	1,497,417	1,481,664
<i>funded by :</i>					
153,821	Fees, charges and operational subsidies	6	143,669	148,359	145,439
61,343	Dividends and interest received		65,029	63,716	66,184
210,547	Transfers from reserves	7	105,080	7,283	6,661
1,205	Asset sales	8	58,292	21,768	1,296
8,655	Development contributions		18,000	22,604	21,140
386,137	Earthquake rebuild recoveries		413,593	432,974	384,208
9,032	Capital grants and subsidies		17,165	22,011	19,139
830,740	Total funding available		820,828	718,715	644,067
507,755	Balance required		505,462	778,702	837,597
141,075	Borrowing for Capital programme and grants		80,144	92,176	92,237
57,507	Borrowing for Earthquake recovery		92,547	329,746	362,721
309,173	Rates		332,771	356,780	382,639
7.61%	Nominal rates increase		7.63%	7.21%	7.25%
7.80%	Percentage rate increase to existing ratepayers		6.60%	6.57%	6.50%

Funding Summary	Three-year Plan 2013 - 2016		
	2013/14	2014/15	2015/16
Operating expenditure	419,046	426,801	426,819
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Percentage rate increase to existing ratepayers	6.60%	6.57%	6.50%

Annual Plan 2012/13	Note 1 Operating Expenditure	Three-year Plan 2013 - 2016		
		2013/14	2014/15	2015/16
		\$000		
26,358	City planning and development	23,038	26,844	25,803
42,125	Community support	41,914	41,178	42,318
49,343	Cultural and learning services	47,339	55,913	63,763
12,517	Democracy and governance	13,436	12,737	12,739
9,483	Economic development	9,864	10,280	10,364
44,014	Parks and open spaces	45,542	44,118	44,393
33,835	Recreation and leisure	33,459	35,431	38,443
43,560	Refuse minimisation and disposal	44,273	45,130	47,017
49,390	Regulatory services	45,843	48,468	46,938
108,262	Provision of roads and footpaths	96,172	99,277	102,675
73,748	Treatment and disposal of sewage	64,557	62,139	59,726
31,580	Water supply	31,250	31,509	32,157
24,288	Stormwater drainage and flood protection	24,845	25,648	26,824
37,950	Corporate	42,280	51,626	65,143
586,453	Total Group of Activity expenditure	563,812	590,298	618,303
113,579	Less depreciation	106,283	113,302	120,744
36,384	Less interest expense	38,483	50,195	70,740
366	Less non cash expenditure			
436,124	Operating expenditure	419,046	426,801	426,819
Note 2				
Transfers to Reserves				
10,367	Interest earned credited to funds	6,641	6,578	6,686
176	Ratepayer funding of 8% of Dog Control costs	183	186	189
843	Housing cash operating result	2,076	2,767	2,904
165	Dog Control cash operating result	(146)	(136)	(145)
5,459	Earthquake rebuild fund	1,462	-	-
17,010		10,216	9,395	9,634
Note 3				
Interest Expense				
9,159	Existing capital works borrowing	15,300	19,273	24,357
11,605	Borrowing for earthquake related costs	7,224	15,201	29,897
8,102	Borrowings for equity investments	9,234	9,238	9,410
7,503	Borrowings for advances	6,725	6,483	7,076
15	Separately funded activities borrowing	-	-	-
36,384		38,483	50,195	70,740
Note 4				
Debt Repayment provided for				
74	Targeted Rates - loan principal	38	38	38
4,232	Existing capital works debt	8,544	11,282	14,975
7	Housing loan repayment	2	-	11
4,313		8,584	11,320	15,024

