Prospective Financial Statements

Christchurch City Council

Prospective statement of comprehensive revenue and expense

Plan 2023/24	$000	Note	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Revenue											
688,777	Rates revenue		787,983	856,824	905,348	957,705	1,009,689	1,062,456	1,111,813	1,149,604	1,175,043	1,196,252
23,112	Development contributions		23,440	24,120	24,651	25,218	25,798	26,365	26,919	27,457	28,007	28,539
196,612	Grants and subsidies		115,498	120,604	108,594	95,046	83,674	85,922	85,297	85,397	92,567	89,077
112,885	Dividends and Interest	1	100,779	96,940	98,385	112,797	123,745	126,442	130,057	136,213	137,743	139,440
124,722	Fees and charges		129,098	136,337	138,783	142,066	145,911	148,293	151,282	154,948	157,200	160,094
1,146,108	**Total income**		**1,156,798**	**1,234,825**	**1,275,761**	**1,332,832**	**1,388,817**	**1,449,478**	**1,505,368**	**1,553,619**	**1,590,560**	**1,613,402**
	Expenditure											
131,147	Finance costs		146,289	149,756	154,482	164,637	168,402	170,446	172,040	174,208	174,207	174,293
332,791	Depreciation	2	350,664	379,433	412,677	435,611	456,516	476,338	494,562	515,382	534,878	551,474
606,614	Other expenses	3	659,900	685,610	701,234	707,611	732,266	750,216	767,197	786,024	804,221	814,599
1,070,552	**Total operating expenditure**		**1,156,853**	**1,214,799**	**1,268,393**	**1,307,859**	**1,357,184**	**1,397,000**	**1,433,799**	**1,475,614**	**1,513,306**	**1,540,366**
75,556	**Surplus before asset contributions**		**(55)**	**20,026**	**7,368**	**24,973**	**31,633**	**52,478**	**71,569**	**78,005**	**77,254**	**73,036**
17,808	Vested assets		23,730	245,476	25,101	25,704	26,321	26,900	27,492	28,069	28,630	29,203
93,364	**Surplus before income tax expense**		**23,675**	**265,502**	**32,469**	**50,677**	**57,954**	**79,378**	**99,061**	**106,074**	**105,884**	**102,239**
(24,445)	Income tax expense		(11,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)
117,809	**Net surplus for year**		**34,935**	**266,762**	**33,729**	**51,937**	**59,214**	**80,638**	**100,321**	**107,334**	**107,144**	**103,499**
	Other comprehensive revenue and expense											
1,099,562	Changes in Revaluation Reserve		777,001	612,059	467,545	543,240	538,356	530,274	520,186	533,808	521,398	533,877
1,217,371	**Total comprehensive revenue and expense**		**811,936**	**878,821**	**501,274**	**595,177**	**597,570**	**610,912**	**620,507**	**641,142**	**628,542**	**637,376**

Christchurch City Council

Prospective statement of changes in net assets/equity

Plan 2023/24	$000	Note	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
16,866,350	**Ratepayers equity at July 1**		18,754,581	19,566,518	20,445,338	20,946,610	21,541,788	22,139,357	22,750,269	23,370,776	24,011,920	24,640,463
	Net surplus attributable to:											
	Reserves											
1,099,562	Revaluation reserve		777,001	612,059	467,545	543,240	538,356	530,274	520,186	533,808	521,398	533,877
	Retained earnings											
117,809	Surplus		34,935	266,762	33,729	51,937	59,214	80,638	100,321	107,334	107,144	103,499
1,217,371	Total comprehensive income for the year		811,936	878,821	501,274	595,177	597,570	610,912	620,507	641,142	628,542	637,376
18,083,721	**Ratepayers equity at June 30**	8	**19,566,517**	**20,445,339**	**20,946,612**	**21,541,787**	**22,139,358**	**22,750,269**	**23,370,776**	**24,011,918**	**24,640,462**	**25,277,839**

