Financial Statements

Christchurch City Council
Prospective statement of comprehensive revenue and expense

Plan 2015/16	$000	Note	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	REVENUE										
392,762	Rates revenue		423,900	450,606	474,262	503,338	533,418	559,633	585,104	620,084	655,858
17,231	Development contributions		13,115	18,113	24,262	23,082	24,097	25,537	24,375	23,407	23,352
227,507	Grants and subsidies		147,146	121,169	53,132	56,297	53,841	65,633	54,615	47,344	48,143
338,726	Other revenue	1	302,474	394,863	377,612	186,790	195,307	207,692	216,891	224,503	233,510
976,226	**Total operating income**		**886,635**	**984,751**	**929,268**	**769,507**	**806,663**	**858,495**	**880,985**	**915,338**	**960,863**
	EXPENDITURE										
78,574	Finance costs		78,051	82,547	89,210	96,912	104,209	108,727	111,265	118,370	123,843
161,166	Depreciation	2	189,484	208,239	222,226	233,802	235,512	247,015	259,123	267,948	277,197
486,114	Other expenses	3	447,097	406,576	410,088	427,135	442,097	459,432	471,884	480,871	492,860
725,854	**Total operating expenditure**		**714,632**	**697,362**	**721,524**	**757,849**	**781,818**	**815,174**	**842,272**	**867,189**	**893,900**
250,372	**Surplus before asset contributions**		**172,003**	**287,389**	**207,744**	**11,658**	**24,845**	**43,321**	**38,713**	**48,149**	**66,963**
283,752	Vested assets		4,550	6,579	26,905	116,124	8,016	8,444	8,551	8,382	8,420
534,124	**Surplus before income tax expense**		**176,553**	**293,968**	**234,649**	**127,782**	**32,861**	**51,765**	**47,264**	**56,531**	**75,383**
(9,000)	Income tax expense		(1,500)	(300)	(2,500)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)
543,124	**Net surplus for year**		**178,053**	**294,268**	**237,149**	**129,032**	**34,111**	**53,015**	**48,514**	**57,781**	**76,633**
	Other Comprehensive Revenue and Expense										
351,536	Changes in Revaluation Reserve		403,084	12,114	25,630	230,514	245,604	252,235	268,641	286,024	294,319
894,660	**Total Comprehensive Revenue and Expense**		**581,137**	**306,382**	**262,779**	**359,546**	**279,715**	**305,250**	**317,155**	**343,805**	**370,952**

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

Plan 2015/16	$000	Note	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
9,544,061	**RATEPAYERS EQUITY AT JULY 1**		9,679,762	10,260,899	10,567,281	10,830,060	11,189,606	11,469,321	11,774,571	12,091,726	12,435,531
	Net surplus attributable to:										
	Reserves										
351,536	Revaluation reserve		403,084	12,114	25,630	230,514	245,604	252,235	268,641	286,024	294,319
	Retained earnings										
543,124	Surplus		178,053	294,268	237,149	129,032	34,111	53,015	48,514	57,781	76,633
894,660	Total comprehensive income for the year		581,137	306,382	262,779	359,546	279,715	305,250	317,155	343,805	370,952
10,438,721	**RATEPAYERS EQUITY AT JUNE 30**	8	**10,260,899**	**10,567,281**	**10,830,060**	**11,189,606**	**11,469,321**	**11,774,571**	**12,091,726**	**12,435,531**	**12,806,483**

Christchurch City Council
Prospective statement of financial position

Plan 2015/16	$000	Note	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Current assets										
7,037	Cash and cash equivalents		43,854	47,253	50,840	54,620	58,599	62,622	66,513	70,028	73,713
74,294	Trade receivables and prepayments	4	91,508	93,338	95,296	97,392	99,634	101,922	104,365	106,872	109,544
3,236	Inventories		3,666	3,744	3,822	3,906	3,996	4,089	4,187	4,287	4,394
62,570	Other financial assets		24,095	26,841	27,168	27,572	28,879	29,941	31,927	34,238	36,941
	Non-current assets										
	Investments										
1,842,816	- Investments in CCOs and other similar entities		2,073,148	1,898,352	1,714,194	1,713,194	1,712,194	1,711,194	1,770,804	1,887,794	1,960,994
96,563	- Other investments		105,120	105,120	105,120	105,120	105,120	105,120	105,120	105,120	105,120
78,315	Intangible assets		89,507	95,816	99,964	102,094	102,220	101,707	101,081	100,198	99,955
1,273,708	Operational assets		1,326,855	1,498,678	1,626,176	1,712,524	1,758,144	1,791,055	1,823,992	1,854,005	1,898,998
7,791,965	Infrastructural assets		7,100,531	7,483,002	7,865,179	8,167,407	8,435,721	8,715,101	8,948,949	9,173,026	9,411,573
971,731	Restricted assets		1,065,024	1,123,554	1,205,760	1,350,744	1,388,555	1,426,790	1,464,068	1,503,361	1,543,359
12,202,235	**TOTAL ASSETS**		**11,923,308**	**12,375,698**	**12,793,519**	**13,334,573**	**13,693,062**	**14,049,541**	**14,421,006**	**14,838,929**	**15,244,591**

