Financial forecasts

Our Long Term Council Community Plan 2009–2019
Christchurch Ōtautahi

The following pages contain forecast financial statements as required under the provisions of the Local Government Act and generally accepted accounting practice.

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Income statement	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Revenue											
243,446	Rates revenue		256,066	269,022	283,461	298,472	314,707	330,991	347,836	363,680	380,538	398,879
209,313	Other revenue	1	304,768	238,693	262,917	273,630	272,725	271,364	277,891	291,952	301,053	308,560
452,759	**Total operating income**		**560,834**	**507,715**	**546,378**	**572,102**	**587,432**	**602,355**	**625,727**	**655,632**	**681,591**	**707,439**
	Expenditure											
15,655	Finance costs		21,054	21,588	27,485	32,397	37,909	42,379	44,552	47,182	49,849	53,991
105,299	Depreciation and amortisation		111,464	118,944	128,594	136,773	145,556	154,143	157,615	165,902	175,011	180,451
305,754	Other expenses	2	319,882	341,290	353,220	364,003	370,247	374,618	385,399	398,316	407,495	421,350
426,708	**Total operating expenditure**		**452,400**	**481,822**	**509,299**	**533,173**	**553,712**	**571,140**	**587,566**	**611,400**	**632,355**	**655,792**
26,051	**Surplus before asset contributions**		**108,434**	**25,893**	**37,079**	**38,929**	**33,720**	**31,215**	**38,161**	**44,232**	**49,236**	**51,647**
15,926	Vested assets		16,249	16,703	17,170	17,624	18,128	18,668	19,236	19,776	20,644	21,821
41,977	**Surplus before income tax expense**		**124,683**	**42,596**	**54,249**	**56,553**	**51,848**	**49,883**	**57,397**	**64,008**	**69,880**	**73,468**
–	Income tax expense		–	–	–	–	–	–	–	–	–	–
41,977	**Surplus for the period**		**124,683**	**42,596**	**54,249**	**56,553**	**51,848**	**49,883**	**57,397**	**64,008**	**69,880**	**73,468**
41,977	**Net surplus for year**		**124,683**	**42,596**	**54,249**	**56,553**	**51,848**	**49,883**	**57,397**	**64,008**	**69,880**	**73,468**
	Other Comprehensive Income											
170,000	Changes in Revaluation Reserve		209,000	170,408	162,491	170,407	155,975	166,216	171,339	171,337	175,530	186,236
211,977	**Total Comprehensive Income**		**333,683**	**213,004**	**216,740**	**226,960**	**207,823**	**216,099**	**228,736**	**235,345**	**245,410**	**259,704**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Statement of changes in equity	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
6,099,279	**Equity at July 1**		6,379,333	6,713,016	6,926,020	7,142,760	7,369,720	7,577,543	7,793,642	8,022,378	8,257,723	8,503,133
	Net surplus attributable to:											
	Reserves											
170,000	Transfers		–	–	–	–	–	–	–	–	–	–
–	Revaluation reserve		209,000	170,408	162,491	170,407	155,975	166,216	171,339	171,337	175,530	186,236
	Retained earnings											
41,977	Surplus		124,683	42,596	54,249	56,553	51,848	49,883	57,397	64,008	69,880	73,468
211,977	Total comprehensive income for the year		333,683	213,004	216,740	226,960	207,823	216,099	228,736	235,345	245,410	259,704
6,311,256	**Equity at June 30**	7	**6,713,016**	**6,926,020**	**7,142,760**	**7,369,720**	**7,577,543**	**7,793,642**	**8,022,378**	**8,257,723**	**8,503,133**	**8,762,837**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Balance sheet	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Current assets											
59,079	Cash and cash equivalents		45,570	46,633	47,653	48,672	49,568	50,476	51,471	52,535	53,565	54,680
23,081	Trade and other receivables	3	44,356	45,722	47,035	48,352	49,506	50,677	51,959	53,329	54,655	56,093
1,316	Inventories		1,296	1,336	1,374	1,413	1,446	1,481	1,518	1,558	1,597	1,639
60,006	Other financial assets		59,129	62,652	67,350	73,189	80,499	88,564	96,992	105,623	112,996	117,150
	Non–current assets											
1,481,694	Investments	4	1,761,199	1,779,169	1,793,200	1,806,465	1,809,359	1,799,776	1,795,565	1,791,432	1,787,111	1,783,912
16,750	Intangible assets		14,023	14,273	14,145	13,977	14,036	13,958	13,739	13,655	13,764	14,680
1,327,179	Operational assets		1,111,137	1,179,503	1,215,681	1,250,947	1,300,029	1,341,292	1,372,717	1,414,949	1,473,624	1,599,269
3,215,271	Infrastructural assets		3,259,918	3,448,185	3,648,662	3,873,743	4,078,482	4,259,067	4,456,377	4,658,687	4,849,919	5,036,214
521,026	Restricted assets		798,746	828,936	858,071	888,607	916,535	945,766	977,121	1,008,581	1,042,719	1,078,249
852	Deferred tax assets		–	–	–	–	–	–	–	–	–	–