Christchurch City Council

Prospective statement of financial position

Plan 2023/24	$000	Note	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Current assets											
100,108	Cash and cash equivalents		115,585	116,967	118,047	119,199	120,381	121,537	122,662	123,755	124,872	125,954
80,182	Trade receivables and prepayments	4	123,964	127,572	130,388	133,397	136,475	139,487	142,425	145,283	148,197	151,021
3,129	Inventories		3,742	3,848	3,931	4,019	4,110	4,198	4,284	4,368	4,454	4,537
22,169	Other financial assets		51,311	51,522	64,509	63,408	68,042	65,673	74,323	71,664	68,769	65,595
	Non-current assets											
	Investments											
4,272,332	- Investments in CCOs and other similar entities		4,371,547	4,477,112	4,550,647	4,637,126	4,728,803	4,821,447	4,901,826	4,994,102	5,073,830	5,165,352
128,622	- Other investments		140,219	140,538	143,591	138,829	142,229	140,775	144,404	148,082	151,739	155,392
90,556	Intangible assets		120,528	128,962	135,597	139,296	139,085	135,355	130,389	123,107	115,182	110,015
2,746,267	Operational assets		3,236,154	3,592,200	3,604,126	3,617,809	3,616,989	3,612,766	3,600,995	3,585,256	3,570,874	3,549,138
11,704,078	Infrastructural assets		12,536,473	13,148,520	13,721,449	14,316,012	14,852,486	15,366,418	15,872,891	16,381,684	16,867,860	17,387,084
1,768,484	Restricted assets		2,033,416	2,116,947	2,180,606	2,259,798	2,337,256	2,413,501	2,488,739	2,566,259	2,642,145	2,718,906
20,915,927	**Total assets**		**22,732,939**	**23,904,188**	**24,652,891**	**25,428,893**	**26,145,856**	**26,821,157**	**27,482,938**	**28,143,560**	**28,767,922**	**29,432,994**
	Current liabilities											
123,035	Trade and other payables		155,458	159,798	163,186	166,806	170,508	174,132	177,666	181,104	184,609	188,007
265,200	Borrowings	5	469,600	214,500	331,600	400,000	500,000	550,000	550,000	550,000	550,000	550,000
28,936	Other liabilities and provisions	6	28,443	29,317	28,864	29,012	30,755	31,443	33,125	32,169	33,316	33,847
	Non-current liabilities											
2,394,382	Borrowings	5	2,531,869	3,076,004	3,204,288	3,313,408	3,328,980	3,340,808	3,379,747	3,398,133	3,391,289	3,417,045
16,935	Other liabilities and provisions	7	(22,469)	(24,409)	(25,383)	(25,935)	(27,650)	(29,487)	(32,454)	(33,929)	(36,002)	(38,078)
3,718	Deferred tax liability		3,522	3,642	3,725	3,815	3,906	3,992	4,080	4,166	4,249	4,334
18,083,721	**Ratepayers equity**	8	19,566,518	20,445,338	20,946,610	21,541,788	22,139,357	22,750,269	23,370,776	24,011,920	24,640,463	25,277,839
20,915,927	**Total equity and liabilities**		**22,732,941**	**23,904,190**	**24,652,890**	**25,428,894**	**26,145,856**	**26,821,157**	**27,482,940**	**28,143,563**	**28,767,924**	**29,432,994**

Christchurch City Council

Prospective cash flow statement

Plan 2023/24	$000	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Operating activities										
	Cash was provided from:										
1,057,239	Rates, grants, subsidies and other sources	1,067,280	1,135,430	1,175,737	1,218,197	1,263,163	1,321,195	1,373,547	1,415,725	1,451,076	1,472,315
53,063	Interest received	51,882	42,229	35,918	35,150	34,935	35,486	35,017	35,125	34,674	34,376
56,823	Dividends	45,403	51,458	59,458	74,458	85,458	87,458	91,458	97,458	99,458	101,458
1,167,125		1,164,565	1,229,117	1,271,113	1,327,805	1,383,556	1,444,139	1,500,022	1,548,308	1,585,208	1,608,149
	Cash was disbursed to:										
608,820	Payments to suppliers and employees	661,033	682,336	699,274	704,395	728,534	747,742	764,948	785,018	801,641	812,745
131,147	Interest paid	146,289	149,756	154,482	164,637	168,402	170,446	172,040	174,208	174,207	174,293
739,967		807,322	832,092	853,756	869,032	896,936	918,188	936,988	959,226	975,848	**987,038**
427,158	**Net cash flow from operations**	**357,243**	**397,025**	**417,357**	**458,773**	**486,620**	**525,951**	**563,034**	**589,082**	**609,360**	**621,111**
	Investing activities										
	Cash was provided from:										
1,544	Sale of assets	9,200	3,825	18,193	2,924	9,095	3,060	14,423	3,193	3,257	3,322
21,178	Investments realised	15,016	13,000	13,000	19,103	3,000	7,367	10,000	2,661	12,895	3,175
22,722		24,216	16,825	31,193	22,027	12,095	10,427	24,423	5,854	16,152	6,497
	Cash was applied to:										
461,682	Purchase of assets	735,776	700,292	679,869	657,166	608,471	597,053	616,620	612,228	617,551	652,282
282,520	Purchase of investments	2,002	998	1	1	1	(2)	-	1	-	-
-	Purchase of investments (special funds)	-	211	12,987	-	4,634	-	8,650	-	-	-
744,202		737,778	701,501	692,857	657,167	613,106	597,051	625,270	612,229	617,551	652,282
(721,480)	**Net cash flow from investing activities**	**(713,562)**	**(684,676)**	**(661,664)**	**(635,140)**	**(601,011)**	**(586,624)**	**(600,847)**	**(606,375)**	**(601,399)**	**(645,785)**

Plan 2023/24		Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Financing activities										
	Cash was provided from:										
372,728	Raising of loans	439,801	387,534	357,277	306,748	241,001	197,876	187,164	163,884	154,958	183,535
372,728		439,801	387,534	357,277	306,748	241,001	197,876	187,164	163,884	154,958	183,535
	Cash was applied to:										
78,753	Repayment of term liabilities	83,484	98,499	111,890	129,229	125,428	136,047	148,226	145,498	161,803	157,779
78,753		83,484	98,499	111,890	129,229	125,428	136,047	148,226	145,498	161,803	157,779
293,975	**Net cash flow from financing activities**	**356,317**	**289,035**	**245,387**	**177,519**	**115,573**	**61,829**	**38,938**	**18,386**	(6,845)	25,756
(347)	Increase/(decrease) in cash	(2)	1,384	1,080	1,152	1,182	1,156	1,125	1,093	1,116	1,082
100,455	Add opening cash	115,586	115,584	116,968	118,048	119,200	120,382	121,538	122,663	123,756	124,872
100,108	**Ending cash balance**	**115,584**	**116,968**	**118,048**	**119,200**	**120,382**	**121,538**	**122,663**	**123,756**	**124,872**	**125,954**
	Represented by:										
100,108	Cash and cash equivalents	115,584	116,968	118,048	119,200	120,382	121,538	122,663	123,756	124,872	125,954

