# Financial Statements

## Christchurch City Council
## Prospective statement of comprehensive revenue and expense

| Plan 2017/18 | $000 | Note | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **REVENUE** | | | | | | | | | | | |
| 455,612 | Rates revenue | | 490,057 | 521,487 | 552,071 | 583,882 | 617,671 | 647,336 | 677,794 | 708,004 | 730,102 | 756,584 |
| 18,113 | Development contributions | | 21,215 | 20,952 | 21,873 | 24,276 | 24,115 | 23,112 | 23,012 | 23,564 | 24,130 | 24,734 |
| 87,916 | Grants and subsidies | | 85,728 | 75,735 | 59,924 | 62,644 | 54,852 | 53,029 | 72,977 | 58,330 | 73,967 | 67,929 |
| 360,819 | Other revenue | 1 | 367,653 | 215,770 | 225,548 | 229,322 | 235,455 | 247,216 | 254,559 | 261,667 | 270,769 | 278,202 |
| **922,460** | **Total operating income** | | **964,653** | **833,944** | **859,416** | **900,124** | **932,093** | **970,693** | **1,028,342** | **1,051,565** | **1,098,968** | **1,127,449** |
| | **EXPENDITURE** | | | | | | | | | | | |
| 89,978 | Finance costs | | 94,929 | 99,267 | 110,382 | 121,621 | 131,094 | 137,637 | 142,583 | 144,313 | 144,099 | 143,755 |
| 214,001 | Depreciation | 2 | 225,000 | 236,863 | 244,821 | 265,141 | 279,535 | 288,843 | 301,590 | 313,547 | 326,097 | 341,866 |
| 449,286 | Other expenses | 3 | 489,453 | 491,381 | 496,473 | 496,375 | 506,722 | 517,918 | 539,628 | 544,173 | 553,465 | 567,412 |
| **753,265** | **Total operating expenditure** | | **809,382** | **827,511** | **851,676** | **883,137** | **917,351** | **944,398** | **983,801** | **1,002,033** | **1,023,661** | **1,053,033** |
| **169,195** | **Surplus before asset contributions** | | **155,271** | **6,433** | **7,740** | **16,987** | **14,742** | **26,295** | **44,541** | **49,532** | **75,307** | **74,416** |
| 6,579 | Vested assets | | 61,519 | 12,132 | 45,635 | 190,581 | 8,377 | 8,171 | 8,177 | 8,382 | 8,600 | 8,832 |
| **175,774** | **Surplus before income tax expense** | | **216,790** | **18,565** | **53,375** | **207,568** | **23,119** | **34,466** | **52,718** | **57,914** | **83,907** | **83,248** |
| (474) | Income tax expense | | (2,200) | (2,142) | (2,291) | (2,446) | (2,388) | (2,219) | (1,816) | (1,743) | (1,666) | (1,586) |
| **176,248** | **Net surplus for year** | | **218,990** | **20,707** | **55,666** | **210,014** | **25,507** | **36,685** | **54,534** | **59,657** | **85,573** | **84,834** |
| | **Other Comprehensive Revenue and Expense** | | | | | | | | | | | |
| 58,373 | Changes in Revaluation Reserve | | 73,840 | 202,110 | 226,007 | 231,207 | 236,522 | 252,483 | 269,316 | 276,049 | 294,267 | 313,531 |
| **234,621** | **Total Comprehensive Revenue and Expense** | | **292,830** | **222,817** | **281,673** | **441,221** | **262,029** | **289,168** | **323,850** | **335,706** | **379,840** | **398,365** |

# Christchurch City Council
## Prospective statement of changes in net assets/equity

| Plan 2017/18 | $000 | Note | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 10,926,188 | **RATEPAYERS EQUITY AT JULY 1** | | 10,798,966 | 11,091,796 | 11,314,613 | 11,596,286 | 12,037,507 | 12,299,536 | 12,588,704 | 12,912,554 | 13,248,260 | 13,628,100 |
| | Net surplus attributable to: | | | | | | | | | | | |
| | **Reserves** | | | | | | | | | | | |
| 58,373 | Revaluation reserve | | 73,840 | 202,110 | 226,007 | 231,207 | 236,522 | 252,483 | 269,316 | 276,049 | 294,267 | 313,531 |
| | **Retained earnings** | | | | | | | | | | | |
| 176,248 | Surplus | | 218,990 | 20,707 | 55,666 | 210,014 | 25,507 | 36,685 | 54,534 | 59,657 | 85,573 | 84,834 |
| 234,621 | Total comprehensive income for the year | | 292,830 | 222,817 | 281,673 | 441,221 | 262,029 | 289,168 | 323,850 | 335,706 | 379,840 | 398,365 |
| **11,160,809** | **RATEPAYERS EQUITY AT JUNE 30** | 8 | **11,091,796** | **11,314,613** | **11,596,286** | **12,037,507** | **12,299,536** | **12,588,704** | **12,912,554** | **13,248,260** | **13,628,100** | **14,026,465** |

# Christchurch City Council
# Prospective statement of financial position

| Plan 2017/18 | $000 | Note | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | | | | | |
| 38,859 | Cash and cash equivalents | | 22,692 | 23,766 | 24,893 | 26,017 | 27,124 | 28,276 | 29,460 | 31,033 | 32,614 | 34,263 |
| 89,908 | Trade receivables and prepayments | 4 | 115,536 | 117,848 | 120,319 | 122,849 | 125,426 | 128,187 | 131,133 | 134,276 | 137,499 | 140,942 |
| 3,231 | Inventories | | 3,293 | 3,358 | 3,429 | 3,497 | 3,563 | 3,636 | 3,722 | 3,812 | 3,902 | 4,002 |
| 15,383 | Other financial assets | | 9,193 | 6,972 | 5,989 | 6,742 | 8,098 | 9,842 | 2,066 | 5,593 | 9,722 | 14,272 |
| | **Non-current assets** | | | | | | | | | | | |
| | Investments | | | | | | | | | | | |
| 2,547,408 | - Investments in CCOs and other similar entities | | 2,557,872 | 2,561,865 | 2,598,135 | 2,668,351 | 2,738,582 | 2,807,451 | 2,802,766 | 2,799,460 | 2,796,131 | 2,792,764 |
| 80,047 | - Other investments | | 97,954 | 115,718 | 116,553 | 117,459 | 118,433 | 119,474 | 120,578 | 121,743 | 122,911 | 124,089 |
| 70,052 | Intangible assets | | 71,101 | 74,336 | 77,805 | 78,283 | 78,515 | 78,645 | 79,070 | 79,413 | 78,095 | 77,098 |
| 1,455,492 | Operational assets | | 1,630,554 | 1,735,604 | 1,849,751 | 1,897,535 | 1,940,639 | 1,983,998 | 2,036,706 | 2,088,635 | 2,106,174 | 2,134,001 |
| 8,025,573 | Infrastructural assets | | 7,638,115 | 7,924,046 | 8,237,694 | 8,568,957 | 8,822,997 | 9,052,999 | 9,325,568 | 9,573,047 | 9,886,310 | 10,214,594 |
| 981,073 | Restricted assets | | 1,078,668 | 1,105,985 | 1,172,217 | 1,384,952 | 1,429,097 | 1,470,432 | 1,501,082 | 1,533,656 | 1,567,961 | 1,604,181 |
| **13,307,026** | **TOTAL ASSETS** | | **13,224,978** | **13,669,498** | **14,206,785** | **14,874,642** | **15,292,474** | **15,682,940** | **16,032,151** | **16,370,668** | **16,741,319** | **17,140,206** |
| | **Current liabilities** | | | | | | | | | | | |
| 149,032 | Trade and other payables | | 145,274 | 148,179 | 151,288 | 154,470 | 157,709 | 161,182 | 164,886 | 168,837 | 172,891 | 177,220 |
| 281,686 | Borrowings | 5 | 250,053 | 259,103 | 269,657 | 278,501 | 286,897 | 295,211 | 298,510 | 301,986 | 305,144 | 305,146 |
| 21,380 | Other liabilities and provisions | 6 | 27,451 | 25,990 | 26,453 | 26,796 | 27,486 | 27,783 | 28,378 | 29,014 | 30,016 | 28,858 |
| | **Non-current liabilities** | | | | | | | | | | | |
| 1,438,470 | Borrowings | 5 | 1,525,222 | 1,735,661 | 1,978,329 | 2,193,618 | 2,338,280 | 2,428,128 | 2,446,060 | 2,440,975 | 2,424,090 | 2,419,746 |
| 250,011 | Other liabilities and provisions | 7 | 180,899 | 181,579 | 180,298 | 179,174 | 177,884 | 177,138 | 176,849 | 176,559 | 175,910 | 177,464 |
| 5,638 | Deferred tax liability | | 4,283 | 4,373 | 4,474 | 4,576 | 4,682 | 4,794 | 4,914 | 5,037 | 5,168 | 5,307 |
| 11,160,809 | **Ratepayers Equity** | 8 | 11,091,796 | 11,314,613 | 11,596,286 | 12,037,507 | 12,299,536 | 12,588,704 | 12,912,554 | 13,248,260 | 13,628,100 | 14,026,465 |
| **13,307,026** | **TOTAL EQUITY AND LIABILITIES** | | **13,224,978** | **13,669,498** | **14,206,785** | **14,874,642** | **15,292,474** | **15,682,940** | **16,032,151** | **16,370,668** | **16,741,319** | **17,140,206** |

