



City of Canterbury
City of Cultural Diversity

Integrated Planning 2013-14

Special Rate Variation Process

Councillor Workshop 8 May 2013



Integrated Planning Framework





Integrated Plans

- 10 year Community Strategic Plan
- 4 year Council Delivery Program
- 1 year Operational Plan and Budget
- Resource Strategy
 - Asset Management Strategy and Asset Plans
 - Workforce Management Plan (4 years)
 - Long Term Financial Plan (10 years)



Key Dates

June 2013

- Adopt new Integrated Plans
- Adopt Operational Plan and Budget for 2013-14

December 2013

- Advise IPART of intention to apply for SRV

March 2014

- Submit application to IPART for SRV



SRV Process is intended to:

- Gain broad community support
- Determine:
 - Appropriate levels of service for services and infrastructure
 - Whether some services should be discontinued
 - Size and timing of rate increases
- Maximise chance of success by satisfying IPART expectations



SRV Process involves...

- **Project Steering Group**
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- **Deliberative Working Group**
 - Randomly selected group of people representative of our community with which we will have a conversation about services and infrastructure, and costs and revenues



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- **Broader engagement**
 - Range of activities to make the conversation as public as possible and collect feedback

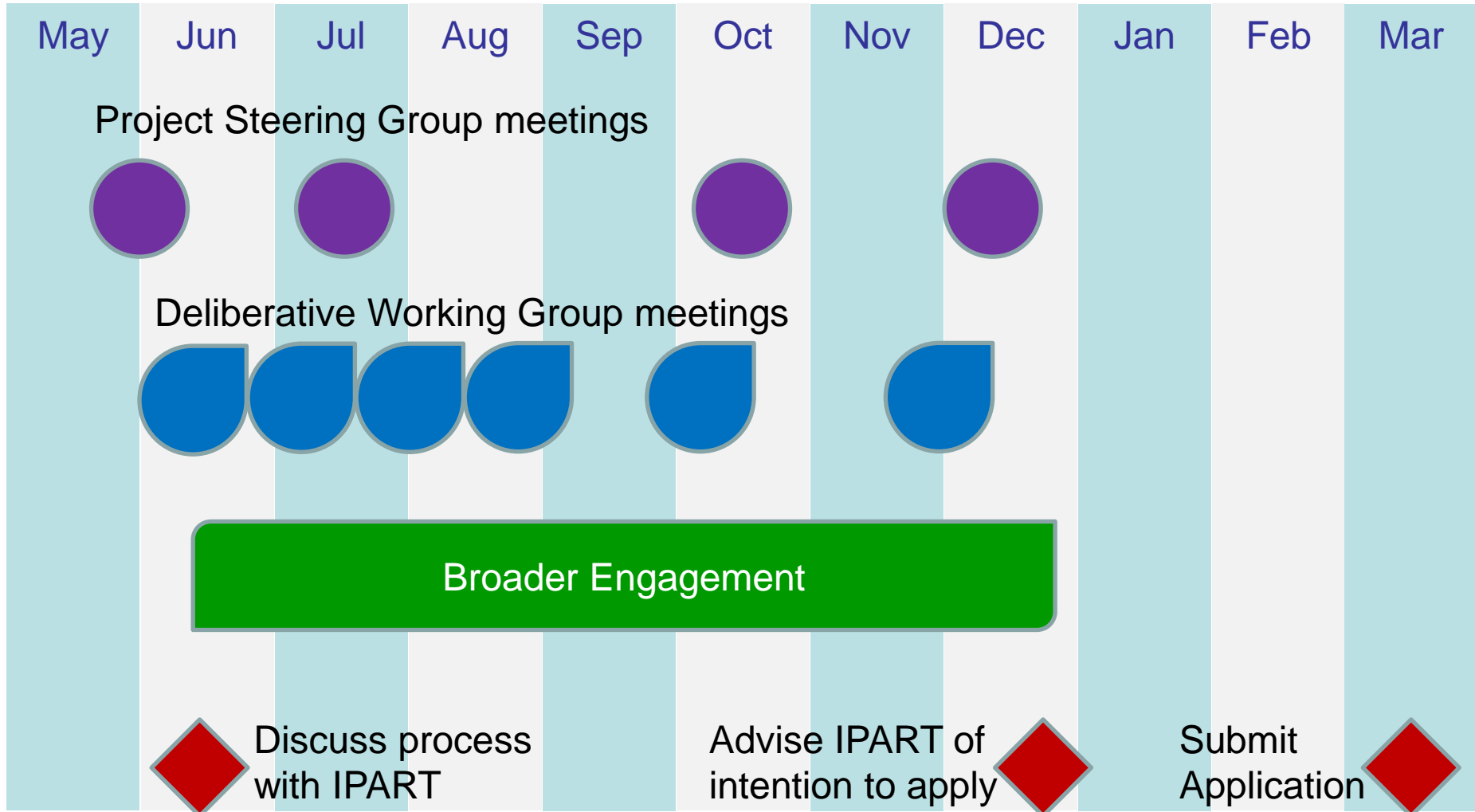


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- Broader engagement
 - Range of activities to make the conversation as public as possible and collect feedback
- **Council and organisational support**



Timetable







City of Canterbury
City of Cultural Diversity

Integrated Planning 2013-14

Long Term Financial Plan

Councillor Workshop 8 May 2013