Notes to the Prospective financial statements

Plan 2023/24	$000	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	NOTE 1										
	Dividends and Interest										
	Dividends:										
50,703	Christchurch City Holdings Ltd	38,000	46,000	54,000	69,000	80,000	82,000	86,000	92,000	94,000	96,000
6,030	Transwaste Ltd	7,313	5,368	5,368	5,368	5,368	5,368	5,368	5,368	5,368	5,368
90	Other	90	90	90	90	90	90	90	90	90	90
56,823	Total dividend revenue	45,403	51,458	59,458	74,458	85,458	87,458	91,458	97,458	99,458	101,458
	Interest:										
43,659	Subsidiaries	42,578	34,693	29,365	28,451	28,442	28,947	28,547	28,379	27,907	27,696
-	Loan repayment investments	-	-	-	-	-	-	-	-	-	-
3,357	Special and other fund investments	2,502	1,973	1,667	1,984	1,825	1,964	1,893	2,154	2,072	1,985
7,036	Short term investments	8,366	6,943	5,940	6,027	6,190	6,337	6,420	6,469	6,450	6,445
2,010	Housing trust	1,930	1,873	1,955	1,877	1,830	1,736	1,739	1,753	1,856	1,856
56,062	Total interest revenue	55,376	45,482	38,927	38,339	38,287	38,984	38,599	38,755	38,285	37,982
112,885	**Total Dividends and Interest**	**100,779**	**96,940**	**98,385**	**112,797**	**123,745**	**126,442**	**130,057**	**136,213**	**137,743**	**139,440**

NOTE 2
Depreciation

21,564	Communities & Citizens	22,700	31,354	33,184	34,921	36,706	37,081	36,962	38,037	38,585	39,981
-	Economic Development	-	-	-	-	-	-	-	-	-	-
382	Flood Protection & Control Works	369	587	781	1,010	1,274	1,496	1,719	1,948	2,177	2,440
1	Governance	1	1	1	-	-	-	-	-	-	-
6,069	Housing	6,170	6,479	6,742	7,015	7,268	7,530	7,454	7,718	8,008	7,649
31,455	Parks, Heritage and Coastal Environment	34,500	35,404	36,685	38,195	39,654	40,522	41,905	43,670	45,494	47,654
67	Regulatory & Compliance	121	74	75	72	66	64	54	49	50	51
1,904	Solid Waste & Resource Recovery	2,028	2,172	2,145	2,902	2,683	2,503	2,596	2,683	2,667	2,753
27,117	Stormwater Drainage	35,127	36,638	38,136	39,648	41,363	42,948	44,652	46,412	48,194	50,074
678	Strategic Planning & Policy	781	1,142	1,463	1,625	1,664	1,700	1,738	1,774	1,810	1,846
82,848	Transport	82,854	89,449	95,704	102,146	108,763	115,555	122,800	130,303	137,681	145,159
87,238	Wastewater	91,946	96,105	100,184	105,253	109,605	113,257	116,692	119,942	123,240	126,376
51,520	Water Supply	50,117	52,818	55,063	57,566	59,748	62,264	64,721	67,164	69,661	71,608
21,948	Corporate	23,953	27,209	42,515	45,256	47,721	51,420	53,268	55,681	57,311	55,882
332,791	**Total Depreciation**	**350,667**	**379,432**	**412,678**	**435,609**	**456,515**	**476,340**	**494,561**	**515,381**	**534,878**	**551,473**

NOTE 3
Other expenses

	Operating expenditure:										
240,684	Personnel costs	266,180	275,978	281,851	287,158	293,783	300,207	306,528	312,663	318,904	324,971
61,152	Donations, grants and levies	69,700	62,116	64,760	56,401	59,354	63,618	63,041	62,825	63,550	62,246
304,778	Other operating costs	324,020	347,516	354,623	364,052	379,129	386,391	397,628	410,536	421,767	427,382
606,614	**Total other expenses**	**659,900**	**685,610**	**701,234**	**707,611**	**732,266**	**750,216**	**767,197**	**786,024**	**804,221**	**814,599**

NOTE 4
Trade receivables and prepayments

22,643	Rates debtors	25,341	26,078	26,650	27,263	27,890	28,502	29,102	29,684	30,277	30,853
12,984	Trade debtors	13,539	13,931	14,238	14,565	14,900	15,227	15,547	15,858	16,175	16,482
45,646	Other receivables/prepayments	85,452	87,984	89,766	92,151	95,082	97,646	99,984	102,147	104,330	106,066
-	Dividends receivable	-	-	-	-	-	-	-	-	-	-
117	GST receivable	1,476	1,478	1,671	1,405	647	206	(64)	(217)	(351)	(106)
81,390		125,808	129,471	132,325	135,384	138,519	141,581	144,569	147,472	150,431	153,295
(1,208)	Less provision for doubtful debts	(1,844)	(1,898)	(1,937)	(1,987)	(2,044)	(2,096)	(2,144)	(2,189)	(2,235)	(2,274)
80,182	**Total trade receivables and prepayments**	**123,964**	**127,573**	**130,388**	**133,397**	**136,475**	**139,485**	**142,425**	**145,283**	**148,196**	**151,021**