6,706,254	**Total assets**		**7,095,374**	**7,406,409**	**7,693,171**	**8,005,365**	**8,299,460**	**8,551,057**	**8,817,459**	**9,100,349**	**9,389,950**	**9,741,886**
	Current liabilities	5										
48,946	Trade and other payables		60,729	62,599	64,397	66,201	67,780	69,383	71,138	73,014	74,830	76,798
42,001	Borrowings		3,449	10,784	14,232	15,671	27,113	25,327	77,946	32,745	33,841	33,841
14,562	Provisions		12,921	13,235	13,539	13,864	14,195	14,530	14,898	15,291	15,671	16,083
	Non–current liabilities											
263,452	Borrowings		285,844	374,710	439,490	521,425	594,655	630,319	613,563	704,362	745,606	835,802
18,307	Provisions	6	17,872	17,462	17,100	16,774	16,413	16,039	15,663	15,284	14,881	14,475
7,730	Deferred tax liability		1,543	1,599	1,653	1,710	1,761	1,817	1,873	1,930	1,988	2,050
6,311,256	**Equity**	7	6,713,016	6,926,020	7,142,760	7,369,720	7,577,543	7,793,642	8,022,378	8,257,723	8,503,133	8,762,837
6,706,254	**Total equity and Liabilities**		**7,095,374**	**7,406,409**	**7,693,171**	**8,005,365**	**8,299,460**	**8,551,057**	**8,817,459**	**9,100,349**	**9,389,950**	**9,741,886**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Cash flow statement	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Operating activities										
	Cash was provided from:										
387,315	Rates, grants, subsidies, and other sources	419,761	434,430	472,447	495,967	509,315	522,092	544,392	572,594	597,344	621,446
25,924	Interest received	23,439	23,227	23,531	23,594	23,606	23,667	23,187	23,296	23,045	23,170
–	Contributions from subsidiaries	73,275	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783
39,520	Dividends	44,361	21,871	22,265	24,403	26,541	28,610	30,048	31,551	33,054	34,558
452,759		560,836	506,311	545,026	570,747	586,245	601,152	624,410	654,224	680,226	705,957
	Cash was disbursed to:										
306,904	Payments to suppliers and employees	320,823	339,516	351,479	362,200	368,696	373,056	383,652	396,427	405,702	419,375
15,655	Interest paid	21,054	21,588	27,485	32,397	37,909	42,379	44,552	47,182	49,849	53,991
322,559		341,877	361,104	378,964	394,597	406,605	415,435	428,204	443,609	455,551	473,366
130,200	**Net cash flow from operations**	**218,959**	**145,207**	**166,062**	**176,150**	**179,640**	**185,717**	**196,206**	**210,615**	**224,675**	**232,591**
	Investing activities										
	Cash was provided from:										
3,654	Sale of assets	4,289	1,128	5,774	1,206	1,243	1,282	1,322	1,362	6,428	930
–	Investments realised	–	1,698	5,085	6,285	6,485	11,933	6,784	6,884	6,985	6,086
3,654		4,289	2,826	10,859	7,491	7,728	13,215	8,106	8,246	13,413	7,016
	Cash was applied to:										
251,135	Purchase of assets	206,852	219,977	220,315	240,606	254,453	221,486	228,177	252,010	269,362	321,647
57,650	Purchase of investments	39,216	16,926	16,479	16,905	7,063	–	–	–	–	–
–	Purchase of investments (special funds)	(37,030)	6,267	7,336	8,485	9,627	10,417	11,003	11,384	10,037	7,041
308,785		209,038	243,170	244,130	265,996	271,143	231,903	239,180	263,394	279,399	328,688
(305,131)	**Net cash flow from investing activities**	**(204,749)**	**(240,344)**	**(233,271)**	**(258,505)**	**(263,415)**	**(218,688)**	**(231,074)**	**(255,148)**	**(265,986)**	**(321,672)**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Cash flow statement (Cont'd)	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Financing activities										
	Cash was provided from:										
171,382	Raising of loans	99,584	99,535	78,899	97,492	100,228	60,878	61,076	123,430	74,972	123,923
171,382		99,584	99,535	78,899	97,492	100,228	60,878	61,076	123,430	74,972	123,923
	Cash was applied to:										
1,919	Repayment of term liabilities	113,293	3,335	10,670	14,118	15,557	26,999	25,213	77,833	32,631	33,727
1,919		113,293	3,335	10,670	14,118	15,557	26,999	25,213	77,833	32,631	33,727
169,463	**Net cash flow from financing activities**	**(13,709)**	**96,200**	**68,229**	**83,374**	**84,671**	**33,879**	**35,863**	**45,597**	**42,341**	**90,196**
(5,468)	Increase/(decrease) in cash	501	1,063	1,020	1,019	896	908	995	1,064	1,030	1,115
64,547	Add opening cash	45,069	45,570	46,633	47,653	48,672	49,568	50,476	51,471	52,535	53,565
59,079	**Ending cash balance**	**45,570**	**46,633**	**47,653**	**48,672**	**49,568**	**50,476**	**51,471**	**52,535**	**53,565**	**54,680**
	Represented by:										
59,079	Cash and cash equivalents	45,570	46,633	47,653	48,672	49,568	50,476	51,471	52,535	53,565	54,680

