Prospective Financial Statements

Christchurch City Council

Prospective statement of comprehensive revenue and expense

Long Term Plan 2024/25	$000	Note	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Revenue				
771,379	Rates revenue		844,303	838,538	(5,765)
23,440	Development contributions		24,120	24,237	117
129,504	Grants and subsidies		138,187	95,182	(43,005)
115,847	Dividends and Interest	1	115,068	111,667	(3,401)
133,495	Fees and Charges		135,696	145,915	10,219
1,173,665	**Total income**		**1,257,374**	**1,215,539**	**(41,835)**
	Expenditure				
144,094	Finance costs		149,087	142,804	(6,283)
350,484	Depreciation	2	379,163	390,518	11,355
666,432	Other expenses	3	694,708	718,477	23,769
1,161,010	**Total operating expenditure**		**1,222,958**	**1,251,799**	**28,841**
12,655	**Surplus before asset contributions**		**34,416**	**(36,260)**	**(70,676)**
23,730	Vested assets		245,476	245,713	237
36,385	**Surplus before income tax expense**		**279,892**	**209,453**	**(70,439)**
(11,260)	Income tax expense		(1,260)	(7,260)	(6,000)
47,645	**Net surplus for year**		**281,152**	**216,713**	**(64,439)**
	Other comprehensive revenue and expense				
782,028	Changes in revaluation reserve		616,066	690,694	74,628
829,673	**Total comprehensive revenue and expense**		**897,218**	**907,407**	**10,189**

Christchurch City Council

Prospective statement of changes in net assets/equity

Long Term Plan 2024/25	$000	Note	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
18,761,941	**Ratepayers equity at July 1**		19,591,615	18,686,630	(904,985)
	Net surplus attributable to:				
	Reserves				
782,028	Revaluation reserve		616,066	690,694	74,628
	Retained earnings				
47,645	Surplus		281,152	216,713	(64,439)
829,673	Total comprehensive income for the year		897,218	907,407	10,189
19,591,614	**Ratepayers equity at June 30**	8	**20,488,833**	**19,594,037**	**(894,796)**

Christchurch City Council

Prospective statement of financial position

Long Term Plan 2024/25	$000	Note	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Current assets				
95,586	Cash and cash equivalents		96,968	91,380	(5,588)
123,964	Trade receivables and prepayments	4	127,572	157,287	29,715
3,742	Inventories		3,854	3,222	(632)
92,364	Other financial assets		94,544	31,936	(62,608)
	Non-current assets				
	Investments				
4,476,584	- Investments in CCOs and other similar entities		4,576,945	4,592,342	15,397
132,609	- Other investments		135,924	168,804	32,880
120,517	Intangible assets		128,914	129,913	999
3,280,687	Operational assets		3,644,993	3,611,065	(33,928)
12,377,871	Infrastructural assets		12,990,870	12,146,156	(844,714)
2,033,460	Restricted assets		2,116,991	2,043,882	(73,109)
22,737,384	**Total assets**		**23,917,575**	**22,975,987**	**(941,588)**
	Current liabilities				
155,458	Trade and other payables		159,798	159,792	(6)
469,600	Borrowings	5	214,500	214,500	-
28,443	Other liabilities and provisions	6	29,317	31,634	2,317
	Non-current liabilities				
2,470,137	Borrowings	5	3,004,814	2,956,277	(48,537)
18,610	Other liabilities and provisions	7	16,671	15,885	(786)
3,522	Deferred tax liability		3,642	3,862	220
19,591,614	**Ratepayers equity**	8	20,488,833	19,594,037	(894,796)
22,737,384	**Total equity and liabilities**		**23,917,575**	**22,975,987**	**(941,588)**

Christchurch City Council

Prospective cash flow statement

Long Term Plan 2024/25	$000	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Operating activities			
	Cash was provided from:			
1,069,078	Rates, grants, subsidies and other sources	1,139,848	1,111,132	(28,716)
50,046	Interest received	41,359	37,882	(3,477)
62,403	Dividends	70,458	70,488	30
1,181,527		1,251,665	1,219,502	(32,163)
	Cash was disbursed to:			
667,565	Payments to suppliers and employees	691,434	721,494	30,060
144,094	Interest paid	149,087	142,804	(6,283)
811,659		840,521	864,298	23,777
369,868	**Net cash flow from operations**	**411,144**	**355,204**	**(55,940)**
	Investing activities			
	Cash was provided from:			
9,200	Sale of assets	3,825	3,829	4
14,343	Investments realised	13,000	13,000	-
23,543		16,825	16,829	4
	Cash was applied to:			
738,471	Purchase of assets	702,985	730,037	27,052
2,000	Purchase of investments	1,000	2,811	1,811
-	Purchase of investments (special funds)	2,179	1,318	(861)
740,471		706,164	734,166	28,002
(716,928)	**Net cash flow from investing activities**	**(689,339)**	**(717,337)**	**(27,998)**