# Christchurch City Council
## Prospective cash flow statement

| Plan 2017/18 | $000 | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **OPERATING ACTIVITIES** | | | | | | | | | | |
| | **Cash was provided from:** | | | | | | | | | | |
| 661,775 | Rates, grants, subsidies and other sources | 735,269 | 745,862 | 768,942 | 810,800 | 844,352 | 873,967 | 927,605 | 950,131 | 992,026 | 1,017,498 |
| 30,106 | Interest received | 30,494 | 30,625 | 31,903 | 32,120 | 32,494 | 32,570 | 33,305 | 34,052 | 34,081 | 34,299 |
| 337 | Earthquake recoveries | - | - | - | - | - | - | - | - | - | - |
| 207,830 | Dividends | 199,661 | 51,123 | 56,751 | 55,410 | 53,282 | 62,072 | 65,112 | 64,728 | 70,044 | 72,521 |
| 900,048 | | 965,424 | 827,610 | 857,596 | 898,330 | 930,128 | 968,609 | 1,026,022 | 1,048,911 | 1,096,151 | 1,124,318 |
| | **Cash was disbursed to:** | | | | | | | | | | |
| 449,649 | Payments to suppliers and employees | 479,804 | 488,520 | 493,446 | 493,238 | 503,348 | 514,467 | 535,618 | 539,876 | 549,057 | 562,691 |
| 89,978 | Interest paid | 94,929 | 99,267 | 110,382 | 121,621 | 131,094 | 137,637 | 142,583 | 144,313 | 144,099 | 143,755 |
| 539,627 | | 574,733 | 587,787 | 603,828 | 614,859 | 634,442 | 652,104 | 678,201 | 684,189 | 693,156 | 706,446 |
| **360,421** | **NET CASH FLOW FROM OPERATIONS** | **390,691** | **239,823** | **253,768** | **283,471** | **295,686** | **316,505** | **347,821** | **364,722** | **402,995** | **417,872** |
| | **INVESTING ACTIVITIES** | | | | | | | | | | |
| | **Cash was provided from:** | | | | | | | | | | |
| 2,523 | Sale of assets | 465 | 4,986 | 485 | 496 | 508 | 520 | 533 | 546 | 561 | 576 |
| 21,334 | Earthquake recoveries | - | 4,600 | - | - | - | - | - | - | - | - |
| 68,232 | Investments realised | 136,961 | 3,721 | 2,948 | 1,953 | 1,938 | 2,568 | 12,461 | 3,306 | 3,329 | 3,367 |
| 92,089 | | 137,426 | 13,307 | 3,433 | 2,449 | 2,446 | 3,088 | 12,994 | 3,852 | 3,890 | 3,943 |
| | **Cash was applied to:** | | | | | | | | | | |
| 478,239 | Purchase of assets | 465,080 | 449,052 | 471,061 | 436,007 | 376,558 | 343,422 | 380,862 | 361,865 | 387,448 | 411,274 |
| 15,045 | Purchase of investments | 27,219 | 22,493 | 38,235 | 72,169 | 72,169 | 71,437 | - | - | - | - |
| - | Purchase of investments (special funds) | - | - | - | 753 | 1,356 | 1,744 | - | 3,527 | 4,129 | 4,550 |
| 493,284 | | 492,299 | 471,545 | 509,296 | 508,929 | 450,083 | 416,603 | 380,862 | 365,392 | 391,577 | 415,824 |
| **(401,195)** | **NET CASH FLOW FROM INVESTING ACTIVITIES** | **(354,873)** | **(458,238)** | **(505,863)** | **(506,480)** | **(447,637)** | **(413,515)** | **(367,868)** | **(361,540)** | **(387,687)** | **(411,881)** |

| Plan 2017/18 | | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **FINANCING ACTIVITIES** | | | | | | | | | | |
| | **Cash was provided from:** | | | | | | | | | | |
| 88,459 | Raising of loans | 18,916 | 267,019 | 316,312 | 294,147 | 223,743 | 177,893 | 110,335 | 89,093 | 81,951 | 92,993 |
| 88,459 | | 18,916 | 267,019 | 316,312 | 294,147 | 223,743 | 177,893 | 110,335 | 89,093 | 81,951 | 92,993 |
| | **Cash was applied to:** | | | | | | | | | | |
| 47,708 | Repayment of term liabilities | 44,275 | 47,530 | 63,090 | 70,014 | 70,685 | 79,731 | 89,104 | 90,702 | 95,678 | 97,335 |
| 47,708 | | 44,275 | 47,530 | 63,090 | 70,014 | 70,685 | 79,731 | 89,104 | 90,702 | 95,678 | 97,335 |
| **40,751** | **NET CASH FLOW FROM FINANCING ACTIVITIES** | **(25,359)** | **219,489** | **253,222** | **224,133** | **153,058** | **98,162** | **21,231** | **(1,609)** | **(13,727)** | **(4,342)** |
| (23) | Increase/(decrease) in cash | 10,459 | 1,074 | 1,127 | 1,124 | 1,107 | 1,152 | 1,184 | 1,573 | 1,581 | 1,649 |
| 38,882 | Add opening cash | 12,233 | 22,692 | 23,766 | 24,893 | 26,017 | 27,124 | 28,276 | 29,460 | 31,033 | 32,614 |
| **38,859** | **ENDING CASH BALANCE** | **22,692** | **23,766** | **24,893** | **26,017** | **27,124** | **28,276** | **29,460** | **31,033** | **32,614** | **34,263** |
| | **Represented by:** | | | | | | | | | | |
| 38,859 | Cash and cash equivalents | 22,692 | 23,766 | 24,893 | 26,017 | 27,124 | 28,276 | 29,460 | 31,033 | 32,614 | 34,263 |

