Prospective Financial Statements

Christchurch City Council
Prospective statement of comprehensive revenue and expense

Plan 2020/21	$000	Note	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Revenue											
557,225	Rates revenue		594,742	631,087	670,213	711,363	755,626	799,456	834,624	874,985	901,952	937,138
21,874	Development contributions		24,276	24,115	23,112	23,013	23,565	24,131	24,734	25,402	26,088	26,766
67,497	Grants and subsidies[i]		151,206	225,892	85,748	68,333	69,440	74,710	74,399	62,921	65,087	66,892
152,719	Other revenue	1	150,939	173,896	199,683	209,328	209,544	215,559	222,129	231,280	238,147	246,119
799,315	**Total income**		**921,163**	**1,054,990**	**978,756**	**1,012,037**	**1,058,175**	**1,113,856**	**1,155,886**	**1,194,588**	**1,231,274**	**1,276,915**
	Expenditure											
88,635	Finance costs		85,429	85,011	89,765	95,234	100,984	110,131	115,546	120,859	119,206	119,138
270,536	Depreciation	2	284,519	302,038	316,876	333,607	347,033	359,872	375,333	392,539	406,379	416,479
493,336	Other expenses	3	500,451	514,816	536,800	568,371	570,745	584,300	589,743	608,863	622,426	637,989
852,507	**Total operating expenditure**		**870,399**	**901,865**	**943,441**	**997,212**	**1,018,762**	**1,054,303**	**1,080,622**	**1,122,261**	**1,148,011**	**1,173,606**
(53,192)	**Surplus before asset contributions**		**50,764**	**153,125**	**35,315**	**14,825**	**39,413**	**59,553**	**75,264**	**72,327**	**83,263**	**103,309**
45,635	Vested assets[ii]		17,000	241,391	17,808	18,254	18,710	19,196	19,715	20,267	20,854	21,418
(7,557)	**Surplus before income tax expense**		**67,764**	**394,516**	**53,123**	**33,079**	**58,123**	**78,749**	**94,979**	**92,594**	**104,117**	**124,727**
-	Income tax expense		(2,200)	(2,200)	(2,223)	(1,820)	(1,747)	(1,669)	(1,589)	(1,589)	(1,589)	(1,589)
(7,557)	**Net surplus for year**		**69,964**	**396,716**	**55,346**	**34,899**	**59,870**	**80,418**	**96,568**	**94,183**	**105,706**	**126,316**
	Other comprehensive revenue and expense											
255,218	Changes in Revaluation Reserve		330,355	359,835	387,529	432,898	430,739	448,696	528,484	549,195	625,903	568,659
247,661	**Total comprehensive revenue and expense**		**400,319**	**756,551**	**442,875**	**467,797**	**490,609**	**529,114**	**625,052**	**643,378**	**731,609**	**694,975**

Footnotes:

i. Grants and subsidies include: Crown Contributions for the Canterbury Multi Use Arena (2021/22 - $55.9m, 2022/23 - $141.8m), Shovel Ready revenues ($73m spread from 2021/22 - 2024/25), and Water Reform (2021/22 - $20.3m).

ii. Vested Assets include $224m in 2022/23 for the Metro Sports Facility which is to be handed over to Council from the Crown.

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

Plan 2020/21	$000	Note	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
12,443,811	**Ratepayers equity at July 1**		12,910,469	13,310,788	14,067,340	14,510,215	14,978,012	15,468,619	15,997,732	16,622,786	17,266,164	17,997,774
	Net surplus attributable to:											
	Reserves											
255,218	Revaluation reserve		330,355	359,835	387,529	432,898	430,739	448,696	528,484	549,195	625,903	568,659
	Retained earnings											
(7,557)	Surplus		69,964	396,716	55,346	34,899	59,870	80,418	96,568	94,183	105,706	126,316
247,661	Total comprehensive income for the year		400,319	756,551	442,875	467,797	490,609	529,114	625,052	643,378	731,609	694,975
12,691,472	**Ratepayers equity at June 30**	8	**13,310,788**	**14,067,339**	**14,510,215**	**14,978,012**	**15,468,621**	**15,997,733**	**16,622,784**	**17,266,164**	**17,997,773**	**18,692,749**

