

# **Long Term Plan and financial strategy**

## **Frequently Asked Questions**

### **What is the Long Term Plan?**

The Christchurch City Council's Long Term Plan will shape the city over the next 10 years. It covers everything we do and how we pay for it.

This includes:

- fixing roads, footpaths and storm water systems
- repairing or rebuilding damaged community facilities
- our share of the costs for Central City anchor projects such as the stadium, New Central Library and Metro Sports Facility.

### **What is the Council's proposed financial strategy?**

The proposed financial strategy explains how the Council will deal with a \$1.2 billion shortfall in funding related to the earthquakes.

### **Why is the shortfall in funding so large?**

Earlier this year a report by independent consultants Cameron Partners estimates the shortfall would be about \$900 million.

That has increased to \$1.2 billion because:

- insurers are unlikely to pay our claims in full
- the Council's three Year Plan assumed savings of \$398 million on the repair bill for horizontal infrastructure (roads and pipes) which is unrealistic
- we want to avoid cutting Council services
- we have added to the Council's capital works programme to cover earthquake repairs and rebuilding
- we have allowed for extra borrowing in case we need it

On top of all this the Council is also likely to face extra costs associated with renewing roads and pipes that now have a shorter lifespan as a result of earthquake damage.

### **How is the Council going to fill this funding gap and balance its books?**

The Council wants to raise \$550 million by

- Selling shares in companies owned by its commercial arm, Christchurch City Holdings Ltd
- receiving a one-off \$90 million payment from Orion
- if necessary raising up to \$150 million through preference shares

Once the Council knows the true cost of repairing horizontal infrastructure (pipes and roads), the size of its insurance payments, and any extra contributions from the Crown, it may still need to raise further funds.

If this is the case the Council will investigate

- the timing and scale of its capital programme
- the potential for establishing a fully integrated transport authority for greater Christchurch
- setting up a Development Authority or similar body to take over some major Council rebuild projects (further information about the DA below)

If these options are not viable, the Council will make further asset sales with details finalised before releasing the Long Term Plan consultation document in March.

### **What assets does the Council propose selling?**

The Council has total assets worth \$10.5 billion, \$3.2 billion of that within its commercial arm Christchurch City Holdings Ltd.

CCHL owns Lyttelton Port Company, Eco Central, City Care, Red Bus and Enable Services. It also owns 89.3% of Orion New Zealand and 75% of Christchurch International Airport Ltd (75%)

At this stage the Council proposes selling:

- 34% of its shares in the Lyttelton Port Company and 9% of shares in Christchurch International Airport Ltd to suitable strategic partners
- 14.3% of shares in Orion on condition the shares are only offered to another public entity, such as another local authority, or to an institutional investor such as the NZ Super Fund. Any investor wishing to sell its shares at a later date would have to offer them back to the Council.

This will allow the Council to maintain control of its major strategic assets.

### **How much will the Council raise by selling shares in some of its commercial companies?**

The Council cannot be specific about how much it might raise through share sales in case it adversely affects the value of the companies involved.

### **What is a Development Authority and how could it help with the funding shortfall?**

Overseas Development Authorities have helped to fast-track major community and commercial developments. A Development Authority could act as a one-stop shop for investors, linking them with potential developments and streamlining the consents process. By negotiating public / private partnerships it could raise private sector funding for community rebuild projects, saving the Council money.

### **How is a Development Authority different to Canterbury Development Corporation which is partly Council funded?**

The Canterbury Development Corporation focuses on economic policy and providing strategic advice. A Development Authority would have a more hands-on role, sourcing capital and working directly with private sector investors and developers.

### **What does the proposed financial strategy mean for my rates?**

Without major changes to balance the books we face rates increases of more than 20% for the next couple of years. .

## **Why don't we just borrow more money to fund the earthquake rebuild?**

There are limits on how much we can borrow.  
This year we are planning to borrow \$450 million.

- \$320 million for the earthquake rebuild
- more than \$20 million to pay the interest on our current debt

If we don't make changes, and continue to borrow at the current rate, we will reach our debt limit by 2017.

## **What about our insurance payments?**

Negotiations with insurers are continuing and we still don't know how much we will receive.

## **What is the Council doing to cut spending?**

The Council aims to save 2 per cent annually on operational spending over the next three years.

## **Will this mean a cut in services?**

At this stage there are no plans to reduce services. This could change as a result of submissions on the Long Term Plan. For example, the Council could consider saving money by changing opening hours for libraries and recreation and sport centres, or reducing the amount spent on roads, economic development and events.

## **Can we delay some of the anchor projects or repair work?**

The Council has signed a binding agreement with the Government on funding the rebuild and both parties must agree to any changes.

The Cost Sharing Agreement commits the Council to contribute

- \$783 million to the Central City anchor projects regardless of our insurance payment.
- \$1.14 billion for the repair of roads and pipes, with the Crown contributing \$1.8 billion. An independent review of these costs is due early next year when Crown/Council contributions will be reviewed.

## **Do I get a say on any of this?**

Yes you will get a say on the Long Term Plan when the consultation document is launched in March. Councillors will consider formal public submissions before they adopt the Plan in June 2015.

However, it is important to note that any change to the timing or scale of projects affected by the Cost Sharing Agreement must be negotiated with the Government.