| Plan 2017/18 | $000 | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **NOTE 1** | | | | | | | | | | |
| | **Other revenue** | | | | | | | | | | |
| 122,274 | Fees and charges | 136,806 | 133,258 | 136,059 | 140,886 | 148,705 | 151,533 | 155,038 | 161,722 | 165,476 | 170,204 |
| | Interest: | | | | | | | | | | |
| 24,813 | Subsidiaries | 24,924 | 25,557 | 26,354 | 26,521 | 26,798 | 26,799 | 27,413 | 27,951 | 27,920 | 28,071 |
| 5,008 | Special and other fund investments | 5,164 | 3,997 | 3,985 | 3,986 | 4,080 | 4,140 | 4,248 | 4,443 | 4,536 | 4,649 |
| 894 | Short term investments | 889 | 993 | 1,096 | 1,200 | 1,301 | 1,401 | 1,499 | 1,596 | 1,604 | 1,619 |
| - | Housing trust | 208 | 842 | 1,303 | 1,318 | 1,288 | 1,271 | 1,250 | 1,227 | 1,189 | 1,137 |
| 30,715 | Total interest revenue | 31,185 | 31,389 | 32,738 | 33,025 | 33,467 | 33,611 | 34,410 | 35,217 | 35,249 | 35,476 |
| | Dividends: | | | | | | | | | | |
| 195,300 | Christchurch City Holdings Ltd | 191,500 | 45,100 | 51,000 | 51,800 | 49,400 | 58,500 | 61,500 | 61,000 | 66,200 | 68,600 |
| 12,410 | Transwaste Ltd | 8,052 | 5,913 | 5,641 | 3,501 | 3,773 | 3,462 | 3,501 | 3,618 | 3,734 | 3,812 |
| 120 | Other | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 |
| 207,830 | Total dividend revenue | 199,662 | 51,123 | 56,751 | 55,411 | 53,283 | 62,072 | 65,111 | 64,728 | 70,044 | 72,522 |
| **360,819** | **Total other revenue** | **367,653** | **215,770** | **225,548** | **229,322** | **235,455** | **247,216** | **254,559** | **261,667** | **270,769** | **278,202** |

| Plan 2017/18 | $000 | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **NOTE 2** | | | | | | | | | | |
| | **Depreciation** | | | | | | | | | | |
| 18,279 | Communities & Citizens | 21,755 | 21,913 | 22,563 | 29,127 | 31,907 | 33,918 | 36,506 | 38,501 | 40,262 | 41,923 |
| 10 | Flood Protection & Control Works | 96 | 208 | 369 | 528 | 696 | 810 | 888 | 963 | 1,041 | 1,133 |
| - | Governance | - | - | - | - | - | - | - | - | - | - |
| 7,312 | Housing | 7,702 | 7,973 | 6,390 | 6,850 | 7,581 | 8,323 | 9,118 | 9,450 | 10,346 | 11,315 |
| 13,331 | Parks, Heritage and Coastal Environment | 13,444 | 13,102 | 11,313 | 11,609 | 12,217 | 12,626 | 12,725 | 12,887 | 12,752 | 13,255 |
| 2,371 | Refuse Disposal | 2,453 | 2,703 | 2,869 | 3,092 | 3,131 | 3,454 | 3,919 | 4,286 | 4,826 | 4,959 |
| 77 | Regulatory & Compliance | 75 | 76 | 55 | 57 | 58 | 59 | 61 | 47 | 48 | 50 |
| 57,744 | Roads & Footpaths | 57,066 | 60,633 | 64,989 | 69,367 | 73,368 | 75,325 | 77,383 | 80,473 | 82,924 | 86,900 |
| 13,084 | Stormwater Drainage | 12,882 | 13,426 | 14,102 | 15,058 | 16,107 | 17,179 | 18,212 | 19,228 | 20,330 | 21,575 |
| 85 | Strategic Planning & Policy | 130 | 179 | 231 | 234 | 272 | 290 | 316 | 342 | 371 | 401 |
| 4,002 | Transportation | 4,163 | 5,610 | 6,579 | 7,079 | 7,979 | 8,335 | 9,343 | 10,543 | 11,752 | 13,155 |
| 50,733 | Wastewater | 53,014 | 54,894 | 56,804 | 59,393 | 60,321 | 60,779 | 63,400 | 66,126 | 69,137 | 72,166 |
| 27,927 | Water Supply | 34,651 | 35,966 | 37,552 | 39,160 | 40,417 | 41,792 | 43,376 | 44,846 | 46,608 | 48,571 |
| 19,046 | Corporate | 17,569 | 20,180 | 21,005 | 23,587 | 25,481 | 25,953 | 26,343 | 25,855 | 25,700 | 26,463 |
| **214,001** | **Total Depreciation** | **225,000** | **236,863** | **244,821** | **265,141** | **279,535** | **288,843** | **301,590** | **313,547** | **326,097** | **341,866** |
| | **NOTE 3** | | | | | | | | | | |
| | **Other expenses** | | | | | | | | | | |
| | Operating expenditure: | | | | | | | | | | |
| 196,053 | Personnel costs | 206,867 | 209,451 | 212,875 | 220,555 | 227,463 | 232,405 | 237,743 | 243,441 | 249,284 | 255,172 |
| 40,599 | Donations, grants and levies | 41,737 | 49,311 | 48,288 | 40,193 | 33,668 | 31,770 | 40,170 | 30,955 | 30,633 | 34,993 |
| 212,634 | Other operating costs | 240,849 | 232,619 | 235,310 | 235,627 | 245,591 | 253,743 | 261,715 | 269,777 | 273,548 | 277,247 |
| **449,286** | **Total other expenses** | **489,453** | **491,381** | **496,473** | **496,375** | **506,722** | **517,918** | **539,628** | **544,173** | **553,465** | **567,412** |

| Plan 2017/18 | $000 | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **NOTE 4** | | | | | | | | | | |
| | **Trade receivables and prepayments** | | | | | | | | | | |
| 12,359 | Rates debtors | 16,271 | 16,597 | 16,944 | 17,301 | 17,665 | 18,051 | 18,467 | 18,910 | 19,364 | 19,849 |
| 12,887 | Trade debtors | 16,008 | 16,328 | 16,671 | 17,021 | 17,378 | 17,761 | 18,169 | 18,604 | 19,051 | 19,528 |
| 63,349 | Other receivables/prepayments | 82,884 | 84,813 | 86,546 | 89,191 | 91,927 | 94,485 | 96,602 | 99,293 | 101,736 | 104,147 |
| 2,636 | GST receivable | 2,091 | 1,867 | 1,951 | 1,179 | 350 | (166) | (117) | (490) | (561) | (441) |
| 91,231 | | 117,254 | 119,605 | 122,112 | 124,692 | 127,320 | 130,131 | 133,121 | 136,317 | 139,590 | 143,083 |
| (1,323) | Less provision for doubtful debts | (1,718) | (1,757) | (1,793) | (1,843) | (1,894) | (1,944) | (1,988) | (2,041) | (2,091) | (2,141) |
| **89,908** | **Total trade receivables and prepayments** | **115,536** | **117,848** | **120,319** | **122,849** | **125,426** | **128,187** | **131,133** | **134,276** | **137,499** | **140,942** |
| | **NOTE 5** | | | | | | | | | | |
| | **Debt** | | | | | | | | | | |
| 281,686 | Current portion of gross debt | 250,053 | 259,103 | 269,657 | 278,501 | 286,897 | 295,211 | 298,510 | 301,986 | 305,144 | 305,146 |
| 1,438,470 | Non current portion of gross debt | 1,525,222 | 1,735,661 | 1,978,329 | 2,193,618 | 2,338,280 | 2,428,128 | 2,446,060 | 2,440,975 | 2,424,090 | 2,419,746 |
| 1,720,156 | Total gross debt | 1,775,275 | 1,994,764 | 2,247,986 | 2,472,119 | 2,625,177 | 2,723,339 | 2,744,570 | 2,742,961 | 2,729,234 | 2,724,892 |
| 1,049,425 | Total net debt | 1,150,067 | 1,370,703 | 1,627,781 | 1,851,037 | 2,002,632 | 2,098,898 | 2,127,721 | 2,122,112 | 2,103,775 | 2,094,334 |
| | **NOTE 6** | | | | | | | | | | |
| | **Other liabilities and provisions** | | | | | | | | | | |
| 299 | Provision for landfill aftercare | 598 | 660 | 623 | 454 | 623 | 362 | 362 | 362 | 712 | 362 |
| 2,036 | Provision for building related claims | 3,494 | 1,504 | 1,504 | 1,504 | 1,504 | 1,504 | 1,504 | 1,504 | 1,504 | - |
| 19,045 | Provision for employee entitlements | 23,359 | 23,826 | 24,326 | 24,838 | 25,359 | 25,917 | 26,512 | 27,148 | 27,800 | 28,496 |
| **21,380** | **Total other liabilities and provisions** | **27,451** | **25,990** | **26,453** | **26,796** | **27,486** | **27,783** | **28,378** | **29,014** | **30,016** | **28,858** |