Christchurch City Council
Prospective statement of financial position

Plan 2020/21	$000	Note	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Current assets											
94,874	Cash and cash equivalents		110,045	111,593	113,249	115,017	116,906	118,839	120,902	123,187	125,530	127,850
83,228	Trade receivables and prepayments	4	96,281	98,284	100,427	102,716	105,160	107,662	110,331	113,286	116,320	119,321
3,262	Inventories		3,386	3,457	3,534	3,616	3,703	3,793	3,886	3,992	4,099	4,204
5,424	Other financial assets		21,659	22,697	25,733	19,066	21,984	25,042	26,989	30,520	33,439	36,448
	Non-current assets											
	Investments											
2,860,783	- Investments in CCOs and other similar entities		3,073,418	3,316,940	3,558,116	3,644,050	3,706,640	3,772,793	3,839,491	3,910,622	3,986,986	4,064,682
139,863	- Other investments		137,957	138,415	139,201	138,129	136,212	137,468	130,839	132,349	128,861	130,369
71,932	Intangible assets		77,609	79,393	77,686	74,460	70,985	66,975	63,107	59,839	57,551	55,976
1,597,229	Operational assets		1,751,714	2,062,259	2,152,336	2,239,935	2,326,069	2,420,894	2,524,062	2,621,705	2,732,073	2,838,842
9,279,205	Infrastructural assets		9,684,524	10,047,644	10,426,757	10,844,396	11,274,816	11,727,804	12,200,004	12,649,806	13,122,806	13,590,460
1,174,940	Restricted assets		1,236,438	1,270,285	1,304,517	1,335,795	1,367,704	1,396,884	1,448,932	1,487,112	1,528,377	1,568,169
15,310,740	**Total assets**		**16,193,031**	**17,150,967**	**17,901,556**	**18,517,180**	**19,130,179**	**19,778,154**	**20,468,543**	**21,132,418**	**21,836,042**	**22,536,321**
	Current liabilities											
122,460	Trade and other payables		148,472	151,590	154,925	158,488	162,290	166,185	170,340	174,939	179,664	184,335
268,200	Borrowings	5	314,200	274,700	195,500	196,500	175,200	179,027	465,337	366,425	327,272	184,131
27,292	Other liabilities and provisions	6	23,065	23,251	23,248	23,808	24,293	24,849	25,440	26,110	26,866	27,513
	Non-current liabilities											
1,924,863	Borrowings	5	2,052,228	2,314,330	2,716,602	2,893,733	3,050,696	3,164,783	2,988,386	3,136,025	3,215,006	3,393,979
272,157	Other liabilities and provisions	7	341,699	317,119	298,365	263,870	246,241	242,665	193,266	159,681	86,298	50,365
4,296	Deferred tax liability		2,579	2,638	2,701	2,769	2,838	2,912	2,990	3,074	3,163	3,249
12,691,472	**Ratepayers equity**	8	13,310,788	14,067,339	14,510,215	14,978,012	15,468,621	15,997,733	16,622,784	17,266,164	17,997,773	18,692,749
15,310,740	**Total equity and liabilities**		**16,193,031**	**17,150,967**	**17,901,556**	**18,517,180**	**19,130,179**	**19,778,154**	**20,468,543**	**21,132,418**	**21,836,042**	**22,536,321**

Christchurch City Council
Prospective cash flow statement

Plan 2020/21	$000	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Operating activities										
	Cash was provided from:										
750,677	Rates, grants, subsidies and other sources	883,917	1,001,347	905,488	931,907	981,481	1,034,399	1,073,445	1,106,917	1,140,384	1,182,007
20,115	Interest received	17,841	16,448	17,621	18,020	20,186	21,799	22,875	24,585	24,099	23,926
27,452	Dividends	20,419	36,062	54,541	60,746	54,755	55,601	57,151	60,247	63,874	68,100
798,244		922,177	1,053,857	977,650	1,010,673	1,056,422	1,111,799	1,153,471	1,191,749	1,228,357	1,274,033
	Cash was disbursed to:										
485,068	Payments to suppliers and employees	502,911	512,459	533,943	564,786	566,945	580,354	585,510	604,132	617,581	633,308
88,635	Interest paid	85,429	85,011	89,765	95,234	100,984	110,131	115,546	120,859	119,206	119,138
573,703		588,340	597,470	623,708	660,020	667,929	690,485	701,056	724,991	736,787	**752,446**
219,094	**Net cash flow from operations**	**333,837**	**456,387**	**353,942**	**350,653**	**388,493**	**421,314**	**452,415**	**466,758**	**491,570**	**521,587**
	Investing activities										
	Cash was provided from:										
4,994	Sale of assets	6,996	6,134	520	533	546	560	576	592	609	625
143,918	Investments realised	-	4,000	2,200	10,667	5,000	2,700	14,662	7,000	11,823	2,000
154,359		6,996	10,134	2,720	11,200	5,546	3,260	15,238	7,592	12,432	2,625
	Cash was applied to:										
487,904	Purchase of assets	570,228	494,523	490,741	513,296	524,895	537,497	573,556	517,261	538,568	554,715
31,454	Purchase of investments	86,284	192,014	184,301	24,920	-	-	-	-	-	-
-	Purchase of investments (special funds)	1,658	1,038	3,036	-	2,918	3,058	1,947	3,531	2,919	3,009
519,358		658,170	687,575	678,078	538,216	527,813	540,555	575,503	520,792	541,487	557,724
(364,999)	**Net cash flow from investing activities**	**(651,174)**	**(677,441)**	**(675,358)**	**(527,016)**	**(522,267)**	**(537,295)**	**(560,265)**	**(513,200)**	**(529,055)**	**(555,099)**

