

Prospective Financial Statements

Christchurch City Council
Prospective statement of comprehensive revenue and expense

Plan 2023/24	Note	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
		\$000									
Revenue											
688,777		771,379	844,303	901,622	963,516	1,020,284	1,078,712	1,135,944	1,172,046	1,200,948	1,227,218
23,112		23,440	24,120	24,651	25,218	25,798	26,365	26,919	27,457	28,007	28,539
196,612		129,504	138,187	121,495	101,883	88,205	90,453	89,828	89,928	97,098	93,608
112,885	1	115,847	115,068	109,033	109,660	119,919	120,911	120,915	131,547	131,668	132,016
124,722		133,495	135,696	142,626	146,015	149,948	152,419	155,495	159,246	161,583	164,561
1,146,108	Total income	1,173,665	1,257,374	1,299,427	1,346,292	1,404,154	1,468,860	1,529,101	1,580,224	1,619,304	1,645,942
Expenditure											
131,147		144,094	149,087	154,315	164,788	170,509	173,785	175,670	177,417	176,134	176,011
332,791	2	350,484	379,163	412,325	435,103	455,482	474,785	492,262	512,169	530,971	547,018
606,614	3	666,432	694,708	714,085	713,711	738,047	756,018	774,109	793,071	811,615	822,303
1,070,552	Total operating expenditure	1,161,010	1,222,958	1,280,725	1,313,602	1,364,038	1,404,588	1,442,041	1,482,657	1,518,720	1,545,332
75,556	Surplus before asset contributions	12,655	34,416	18,702	32,690	40,116	64,272	87,060	97,567	100,584	100,610
17,808	Vested assets	23,730	245,476	25,101	25,704	26,321	26,900	27,492	28,069	28,630	29,203
93,364	Surplus before income tax expense	36,385	279,892	43,803	58,394	66,437	91,172	114,552	125,636	129,214	129,813
(24,445)	Income tax expense	(11,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)
117,809	Net surplus for year	47,645	281,152	45,063	59,654	67,697	92,432	115,812	126,896	130,474	131,073
Other comprehensive revenue and expense											
1,099,562	Changes in Revaluation Reserve	782,028	616,066	470,640	537,561	532,807	524,870	514,898	528,392	516,186	528,647
1,217,371	Total comprehensive revenue and expense	829,673	897,218	515,703	597,215	600,504	617,302	630,710	655,288	646,660	659,720

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

Plan		Plan									
2023/24	Note	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$000										
16,866,350	Ratepayers equity at July 1	18,761,941	19,591,615	20,488,829	21,004,531	21,601,744	22,202,251	22,819,555	23,450,265	24,105,552	24,752,212
	Net surplus attributable to:										
	Reserves										
1,099,562	Revaluation reserve	782,028	616,066	470,640	537,561	532,807	524,870	514,898	528,392	516,186	528,647
	Retained earnings										
117,809	Surplus	47,645	281,152	45,063	59,654	67,697	92,432	115,812	126,896	130,474	131,073
1,217,371	Total comprehensive income for the year	829,673	897,218	515,703	597,215	600,504	617,302	630,710	655,288	646,660	659,720
18,083,721	Ratepayers equity at June 30	19,591,614	20,488,833	21,004,532	21,601,746	22,202,248	22,819,553	23,450,265	24,105,553	24,752,212	25,411,932

Christchurch City Council
Prospective statement of financial position

Plan 2023/24		Note	Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
			\$000									
Current assets												
100,108	Cash and cash equivalents		95,586	96,968	98,046	99,198	100,379	101,534	102,662	103,758	104,875	105,957
80,182	Trade receivables and prepayments	4	123,964	127,572	130,388	133,397	136,475	139,487	142,425	145,283	148,197	151,021
3,129	Inventories		3,742	3,854	3,933	4,021	4,108	4,201	4,287	4,369	4,455	4,536
24,682	Other financial assets		92,364	94,544	111,738	117,243	131,082	140,737	164,455	181,086	201,532	225,936
Non-current assets												
Investments												
4,272,332	- Investments in CCOs and other similar entities		4,476,584	4,576,945	4,645,630	4,722,252	4,812,108	4,897,970	4,976,609	5,067,110	5,145,112	5,234,873
128,622	- Other investments		132,609	135,924	139,052	142,414	145,956	149,646	153,406	157,204	160,967	164,721
90,556	Intangible assets		120,517	128,914	135,505	139,180	139,002	135,376	130,645	123,801	116,501	112,011
2,746,267	Operational assets		3,280,687	3,644,993	3,664,637	3,670,808	3,658,408	3,640,553	3,614,484	3,587,127	3,567,976	3,546,202
11,704,078	Infrastructural assets		12,377,871	12,990,870	13,564,980	14,161,025	14,700,074	15,216,035	15,724,801	16,236,171	16,725,204	17,247,592
1,768,484	Restricted assets		2,033,460	2,116,991	2,180,640	2,262,983	2,345,892	2,429,253	2,511,993	2,598,138	2,677,690	2,759,603
20,918,440	Total assets		22,737,384	23,917,575	24,674,549	25,452,522	26,173,485	26,854,792	27,525,768	28,204,048	28,852,509	29,552,452
Current liabilities												
123,035	Trade and other payables		155,458	159,798	163,186	166,806	170,508	174,132	177,666	181,104	184,609	188,007
265,200	Borrowings	5	469,600	214,500	331,600	400,000	500,000	550,000	550,000	550,000	550,000	550,000
28,936	Other liabilities and provisions	6	28,443	29,317	28,864	29,012	30,755	31,443	32,173	30,632	31,180	31,711
Non-current liabilities												
2,394,382	Borrowings	5	2,470,137	3,004,814	3,126,945	3,235,998	3,252,638	3,264,079	3,302,006	3,322,954	3,320,557	3,356,705
19,448	Other liabilities and provisions	7	18,610	16,671	15,697	15,145	13,430	11,593	9,578	9,639	9,702	9,763
3,718	Deferred tax liability		3,522	3,642	3,725	3,815	3,906	3,992	4,080	4,166	4,249	4,334
18,083,721	Ratepayers equity	8	19,591,614	20,488,833	21,004,532	21,601,746	22,202,248	22,819,553	23,450,265	24,105,553	24,752,212	25,411,932
20,918,440	Total equity and liabilities		22,737,384	23,917,575	24,674,549	25,452,522	26,173,485	26,854,792	27,525,768	28,204,048	28,852,509	29,552,452