| Plan 2017/18 | $000 | Plan 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **NOTE 7** | | | | | | | | | | |
| | **Non-current other liabilities and provisions** | | | | | | | | | | |
| 21,744 | Provision for landfill aftercare | 20,874 | 23,695 | 24,548 | 25,556 | 26,396 | 27,463 | 28,552 | 29,630 | 30,346 | 31,753 |
| 5,183 | Provision for employee entitlements | 4,950 | 5,048 | 5,155 | 5,263 | 5,374 | 5,492 | 5,618 | 5,753 | 5,891 | 6,039 |
| 10,063 | Provision for building related claims | 13,602 | 12,099 | 10,594 | 9,090 | 7,585 | 6,082 | 4,578 | 3,075 | 1,572 | 1,571 |
| 207,203 | Hedge and other liabilities | 138,101 | 138,101 | 138,101 | 138,101 | 138,101 | 138,101 | 138,101 | 138,101 | 138,101 | 138,101 |
| 1,710 | Revenue in advance | - | - | - | - | - | - | - | - | - | - |
| 4,108 | Service concession arrangement | 3,372 | 2,636 | 1,900 | 1,164 | 428 | - | - | - | - | - |
| **250,011** | **Total non-current other liabilities and provisions** | **180,899** | **181,579** | **180,298** | **179,174** | **177,884** | **177,138** | **176,849** | **176,559** | **175,910** | **177,464** |
| | **NOTE 8** | | | | | | | | | | |
| | **Equity** | | | | | | | | | | |
| 1,733,885 | Capital reserve | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 | 1,733,853 |
| 154,085 | Reserve funds | 142,193 | 139,972 | 138,989 | 139,742 | 141,098 | 142,842 | 135,066 | 138,593 | 142,722 | 147,272 |
| 5,529,659 | Asset revaluation reserves | 5,204,600 | 5,406,710 | 5,632,717 | 5,863,924 | 6,100,446 | 6,352,929 | 6,622,245 | 6,898,294 | 7,192,561 | 7,506,092 |
| 3,743,180 | Retained earnings | 4,011,150 | 4,034,078 | 4,090,727 | 4,299,988 | 4,324,139 | 4,359,080 | 4,421,390 | 4,477,520 | 4,558,964 | 4,639,248 |
| **11,160,809** | **Total equity** | **11,091,796** | **11,314,613** | **11,596,286** | **12,037,507** | **12,299,536** | **12,588,704** | **12,912,554** | **13,248,260** | **13,628,100** | **14,026,465** |

# Statement of significant accounting policies

Christchurch City Council ("Council") is a territorial authority governed by the Local Government Act 2002. The primary objective of the Council is to provide goods or services for the community or for social benefit rather than to make a financial return. It is classified as a Public Benefit Entity.

These prospective financial statements are for the Council as a separate legal entity. Consolidated prospective financial statements comprising the Council and its subsidiaries and associates have not been prepared as the services which Council provides to the City are fully reflected within the Council's financial statements.

## Basis of preparation

### (i) Statement of compliance

These prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice.

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity.

### (ii) Prospective Financial Statements

The prospective financial statements comply with Tier 1 PBE Standards, (including PBE FRS 42 – Prospective Financial Statements).

In accordance with PBE FRS 42, the following information is provided:

<u>Description of the nature of the entity's current operation and its principal activities</u>

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this Long Term Plan.

<u>Purpose for which the prospective financial statements are prepared</u>

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 10 years and include them within the Long Term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

<u>Basis for assumptions, risks and uncertainties</u>

The prospective financial statements have been prepared on the basis of best estimate assumptions of future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined in this Long Term Plan.

<u>Cautionary Note</u>

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

<u>Other Disclosures</u>

The prospective financial statements were authorised for issue on 26 June 2018 by Christchurch City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures. The Long Term Plan is prospective and as such contains no actual operating results.

### (iii) Measurement base

The reporting period for these prospective financial statements is the 10 year period ending 30 June 2028. The statements are presented in New Zealand dollars, rounded to the nearest thousand ($000), unless otherwise stated. The functional currency of the Council is New Zealand dollars.

The prospective financial statements have been prepared based on the historical cost basis, modified by the revaluation of certain assets and liabilities as identified in this statement of significant accounting policies.

The prospective financial statements do not disclose audit fees or imputation credits, and no comment is included regarding the effect on the community of the Council's existence or operations. This information is fully disclosed in the Annual Report.

## Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains and finance revenue and is measured at the fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

<u>Revenue from exchange transactions</u>

Revenue from exchange transactions arises where the Council provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

<u>Revenue from non-exchange transactions</u>

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. These are transactions where the Council receives value from another party without giving approximately equal value directly in exchange for the value received.

Approximately equal value is considered to reflect a fair or market value, which is normally akin with an arm's length commercial transaction between a willing buyer and willing seller. Some services which Council provides for a fee are charged below market value as they are subsidised by rates. Other services operate on a cost recovery or breakeven basis which may not be considered to reflect a market return. A significant portion of the Council's revenue will be categorised non-exchange.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies an obligation which has been recognised as a liability, it reduces the carrying amount of the liability and recognises an amount of revenue equal to the reduction.

Specific accounting policies for the major categories of revenue are outlined below:

### (i) Rates

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in surplus or deficit at the time of invoicing.

### (ii) Goods sold and services rendered

Revenue from the sale of goods is recognised in surplus or deficit when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

### (iii) Finance Revenue

Finance revenue comprises interest receivable on funds invested and on loans advanced. Finance revenue is recognised in surplus or deficit as it accrues, using the effective interest rate method.

### (iv) Rental Revenue

Rental revenue from investment and other property is recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue.

Rental revenue is classified as exchange revenue where it is considered to reflect a market/arm's length rental.

### (v) Grants revenue (including government grants)

Grant revenue is recognised on receipt, except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when the resources received are subject to a condition such as an obligation to return those resources received in the event that the conditions attached are breached. As the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue.

Grant revenue is categorised as non-exchange revenue.

### (vi) Dividend revenue

Dividend revenue is classified as exchange revenue and is recognised when the shareholder's right to receive payment is established.

### (vii) Finance lease revenue

Finance lease revenue is classified as exchange revenue and is allocated over the lease term on a systematic basis. This revenue allocation is based on a pattern reflecting a constant periodic return on the Council's net investment in the finance lease.

### (viii) Development Contributions

Development contributions are classified as exchange revenue and recognised as revenue in the year in which they are received.

### (ix) Other gains

Other gains include gains from the sale of property, plant and equipment and investments and gains arising from derivative financial instruments (see Hedging Policy).

### (x) Vested assets and donated goods

Where a physical asset is received by Council for no or minimal consideration, the fair value of the asset received is recognised as revenue. Assets vested in Council and goods donated are recognised as revenue when control over the asset is obtained. Vested assets and donated goods are categorised as non-exchange revenue.

## Expenses

Specific accounting policies for major categories of expenditure are outlined below:

### (i) Operating lease payments

Payments made under operating leases are recognised in surplus or deficit proportionally over the term of the lease. Lease incentives received are recognised in surplus or deficit as an integral part of the total lease expense.

### (ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### (iii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. The interest expense component of finance lease payments is recognised in surplus or deficit using the effective interest rate method. Interest payable on borrowings is recognised as an expense in surplus or deficit as it accrues.

### (iv) Other losses

Other losses include losses on the sale of property, plant and equipment and investments and losses arising from derivative financial instruments (see Hedging Policy).

### (v) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant and any grant criteria are met.

## Income tax

Income tax on the surplus or deficit for the year includes current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the reporting date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete

the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in surplus or deficit in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## Property, plant and equipment

The following assets are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation:

- Land (other than land under roads)
- Buildings
- Infrastructure assets
- Heritage assets
- Works of art

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged within surplus or deficit during the financial period in which they are incurred.