Long Term Plan 2024/25		Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Financing activities			
	Cash was provided from:			
428,578	Raising of loans	376,437	443,321	66,884
428,578		376,437	443,321	66,884
	Cash was applied to:			
81,519	Repayment of term liabilities	96,860	95,189	(1,671)
81,519		96,860	95,189	(1,671)
347,059	**Net cash flow from financing activities**	**279,577**	**348,132**	**68,555**
-	Increase/(decrease) in cash	1,382	(14,001)	(15,383)
95,586	Add opening cash	95,586	105,381	9,796
95,586	**Ending cash balance**	**96,968**	**91,380**	**(5,587)**
	Represented by:			
95,586	Cash and cash equivalents	96,968	91,380	(5,587)

Notes to the prospective financial statements

Long Term Plan 2024/25	$000	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Note 1			
	Dividends and Interest			
	Dividends:			
55,000	Christchurch City Holdings Ltd	65,000	65,000	-
7,313	Transwaste Ltd	5,368	5,368	-
90	Other	90	120	30
62,403	Total dividend revenue	70,458	70,488	30
	Interest:			
42,207	Subsidiaries	34,661	31,387	(3,274)
-	Loan repayment investments	-	-	-
1,435	Special and other fund investments	1,152	1,307	155
8,270	Short term investments	6,941	6,682	(259)
1,532	Housing trust	1,856	1,803	(53)
53,444	Total interest revenue	44,610	41,179	(3,431)
115,847	**Total Dividends and Interest revenue**	**115,068**	**111,667**	**(3,401)**

Long Term Plan 2024/25	$000	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Note 2 **Depreciation**			
22,700	Communities & Citizens	31,361	31,896	535
-	Economic Development	-	1	1
370	Flood Protection & Control Works	586	1,010	424
1	Governance	1	1	-
6,170	Housing	6,479	6,937	458
34,510	Parks, Heritage and Coastal Environment	35,472	41,888	6,416
121	Regulatory & Compliance	74	97	23
2,028	Solid Waste & Resource Recovery	2,172	2,280	108
35,068	Stormwater Drainage	36,529	35,495	(1,034)
790	Strategic Planning & Policy	1,404	1,060	(344)
82,760	Transport	89,270	95,384	6,114
91,912	Wastewater	96,039	94,713	(1,326)
50,100	Water Supply	52,789	50,696	(2,093)
23,954	Corporate	26,987	29,059	2,072
350,484	**Total Depreciation**	**379,163**	**390,517**	**11,354**
	Note 3 **Other expenses**			
	Operating expenditure:			
265,625	Personnel costs	277,948	290,218	12,270
73,190	Donations, grants and levies	67,074	70,880	3,806
327,617	Other operating costs	349,686	357,379	7,693
666,432	**Total other expenses**	**694,708**	**718,477**	**23,769**

Long Term Plan 2024/25	$000	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Note 4			
	Current assets			
	Trade receivables and prepayments			
25,341	Rates debtors	26,077	31,517	5,440
13,539	Other trade debtors	13,931	17,048	3,117
83,623	Other receivables/prepayments	86,940	107,672	20,732
3,278	GST receivable	2,507	3,366	859
125,781		129,455	159,603	30,148
(1,817)	Less provision for doubtful debts	(1,883)	(2,316)	(433)
123,964	**Total trade receivables and prepayments**	**127,572**	**157,287**	**29,715**
	Note 5			
	Debt			
469,600	Current portion of gross debt	214,500	214,500	-
2,470,137	Non current portion of gross debt	3,004,814	2,956,277	(48,537)
2,939,737	Total gross debt	3,219,314	3,170,777	(48,537)
1,917,717	**Total net debt**	2,203,478	2,259,295	55,817
	Note 6			
	Other current liabilities and provisions			
1,823	Provision for landfill aftercare	2,018	3,030	1,012
1,623	Provision for building related claims	1,623	1,623	-
24,997	Provision for employee entitlements	25,676	26,981	1,305
28,443	**Total other liabilities and provisions**	**29,317**	**31,634**	**2,317**