Plan 2015/16	$000	Note	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Current liabilities	5									
125,839	Trade and other payables		167,216	170,560	174,139	177,968	182,065	186,245	190,710	195,292	200,174
94,945	Borrowings	6	135,374	147,336	149,986	158,050	162,795	165,869	170,026	174,866	103,050
17,832	Other liabilities and provisions		22,004	22,109	18,580	19,025	19,051	19,155	19,772	19,962	20,471
	Non-current liabilities										
1,463,706	Borrowings	6	1,205,456	1,335,959	1,484,529	1,654,118	1,724,068	1,768,022	1,813,460	1,878,103	1,979,339
57,210	Other liabilities and provisions	7	127,736	127,719	131,373	130,827	130,649	130,428	129,914	129,620	129,358
3,982	Deferred tax liability		4,623	4,734	4,852	4,979	5,113	5,251	5,398	5,555	5,716
10,438,721	**Ratepayers Equity**	8	10,260,899	10,567,281	10,830,060	11,189,606	11,469,321	11,774,571	12,091,726	12,435,531	12,806,483
12,202,235	**TOTAL EQUITY AND LIABILITIES**		**11,923,308**	**12,375,698**	**12,793,519**	**13,334,573**	**13,693,062**	**14,049,541**	**14,421,006**	**14,838,929**	**15,244,591**

Christchurch City Council
Prospective cash flow statement

Plan 2015/16	$000	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	OPERATING ACTIVITIES									
	Cash was provided from:									
574,913	Rates, grants, subsidies and other sources	596,417	642,927	660,252	697,479	741,790	785,728	800,229	832,795	874,104
22,675	Interest received	29,688	25,043	24,291	24,617	25,026	24,948	24,788	24,733	24,805
14,106	Earthquake recoveries	270	160	-	-	-	-	-	-	-
255,282	Dividends	155,972	256,372	233,777	32,404	32,849	40,671	46,310	50,865	55,265
866,976		782,347	924,502	918,320	754,500	799,665	851,347	871,327	908,393	954,174
	Cash was disbursed to:									
486,451	Payments to suppliers and employees	447,449	403,146	406,385	423,409	438,152	455,368	467,316	476,394	487,731
78,574	Interest paid	78,051	82,547	89,210	96,912	104,209	108,727	111,265	118,370	123,843
565,025		525,500	485,693	495,595	520,321	542,361	564,095	578,581	594,764	611,574
301,951	**NET CASH FLOW FROM OPERATIONS**	**256,847**	**438,809**	**422,725**	**234,179**	**257,304**	**287,252**	**292,746**	**313,629**	**342,600**
	INVESTING ACTIVITIES									
	Cash was provided from:									
54,671	Sale of assets	8,003	5,902	5,835	4,353	502	515	530	545	561
371,249	Earthquake recoveries	105,786	58,643	11,412	14,078	5,917	6,018	8,367	5,588	5,160
31,369	Investments realised	201,839	-	6,000	1,000	1,000	1,000	1,000	1,100	1,100
457,289		315,628	64,545	23,247	19,431	7,419	7,533	9,897	7,233	6,821
	Cash was applied to:									
965,030	Purchase of assets	535,180	623,857	580,823	427,079	334,132	336,728	285,751	266,429	298,153
-	Purchase of investments	-	15,817	12,455	-	-	-	60,610	118,090	74,300
-	Purchase of investments (special funds)	-	2,746	327	404	1,307	1,062	1,986	2,311	2,703
965,030		535,180	642,420	593,605	427,483	335,439	337,790	348,347	386,830	375,156
(507,741)	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(219,552)**	**(577,875)**	**(570,358)**	**(408,052)**	**(328,020)**	**(330,257)**	**(338,450)**	**(379,597)**	**(368,335)**

Plan 2015/16		Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	FINANCING ACTIVITIES									
	Cash was provided from:									
483,855	Raising of loans	30,927	202,259	205,716	225,239	129,975	110,988	124,349	160,889	137,666
483,855		30,927	202,259	205,716	225,239	129,975	110,988	124,349	160,889	137,666
	Cash was applied to:									
277,118	Repayment of term liabilities	46,754	59,794	54,496	47,586	55,280	63,960	74,754	91,406	108,246
277,118		46,754	59,794	54,496	47,586	55,280	63,960	74,754	91,406	108,246
206,737	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**(15,827)**	**142,465**	**151,220**	**177,653**	**74,695**	**47,028**	**49,595**	**69,483**	**29,420**
947	Increase/(decrease) in cash	21,468	3,399	3,587	3,780	3,979	4,023	3,891	3,515	3,685
6,090	Add opening cash	22,386	43,854	47,253	50,840	54,620	58,599	62,622	66,513	70,028
7,037	**ENDING CASH BALANCE**	**43,854**	**47,253**	**50,840**	**54,620**	**58,599**	**62,622**	**66,513**	**70,028**	**73,713**
	Represented by:									
7,037	Cash and cash equivalents	43,854	47,253	50,840	54,620	58,599	62,622	66,513	70,028	73,713

Notes to the prospective financial statements

Plan 2015/16	$000	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 1									
	Other revenue									
60,769	Fees and charges	116,814	113,448	119,544	129,769	137,432	142,073	145,793	148,905	153,440
	Interest:									
15,843	Subsidiaries	19,532	18,772	17,857	17,951	18,009	17,665	17,458	17,320	17,295
6,769	Special and other fund investments	9,311	5,352	5,425	5,568	5,844	6,107	6,151	6,231	6,325
63	Short term investments	845	919	1,009	1,098	1,173	1,176	1,179	1,182	1,185
22,675	Total interest revenue	29,688	25,043	24,291	24,617	25,026	24,948	24,788	24,733	24,805
	Dividends:									
246,000	Christchurch City Holdings Ltd	150,600	241,000	229,300	28,900	29,500	37,400	43,000	47,400	51,800
9,162	Transwaste Ltd	5,252	15,252	4,357	3,384	3,229	3,151	3,190	3,345	3,345
120	Other	120	120	120	120	120	120	120	120	120
255,282	Total dividend revenue	155,972	256,372	233,777	32,404	32,849	40,671	46,310	50,865	55,265
338,726	**Total other revenue**	**302,474**	**394,863**	**377,612**	**186,790**	**195,307**	**207,692**	**216,891**	**224,503**	**233,510**