Integrated Planning Framework





Purpose of the Long Term Financial Plan (LTFP)

- Secure Council's long term financial sustainability
- Ensure sufficient funds are generated to provide the levels of service and infrastructure agreed with the community.



Components of a LTFP

- Policy Framework
 - Lists the policies which impact the formation of our annual budgets
- Forecast Assumptions
 - Lists the key assumptions used within the Financial Model
- A Financial Model covering a minimum of 10 years.



Key Findings

- This is the second LTFP produced by Council;
 - The previous model presented in 2011 has been considered in past Councillor workshops.
 - This new LTFP is an iteration of the previous plan.
- Policies:
 - Change of policy to cap the level of unfunded liabilities such as Untaken Employee Entitlements and Security Bonds
 - Introduction of a Investment Fund (Strategic Property Fund) to lessen our reliance on rate revenue
 - No other changes to our policies



Key Findings

- Assumptions:
 - Workforce Plan - No changes to our workforce size or skill base
 - No changes to the services we are currently providing or the service levels
 - The impact of population growth has not been factored into this LTFP and this is a risk
 - No major asset sales or acquisitions have been factored into the plan
 - Investment income has been calculated on unrestricted funds
 - The refinancing of loans will be at the existing interest rate



Key Findings

- Assumptions:

- Annual increases factored into the model:

- Rate Cap = 3%

- CPI = 3%

- Award increases = 3.25%

- Superannuation will increase from 9% to 12% over the next 7 years

- Service Review Program will generate ongoing annual savings of \$450k

- Drainage reserve sales or other revenue initiatives will generate ongoing annual income of \$300k