Long Term Plan 2024/25	$000	Long Term Plan 2025/26	Annual Plan 2025/26	Variance To LTP
	Note 7			
	Non-current other liabilities and provisions			
9,431	Provision for landfill aftercare	7,414	9,058	1,644
2,686	Provision for employee entitlements	2,764	2,406	(358)
6,493	Provision for building related claims	6,493	4,420	(2,073)
-	Hedge and other liabilities	-	1	1
18,610	**Total non-current other liabilities and provisions**	**16,671**	**15,885**	**(786)**
	Note 8			
	Equity			
1,733,853	Capital reserve	1,733,853	1,733,853	-
220,843	Reserve funds	223,022	222,747	(275)
12,509,780	Asset revaluation reserves	13,125,847	12,213,917	(911,930)
5,127,138	Retained earnings	5,406,111	5,423,520	17,409
19,591,614	**Total equity**	**20,488,833**	**19,594,037**	**(894,796)**

Statement of significant accounting policies

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

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

Basis of preparation

(i) Statement of compliance

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

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

(ii) Prospective Financial Statements

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

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

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

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined 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 2025-26 Annual Plan and the 2024–2034 Long Term Plan.

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

It is a requirement of the Local Government Act 2002 to present prospective financial statements 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 draft prospective financial statements were authorised for issue on 12 February 2025 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 period ending 30 June 2026. The functional currency of the Council is New Zealand dollars and the statements are presented in New Zealand dollars, rounded to the nearest thousand ($000), unless otherwise stated.

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

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

Revenue

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

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

Revenue from exchange transactions

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

Revenue from non-exchange transactions

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

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

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

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

(i) Rates

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

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

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

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

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

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

(ii) Goods sold and services rendered

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

(iii) Finance revenue

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

(iv) Rental revenue

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

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

(v) Grants revenue (including government grants)

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

Grant revenue is categorised as non-exchange revenue.

(vi) Dividend revenue

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

(vii) Finance lease revenue

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

(viii) Development contributions

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

(ix) Other gains

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

(x) Vested assets and donated goods

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

(xi) Building and Resource Consent Fees

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

(xii) Entrance Fees

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

(xiii) Landfill Fees

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

Expenses

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

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Finance costs

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

(iv) Other losses

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

(v) Grant expenditure

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant and any grant criteria are met. Rates remissions are treated as discretionary grants to the recipient of the remission in accordance with the Council's Rates Remission Policy.

Income tax

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

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

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

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

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

Research and development costs

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

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

- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

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

Property, plant and equipment

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

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

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

Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value. All other property, plant and equipment (including land under roads), are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

Land and buildings in the "Restricted Asset" category are subject to restrictions on either use or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings acquired under a bequest or donation that restricts the purpose for which the assets can be used).

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

Operational Assets:	Estimated Useful Life
Buildings	1-100 yrs
Land improvements	10-60 yrs
Office and computer equipment	1-10 yrs
Mobile plant including vehicles	2-30 yrs
Leasehold land improvements	5-100 yrs
Library books	3-8 yrs
Vessels	5-25 yrs
Sealed surfaces (other than roads)	9-100 yrs
Buses	17-26 yrs
Container cranes	30 yrs
Harbour structures	3-50 yrs
Seawalls	100 yrs
Telecommunications infrastructure	12-50 yrs
Electricity distribution system	60 yrs
Electricity load control equipment	60 yrs

Infrastructure Assets:	Estimated Useful Life
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	2-80 yrs
Streetlights and signs	5-50 yrs
Kerb, channel, sumps and berms	80 yrs
Tram tracks and wires	40-100 yrs
Parking meters	10 yrs
Railings	20-50 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/ retaining walls	20-115 yrs
Bridges	70-100 yrs
Bus shelters and furniture	6-40 yrs
Water supply	2-130 yrs
Water meters	25-40 yrs
Stormwater	20-150 yrs
Waterways	10-100 yrs
Sewer	40-150 yrs
Treatment plant	15-100 yrs
Pump stations	5-100 yrs

Restricted Assets:	Estimated Useful Life
Planted areas	15-115 yrs
Reserves – sealed areas	10-60 yrs
Reserves – structures	10-80 yrs
Historic buildings	20-125 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

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

Distinction between capital and revenue expenditure

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

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

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

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

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

Intangible assets

(i) Computer software

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

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

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

(ii) Other intangible assets

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

(iii) Carbon Emission Units

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

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

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

Hedging

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

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

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

Investments

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

The Council classifies its investments into the following categories:

(a) Financial assets measured at amortised cost

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

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

Financial assets held for collection of contractual cash flows and for selling where the cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive revenue or expense (FVTOCRE).