Where the Council has elected to account for revaluations of property, plant and equipment on a class of asset basis, increases in the carrying amounts arising on revaluation of a class of assets are credited directly to equity under the heading Revaluation reserve. However, the net revaluation increase shall be recognised in surplus or deficit to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in surplus or deficit.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as shown in the following table:

| **Operational Assets:** | Estimated Useful Life |
|---|---|
| Buildings | 1-100 yrs |
| Office and computer equipment | 1-10 yrs |
| Mobile plant including vehicles | 2-30 yrs |
| Sealed surfaces (other than roads) | 9-100 yrs |
| Harbour structures | 3-50 yrs |
| Seawalls | 100 yrs |
| Leasehold land improvements | 5-100 yrs |
| Library books | 3-8 yrs |
| Vessels | 5-25 yrs |
| Resource consents and easements | 5-10 yrs |

| **Infrastructure Assets:** | |
|---|---|
| Formation | Not depreciated |
| Pavement sub-base | Not depreciated |
| Basecourse | 40-120 yrs |
| Footpaths and cycleways | 20-80 yrs |
| Surface | 1-25 yrs |
| Streetlights and signs | 15-40 yrs |
| Kerb, channel, sumps and berms | 80 yrs |
| Landscape/medians | 8-80 yrs |
| Drain pipes/culverts/ retaining walls | 20-100 yrs |
| Bridges | 70-100 yrs |
| Bus shelters and furniture | 15-30 yrs |
| Water supply | 55-130 yrs |
| Water meters | 20-25 yrs |
| Stormwater | 20-150 yrs |
| Waterways | 15-120 yrs |
| Sewer | 50-150 yrs |
| Treatment plant | 15-100 yrs |
| Pump stations | 10-100 yrs |

| **Restricted Assets:** | |
|---|---|
| Planted areas | 5-110 yrs |
| Reserves – sealed areas | 10-40 yrs |

| | |
|---|---|
| Reserves – structures | 25-150 yrs |
| Historic buildings | 100 yrs |
| Art works | 1000 yrs |
| Heritage assets | 1000 yrs |

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included as revenue or expenses. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets are transferred to retained earnings.

## Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Council.

## Intangible assets

### (i) Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are capitalised and recognised as intangible assets. Capitalised costs include the software development employee direct costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

### (ii) Other intangible assets

Other intangible assets that are acquired by the Council are stated at cost less accumulated amortisation (see below) and impairment losses (see Impairment Policy).

### (iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and it meets the definition of, and recognition criteria for, an intangible asset. All other expenditure is expensed as incurred.

### (iv) Amortisation

An intangible asset with a finite useful life is amortised on a straight-line basis over the period of that life. The asset is reviewed annually for indicators of impairment, and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Estimated useful lives are:

| | |
|---|---|
| Software | 1-10 yrs |
| Resource consents and easements | 5-10 yrs |
| Patents, trademarks and licenses | 10-20 yrs |

An intangible asset with an indefinite useful life is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.

## Derivative financial instruments

The Council uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy the Council does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially and subsequently at fair value. Changes in fair value are recognised immediately in surplus or deficit. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging Policy).

### Hedging

The Council uses derivatives to hedge its exposure to interest rate risks. The derivatives are designated as either cash flow hedges (hedging highly probable future transactions (borrowing)) or fair value hedges (hedging the fair value of recognised assets or liabilities).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive revenue and expense, limited to the cumulative change in the fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit. When the hedging relationship ceases to meet the criteria for hedge accounting any gain or loss recognised in other comprehensive revenue and expense and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in surplus or deficit. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in surplus or deficit.

Changes in the fair value of derivatives that are designated as fair value hedges are recorded in surplus or deficit, together with changes in the fair value of the hedged asset or liability. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in surplus or deficit. When the hedging relationship ceases to meet the criteria for hedge accounting the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to surplus or deficit from that date.

## Investments

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the assets (other than financial assets at fair value through surplus or deficit). Transaction costs directly attributable to the acquisition of financial assets at fair value through surplus or deficit are recognised immediately in surplus or deficit.

The Council classifies its investments into the following categories:

(a) *Financial assets measured at amortised cost*

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortised cost.

(b) *Fair value through other comprehensive revenue or expense (FVTOCRE)*

Financial assets held for collection of contractual cash flows and for selling where the cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive revenue or expense (FVTOCRE).

Changes in the carrying amount subsequent to initial recognition as a result of impairment gains or losses, foreign exchange gains and losses and interest revenue calculated using the effective interest method are recognised in surplus or deficit. The amounts that are recognised in surplus or deficit are the same as the amounts that would have been recognised in surplus or deficit if these financial assets had been measured at amortised cost. All other changes in the carrying amount of these financial assets are recognised in other comprehensive revenue and expenses. When these financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive revenue and expense are reclassified to surplus or deficit.

On initial recognition the Council may make the irrevocable election to designate investments in equity investments as at FVTOCRE. Designation at FVTOCRE is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which PBE IFRS 3 applies. Subsequent to initial recognition equity investments at FVTOCRE are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive revenue and expense. The cumulative gain or loss will not be reclassified to surplus or deficit on disposal of the equity investments, instead, they will be transferred to accumulated surplus.

(c) *Fair value through surplus or deficit*

By default, all other financial assets not measured at amortised cost or FVTOCRE are measured at fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in surplus or deficit to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in surplus or deficit includes any dividend or interest earned on the financial asset.

### (i) Investment in subsidiaries and unlisted shares

The Council’s equity investments in its subsidiaries and unlisted shares are classified as financial assets at fair value through other comprehensive revenue or expense.

### (ii) Loan advances and investments in debt securities

Investment in debt securities, general and community loan advances are classified as financial assets measured at amortised cost.

## Trade and other receivables

Trade and other receivables are classified as financial assets at amortised cost and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment (see Impairment Policy).

## Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories held for distribution at no charge, or for a nominal amount, are stated at the lower of cost and current replacement cost.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

# Impairment

### (i) Impairment of financial assets

The Council recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCRE. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, the Council applies the simplified approach permitted by PBE IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial instruments, the Council recognises expected lifetime credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Council measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. The assessment of whether expected lifetime credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months expected credit losses represent the portion of lifetime expected credit losses that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

### (ii) Impairment of non-financial assets

For the purpose of assessing impairment indicators and impairment testing, the Council classifies non-financial assets as either cash-generating or non-cash-generating assets. The Council classifies a non-financial asset as a cash-generating asset if its primary objective is to generate a commercial return. All other assets are classified as non-cash-generating assets.

Property, plant and equipment measured at fair value is not required to be reviewed and tested for impairment. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The carrying amounts of the Council's other assets, other than investment property (see Investments Policy) and deferred tax assets (see Income Tax Policy), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment losses are recognised through surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Council's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the statement of financial position.

## Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis.

## Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## Provisions

A provision is recognised in the statement of financial position when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Employee entitlements

The employee compensation policy is based on total cash remuneration: a single cash payment in compensation for work, where the employee is responsible for and able to individually decide how best to use their remuneration to meet their needs over time in the mix and type of benefits purchased. Provision is made in respect of the Council's liability for the following short and long-term employee entitlements.

### (i) Short-term entitlements

Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately before the reporting date.

Liabilities for accumulating short-term compensated absences (e.g. sick leave) are measured as the amount of unused entitlement accumulated at the pay period ending immediately before the reporting date that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

### (ii) Long-term entitlements

The retiring gratuity and long-service leave liabilities are assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement.

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in surplus or deficit when incurred.

Superannuation is provided as a percentage of remuneration.

## Leases

### (i) As lessee

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

### (ii) As lessor

Leases in which substantially all of the risks and rewards of ownership transfer to the lessor are classified as finance leases. Amounts due from lessees under finance leases are recorded as receivables. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Net Assets / Equity

Net assets or equity is the community's and ratepayers' interest in the Council. It is measured as the difference between total assets and total liabilities. Net assets or equity includes the following components:

- Asset revaluation reserve
- Fair value through equity reserve
- Hedging reserves
- Reserve funds
- Capital reserves
- Retained earnings

## Third party transfer payment agencies

The Council collects monies for many organisations. Where collections are processed through the Council's books, any monies held are shown as accounts payable in the prospective statement of financial position. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised as revenue.