Plan 2015/16	$000	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 2									
	Depreciation									
7,727	Libraries, arts and culture	7,450	8,196	8,730	9,543	10,120	10,426	10,512	10,753	11,210
84	Economic development	50	27	36	59	70	74	86	83	76
9	Flood protection and control works	12	19	26	34	42	51	63	75	88
-	Heritage protection and policy	-	-	-	-	-	-	-	-	-
6,849	Housing	7,507	7,784	8,278	8,978	7,691	8,402	9,217	10,077	11,000
-	Natural environment	-	-	-	-	-	-	-	-	-
7,008	Parks and open spaces	8,787	8,914	9,275	9,136	7,241	7,399	7,675	7,809	7,789
2,061	Refuse minimisation and disposal	2,330	2,429	2,539	2,648	2,631	2,700	2,605	2,726	2,815
70	Regulation and enforcement	239	245	215	177	127	131	134	138	142
1,345	Resilient communities	2,045	2,214	2,381	2,553	1,967	2,067	2,221	2,400	2,527
39,226	Roads and footpaths	54,564	57,018	60,521	64,514	68,536	73,383	78,403	83,134	87,467
40,406	Sewerage collection, treatment and disposal	45,146	46,940	48,352	49,681	49,817	51,518	53,683	55,488	57,585
5,066	Sport and recreation	8,742	9,732	11,009	12,539	12,656	13,293	14,116	14,899	15,830
4,745	Stormwater and drainage	5,317	12,225	12,612	13,010	13,366	13,824	14,344	14,917	15,543
-	Strategic governance	1	1	1	1	1	1	1	1	1
41	Strategic policy and planning	34	46	64	83	103	124	147	170	195
3,882	Transport	4,061	4,995	6,467	7,802	9,050	10,045	10,788	11,119	9,519
25,414	Water supply	25,700	26,577	27,550	28,567	29,588	30,669	31,771	31,415	32,127
17,233	Corporate	17,499	20,877	24,170	24,477	22,506	22,908	23,357	22,744	23,283
161,166	**Total Depreciation**	**189,484**	**208,239**	**222,226**	**233,802**	**235,512**	**247,015**	**259,123**	**267,948**	**277,197**
	NOTE 3									
	Other expenses									
	Operating expenditure:									
177,815	Personnel costs	177,597	178,269	187,772	201,925	214,071	221,061	225,855	231,389	237,484
34,279	Donations, grants and levies	45,067	43,014	40,105	33,764	33,901	38,777	38,966	39,284	39,489
274,020	Other operating costs	224,433	185,293	182,211	191,446	194,125	199,594	207,063	210,198	215,887
486,114	**Total other expenses**	**447,097**	**406,576**	**410,088**	**427,135**	**442,097**	**459,432**	**471,884**	**480,871**	**492,860**

Plan 2015/16	$000	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 4									
	Current assets									
	Trade receivables and prepayments									
15,175	Rates debtors	11,205	13,035	14,993	17,089	19,331	21,619	24,062	26,569	29,241
12,577	Other trade debtors	32,660	32,660	32,660	32,660	32,660	32,660	32,660	32,660	32,660
4,964	Amount owing by subsidiaries	1,246	1,246	1,246	1,246	1,246	1,246	1,246	1,246	1,246
34,378	Other receivables/prepayments	43,959	43,986	44,595	46,378	47,615	47,895	48,475	48,947	48,970
8,219	GST receivable	3,782	3,782	3,211	1,486	300	58	(477)	(905)	(888)
75,313		92,852	94,709	96,705	98,859	101,152	103,478	105,966	108,517	111,229
(1,019)	Less provision for doubtful debts	(1,344)	(1,371)	(1,409)	(1,467)	(1,518)	(1,556)	(1,601)	(1,645)	(1,685)
74,294	**Total trade receivables and prepayments**	**91,508**	**93,338**	**95,296**	**97,392**	**99,634**	**101,922**	**104,365**	**106,872**	**109,544**
	NOTE 5									
	Current liabilities									
124,189	Trade creditors	165,485	168,829	172,408	176,237	180,334	184,514	188,979	193,561	198,443
1,650	Owing to subsidiaries	1,731	1,731	1,731	1,731	1,731	1,731	1,731	1,731	1,731
125,839		167,216	170,560	174,139	177,968	182,065	186,245	190,710	195,292	200,174
94,945	Current portion of gross debt	135,374	147,336	149,986	158,050	162,795	165,869	170,026	174,866	103,050
344	Provision for landfill aftercare	350	335	569	632	594	422	594	328	350
2,032	Provision for building related claims	4,987	4,774	654	654	310	169	169	169	169
15,456	Provision for employee entitlements	16,667	17,000	17,357	17,739	18,147	18,564	19,009	19,465	19,952
17,832		22,004	22,109	18,580	19,025	19,051	19,155	19,772	19,962	20,471
238,616	**Total current liabilities**	**324,594**	**340,005**	**342,705**	**355,043**	**363,911**	**371,269**	**380,508**	**390,120**	**323,695**