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

On initial recognition the Council may make the irrevocable election to designate investments in equity investments as at FVTOCRE. Designation at FVTOCRE is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which PBE IFRS 3 applies. Subsequent to initial recognition equity investments at FVTOCRE are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive revenue and expense. The cumulative gain or loss will not be reclassified to surplus or deficit on disposal of the equity investments, instead, they will be transferred to accumulated surplus.

(c) Fair value through surplus or deficit

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

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

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

(i) Investment in subsidiaries and unlisted shares

The Council's equity investments in its subsidiaries and unlisted shares are classified as financial assets at fair value through other comprehensive revenue or expense.

(ii) Loan advances and investments in debt securities

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

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

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

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

(iii) Term Deposits

Term deposits are measured at amortised cost.

Trade and other receivables

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

Inventories

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

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

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

Impairment

(i) Impairment of financial assets

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

For all other financial instruments, the Council recognises expected lifetime credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Council measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. The assessment of whether expected lifetime credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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

(ii) Impairment of non-financial assets

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

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

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

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

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

(iii) Calculation of recoverable amount

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

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

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

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

Cash and cash equivalents

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

Interest Bearing Borrowings

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

Creditors and other payables

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

Service Concession Arrangements

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

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

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

Provisions

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

Employee entitlements

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

(i) Short-term entitlements

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

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

(ii) Long-term entitlements

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

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

Superannuation is provided as a percentage of remuneration.

Leases

(i) As lessee

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

(ii) As lessor

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

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

Net Assets / Equity

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

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

Third party transfer payment agencies

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

Goods and Services Tax

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

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

Donated services

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

Cost allocations

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

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

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

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

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

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

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

These are outlined in the Significant Forecasting Assumptions section.

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

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

Significant Forecasting Assumptions

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

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

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

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
			Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue is likely to impact the timing of future works or increase borrowing or lead to a reduced scope of work to be completed within the allocated budget.
1.2 Sources of funds for replacing assets. The sources of funds will occur as projected.	If funding does not occur as projected, then borrowing is required.	Low	If required, Council is well placed to borrow funds as required and remain within its LGFA benchmarks. The impact to ratepayers of every $10 million of additional borrowing for capital works is a 0.1% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing over 30 years.
1.3 Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice (the Accounting Policies detail the useful lives by asset class).	If the useful life of an asset/s is significantly shorter than expected, then the asset will need to be replaced sooner than planned and budgeted for. If the useful life of an asset is longer than expected, then the asset may be replaced sooner than required resulting in a loss of economic life and a consequential higher cost of service.	Moderate	Council maintains its databases with the latest known condition information. However, piped networks are below ground making asset condition more difficult to assess. Ideally assets are replaced just in time. Earlier replacement would put more pressure on the Council’s capital programme, financing costs and rates requirement. Late replacement can lead to more expensive replacement costs plus generally greater impacts on the operational costs, community and the environment.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
1.4 Carrying value of assets. The opening statement of financial position reflects correct asset values. The carrying value of assets are reviewed and updated on a regular basis.	If asset revaluations differ to that planned and change projected carrying values of assets, depreciation expense and certain ratios may be impacted.	Low	Land and buildings were independently revalued as of 30 June 2024, using market value where appropriate. Wastewater, water supply and stormwater assets, were independently revalued as of 30 June 2023. Roading assets were independently revalued as of 30 June 2022. The valuation of the Council's facilities and infrastructure assets at optimum depreciated replacement cost involves a significant amount of judgement in estimating the replacement unit cost, asset condition (for underground assets) and the remaining useful life of the assets. Accounting standards require that at least at each balance date a review of the assets and whether there has been a material change or impairment of the asset, these judgments are tested as part of the annual attest audit. Note: *That the asset values of three waters, roads and footpaths assets include additions (at cost less depreciation) and disposals since the last valuation.*
2. Inflation. Growth and Population			
2.1 Inflation. The price level changes projected will occur. Council has considered both information provided by Business Economic Research Limited (BERL) to all local authorities and a weighted mix of its own cost inputs in determining appropriate inflators. It also	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.	Moderate	Short-term impacts will be managed by managing costs to budget without impacting levels of service where possible. If increased costs and/ or reduced revenue negatively impacts on the Council's balance sheet it could lead the