NOTE 5
Debt

265,200	Current portion of gross debt	469,600	214,500	331,600	400,000	500,000	550,000	550,000	550,000	550,000	550,000
2,394,382	Non current portion of gross debt	2,531,869	3,076,004	3,204,288	3,313,408	3,328,980	3,340,808	3,379,747	3,398,133	3,391,289	3,417,045
2,659,582	Total gross debt	3,001,469	3,290,504	3,535,888	3,713,408	3,828,980	3,890,808	3,929,747	3,948,133	3,941,289	3,967,045
1,653,159	Total net debt	1,874,603	2,171,791	2,412,818	2,605,098	2,714,219	2,778,761	2,813,398	2,831,719	2,823,041	2,847,283

NOTE 6
Other current liabilities and provisions

876	Provision for landfill aftercare	1,823	2,018	1,035	617	1,781	1,902	3,031	1,537	2,136	2,136
1,623	Provision for building related claims	1,623	1,623	1,623	1,623	1,623	1,623	1,623	1,623	1,623	1,623
26,437	Provision for employee entitlements	24,997	25,676	26,206	26,772	27,351	27,918	28,471	29,009	29,557	30,088
28,936	**Total other liabilities and provisions**	**28,443**	**29,317**	**28,864**	**29,012**	**30,755**	**31,443**	**33,125**	**32,169**	**33,316**	**33,847**

NOTE 7
Non-current other liabilities and provisions

9,902	Provision for landfill aftercare	9,431	7,414	6,379	5,762	3,981	2,079	(952)	(2,489)	(4,625)	(6,761)
3,053	Provision for employee entitlements	2,686	2,764	2,825	2,890	2,956	3,021	3,085	3,146	3,209	3,270
6,493	Provision for building related claims	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493
(2,513)	Hedge and other liabilities	(41,079)	(41,080)	(41,080)	(41,080)	(41,080)	(41,080)	(41,080)	(41,079)	(41,079)	(41,080)
-	Revenue in advance	-	-	-	-	-	-	-	-	-	-
-	Service concession arrangement	-	-	-	-	-	-	-	-	-	-
16,935	**Total non-current other liabilities and provisions**	**(22,469)**	**(24,409)**	**(25,383)**	**(25,935)**	**(27,650)**	**(29,487)**	**(32,454)**	**(33,929)**	**(36,002)**	**(38,078)**

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
199,169	Reserve funds	220,869	221,080	234,067	232,964	237,600	235,233	243,882	241,221	238,326	235,151
11,092,821	Asset revaluation reserves	12,504,753	13,116,812	13,584,356	14,127,596	14,665,953	15,196,227	15,716,413	16,250,221	16,771,619	17,305,496
5,057,878	Retained earnings	5,107,043	5,373,593	5,394,334	5,447,375	5,501,951	5,584,956	5,676,628	5,786,625	5,896,665	6,003,339
18,083,721	**Total equity**	**19,566,518**	**20,445,338**	**20,946,610**	**21,541,788**	**22,139,357**	**22,750,269**	**23,370,776**	**24,011,920**	**24,640,463**	**25,277,839**

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 Annual Plan and the 2024 – 2034 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 of the local authority for the financial year to which the Annual Plan relates. 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 Annual 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

The draft prospective financial statements were authorised for issue on 14 March 2024 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 Annual 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 2034. 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.

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.

General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Parent considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

Rates remissions are recognised as a reduction of rates revenue when the Parent has received an application that satisfies its Rates Remission Policy.

Rates collected on behalf of the Canterbury Regional Council (Environment Canterbury or ECAN) are not recognised in the financial statements, as the Parent is acting as an agent for the ECAN.

(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 below).

(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.

(xi) Building and Resource Consent Fees

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

(xii) Entrance Fees

Entrance fees are fees charged to users of the Council's local facilities, such as the zoo, pools, museum, and gallery. Revenue from entrance fees is recognised upon entry to such facilities.

(xiii) Landfill Fees

Fees for disposing of waste at the Council's landfill are recognised upon waste being disposed by users.

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 below).

(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. Rates remissions are treated as discretionary grants to the recipient of the remission in accordance with the Council's Rates Remission Policy.

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

For assets being revalued, the total accumulated depreciation prior to the date of valuation is transferred to the gross carrying amount of the asset. The new carrying value amount is then restated to the new 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 (including land under roads), 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 and buildings in the "Restricted Asset" category are subject to restrictions on either use or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

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
Sealed surfaces (other than roads)	9-100 yrs
Buses	17-26 yrs
Container cranes	30 yrs
Harbour structures	3-50 yrs
Seawalls	100 yrs
Telecommunications infrastructure	12-50 yrs
Electricity distribution system	60 yrs
Electricity load control equipment	60 yrs

Infrastructure Assets:	**Estimated Useful Life**
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 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	15-115 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

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 (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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) Carbon Emission Units

The Parent being a public benefit entity records carbon credits received from the Crown upon the registration of indigenous and exotic forest and plantations at historical cost. Group entities that prepare financial statements on the basis of “for profit” accounting standards record carbon emission units at fair value. The consolidated group financial statements are restated to historical cost for this class of intangible assets.