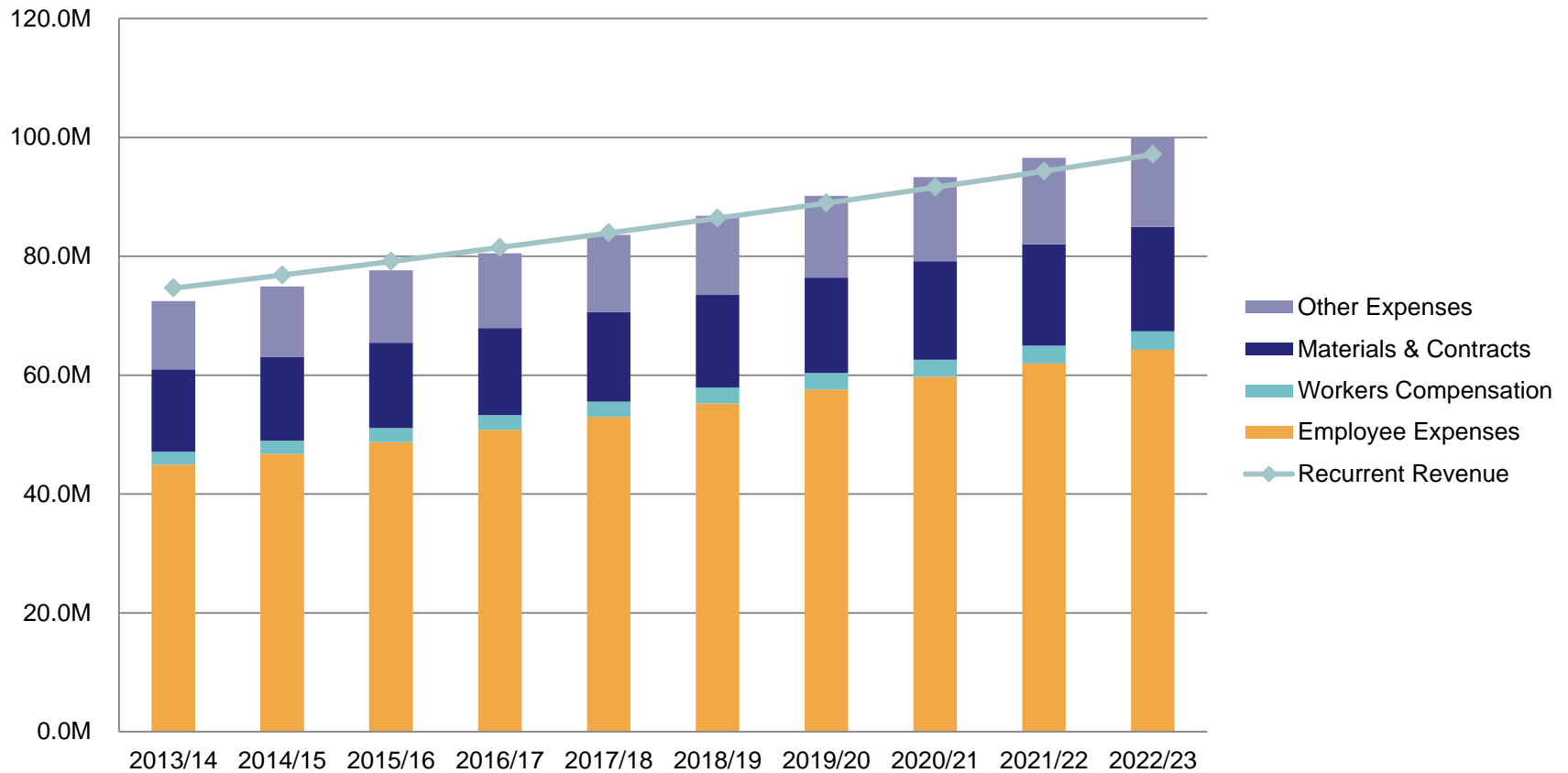
Issues to Address

- Funds from Recurrent Operations
 - The financial model predicts an unsustainable financial position as the funds from operations will be insufficient to fund our debt repayments or infrastructure renewal and maintenance.
 - This has not changed from our previous LTFP
 - TCorp's review has confirmed our previous model projections



