Financial Statements

Christchurch City Council
Prospective statement of comprehensive revenue and expense

Plan 2014/15	$000	Note	Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	REVENUE											
358,126	Rates revenue		392,762	424,342	461,750	490,577	517,978	545,531	571,826	597,706	627,343	659,344
18,766	Development contributions		17,231	12,831	17,732	23,894	22,757	23,835	25,408	24,387	23,607	23,761
435,251	Grants and subsidies		227,507	138,916	93,782	77,816	44,004	39,664	39,837	43,525	50,474	50,144
267,877	Other revenue	1	338,726	422,539	549,713	178,704	181,068	187,219	200,160	204,550	211,550	219,087
1,080,020	**Total operating income**		**976,226**	**998,628**	**1,122,977**	**770,991**	**765,807**	**796,249**	**837,231**	**870,168**	**912,974**	**952,336**
	EXPENDITURE											
60,482	Finance costs		78,574	90,979	99,902	98,549	102,729	108,530	110,411	110,007	112,002	114,515
115,856	Depreciation	2	161,166	178,925	192,044	203,382	211,902	220,768	230,803	241,117	245,611	256,387
481,903	Other expenses	3	486,114	432,293	410,140	414,523	428,575	441,209	453,995	468,999	481,203	496,259
658,241	**Total operating expenditure**		**725,854**	**702,197**	**702,086**	**716,454**	**743,206**	**770,507**	**795,209**	**820,123**	**838,816**	**867,161**
421,779	**Surplus before asset contributions**		**250,372**	**296,431**	**420,891**	**54,537**	**22,601**	**25,742**	**42,022**	**50,045**	**74,158**	**85,175**
3,665	Vested assets		283,752	4,563	6,605	27,011	116,575	8,047	8,492	8,617	8,472	8,552
425,444	**Surplus before income tax expense**		**534,124**	**300,994**	**427,496**	**81,548**	**139,176**	**33,789**	**50,514**	**58,662**	**82,630**	**93,727**
(2,779)	Income tax expense		(9,000)	(1,500)	(300)	(2,500)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)
428,223	**Net surplus for year**		**543,124**	**302,494**	**427,796**	**84,048**	**140,426**	**35,039**	**51,764**	**59,912**	**83,880**	**94,977**
	Other Comprehensive Revenue and Expense											
55,627	Changes in Revaluation Reserve		351,536	(620)	(122,500)	216,546	230,838	245,948	271,301	288,792	317,289	347,907
483,850	**Total Comprehensive Revenue and Expense**		**894,660**	**301,874**	**305,296**	**300,594**	**371,264**	**280,987**	**323,065**	**348,704**	**401,169**	**442,884**

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

Plan 2014/15	$000	Note	Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
7,354,178	**RATEPAYERS EQUITY AT JULY 1**		9,544,061	10,438,721	10,740,595	11,045,891	11,346,485	11,717,749	11,998,736	12,321,801	12,670,505	13,071,674	
	Net surplus attributable to:												
	Reserves												
55,627	Revaluation reserve		351,536	(620)	(122,500)	216,546	230,838	245,948	271,301	288,792	317,289	347,907	#
	Retained earnings												
428,223	Surplus		543,124	302,494	427,796	84,048	140,426	35,039	51,764	59,912	83,880	94,977	
483,850	Total comprehensive income for the year		894,660	301,874	305,296	300,594	371,264	280,987	323,065	348,704	401,169	442,884	
7,838,028	**RATEPAYERS EQUITY AT JUNE 30**	7	**10,438,721**	**10,740,595**	**11,045,891**	**11,346,485**	**11,717,749**	**11,998,736**	**12,321,801**	**12,670,505**	**13,071,674**	**13,514,558**	

Christchurch City Council
Prospective statement of financial position

Plan 2014/15	$000	Note	Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Current assets											
24,400	Cash and cash equivalents		7,037	8,901	10,829	12,775	14,835	16,965	19,222	20,823	22,515	24,352
149,516	Trade receivables and prepayments	4	74,294	76,003	77,830	79,695	81,768	83,975	86,411	89,004	91,761	94,792
6,024	Inventories		3,236	3,310	3,390	3,471	3,562	3,658	3,764	3,877	3,997	4,129
40,205	Other financial assets		62,570	18,581	98,492	24,459	28,306	32,664	37,893	44,012	50,875	58,278
	Non-current assets											
	Investments											
1,844,437	- Investments in CCOs and other similar entities		1,842,816	1,651,555	1,340,142	1,341,368	1,339,868	1,338,168	1,336,168	1,394,778	1,510,868	1,583,168
86,582	- Other investments		96,563	96,563	96,563	94,563	94,563	94,563	94,563	94,563	94,563	94,563
78,634	Intangible assets		78,315	85,795	89,206	90,278	91,493	90,795	89,852	89,232	88,527	87,943
1,325,521	Operational assets		1,273,708	1,495,740	1,618,034	1,682,076	1,751,676	1,775,100	1,795,822	1,827,090	1,860,115	1,900,385
5,064,860	Infrastructural assets		7,791,965	8,327,080	8,642,195	8,924,868	9,191,617	9,442,810	9,686,762	9,936,956	10,221,331	10,529,298
884,410	Restricted assets		971,731	1,012,979	1,063,217	1,121,988	1,255,110	1,286,503	1,319,800	1,353,205	1,389,083	1,428,022
9,504,589	**TOTAL ASSETS**		**12,202,235**	**12,776,507**	**13,039,898**	**13,375,541**	**13,852,798**	**14,165,201**	**14,470,257**	**14,853,540**	**15,333,635**	**15,804,930**
	Current liabilities	5										
113,748	Trade and other payables		125,839	98,043	100,401	102,806	105,480	108,327	111,470	114,815	118,371	122,281
160,993	Borrowings		94,945	105,684	108,026	110,104	115,956	119,457	121,357	124,704	129,618	129,618
17,923	Other liabilities and provisions		17,832	16,188	16,554	17,170	17,663	18,053	18,391	19,099	19,412	20,043
	Non-current liabilities											
1,309,079	Borrowings		1,463,706	1,752,923	1,706,045	1,736,319	1,833,686	1,858,696	1,835,483	1,862,974	1,933,196	1,957,061
60,887	Other liabilities and provisions	6	57,210	59,000	58,805	58,377	57,873	57,422	57,115	56,663	56,431	56,269
3,931	Deferred tax liability		3,982	4,074	4,176	4,280	4,391	4,510	4,640	4,780	4,933	5,100
7,838,028	**Ratepayers Equity**	7	10,438,721	10,740,595	11,045,891	11,346,485	11,717,749	11,998,736	12,321,801	12,670,505	13,071,674	13,514,558
9,504,589	**TOTAL EQUITY AND LIABILITIES**		**12,202,235**	**12,776,507**	**13,039,898**	**13,375,541**	**13,852,798**	**14,165,201**	**14,470,257**	**14,853,540**	**15,333,635**	**15,804,930**