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Notes to the financial statements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Note 1: Other revenue										
	Fees, charges and rates penalties, including:										
1,450	Rate penalties	1,450	1,495	1,538	1,581	1,618	1,657	1,699	1,743	1,787	1,834
91,559	Other income	95,689	102,793	106,497	110,521	113,840	117,221	119,308	123,224	126,172	129,694
93,009	Total fees, charges and penalties	97,139	104,288	108,035	112,102	115,458	118,878	121,007	124,967	127,959	131,528
14,060	Development contributions	18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
36,800	Grants and subsidies	47,882	36,670	50,325	52,800	43,151	34,276	34,929	34,575	38,204	37,814
–	Contribution from subsidiaries	73,275	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783
	Interest:										
9,704	Subsidiaries	12,920	12,566	12,515	12,163	11,695	11,211	10,369	9,861	8,973	8,536
–	Loan repayment investments	–	–	–	–	–	–	–	–	–	–
11,803	Special and other fund investments	8,011	7,854	8,194	8,595	9,064	9,596	10,008	10,621	11,241	11,786
4,417	Short term investments	2,508	2,807	2,822	2,836	2,847	2,860	2,810	2,814	2,831	2,848
25,924	Total interest revenue	23,439	23,227	23,531	23,594	23,606	23,667	23,187	23,296	23,045	23,170
	Dividends:										
38,000	Christchurch City Holdings Ltd	42,923	19,253	19,253	21,253	23,253	25,253	26,553	27,953	29,353	30,753
1,470	Transwaste Ltd	1,388	2,568	2,962	3,100	3,238	3,307	3,445	3,548	3,651	3,755
50	NZ Local Government Insurance Corporation	50	50	50	50	50	50	50	50	50	50
39,520	Total dividend revenue	44,361	21,871	22,265	24,403	26,541	28,610	30,048	31,551	33,054	34,558
209,313	**Total other revenue**	**304,768**	**238,693**	**262,917**	**273,630**	**272,725**	**271,364**	**277,891**	**291,952**	**301,053**	**308,560**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Notes to the financial statements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Note 2: Other expenses										
	Operating expenditure:										
118,149	Employee benefits	123,635	129,047	132,887	136,789	140,518	143,486	147,216	152,175	155,708	159,361
17,249	Grants	17,354	16,527	23,790	25,098	21,242	18,858	19,384	19,808	20,379	20,919
101,244	Contracts	116,531	120,912	123,515	126,065	129,432	131,601	135,497	139,379	143,295	147,521
51,862	Assets	54,066	65,362	65,655	68,257	69,922	71,714	73,734	76,090	77,237	82,133
17,250	General	8,296	9,442	7,373	7,794	9,133	8,959	9,568	10,864	10,876	11,416
305,754	**Total other expenses**	**319,882**	**341,290**	**353,220**	**364,003**	**370,247**	**374,618**	**385,399**	**398,316**	**407,495**	**421,350**
	Note 3: Current assets										
	Trade and other receivables:										
6,274	Rates debtors	8,744	9,013	9,272	9,532	9,759	9,990	10,243	10,513	10,774	11,058
4,752	Other trade debtors	10,775	11,107	11,426	11,746	12,026	12,311	12,621	12,955	13,277	13,626
472	Amount owing by subsidiaries	254	262	269	277	283	290	298	305	313	321
9,680	Other receivables/prepayments	12,856	13,252	13,633	14,014	14,349	14,688	15,060	15,457	15,841	16,258
–	Dividends receivable	6,141	6,330	6,512	6,694	6,854	7,016	7,194	7,383	7,567	7,766
2,242	GST receivable	6,486	6,686	6,877	7,070	7,239	7,410	7,597	7,798	7,992	8,202
23,420		45,256	46,650	47,989	49,333	50,510	51,705	53,013	54,411	55,764	57,231
(339)	Less provision for doubtful debts	(900)	(928)	(954)	(981)	(1,004)	(1,028)	(1,054)	(1,082)	(1,109)	(1,138)
23,081	**Total receivables and prepayments**	**44,356**	**45,722**	**47,035**	**48,352**	**49,506**	**50,677**	**51,959**	**53,329**	**54,655**	**56,093**
	Note 4: Investments										
1,225,022	Shares in controlled entities	1,511,913	1,526,839	1,540,132	1,555,851	1,561,728	1,560,042	1,558,856	1,557,670	1,556,484	1,555,298
145,125	Advances to subsidiaries and other entities	160,178	160,478	158,578	153,478	148,178	137,928	132,328	126,628	120,828	115,928
111,547	Other investments	89,108	91,852	94,490	97,136	99,453	101,806	104,381	107,134	109,799	112,686
1,481,694	**Total investments**	**1,761,199**	**1,779,169**	**1,793,200**	**1,806,465**	**1,809,359**	**1,799,776**	**1,795,565**	**1,791,432**	**1,787,111**	**1,783,912**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Notes to the financial statements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Note 5: Current liabilities										
48,946	Trade creditors	54,802	56,489	58,112	59,740	61,165	62,611	64,195	65,888	67,527	69,303
–	Owing to subsidiaries	5,927	6,110	6,285	6,461	6,615	6,772	6,943	7,126	7,303	7,495
48,946		60,729	62,599	64,397	66,201	67,780	69,383	71,138	73,014	74,830	76,798
–	Current portion of gross debt	3,449	10,784	14,232	15,671	27,113	25,327	77,946	32,745	33,841	33,841
2,014	Provision for landfill aftercare	670	607	548	509	521	534	547	561	575	591
12,548	Provision for employee entitlements	12,251	12,628	12,991	13,355	13,674	13,996	14,351	14,730	15,096	15,492
14,562		12,921	13,235	13,539	13,864	14,195	14,530	14,898	15,291	15,671	16,083
63,508	**Total current liabilities**	**77,099**	**86,618**	**92,168**	**95,736**	**109,088**	**109,240**	**163,982**	**121,050**	**124,342**	**126,722**
	Note 6: Non–current provisions										
11,411	Provision for landfill aftercare	11,236	10,622	10,063	9,540	9,007	8,457	7,890	7,306	6,704	6,083
6,896	Provision for employee entitlements	6,636	6,840	7,037	7,234	7,406	7,582	7,773	7,978	8,177	8,392
18,307	**Total non-current provisions**	**17,872**	**17,462**	**17,100**	**16,774**	**16,413**	**16,039**	**15,663**	**15,284**	**14,881**	**14,475**
	Note 7: 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
176,827	Reserve funds	148,237	154,504	161,840	170,325	179,952	190,370	201,373	212,757	222,795	229,836
2,697,407	Asset revaluation reserves	2,960,749	3,131,157	3,293,648	3,464,055	3,620,030	3,786,246	3,957,585	4,128,922	4,304,452	4,490,688
1,703,169	Retained earnings	1,870,177	1,906,506	1,953,419	2,001,487	2,043,708	2,083,173	2,129,567	2,182,191	2,242,033	2,308,460
6,311,256	**Total equity**	**6,713,016**	**6,926,020**	**7,142,760**	**7,369,720**	**7,577,543**	**7,793,642**	**8,022,378**	**8,257,723**	**8,503,133**	**8,762,837**