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
receives external advice on forecast future salary movements. Where specific contractual or determined increases are not identified Council has used an inflation assumption of 3.4% for operational costs for the 2025/26 plan and 3.5% for capital expenditure.	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.	Low	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. 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.
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 November 2024, including: • Economic growth to recover from current recessionary conditions in calendar 2025. • Annual consumer price index inflation to remain around 2.0%-2.5% throughout the forecast period. • Interest rates to be mixed, with the Official Cash Rate declining towards 3.0% in calendar 2025, long-term hedging rates broadly unchanged, and credit margins remaining elevated. • Employment to continue slowing to more sustainable levels in early 2025, before recovering gradually. Council has prepared this Plan on the assumption that inflation and interest rates will	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: • Persistent inflation, leading to higher interest rates and cost pressures for longer • Disruptions to NZ export production and/or global trade patterns, leading to higher import costs and higher credit margins on borrowing	Moderate	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. 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 all the above. However, these risks are considered 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. As noted in the LTP assumptions the labour market constraints are forecast to ease.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
progress broadly in line with these projections – see assumptions for both.			
Development contributions revenue. The Council has assumed development will reflect the population and business growth model growth forecasts and has budgeted its development contributions revenue accordingly.	If the number of new properties paying development contributions is significantly less than forecast over the funding life of assets then revenue from development contributions will not be sufficient to fund the growth component of the Council's capital programme. If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing. The location and timing of development is determined by several factors such as market forces which are outside the control of the council.	Low	The timing of growth, and its impact on Council's development contributions revenue, will have a low impact on the borrowing and interest expense assumptions in this Plan. [note that in any one year a shortfall in DCs may not be material, but over the term of the LTP it can be]. Any shortfall in development contributions revenue must be funded initially by borrowing which is funded from rates over the relevant debt financing term, and if the policy is not fit for purpose and collections do not map growth in demand from development there is heightened risk of under collection of the 'true' amount for council from its DC revenue, which is then covered by borrowing and in the long run paid for by rates.
2.3 Population. That population and business growth will occur as forecast by the Council's growth modelling.	If population and/ or business growth is higher than projected, then the Council will need to provide additional unplanned services and infrastructure. If growth is lower than projected, then the Council will be required to support excess levels of infrastructure and service delivery.	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. Changes to services or infrastructure due to differing population are not likely to be required within a single Annual Plan year but may be significant when measured across a longer timescale.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
2.4 Rating Base. Growth in the number and value of rating units to 30 June 2024 is expected to increase the rating base for 2025/26 by $8.4 million (1.1%) compared to 2024/25. This is taken into account when determining the annual rates increase to existing ratepayers.	If the rating base grows at a materially different rate from that projected, then rates income may be materially different to that planned.	Low	Actual growth in the rating base is never known until 30 June because of the process by which it is measured. Council staff work closely with QV in the period leading up to 30 June 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.
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). 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. The total number is expected to increase by 209% from 16,300 to 34,000.	If the mix of ages within the population is significantly different from that forecast, the range and types of services that have factored in the needs of older persons may need to change.	Low	Age projections are provided by Statistics New Zealand on a nation-wide basis, and for the purpose of this Annual Plan the LTP assumption holds.
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 other work. Significant policy changes also are usually signalled sufficiently in advance that in any one Annual Plan they are manageable or will have limited impact during the relevant Annual Plan.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
3.2 NZTA 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 NZTA and/or could change the projects for which we receive funding.	Moderate/ Low	Changes to government funding priorities and NZTA funding decisions are outside Council control, and the risk varies from project to project. The maximum financial impact would be the elimination of all subsidies, which is extremely unlikely as continuous programmes have been approved for the three-year funding period. Decisions on which improvement projects will be funded through the National Land Transport Fund will not 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 NZTA to gain more clarity on which projects will receive funding. The Council adjusts its work programme and budget assumptions if necessary to align with NZTA funding availability.
3.3 Resource Consents. Conditions of resource consents held by Council will not be significantly altered.	Conditions required to obtain/maintain the consents will change, which may result in higher costs than projected, and these costs will not be covered by planned funding. Council is currently applying for the Akaroa wastewater consent. Consent conditions are unknown at this point, however National standards are	Moderate/ Low	Council will usually have sufficient notice period of likely changes to resource consents that may have significant financial impact. The financial impact of failing to obtain/renew resource consents cannot be precisely quantified generally but must be analysed per consent.