Plan 2020/21		Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Financing activities										
	Cash was provided from:										
206,265	Raising of loans	371,586	292,385	411,981	281,762	236,279	225,565	235,765	175,086	177,435	170,114
206,265		371,586	292,385	411,981	281,762	236,279	225,565	235,765	175,086	177,435	170,114
	Cash was applied to:										
51,929	Repayment of term liabilities	54,249	69,783	88,909	103,631	100,616	107,651	125,852	126,359	137,607	134,282
51,929		54,249	69,783	88,909	103,631	100,616	107,651	125,852	126,359	137,607	134,282
154,336	**Net cash flow from financing activities**	**317,337**	**222,602**	**323,072**	**178,131**	**135,663**	**117,914**	**109,913**	**48,727**	39,828	35,832
8,431	Increase/(decrease) in cash	-	1,548	1,656	1,768	1,889	1,933	2,063	2,285	2,343	2,320
86,443	Add opening cash	110,045	110,045	111,593	113,249	115,017	116,906	118,839	120,902	123,187	125,530
94,874	**Ending cash balance**	**110,045**	**111,593**	**113,249**	**115,017**	**116,906**	**118,839**	**120,902**	**123,187**	**125,530**	**127,850**
	Represented by:										
94,874	Cash and cash equivalents	110,045	111,593	113,249	115,017	116,906	118,839	120,902	123,187	125,530	127,850

Notes to the prospective financial statements

Plan 2020/21	$000	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	NOTE 1										
	Other revenue										
104,814	Fees and charges	112,230	120,862	126,841	129,747	133,633	137,027	140,862	145,078	148,811	152,730
	Interest:										
18,395	Subsidiaries	16,312	13,709	14,278	13,857	15,379	16,546	17,196	18,262	17,537	17,288
719	Special and other fund investments	408	877	1,346	2,032	2,616	2,927	3,472	4,027	4,390	4,466
1,112	Short term investments	763	972	1,263	1,532	1,821	2,118	2,317	2,535	2,528	2,528
227	Housing trust	807	1,414	1,414	1,414	1,340	1,340	1,131	1,131	1,007	1,007
20,453	Total interest revenue	18,290	16,972	18,301	18,835	21,156	22,931	24,116	25,955	25,462	25,289
	Dividends:										
18,800	Christchurch City Holdings Ltd	16,075	32,418	50,703	57,180	51,072	51,802	53,274	56,370	59,997	64,223
8,557	Transwaste Ltd	4,279	3,579	3,773	3,501	3,618	3,734	3,812	3,812	3,812	3,812
95	Other	65	65	65	65	65	65	65	65	65	65
27,452	Total dividend revenue	20,419	36,062	54,541	60,746	54,755	55,601	57,151	60,247	63,874	68,100
152,719	**Total other revenue**	**150,939**	**173,896**	**199,683**	**209,328**	**209,544**	**215,559**	**222,129**	**231,280**	**238,147**	**246,119**

Plan 2020/21	$000	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	NOTE 2										
	Depreciation										
25,079	Communities & Citizens	27,281	32,150	35,415	37,123	38,438	38,825	39,166	39,970	41,252	42,740
83	Economic Development	11	4	-	-	-	-	-	-	-	-
300	Flood Protection & Control Works	348	612	878	1,104	1,364	1,581	1,742	1,926	2,147	2,294
-	Governance	-	-	-	-	-	-	-	-	-	-
6,543	Housing	5,966	6,224	6,488	6,752	7,025	7,324	7,659	8,009	8,373	8,749
22,039	Parks, Heritage and Coastal Environment	22,951	23,729	24,711	25,959	27,247	28,206	29,675	30,176	31,513	33,533
74	Regulatory & Compliance	77	79	80	81	83	85	87	89	92	94
2,743	Solid Waste & Resource Recovery	2,718	3,031	3,292	3,395	3,527	3,700	3,907	3,787	3,365	3,499
20,036	Stormwater Drainage	22,082	22,947	23,663	24,540	25,435	26,728	28,085	29,537	31,028	32,594
117	Strategic Planning & Policy	380	559	712	870	993	1,016	1,044	1,073	1,104	1,134
67,523	Transport	70,992	75,812	80,901	86,540	90,991	96,432	100,971	108,396	111,124	113,405
65,768	Wastewater	67,809	70,294	72,386	75,340	76,987	79,164	83,026	86,889	90,329	92,949
39,631	Water Supply	40,329	42,113	44,199	46,431	48,461	48,719	50,976	53,405	56,178	55,028
20,600	Corporate	23,575	24,484	24,151	25,472	26,482	28,092	28,995	29,282	29,874	30,460
270,536	**Total Depreciation**	**284,519**	**302,038**	**316,876**	**333,607**	**347,033**	**359,872**	**375,333**	**392,539**	**406,379**	**416,479**
	NOTE 3										
	Other expenses										
	Operating expenditure:										
203,793	Personnel costs	203,363	209,996	218,166	223,158	228,530	233,573	239,406	245,886	252,394	258,989
38,924	Donations, grants and levies	52,301	49,922	49,872	68,045	55,122	58,414	49,575	50,553	51,548	51,860
250,619	Other operating costs	244,787	254,898	268,762	277,168	287,093	292,313	300,762	312,424	318,484	327,140
493,336	**Total other expenses**	**500,451**	**514,816**	**536,800**	**568,371**	**570,745**	**584,300**	**589,743**	**608,863**	**622,426**	**637,989**