Christchurch City Council

Statement of accounting policies

Christchurch City Council

Statement of accounting policies to the prospective financial statements
For the ten year period 1 July 2009 to 30 June 2019.

Reporting entity
Christchurch City Council ("Council") is a territorial authority under the Local Government Act 2002.

The primary objective of Council is to provide goods or services for the community or social benefit rather than to make a financial return. Accordingly, Council has designated itself a public benefit entity ("PBE") for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

Basis of preparation
The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The forecast financial statements are prepared for the Council parent and do not reflect the consolidated position.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Council is New Zealand dollars.

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

Translation differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Derivative financial instruments
The Council uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with the treasury policies of the respective group entities, 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 at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging policy).

The fair value of interest rate swaps is the estimated amount that the Council would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Hedging
Derivatives are first recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Council designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity

Christchurch City Council

Statement of accounting policies

are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or cancelled, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Property, plant and equipment
The following assets (except for investment properties) 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

When determining the initial recognition value of an asset that Council has built or acquired, Council has taken advantage of the PBE exemption in NZ IAS 23 (Borrowing Costs) and does not capitalise the interest cost of any borrowings relating to that asset.

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

All other property, plant and equipment is 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 or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement 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 profit or loss to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss.

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.

Assets to be depreciated include:

Operational assets:	
Buildings	1-100 yrs
Office and computer equipment	4-10 yrs
Mobile plant including vehicles	2-30 yrs
Sealed surfaces (other than roads)	9-100 yrs
Leasehold land improvements	5-100 yrs
Library books	3-8 yrs
Infrastructure assets:	
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	1-25 yrs
Streetlights and signs	15-40 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/retaining walls	20-100 yrs
Bridges	70-100 yrs
Bus shelters and furniture	15-30 yrs
Water supply	55-130 yrs
Water meters	20-25 yrs
Stormwater	20-150 yrs
Waterways	15-120 yrs
Sewer	50-150 yrs
Treatment plant	15-100 yrs
Pump stations	10-100 yrs
Restricted assets:	
Planted areas	5-110 yrs
Reserves – sealed areas	10-40 yrs
Reserves – structures	25-150 yrs
Historic buildings	100 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

Christchurch City Council

Statement of accounting policies

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

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.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of de-recognition.

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 balance sheet. Further, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount.

Intangible assets

(i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures.

In respect of acquisitions prior to 30 June 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see Impairment policy). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) Computer software
Acquired computer software licenses 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 programmes 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.

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

(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. Estimated useful lives are:

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

Christchurch City Council

Statement of accounting policies

Investments

The Council classifies its investments in the following categories:

(a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

(d) Financial assets at fair value through equity
Financial assets at fair value through equity are non-derivatives that are either designated in this category or not classified in any of the other categories.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Council investment in subsidiaries
For the purposes of the Council's financial statements, equity investments in its subsidiaries are designated as financial assets at fair value through equity. They are measured at fair value, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are held in a revaluation reserve.

(ii) Investments in debt and equity securities
Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

General and community loans are designated as loans and receivables. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

Financial instruments classified as held-for-trading or fair value through equity investments are recognised / derecognised by the Council on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Council.

(iii) Investment property
Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties generate cashflow largely independent of other assets held by the entity. Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Rental income from investment property is accounted for as described in the Revenue policy below.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent recording. When the Council begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property, plant and equipment during the re-development.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in the Expenses policy below.

Trade and other receivables

(i) Construction work in progress
Construction work in progress is stated at cost plus profit recognised to date (see Revenue policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Council's contract activities based on normal operating capacity.

(ii) Other trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see Impairment policy).

Christchurch City Council

Statement of accounting policies

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.

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 balance sheet.

Impairment
The carrying amounts of the Council's assets, investment property (see Investments policy), inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, other 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 balance sheet date.

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 in the income statement. Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) 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 assets). 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 public benefit entity, 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.

The value in use for cash-generating assets is the present value of expected future cash flows.

(ii) Reversals of impairment
An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 the income statement 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.