Financial Sustainability

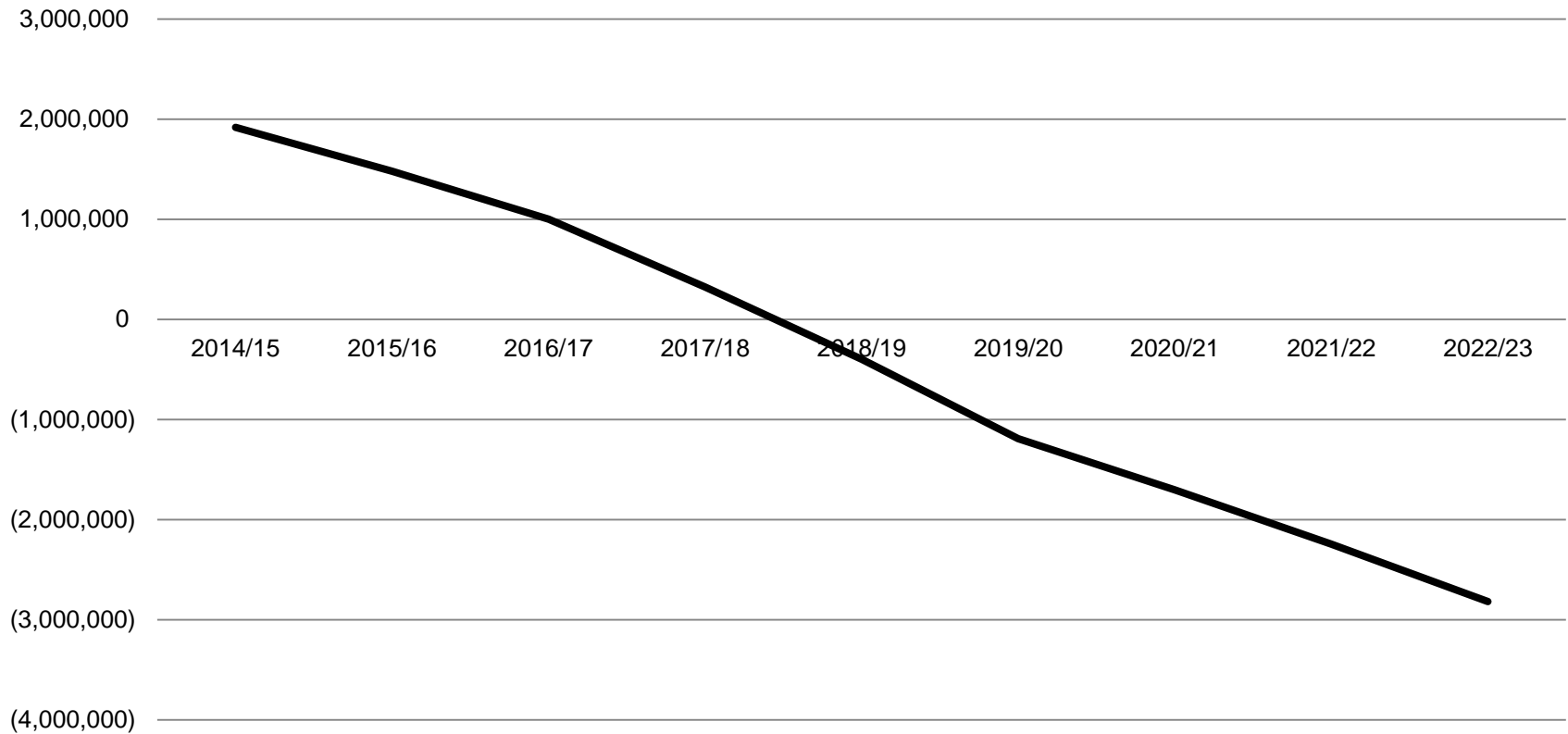
Recurrent Revenue v's Recurrent Expenses