Plan 2015/16	$000	Plan 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 6									
	Debt									
1,558,651	Total Gross Debt	1,340,830	1,483,295	1,634,515	1,812,168	1,886,863	1,933,891	1,983,486	2,052,969	2,082,389
1,162,542	Total Net Debt	876,655	1,012,975	1,164,281	1,338,750	1,409,159	1,452,102	1,496,820	1,561,577	1,585,709
	NOTE 7									
	Non-current other liabilities and provisions									
19,728	Provision for landfill aftercare	14,812	18,588	22,293	21,787	21,297	20,619	19,766	19,130	18,514
6,140	Provision for employee entitlements	5,637	5,750	5,870	5,999	6,138	6,278	6,429	6,583	6,748
129	Provision for building related claims	4,945	1,039	868	699	872	1,189	1,377	1,565	1,754
24,239	Hedge and other liabilities	96,314	96,524	97,470	98,416	99,362	100,308	101,254	101,892	102,102
2,130	Revenue in advance	1,920	1,710	1,500	1,290	1,080	870	660	450	240
4,844	Service concession arrangement	4,108	4,108	3,372	2,636	1,900	1,164	428	-	-
57,210	**Total non-current other liabilities and provisions**	**127,736**	**127,719**	**131,373**	**130,827**	**130,649**	**130,428**	**129,914**	**129,620**	**129,358**
	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
148,320	Reserve funds	159,958	162,704	163,031	163,435	164,742	165,804	167,790	170,101	172,804
5,188,049	Asset revaluation reserves	5,193,768	5,205,882	5,231,512	5,462,026	5,707,630	5,959,865	6,228,506	6,514,530	6,808,849
3,368,499	Retained earnings	3,173,320	3,464,842	3,701,664	3,830,292	3,863,096	3,915,049	3,961,577	4,017,047	4,090,977
10,438,721	**Total equity**	**10,260,899**	**10,567,281**	**10,830,060**	**11,189,606**	**11,469,321**	**11,774,571**	**12,091,726**	**12,435,531**	**12,806,483**
	NOTE 9									
	Revenues from exchange and non-exchange transactions									
358,182	Revenue from exchange transactions	253,564	351,486	338,472	136,655	140,405	151,360	157,558	163,031	169,454
910,796	Revenue from non-exchange transactions	639,121	640,144	620,201	750,226	675,524	716,829	733,228	761,939	801,079
1,268,978	**Total revenue**	**892,685**	**991,630**	**958,673**	**886,881**	**815,929**	**868,189**	**890,786**	**924,970**	**970,533**

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. As such, it is 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, with the exception of the departures detailed below.

ii) Prospective Financial Statements

The prospective financial statements comply with Tier 1 PBE Standards, (including PBE FRS 42 – Prospective Financial Statements (PBE FRS 42)) with the exception of PBE IPSAS 26 – Impairment of Cash-Generating Assets, PBE IPSAS 21 – Impairment of Non-Cash Generating Assets and PBE IPSAS 17 – Property, Plant and Equipment as detailed below.

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

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

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

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

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 10 years and include them within the Long Term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs. This year the Council has revised the remaining nine years' financial statements due to significant changes to the underlying assumptions on which financial statements from the Long Term Plan were prepared.

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

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

<u>Cautionary Note</u>

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

<u>Other Disclosures</u>

The draft prospective financial statements were authorised for issue on 23 June 2016 by Christchurch City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Long Term Plan is prospective and as such contains no actual operating results.

iii) Measurement base

The reporting period for these prospective financial statements is the nine year period ending 30 June 2025. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand ($000), unless otherwise stated. The functional currency of the Council is New Zealand dollars.

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

The Canterbury Earthquakes of 2010 and 2011 have impacted the Council's ability to account for its property, plant and equipment in accordance with PBE Standards. Details of these departures are outlined below:

- PBE IPSAS 21 – Impairment of Non-Cash Generating Assets and PBE IPSAS 26 – Impairment of Cash-Generating Assets
    - o Assets with earthquake damage have been written off only when it is certain that they have been destroyed.
    - o An impairment provision was recognised in 2012, 2013, 2014 and 2015 for damage to certain classes of infrastructure assets. These provisions are being reversed and replaced with the final amounts as more information becomes available.
- PBE IPSAS 17 – Property, Plant and Equipment
    - o Asset classes have been progressively revalued since the earthquakes with the revaluations of land, buildings, sewerage and roading classes undertaken as at 30 June 2015. As the valuer was unable to accurately determine the effect of the earthquakes on the whole of the roading and sewerage networks further work will be undertaken on these and the remaining non-material asset classes in 2016 and 2017. No material revaluations are expected beyond 2017.
    - o PBE IPSAS 17 requires the Council to review the useful lives and residual values of its assets annually. Since the earthquakes the Council has been unable to comply with this requirement but no material departures from the standard are expected for the period of the Long Term Plan.

It is expected that the Council will be in full compliance with PBE Standards from 2017 onwards.

All of the above have flow on effects to depreciation, impairment of assets carrying values, revaluation reserves, and retained earnings.

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

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

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

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

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

(i) Rates

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

(ii) Goods sold and services rendered

Revenue from the sale of goods is recognised through surplus or deficit when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised through surplus or deficit in proportion to the stage of completion of the transaction at the balance 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 using the effective interest rate method.