Christchurch City Council

Statement of accounting policies

Provisions
A provision is recognised in the balance sheet 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.

(i) Landfill aftercare provision
As operator of several closed landfill sites, including Burwood, the Council has a legal obligation to provide ongoing maintenance and monitoring services at these sites after closure.

The provision is calculated based on:

- The estimated amount required by the Council to meet its obligations for all equipment, facilities and services. The estimated amounts are based on costs of closure of similar landfills by other local authorities with an allowance for inflation.
- The estimated costs have been discounted to their present value using a discount rate of 6.88%.
- The estimated length of time needed for post-closure care is 35 years.
- The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.

The estimated future costs of meeting this obligation have been accrued and charged. The calculations assume no change in the legislative requirements for closure and post-closure treatment.

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

(i) Short-term entitlements
Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet 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 prior to the balance sheet 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. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Superannuation is provided as a percentage of remuneration.

(iii) National Provident Fund's Defined Benefit Plan Scheme (the 'Scheme')
Council participates in the Scheme, which is a multi-employer defined benefit plan. However, because it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers the Council participation in the Scheme is accounted for as if the Scheme were a defined contribution plan.

(iv) Super Trust of New Zealand ('Super Trust')
Council participates in Super Trust, a multi-employer master trust, where money invested in separate schemes is pooled for investment purposes.
Super Trust is a defined contribution plan, and contributions to the plan are expensed as incurred (see Contingencies note).

Leases
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 balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

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.

Revenue

(i) Rates, goods sold and services rendered
Revenue from rates is recognised in the income statement at the time of invoicing. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet 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.

Christchurch City Council

Statement of accounting policies

(ii) Construction contracts
As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contact. The stage of completion is assessed by reference to surveys of work performed.

An expected loss on a contract is recognised immediately in the income statement.

(iii) Rental income
Rental income from investment and other property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iv) Government grants
Grants from the government are recognised as income at their fair value where there is a reasonable assurance that the grant will be received and the Council will comply with all attached conditions.

(v) Dividend income
Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) Finance lease income
Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Council's net investment in the finance lease.

(vii) Development Contributions
Development contributions are recognised in the income statement in the year in which they are received.

Expenses

(i) Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement 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) Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares (which are redeemable at the option of the holder), interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see Hedging policy).

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. All interest payable on borrowings is recognised as an expense in the income statement as it accrues.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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 balance sheet 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

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Christchurch City Council

Statement of accounting policies

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 Balance Sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

Goods and Services tax

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

Donated goods and 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 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.

Two primary drivers for allocating corporate overhead are used. Services related to people are reallocated based on employee costs, and those related to finance are reallocated based on external service activity gross cost.

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

Preparing forecast financial statements to conform with NZ IFRS 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 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. 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 into future periods if it also affects future periods.

In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

- The physical deterioration and condition of an asset, for example the Council could be carrying at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a combination of physical assessments and condition modelling of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or underestimating the annual depreciation charge recognised as an expense in the income statement. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions and past experience. Asset inspections, depreciation and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further reassurance over its useful life estimates. Finally, Council's assets are also periodically revalued by experienced independent valuers who provide assurance that Council's useful life estimates are valid.
- Management are required to exercise judgement in calculating provisions for doubtful debts, assessing the level of unrecoverable work in progress and calculating provisions for employee benefits.

Changes to accounting policies

Since the publication of its last financial statements, the 2007/08 Annual Report, Council has not made any changes to its accounting policies.

Christchurch City Council

Significant forecasting assumptions

Christchurch City Council

Significant forecasting assumptions: Christchurch Long Term Council Community Plan 2009–2019

In preparing this LTCCP 2009–2019 it was necessary for Council to make a number of assumptions about the future. Under the Local Government Act 2002 (Schedule 10, Section 11) the Council is required to identify its forecasting assumptions, and the risks of those assumptions to financial estimates in the LTCCP.

The following tables identify significant forecasting assumptions; describe the risk in making such an assumption; rate the level of risk; give a reason for the risk rating and explain how that level of risk may affect financial estimates in the LTCCP.