Financial Sustainability

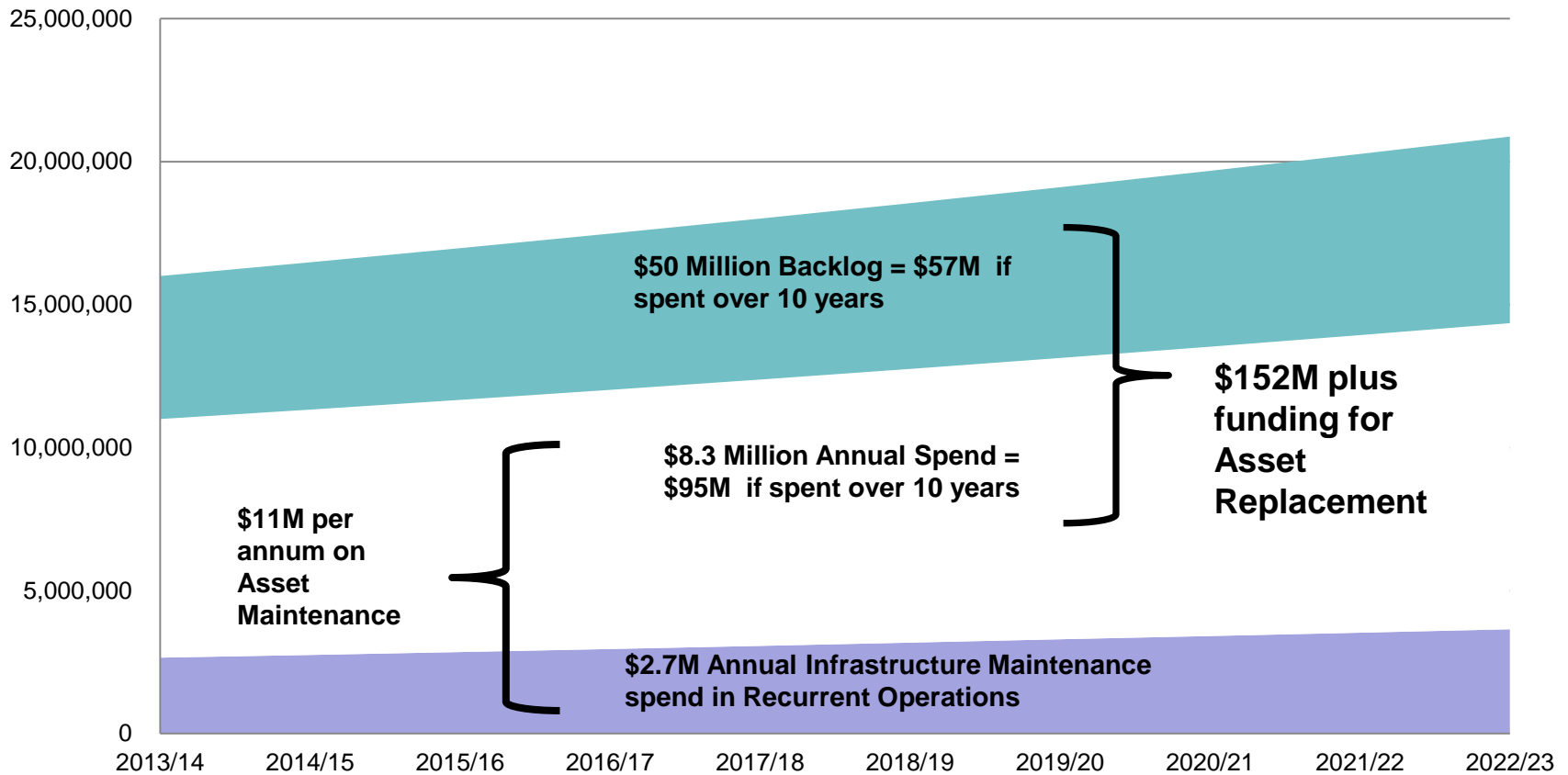
**Recurrent Revenues Less Recurrent Operating Expenses
(Excluding Loan Interest and Depreciation)**





Financial Sustainability

Asset Management Plan





Extract of the LTFP – Year 2014/15

Recurrent Revenue	76.9M
Recurrent Expenses (excluding loan interest & depreciation)	74.9M
Acquire New Assets	0.7M
Increase Working Capital	0.3M
Plant Replacement	0.8M
Repay Loans	1.2M
Fund Replacement of Assets (estimate)	10.0M
Infrastructure Renewal (AMP)	8.3M
Total Expenses	96.2M
Shortfall per annum	19.3M