(iv) 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.

(v) 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
Computer Software Licenses	1-10 yrs
Computer Software Development Costs	1-10 yrs
Resource consents and easements	5-25 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 hedge relationship. (see Hedging below).

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

General and community loan advances classified as financial assets are measured at fair value through surplus or deficit.

Investment in debt securities are classified as financial assets measured at fair valued through surplus and deficit based on future cash flows.

Loan advances and investment in CCOs bond are measured at amortised cost.

Investment in LGFA Borrower Notes are measured at fair value through surplus and deficit based on future cashflows and prevailing market interest rates.

(iii) Term Deposits

Term deposits are 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 less the recognition of any expected credit losses (ECL) over the life of the asset. An expected credit loss allowance (ECL) has been made for each class of debtor and the estimate is based on the measurement of expected credit losses on historical, current and projected information. The balance of the movement is recognised in net surplus and deficit for the current financial year (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. 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.

Service Concession Arrangements

The Council may acquire infrastructural assets by entering into a service concession arrangement (SCA) with a private operator to build, finance, and operate an asset over a specified period.

Assets acquired through an SCA are initially recognised at their fair value, with a corresponding liability. The asset is subsequently measured following the accounting policies above for property, plant, and equipment.

The Council has only entered into SCAs whereby the Council pays for the services provided by the operator. The monthly payments to the operator are recognised according to their substance as a reduction in the liability for the build of the asset, a finance expense, and an expense for charges for services provided by the operator.

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 (excludes any non-financial benefits provided to employees): 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:

- Civic Offices costs: pro rata based on the number of desks held for use for each area.
- Digital (IT) costs: pro rata based on the total number of active users.
- 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 could 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	Mitigations, 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 and to required quality specifications. 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.	If actual costs will vary from estimates, due to higher input prices and/or delivery delays, then this could result in budget shortfalls. 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. See also 3.8 for Covid impact.	High	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 that isn't self-funding. • 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 provided.

Assumption	Risk	Level of Uncertainty	Mitigations, 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.	If funding does not occur as projected, then borrowing is required.	Low	If required, 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 0.11% 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).	If the useful life of an asset/s is significantly shorter than expected, then the asset will need to be replaced sooner than planned and budgeted for. If the useful life of an asset is longer than expected, then the asset may be replaced sooner than required resulting in a loss of economic life and a consequential higher cost of service.	Moderate	Council maintains its databases with the latest known condition information. However, piped networks are below ground making asset condition more difficult to assess. Ideally assets are replaced just in time. Earlier replacement would put more pressure on the Council's capital programme, financing costs and rates requirement. Late replacement can lead to more expensive replacement 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 correct asset values. The carrying value of assets are reviewed and updated on a regular basis.	If asset revaluations differ to that planned and change projected carrying values, , depreciation expense and certain ratios may be impacted.	Low	Land and buildings were revalued as of 30 June 2022, using market value where appropriate. Wastewater, water supply and stormwater assets, were revalued as of 30 June 2023. Roading assets were revalued as of 30 June 2022. The valuation of the Council's facilities and infrastructure assets at optimum depreciated replacement cost involves a significant amount of judgement in estimating the

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
			replacement unit cost, asset condition (for underground assets) and the remaining useful life of the assets. *Note: That the asset values of three waters, roads and footpaths assets include additions (at cost less depreciation) and disposals since the last valuation.*
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. It also receives external advice on forecast future salary movements. Where specific contractual or determined increases are not identified Council has used an inflation assumption of 4.2% for operational costs for the 2024/25 plan.	If inflation is materially higher or lower than anticipated then the Council will have a revenue shortfall or surplus relative to its planned work programme. If inflation on costs is not offset by inflation on revenues then the Council will have a revenue shortfall relative to affected planned work programmes.	Moderate Low	Any short-term impact will be managed by managing costs to budget without impacting levels of service where possible.

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.

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Capital	4.8%	3.4%	2.3%	2.4%	2.4%	2.2%	2.2%	2.1%	2.0%	2.0%
Opex	4.2%	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
2.2 Economic Environment. This Plan assumes that the economic environment develops broadly in line with the Reserve Bank of New Zealand's	If unexpected local, national or international economic shocks occur and have a significant negative impact the economic environment	Moderate	A significant deterioration in the economic environment could negatively impact on Council's finance and operating costs, its revenue from sources driven by