## Goods and Services Tax

The prospective financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

## Donated services

The Council receives the benefit of many services provided by volunteers. These services are greatly valued. They are, however, difficult to measure in monetary terms, and for this reason are not included in the prospective financial statements, as their value from an accounting point of view is considered immaterial in relation to total expenditure.

## Cost allocations

The costs of all internal service activities are allocated or charged directly to external service type activities. External service activities refer to activities which provide a service direct to the public. Internal service activities provide support for the external service activities.

Where the recipient of an internal service can be identified, the cost recovery is made by way of a direct charge. Where this is not practical or the linkage is indirect, the costs are allocated by way of corporate overhead.

Corporate overhead is allocated either directly or indirectly to external service activities as follows:

- Property costs: pro rata based on the number of desks held for use for each unit.
- IT costs: pro rata based on the total number of active IT users.
- Human Resources and Payroll Services cost: pro rata based on the total number of planned employee work hours.
- All other costs: pro rata based on the gross cost of external service activities.

## Critical judgements, estimates and assumptions in applying Council's accounting policies

Preparing prospective financial statements to conform to PBE Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These are outlined in the Significant Forecasting Assumptions section. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or in future periods if it also affects future periods.

## Significant Forecasting Assumptions

In preparing this Long Term Plan it was necessary for Council to make a number of assumptions about the future. The following tables identify those forecasting assumptions which are significant in that if actual future events differ from the assumptions, it will result in material variances to this Plan. The table also identifies the risks that underlie those assumptions, the reason for that risk, and an estimate of the potential impact on the Plan if the assumption is not realised.

A number of assumptions have such a high level of uncertainty the financial impact of a change in the assumption is not able to be quantified. In these situations a description of the impact has been provided.

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty |
|---|---|---|---|
| **Capital Programme and infrastructure assets** | | | |
| **Capital Works.** Programmes and projects are delivered within budget and on time. | Actual costs will vary from estimates, due to higher input prices and/or delivery delays, resulting in budget shortfalls. These are partially offset by the delay in borrowing.<br><br>Council however has tendered significant work in the post-earthquake environment and estimates are based on the best available information. Delays could also be due to consenting and consultation requirements.<br><br>Some projects which are to repair earthquake damage are still to be finally costed.<br><br>Depending on the asset a delay in the rebuild capital works programme could result in higher reactive maintenance and operating costs for the essential services. | Moderate | Should the level of capital works be unable to be completed as planned in any year of the long term plan this will result in projects being carried forward. The implications of this are:<br>• projects may cost more than planned due to inflation.<br>• less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs.<br>• possible reduction to levels of service<br>• possible additional reactive opex<br>• possible reduction in opex if the delay relates to a new facility<br><br>Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue is likely to impact the timing of future works or increase borrowing.<br><br>For Anchor projects the Council's contribution is its maximum contribution (in line with the Cost Share Agreement). However, for some of the assets, in particular the Multi Use Arena, delays in construction could result either in Council's contribution increasing due to inflation and other cost increases, or the project being reduced in scope to meet the budget. |
| **Sources of funds for replacing assets.** The sources of funds will occur as projected. | Funding does not occur as projected. | Low | The impact to ratepayers of every $10 million of additional borrowing for capital works is a 0.15% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing. |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty |
|---|---|---|---|
| **Asset life.** Useful life of assets is as recorded in asset management plans or based upon professional advice (the Accounting Policies detail the useful lives by asset class) | Damage to assets as a result of the earthquakes is such that their useful lives are shortened significantly. | Moderate | Council has updated its database with the latest information. However, condition information on water assets is more difficult to obtain therefore making remaining life difficult to quantify.<br>Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs.<br><br>[This is also discussed in the Infrastructure Strategy.] |
| **Carrying value of assets.** The opening balance sheet reflects the correct asset values.<br><br>The carrying value of assets are revalued on a regular basis | All assets are not correctly recorded at their revalued amounts.<br><br>Asset revaluations will change projected carrying values of the assets and depreciation expense. | Low | Land and buildings were revalued as at 30 June 2015 and the findings incorporated into the opening balance sheet. Because of the number of buildings which were valued the valuers assumed no damage and an adjustment was made for the loss of value due to impairment. This assumption may prove to be incorrect.<br><br>Water supply, stormwater, water and roading assets were revalued at 30 June 2017 and the results incorporated into the opening balance sheet.<br><br>Differences in carrying value will affect levels of depreciation. |
| **Inflation. Growth and Population** | | | |
| **Inflation.** The price level changes projected will occur. In developing this plan Council based its inflation projections on information provided by Business Economic Research Limited to all local authorities with an adjustment in early years for the rebuild factor. Different weighted average inflation figures for capital and operational items are used due to the potential impact of the rebuild on capital costs. Inflation adjustments used are:<br>Capital Opex<br>2018/19 2.2% 1.9%<br>2019/20 2.1% 2.0%<br>2020/21 2.3% 2.1%<br>2021/22 2.3% 2.1%<br>2022/23 2.3% 2.1%<br>2023/24 2.4% 2.2%<br>2024/25 2.5% 2.3%<br>2025/26 2.5% 2.4%<br>2026/27 2.6% 2.4%<br>2027/28 2.7% 2.5% | Inflation will be higher or lower than anticipated<br><br>Inflation on costs will not be offset by inflation on revenues. | Low<br><br><br>Moderate | Inflation will be higher or lower than anticipated<br><br>Inflation on costs will not be offset by inflation on revenues. |
| The following BERL rates were used in determining the weighted average for capital expenditure: | | | |

<table>
<tr><th>Assumption</th><th>Risk</th><th>Level of Uncertainty</th><th>Reasons and Financial Impact of Uncertainty</th></tr>
<tr><td colspan="4">
<table>
<tr><th></th><th>Weighting</th><th>2019/20</th><th>2020/21</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>2025/26</th><th>2026/27</th><th>2027/28</th></tr>
<tr><td>Roads</td><td>29%</td><td>2.0</td><td>2.2</td><td>2.2</td><td>2.3</td><td>2.4</td><td>2.4</td><td>2.5</td><td>2.6</td><td>2.7</td></tr>
<tr><td>Earthmoving</td><td>31%</td><td>2.0</td><td>2.3</td><td>2.4</td><td>2.4</td><td>2.5</td><td>2.6</td><td>2.7</td><td>2.8</td><td>2.9</td></tr>
<tr><td>Pipelines</td><td>27%</td><td>2.2</td><td>2.7</td><td>2.5</td><td>2.4</td><td>2.4</td><td>2.4</td><td>2.4</td><td>2.4</td><td>2.4</td></tr>
<tr><td>Other</td><td>13%</td><td>2.1</td><td>2.0</td><td>2.0</td><td>2.1</td><td>2.2</td><td>2.3</td><td>2.3</td><td>2.4</td><td>2.5</td></tr>
<tr><td></td><td>100%</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
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</td></tr>
<tr><td>Economic Environment.<br>Treasury has forecast the national annual average real GDP growth to be 2.8% in the year to June 2018, then 3.3%, 3.4%, 2.7%, and 2.5% in the subsequent years to June 2022 (Budget Economic & Fiscal Update, May 2018). The slow-down in 2021 and 2022 is driven by projected lower net immigration and higher interest rates.<br><br>National and international drivers that could affect the Christchurch economy over the period of the Long Term Plan include a forecast increase in dairy prices, continuing strength in tourism tempered by a reduction in net migration<br><br>The Christchurch economy is expected to continue to grow but at lower levels than the past 5 years as the residential rebuild slows. Delivery of key anchor projects - the convention centre, metro sports centre and multi-purpose arena will have positive impacts on the local economy.<br><br>Council has prepared this Plan on the basis that the current predictions about the economy will prove correct.</td><td>That there is an unexpected local, national or international economic shock and growth slows significantly or becomes negative.</td><td>Low</td><td>While the New Zealand economy is currently in a strong position the availability and cost of resources including labour and materials could constrain growth and/ or be inflationary.<br><br>International economic shocks are often impossible to predict. Current risks that could trigger a negative economic environment include an oil price shock, geopolitical instability, some markets appearing overpriced.<br><br>A significant economic slowdown will impact on the rating base and on ratepayers' ability to pay. It could move facilities and services that are currently considered must haves to being nice to haves.</td></tr>
<tr><td>Growth development contributions revenue.<br>Council collects development contributions from property developers to fund the capital costs of providing infrastructure capacity to service growth development.<br><br>Development contribution charges are based on apportioning the cost of providing growth infrastructure to the forecast number of new residential, commercial, industrial and other properties. This forecast is based on Council's Growth Model.<br><br>Development contribution revenue is dependent on the forecast growth materialising over the funding life of the particular growth assets provided.</td><td>If the number of new properties paying development contributions is less than forecast over the funding life of assets then revenue from development contributions will not be sufficient to fund the growth component of the Council's capital programme.<br><br>If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing.<br><br>The location and timing of development is determined by a number of factors outside the control of the council such as market factors.</td><td>Low<br><br>Low</td><td>The timing of growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this Plan.<br><br>Any shortfall in development contributions revenue must be funded by borrowing.</td></tr>
<tr><td>Population. Planning for activities, and thus the likely cost of providing those activities is on the assumption that the population of Christchurch will increase at the rate forecast by Council's growth model.</td><td>That population growth is higher than projected, and Council will need to provide</td><td>Low</td><td>Population projections are based upon a standard set of demographic assumptions. However, the impact of the earthquake and the speed of the</td></tr>
</table>