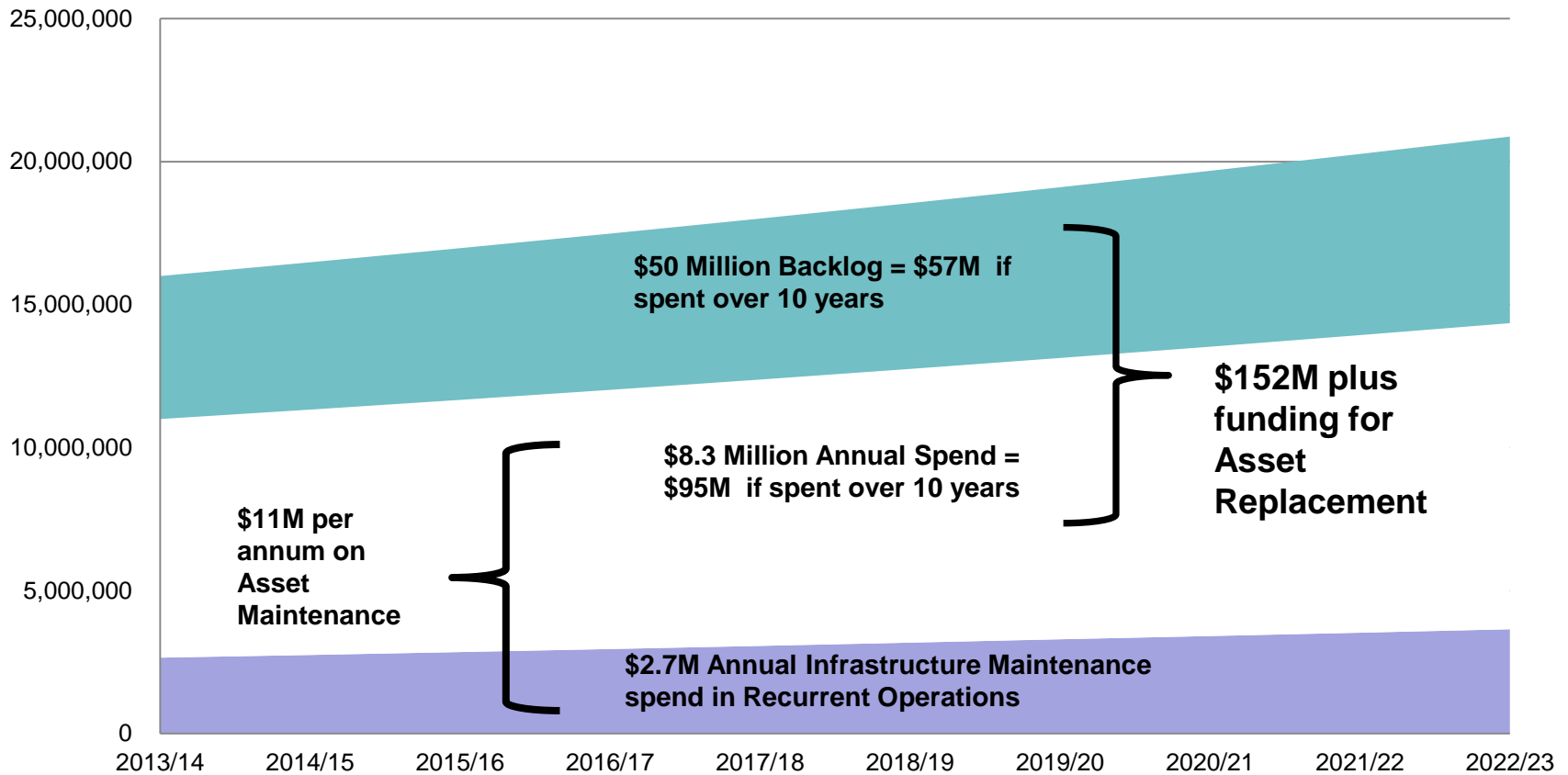
Issues to Address

- Increase Funds from Recurrent Operations
 - Continue actioning Service Review Program Initiatives
 - Modelling Three Special Rate Variations scenarios:
 - Scenario 1:** 4.5% above the rate cap for three consecutive years plus extend the current Infrastructure Renewal Levy
 - Scenario 2:** 5.5% above the rate cap for three consecutive years plus extend the current Infrastructure Renewal Levy
 - Scenario 3:** 6.5% above the rate cap for three consecutive years plus extend the current Infrastructure Renewal Levy