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
Monetary Policy Statement of August 2023, including: • Economic growth to slow in 2023 as tighter monetary policy dampens demand to more sustainable levels, possibly resulting in a mild recession. • Annual consumer price index inflation to continue its decline from a peak of 7.3% (Jun-22) and current level of 5.6% (Sept-23), to be within the 1%-3% target band by Sept-24. However, the inflationary impact of Cyclone Gabriel rebuild and strong inward migration remains uncertain. Interest rates are projected to be stable at current high levels, with a slow reduction in the Official Cash Rate not expected to occur until the economy can supply goods and services sustainably. • Interest rates to remain around current high levels over the 2023/24 financial year, with a slow reduction in the Official Cash Rate not expected until at least the second half of calendar 2024. • Employment to slow to more sustainable levels as the economy slows, with unemployment rising from its trough of 3.2% (Mar-22) and current level of 3.9% (Sept-23), to be 5.3% by Dec-24.	affecting Council costs and or revenue, then a range of risk factors may materialise, including: • An unexpected increase in inflation • An increased incidence of supply chain interruptions and delays • An increase in late and non-payment of rates		external demand such as consents and development contributions and on ratepayers' ability to pay rates. If increased costs and/ or reduced revenue negatively impacts on the Council's balance sheet it could lead the Council to decide to borrow more or reduce service/ project delivery. However, these risks are considered to be unlikely to eventuate to a significant degree within a single rating year. Any decision to significantly cut services or increase debt would be more likely to be addressed in a future Annual Plan or Long Term Plan.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
Council has prepared this Plan on the assumption that inflation and interest rates will remain high in the short term – see assumptions for both – but that a significant economic recession will not occur.			
Development contributions revenue. The Council has assumed development will reflect the population and business growth model growth forecasts and has budgeted its development contributions revenue accordingly.	If the number of new properties paying development contributions is significantly 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. 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	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. Any shortfall in development contributions revenue must be funded initially by borrowing which is funded from rates over the relevant debt financing term.
2.3 Population. That population and business growth will occur as forecast by the Council's growth modelling.	If population and/ or business growth is higher than projected, then the Council will need to provide additional unplanned services and infrastructure.	Low	Population projections are based upon a standard set of demographic assumptions. The Council revises its growth modelling annually based on the best information available at the time.

<table>
<tr><th>Assumption</th><th>Risk</th><th>Level of Uncertainty</th><th>Mitigations, Reasons and Financial Impact of Uncertainty</th></tr>
<tr><td></td><td>If growth is lower than projected, then the Council will be required to support excess levels of infrastructure and service delivery.</td><td></td><td></td></tr>
<tr><td>2.4 Rating Base.
Growth in the number and value of rating units to 30 June 2024 is expected to increase the rating base for 2024/25 by $6.8 million (1.0%) compared to 2023/24.</td><td>If the rating base grows at a materially different rate from that projected, then rates income may be materially different to that planned.</td><td>Low</td><td>Actual growth in the rating base is never known until 30 June because of the process by which it's measured. Council staff work closely with QV in the period leading up to 30 June in order to have as accurate an assessment as possible. Variances between the forecast and actual growth in the rating base to 30 June of each prior year will cause changes to the total rates revenue collected in the new year.</td></tr>
<tr><td colspan="4">The projected percentage increase in rates includes the assumption that growth in the capital value of the city will generate the additional rates revenue as outlined in table below,
<table>
<tr><th>Year</th><th>2024/25</th><th>2025/26</th><th>2026/27</th><th>2027/28</th><th>2028/29</th><th>2029/30</th><th>2030/31</th><th>2031/32</th><th>2032/33</th><th>2033/34</th></tr>
<tr><td>Growth %</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td><td>1.0%</td></tr>
<tr><td>$ Impact on following year's Rates Base</td><td>$6.8 m</td><td>$7.8 m</td><td>$8.5 m</td><td>$8.9 m</td><td>$9.5 m</td><td>$10.0 m</td><td>$10.5 m</td><td>$11.0 m</td><td>$11.4 m</td><td>$11.6 m</td></tr>
</table></td></tr>
<tr><td>2.5 Aging population. The number of people over the age of 65 is expected to increase by 50% by 2054 representing around 20% of the total population of Christchurch (16% in 2023).
By 2054 the number of people over the age of 80 is expected to be around 7% of the population, compared to around 4% in 2023.</td><td>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.</td><td>Low</td><td>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.</td></tr>
</table>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
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. Known changes are appropriately budgeted for.	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 that was unplanned.	Low	Dealing with changes in legislation is part of normal Council operations. Any financial impact is managed, which may include deferring some work.
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.	If there are changes in the FAR, and/ or the overall amount in the National Land Transport Fund, then there could be changes to government transport priorities, and to funding eligibility criteria for projects which could impact on the amount of subsidy we receive from Waka Kotahi or change the projects for which we receive funding.	High	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 improvement projects will be funded through the National Land Transport Fund will not likely be confirmed until after approval of the Detailed Business Case, and this means there is some inherent uncertainty around funding for some improvement projects. The Council is regularly in discussions with Waka Kotahi to gain more clarity on which projects will receive funding. The Council adjusts its work programme and budget assumptions if necessary to align with Waka Kotahi funding availability.
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, leading to the costs to obtain resource consents and/or	Moderate/ Low	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
	implement consent conditions being higher than anticipated. These costs would not be covered by planned funding. Council is currently working through the Akaroa wastewater consent issues.		
3.4 Legislative and Regulatory change. The Government has initiated three significant reform programmes that will in time impact on the legislative and regulatory frameworks within which local government currently operates. These reform programmes are; three waters reform, resource management reform and the future for local government review. Given the expected timelines of the review processes the Council has assumed that no significant legislative or regulatory change will impact on the Council in the coming year, although this might change if the government follows through on its intention to enact the water service entities bill this year. The reform programmes are each covered in more detail below.	Should the local government legislative environment change, the activities, and services the Council plans to provide over the period of this Plan could change which could impact on Council's costs and revenue requirements.	Low	The Government has several review programmes in progress which will significantly change the roles and responsibilities of local government as changes are implemented over time. 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. Expected costs relating to enactment of the RMA (Housing Bill) and to the Council's involvement in Government reform processes have been incorporated in this Plan.
3.5 Three Waters Reform. The Council will continue to deliver water services over the life of the LTP and has budgetted accordingly.	If the transfer of three waters assets and responsibility for service delivery to a new water services entity proceeds, then large parts of this	Moderate	The Council is in close contact with the National Transition Unit department within the Department of Internal Affairs which is responsible for overseeing the transfer of three waters assets and service delivery to