Plan 2020/21	$000	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	NOTE 4										
	Trade receivables and prepayments										
21,494	Rates debtors	30,719	31,364	32,055	32,792	33,579	34,385	35,245	36,197	37,172	38,139
13,416	Trade debtors	10,444	10,664	10,899	11,150	11,418	11,692	11,985	12,309	12,642	12,971
47,309	Other receivables/prepayments	54,725	57,747	57,788	58,849	60,639	62,372	63,907	66,352	68,112	69,961
2,227	GST receivable	1,822	(5)	1,186	1,457	1,098	829	850	139	151	54
84,446		97,710	99,770	101,928	104,248	106,734	109,278	111,987	114,997	118,077	121,125
(1,218)	Less provision for doubtful debts	(1,429)	(1,486)	(1,501)	(1,532)	(1,574)	(1,616)	(1,656)	(1,711)	(1,757)	(1,804)
83,228	**Total trade receivables and prepayments**	**96,281**	**98,284**	**100,427**	**102,716**	**105,160**	**107,662**	**110,331**	**113,286**	**116,320**	**119,321**
	NOTE 5										
	Debt										
268,200	Current portion of gross debt	314,200	274,700	195,500	196,500	175,200	179,027	465,337	366,425	327,272	184,131
1,924,863	Non current portion of gross debt	2,052,228	2,314,330	2,716,602	2,893,733	3,050,696	3,164,783	2,988,386	3,136,025	3,215,006	3,393,979
2,193,063	Total gross debt	2,366,428	2,589,030	2,912,102	3,090,233	3,225,896	3,343,810	3,453,723	3,502,450	3,542,278	3,578,110
1,427,971	Total net debt	1,588,391	1,811,957	2,131,313	2,315,663	2,447,704	2,561,657	2,668,428	2,742,098	2,777,294	2,808,434
	NOTE 6										
	Other current liabilities and provisions										
4,222	Provision for landfill aftercare	1,264	1,018	553	620	578	594	610	643	745	745
1,200	Provision for building related claims	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240
21,870	Provision for employee entitlements	20,561	20,993	21,455	21,948	22,475	23,015	23,590	24,227	24,881	25,528
27,292	**Total other liabilities and provisions**	**23,065**	**23,251**	**23,248**	**23,808**	**24,293**	**24,849**	**25,440**	**26,110**	**26,866**	**27,513**

Plan 2020/21	$000	Plan 2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	NOTE 7										
	Non-current other liabilities and provisions										
10,125	Provision for landfill aftercare	16,088	15,069	14,516	13,896	13,318	12,724	12,115	11,471	10,726	9,982
4,038	Provision for employee entitlements	3,448	3,520	3,597	3,680	3,768	3,859	3,955	4,062	4,172	4,280
4,808	Provision for building related claims	4,958	4,958	4,958	4,958	4,958	4,958	4,958	4,958	4,958	4,958
251,286	Hedge and other liabilities	316,040	293,143	275,294	241,336	224,197	221,124	172,238	139,190	66,442	31,145
1,900	Service concession arrangement	1,165	429	-	-	-	-	-	-	-	-
272,157	**Total non-current other liabilities and provisions**	**341,699**	**317,119**	**298,365**	**263,870**	**246,241**	**242,665**	**193,266**	**159,681**	**86,298**	**50,365**
	NOTE 8										
	Equity										
1,733,853	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
148,524	Reserve funds	168,659	169,697	172,733	166,066	168,984	172,042	173,989	177,520	180,439	183,448
6,777,617	Asset revaluation reserves	7,005,255	7,365,090	7,752,619	8,185,516	8,616,255	9,064,951	9,593,436	10,142,631	10,768,534	11,337,193
4,031,478	Retained earnings	4,403,021	4,798,699	4,851,010	4,892,577	4,949,529	5,026,887	5,121,506	5,212,160	5,314,947	5,438,255
12,691,472	**Total equity**	**13,310,788**	**14,067,339**	**14,510,215**	**14,978,012**	**15,468,621**	**15,997,733**	**16,622,784**	**17,266,164**	**17,997,773**	**18,692,749**

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.