Christchurch City Council Prospective cash flow statement

Plan 2023/24		Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	\$000										
	Operating activities										
	Cash was provided from:										
1,057,239	Rates, grants, subsidies and other sources	1,069,078	1,139,848	1,188,752	1,234,793	1,282,329	1,346,110	1,406,422	1,446,995	1,485,895	1,512,279
53,063	Interest received	50,046	41,359	35,494	34,888	34,968	35,810	35,745	36,338	36,492	36,851
56,823	Dividends	62,403	70,458	70,458	71,458	81,458	81,458	81,458	91,458	91,458	91,458
<u>1,167,125</u>		<u>1,181,527</u>	<u>1,251,665</u>	<u>1,294,704</u>	<u>1,341,139</u>	<u>1,398,755</u>	<u>1,463,378</u>	<u>1,523,625</u>	<u>1,574,791</u>	<u>1,613,845</u>	<u>1,640,588</u>
	Cash was disbursed to:										
608,820	Payments to suppliers and employees	667,565	691,434	712,124	710,495	734,316	753,544	771,859	792,065	809,034	820,450
131,147	Interest paid	144,094	149,087	154,315	164,788	170,509	173,785	175,670	177,417	176,134	176,011
<u>739,967</u>		<u>811,659</u>	<u>840,521</u>	<u>866,439</u>	<u>875,283</u>	<u>904,825</u>	<u>927,329</u>	<u>947,529</u>	<u>969,482</u>	<u>985,168</u>	<u>996,461</u>
427,158	Net cash flow from operations	369,868	411,144	428,265	465,856	493,930	536,049	576,096	605,309	628,677	644,127
	Investing activities										
	Cash was provided from:										
1,544	Sale of assets	9,200	3,825	18,193	2,924	9,095	3,060	14,423	3,193	3,257	3,322
21,178	Investments realised	14,343	13,000	16,185	18,000	3,000	5,000	10,000	-	10,000	-
<u>22,722</u>		<u>23,543</u>	<u>16,825</u>	<u>34,378</u>	<u>20,924</u>	<u>12,095</u>	<u>8,060</u>	<u>24,423</u>	<u>3,193</u>	<u>13,257</u>	<u>3,322</u>
	Cash was applied to:										
461,682	Purchase of assets	738,471	702,985	683,601	657,578	607,643	594,738	613,601	612,677	619,510	660,250
282,520	Purchase of investments	2,000	1,000	(0)	-	-	-	-	-	-	-
-	Purchase of investments (special funds)	-	2,179	17,195	5,503	13,841	9,657	23,717	15,677	18,910	22,265
<u>744,202</u>		<u>740,471</u>	<u>706,164</u>	<u>700,796</u>	<u>663,081</u>	<u>621,484</u>	<u>604,395</u>	<u>637,318</u>	<u>628,354</u>	<u>638,420</u>	<u>682,515</u>
(721,480)	Net cash flow from investing activities	(716,928)	(689,339)	(666,418)	(642,157)	(609,389)	(596,335)	(612,895)	(625,161)	(625,163)	(679,193)

Plan 2023/24		Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Financing activities										
	Cash was provided from:										
372,728	Raising of loans	428,579	376,437	352,298	304,507	239,818	195,199	183,775	163,955	156,917	191,504
372,728		428,579	376,437	352,298	304,507	239,818	195,199	183,775	163,955	156,917	191,504
	Cash was applied to:										
78,753	Repayment of term liabilities	81,519	96,860	113,067	127,054	123,178	133,758	145,848	143,007	159,314	155,356
78,753		81,519	96,860	113,067	127,054	123,178	133,758	145,848	143,007	159,314	155,356
293,975	Net cash flow from financing activities	347,060	279,577	239,231	177,453	116,640	61,441	37,927	20,948	(2,397)	36,148
(347)	Increase/(decrease) in cash	-	1,382	1,078	1,152	1,181	1,155	1,128	1,096	1,117	1,082
100,455	Add opening cash	95,586	95,586	96,968	98,046	99,198	100,379	101,534	102,662	103,758	104,875
100,108	Ending cash balance	95,586	96,968	98,046	99,198	100,379	101,534	102,662	103,758	104,875	105,957
	Represented by:										
100,108	Cash and cash equivalents	95,586	96,968	98,046	99,198	100,379	101,534	102,662	103,758	104,875	105,957

Notes to the prospective financial statements

Plan 2023/24		Plan 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
		\$000									
	NOTE 1										
	Dividends and Interest										
	Dividends:										
50,703	Christchurch City Holdings Ltd	55,000	65,000	65,000	66,000	76,000	76,000	76,000	86,000	86,000	86,000
6,030	Transwaste Ltd	7,313	5,368	5,368	5,368	5,368	5,368	5,368	5,368	5,368	5,368
90	Other	90	90	90	90	90	90	90	90	90	90
56,823	Total dividend revenue	62,403	70,458	70,458	71,458	81,458	81,458	81,458	91,458	91,458	91,458
	Interest:										
43,659	Subsidiaries	42,207	34,661	29,540	28,651	28,720	29,250	28,880	28,746	28,319	28,111
-	Loan repayment investments	-	-	-	-	-	-	-	-	-	-
3,357	Special and other fund investments	1,435	1,152	1,074	1,525	1,574	1,982	2,276	2,987	3,452	4,019
7,036	Short term investments	8,270	6,941	6,014	6,152	6,331	6,481	6,550	6,589	6,556	6,545
2,010	Housing trust	1,532	1,856	1,947	1,874	1,836	1,740	1,751	1,767	1,883	1,883
56,062	Total interest revenue	53,444	44,610	38,575	38,202	38,461	39,453	39,457	40,089	40,210	40,558
112,885	Total Dividends and Interest	115,847	115,068	109,033	109,660	119,919	120,911	120,915	131,547	131,668	132,016

NOTE 2**Depreciation**

21,564	Communities & Citizens	22,700	31,361	33,291	35,214	37,006	37,386	37,165	38,023	38,566	39,962
-	Economic Development	-	-	-	-	-	-	-	-	-	-
382	Flood Protection & Control Works	370	586	769	988	1,251	1,472	1,695	1,923	2,151	2,414
1	Governance	1	1	1	-	-	-	-	-	-	-
6,069	Housing	6,170	6,479	6,742	7,015	7,268	7,530	7,454	7,718	8,008	7,649
31,455	Parks, Heritage and Coastal Environment	34,510	35,472	36,771	38,208	39,433	40,059	41,170	42,672	44,233	46,143
67	Regulatory & Compliance	121	74	75	72	66	64	54	49	50	51
1,904	Solid Waste & Resource Recovery	2,028	2,172	2,145	2,902	2,683	2,503	2,596	2,683	2,667	2,753
27,117	Stormwater Drainage	35,068	36,529	37,986	39,451	41,109	42,634	44,276	45,971	47,686	49,497
678	Strategic Planning & Policy	781	1,142	1,463	1,625	1,664	1,700	1,738	1,774	1,810	1,846
82,848	Transport	82,760	89,270	95,421	101,721	108,211	114,928	122,069	129,465	136,732	144,095
87,238	Wastewater	91,912	96,039	100,088	105,125	109,438	113,034	116,415	119,627	122,887	125,982
51,520	Water Supply	50,100	52,789	55,017	57,500	59,663	62,160	64,597	67,019	69,495	71,421
21,948	Corporate	23,963	27,249	42,556	45,282	47,690	51,315	53,033	55,245	56,686	55,205
332,791	Total Depreciation	350,484	379,163	412,325	435,103	455,482	474,785	492,262	512,169	530,971	547,018