Christchurch City Council
Prospective cash flow statement

Plan 2014/15	$000	Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	OPERATING ACTIVITIES										
	Cash was provided from:										
529,898	Rates, grants, subsidies and other sources	574,913	600,920	647,573	694,113	720,191	750,240	780,014	811,097	846,936	886,480
19,382	Interest received	22,675	21,928	22,346	21,018	19,809	20,198	20,434	20,440	20,243	20,348
24,456	Earthquake recoveries	14,106	4,663	-	-	-	-	-	-	-	-
55,504	Dividends	255,282	242,266	396,349	24,116	24,893	24,438	33,127	32,827	35,843	37,243
629,240		866,976	869,777	1,066,268	739,247	764,893	794,876	833,575	864,364	903,022	944,071
	Cash was disbursed to:										
482,253	Payments to suppliers and employees	486,451	459,943	407,609	411,930	425,912	438,423	450,822	465,399	477,567	491,880
60,482	Interest paid	78,574	90,979	99,902	98,549	102,729	108,530	110,411	110,007	112,002	114,515
542,735		565,025	550,922	507,511	510,479	528,641	546,953	561,233	575,406	589,569	606,395
86,505	**NET CASH FLOW FROM OPERATIONS**	**301,951**	**318,855**	**558,757**	**228,768**	**236,252**	**247,923**	**272,342**	**288,958**	**313,453**	**337,676**
	INVESTING ACTIVITIES										
	Cash was provided from:										
6,763	Sale of assets	54,671	8,026	5,925	5,857	4,370	504	518	534	551	570
453,558	Earthquake recoveries	371,249	128,569	55,101	32,298	-	320	2,365	4,349	8,327	6,352
32,027	Investments realised	31,369	44,637	1,000	77,233	1,500	1,700	2,000	2,000	2,000	2,000
492,348		457,289	181,232	62,026	115,388	5,870	2,524	4,883	6,883	10,878	8,922
	Cash was applied to:										
1,028,643	Purchase of assets	965,030	798,179	471,057	372,136	339,434	272,470	248,426	258,349	272,822	286,923
-	Purchase of investments	-	-	23,351	2,426	-	-	-	60,610	118,090	74,300
-	Purchase of investments (special funds)	-	-	79,911	-	3,847	4,358	5,229	6,119	6,863	7,403
1,028,643		965,030	798,179	574,319	374,562	343,281	276,828	253,655	325,078	397,775	368,626
(536,295)	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(507,741)**	**(616,947)**	**(512,293)**	**(259,174)**	**(337,411)**	**(274,304)**	**(248,772)**	**(318,195)**	**(386,897)**	**(359,704)**

Plan 2014/15		Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	FINANCING ACTIVITIES										
	Cash was provided from:										
471,528	Raising of loans	483,855	333,754	587	86,351	155,155	87,290	53,386	112,425	168,530	127,822
471,528		483,855	333,754	587	86,351	155,155	87,290	53,386	112,425	168,530	127,822
	Cash was applied to:										
17,542	Repayment of term liabilities	277,118	33,798	45,123	53,999	51,936	58,779	74,699	81,587	93,394	103,957
17,542		277,118	33,798	45,123	53,999	51,936	58,779	74,699	81,587	93,394	103,957
453,986	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**206,737**	**299,956**	**(44,536)**	**32,352**	**103,219**	**28,511**	**(21,313)**	**30,838**	**75,136**	**23,865**
4,196	Increase/(decrease) in cash	947	1,864	1,928	1,946	2,060	2,130	2,257	1,601	1,692	1,837
20,204	Add opening cash	6,090	7,037	8,901	10,829	12,775	14,835	16,965	19,222	20,823	22,515
24,400	**ENDING CASH BALANCE**	**7,037**	**8,901**	**10,829**	**12,775**	**14,835**	**16,965**	**19,222**	**20,823**	**22,515**	**24,352**
	Represented by:										
24,400	Cash and cash equivalents	7,037	8,901	10,829	12,775	14,835	16,965	19,222	20,823	22,515	24,352