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty |
|---|---|---|---|
| That model predicts the population of Christchurch to reach 423,800 by June 2028, an increase of 9.5% over the expected 2018 population. The number of households is projected to increase by 11.5% over the same period, as the average number of people per household continues to decline. | additional unplanned services and infrastructure.<br><br>That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery. | Low | rebuild could alter these assumptions. The level of risk is low but could impact the cost of providing activities<br><br>Net increases in inward migration fuelled by a rebuild are difficult to predict as is their sustainability in the medium term. |
| **Rating Base**<br>The capital value of Christchurch (post revaluation) is expected to increase across the years of the LTP. The projected percentage increase in rates includes the assumption that growth in the capital value of the city will have generated the additional rates revenue as outlined in table below,<br><br>**Year / Growth % / $ Impact on following year's Rates Base**<br>2017/18 2.3% $10.0m<br>2018/19 0.9% $4.3m<br>2019/20 0.85% $4.3m<br>2020/21 0.8% $4.3m<br>2021/22 0.8% $4.7m<br>2022/23 0.8% $4.8m<br>2023/24 0.7% $4.4m<br>2024/25 0.7% $4.7m<br>2025/26 0.7% $4.9m<br>2026/27 0.7% $5.1m<br><br>Growth is expected to decline, due to the significant amount of earthquake recovery (particularly new subdivision) that has been completed. Note that many of the remaining large Anchor Projects will be legally non-rateable. | The rating base grows at a rate different to that projected. | Low | Variances between the forecast and actual growth in the rating base are likely to cause changes to the total rates revenue collected. |
| **Aging population.**<br>The number of people over the age of 65 is expected to have doubled by 2043 to 105,700 (23%). This will increase by a further 20% between 2043 and 2068, when the proportion of the total population over the age of 65 will be around 28% or 135,000 people.<br><br>By 2043 the number of people over the age of 80 is expected to be around 8% of the population, compared to around 4% in 2013. | If the mix of ages within the population is significantly different from that forecast the range and types of services that have factored in the needs of older persons may need to change. | Low | Age projections are provided by Statistics New Zealand on a nation-wide basis. The projections for people who will be in post- retirement age groups is determined by the current population structure which does not change significantly, especially in the ages from 45 to 65 years, which will be the retirement age group in the next 20 years.<br><br>The impact on Christchurch may be different from the rest of New Zealand due to the effect of the rebuild. |
| **Impact of policies and external factors** | | | |
| **Council policy.** There will be no significant changes to Council policy as summarised in this plan. | New legislation is enacted that requires a significant policy response or business change from Council or, Department of the | Low | Dealing with changes in legislation is part of normal Council operations. |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty |
|---|---|---|---|
| | Prime Minister and Cabinet (DPMC) uses its statutory powers such that a change is required to Council policy. | | |
| **New Zealand Transport Agency subsidies.** Requirements and specifications for the performance of subsidised work will not alter to the extent they impact adversely on operating costs. The Current Funding Assistance Rate (FAR) is 51% on qualifying expenditure.<br>NZTA's Draft Investment Assessment Framework for the next three years is signalling a shift in funding priorities from highways to local transport options including cycleways, footpaths, safety and road lighting upgrades. Confirmation of these increased funding rates is expected early in the 2018/19 financial year. | Changes in subsidy rate and variation in criteria for inclusion in subsidised works programme. | Moderate | Changes to the funding priorities of New Zealand Transport Agency are outside Council control and they vary from project to project. The maximum financial impact would be the elimination of the subsidy, estimated at $60 million per annum. |
| **Resource Consents.** Conditions of resource consents held by Council will not be significantly altered. | Conditions required to obtain/maintain the consents will change, resulting in higher costs than projected, and these costs will not be covered by planned funding. | Moderate | Advance warning of likely changes is anticipated.<br><br>The financial impact of failing to obtain/renew resource consents cannot be quantified.<br><br>Two significant consents that will be finalised over this period, are the Global stormwater consent and the Akaroa wastewater consent. |
| **Legislative change.** Council will continue to operate within the same general legislative environment, and with the same authority, as it does at the time this Plan is published. | Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change. | High | The Government has several taskforces reviewing different aspects of local government, with some legislative change having occurred and further is expected to occur within the period of this Plan.<br><br>At the time of preparing this Plan the Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact. |
| **Potential climate change impacts.** In its Climate Smart Strategy, the Council follows New Zealand Government advice about anticipated changes for Christchurch and is meeting legal obligations placed on the Council to consider the impacts of climate change.<br><br>Following this advice, our community within the next 90 years must prepare for:<br>a. 100 centimetre rise in sea-level;<br>b. a temperature increase of 2 degrees Celsius; and<br>c. changes in rainfall and extreme weather events. | The timing or severity of any climate change may vary. | Low | If the effect of climate change has been underestimated the financial effect will be significant over the longer term but not within the period of this Plan.<br><br>Similarly, should the effect have been overestimated there is little impact on the period of this Plan.<br><br>The reverse however is not true in that decisions made within the next 10 years could have |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty |
|---|---|---|---|
| | | | considerable financial impact on future generations. |
| **Borrowing Related** | | | |
| **Credit Rating.** The current rating is maintained. | Council's credit rating with Standard and Poor's is downgraded. | Moderate | There is still some uncertainty around the final rebuild costs. A downgrade would increase costs of borrowing.<br><br>If the Council falls one notch from its current credit rating (i.e. from A+ to A) the cost of ***new*** borrowing will increase between 0.1 and 0.2 per cent per annum for the life of the borrowing. Existing borrowing would not be affected until it needs to be refinanced at maturity.<br>In such an event, interest costs in 2018/19 would not be materially affected because little new borrowing is planned. However, interest costs by 2027/28 would be around $4 million higher per annum than currently planned.<br>Increases in interest rates flow through to higher debt servicing costs and higher rates funding requirements. |
| **Borrowing Costs.** Net cost of borrowing (i.e. including current and projected debt) is projected to be around 5.0% throughout the period of the Long Term Plan.<br><br>These averages include assumed long-term market interest rates (including Council's borrowing margin) of:<br>Year Total rate<br>2018/19 4.00%<br>2019/20 4.25%<br>2020/21 4.40%<br>2021/22 4.60%<br>2022/23 4.65%<br>2023/24 4.75%<br>2024/25 4.85%<br>2025/26 4.95%<br>2026/27 5.00%<br>2027/28 5.00% | Interest rates will vary from those projected. | Moderate | Projections are based on conservative assumptions about future market interest rates. The cost of projected debt is hedged to minimise exposure to market rate fluctuations. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor. |
| **Securing External Funding.** New, or renewal of existing borrowings on acceptable terms can be achieved. | That new borrowings cannot be accessed to refinance existing debt or fund future capital requirements. | Low | The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Liability Management Policy. |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty |
|---|---|---|---|
| **Philanthropic Funding.** Planned philanthropic funding will be able to be secured to assist with the funding for major projects. | That philanthropic funding cannot be secured | Moderate | If such funding cannot be secured additional funding may be required by the Council in order to deliver the project. Alternatively the project will be scaled back to be within existing budget.<br><br>The options available to Council to replace this funding include:<br>• Additional borrowing if sufficient capacity within limits exists.<br>• Sale of investments or assets;<br>• Changes to levels of service or the capital programme. |
| **LGFA Guarantee.** Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and they guarantee obligations of other participating local authorities to the LGFA, in the event of default. | In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor's relative rates income. | Low | The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote. The likelihood of a local authority borrower defaulting is extremely low and LGFA has recovery mechanisms that would be applied prior to any call on the Guarantee. All of the borrowings by a local authority from the LGFA are secured by a rates charge. |
| **Opening Debt:** The opening debt of $1,801 million is made up of;<br>• $173 million of equity investments, mainly in CCTOs (Vbase $149 million),<br>• $581 million of money borrowed for on-lending to CCTOs, (in accordance with the Council's Liability Management Policy),<br>• $589 million of earthquake related borrowings. There is an additional $99 million borrowed internally from the Capital Endowment Fund.<br>• $360 million of borrowing for capital works.<br>• $98 million finance lease (Civic Building). | Actual opening debt differs from forecast. | Low | Council's debt requirements are well understood and closely managed. It is unlikely that opening debt will be significantly different to forecast. |