NOTE 3**Other expenses**

Operating expenditure:

240,684	Personnel costs	265,625	277,948	284,545	290,087	296,776	303,264	309,646	315,841	322,143	328,270
61,152	Donations, grants and levies	73,190	67,074	70,755	59,839	62,392	66,616	67,099	66,900	67,804	66,738
304,778	Other operating costs	327,617	349,686	358,785	363,785	378,879	386,138	397,364	410,330	421,668	427,295
606,614	Total other expenses	666,432	694,708	714,085	713,711	738,047	756,018	774,109	793,071	811,615	822,303

NOTE 4**Trade receivables and prepayments**

22,643	Rates debtors	25,341	26,077	26,650	27,263	27,890	28,504	29,102	29,684	30,278	30,853
12,984	Trade debtors	13,539	13,931	14,238	14,565	14,900	15,227	15,547	15,858	16,175	16,482
45,646	Other receivables/prepayments	83,623	86,940	89,546	92,254	95,225	97,864	100,278	102,388	104,589	106,312
-	Dividends receivable	-	-	-	-	-	-	-	-	-	-
117	GST receivable	3,278	2,507	1,888	1,303	506	(9)	(354)	(454)	(606)	(349)
81,390		125,781	129,455	132,322	135,385	138,521	141,586	144,573	147,476	150,436	153,298
(1,208)	Less provision for doubtful debts	(1,817)	(1,883)	(1,934)	(1,988)	(2,046)	(2,099)	(2,148)	(2,193)	(2,239)	(2,277)
80,182	Total trade receivables and prepayments	123,964	127,572	130,388	133,397	136,475	139,487	142,425	145,283	148,197	151,021

NOTE 5**Debt**

265,200	Current portion of gross debt	469,600	214,500	331,600	400,000	500,000	550,000	550,000	550,000	550,000	550,000
2,394,382	Non current portion of gross debt	2,470,137	3,004,814	3,126,945	3,235,998	3,252,638	3,264,079	3,302,006	3,322,954	3,320,557	3,356,705
2,659,582	Total gross debt	2,939,737	3,219,314	3,458,545	3,635,998	3,752,638	3,814,079	3,852,006	3,872,954	3,870,557	3,906,705
1,650,443	Total net debt	1,917,717	2,203,478	2,434,147	2,619,754	2,720,739	2,772,871	2,791,425	2,791,015	2,772,498	2,779,554

NOTE 6**Other current liabilities and provisions**

876	Provision for landfill aftercare	1,823	2,018	1,035	617	1,781	1,902	2,079	-	-	-
1,623	Provision for building related claims	1,623	1,623	1,623	1,623	1,623	1,623	1,623	1,623	1,623	1,623
26,437	Provision for employee entitlements	24,997	25,676	26,206	26,772	27,351	27,918	28,471	29,009	29,557	30,088
28,936	Total other liabilities and provisions	28,443	29,317	28,864	29,012	30,755	31,443	32,173	30,632	31,180	31,711

NOTE 7**Non-current other liabilities and provisions**

9,902	Provision for landfill aftercare	9,431	7,414	6,379	5,762	3,981	2,079	-	-	-	-
3,053	Provision for employee entitlements	2,686	2,764	2,825	2,890	2,956	3,021	3,085	3,146	3,209	3,270
6,493	Provision for building related claims	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493	6,493
-	Hedge and other liabilities	-	-	-	-	-	-	-	-	-	-
-	Revenue in advance	-	-	-	-	-	-	-	-	-	-
-	Service concession arrangement	-	-	-	-	-	-	-	-	-	-
19,448	Total non-current other liabilities and provisions	18,610	16,671	15,697	15,145	13,430	11,593	9,578	9,639	9,702	9,763

NOTE 8**Equity**

1,733,853	Capital reserve	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853
199,169	Reserve funds	220,843	223,022	240,216	245,719	259,560	269,217	292,934	308,612	327,521	349,787
11,092,821	Asset revaluation reserves	12,509,780	13,125,847	13,596,487	14,134,048	14,666,855	15,191,725	15,706,622	16,235,014	16,751,200	17,279,847
5,057,878	Retained earnings	5,127,138	5,406,111	5,433,976	5,488,126	5,541,980	5,624,758	5,716,856	5,828,074	5,939,638	6,048,445
18,083,721	Total equity	19,591,614	20,488,833	21,004,532	21,601,746	22,202,248	22,819,553	23,450,265	24,105,553	24,752,212	25,411,932

Statement of significant accounting policies

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

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

Basis of preparation

(i) Statement of compliance

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

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

(ii) Prospective Financial Statements

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

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

Description of the nature of the entity’s current operation and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council’s principal activities are outlined the primary objective of the Council is to provide infrastructure and public services for the community for social benefit rather than making a financial return. Accordingly, the

Council has designated itself and the Group as public benefit entities for financial reporting purposes, within this Annual Plan and the 2024 – 2034 Long Term Plan.

Purpose for which the prospective financial statements are prepared

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.

Basis for assumptions, risks and uncertainties

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

Cautionary Note

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

Other Disclosures

The prospective financial statements were authorised for issue on 27 June 2024 by the Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures. The Annual Plan is prospective and contains no actual operating results.

(iii) Measurement base

The reporting period for these prospective financial statements is the 10 year period ending 30 June 2034. The functional currency of the Council is New Zealand dollars and the statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

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

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

Revenue

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

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

Revenue from exchange transactions

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

Revenue from non-exchange transactions

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

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

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

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

(i) Rates

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

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

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

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

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

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

(ii) Goods sold and services rendered

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the

possible return of goods or continuing management involvement with the goods.

(iii) Finance revenue

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

(iv) Rental revenue

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

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

(v) Grants revenue (including government grants)

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

the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue.

Grant revenue is categorised as non-exchange revenue.

(vi) Dividend revenue

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

(vii) Finance lease revenue

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

(viii) Development contributions

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

(ix) Other gains

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

(x) Vested assets and donated goods

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

(xi) Building and Resource Consent Fees

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

(xii) Entrance Fees

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

(xiii) Landfill Fees

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

Expenses

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

(i) Operating lease payments

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

(ii) Finance lease payments

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

interest on the remaining balance of the liability.

(iii) Finance costs

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

(iv) Other losses

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

(v) Grant expenditure

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of

the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant and any grant criteria are met. Rates remissions are treated as discretionary grants to the recipient of the remission in accordance with the Council's Rates Remission Policy.

Income tax

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

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

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

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

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

Research and development costs

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

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

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

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

Property, plant and equipment

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

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

For assets being revalued, the total accumulated depreciation prior to the date of valuation is transferred to the gross carrying amount of the asset. The new carrying value amount is then restated to the new revalued amount of the asset.

Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value. All other property, plant and equipment (including land under roads), are stated at historical cost less depreciation. Historical cost includes expenditure that is

directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

Land and buildings in the "Restricted Asset" category are subject to restrictions on either use or disposal, or both. This includes restrictions

from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

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

Operational Assets:	Estimated Useful Life
Buildings	1-100 yrs
Land improvements	10-60 yrs
Office and computer equipment	1-10 yrs
Mobile plant including vehicles	2-30 yrs
Leasehold land improvements	5-100 yrs
Library books	3-8 yrs
Vessels	5-25 yrs
Sealed surfaces (other than roads)	9-100 yrs
Buses	17-26 yrs
Container cranes	30 yrs
Harbour structures	3-50 yrs

Seawalls	100 yrs
Telecommunications infrastructure	12-50 yrs
Electricity distribution system	60 yrs
Electricity load control equipment	60 yrs

Infrastructure Assets:	Estimated Useful Life
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	2-80 yrs
Streetlights and signs	5-50 yrs
Kerb, channel, sumps and berms	80 yrs
Tram tracks and wires	40-100 yrs
Parking meters	10 yrs
Railings	20-50 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/ retaining walls	20-115 yrs
Bridges	70-100 yrs
Bus shelters and furniture	6-40 yrs
Water supply	2-130 yrs

Water meters	25-40 yrs
Stormwater	20-150 yrs
Waterways	10-100 yrs
Sewer	40-150 yrs
Treatment plant	15-100 yrs
Pump stations	5-100 yrs
Restricted Assets:	Estimated Useful Life
Planted areas	15-115 yrs
Reserves – sealed areas	10-60 yrs
Reserves – structures	10-80 yrs
Historic buildings	20-125 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

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

Distinction between capital and revenue expenditure

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

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or

amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

Intangible assets

(i) Computer software

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

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the

Council, and that will generate economic benefits exceeding costs beyond one year, are capitalised and recognised as intangible assets. Capitalised costs include the software development employee direct costs and an appropriate portion of relevant overheads.

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

(ii) Other intangible assets

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

(iii) Carbon Emission Units

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

Intangible Assets:	Estimated Useful Life
Computer Software Licenses	1-10 yrs
Computer Software Development Costs	1-10 yrs
Resource consents and easements	5-25 yrs
Patents, trademarks and licenses	10-20 yrs

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

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

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

Hedging

The Council uses derivatives to hedge its exposure to interest rate risks. The derivatives are designated as either cash flow hedges (hedging highly probable future transactions

(borrowing)) or fair value hedges (hedging the fair value of recognised assets or liabilities).

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

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

the criteria for hedge accounting the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to surplus or deficit from that date.

Investments

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

The Council classifies its investments into the following categories:

(a) Financial assets measured at amortised cost

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

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

Financial assets held for collection of contractual cash flows and for selling where the cash flows are solely payments of principal and

interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive revenue or expense (FVTOCRE).

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

On initial recognition the Council may make the irrevocable election to designate investments in equity investments as at FVTOCRE.

Designation at FVTOCRE is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which

PBE IFRS 3 applies. Subsequent to initial recognition equity investments at FVTOCRE are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive revenue and expense. The cumulative gain or loss will not be reclassified to surplus or deficit on disposal of the equity investments, instead, they will be transferred to accumulated surplus.

(c) Fair value through surplus or deficit

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

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

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

(i) Investment in subsidiaries and unlisted shares

The Council's equity investments in its subsidiaries and unlisted shares are classified as

financial assets at fair value through other comprehensive revenue or expense.

(ii) Loan advances and investments in debt securities

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

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

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

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

(iii) Term Deposits

Term deposits are measured at amortised cost.

Trade and other receivables

Trade and other receivables are classified as financial assets at amortised cost and are initially measured at fair value and subsequently measured at amortised cost less the recognition of any expected credit losses (ECL) over the life of the asset. An expected credit loss allowance (ECL) has been made for each class of debtor and the estimate is based on the measurement of expected credit losses on historical, current and projected information. The balance of the movement is recognised in net surplus and deficit for the current financial year (see Impairment Policy).

Inventories

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

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

The cost of other inventories is based on the first-in first-out principle and includes

expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Impairment

(i) Impairment of financial assets

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

For all other financial instruments, the Council recognises expected lifetime credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Council measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. The assessment of whether expected lifetime credit losses should be recognised is

based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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

(ii) Impairment of non-financial assets

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

Property, plant and equipment measured at fair value however is reviewed and tested for impairment. The carrying values of revalued assets are assessed annually to ensure that they

do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

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

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

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

(iii) Calculation of recoverable amount

The recoverable amount of the Council's investments in receivables carried at amortised

cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial instruments) and adjusted for expected credit loss. Receivables with a short duration are not discounted.

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

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

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

Cash and cash equivalents

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

Interest Bearing Borrowings

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

Creditors and other payables

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

Service Concession Arrangements

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

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

The Council has only entered into SCAs whereby the Council pays for the services provided by the operator. The monthly payments to the operator are recognised according to their substance as a reduction in

the liability for the build of the asset, a finance expense, and an expense for charges for services provided by the operator.

Provisions

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

Employee entitlements

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

(i) Short-term entitlements

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

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

(ii) Long-term entitlements

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

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

Superannuation is provided as a percentage of remuneration.

Leases

(i) As lessee

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

the Council has full benefit under a finance lease and is depreciated as if the assets are owned.

(ii) As lessor

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

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

Net Assets / Equity

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

- Asset revaluation reserve
- Fair value through other comprehensive revenue and expense reserve
- Hedging reserves
- Reserve funds
- Capital reserves
- Retained earnings

Third party transfer payment agencies

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

Goods and Services Tax

The prospective financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable

as an input tax it is recognised as part of the related asset or expense.

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

Donated services

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

Cost allocations

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

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

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

- Civic Offices costs: pro rata based on the number of desks held for use for each area.
- Digital (IT) costs: pro rata based on the total number of active users.
- All other costs: pro rata based on the gross cost of external service activities.

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

Preparing prospective financial statements to conform to PBE Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances.

These are outlined in the Significant Forecasting Assumptions section.

These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources.

Subsequent actual results may differ from these estimates. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or in future periods if it also affects future periods.