Cautionary Note

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

Other Disclosures

New accounting standards, interpretations and amendments have been issued but are not yet effective. They include PBE IFRS 17 Insurance Contracts effective 1 January 2022, a future standard dealing with disclosure requirements that applies to not-for-profit PBEs only, effective 1 January 2022. PBE IPSAS 41 Financial Instruments effective 1 January 2022 replaces *PBE IFRS 9 – Financial Instruments* (which was adopted in 2018/19) and parts of *PBE IPSAS 29 - Financial Instruments: Recognition and Measurement*. This standard is effective from the year ending 30 June 2022, and is not expected to have any material impact on the Council's reporting requirements.

The 2018 annual omnibus amendment to *PBE IPSAS 2 Cash Flow Statements* which comes into effect for the year ended 30 June 2022. This amendment does not have any material impact on the Council's reporting requirements.

PBE FRS 48 Service Performance Reporting, establishes requirements to PBEs to select and present service performance information. This standard is effective from the year ending 30 June 2022, and does not have any material impact on the Council.

The prospective financial statements were authorised for issue on 23 June 2021 by the 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 contains no actual operating results.

(iii) Measurement base

The reporting period for these prospective financial statements is the 10 year period ending 30 June 2031. The functional currency of the Council is New Zealand dollars and the statements are presented in New Zealand dollars, rounded to the nearest thousand ($000), unless otherwise stated.

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.

Revenue from exchange transactions

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.

Revenue from non-exchange transactions

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 the revenue 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 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 *(see* Investment Policy*)* 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 reliably measure 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 reliably measured. 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
Land improvements	10-60 yrs
Office and computer equipment	1-10 yrs
Mobile plant including vehicles	2-30 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:	**Estimated Useful Life**
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	25-80 yrs
Surface	2-80 yrs
Streetlights and signs	5-50 yrs
Kerb, channel, sumps and berms	80 yrs
Tram tracks and wires	40-100 yrs
Parking meters	10 yrs
Railings	20-50 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/ retaining walls	20-115 yrs
Bridges	70-100 yrs
Bus shelters and furniture	6-40 yrs
Water supply	2-130 yrs
Water meters	25-40 yrs
Stormwater	20-150 yrs
Waterways	10-100 yrs
Sewer	40-150 yrs
Treatment plant	15-100 yrs
Pump stations	5-100 yrs

Restricted Assets:	**Estimated Useful Life**
Planted areas	15-110 yrs
Reserves – sealed areas	10-60 yrs
Reserves – structures	10-80 yrs
Historic buildings	20-125 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date in accordance with the requirements of *PBE IPSAS 17 – Property, Plant and Equipment.*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the requirements of *PBE IPSAS 21 – Impairment of Non-Cash-Generating Assets and PBE IPSAS 26 - Impairment of Cash-Generating Assets.*

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.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. Further, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

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).

(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.

Intangible Assets:	**Estimated Useful Life**
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.

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

Loan advances and investment in debt securities, are classified as financial assets and measured at fair value through surplus or deficit.

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 less the recognition of any expected credit loss over the life of the asset (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 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 however is 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 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.

(iii) Calculation of recoverable amount

The recoverable amount of the Council's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial instruments) and adjusted for expected credit loss. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their market value less cost to sell and value in use.

As a PBE, Council uses depreciated replacement cost to assess value in use where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Council would, if deprived of the asset, replace its remaining future economic benefits or service potential. For the Group, where an asset does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

The value in use for cash-generating assets is the present value of expected future cash flows. The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset.

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.

Interest Bearing 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. Aright of use asset is recognised as the Council has full benefit under a finance lease and is 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 other comprehensive revenue and expense 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.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the prospective statement of cash flows.

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
1. Capital Programme and infrastructure assets			
1.1 **Capital Works.** Programmes and projects are assumed to be delivered within budget and on time. The capital programme is generally managed within overall budget allocations requiring changes to programme or project budget to be found within available budgets. At a corporate level provision is made for delayed delivery by forecasting an annual capital budget carry forward based on historic delivery trends. There may also be some projects delivered ahead of forecast and these will be managed within borrowing allowances via bring backs.	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. However, Council has tendered significant work and estimates are based on the best available information. Delays could also be due to consenting and consultation requirements.	Moderate/ Low	To the extent possible Council staff seek to proactively manage the delivery of capital works, substituting projects within a programme where necessary. Those that are unable to be completed as planned in any year of the Long Term Plan may be carried forward. The implications of this are: • possible additional reactive opex; not all delays lead to additional costs. • possible reduction in opex if the delay relates to a new facility • projects may cost more than planned due to inflation. • less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs. • possible reduction to levels of service