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
Under the current legislation, it is assumed that the transfer of assets and liabilities to the new Entity will occur at or before midnight on 30 June 2026. Current indications from the incoming Government are that the 3 Waters Reform legislation will be repealed.	Long Term Plan will be inaccurate. If this occurs out of cycle with the 3 yearly LTP programme, this will then require significant budgeting and operating changes for the Council through an amended LTP process.		water services entities. The NTU is very aware that it needs to be transparent with requirements on councils in this process. The work programmes and budgets for three waters activities have been prepared as if the Council will deliver these services indefinitely though with close liaison with the NTU to facilitate a smooth transition.
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 projected local changes to climate that we must prepare for are: a. 0.48 metre rise in sea-level by 2070 and 1 metre sea-level rise by 2100; b. average temperatures will rise 0.5°C – 1.5°C by 2040 and by 3.5°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	The Council has developed a Climate Resilience Strategy, which identifies action programmes to respond to the impacts of climate change and the legislative requirements to consider the impacts of climate change. 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. The Council has assumed any changes to local government service delivery and responsibilities	If significant changes to local government functions and/ or structure materialise then this could have a significant impact on work	High	If significant changes to local government functions and/ or structure materialise then work programmes and budgets will need to be amended. This can be done through the LTP 2027-37 or through Annual Plans

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
arising from recommendations in the Future for Local Government report will not materially impact on its costs or financial position over the life of the LTP 2024-34.	programmes and budgets detailed in this LTP.		prepared in the intervening years. It is possible the Council may need to undertake a formal LTP amendment if changes are significant.
3.8 Impact of Covid–19 Operational and Capital Programme delivery will be able to occur without significant financial, staffing or deliverability issues due to Covid-19 or future similar situtaions (to be reviewed as required).	If Covid-19 re-emerges as a significant health risk resulting in lockdowns and other responses that interrupt normal work life, then the Council is unlikely to be able to deliver its work programme as planned and budgeted.	Low	Councils Covid-19 vaccination policy aims to minimise risk to staff and the public while continuing to provide services. The Council better understands the implications of a Covid-19 or similar pandemic on its operations and the need to reprioritise work and functions than previously and has plans in place to minimise disruption. The Council is now significantly better prepared to have staff work from home if required.
4. Borrowing Related			
4.1 Credit Rating. The Council's current rating of AA is maintained.	If the Council's credit rating with Standard and Poor's is downgraded, then the Council's cost of borrowing is likely to increase. This would increase the budget required to service debt which would reduce funding available for other things.	Low	A one-notch downgrade at some point in the future (i.e., from AA to AA-) would not affect any debt existing at the time but would increase the cost of new borrowing and refinancing by an estimated 5 basis points (0.05 percentage points) for the life of the borrowing. Such an event occurring at the start of 2024/25 would increase interest costs by an estimated $0.2 million in 2024/25, adding an additional to $1.3 million of interest expenditure by 2033/34.

<table>
<tr><th>Assumption</th><th>Risk</th><th>Level of Uncertainty</th><th>Mitigations, Reasons and Financial Impact of Uncertainty</th></tr>
<tr><td>4.2 Borrowing Costs. Net cost of ratepayer funded borrowing (i.e. including current and projected debt) is projected to be 5.1% in 2024/25.</td><td>If interest rates increase to above the assumed level, then the Council's debt servicing costs will increase.

This would increase the budget required to service debt which would reduce funding available for other things.</td><td>Moderate</td><td>Council manages its interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor.

Projected debt is mostly hedged to reduce exposure to market rate fluctuations, but a moderate amount of risk remains. Market interest rates 0.5% higher than projected would increase interest costs by around $2.2m in 2024/25.</td></tr>
<tr><td colspan="4">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:

<table>
<tr><td>Year</td><td>2024/25</td><td>2025/26</td><td>2026/27</td><td>2027/28</td><td>2028/29</td><td>2029/30</td><td>2030/31</td><td>2031/32</td><td>2032/33</td><td>2033/34</td></tr>
<tr><td>Total rate</td><td>5.5%</td><td>5.0%</td><td>4.8%</td><td>4.7%</td><td>4.6%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td><td>4.5%</td></tr>
</table></td></tr>
<tr><td>4.3 Securing External Funding. New, or renewal of existing borrowings on acceptable terms can be achieved.</td><td>If new borrowing cannot be accessed to refinance existing debt or fund future capital requirements, then the Council could need to borrow from unconventional sources or default on its debts.</td><td>Low</td><td>The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Liability Management Policy, plus some undrawn committed lending facilities from banks.</td></tr>
<tr><td>4.4 LGFA Guarantee. Each shareholder of the LGFA is a party to a deed of Guarantee, whereby they guarantee the obligations of the LGFA and the obligations of other participating local authorities in the event of default.</td><td>If the LGFA couldn't meet its obligations, then each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's relative rates income.</td><td>Low</td><td>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 the borrowings by a local authority from the LGFA are secured by a charge over each local authority's Rates.</td></tr>
</table>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
4.5 Opening Debt: The Council's opening debt of $2,645 million is made up of; • $221 million of equity investments, mainly in CCTOs (Venues Ōtautahi Ltd $185 million), • $798 million of money borrowed for on-lending, (in accordance with the Council's Liability Management Policy), • $1,545 million of capital works and earthquake related borrowing. There is an additional $71.5 million borrowed internally from the Capital Endowment Fund. • $81 million finance lease (Civic Building).	If the Council's actual opening debt differs from forecast, then the debt servicing costs may be higher than budgeted.	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 5.2% for 2024/25 decreasing to 3.0% by 2027/28. The return on the Capital Endowment Fund (most of which is currently invested internally) is forecast to be 4.3% for 2024/25, decreasing to 3.9% by 2028/29.	If interest rates are lower than projected, then Council's revenue from interest will be less than budgeted. Conversely, if interest rates are higher than projected, then Council's revenue from interest will be more than budgeted.	Low	Any financial impact is unlikely to be significant.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
5.2 Value of Investment in Subsidiaries That the opening statement of financial position reflects the correct investment values.	If CCO revaluations differ significantly from the assumed values, then Council's assets will be overstated.	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 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.	If CCHL delivers a lower than projected dividend, then the Council will need to source alternate funding or reduce work programmes funded from dividends. If additional dividend income is received, then the level of borrowing forecast in this Plan will be reduced.	Low	CCTOs are monitored by their Statements of Intent and quarterly reporting to the Council.
5.4 Tax planning. The Council (parent) will operate 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.	If subvention payments are lower than planned, then the Council's revenue will be less than budgeted.	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. The Council's community housing assets are leased to Otautahi	If lease revenue is not sufficient to enable the social housing portfolio to be financially viable then alternative	Moderate	With a focus on repairing earthquake damage, lifting quality standards, and addressing deferred maintenance, there has been significant expenditure from the fund over

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
Community Trust, who are responsible for operations, maintenance and renewals. It is assumed that 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.	sources of funding may need to be found which may include from rates and property sales. If expenditure is higher than expected expenditure (e.g., due to asset failure or external events) then additional sources of funding may need to be found which may include from rates and property sales.		the last 5 years. The fund is now in a depleted state and is not anticipated to accumulate in the foreseeable future. During this period, it is at a heightened risk, albeit this is mitigated by the ability to defer some expenditure or sell end of life complexes if necessary.

The total community housing rental revenue forecast in the LTP is as follows:

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Community Housing Rental Revenue	$16.2m	$16.6m	$17.0m	$17.4m	$17.8m	$18.2m	$18.5m	$18.9m	$19.3m	$19.7m

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
6.2 Contract Rates. Re-tendering of major contracts will not result in cost increases in excess of the rate of inflation.	There is currently some post Covid increase in cost around the supply chain. Additionally, some contracts are impacted by the Councils 2021 living wage decision. If there is a significant variation in price from re-tendering contracts, then the costs of providing services will increase beyond what is budgeted.	High	Where possible Council would review the scope of work under an affected contract, or alternatively adjust the budget between services to free up additional funding. Inflation is currently running at 6.7%. On its own, this presents a real risk. However, there also remains volatility in supply chains and shortages of construction materials, placing further upward pressure on costs. The 'post Covid increase' appears greater now than a few months ago, with no sign of its influence diminishing anytime soon. Similarly, the labour market is also under considerable pressure, with organisations routinely increasing wages to retain and secure staff. Inevitably this will impact contract rates. Some potential cost increases may be mitigated or offset through the negotiation period by revising the scope of

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
			services or accepting a lower level of services, such as inspections and cleaning frequencies. We will also be challenging/tasking contractors to identify and suggest cost savings and improved efficiencies and consolidating services within existing contracts where possible. However, it is unlikely that any potential savings will outweigh increased contractor and supply costs, so some budgetary adjustments may be necessary.
7. Insurance cover and natural disaster financing			
7.1 Insurance cover. The Council has adequate Material Damage cover for all 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 suggests that Council's insurance cover is sufficient to meet two times the maximum loss. Any financial impact is not expected to be significant. Recent advice on the mix of coverage now able to be provided on Councils housing stock, will impact premiums.
7.2 Natural disaster financial implications. The Christchurch region will at some time experience earthquake, flooding and tsunami events that will result in damage to Council infrastructure. It is assumed the Council's insurance along with central government assistance will cover the cost of repairs.	If the Council's insurance cover and expected Government assistance isn't sufficient to cover the costs of repairing Council infrastructure following a natural disaster, then additional funding will need to be found.	Moderate	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. Financial implications of another significant natural disaster event are large, particularly when our ability to

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
			borrow may be limited due to the high debt to revenue ratios forecast. This risk is considered in preparing forecasts 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.