Significant Forecasting Assumptions

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

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

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
1. Capital Programme and infrastructure assets			
<p>1.1 Capital Works. Programmes and projects are assumed to be delivered within budget and on time and to required quality specifications. The capital programme is generally managed within overall budget allocations requiring changes to programme or project budget to be found within available budgets. At a corporate level provision is made for delayed delivery by forecasting an annual capital budget carry forward based on historic delivery trends. There may also be some projects delivered ahead of forecast and these will be managed within borrowing allowances via bring backs.</p>	<p>If actual costs vary from estimates, due to higher input prices and/or delivery delays, then this could result in budget shortfalls.</p> <p>However, Council has tendered significant work and estimates are based on the best available information. Delays could also be due to consenting and consultation requirements.</p> <p>See also 3.8 for Covid impact.</p>	<p>High</p>	<p>To the extent possible Council staff seek to proactively manage the delivery of capital works, substituting projects within a programme where necessary. Those that are unable to be completed as planned in any year of the Long Term Plan may be carried forward. The implications of this are:</p> <ul style="list-style-type: none"> • Possible additional reactive opex; not all delays lead to additional costs. • Possible reduction in opex if the delay relates to a new facility that isn't self-funding. • Projects may cost more than planned due to inflation. • Less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs. • Possible reduction to levels of service provided.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
			<ul style="list-style-type: none"> 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, or lead to a reduced scope of work to be completed within the allocated budget.
<p>1.2 Sources of funds for replacing assets. The sources of funds will occur as projected.</p>	<p>If funding does not occur as projected, then borrowing is required.</p>	<p>Low</p>	<p>If required, Council is well placed to borrow funds as required and remain within its LGFA benchmarks. The impact to ratepayers of every \$10 million of additional borrowing for capital works is approximately 0.1% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing over 30 years.</p>
<p>1.3 Asset life. Useful life of assets is as recorded in asset management systems and plans or based upon professional advice (the Accounting Policies detail the useful lives by asset class).</p>	<p>If the useful life of an asset/s is significantly shorter than expected, then the asset will need to be replaced sooner than planned and budgeted for.</p> <p>If the useful life of an asset is longer than expected, then the asset may be replaced sooner than required resulting in a loss of economic life and a consequential higher cost of service.</p>	<p>Moderate</p>	<p>Council maintains its databases with the latest known condition information. However, piped networks are below ground making asset condition more difficult to assess reliably.</p> <p>Ideally assets are replaced just in time. Earlier replacement would put more pressure on the Council's capital programme, financing costs and rates requirement. Late replacement can lead to more expensive replacement costs plus generally greater impacts on the operational costs, community and the environment.</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
<p>1.4 Carrying value of assets. The opening statement of financial position reflects correct asset values.</p> <p>The carrying value of assets are reviewed and updated on a regular basis.</p>	<p>If asset revaluations differ to that planned and change projected carrying values depreciation expense and certain ratios may be impacted.</p>	<p>Low</p>	<p>Land and buildings were independently revalued as of 30 June 2022, using market value where appropriate.</p> <p>Wastewater, water supply and stormwater assets, were independently revalued as of 30 June 2023.</p> <p>Roading assets were independently revalued as of 30 June 2022.</p> <p>The valuation of the Council's facilities and infrastructure assets at optimum depreciated replacement cost involves a significant amount of judgement in estimating the replacement unit cost, asset condition (for underground assets) and the remaining useful life of the assets.</p> <p><i>Note: That the asset values of three waters, roads and footpaths assets include additions (at cost less depreciation) and disposals since the last valuation.</i></p>
<p>2. Inflation. Growth and Population</p>			
<p>2.1 Inflation. The price level changes projected will occur. Council has considered both information provided by Business Economic Research Limited (BERL) to all local authorities and a weighted mix of its own cost inputs in determining appropriate inflators. It also receives external advice on forecast future salary movements.</p> <p>Where specific contractual or determined increases are not identified Council has used an inflation assumption of 4.2% for operational costs for the 2024/25 plan.</p>	<p>If inflation is materially higher or lower than anticipated then the Council will have a revenue shortfall or surplus relative to its planned work programme.</p> <p>If inflation on costs is not offset by inflation on revenues then the Council will have a revenue shortfall relative to affected planned work programmes.</p>	<p>Moderate</p> <p>Low</p>	<p>Short-term impacts will be managed by managing costs to budget without impacting levels of service where possible.</p> <p>If increased costs and/ or reduced revenues negatively impacts on the Council's balance sheet it could lead the Council to decide to borrow more, increase rates and or fees and charges, or reduce service/ project delivery or a combination of all the above.</p> <p>However, these risks are considered to be unlikely to eventuate to a significant degree within a single rating year. Any decision to significantly cut services or increase</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty							
			debt would be more likely to be addressed in a future Annual Plan or Long Term Plan.							
Different forecast inflation figures for capital and operational items are used in developing the plan due to the differing mix of cost inputs in each.										
Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Capital	4.8%	3.4%	2.3%	2.4%	2.4%	2.2%	2.2%	2.1%	2.0%	2.0%
Opex	4.2%	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%
<p>2.2 Economic Environment. This Plan assumes that the economic environment develops broadly in line with the Reserve Bank of New Zealand’s Monetary Policy Statement of May 2024, including:</p> <ul style="list-style-type: none"> • Economic growth to remain subdued over the medium term, with a low rate of GDP growth over the next year. • Annual consumer price index inflation to continue its decline but to remain above the 1%-3% target band until late in the 2024 calendar year due to persistent non-tradeable inflation. CPI to return to the 2% target mid-point by the June 2026 quarter. • Interest rates to remain around current elevated levels over most of the 2024/ calendar year, with a slow reduction in the Official Cash Rate not expected until 2025. 	<p>If unexpected local, national or international economic shocks occur and have a significant negative impact the economic environment affecting Council costs and or revenue, then a range of risk factors may materialise, including:</p> <ul style="list-style-type: none"> • An unexpected increase in inflation • An increased incidence of supply chain interruptions and delays • An increase in late and non-payment of rates 	Moderate	<p>A significant deterioration in the economic environment could negatively impact on Council’s finance and operating costs, its revenue from sources driven by external demand such as consents and development contributions and on ratepayers’ ability to pay rates.</p> <p>If increased costs and/ or reduced revenue negatively impacts on the Council’s balance sheet it could lead the Council to decide to borrow more, increase rates and or fees and charges, or reduce service/ project delivery or a combination of the above.</p> <p>However, these risks are considered to be unlikely to eventuate to a significant degree within a single rating year. Any decision to significantly cut services or increase debt would be more likely to be addressed in a future Annual Plan or Long-Term Plan.</p>							