Christchurch City Council
Funding impact statement

Plan 2014/15	$000	Plan 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Sources of operating funding										
246,946	General rates, uniform annual general charges, rates penalties	269,786	294,064	320,285	346,269	367,481	389,638	409,020	429,130	452,360	478,119
111,180	Targeted rates	122,976	130,278	141,465	144,308	150,497	155,893	162,806	168,576	174,983	181,225
21,321	Subsidies and grants for operating purposes	19,809	20,841	21,222	21,659	22,599	23,300	24,099	24,821	25,976	26,817
97,344	Fees, charges	98,371	98,317	102,042	114,235	120,602	127,583	132,158	137,820	142,070	147,655
74,886	Interest and dividends from investments	277,957	264,194	418,695	45,134	44,702	44,636	53,561	53,267	56,086	57,591
36,460	Local authorities fuel tax, fines, infringement fees, and other receipts	36,379	20,187	14,389	16,238	14,827	14,103	13,583	12,876	13,200	13,607
588,137	**Total operating funding**	**825,278**	**827,881**	**1,018,098**	**687,843**	**720,708**	**755,153**	**795,227**	**826,490**	**864,675**	**905,014**
	Applications of operating funding										
414,558	Payments to staff and suppliers	421,831	391,907	370,780	377,728	397,990	410,373	422,811	437,471	449,351	464,094
60,482	Finance costs	78,574	90,979	99,902	98,549	102,729	108,530	110,411	110,007	112,002	114,515
67,346	Other operating funding applications	64,283	40,386	39,358	36,795	30,584	30,836	31,185	31,527	31,853	32,165
542,386	**Total applications of operating funding**	**564,688**	**523,272**	**510,040**	**513,072**	**531,303**	**549,739**	**564,407**	**579,005**	**593,206**	**610,774**
45,751	**Surplus (deficit) of operating funding**	**260,590**	**304,609**	**508,058**	**174,771**	**189,405**	**205,414**	**230,820**	**247,485**	**271,469**	**294,240**
	Sources of capital funding										
20,615	Subsidies and grants for capital expenditure	21,848	28,543	30,008	27,230	21,404	16,045	13,374	14,355	16,172	16,975
18,766	Development and financial contributions	17,231	12,831	17,732	23,894	22,757	23,835	25,408	24,387	23,607	23,761
453,986	Increase (decrease) in debt	206,737	299,956	(44,536)	32,352	103,219	28,511	(21,313)	30,838	75,136	23,865
6,763	Gross proceeds from sale of assets	54,671	8,026	5,925	5,857	4,370	504	518	534	551	570
-	Lump sum contributions	-	-	-	-	-	-	-	-	-	-
454,335	Other dedicated capital funding	119,923	129,927	56,491	33,578	1,241	1,520	3,527	5,546	9,561	7,626
954,465	**Total sources of capital funding**	**420,410**	**479,283**	**65,620**	**122,911**	**152,991**	**70,415**	**21,514**	**75,660**	**125,027**	**72,797**
	Applications of capital funding										
	Capital expenditure										
878,842	- to replace existing assets	800,763	634,734	341,283	234,443	200,161	163,082	182,364	240,960	309,720	290,860
36,585	- to improve the level of service	60,846	80,351	100,892	88,833	81,489	64,012	30,369	27,134	29,694	32,248
107,881	- to meet additional demand	96,599	83,197	52,593	51,639	58,399	46,077	36,372	51,361	52,219	38,526
(21,892)	Increase (decrease) in reserves	(276,808)	(13,990)	79,910	(74,033)	3,847	4,358	5,229	6,119	6,863	7,403
(1,200)	Increase (decrease) of investments	(400)	(400)	(1,000)	(3,200)	(1,500)	(1,700)	(2,000)	(2,429)	(2,000)	(2,000)
1,000,216	**Total applications of capital funding**	**681,000**	**783,892**	**573,678**	**297,682**	**342,396**	**275,829**	**252,334**	**323,145**	**396,496**	**367,037**
(45,751)	**Surplus (deficit) of capital funding**	**(260,590)**	**(304,609)**	**(508,058)**	**(174,771)**	**(189,405)**	**(205,414)**	**(230,820)**	**(247,485)**	**(271,469)**	**(294,240)**
-	**Funding balance**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Footnotes										
24,456	(a) Earthquake related operating recoveries	14,106	4,663	-	-	-	-	-	-	-	-
804,030	(b) Earthquake rebuild application of capital funding	711,063	534,313	244,276	120,076	82,668	36,350	43,229	107,784	167,598	120,127