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Population	Planning for activities, and thus the likely cost of providing those activities, considers that the population of Christchurch will increase at the rate forecast by Council's growth model. That model predicts the population of Christchurch to reach 396,000 by 2019, an increase of 7% over 2009.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure.	Low	Population projections are based upon a standard set of demographic assumptions and are not expected to change quickly. Therefore the level of risk is low and little financial impact is expected.
		That population growth is lower than projected, and Council will be required to support excess levels of infrastructure and service delivery.	Low	
Growth	Council collects development contributions from property developers to fund the capital costs of infrastructure in the city. The amount collected from each development is dependent on the forecast growth in the number of residential, commercial, industrial, and other properties. This forecast is based on Council's growth model, modified for short to medium term economic conditions.	Should growth in the number of properties vary considerably from forecasts, there is a possibility that revenue collected from development contributions will be too much or too little to fund Council's capital programme.	Moderate	Growth projections are based upon a standard set of demographic assumptions and are not expected to change quickly. However, the timing of that growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this LTCCP.
		If the timing of growth differs significantly from forecast this will impact on Councils cash flows and may necessitate changes to planned borrowing.		
Economic environment	At the time of finalising this LTCCP the global economy continues to be in a period of uncertainty. Council has prepared this LTCCP on the basis that current predictions on the debth and duration of this recession will prove correct.	The current recession significantly deepens.	Moderate	This LTCCP has been prepared based on data available at the time of writing. It reflects the current recession through assumptions around Rating Base, Inflation, Borrowing Costs, Return on Investments, CCTO Income and Capital Works. Also, forecast cash-flow from Development Contribution revenue has been reduced by 40 percent in 2009/10 and 25 percent in 2010/11 to reflect an anticipated short term downturn in property development.
Environmental change	This LTCCP is prepared on the assumption that environmental change (i.e. global warming) will not have a significant impact on the environment or economy of Christchurch within the ten year LTCCP period.	Environmental change accelerates.	Low	Should environmental change significantly accelerate such that the environment and economy of Christchurch change in the next ten years the activities and services outlined in this LTCCP will fundamentally change. These changes would be reflected in an amended LTCCP or in one of the new LTCCPs due to be published in 2012 or 2015.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Legislative change	Council will continue to operate within the same general legislative environment, and with the same authority, as it does at the time this LTCCP is published.	Should the local government legislative environment change, the activities and services Council plans to provide over the 2009-2019 LTCCP period could change.	Moderate	The Minister of Local Government has advised that a review of local government legislation will be carried out in 2009. The Minister has indicated that legislative change being considered shall be guided by the following principles: • local government should operate within a defined fiscal envelope; • councils should focus on core activities; • council decision making should be clear, transparent and accountable; and • costs should be distributed as closely as possible to benefits received. At the time of adopting this LTCCP Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact.
Rating base	The capital value of Christchurch on 1 July 2009 is expected to be approximately $77.900 billion, up $1.122 billion from 1 year ago and generating an additional $3.0 million in rates revenue. The projected percentage increase in rates for years beginning on or after 1 July 2009 include the assumption that growth in the capital value of the city will generate an additional $3 million in rate revenue per annum. This is a conservative figure. which reflects the current economic environment.	The rating base does not grow at the rate projected.	Moderate	Variances between the forecast and actual growth in the rating base is unlikely to cause any changes to the total rates revenue needed. However, should the actual increase in the rating base not meet expectations the amount of rates paid by each individual ratepayer would increase by a maximum of 1%. Conversely, if the actual increase in the rating base exceeds expectations the amount of rates paid by each individual ratepayer would decrease.
Rating powers	Council will continue to be able to assess General Rates, Targeted Rates, Targeted Uniform Annual Rates, and Uniform Annual General Charges. Also, Council will continue to be able to set rating differentials.	Should Council's ability to use one or more of these rating tools change, the amount of rates collected by rate type and by ratepayer group may change considerably. It is not envisaged that any such change would alter the total rates income.	Moderate	The Minister of Local Government has advised that a review of local government legislation will be carried out in 2009. The Minister has indicated that two of the principles on which legislative change will be based are: • local government should operate within a defined fiscal envelope; and • costs should be distributed as closely as possible to benefits received. These principles could lead to changes in Council's rating powers. At the time of adopting this LTCCP Council is unable to assess the impact of potential legislative change.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Council policy	There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response from Council.	Low	Dealing with changes in legislation is part of normal Council operations.
		Election of a new Council with different objectives from the current Council.	Moderate	Any significant change to Council policy would be assessed in terms of impact upon Council's financial position.
Resource consents	Conditions of resource consents held by Council will not be significantly altered.	That conditions required to obtain/maintain the consents will change, resulting in higher costs than projected, and these costs will not be covered by planned funding.	Moderate	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.
New Zealand Transport Agency subsidies	Requirements and specifications for the performance of subsidised work will not alter to the extent they impact adversely on operating costs.	Changes in subsidy rate and variation in criteria for inclusion in subsidised works programme.	Low	Changes to the funding priorities of New Zealand Transport Agency are outside Council control. The maximum financial impact would be elimination of the subsidy, estimated at $40 million in per annum.