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
<ul style="list-style-type: none"> The labour market is expected to ease with rising unemployment over the medium term to a peak of 5.1% in mid-2025.. <p>Council has prepared this Plan on the assumption that inflation and interest rates will remain high in the short term – see assumptions for both – but that a significant economic recession will not occur.</p>			
<p>Development contributions revenue. The Council has assumed development will reflect the population and business growth model growth forecasts and has budgeted its development contributions revenue accordingly.</p>	<p>If the number of new properties paying development contributions is significantly less than forecast over the funding life of assets then revenue from development contributions will not be sufficient to fund the growth component of the Council’s capital programme.</p> <p>If the timing of growth differs significantly from forecast this will impact on Council’s cash flows and may necessitate changes to planned borrowing.</p> <p>The location and timing of development is determined by a number of factors such as market forces which are outside the control of the council.</p>	Low	<p>The timing of growth, and its impact on Council’s development contributions revenue, will have a low impact on the borrowing and interest expense assumptions in this Plan.</p> <p>Any shortfall in development contributions revenue must be funded initially by borrowing which is funded from rates over the relevant debt financing term.</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty																						
<p>2.3 Population. That population and business growth will occur as forecast by the Council's growth modelling.</p>	<p>If population and/ or business growth is higher than projected, then the Council will need to provide additional unplanned services and infrastructure.</p> <p>If growth is lower than projected, then the Council will be required to support excess levels of infrastructure and service delivery.</p>	Low	Population projections are based upon a standard set of demographic assumptions. The Council revises its growth modelling annually based on the best information available at the time.																						
<p>2.4 Rating Base.</p> <p>Growth in the number and value of rating units to 30 June 2024 is expected to increase the rating base for 2024/25 by \$12.6 million (1.85%) compared to 2023/24. This is taken into account when determining the annual rates increase to existing ratepayers.</p>	<p>If the rating base grows at a materially different rate from that projected, then rates income may be materially different to that planned.</p>	Low	Actual growth in the rating base is never known until 30 June because of the process by which it's measured. Council staff work closely with QV in the period leading up to 30 June in order to have as accurate an assessment as possible. Variances between the forecast and actual growth in the rating base to 30 June of each prior year will cause changes to the total rates revenue collected in the new year.																						
<p>The assumed annual growth in the capital value of the city is 1% over the LTP period. This will increase the rating base as outlined in the table below,</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> <th>2028/29</th> <th>2029/30</th> <th>2030/31</th> <th>2031/32</th> <th>2032/33</th> <th>2033/34</th> </tr> </thead> <tbody> <tr> <td>\$ Impact on Rates Base</td> <td>\$12.575 m</td> <td>\$7.6 m</td> <td>\$8.3 m</td> <td>\$8.9 m</td> <td>\$9.5 m</td> <td>\$10.1 m</td> <td>\$10.7 m</td> <td>\$11.2 m</td> <td>\$11.6 m</td> <td>\$11.9 m</td> </tr> </tbody> </table>				Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	\$ Impact on Rates Base	\$12.575 m	\$7.6 m	\$8.3 m	\$8.9 m	\$9.5 m	\$10.1 m	\$10.7 m	\$11.2 m	\$11.6 m	\$11.9 m
Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34															
\$ Impact on Rates Base	\$12.575 m	\$7.6 m	\$8.3 m	\$8.9 m	\$9.5 m	\$10.1 m	\$10.7 m	\$11.2 m	\$11.6 m	\$11.9 m															
<p>2.5 Aging population. The number of Christchurch residents over the age of 65 is expected to increase by 150% between 2023 and 2053 to 94,200 (20% of the total population).</p> <p>By 2053 the number of residents over the age of 80 is expected to be around 7% of the population, compared to around 4% in 2023.</p>	<p>If the mix of ages within the population is significantly different from that forecast, the range and types of services that have factored in the needs of older persons may need to change.</p>	Low	Age projections are produced by Statistics New Zealand on a nation-wide basis. The projections use the most recent census as a starting point. Demographic projections are based on assumptions about future fertility, mortality, migration, inter-ethnic mobility, living arrangement type and labour force participation patterns of the population. Historically the StatsNZ projections																						

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
The total number is expected to increase by 209% from 16,300 to 34,000.			have provided an accurate representation of the growth in Christchurch.
3. Impact of policies and external factors			
3.1 Council policy. Given the significant extent of government reform, there will be regular updates to Council policy in response to legislative changes and emerging strategic issues. Known changes are appropriately budgeted for.	New legislation is enacted that requires a significant policy response or business change from Council or, Department of the Prime Minister and Cabinet (DPMC) uses its statutory powers such that a change is required to Council policy that was unplanned.	Low	Dealing with changes in legislation is part of normal Council operations. Any financial impact is managed, which may include deferring some work.
3.2 Waka Kotahi subsidies. The current Funding Assistance Rate (FAR) of 51% on qualifying expenditure will not change. We will receive the total amount of subsidy that we have assumed we will receive.	If there are changes in the FAR, and/ or the overall amount in the National Land Transport Fund, then there could be changes to government transport priorities, and to funding eligibility criteria for projects which could impact on the amount of subsidy we receive from Waka Kotahi or change the projects for which we receive funding. Given this level of uncertainty, there is a high risk to the Council's projected revenue for some transport projects, arising from uncertainties in how government policy and priorities will translate into funding decisions.	High	Changes to government funding priorities and Waka Kotahi funding decisions are outside Council control and the risk varies from project to project. The maximum financial impact would be the elimination of the subsidy, which is extremely unlikely. Decisions on what improvement projects will be funded through the National Land Transport Fund will not likely be confirmed until after approval of the Detailed Business Case, and this means there is some inherent uncertainty around funding for some improvement projects. The Council is regularly in discussions with Waka Kotahi to gain more clarity on which projects will receive funding. The final shape of the new Governments priorities will not be confirmed until later in the year. If the new Governments funding priorities impact on the proposed