Notes to the prospective financial statements

Plan 2014/15	$000	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 1										
	Other revenue										
192,991	Fees and charges	60,769	158,345	131,018	133,570	136,366	142,583	146,599	151,283	155,464	161,496
	Interest:										
11,889	Subsidiaries	15,843	15,830	15,564	14,378	14,346	14,397	14,207	13,937	13,423	13,178
7,401	Special and other fund investments	6,769	6,048	6,729	6,583	5,403	5,734	6,151	6,423	6,736	7,081
92	Short term investments	63	50	53	57	60	67	76	80	84	89
19,382	Total interest revenue	22,675	21,928	22,346	21,018	19,809	20,198	20,434	20,440	20,243	20,348
	Dividends:										
52,000	Christchurch City Holdings Ltd	246,000	238,100	387,300	20,300	21,000	20,700	29,700	29,400	32,300	33,700
3,384	Transwaste Ltd	9,162	4,046	8,929	3,696	3,773	3,618	3,307	3,307	3,423	3,423
120	Other	120	120	120	120	120	120	120	120	120	120
55,504	Total dividend revenue	255,282	242,266	396,349	24,116	24,893	24,438	33,127	32,827	35,843	37,243
267,877	**Total other revenue**	**338,726**	**422,539**	**549,713**	**178,704**	**181,068**	**187,219**	**200,160**	**204,550**	**211,550**	**219,087**
	NOTE 2										
	Depreciation										
8,648	Arts and culture	7,727	8,170	8,903	10,093	10,685	10,870	11,000	11,333	11,813	12,164
102	Economic development	84	67	53	57	68	70	70	72	74	77
-	Flood protection and control works	9	16	22	30	37	45	55	67	79	94
-	Heritage protection and policy	-	-	-	-	-	-	-	-	-	-
6,012	Housing	6,849	7,270	7,550	7,764	8,087	8,334	8,662	9,067	8,998	9,422
-	Natural environment	-	-	-	-	-	-	-	-	-	-
6,297	Parks and open spaces	7,008	6,968	7,068	7,323	7,101	7,042	7,218	7,486	7,497	7,490
2,087	Refuse minimisation and disposal	2,061	2,093	2,197	2,302	2,407	2,514	2,646	2,769	2,838	2,951
65	Regulation and enforcement	82	115	122	127	131	133	134	133	135	117
1,274	Resilient communities	1,345	1,681	1,841	1,942	1,990	2,006	2,137	2,288	2,460	2,597
34,065	Roads and footpaths	39,009	40,519	43,216	45,534	47,841	50,266	53,539	57,033	57,333	60,764
18,976	Sewerage collection, treatment and disposal	40,406	42,886	44,428	46,270	48,284	50,372	52,187	53,685	55,608	57,497
5,079	Sport and recreation	5,066	5,636	6,396	7,124	7,808	10,592	11,231	12,009	12,871	13,816
4,731	Stormwater and drainage	4,745	10,425	10,693	11,026	11,325	11,650	12,009	12,450	12,971	13,568
-	Strategic governance	-	-	-	-	-	-	-	-	-	-
37	Strategic policy and planning	41	67	84	102	121	142	163	186	210	237
4,001	Transport	4,087	5,141	6,218	7,450	8,849	9,927	10,858	11,554	12,002	12,759
10,886	Water supply	25,414	26,217	27,152	28,066	29,053	30,089	31,242	32,398	32,075	32,920
13,596	Corporate	17,233	21,654	26,101	28,172	28,115	26,716	27,652	28,587	28,647	29,914
115,856	**Total Depreciation**	**161,166**	**178,925**	**192,044**	**203,382**	**211,902**	**220,768**	**230,803**	**241,117**	**245,611**	**256,387**
	NOTE 3										
	Other expenses										
	Operating expenditure:										
166,313	Personnel costs	177,815	180,944	189,443	204,525	210,415	219,915	225,958	232,615	240,139	248,291
34,724	Donations, grants and levies	34,279	39,975	38,581	35,763	29,152	28,982	28,863	28,710	28,510	28,242
280,866	Other operating costs	274,020	211,374	182,116	174,235	189,008	192,312	199,174	207,674	212,554	219,726
481,903	**Total other expenses**	**486,114**	**432,293**	**410,140**	**414,523**	**428,575**	**441,209**	**453,995**	**468,999**	**481,203**	**496,259**

Plan 2014/15	$000	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 4										
	Current assets										
	Trade receivables and prepayments										
12,647	Rates debtors	15,175	16,884	18,711	20,576	22,649	24,856	27,292	29,885	32,642	35,673
26,951	Other trade debtors	12,577	12,577	12,577	14,041	14,441	14,691	14,741	14,041	12,741	12,641
3,834	Amount owing by subsidiaries	4,964	4,964	4,964	3,500	3,100	2,850	2,800	3,500	4,800	4,900
100,090	Other receivables/prepayments	34,378	36,157	40,488	41,948	42,419	42,452	42,488	42,527	42,568	42,614
7,200	GST receivable	8,219	6,492	2,252	841	408	408	408	408	408	408
150,722		75,313	77,074	78,992	80,906	83,017	85,257	87,729	90,361	93,159	96,236
(1,206)	Less provision for doubtful debts	(1,019)	(1,071)	(1,162)	(1,211)	(1,249)	(1,282)	(1,318)	(1,357)	(1,398)	(1,444)
149,516	**Total trade receivables and prepayments**	**74,294**	**76,003**	**77,830**	**79,695**	**81,768**	**83,975**	**86,411**	**89,004**	**91,761**	**94,792**
	NOTE 5										
	Current liabilities										
99,584	Trade creditors	124,189	96,393	99,451	102,006	104,700	107,562	110,710	114,055	117,616	121,526
14,164	Owing to subsidiaries	1,650	1,650	950	800	780	765	760	760	755	755
113,748		125,839	98,043	100,401	102,806	105,480	108,327	111,470	114,815	118,371	122,281
160,993	Current portion of gross debt	94,945	105,684	108,026	110,104	115,956	119,457	121,357	124,704	129,618	129,618
325	Provision for landfill aftercare	344	344	329	557	619	582	413	582	321	321
3,047	Provision for weathertight homes	2,032	32	32	32	32	-	-	-	-	-
14,551	Provision for employee entitlements	15,456	15,812	16,193	16,581	17,012	17,471	17,978	18,517	19,091	19,722
17,923		17,832	16,188	16,554	17,170	17,663	18,053	18,391	19,099	19,412	20,043
292,664	**Total current liabilities**	**238,616**	**219,915**	**224,981**	**230,080**	**239,099**	**245,837**	**251,218**	**258,618**	**267,401**	**271,942**
	NOTE 6										
	Non-current other liabilities and provisions										
19,442	Provision for landfill aftercare	19,728	21,409	21,095	20,545	19,902	19,269	18,760	18,094	17,634	17,222
5,884	Provision for employee entitlements	6,140	6,281	6,432	6,586	6,758	6,940	7,142	7,356	7,584	7,834
2,432	Provision for weathertight homes	129	97	65	33	-	-	-	-	-	-
24,053	Hedge and other liabilities	24,239	25,185	26,131	27,076	28,022	28,968	29,914	30,553	30,763	30,973
2,760	Revenue in advance	2,130	1,920	1,710	1,500	1,290	1,080	870	660	450	240
6,316	Service concession arrangement	4,844	4,108	3,372	2,637	1,901	1,165	429	-	-	-
60,887	**Total non-current other liabilities and provisions**	**57,210**	**59,000**	**58,805**	**58,377**	**57,873**	**57,422**	**57,115**	**56,663**	**56,431**	**56,269**
	NOTE 7										
	Equity										
1,733,853	Capital reserve	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853	1,733,853
146,658	Reserve funds	148,320	134,331	214,242	140,209	144,056	148,414	153,643	159,762	166,625	174,028
2,672,310	Asset revaluation reserves	5,188,049	5,378,042	5,589,306	5,805,852	6,036,690	6,282,638	6,553,939	6,842,731	7,160,020	7,507,927
3,285,207	Retained earnings	3,368,499	3,494,369	3,508,490	3,666,571	3,803,150	3,833,831	3,880,366	3,934,159	4,011,176	4,098,750
7,838,028	**Total equity**	**10,438,721**	**10,740,595**	**11,045,891**	**11,346,485**	**11,717,749**	**11,998,736**	**12,321,801**	**12,670,505**	**13,071,674**	**13,514,558**