| Investment related | | | |
|---|---|---|---|
| **Return on investments.** Interest on general funds invested is calculated at the expected Official Cash Rate (projected at 1.75% in 2018/19, rising to 3.75% by 2027/28).<br><br>The return on the Capital Endowment Fund is calculated at 3.6% for 2018/19, rising slowly to 3.9% by 2027/28.<br><br>Virtually all of the Fund is internally borrowed in lieu of external ratepayer borrowing. | Interest rates will vary from those projected. | Moderate | Rates used are based on expert advice.<br><br>If actual interest rates differ from those anticipated the impact will largely fall on the Capital Endowment Fund. |
| **CCTO income.** CCHL will deliver dividend income at the levels forecast in this Plan. | CCHL will deliver a lower than projected dividend and Council will need to source alternate funding. | Low | CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan.<br><br>Should additional dividend income be received the level of borrowing forecast in this plan will be reduced. |
| **CCHL capital release**<br>The Council will receive $140 million from CCHL in 2018/19 via its capital release programme. | That $140 million cannot be released within the planned time frame.<br><br>A change in tax legislation or policy changes the tax treatment by Council of the dividends. | Low<br><br>Moderate | CCHL has agreed to provide the Council with $140 million in 2018/19 via its capital release programme. The timing of receipt could change depending on the methods of release selected and the impact on the Council's total debt and the Debt to Revenue ratio.<br><br>A change in tax legislation or policy is not expected until after the 2018/19 year when the last of the dividends from the capital release program are expected to be received. |
| **Tax planning.** The Council (parent) will be operating at a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (known as subvention payments) to Council instead of tax payments. It has been assumed that sufficient profits will be made within the wider group to ensure that subvention receipts are available. | Subvention payments will be lower than planned. | Moderate | CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan. |

| Services and Operations | | | |
|---|---|---|---|
| | | | |
| **Social housing.**<br>Social housing assets are leased to Otautahi Community Trust while asset ownership, including long term maintenance, is the responsibility of Council. Social housing asset long term maintenance is funded through the lease payments. | Social housing remains ring-fenced from rates, through a separate Social Housing Fund. The ongoing revenue source for this fund is the lease payments from the Otautahi Community Housing Trust.<br>Modelling for the Social Housing Fund indicates that its sustainability is sensitive to small changes and there is a risk that:.<br>• The lease payments are not sufficient to enable the social housing portfolio to be financially viable in the long term.<br>• Higher than expected expenditure (e.g. due to asset failure or external events) reduces the financial sustainability in the short term (2 years). | Moderate | The Trust increases its operating and maintenance costs above those modelled, leading to reduced revenue to Council (and reduced ability to invest in the long term maintenance of units).<br><br>The Trust does not share the increased revenue gained through its ability to access the IRRS (for example, through renegotiation of the rent cap), leading to less revenue to Council (and reduced ability to invest in the long term maintenance of units). |
| **Regional Land Transport Plan.**<br>Council's Long Term Plan aligns with the Councils submission to the Regional Transport Committee. | The Regional Land Transport Plan is not finalised until late March, which could mean that not all projects are approved by the Regional Transport Committee. | Moderate | Any change to the approved projects would require a review of priorities as New Zealand Transport Agency funding is guided by the Regional Land Transport Plan. If projects are not included co-funding is unlikely to be available. A draft GPS is being reviewed by the new government, so funding priorities may change. |
| **Contract Rates.** Re-tendering of major contracts will not result in cost increases other than those comparable with the rate of inflation. | There is a significant variation in price from re-tendering contracts. | Moderate | Where possible Council would review the scope of work, otherwise additional budget would be required.<br>Maintenance contracts however have a significant impact on ratepayers satisfaction and over the period of the LTP a number of these will be rewritten to ensure they are fit for purpose. This may impact financially on the plan. |

| | | | |
|---|---|---|---|
| **Anchor project ownership and operating costs**<br>The Cost Share Agreement is the underlying document that the Council has used to determine ownership and operating cost requirements.<br><br>In most instances ownership is clear but where the Agreement is ambiguous Council has assumed as follows for the purposes of this Plan:<br><br>• **Bus Exchange**<br>Council assumes it will own and operate the Bus Exchange from July 2019.<br>• **The Frame, (Public realm)**<br>Council ownership and maintenance<br>• **The Square**<br>Council ownership and maintenance<br>• **Central Library**<br>Council ownership and operation<br>• **Car parking**<br>Council / private ownership and operation<br>• **Earthquake memorial**<br>Crown ownership and maintenance. Council maintains the grounds.<br>• **Metro Sports Facility**<br>Council ownership and operation<br>• **Avon River Precinct**<br>CDHB and Council ownership and operation<br>• **Multi Use Arena**<br>The Crown and the Council are working on the allocations from the $300m Capital Acceleration Facility. Because this is yet to be confirmed, neither this funding nor the offsetting cost has been incorporated into the Long Term Plan. The Arena will be completed in 2023 and owned by Council. | The Cost Share is changed and Council is assigned responsibility for meeting the operating costs of additional venues. | Low | As signalled by the Mayor, Council would like to negotiate a global settlement with the Crown. We are not expecting any additional operating or ownership costs from this negotiation.<br><br>The Crown has signalled a $300m capital acceleration fund for Christchurch. This has not been factored into the LTP as uncertainty still exists as approved business cases are required before the timing is confirmed. It is highly likely that funding from this fund will be used as the Crown's contribution to the Multi Use Arena (Stadium). The timing and project(s) for the remaining funding is still to be determined. |

| Insurance cover and natural disaster financing | | | |
|---|---|---|---|
| **Insurance cover**<br>The Council has full Material Damage cover for all major above ground buildings which are undamaged and fire cover for significant unrepaired buildings. | Risk of major loss through fire | Low | Financial impact is not expected to be significant. |
| **Natural disaster financial implications.**<br>The Christchurch region is susceptible to further damage from earthquake, flooding and tsunamis. | Council has limited insurance cover in place for damage to infrastructure networks from flooding, tsunami and earthquake events and relies on the strength of its balance sheet plus access to central government emergency funding in the event of another major event. | Low | Financial implications of another significant event are large, particularly in the first 10 years when our ability to borrow will be limited due to the high debt to revenue ratios forecast.<br><br>Creating this ability within ten years from rates would unfairly burden the current ratepayer but it could be achieved by the further sell down of CCHL's investments. |

Christchurch City Council