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
			transport works programme, the Council will consider options and, where appropriate, consult the community.
<p>3.3 Resource Consents. Conditions of resource consents held by Council will not be significantly altered.</p>	<p>Conditions required to obtain/maintain the consents will change, leading to the costs to obtain resource consents and/or implement consent conditions being higher than anticipated. These costs would not be covered by planned funding.</p> <p>Council is currently working through the Akaroa wastewater consent issues.</p>	Moderate/ Low	<p>Advance warning of likely changes is anticipated.</p> <p>The financial impact of failing to obtain/renew resource consents cannot be quantified.</p>
<p>3.4 Legislative and Regulatory change.</p> <p>The Government has initiated a significant reform programmes that will, in time, impact on the legislative and regulatory frameworks within which local government currently operates.</p> <p>These current reform programmes are; the local water done well reform and resource management reform which may influence the future of local government.</p> <p>Given the expected timelines of the review processes the Council has assumed that no significant legislative or regulatory change will impact on the Council in the coming year, although this might change if the government</p>	<p>Should the local government legislative environment change, the activities, and services the Council plans to provide over the period of this Plan could change which could impact on Council's costs and revenue requirements.</p>	Low	<p>The Government has several review programmes in progress which will significantly change the roles and responsibilities of local government as changes are implemented over time.</p> <p>At the time of preparing this Plan the Council is unable to determine how any potential legislative change might impact its operations or quantify the potential financial impact.</p> <p>Expected costs relating to enactment of the RMA (Housing Bill) and to the Council's involvement in Government reform processes have been incorporated in this Plan.</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
<p>follows through on its intention to enact the water service entities bill this year.</p> <p>The reform programmes are each covered in more detail below.</p>			
<p>3.5 Local water done well reform. The Council will continue to deliver water services over the life of the LTP and has budgetted accordingly.</p> <p>Under the proposed legislation, it is assumed there will be no mandated requirement on Council to transfer its waters assets and liabilities to a new Entity , although the proposed legislation may permit this to occur at Council’s choice.</p> <p>The government has repealed the the 3 Waters Reform legislation and has implemented its own water reform proposals.</p>	<p>If the transfer of three waters assets and responsibility for service delivery to a new water services entity proceeds, then large parts of this Long Term Plan will be inaccurate. If this occurs out of cycle with the 3 yearly LTP programme, this will then require significant budgeting and operating changes for the Council through an amended LTP process.</p>	Moderate	<p>The Council is in close contact with the National Transition Unit department within the Department of Internal Affairs which is responsible for overseeing the transfer of three waters assets and service delivery to water services entities. The NTU is very aware that it needs to be transparent with requirements on councils in this process.</p> <p>The work programmes and budgets for three waters activities have been prepared as if the Council will deliver these services indefinitely though with close liaison with the NTU to facilitate a smooth transition.</p>
<p>3.6 Potential climate change impacts.</p> <p>The Ministry for the Environment and Stats NZ “Environment Aotearoa 2019” report states all aspects of life in New Zealand will be impacted by climate change.</p> <p>The projected local changes to climate that we must prepare for are:</p> <p>a. 0.48 metre rise in sea-level by 2070 and 1 metre sea-level rise by 2100;</p>	<p>The timing or severity of any climate change impacts could be worse than expected, meaning the Council is not sufficiently prepared.</p>	Low	<p>The Council has developed a Climate Resilience Strategy, which identifies action programmes to respond to the impacts of climate change and the legislative requirements to consider the impacts of climate change.</p> <p>Variability in changes to the climate and its impacts and how we respond could result in different financial impacts.</p> <p>We have significant work to do to have a better understanding of our exposure and vulnerability to the</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
<p>b. average temperatures will rise 0.5°C – 1.5°C by 2040 and by 3.5°C by 2090</p> <p>c. changes in rainfall and extreme weather events.</p>			<p>impacts of climate change on our assets and how we adapt, to determine the financial impacts.</p> <p>A Climate Resilience Fund is also proposed to build a fund over the longer term to respond to the impacts of climate change, along with continuing to invest in climate adaptation efforts and partnerships with communities and rūnanga.</p>
<p>3.7 Future reform of local government.</p> <p>The nature of Council’s activities and operations for the period of the Long Term Plan 2024-34 will be consistent with the activities and operations outline in the LTP and any reform of local government will not materially impact on its costs or financial position over the life of the LTP 2024-34.</p>	<p>If significant changes to local government functions and/ or structure materialise then this could have a significant impact on work programmes and budgets detailed in this LTP.</p>	<p>High</p>	<p>If significant changes to local government functions and/ or structure materialise then work programmes and budgets will need to be amended. This can be done through the LTP 2027-37 or through Annual Plans prepared in the intervening years. It is possible the Council may need to undertake a formal LTP amendment if changes are significant.</p>
<p>3.8 Impact of Covid-19 or other public health pandemic Operational and Capital Programme delivery will be able to occur without significant financial, staffing or deliverability issues due to Covid-19 or future similar situations (to be reviewed as required).</p>	<p>If Covid-19 or another public health pandemic re-emerges as a significant health risk resulting in lockdowns and other responses that interrupt normal work life, then the Council is unlikely to be able to deliver its work programme as planned and budgeted.</p>	<p>Low</p>	<p>Council’s policy response, which aligns with public health advice, aims to minimise risk to staff and the public while continuing to provide services.</p> <p>The Council better understands the implications of a Covid-19 or similar public health pandemic on its operations and the need to reprioritise work and functions than previously and has plans in place to minimise disruption.</p> <p>The Council is now significantly better prepared to have staff work from home or remotely if required.</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty																						
4. Borrowing Related																									
4.1 Credit Rating. The Council’s current rating of AA is maintained.	If the Council’s credit rating with Standard and Poor’s is downgraded, then the Council’s cost of borrowing is likely to increase. This would increase the budget required to service debt which would reduce funding available for other things.	Low	A one-notch downgrade at some point in the future (i.e., from AA to AA-) would not affect any debt existing at the time but would increase the cost of new borrowing and refinancing by an estimated 5 basis points (0.05 percentage points) for the life of the borrowing. Such an event occurring at the start of 2024/25 would increase interest costs by an estimated \$0.1 million in 2024/25, rising to \$1.6 million by 2033/34.																						
4.2 Borrowing Costs. Net cost of ratepayer funded borrowing (i.e. including current and projected debt) is projected to be 5.1% in 2024/25.	If interest rates increase to above the assumed level, then the Council’s debt servicing costs will increase. This would increase the budget required to service debt which would reduce funding available for other things.	Moderate	Council manages its interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor. Projected debt is mostly hedged to reduce exposure to market rate fluctuations, but a moderate amount of risk remains. Market interest rates 0.5% higher than projected would increase interest costs by around \$3.1m in 2024/25.																						
<p>The net cost of new borrowing includes assumed long-term market interest rates (based on a fixed/floating mix of 75/25% and including Council's borrowing margin) of:</p> <table border="1" data-bbox="224 1133 1904 1244"> <thead> <tr> <th data-bbox="224 1133 403 1181">Year</th> <th data-bbox="407 1133 537 1181">2024/25</th> <th data-bbox="542 1133 672 1181">2025/26</th> <th data-bbox="676 1133 806 1181">2026/27</th> <th data-bbox="810 1133 940 1181">2027/28</th> <th data-bbox="945 1133 1075 1181">2028/29</th> <th data-bbox="1079 1133 1209 1181">2029/30</th> <th data-bbox="1214 1133 1344 1181">2030/31</th> <th data-bbox="1348 1133 1478 1181">2031/32</th> <th data-bbox="1482 1133 1612 1181">2032/33</th> <th data-bbox="1617 1133 1747 1181">2033/34</th> </tr> </thead> <tbody> <tr> <td data-bbox="224 1184 403 1244">Total rate</td> <td data-bbox="407 1184 537 1244">5.50%</td> <td data-bbox="542 1184 672 1244">5.25%</td> <td data-bbox="676 1184 806 1244">5.00%</td> <td data-bbox="810 1184 940 1244">4.85%</td> <td data-bbox="945 1184 1075 1244">4.70%</td> <td data-bbox="1079 1184 1209 1244">4.60%</td> <td data-bbox="1214 1184 1344 1244">4.60%</td> <td data-bbox="1348 1184 1478 1244">4.60%</td> <td data-bbox="1482 1184 1612 1244">4.60%</td> <td data-bbox="1617 1184 1747 1244">4.60%</td> </tr> </tbody> </table>				Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	Total rate	5.50%	5.25%	5.00%	4.85%	4.70%	4.60%	4.60%	4.60%	4.60%	4.60%
Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34															
Total rate	5.50%	5.25%	5.00%	4.85%	4.70%	4.60%	4.60%	4.60%	4.60%	4.60%															
4.3 Securing External Funding. New, or renewal of existing borrowings on acceptable terms can be achieved.	If new borrowing cannot be accessed to refinance existing debt or fund future capital requirements, then the Council could need to borrow from	Low	The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Liability Management Policy, plus some undrawn committed lending facilities from banks.																						