Plan 2014/15	$000	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	NOTE 8										
	Revenues from exchange and non-exchange transactions										
157,086	Revenue from exchange transactions	358,182	342,855	500,423	138,408	143,384	149,274	161,656	165,905	171,777	177,557
929,378	Revenue from non-exchange transactions	910,796	661,836	629,459	662,094	740,248	656,272	685,317	714,130	750,919	784,581
1,086,464	**Total revenue**	**1,268,978**	**1,004,691**	**1,129,882**	**800,502**	**883,632**	**805,546**	**846,973**	**880,035**	**922,696**	**962,138**

Statement of significant accounting policies

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

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

Basis of preparation

i) Statement of compliance

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

The prospective financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity. with the exception of the departures detailed below.

ii) Prospective Financial Statements

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

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

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

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

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

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 10 years and include them within the Long Term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

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

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

<u>Cautionary Note</u>

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

<u>Other Disclosures</u>

The prospective financial statements were authorised for issue on 26 June2015 by Christchurch City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Long Term Plan is prospective and as such contains no actual operating results.

iii) Measurement base

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

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

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

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

It is expected that the Council will be in full compliance with PBE Standards from 2016 onwards.

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

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

Revenue

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

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

<u>Revenue from exchange transactions</u>

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.

<u>Revenue from non-exchange transactions</u>

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

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

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

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

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

(i) Rates

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

Rates are a tax as they are payable under the Local Government Ratings Act 2002 and are therefore defined as non-exchange.

(ii) Goods sold and services rendered

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

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

Where the revenue received is considered to reflect market value it will be categorised as exchange income otherwise it will be non-exchange.

(iii) Finance Income

Finance income comprises interest receivable on funds invested and on loans advanced. Finance income is recognised using the effective interest rate method.

(iv) Rental income

Rental income from investment property is classified as exchange revenue and recognised proportionately over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Rental income from social housing properties is classified as non-exchange revenue as the rental received is lower than market rentals.

(v) Grants income (including government grants)

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

Grant income is categorised as non-exchange revenue.

(vi) Dividend income

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

(vii) Finance lease income

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

(viii) Development Contributions

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

(ix) Other gains

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

(x) Earthquake subsidies and recoveries

Earthquake subsidies and recoveries include payments from Government agencies, Ministries and Departments as well as payments from Council's insurers. Earthquake subsidies and recoveries are recognised in the financial statements when received or when it is probable or virtually certain that they will be received under the insurance contracts in place.

The classification of earthquake subsidies and recoveries as exchange or non-exchange is dependent on the nature of the subsidy or recovery.

(xi) Vested assets and donated goods

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

Expenses

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

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Finance costs

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

iv) Other losses

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

(v) Grant expenditure

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

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

Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Infrastructure Assets:

Formation	not depreciated
Pavement sub-base	not depreciated
Base course	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	1-25 yrs
Streetlights and signs	15-40 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/retaining walls	20-100 yrs
Bridges	70-100 yrs
Bus shelters and furniture	15-30 yrs
Water supply	55-130 yrs
Water meters	20-25 yrs
Stormwater	20-150 yrs
Waterways	15-120 yrs
Sewer	50-150 yrs
Treatment plant	15-100 yrs
Pump stations	10-100 yrs

Restricted Assets:

Planted areas	5-110 yrs
Reserves – sealed areas	10-40 yrs
Reserves – structures	25-150 yrs
Historic buildings	100 yrs

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

Distinction between capital and revenue expenditure

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

Intangible assets

(i) Computer software

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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

Derivative financial instruments

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

Hedging

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

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

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

Investments

The Council classifies its investments in the following categories:

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

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

(b) *Loans and receivables*

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

(c) *Held-to-maturity investments*

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

(d) *Financial assets at fair value through other comprehensive revenue and expense*

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

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

(i) Investment in subsidiaries

The Council's equity investments in its subsidiaries are designated as financial assets at fair value through other comprehensive revenue and expense. They are measured at fair value, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are held in a revaluation reserve until the subsidiary is sold.

(ii) Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised within surplus or deficit.

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

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

Trade and other receivables

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

Inventories

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

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

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

Impairment

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

Impairment losses on property, plant and equipment are recognised within surplus or deficit. Impairment losses on revalued assets offset any balance in the asset revaluation reserve for that class of assets, with any remaining impairment loss being recognised within surplus or deficit. The opening balance for fixed assets includes a general provision of $694 million. This provision will be reversed and replaced with the correct accounting treatment as the condition of assets is identified.

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

Cash and cash equivalents

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

Borrowings

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

Creditors and other payables

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

Provisions

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

Employee entitlements

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

(i) Short-term entitlements

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

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

(ii) Long-term entitlements

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

These estimated amounts are discounted to their present value using an interpolated 10-year government bond rate.

Superannuation is provided as a percentage of remuneration.