(iv) Rental Revenue

Rental revenue from investment property is classified as exchange revenue and recognised through surplus or deficit proportionately over the term of the lease. Lease incentives granted are recognised as an integral part of the total 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 that the Council has the obligation to return those resources received in the event that the conditions attached are breached. As the Council satisfies the conditions, 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 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.

(viii) Development Contributions

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

(ix) Other gains

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

(x) Vested assets and donated goods

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

Expenses

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

(i) Operating lease payments

Payments made under operating leases are recognised proportionally over the term of the lease. Lease incentives received are recognised within 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 using the effective interest rate method. Interest payable on borrowings is recognised as an expense as it accrues.

iv) Other losses

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

(v) Grant expenditure

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

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

Income tax

Income tax on the surplus or deficit for the year comprises 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 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 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.

Property, plant and equipment

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

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Under normal conditions, valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value. As mentioned above the revaluation programme has recommenced and revaluations will now be undertaken on a regular cycle.

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

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

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

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

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

Infrastructure Assets:	Estimated Useful Life
Formation	Not depreciated
Pavement sub-base	Not depreciated
Base course	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

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

Distinction between capital and revenue expenditure

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

Intangible assets

(i) Computer software

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

Estimated useful lives are:

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

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

Derivative financial instruments

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

Hedging

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

Changes in the fair value of cashflow hedges are recognised in other comprehensive revenue and expense. When the instrument is no longer an effective hedge or is sold or cancelled, the cumulative gain or loss recognised to date on the instrument is recognised in surplus or deficit.

Changes in the fair value of fair value hedges are recorded in surplus or deficit, together with changes in the fair value of the hedged asset or liability.

Investments

The Council classifies its investments in the following categories:

(a) *Financial assets at fair value through surplus or deficit*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through fair value through surplus or deficit 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 other comprehensive revenue and expense*

Financial assets at fair value through other comprehensive revenue and expense are non-derivatives that are either designated in this category or not classified in any of the other categories. This category also includes available-for-sale assets.

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) Investment in subsidiaries

The Council's equity investments in its subsidiaries are designated as financial assets at fair value through other comprehensive revenue and expense. 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 until the subsidiary is sold.

(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 within surplus or deficit.

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 other comprehensive revenue and expense 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.

Trade and other receivables

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

Inventories

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

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

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

Impairment

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

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

The carrying amounts of the Council's 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.

Cash and cash equivalents

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

Borrowings

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

Creditors and other payables

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

Provisions

A provision is recognised in the statement of financial position when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Council maintains provisions for landfill aftercare and building related (including but not limited to weathertight homes) claims.

Employee entitlements

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

(i) Short-term entitlements

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

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

(ii) Long-term entitlements

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

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

Superannuation is provided as a percentage of remuneration.

Leases

(i) As lessee

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

(ii) As lessor

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

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

Net Assets / Equity

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

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

Third party transfer payment agencies

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

Goods and Services Tax

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

Donated services

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

Cost allocations

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

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

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 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 into future periods if it also affects future periods.

Significant Forecasting Assumptions

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

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

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Capital Programme and infrastructure assets			
Capital Works, including the SCIRT programme. Programmes and projects are delivered within budget and on time.	Actual costs will vary from estimates, due to higher input prices and/or delivery delays, resulting in budget shortfalls. These are partially offset by the delay in borrowing. Some projects which are to repair earthquake damage are still to be finally costed. Depending on the asset a delay in the rebuild capital works programme could result in higher reactive maintenance and operating costs for the essential services. Capital cost estimates for renewing horizontal infrastructure assets are based on pre-quake renewal rates adjusted for inflation, market escalation and increased construction requirements. Should costs not reduce to these levels, either an increased budget would be required, or some renewals works would be deferred.	High	At the time this Plan was adopted Council, insurers, and central Government were still refining estimates of the cost to repair earthquake related asset damage and the timing of these repairs. Final capital works and ongoing related operating impact estimates will vary from this Plan. Any additional financial subsidies would have a positive impact for rate payers by reducing the amount of new borrowing required. There are also market capacity issues in delivering the volume of work planned. Should the level of capital works be unable to be completed as planned in any year of the long term plan this will result in projects being carried forward. The implications of this are: · 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. The cost estimate risk is considered high due to the ongoing uncertainty of market conditions related to the extent and duration of rebuild activity and wider economic influences on the cost of capital works. 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. For Anchor projects we have assumed that the Council’s contribution is its maximum contribution (in line with the Cost Share Agreement). However, for