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
	unconventional sources or default on its debts.		
<p>4.4 LGFA Guarantee. Each shareholder of the LGFA is a party to a deed of Guarantee, whereby they guarantee the obligations of the LGFA and the obligations of other participating local authorities in the event of default.</p>	<p>If the LGFA couldn't meet its obligations, then each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's relative rates income.</p>	<p>Low</p>	<p>The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote. The likelihood of a local authority borrower defaulting is extremely low and LGFA has recovery mechanisms that would be applied prior to any call on the Guarantee. All the borrowings by a local authority from the LGFA are secured by a charge over each local authority's Rates.</p>
<p>4.5 Opening Debt: The Council's opening debt of \$2,593 million is made up of;</p> <ul style="list-style-type: none"> • \$221 million of equity investments, mainly in CCTOs (Venues Ōtautahi Ltd \$185 million), • \$790 million of money borrowed for on-lending, (in accordance with the Council's Liability Management Policy), • \$1,501 million of capital works and earthquake related borrowing. There is an additional \$91.5 million borrowed internally from the Capital Endowment Fund. • \$81 million finance lease (Civic Building). 	<p>If the Council's actual opening debt differs from forecast, then the debt servicing costs may be higher than budgeted.</p>	<p>Low</p>	<p>Council's debt requirements are well understood and closely managed. It is unlikely that opening debt will be significantly different to forecast.</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
5. Investment related			
<p>5.1 Return on investments. Interest received on cash and general funds invested is projected to be 5.15% for 2024/25 decreasing to 3.0% by 2027/28.</p> <p>The return on the Capital Endowment Fund (most of which is currently invested internally) is forecast to be 4.45% for 2024/25, increasing to 4.60% by 2033/34.</p>	<p>If interest rates are lower than projected, then Council's revenue from interest will be less than budgeted.</p> <p>Conversely, if interest rates are higher than projected, then Council's revenue from interest will be more than budgeted.</p>	Low	Any financial impact is unlikely to be significant.
<p>5.2 Value of Investment in Subsidiaries That the opening statement of financial position reflects the correct investment values.</p>	<p>If CCO revaluations differ significantly from the assumed values, then Council's assets will be overstated.</p>	Low	<p>The valuation of the Council's investments in subsidiary and associated companies at fair value has a material impact on the amounts recognised in these prospective financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic (currently annually) basis, at intervals sufficient to ensure that the fair value of these investments does not differ materially from their carrying value.</p>
<p>5.3 CCO/CCTO income. CCHL will deliver dividend income at the levels forecast in this Plan.</p>	<p>If CCHL delivers a lower than projected dividend, then the Council will need to source alternate funding or reduce work programmes funded from dividends.</p> <p>If additional dividend income is received, then the level of borrowing forecast in this Plan will be reduced.</p>	Low	<p>CCOs/CCTOs are monitored by their Statements of Intent and quarterly reporting to the Council.</p>

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
5.4 Tax planning. The Council (parent) will operate a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (known as subvention payments) to Council instead of tax payments.	If subvention payments are lower than planned, then the Council's revenue will be less than budgeted.	Low	CCTOs are monitored by the Statement of Intent and a quarterly performance reporting process. Returns are expected to continue as forecast in this Plan.

6. Services and Operations

6.1 Community housing. The Council's community housing assets are leased to Otautahi Community Trust, who are responsible for operations, maintenance and renewals. It is assumed that community housing remains ring-fenced from rates, through a separate Housing Fund. The ongoing revenue source for this fund is the lease payments from the Otautahi Community Housing Trust.	<p>If lease revenue is not sufficient to enable the social housing portfolio to be financially viable then alternative sources of funding may need to be found which may include funding from rates and property sales.</p> <p>If expenditure is higher than expected expenditure (e.g., due to asset failure or external events) then additional sources of funding may need to be found which may include from rates and property sales.</p> <p>If Council is unable to provide the required funding it may mean a reduced investment in social housing.</p>	Moderate	With a focus on repairing earthquake damage, lifting quality standards, and addressing deferred maintenance, there has been significant expenditure from the fund over the last 5 years. The fund is now in a depleted state and is not anticipated to accumulate in the foreseeable future. During this period, it is at a heightened risk, albeit this is mitigated by the ability to defer some expenditure or sell end of life complexes if necessary.
---	--	----------	--

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

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

Assumption	Risk						Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty			
Community Housing Rental Revenue	\$16.2m	\$16.6m	\$17.0m	\$17.4m	\$17.8m	\$18.2m	\$18.5m	\$18.9m	\$19.3m	\$19.7m	
<p>6.2 Contract Rates. Re-tendering of major contracts will not result in cost increases in excess of the rate of inflation.</p>	<p>There is currently some post Covid increase in cost around the supply chain.</p> <p>Additionally, some contracts are impacted by the Councils 2021 living wage decision.</p> <p>If there is a significant variation in price from re-tendering contracts, then the costs of providing services will increase beyond what is budgeted.</p>						High	<p>Where possible Council would review the scope of work under an affected contract, or alternatively adjust the budget between services to free up additional funding.</p> <p>Inflation is currently running at 6.7%. On its own, this presents a real risk. However, there also remains volatility in supply chains and shortages of construction materials, placing further upward pressure on costs. The ‘post Covid increase’ appears greater now than a few months ago, with no sign of its influence diminishing anytime soon. Similarly, the labour market is also under considerable pressure, with organisations routinely increasing wages to retain and secure staff. Inevitably this will impact contract rates.</p> <p>Some potential cost increases may be mitigated or offset through the negotiation period by revising the scope of services or accepting a lower level of services, such as inspections and cleaning frequencies. We will also be challenging/tasking contractors to identify and suggest cost savings and improved efficiencies and consolidating services within existing contracts where possible. However, it is unlikely that any potential savings will outweigh increased contractor and supply costs, so some budgetary adjustments may be necessary.</p>			

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
7. Insurance cover and natural disaster financing			
<p>7.1 Insurance cover. The Council has adequate Material Damage cover for all above ground buildings which are undamaged and fire cover for significant unrepaired buildings.</p>	<p>Risk of major loss through fire</p>	<p>Low</p>	<p>The results of external and independent modelling suggests that Council’s insurance cover is sufficient to meet two times the maximum loss. Any financial impact is not expected to be significant. Recent advice on the mix of coverage now able to be provided on Councils housing stock, will impact premiums.</p>
<p>7.2 Natural disaster financial implications. The Christchurch region will at some time experience earthquake, flooding and tsunami events that will result in damage to Council infrastructure.</p> <p>It is assumed the Council’s insurance along with central government assistance will cover the cost of repairs.</p>	<p>If the Council’s insurance cover and expected Government assistance isn’t sufficient to cover the costs of repairing Council infrastructure following a natural disaster, then additional funding will need to be found.</p>	<p>Moderate</p>	<p>Council has limited insurance cover in place for damage to infrastructure networks from flooding, tsunami and earthquake events and relies on the strength of its statement of financial position plus access to central government emergency funding in the event of another major event.</p> <p>Financial implications of another significant natural disaster event are large, particularly when our ability to borrow may be limited due to the high debt to revenue ratios forecast.</p> <p>This risk is considered in preparing forecasts and particular attention is paid to the financial headroom for each year. Financial headroom is a measure of Council’s ability to borrow in the event of an emergency.</p> <p>Council is maintaining significant debt headroom to be able to respond to such events.</p>