Inflation	The price level changes projected will occur. In developing this LTCCP Council based its inflation projections on information provided by Business Economic Research Limited to all local authorities, and updated these for local market conditions. The corporate weighted average inflation figure used in this LTCCP is calculated and applied across all groups of activities for each year, with the resulting flow through to the balance sheet. The exception is Grants some of which are not inflated. Further information is provided in the Grant Summary, and details of the inflation adjustments may be found below	Inflation will be higher or lower than anticipated.	Low	Inflation is affected by external economic factors.
		Inflation on costs will not be offset by inflation on revenues.	Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates.
Borrowing Costs	Interest on debt is calculated at 5.50% per annum for 2009–10, 6.25% in 2010–11, and 6.60% in 2011–12 and outer-years.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis and includes the cost of both funds already borrowed and anticipated new debt at anticipated future interest rates. If actual interest rates are higher than the assumed rate, this cost would be rated for or future borrowing requirements adjusted. An increase of 1% over forecast borrowing costs would increase 2009/10 costs by $1.156m (equivalent to 0.5% of rates). In 2018/19 the effect of a 1% increase would be to increase total costs by $8.462m (equivalent to 2% of rates). However, it should be noted that any increases in costs due to increased interest rates will be offset by increased interest revenue.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Return on investments	Interest on investments is calculated at 5.10% for year 1, 5.70% for years 2–6, and 5.60% for years 7–10.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis. If actual interest rates are lower than the assumed rate, expenditure priorities would be re-evaluated or alternative funding mechanisms utilised. An increase of 1% over forecast returns on investments would increase 2009/10 revenue by $0.710m (equivalent to 0.3% of rates). In 2018/19 the effect of a 1% increase would be to increase total costs by $3.758m (equivalent to 1% of rates). However, it should be noted that any increases in revenue due to increased interest rates will be offset by increased interest costs.
Tax planning	The core Council will be operating at a tax loss for each of the ten years due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (know as subvention payments) to Council instead of tax payments. It has been assumed that sufficient profits will be made within the wider group to ensure that subvention receipts are available.	CCTOs will deliver lower than projected profits and subvention payments will be lower than planned.	Low	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this LTCCP.
CCTO income	CCHL will continue to deliver dividend income at the levels forecast in this LTCCP.	CCHL will deliver lower than projected income and Council will need to source alternate funding.	Low	CCTO's are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this LTCCP.
Asset revaluation	The impact of asset revaluations on carrying values and depreciation will occur as projected.	Revaluations will materially differ from those projected, thereby changing projected carrying values of the assets and depreciation expense.	Moderate	Variation in values is expected to be low unless valuation methodology changes.
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).	Assets wear out earlier than estimated or asset lives are changed due to revisions of AMPs or new advice.	Moderate	Capital could be brought forward in the event of early expiration of assets, but depreciation expense and financing costs would increase.
Sources of funds for replacing significant assets	The sources of funds will occur as projected. (The Revenue and Funding Policy details the funding sources.)	Funding does not occur as projected.	Low	Funding sources are stable.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Transfer of Town Hall ownership	This LTCCP proposes to sell the Town Hall to Vbase at its market value and to grant a lease to Vbase over the land prior to 30 June 2009. Efficiencies created by this transfer result in an increase in the annual operating cash-flow for the Group. These increased cash-flows have been recognised within this LTCCP.	Following consultation, should Council decide not to transfer the ownership of the Town Hall the budgeted subvention payments will not be received from Council.	Moderate	Should Council decide not to transfer the ownership of the Town Hall the effect would be to reduce Council revenue by $0.7 million and reduce the anticipated surplus of Vbase by approximately $1 million.
Tax legislation	This LTCCP includes contributions from subsidiaries over and above the normal dividend stream. This reflects the work of the Council and CCHL which is currently underway to identify the most efficient means of returning additional funds to the Council. Several options are being considered including extraordinary dividends from CCHL or funding from a revised charitable trust structure. For reporting purposes these are grouped under the heading. "Contribution from Subsidiaries".	Funding does not occur as projected.	Low	Should the funding not proceed there will be a decrease in revenue in 2010/11 of approximately $8 million and thereafter an ongoing reduction of $11 million.
Contract rates	Re-tendering of major contracts will not result in cost increases other than those comparable with the rate of inflation.	There is a significant variation in price from re-tendering contracts.	Moderate	Council would review the amount of work planned and undertaken.
Social housing	This LTCCP has been prepared on the basis that Council's existing policy in relation to social housing continues. Specifically, that social housing operating and capital costs are funded solely through rental income. It assumes rental increases of 14% in 2009/10 5.7% in 2010/11, 2.8% plus CGPI for the next four years and CGPI increases for the remaining life of the LTCCP.	Council policy in relation to social housing changes	Moderate	There will be no effect on rating unless the Council changes the underlying assumption that social housing is a stand-alone activity and is not dependent on rates for its funding.
Capital works	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls.	Asset Renewal and Replacement budgets have been prepared on the basis that Council can achieve a 2.5% saving on forecast renewal costs through efficient management and tight control over contingency budgets.	Moderate	Council is confident in the planning work undertaken on capital projects, but recognises external economic factors may impact upon the costs and delivery timeframes for capital works.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Opening Debt	The opening debt of $303.0 million is made up of; • $81.2 million of equity investments in CCTOs, • $145.9 million of money borrowed for onlending to CCTOs, (in accordance with the Council's Investment Policy), • $75.3 million of borrowing for capital works, after applying $19 million of reserves, $0.6 million of other borrowing. $58.1 million of the equity investment is with Vbase and includes $35.7 million to fund the transfer of the Town Hall, and $10 million of the funding underwrite for AMI Stadium. $70.7 million of the monies on-lent to Vbase to fund the old and new stands at AMI Stadium, and $48.9 million is for the Council's share of the new civic offices.	Actual opening debt differs from forecast.	Low	Council's debt requirements are well understood and closely managed. It is unlikely that opening debt will be significantly different to forecast.