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			• 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.
1.2 **Sources of funds for replacing assets.** The sources of funds will occur as projected.	Funding does not occur as projected.	Low	Council is well placed to borrow funds as required and remain within its LGFA benchmarks. The impact to ratepayers of every $10 million of additional borrowing for capital works is a 0.08% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing over 30 years.
1.3 **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 all water assets is more difficult to obtain as the piped networks are below ground therefore making remaining life difficult to quantify. Ideally assets need to be replaced just in time. Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs. Late replacement leads to more expensive replacements costs plus generally greater impacts on the operational costs, community and the environment.
1.4 **Carrying value of assets.** The opening statement of financial position reflects the correct asset values. The carrying value of assets are revalued on a regular basis	Asset revaluations will differ to that planned and change projected carrying values of the assets and depreciation expense.	Low	Waste water, water supply and stormwater, were revalued at 30 June 2020. Roading assets were revalued at 30 June 2019 Land and buildings were revalued as at 30 June 2018. The valuation of the Council's facilities and infrastructural assets at optimum depreciated replacement cost involves a significant amount of judgement in estimating the replacement unit cost, asset condition (for underground assets) and the remaining useful life of the assets.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
2. Inflation. Growth and Population			
2.1 Inflation. The price level changes projected will occur. Council has considered both information provided by Business Economic Research Limited to all local authorities and a weighted mix of its own cost inputs in determining appropriate inflators.	Inflation will be higher or lower than anticipated Inflation on costs will not be offset by inflation on revenues.	Low Low	Current volatility is low. Short term impact will be low as costs will be managed to budget. Inflation on costs will not be offset by inflation on revenues. Short term impact will be low as costs will be managed to budget.

Different forecast inflation figures for capital and operational items are used in developing the plan due to the differing mix of cost inputs in each.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Capital	2.3%	2.3%	2.4%	2.5%	2.5%	2.6%	2.7%	2.8%	2.9%	2.7%
Opex	2.1%	2.1%	2.2%	2.3%	2.4%	2.4%	2.5%	2.7%	2.7%	2.6%

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
2.2 Economic Environment. Real production GDP contracted by 2.1% in the year to June 2020. A positive movement of 1.5% is forecast for the year to June 2021 with progressive improvements throught to 3.8% in 2024. (Half Year Economic and Fiscal Update from December 2020) Economic activity in Christchurch will continue to receive some support from the delivery of key anchor projects - the convention centre, metro sports centre and Canterbury Multi Use Arena. Council has prepared this Plan on the basis that the current predictions about the economy will prove correct.	That there are further unexpected local, national or international economic shocks such as further restrictions on movement and economic activity from a second wave of the COVID-19 virus. This would further exacerbate the contraction in economic activity.	Moderate	Further economic contraction will impact on the rating base and on ratepayers' ability to pay. It could force Council to borrow more heavily or reduce facilities and services.
2.3 Growth development contributions revenue. Council collects development contributions from property developers to fund the capital	If the number of new properties paying development contributions is less than forecast over the funding life of assets then revenue from	Low	The timing of growth, and its impact on Council's development contributions revenue, will have a low impact on the borrowing and interest expense assumptions in this Plan.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
costs of providing infrastructure capacity to service growth development. 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. Development contribution revenue is dependent on the forecast growth materialising over the funding life of the particular growth assets provided.	development contributions will not be sufficient to fund the growth component of the Council's capital programme. If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing. The location and timing of development is determined by a number of factors such as market forces which are outside the control of the council.	Low	Any shortfall in development contributions revenue must be funded by borrowing.
2.4 **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. That model predicts the population of Christchurch to reach 439,438 by June 2031, an increase of 9.8% over the expected 2021 population. The number of households is projected to increase by 10% over the same period.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure. That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery.	Low Low	Population projections are based upon a standard set of demographic assumptions. The level of risk is low but could impact the cost of providing activities Net increases in inward migration fuelled by a rebuild are difficult to predict as is their sustainability in the medium term. The short term impact of COVID-19 on migration is unknown at this stage.
2.5 **Rating Base.** The capital value of Christchurch is expected to increase across the years of the LTP.	Rating base grows at a different rate from that projected.	Low	Actual growth in the rating base is never known until year end because of the process by which it's measured. Council staff work closely with QV in the period leading up to year end in order to have as accurate an assessment as possible. Variances between the forecast and actual growth in the rating base will cause changes to the total rates revenue collected.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
The projected percentage increase in rates includes the assumption that growth in the capital value of the city will generate the additional rates revenue as outlined in table below,			

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Growth %	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
$ Impact on following year's Rates Base	$4.4 m	$4.7 m	$4.9 m	$5.2 m	$5.5 m	$5.8 m	$6.1 m	$6.3 m	$6.6 m	$6.8 m

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
2.6 **Aging population.** The number of people over the age of 65 is expected to increase by 80% by 2051 to 117,800 (24%). By 2051 the number of people over the age of 80 is expected to be around 10% of the population, compared to around 4% in 2021.	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.
3. Impact of policies and external factors			
3.1 **Council policy.** Given the significant extent of government reform, there will be regular updates to Council policy in response to legislative changes and emerging strategic issues..	New legislation is enacted that requires a significant policy response or business change from Council or, Department of the Prime Minister and Cabinet (DPMC) uses its statutory powers such that a change is required to Council policy.	Low	Dealing with changes in legislation is part of normal Council operations.
3.2 **Waka Kotahi subsidies.** The Current Funding Assistance Rate (FAR) of 51% on qualifying expenditure will not change. We will receive the total amount of subsidy that we have assumed we will receive.	Changes in the FAR, changes to the overall amount in the National Land Transport Fund, changes to government transport priorities, and changes to eligibility criteria for projects could impact on the amount	Moderate	Changes to government funding priorities and Waka Kotahi funding decisions are outside Council control and the risk varies from project to project. The maximum financial impact would be the elimination of the subsidy, which is extremely unlikely. Decisions on what projects will be funded through the National Land Transport Fund will not likely be confirmed