Note 5		Three-year Plan 2013 - 2016		
Annual Plan 2012/13	Capital Programme Summary	2013/14	2014/15	2015/16
		\$000		
1,116	City planning and development	350	287	299
10,583	Community support	9,847	13,642	13,864
43,414	Cultural and learning services	40,034	47,358	31,592
-	Democracy and governance	-	-	-
167	Economic development	179	187	194
34,795	Parks and open spaces	27,231	14,277	19,678
5,563	Recreation and leisure	25,475	83,296	58,178
2,301	Refuse minimisation and disposal	4,567	1,066	789
85	Regulatory services	309	218	171
196,435	Provision of roads and footpaths	200,368	253,323	154,159
300,945	Treatment and disposal of sewage	392,086	399,539	383,418
105,373	Water supply	29,771	26,150	18,720
42,531	Stormwater drainage and flood protection	76,430	82,096	85,681
101,354	Corporate	43,314	78,267	192,704
844,662	Total capital programme	849,961	999,706	959,447
	<i>funded by :</i>			
1,205	Sale of assets	58,292	21,768	1,296
95,944	Rates (for renewals)	98,003	102,443	106,539
575	Rates (for landfill aftercare)	330	350	338
5,287	Metro facilities rebuild levy	5,630	5,996	6,386
386,137	Earthquake rebuild recoveries	413,593	432,974	384,208
202,088	Reserve drawdowns	99,552	3,652	3,200
8,655	Development contributions	18,000	22,604	21,140
9,032	Capital grants and subsidies	17,165	22,011	19,139
708,923	Total funding available	710,565	611,798	542,246
135,739	Capital programme borrowing	139,396	387,908	417,201
5,336	Borrowing for grants	3,220	7,342	11,817
57,507	Borrowing for earthquake response	30,075	26,672	25,940
198,582	Total new borrowing	172,691	421,922	454,958
4,357	Less debt repayment (incl housing)	8,584	11,320	15,024
194,225	Net change in borrowing	164,107	410,602	439,934
784,855	Cumulative debt	773,417	1,184,019	1,623,953

Note 6		Three-year Plan 2013 - 2016		
Annual Plan	Fees, charges and operational subsidies	2013/14	2014/15	2015/16
2012/13				
		\$000		
1,399	City planning and development	1,778	1,574	1,854
15,874	Community support	20,844	25,797	27,122
33,054	Cultural and learning services	8,159	4,549	4,696
-	Democracy and governance	350	-	-
47	Economic development	22	22	23
13,583	Parks and open spaces	9,546	11,259	10,501
14,716	Recreation and leisure	21,228	18,826	31,123
9,069	Refuse minimisation and disposal	11,099	9,913	10,199
38,304	Regulatory services	36,248	40,493	40,384
131,441	Provision of roads and footpaths	140,461	173,067	115,081
175,903	Treatment and disposal of sewage	253,093	233,503	222,600
57,910	Water supply	12,264	12,166	11,399
11,911	Stormwater drainage and flood protection	40,095	41,200	41,377
55,725	Corporate	38,186	54,551	54,567
558,936	Total Group of Activity revenue	593,373	626,920	570,926
9,000	Less Development Contributions	18,000	22,604	21,140
9,032	Less Capital Grants & Subsidies	17,165	22,011	19,139
386,137	Less Earthquake Rebuild Recoveries	413,593	432,974	384,208
946	Less non cash revenue	946	972	1,000
153,821	Fees, charges and operational subsidies	143,669	148,359	145,439

Note 7
Transfers from Reserves

-	Reserves a/c - Reserve purchases	3,000	-	-
1,098	Housing - net capital programme	3,560	3,498	3,048
80	Dog Account - capital programme	264	154	152
3,165	Capital endowment fund - grants	5,068	3,210	3,450
-	Income equalisation fund - carry forward funding	458	421	-
206,197	Earthquake recovery fund - rebuild	92,728	-	-
7	Housing debt repayment	2	-	11
210,547		105,080	7,283	6,661

Note 8
Asset Sales

219	Plant and vehicle disposals	218	229	238
560	Surplus property sales	548	6,094	595
426	Surplus roading land sales	426	445	463
-	Earthquake related land sales	57,100	15,000	-
1,205		58,292	21,768	1,296