Christchurch City Council

Significant forecasting assumptions

The adjustors used for each year are as follows:

	Basis	Weighting	10–11	11–12	12–13	13–14	14–15	15–16	16–17	17–18	18–19
Opex expenditure											
Interest expense	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Staff costs	Staff	31.3%	2.7	2.7	2.5	2.5	2.5	2.6	3.2	2.7	3.1
Electricity	Energy	3.6%	2.3	2.6	3.0	2.9	3.3	3.3	3.3	3.4	3.5
Grants	Other	5.7%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property/parks contracts/materials/assets	CCC/property	9.3%	3.1	2.6	2.8	2.8	2.9	3.0	2.6	2.2	2.3
CWW contracts/materials/assets	Water	13.6%	3.0	2.8	2.7	3.3	2.9	3.5	3.1	3.2	3.3
Streets contracts/materials/assets	CCC/road	12.5%	2.9	2.9	2.4	2.3	2.2	2.3	2.4	2.4	2.2
Other	Other	24.0%	3.3	2.3	2.4	2.1	2.2	2.3	2.3	2.4	2.5
		100%									
Weighted average			2.78	2.48	2.39	2.39	2.37	2.53	2.64	2.48	2.63
Carbon tax adjustment			0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average used:			**3.08**	**2.88**	**2.79**	**2.39**	**2.37**	**2.53**	**2.64**	**2.48**	**2.63**
Revenue											
Interest revenue	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fees & charges	Other	84.1%	2.7	2.5	2.3	2.3	2.3	2.4	2.7	2.5	2.7
Rents	Property	15.9%	3.1	2.6	2.8	2.8	2.9	3.0	2.6	2.2	2.3
		100%									
Weighted average			2.78	2.48	2.39	2.39	2.37	2.53	2.64	2.48	2.63
Carbon tax adjustment			0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average used:			**3.08**	**2.88**	**2.79**	**2.39**	**2.37**	**2.53**	**2.64**	**2.48**	**2.63**
Capex (and depreciation)											
Roading infrastructure	Earthmoving	34.1%	3.5	3.4	3.4	3.7	3.8	3.4	3.1	3.2	3.3
Parks/land drainage	Earthmoving	8.3%	3.5	3.4	3.4	3.7	3.8	3.4	3.1	3.2	3.3
Water & wastewater infrastructure	Pipelines	24.5%	3.2	3.1	3.2	3.1	3.2	3.8	3.9	3.5	3.6
Other expenditure	Other	33.1%	3.3	2.3	2.4	2.1	2.2	2.3	2.3	2.4	2.5
		100%									
Weighted average			3.36	2.96	3.02	3.02	3.12	3.13	3.03	3.01	3.11
Carbon tax adjustment			0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average used:			**3.66**	**3.36**	**3.42**	**3.02**	**3.12**	**3.13**	**3.03**	**3.01**	**3.11**

Christchurch City Council

Capital Endowment Fund

Capital Endowment Fund

In April 2001, Council set up a Capital Endowment Fund of $75M. This fund was established using a share of the proceeds from the sale of Orion's investment in a gas company. The Fund provides an ongoing income stream which can be applied to economic development and civic and community projects.

Current Council resolutions in respect of the fund are;

1. that the income from the fund be allocated each year in the following way:

Economic Development	70%
Civic and Community	30%

   - the above general categories be reviewed on a three yearly cycle, the next review aligning with the 2012/22 LTCCP, or
   - if the interest earned from the fund changes significantly (increase or decrease) within the next three years,
2. that if desired, funding for a particular category be carried forward to another year,
3. that no single project be funded for more than three years, except in exceptional circumstances,
4. that the capital of the fund will not be used unless 80% of councillors vote in favour,
5. funds are managed in accordance with Council's Investment Policy.
6. With regards the Civic and Community portion;
   - projects implement a strong community strategic plan projects are of city-wide benefit,
   - priority is given to new community facilities, projects only more than $50k be considered.

Christchurch City Council

Capital Endowment Fund

Capital Endowment Fund Movements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
Inflation Adjusted Capital	92,340	95,572	99,010	101,687	104,530	106,727	109,075	111,584	114,151	116,891
Unallocated Funds carried forward	1,297	(134)	(1,087)	(1,085)	(1,048)	(153)	816	1,747	2,860	4,054
Total Projected Opening Balance 1 July	**93,637**	**95,438**	**97,923**	**100,602**	**103,482**	**106,574**	**109,891**	**113,331**	**117,011**	**120,945**
Plus Net Interest Earnings	4,801	5,488	5,679	5,880	6,092	6,317	6,440	6,680	6,934	7,202
Less Drawdowns for Projects (Funding Allocations)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Projected Closing Balance 30 June	**95,438**	**97,926**	**100,602**	**103,482**	**106,574**	**109,891**	**113,331**	**117,011**	**120,945**	**125,147**
Capital Endowment Fund Allocations										
Estimated total available income from Fund after inflation protection	1,569	2,047	3,006	3,033	3,897	3,969	3,931	4,113	4,194	4,279
Economic Development 70%										
Net income available for allocation	1,098	1,433	2,104	2,123	2,728	2,778	2,752	2,879	2,936	2,995
Project funds carried forward from previous year	868	(134)	(801)	(797)	(774)	(146)	532	1,184	1,963	2,799
Allocation :										
Economic development initiatives:										
CDC special projects	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Canterbury Economic Development Fund	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)
CCT special projects	(300)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Domestic Campaign	(200)									
Iconic events:										
Iconic Events (PGA Golf, Buskers, Cup and Show week, Ellerslie Flower show)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)
Contributions to one off events (exhibitions, concerts, and sporting):										
Events (unallocated)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Over/under allocated for Economic Development Projects	**(134)**	**(801)**	**(797)**	**(774)**	**(146)**	**532**	**1,184**	**1,963**	**2,799**	**3,694**
Civic and Community 30%										
Net income available for allocation	471	614	902	910	1,169	1,191	1,179	1,234	1,258	1,284
Project funds carried forward from previous year	429	0	(286)	(288)	(274)	(7)	284	563	897	1,255
Allocation :										
Civic and Community Grants	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Unallocated advancing of Community Capital Projects	(850)	(850)	(850)	(850)	(850)	(850)	(850)	(850)	(850)	(850)
Over/underallocated for Civic and Community Projects	**0**	**(286)**	**(288)**	**(274)**	**(7)**	**284**	**563**	**897**	**1,255**	**1,639**