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
	of subsidy we receive from Waka Kotahi.		until after 30 June 2021, and this means there is some uncertainty around funding for some projects. The Council is in discussions with Waka Kotahi to gain more clarity on which projects will receive funding.
3.3 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/ Low	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified. Council is currently working through the Akaroa wastewater consent issues. The Comprehensive Stormwater Consent was finalised in December 2019 and costs have been incorporated.
3.4 Legislative and Regulatory change. While the 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, given the significant programme of government reform, the Council will be required to respond to changes in legislation in response to water reform, climate change and urban planning and form.	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 expected to occur within the period of this Plan. At the time of preparing this Plan the Council is unable to determine how any potential legislative change might impact its operations or quantify the potential financial impact.
3.5 Water Reform. The Council will continue to deliver water services over the life of the LTP.	The Crown is proposing to establish publicly-owned water service delivery entities of significant scale. If this occurs it will significantly affect Council assets, liabilities, and operating expenditure and revenues. The following water activities are under consideration: • Water Supply • Wastewater Collection, Treatment and Disposal • Stormwater Drainage • Land Drainage	High	These activities have planned direct costs in the 2022 financial year of $92 million, with a further $10 million of debt servicing and $7 million of other internal charges/overheads. Operating revenues total $9 million. The closing book value of these assets at 30 June 2020 was $5.9 billion, with a replacement cost of $10.2 billion. Council does not borrow separately for these activities, but estimates debt relating to these activities is in the order of $1 billion at 30 June 2020.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			There will be probable second order impacts, which Council will assess as part of its analysis of the reform proposal (when the proposal is received). We expect Cabinet to make policy decisions around the water reform programme in June/July 2021, which will allow legislation to be prepared. After this, the Government and local authorities, including Christchurch City Council, will engage with local communities later in the year. If we decide to remain in, it will likely be effective from FY 2024/25.
3.6 Potential climate change impacts. The Ministry for the Environment and Stats NZ Environment Aotearoa 2019 report states all aspects of life in New Zealand will be impacted by climate change. The Council adopted the Kia Tūroa Te Ao, Ōtautahi Climate Resilience Strategy 2021, which identifies action programmes to respond to the impacts of climate change and the legislative requirements to consider the impacts of climate change. The projected local changes to climate that we must prepare for are: a. 0.5 metre rise in sea-level by 2075 and 1 metre sea-level rise by 2120; b. average temperatures will rise 0.5°C – 1.5°C by 2040 and by 3°C by 2090 c. changes in rainfall and extreme weather events.	The timing or severity of any climate change impacts could be worse than expected, meaning the Council is not sufficiently prepared.	Low	Variability in changes to the climate and its impacts and how we respond could result in different financial impacts. We have significant work to do to have a better understanding of our exposure and vulnerability to the impacts of climate change on our assets and how we adapt, to determine the financial impacts.
3.7 Future for Local Government Review. On 24 April the Minister of Local Government announced that	While the review could recommend significant change to what local government is and does, there is no	Moderate	Council considers it unlikely that any recommendations could take effect before 1 July 2024 – particularly for

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
she had established a Ministerial Inquiry into the Future for Local Government. The overall purpose of the review is to *"identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership."* The review includes, but is not limited to, the following: • roles, functions, and partnerships • representation and governance and • funding and financing The following are the key steps in the review • April 2021: Inquiry begins • 30 September 2021: an interim report will be presented to the Minister signalling the probable direction of the review and key next steps • 30 September 2022: Draft report and recommendations to be issued for public consultation and • 30 April 2023: Review presents final report to the Minister and Local Government New Zealand.	information available on the likely direction for the review at this time.		changes to roles or functions. Any changes that are made will be incorporated in the 2024-34 long-term plan. Unless specifically stated otherwise, council has prepared the plan on the assumption its existing role and functions will continue for the life of the plan."
4. Borrowing Related			
4.1 **Credit Rating.** The current rating is maintained.	Council's credit rating with Standard and Poor's is downgraded as a result of the additional borrowing required to meet the capital programme.	Moderate	Council's credit rating with Standard and Poor's was upgraded from A+ to AA- on 10 December 2019 with a stable outlook, and reconfirmed in December 2020. There is some risk of a credit downgrade given the additional borrowing required to meet the capital programme