Leases

(i) As lessee

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

(ii) As lessor

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

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

Net Assets / Equity

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

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

Third party transfer payment agencies

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

Goods and Services Tax

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

Donated services

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

Cost allocations

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

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

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

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

Preparing prospective financial statements to conform to PBE Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These are outlined in the Significant Forecasting Assumptions section. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

Significant Forecasting Assumptions

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

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

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

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			For Anchor projects we have assumed that the Council's contribution is its maximum contribution (in line with the Cost Share Agreement). However, for some of the assets, in particular the Stadium, delays in construction could result either in Council's contribution increasing due to inflation and other cost increases, or the project being reduced in scope to meet the budget.
Sources of funds for replacing assets. The sources of funds will occur as projected.	Funding does not occur as projected.	Moderate	Council, insurers, and Central Government are still refining cost estimates of earthquake related asset damage and the associated funding sources. The risk is that Council assumes a higher share of the cost. This will be funded by additional borrowing provided the Council has sufficient capacity to borrow the additional funds. In the event that the Council cannot borrow additional funds it would need to consider other sources of funding or reductions in the planned capital programme or levels of service. The impact to ratepayers of every $10 million of additional borrowing for capital works is a 0.25% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing.
Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice (The Accounting Policies detail the useful lives by asset class)	Damage to assets as a result of the earthquake is such that their useful lives are shortened significantly.	Moderate	Work has yet been completed to determine the condition of assets in the lesser affected areas. Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs. [This is also discussed in the Infrastructure Strategy.]
Carrying value of assets. The opening balance sheet reflects the correct asset values. The carrying value of assets are revalued on a regular basis	All assets are not correctly recorded at their revalued amounts. Asset revaluations will change projected carrying values of the assets and depreciation expense.	Moderate	Land and buildings, wastewater and roading assets were revalued as at 30 June 2015 and the findings incorporated into the opening balance sheet. Because of the number of buildings which were valued the valuers assumed no damage and an adjustment was made for the loss of value due to impairment. Stormwater assets have not yet been revalued and an adjustment was made based on the movement in similar asset classes. These adjustments may prove to be incorrect.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			Differences in carrying value will affect levels of depreciation.
Insurance Recoveries. The Council has submitted claims or indicative claims for all material assets and is continuing to negotiate with the insurers to settle the claims. The cash settlement of the recoveries is expected in 2016, 2017 and 2018.	That the Council is: • unable to settle its insurance claims within the timeframe expected; and • receives less than it believes it is entitled to under its insurance contracts.	High	The nature of insurance settlement negotiations are such that there is a significant level of uncertainty over the amount that it will receive. In the event that the cash settlement realises less than has been planned the Council will need to fund the shortfall. The options for funding the shortfall are: • borrowing further funds subject to the Council having the capacity to borrow more funds. • considering other funding sources including rates and asset sales. • making changes to the planned capital programme or levels of service.
Inflation. Growth and Population			
Inflation. The price level changes projected will occur. In developing this plan Council based its inflation projections on information provided by Business Economic Research Limited to all local authorities with an adjustment in early years for the rebuild factor. Different weighted average inflation figures for capital and operational items are used due to the potential impact of the rebuild on capital costs. Inflation adjustments used are: Capital Opex 2016/17 2.3% 2.3% 2017/19 2.5% 2.4% 2019/20 2.6% 2.6% 2020/21 2.7% 2.7% 2021/22 2.9% 2.9% 2022/23 3.0% 3.0% 2023/24 3.2% 3.1% 2024/25 3.4% 3.3%	Inflation will be higher or lower than anticipated Inflation on costs will not be offset by inflation on revenues.	Moderate Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates.

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

	Weighting	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Roads	25%	0.4	1.2	1.4	2.2	2.4	2.6	2.8	2.9	3.1	3.3
Earthmoving	10%	1.7	1.8	2.6	2.4	2.0	2.1	2.3	2.4	2.5	2.9
Pipelines	44%	1.8	2.1	2.5	2.6	2.8	2.9	3.1	3.2	3.4	3.5
Other	22%	1.5	2.3	2.5	2.6	2.7	2.9	3.0	3.1	3.3	3.4
	100%										