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			some of the assets, in particular the Stadium, delays in construction could result either in Council's contribution increasing due to inflation and other cost increases, or the project being reduced in scope to meet the budget.
Sources of funds for replacing assets. The sources of funds will occur as projected.	Funding does not occur as projected.	Moderate	Council are still refining cost estimates of earthquake related asset damage and the associated funding sources. The risk is that Council assumes a higher share of the cost. This will be funded by additional borrowing provided the Council has sufficient capacity to borrow the additional funds. In the event that the Council cannot borrow additional funds it would need to consider other sources of funding or reductions in the planned capital programme or levels of service. The impact to ratepayers of every $15 million of additional borrowing for capital works is a 0.25% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing.
Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice (The Accounting Policies detail the useful lives by asset class)	Damage to assets as a result of the earthquake is such that their useful lives are shortened significantly.	Moderate	Work has not yet been completed to determine the condition of assets in the lesser affected areas. Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs. [This is also discussed in the Infrastructure Strategy.]
Carrying value of assets. The opening balance sheet reflects the correct asset values. The carrying value of assets are revalued on a regular basis	All assets are not correctly recorded at their revalued amounts. Asset revaluations will change projected carrying values of the assets and depreciation expense.	Moderate	Land and buildings, wastewater and roading assets were revalued as at 30 June 2015 and the findings incorporated into the opening balance sheet. Because of the number of buildings which were valued the valuers assumed no damage and an adjustment was made for the loss of value due to impairment. A general provision was made for damage to wastewater assets because of the ongoing difficulty in assessing their condition. Stormwater assets have not yet been revalued and an adjustment was made based on the movement in similar asset classes. These adjustments may prove to be incorrect. Differences in carrying value will affect levels of depreciation.
Inflation. Growth and Population			

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Inflation. The price level changes projected will occur. In developing this plan Council based its inflation projections on information provided by Business Economic Research Limited to all local authorities. Different weighted average inflation figures for capital and operational items are used due to the different mix of inputs. Inflation adjustments used are: Capital Opex 2017/18 2.4% 2.0% 2018/19 2.5% 2.1% 2019/20 2.6% 2.2% 2020/21 2.7% 2.3% 2021/22 2.7% 2.3% 2022/23 2.8% 2.4% 2023/24 2.9% 2.4% 2024/25 2.9% 2.5%	Inflation will be higher or lower than anticipated Inflation on costs will not be offset by inflation on revenues.	Moderate Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates.

The following BERL rates were used in determining the weighted average for capital expenditure:

	Weighting	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Roads	25%	0.4	1.8	1.9	2.2	2.3	2.3	2.3	2.3	2.4	2.4
Earthmoving	3%	1.7	2.3	1.9	1.7	1.8	1.9	1.9	2.0	2.1	2.2
Pipelines	37%	1.8	2.3	3.0	3.2	3.2	3.3	3.4	3.5	3.6	3.7
Other	35%	1.5	1.9	2.1	2.2	2.3	2.3	2.4	2.5	2.6	2.6
	100%										

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Economic Environment. At the time of finalising this Plan the performance of the New Zealand economy is driven by the Auckland expansion and the Canterbury rebuild. Council has prepared this Plan on the basis that the current predictions about the economy and speed of recovery will prove correct.	The current rebuild and recovery slows or the economy moves into a new recession.	Moderate	While the New Zealand economy is currently in a strong position the availability and cost of resources including labour and materials could constrain the speed of the recovery. Building costs have increased due to the demand on resources and may impact rebuild and non-earthquake related projects, while accommodation issues along with the labour demand by Auckland could affect the ability of the region to secure and retain the temporary workforce required for the rebuild. Any slow-down in recovery will impact on the rating base. Current housing demand will peak and may correct itself through value adjustment downwards – possibly over the next 3-5 years.
Growth and land use change on development contributions. Council collects development contributions from property developers to fund the capital costs of growth in the City's infrastructure. The amount collected 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 adjusted for expected post-earthquake activity.	If growth in the number of properties varies 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. If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing.	Moderate	The timing of growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this Plan.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
The location and timing of future residential and business development.	The location and timing of development is determined by a number of factors outside the control of the council such as market factors.	Moderate	This may mean that growth could occur in different areas or at different rates than projected. This would have an impact on planned infrastructure provision by either requiring projects to be brought forward or delayed.
Population. Planning for activities, and thus the likely cost of providing those activities is on the assumption that the population of Christchurch will increase at the rate forecast by Council's growth model. That model predicts the population of Christchurch to reach 383,700 by 2025, an increase of 6% over 2015 with the number of households increasing 13% over the same period.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure. That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery.	Moderate Moderate	Population projections are based upon a standard set of demographic assumptions. However, the impact of the earthquake and the speed of the rebuild could alter these assumptions. Therefore the level of risk is moderate and could impact the cost of providing activities Net increases in inward migration fuelled by a rebuild are difficult to predict as is their sustainability in the medium term.
Rating Base The capital value of Christchurch (post revaluation) is expected to increase across the years of the LTP. The projected percentage increase in rates includes the assumption that growth in the capital value of the city will have generated the additional rates revenue as outlined in table below, Year Growth % / $m 2016 2.9% 11.08 2017 2.1% 8.1 2018 0.7% 2.7 2019 0.7% 2.9 2020 0.7% 2.9 2021 0.8% 3.1 2022 0.9% 3.9 2023 1.1% 4.5 2024 0.9% 3.6 The growth in the early years is mainly due to the rebuild of the city following the 2011 earthquakes and returns to more moderate levels in the medium and later years of the plan. Residential growth was higher than expected in early 2015/16 before returning to more expected levels during the remainder of the financial year. Although growth projections are unchanged, revenue is slighter higher due to the increased base.	The rating base grows at a rate different to that projected.	Moderate	Variances between the forecast and actual growth in the rating base are likely to cause changes to the total rates revenue collected.
Aging population. A quarter of the population of Christchurch is expected to be over 65 years by 2041, compared with 15% at present. The number of people over 80 years of age is expected to double in the next 20 years	If the rate of aging is different then the range and types of services that have factored in the needs of older persons may need to change.	Low	Age projections are provided by Statistics New Zealand on a nation-wide basis. The projections for people who will be in post-retirement age groups is determined by the current population structure which does not change significantly, especially in the ages from 45 to 65 years, which will be the retirement age group in the next 20