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			planned for the next four years. If the Council falls one notch from its current credit rating (i.e. from AA- to A+) the cost of ***new*** borrowing and ***refinanced*** borrowing will increase by 5 basis points (0.05 percentage points) for the life of the borrowing. In such an event, interest costs in 2021/22 could increase by $0.13 million. This could increase to $1.1 million annually by 2027/28.
4.2 **Borrowing Costs.** Net cost of ratepayer funded borrowing (i.e. including current and projected debt) is projected to fall from 4.1% in 2021/22 to 3.3% in 2030/31. This reflects a combination of the expected path for future interest rates, the timing of new debt, and the Council's existing interest rate hedge commitments.	Interest rates will vary from those projected.	Low / Moderate	Projections are based on assumptions about future market interest rates. Projected borrowing costs are largely hedged against changes in floating interest rates over the first few years of the Long Term Plan, so the impact of interest rate changes over that period is low. However, existing hedge commitments reduce over time (in accordance with Council's Liability Management Policy) so that in the later years of the LTP the impact of changing interest rates would be greater. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor.

The net cost of new borrowing includes assumed long-term market interest rates (based on a fixed/floating mix of 75/25% and including Council's borrowing margin) of:

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Total rate	2.0%	2.2%	2.4%	2.6%	2.9%	3.1%	3.2%	3.3%	3.3%	3.3%

4.3 **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.
4.4 **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	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	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

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
obligations of other participating local authorities to the LGFA, in the event of default.	relation to each guarantor's relative rates income.		Guarantee. All of the borrowings by a local authority from the LGFA are secured by a rates charge.
4.5 **Opening Debt:** The opening debt of $2,049 million is made up of; $222 million of equity investments, mainly in CCTOs (Venues Ōtautahi Ltd (formally Vbase) $185 million), $636 million of money borrowed for on-lending, (in accordance with the Council's Liability Management Policy), $1,100 million of capital works and earthquake related borrowing. There is an additional $79 million borrowed internally from the Capital Endowment Fund. $91 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.
5. Investment related			
5.1 **Return on investments.** Interest received on cash and general funds invested is projected to be 0.7% for 2021/22 increasing to 2.6% by 2030/31. The return on the Capital Endowment Fund (most of which is currently invested internally) is forecast to be 3.0% for 2021/22, to 3.6% by 2030/31.	Interest rates will vary from those projected.	Low	Financial impact is unlikely to be significant.
5.2 **Value of Investment in Subsidiaries** The opening statement of financial position reflects the correct investment values. The carrying value of CCO investments are revalued on a regular basis	CCO revaluations will differ to that planned and change projected carrying values of the investments.	Low	The valuation of the Council's investments in subsidiary and associated companies at fair value has a material impact on the amounts recognised in these prospective financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic (currently

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			annually) basis, at intervals sufficient to ensure that the fair value of these investments does not differ materially from their carrying value.
5.3 **CCTO income.** CCHL will deliver dividend income at the levels forecast in this Plan, which include reduced dividends in the first two years due to the impact of COVID-19.	CCHL will deliver a lower than projected dividend and Council will need to source alternate funding.	Moderate	CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan. Should additional dividend income be received the level of borrowing forecast in this plan will be reduced.
5.4 **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. Due to the ongoing effects of COVID-19 it has been assumed that for at least the first two years insufficient profits will be made within the wider group to enable any subvention receipts to be available.	Subvention payments will be lower than planned.	Low	CCTOs are monitored by the Statement of Intent and a quarterly performance reporting process. Returns are expected to continue as forecast in this Plan.
6. Services and Operations			
6.1 **Community housing.** Community housing assets are leased to Otautahi Community Trust while asset ownership, including long term maintenance, is the responsibility of Council. Community housing asset long term maintenance is funded through the lease payments.	Community housing remains ring-fenced from rates, through a separate Housing Fund. The ongoing revenue source for this fund is the lease payments from the Ōtautahi Community Housing Trust. Modelling for the Housing Fund indicates that its sustainability is sensitive to small changes and there is a risk that:	Low	Council is committed to upgrading units to improve the warmth, dryness and quality of units within the portfolio and if necessary will reprioritise other community housing expenditure.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
	• The lease payments are not sufficient to enable the social housing portfolio to be financially viable in the long term. • Higher than expected expenditure (e.g. due to asset failure or external events) reduces the financial sustainability in the short term (2 years).		
6.2 **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 appropriate scope of work, or alternatively adjust the budget between services to free up additional funding.
7. Insurance cover and natural disaster financing			
7.1 **Insurance cover.** The Council has adequate 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	The results of external and independent modelling carried out during the 2019/20 year suggests that the cover taken is sufficient to meet two times the maximum loss. Any financial impact is not expected to be significant.
7.2 **Natural disaster financial implications.** 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 statement of financial position plus access to central government emergency funding in the event of another major event.	Moderate	Financial implications of another significant event are large, particularly when our ability to borrow may be limited due to the high debt to revenue ratios forecast. This risk is considered in preparing the LTP and particular attention is paid to the financial headroom for each year. Financial headroom is a measure of Council's ability to borrow in the event of an emergency.