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Economic Environment. At the time of finalising this Plan the performance of the New Zealand economy is driven by the Auckland expansion and the Canterbury rebuild. Council has prepared this Plan on the basis that the current predictions about the economy and speed of recovery will prove correct.	The current rebuild and recovery slows or the economy moves into a new recession.	Moderate	While the New Zealand economy is currently in a strong position the availability and cost of resources including labour and materials could constrain the speed of the recovery. Building costs have increased due to the demand on resources and may impact rebuild and non-earthquake related projects, while accommodation issues along with the labour demand by Auckland could affect the ability of the region to secure and retain the temporary workforce required for the rebuild. Any slow down in recovery will impact on the rating base. Current housing demand will peak and may correct itself through value adjustment downwards – possibly over the next 3-5 years.
Growth and land use change on development contributions. Council collects development contributions from property developers to fund the capital costs of growth in the City's infrastructure. The amount collected is dependent on the forecast growth in the number of residential, commercial, industrial, and other properties. This forecast is based on Council's Growth Model adjusted for expected post-earthquake activity. The location and timing of future residential and business development.	If growth in the number of properties varies considerably from forecasts there is a possibility that revenue collected from development contributions will be too much or too little to fund Council's capital programme. If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing. The location and timing of development is determined by a number of factors outside the control of the council such as market factors.	Moderate Moderate	The timing of growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this Plan. This may mean that growth could occur in different areas or at different rates than projected. This would have an impact on planned infrastructure provision by either requiring projects to be brought forward or delayed.
Population. Planning for activities, and thus the likely cost of providing those activities is on the assumption that the population of Christchurch will increase at the rate forecast by Council's growth model. That model predicts the population of Christchurch to reach 383,700 by 2025, an increase of 6% over 2015 with the number of households increasing 13% over the same period.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure. That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery.	Moderate Moderate	Population projections are based upon a standard set of demographic assumptions. However, the impact of the earthquake and the speed of the rebuild could alter these assumptions. Therefore the level of risk is moderate and could impact the cost of providing activities Net increases in inward migration fuelled by a rebuild are difficult to predict as is their sustainability in the medium term.
Rating Base The capital value of Christchurch (post revaluation) is expected to increase across the years of the LTP. The projected percentage increase in rates includes the assumption that growth in the capital value of the city will have generated the additional rates revenue as	The rating base grows at a rate different to that projected.	Moderate	Variances between the forecast and actual growth in the rating base are likely to cause changes to the total rates revenue collected.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
outlined in table below, Year Growth % / $m 2015 1.2% 4.1 2016 1.9% 6.8 2017 2.1% 7.5 2018 0.7% 2.5 2019 0.7% 2.7 2020 0.7% 2.6 2021 0.8% 2.9 2022 0.9% 3.6 2023 1.1% 4.2 2024 0.9% 3.3 The growth in the early years is mainly due to the rebuild of the city following the 2011 earthquakes and returns to more moderate levels in the medium and later years of the plan.			
Aging population. A quarter of the population of Christchurch is expected to be over 65 years by 2041, compared with 15% at present. The number of people over 80 years of age is expected to double in the next 20 years	If the rate of aging is different then the range and types of services that have factored in the needs of older persons may need to change.	Low	Age projections are provided by Statistics New Zealand on a nation-wide basis. The projections for people who will be in post retirement age groups is determined by the current population structure which does not change significantly, especially in the ages from 45 to 65 years, which will be the retirement age group in the next 20 years. The impact on Christchurch may be different from the rest of New Zealand due to the effect of the rebuild. There is the potential for a younger demographic to remain in the City at the completion of the rebuild projects.
Impact of policies and external factors			
Council policy. There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response or business change from Council or, CERA uses its statutory powers such that a change is required to Council policy.	Low	Dealing with changes in legislation is part of normal Council operations.
New Zealand Transport Agency subsidies. Requirements and specifications for the performance of subsidised work will not alter to the extent they impact adversely on operating costs.	Changes in subsidy rate and variation in criteria for inclusion in subsidised works programme.	Low	Changes to the funding priorities of New Zealand Transport Agency are outside Council control. The maximum financial impact would be elimination of the subsidy, estimated at $40 million per annum.
Resource Consents. Conditions of resource consents held by Council will not be significantly altered.	Conditions required to obtain/maintain the consents will change, resulting in higher costs than projected, and these costs will not be covered by planned funding.	Moderate	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Legislative change. Council will continue to operate within the same general legislative environment, and with the same authority, as it does at the time this Plan is published.	Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change.	Moderate	The Government has several taskforces reviewing different aspects of local government, with some legislative change having occurred and further is expected to occur within the period of this Plan. At the time of preparing this Plan the Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact.
Potential climate change impacts. In its Climate Smart Strategy, the Council follows New Zealand Government advice about anticipated changes for Christchurch and is meeting legal obligations placed on the Council to consider the impacts of climate change. Following this advice, our community within the next 90 years must prepare for: a. 100 centimetre rise in sea-level; b. a temperature increase of 2 degrees Celsius; and c. changes in rainfall and extreme weather events.	The timing or severity of any climate change may vary.	Low	If the effect of climate change has been underestimated the financial effect will be significant over the longer term but not within the period of this Plan. Similarly, should the effect have been overestimated there is little impact on the period of this Plan.
Borrowing Related			
Credit Rating. The current rating is maintained.	Council's credit rating with Standard and Poor's is downgraded.	Moderate	There is still some uncertainty around the final rebuild costs. A downgrade would increase costs of borrowing. If the Council falls one notch from its current credit rating (i.e. from A to A-) the cost of new borrowing will increase between 0.1 and 0.2 per cent per annum for the life of the borrowing. Increases in interest rates flow through to higher debt servicing costs and higher rates funding requirements. The total cost increase each year will depend on how much debt has been borrowed or refinanced since the rating downgrade. The additional cost is estimated to be between $0.5 million to $3 million per annum.
Borrowing Costs. Net cost of borrowing (i.e. including current and projected debt) is projected to be 5.3% in 2015/16, rising to 5.6% by 2025. These averages include assumed long-term market interest rates (including Council's borrowing margin) of: 4.9% for 2015/16, 5.0% for 2016/17, 5.10% for 2017/18, and	Interest rates will vary from those projected.	Moderate	Projections are based on conservative assumptions about future market interest rates. The cost of projected debt is hedged to minimise exposure to market rate fluctuations. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Rising to 6.15% in 2021/22 and thereafter.			
Securing External Funding. New, or renewal of existing borrowings on acceptable terms can be achieved.	That new borrowings cannot be accessed to refinance existing debt or fund future capital requirements.	Low	The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Liability Management Policy.
Philanthropic Funding. Philanthropic funding will be able to be secured to assist with the funding for anchor projects.	That philanthropic funding cannot be secured	Moderate	The Crown Cost Share Agreement provides for $10 million of philanthropic funding for the Central Library project. If such funding cannot be secured additional funding may be required by the Council in order to deliver the project. The options available to Council to replace this funding include: • Additional borrowing if sufficient capacity within limits exists. • Sale of investments or assets; • Changes to levels of service or the capital programme.
LGFA Guarantee. Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and they guarantee obligations of other participating local authorities to the LGFA, in the event of default.	In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor's relative rates income.	Low	The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is low. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge.
Opening Debt: The opening debt of $1,352 million is made up of; • $154 million of equity investments, mainly in CCTOs (Vbase $130 million), • $266 million of money borrowed for on-lending to CCTOs, (in accordance with the Council's Liability Management Policy), • $505 million of earthquake related borrowings. • $325 million of borrowing for capital works. • $102 million finance lease (Civic Building).	Actual opening debt differs from forecast.	Low	Council's debt requirements are well understood and closely managed. It is unlikely that opening debt will be significantly different to forecast.