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			years. The impact on Christchurch may be different from the rest of New Zealand due to the effect of the rebuild. There is the potential for a younger demographic to remain in the City at the completion of the rebuild projects.
Impact of policies and external factors			
Council policy. There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response or business change from Council or, Department of the Prime Minister and Cabinet (DPMC) uses its statutory powers such that a change is required to Council policy.	Low	Dealing with changes in legislation is part of normal Council operations.
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 $45 million per annum.
Resource Consents. Conditions of resource consents held by Council will not be significantly altered.	Conditions required to obtain/maintain the consents will change, resulting in higher costs than projected, and these costs will not be covered by planned funding.	Moderate	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.
Legislative change. Council will continue to operate within the same general legislative environment, and with the same authority, as it does at the time this Plan is published.	Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change.	Moderate	The Government has several taskforces reviewing different aspects of local government, with some legislative change having occurred and further is expected to occur within the period of this Plan. At the time of preparing this Plan the Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact.
Potential climate change impacts. In its Climate Smart Strategy, the Council follows New Zealand Government advice about anticipated changes for Christchurch and is meeting legal obligations placed on the Council to consider the impacts of climate change. Following this advice, our community within the next 90 years must prepare for: a. 100 centimetre rise in sea-level; b. a temperature increase of 2 degrees Celsius; and c. changes in rainfall and extreme weather events.	The timing or severity of any climate change may vary.	Low	If the effect of climate change has been underestimated the financial effect will be significant over the longer term but not within the period of this Plan. Similarly, should the effect have been overestimated there is little impact on the period of this Plan.
Borrowing Related			

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Credit Rating. The current rating is maintained.	Council's credit rating with Standard and Poor's is downgraded.	Low	There is still some uncertainty around the final rebuild costs. A downgrade would increase costs of borrowing. If the Council falls one notch from its current credit rating the cost of new borrowing will increase between 0.1 and 0.2 per cent per annum for the life of the borrowing. Increases in interest rates flow through to higher debt servicing costs and higher rates funding requirements. The total cost increase each year will depend on how much debt has been borrowed or refinanced since the rating downgrade. The additional cost is estimated to be between $0.5 million to $3 million per annum.
Borrowing Costs. Net cost of borrowing (i.e. including current and projected debt) is projected to be 5.3% in 2016/17, rising to 5.75% by 2025. These averages include assumed long-term market interest rates (including Council's borrowing margin) of: 4.2% for 2016/17, 4.5% for 2017/18, 4.8% for 2018/19, and Rising thereafter to 6.2% from 2021/22.	Interest rates will vary from those projected.	Moderate	Projections are based on conservative assumptions about future market interest rates. The cost of projected debt is hedged to minimise exposure to market rate fluctuations. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor.
Securing External Funding. New, or renewal of existing borrowings on acceptable terms can be achieved.	That new borrowings cannot be accessed to refinance existing debt or fund future capital requirements.	Low	The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Liability Management Policy.
Philanthropic Funding. Philanthropic funding will be able to be secured to assist with the funding for anchor projects.	That philanthropic funding cannot be secured	Moderate	The Crown Cost Share Agreement provides for $10 million of philanthropic funding for the Central Library project. Council has engaged a consultant to scope the market for potential philanthropic funding and prepare a tactical fundraising plan. In addition, Council has approved and established a Major Community Project Philanthropic Funding steering Group. If such funding cannot be secured additional funding may be required by the Council in order to deliver the project. The options available to Council to replace this funding include: · Additional borrowing if sufficient capacity within limits exists. · Sale of investments or assets; · Changes to levels of service or the capital

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			programme.
LGFA Guarantee. Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and they guarantee obligations of other participating local authorities to the LGFA, in the event of default.	In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor's relative rates income.	Low	The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is low. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge.
Opening Debt: The opening debt of $1,357 million is made up of; · $130 million of equity investments, mainly in CCTOs (Vbase $115 million), · $356 million of money borrowed for on-lending to CCTOs, (in accordance with the Council's Liability Management Policy), · $435 million of earthquake related borrowings. · $335 million of borrowing for capital works. · $101 million finance lease (Civic Building).	Actual opening debt differs from forecast.	Low	Council's debt requirements are well understood and closely managed. It is unlikely that differences in opening debt will have a material impact on the financial projections.
Investment related			
Return on investments. Interest on general funds invested is calculated at 2.9% rising to 3.7% in 2020, and 4% thereafter. The return on the Capital Endowment Fund is calculated at 4.0% for 2016/17, and between 3.85% and 4.2% thereafter.	Interest rates will vary from those projected.	Moderate	Rates used are based on expert advice. If actual interest rates differ from those anticipated the impact will largely fall on the Capital Endowment Fund.
CCTO income. CCHL will deliver dividend income at the levels forecast in this Plan.	CCHL will deliver a lower than projected dividend and Council will need to source alternate funding. Our estimate of the reduced dividend stream may be incorrect as a result of the eventual selection of CCTOs to be either sold or sold down. Alternatively the investment by strategic partners in CCHL's investments could result in higher than projected dividends.	Low	CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan. Should additional dividend income be received the level of borrowing forecast in this plan will be reduced.
CCHL capital release The Council will receive $600 million from CCHL via its capital release programme.	That $600 million cannot be released within the planned time frame.	High	CCHL has been asked to provide the Council with a maximum of $600 million via its capital release programme. In undertaking this exercise Council will take expert advice. This plan assumes that the $600 million released by CCHL will be paid to Council by way of dividends with $90 million being received in 2015/16, $110 million in 2016/17 and $200 million in each of 2017/18 and 2018/19. The timing of receipt could change