Financial Sustainability

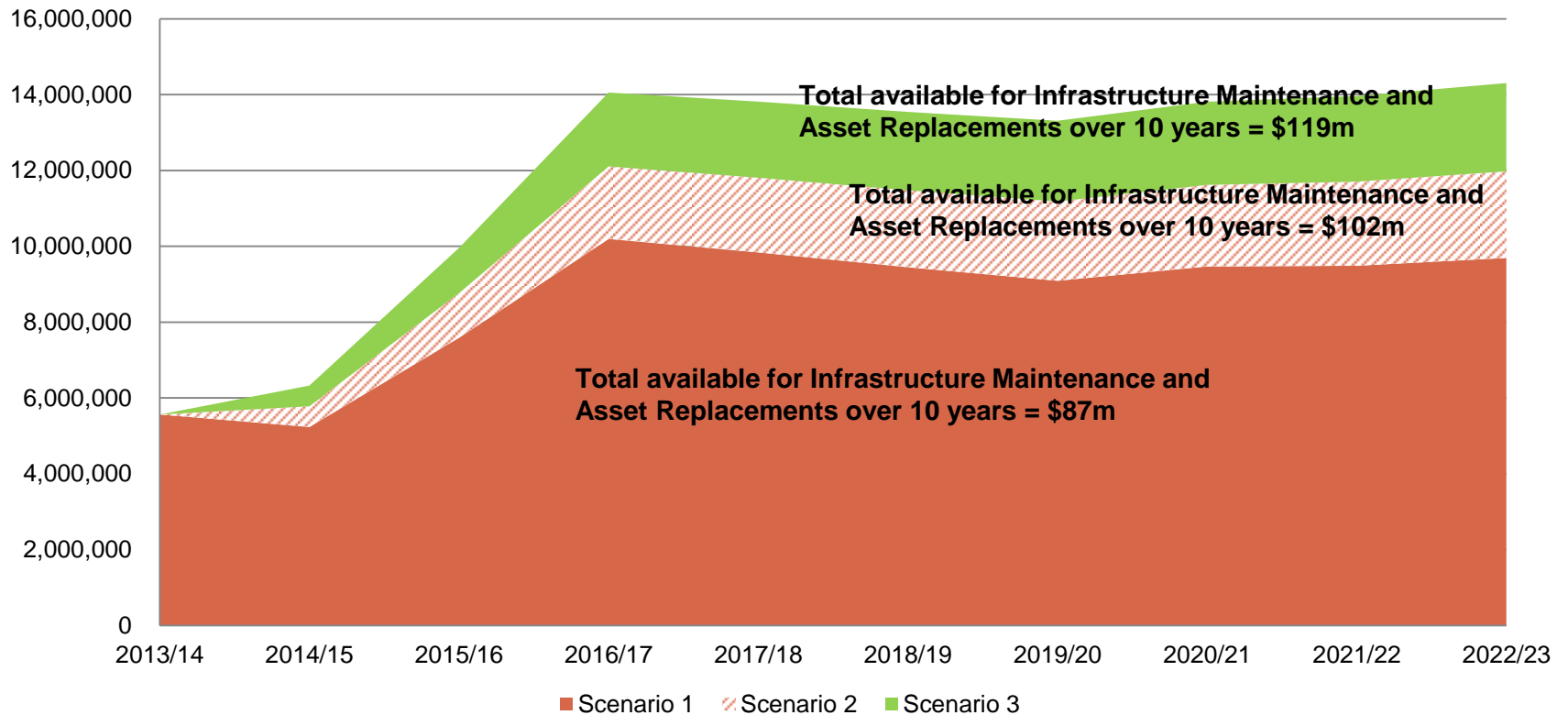
Asset Management Plan





Recurrent Funds & Infrastructure Levy

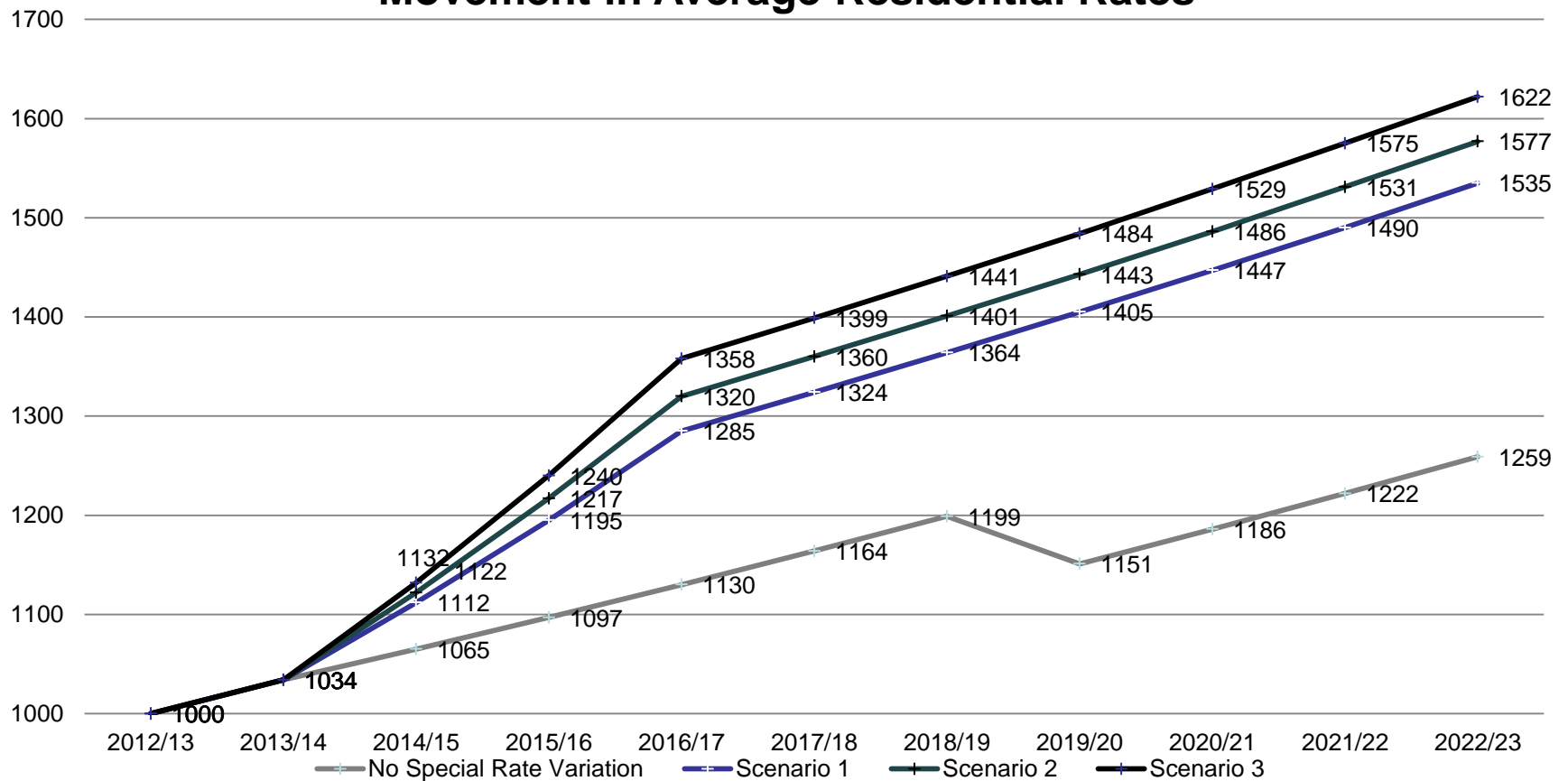
Funds Available for Infrastructure Maintenance and Asset Replacements





Impact on Average Residential Rates

Movement in Average Residential Rates





Summary

- We need a special rate variation of at least 6% to ensure that we can continue to fund our operations and maintain satisfactory financial KPI's
- Policies need to be developed around funding the replacement of assets
- Adopting any of the three scenarios would be a good start in addressing the shortfall in our infrastructure maintenance.



The next steps

- The draft LTFP will be circulated with the three scenario's presented tonight
- The LTFP needs to be endorsed by Council and placed on public exhibition
- The LTFP will need to be adopted by Council before 30 June 2013
- The LTFP will be updated as part of our submission to IPART.



Questions?