Investment related			
Return on investments. Interest on general funds invested is calculated at 3.5% until 2021, and 4% thereafter. The return on the Capital Endowment Fund is calculated at 4.5% for 2015/16, and between 4.15% and 4.6% thereafter.	Interest rates will vary from those projected.	Moderate	Rates used are based on expert advice. If actual interest rates differ from those anticipated the impact will largely fall on the Capital Endowment Fund.
CCTO income. CCHL will deliver dividend income at the levels forecast in this Plan.	CCHL will deliver a lower than projected dividend and Council will need to source alternate funding. Our estimate of the reduced dividend stream may be incorrect as a result of the eventual selection of CCTOs to be either sold or sold down. Alternatively the investment by strategic partners in CCHL's investments could result in higher than projected dividends.	Low	CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan. Should additional dividend income be received the level of borrowing forecast in this plan will be reduced.
CCHL capital release The Council will receive $750 million as a result of it selling down some of its investments.	That $750 million cannot be released from the divestiture within the planned time frame. A change in tax legislation or policy changes the tax treatment by Council of the dividends.	High Moderate	CCHL has been asked to provide the Council with a maximum of $750 million through divesting some of its investments. In undertaking this exercise Council will take expert advice on the availability of a market, and the method of sale. This plan assumes that the $750 million released by CCHL will be paid to Council by way of dividends with $200 million being received in 2015/16, $200 million in 2016/17, and $350.2 million in 2017/18. The timing of receipt could change depending on the availability of a market and the methods of sale selected which would impact Council's total debt and the Debt to Revenue ratio. A change in tax legislation or policy could result in the funds being returned to Council in a different manner or requiring the development of an alternative approach to maximising the value to Council from the $750 million release. A tax cost of approximately $65 million would be the result, if no alternative was possible.
Tax planning. The Council (parent) will be operating at a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (know as subvention payments) to Council instead of tax payments. It has been assumed that sufficient profits will be made within the wider group to ensure that subvention receipts are available.	Subvention payments will be lower than planned.	Moderate	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan.

Services and Operations			
Social housing. This Plan has been prepared on the basis that Council's existing policy in relation to social housing continues. Specifically, that social housing operating and capital costs are funded solely through rental income. The current assumptions for Social Housing is a 5.9% rental increase in 2015/16. For 2016/17 onwards rents have been assumed to increase by 2% per year plus BERL inflation.	These rent increases are not sufficient to enable the social housing portfolio to be financially viable in the long term.	High	Council has consulted on setting up an entity to become a Community Housing Provider (CHP), able to access Government's Income Related Rent Subsidy (IRRS), which over a period of time will allow social housing to be financially viable. Council will have a 49% stake in the entity. In March 2015 Council resolved to proceed with the Community Housing Provider model given Minister Bennett's decision not to extend IRRS to current tenants. Council considered a rent review report in March 2015 which recommended rental increases to make social housing financially viable in the short term, medium and long term. The recommended rent increase was above the national market's 2% plus BERL inflation and would have brought portfolio rents closer to alignment with housing market rents. Current Christchurch City Council housing rents are 48% of market. The recommended increase was closer to the Christchurch housing market's 47% rent increase in the past few years. A decision was made to limit the increase to 5.9%. We are currently seeking Expressions of Interest from suitably qualified partners to join with us in forming an entity capable of registration as a CHP. Its purpose will be to manage the Council's Social Housing portfolio and for qualifying tenants to become eligible for the Governments income related rent subsidy. Council and the selected partners will negotiate the formation of the proposed CHP. It is then anticipated the CHP may then choose to engage with Council regarding the lease of the Council's social housing portfolio. The financial impacts of any future CHP negotiation and financial terms and conditions are unable to be accurately assessed at present.
Regional Land Transport Plan. Council's Long Term Plan aligns with the Councils submission to the Regional Transport Committee.	The Regional Land Transport Plan is not finalised until late March, which could mean that not all projects are approved by the Regional Transport Committee.	Moderate	Any change to the approved projects would require a review of priorities as New Zealand Transport Agency funding is guided by the Regional Land Transport Plan. If projects are not included co-funding is unlikely to be available.
Contract Rates. Re-tendering of major contracts will not result in cost increases other than those comparable with the rate of inflation.	There is a significant variation in price from re-tendering contracts.	Moderate	Council would review the amount of work planned and undertaken.

Anchor project ownership and operating costs The Cost Share Agreement is the underlying document that the Council has used to determine ownership and operating cost requirements. In most instances ownership is clear but where the Agreement is ambiguous Council has assumed as follows for the purposes of this Plan: • **Bus Exchange** Crown operation for at least 4 years. Council assumes it will fund the operating costs from 2020 onwards. • **The Frame, (Public realm)** Council ownership and maintenance • **The Square** Council ownership and maintenance • **Central Library** Council ownership and operation • **Car parking** Council / private ownership and operation • **Earthquake memorial** Crown/ Council ownership and maintenance • **Metro Sports Facility** Council ownership and operation • **Avon River Precinct** CDHB and Council ownership and operation • **Stadium** For planning purposes we have assumed this will be completed towards the end of the LTP period, (although published CCDU updates indicate a completion date of Quarter 4 2019). The decision to push the construction to the end of the LTP period was used to assist Council's capital expenditure profile and avoid additional expenditure during the most constrained years. Council is currently in discussions with the Crown to enable mutual agreement to be reached on the delivery timetable.	The Cost Share is changed and Council is assigned responsibility for meeting the operating costs of additional venues.	Low	We are not expecting any additional operating or ownership costs from any other of the anchor projects.
Operational efficiency project - Great for Christchurch The purpose of this project is to identify opportunities for improved processes and efficiencies. This should also reduce overall operating costs through efficiencies.	Efficiencies or savings are not found or not able to be implemented in the expected time frame	Medium	A net cumulative saving of $34 million has been included within the first three years of the Plan, continuing at $18 million per annum thereafter. Because of the difficulty in identifying which areas will be affected, most of the savings have been included within the Corporate group of activities.

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