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
	A change in tax legislation or policy changes the tax treatment by Council of the dividends.	Moderate	depending on the methods of release selected and the impact on the Council's total debt and the Debt to Revenue ratio. A change in tax legislation or policy could result in the funds being returned to Council in a different manner or requiring the development of an alternative approach to maximising the value to Council from the $600 million release. A tax cost of approximately $60 million would be the result, if no alternative was possible.
Tax planning. The Council (parent) will be operating at a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (known as subvention payments) to Council instead of tax payments. It has been assumed that sufficient profits will be made within the wider group to ensure that subvention receipts are available.	Subvention payments will be lower than planned.	Moderate	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan.
Services and Operations			
Social housing. This Plan 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. The current assumptions for Social Housing is a 4.3% rental increase in 2016/17. For 2017/18 onwards rents have been assumed to increase by 2% per year plus BERL inflation.	These rent increases are not sufficient to enable the social housing portfolio to be financially viable in the long term.	High	Council has consulted on setting up an entity to become a Community Housing Provider (CHP), able to access Government's Income Related Rent Subsidy (IRRS), which over a period of time will allow social housing to be financially viable. Council will have a 49% stake in the entity. The Otautahi Community Housing Trust has formally been established to take over Christchurch City Council's social housing during the 2016/17 financial year. Under the new structure, the Council proposes to keep full ownership of its approximately 2,270 open social housing units and land, while leasing the assets to the Otautahi Community Housing Trust to manage. The Trust would be responsible for tenancy management, rent setting and the day to day maintenance of the units, while major repairs and renewals would remain the Council's domain. The financial impacts of the Trust becoming operational from 1 October 2016 have been incorporated in this plan. Social housing under the Trust will continue to be ring-fenced from rates, as such there will be no impact on rates arising from this change.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Regional Land Transport Plan. Council's Long Term Plan aligns with the Councils submission to the Regional Transport Committee.	The Regional Land Transport Plan is not finalised until late March, which could mean that not all projects are approved by the Regional Transport Committee.	Moderate	Any change to the approved projects would require a review of priorities as New Zealand Transport Agency funding is guided by the Regional Land Transport Plan. If projects are not included co-funding is unlikely to be available.
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.
Anchor project ownership and operating costs The Cost Share Agreement is the underlying document that the Council has used to determine ownership and operating cost requirements. In most instances ownership is clear but where the Agreement is ambiguous Council has assumed as follows for the purposes of this Plan: · **Bus Exchange** Crown operation for at least 3 years. Council assumes it will fund the operating costs from 2020 onwards. · **The Frame, (Public realm)** Council ownership and maintenance · **The Square** Council ownership and maintenance · **Central Library** Council ownership and operation · **Car parking** Council / private ownership and operation · **Earthquake memorial** Crown/ Council ownership and maintenance · **Metro Sports Facility** Council ownership and operation · **Avon River Precinct** Council ownership and operation · **Stadium** For planning purposes we have assumed this will be completed towards the end of the LTP period, (although published CCDU updates indicate a completion date of Quarter 4 2019). The decision to push the construction to the end of the LTP period was used to assist Council's capital expenditure profile and avoid additional expenditure during the most constrained years. Council is currently in discussions with the Crown to enable mutual agreement to be reached on the delivery timetable.	The Cost Share is changed and Council is assigned responsibility for meeting the operating costs of additional venues.	Low	We are not expecting any additional operating or ownership costs from any other of the anchor projects.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Operational efficiency project - Great for Christchurch The purpose of this project is to identify opportunities for improved processes and efficiencies. This should also reduce overall operating costs through efficiencies.	Efficiencies or savings are not found or not able to be implemented in the expected time frame	Medium	A net cumulative saving of $34 million has been included within the first three years of the Plan, continuing at $18 million (plus inflation) per annum thereafter. Because of the difficulty in identifying which areas will be affected, most of the savings have been included within the Corporate group of activities.

Insurance cover and natural disaster financing			
Insurance cover The Council has full Material Damage cover for all above ground buildings which are undamaged and fire cover for all other buildings.	Risk of major loss through fire	Low	Financial impact is not expected to be significant.
Riskpool membership obligations The Council is a member of Riskpool and has a portion of its public liability and professional indemnity insurance cover placed with it. Riskpool is a mutual liability trust fund, and calls can be made on members if necessary to meet unforeseen obligations.	That the Riskpool fund determines that additional contributions from members are necessary as the result of unexpected or exceptional circumstances.	Low	No allowance has been made within the Plan for additional contributions as the likelihood is considered to be low.
Natural disaster financial implications. The Christchurch region is susceptible to further damage from earthquake, flooding and tsunamis.	Limited insurance cover is in place for flooding and tsunami. There is also limited earthquake cover over the new infrastructure network but none for the original assets because of the difficulty in identifying their condition. Council is self insuring on the basis of the strength of its balance sheet but could not meet the cost of another event similar to those in 2010 and 2011.	Low	Financial implications of another significant event are large, particularly in the first 10 years when our ability to borrow will be limited due to the high debt to revenue ratios forecast. Creating this ability within ten years from rates would unfairly burden the current ratepayer but it could be achieved by the further sell down of CCHL's investments.

Christchurch City Council