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
	proposed to come into effect in August 2025.		
3.4 **Legislative and Regulatory change.** The Government has initiated significant reform that will impact on the legislative and regulatory frameworks within which local government currently operates. Key reform programmes relate to Three Waters reform and resource management reform and building system reform. Given the expected timelines of the review processes the Council has assumed that no significant legislative or regulatory change will impact on the Council in the coming year, although this might change if the government follows through on its intention to enact the water service entities bill this year. The reform programmes are each covered in more detail below.	Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change which could impact on Council's costs and revenue requirements.	Low	The Government has several review programmes in progress which will significantly change the roles and responsibilities of local government as changes are implemented. 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, however, it is unlikely to have an impact financially or in terms of service delivery during the period of this Annual Plan.
3.5 **Three Waters Reform.** The Council will continue to deliver water services over the life of the LTP and has budgeted accordingly. The government has recently introduced legislation which will determine the requirements for the future of three waters asset ownership and service delivery. This will not affect the levels of service for delivery of three waters activities.	If Council resolves to transfer the three waters assets and responsibility for service delivery to a new water services entity, then large parts of the adopted Long-Term Plan and this Annual Plan will be inaccurate. If this occurs out of cycle with the 3 yearly LTP programme, this will then require significant budgeting and	Low	This is a work in progress and does not directly impact the 2025/26 Annual Plan in respect of governance, operations, LoS, rating and contract costs. The Council is in close contact with the Department of Internal Affairs (DIA) which is responsible for overseeing the new legislation regarding transfer of three waters assets and service delivery to water services entities. The work programmes and budgets for three waters activities have been prepared on the assumption Council

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
	operating changes for the Council through an amended LTP process.		will deliver these services indefinitely, though with close liaison with the DIA to facilitate a smooth transition.
3.6 Potential climate change impacts. The Ministry for the Environment and Stats NZ "Environment Aotearoa 2019" report states all aspects of life in New Zealand will be impacted by climate change. The projected local changes to climate that we must prepare for are: a. 0.48 metre rise in sea-level by 2070 and 1 metre sea-level rise by 2100; b. average temperatures will rise 0.5°C – 1.5°C by 2040 and by 3.5°C by 2090 c. changes in rainfall and extreme weather events.	The timing or severity of any climate change impacts could be worse than expected, meaning the Council is not sufficiently prepared.	Low	The Council has developed a Climate Resilience Strategy and is progressing the Coastal Hazards Adaptation Plan programme. These identify action programmes to respond to the impacts of climate change and the legislative requirements to consider the impacts of climate change. Variability in changes to the climate and its impacts and how we respond could result in different financial impacts. We have significant work to do to have a better understanding of our exposure and vulnerability to the impacts of climate change on our assets and how we adapt, to determine the financial impacts. 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. To provide capacity to respond to an emergency, Council has deliberately maintained significant debt capacity to fund any urgent and major works.
3.7 Future for Local Government Review. The Council has assumed any changes to local government service delivery and responsibilities arising from recommendations in the Future for Local Government report will not materially impact on its costs or financial	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	Moderate (for this Annual Plan cf the LTP)	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

Assumption	Risk	Level of Uncertainty	Mitigations, Reasons and Financial Impact of Uncertainty
position over the life of the Annual Plan 2025-26.	the adopted LTP and this Annual Plan.		changes are significant. The AP has been prepared on the basis that there are no significant changes to delivery and operations arising from reform that will impact during the AP timeframe which are not already known or considered. changes are significant.
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.	Moderate	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 2025/26 would increase net interest costs by an estimated $0.3 million in 2025/26, rising to $1.5 million annually by 2033/34.
4.2 Borrowing Costs. Net cost of ratepayer funded borrowing (i.e. including current and projected debt) is projected to be 4.9% in 2025/26.	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 Treasury advisor. Projected debt is mostly hedged to reduce exposure to market rate fluctuations, but a moderate amount of risk remains. Market interest rates 0.5% higher than projected would increase interest costs by around $2.0 million in 2025/26.
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 & funding risks 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.		
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.	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.	Low	The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote. The likelihood of a local authority borrower defaulting is extremely low and the LGFA has recovery mechanisms that would be applied prior to any call on the Guarantee. All of the borrowings by a local authority from the LGFA are secured by a charge over each local authority's Rates.
4.5 Opening Debt: The Council's opening debt of $2,822 million is made up of; • $221 million of equity investments, mainly in CCTOs (Venues Ōtautahi Ltd $185 million), • $743 million of money borrowed for on-lending, (in accordance with the Council's Liability Management Policy), • $1,782 million of capital works and earthquake related borrowing. There is an additional $91.5 million borrowed internally from the Capital Endowment Fund. • $76 million finance lease (Civic Building).	If the Council's actual opening debt differs from forecast, then the debt servicing costs may be higher than budgeted.	Low	Council's debt requirements are well understood and closely managed. It is unlikely that opening debt will be significantly different to forecast.

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5. Investment related			
5.1 Return on investments. Interest received on cash and general funds invested is projected to be 3.0% for 2025/26. The return on the Capital Endowment Fund (most of which is currently invested internally) is forecast to be 4.4% for 2025/26.	If interest rates are lower than projected, then Council's revenue from interest will be less than budgeted. Conversely, if interest rates are higher than projected, then Council's revenue from interest will be more than budgeted.	Low	Any financial impact is unlikely to be significant.
5.2 Value of Investment in Subsidiaries That the opening statement of financial position reflects the correct investment values.	If CCO revaluations differ significantly from the assumed values, then Council's assets will be overstated.	Low	The valuation of the Council's investments in subsidiary and associated companies at fair value has a material impact on the amounts recognised in these prospective financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic (currently annually) basis, at intervals sufficient to ensure that the fair value of these investments does not differ materially from their carrying value, and are independently audited by Audit NZ as part of the annual attest audit.
5.3 CCTO income. CCHL will deliver dividend income at the levels forecast in this Plan.	If CCHL delivers a lower than projected dividend, then the Council will need to source alternate funding or reduce work programmes funded from dividends. If additional dividend income is received, then the level of borrowing forecast in this Plan will be reduced.	Low	CCTOs are monitored by their Statements of Intent and quarterly reporting to the Council.

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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 deductible payments (known as subvention payments) to entities with a tax loss which reduces the Council Group 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. Council also works closely with those subsidiaries in Councils Tax group, to achieve positive outcomes.
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 Ōtautahi Community Housing Trust.	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 from rates. 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.	High	With a focus on repairing earthquake damage, lifting quality standards, and addressing deferred maintenance, there has been significant expenditure from the fund over recent 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. The proposed Long-Term Plan contains revenue budget from future sales of complexes to ensure a balanced budget. Council has already made the decision to sell some complexes but has not yet decided to sell all required for a balanced budget. Changes to Government policy may also impact on the funding available for new social housing. Should policy change and future Council decisions reduce funding availability the approach reflected in the LTP will be revisited. To remain within Council's policy parameters

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			the most likely recommendation will be to reduce renewal and maintenance expenditure.
6.2 Contract Rates. Re-tendering of major contracts will not result in cost increases in excess of the rate of inflation or budgeted amount.	There continues to be some risk in the market in relation to cost increases - particularly those involving overseas supply chains, those greatly linked to the price of oil and for larger maintenance contracts.	High/ Moderate	Where possible Council would review the scope of work under an affected contract, or alternatively adjust the budget between services to free up additional funding. Inflation generally is lower, there are definite signs that capital procurements are more competitive with some prices received under their estimate (noting the estimates maybe risk adverse and factoring in levels of inflation etc.). However, countering this there also remains volatility in supply chains and shortages of construction materials, placing further upward pressure on costs. The construction labour market still faces some pressure, but this is not uniform across all parts of the construction sector. Inevitably this will impact contract rates. Potential cost increases are best mitigated through better design and operational review (for maintenance – e.g. frequencies) and to reduce the risk of uncertainty and variations. Some mitigation can occur by 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.

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