Christchurch City Council
Our Community Plan 2006 to 2016
– Christchurch O-Tautahi

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

Impact Statement: Adopting New Zealand Equivalents to IFRS

In December 2002 New Zealand's accounting standard-setting bodies announced a significant change to financial reporting standards. Reporting entities have the option to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for accounting periods beginning after 1 January 2005; with mandatory adoption required from 1 January 2007. The Council intends to adopt NZ IFRS for external reporting purposes (Annual Report and Long Term Council Community Plan (LTCCP)) for the accounting period commencing 1 July 2006.

Managing the Transition

In late 2004 the Council established a steering committee, comprised of staff and external consultants, to oversee the adoption of NZ IFRS. As part of this process the accounting policies of the Council were updated and the 1 July 2005 Balance Sheet restated to ensure they are fully NZ IFRS compliant.

Key Differences in Accounting Policies

As at the date of this impact statement, the project team has identified the following key differences in the Council's accounting policies that will have a material impact on the presentation of the Council's financial position in this LTCCP:

1. Deferred Taxation

In accordance with current NZ GAAP, deferred taxation is calculated on an income statement approach. Under NZ IFRS, deferred taxation will be calculated on the balance sheet approach. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base.

Differences identified include a deferred tax liability on properties rented to subsidiary companies, and a deferred tax asset for unrecognised tax losses. For the 2005/06 year, this impact is estimated as a net deferred tax liability of $12.4 million. This liability has been incorporated into the balance sheet for the years 2006/07 to 2015/16 on a pro-rata basis.

2. Financial Instruments – Reclassification of Cash and Cash Equivalents

Under current NZ GAAP, cash and cash equivalents includes short-term investments with a maturity of less than one year. Under NZ IFRS, cash and cash equivalents include short-term investments with maturity of less than 90 days.

The impact on the LTCCP is a reclassification of assets from Cash and Cash Equivalents to Current Financial Instruments. For the 2005/06 year, the amount reclassified is estimated as $56.7 million. This reclassification has been incorporated into the balance sheet for the years 2006/07 to 2015/16 on a pro-rata basis.

3. Investment Property

The Council will disclose its investment properties separately from other operational assets. An adjustment has been made to the 2005/06 budget, in the amount of $9.3 million, for this reclassification. This reclassification has been incorporated into the balance sheet for the years 2006/07 to 2015/16 on a pro-rata basis.

4. Intangible Assets

The Council will disclose its intangible assets separately from other operational assets. An adjustment has been made to the 2005/06 budget, in the amount of $4.1 million, for this reclassification. This reclassification has been incorporated into the balance sheet for the years 2006/07 to 2015/16 on a pro-rata basis.

Cautionary Note

The information provided in this impact statement is for indicative purposes only. The actual impact of the transition to NZ IFRS on the LTCCP may vary from the information presented above. Accordingly, the impact of any variation from the information presented above may be material.

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Christchurch City Council

Income Statement

Budget 2005/06 $000's		Note	Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	REVENUE											
153,684	Operating Revenue	1	183,679	196,565	206,830	222,715	224,082	231,256	232,103	236,613	240,030	246,187
175,409	Rates Levied		202,865	220,421	247,531	272,977	290,424	302,391	312,707	320,947	326,301	328,699
329,093	Total Operating Income		386,544	416,986	454,361	495,692	514,506	533,647	544,810	557,560	566,331	574,886
	EXPENDITURE											
242,578	Operating Expenditure		271,565	279,638	289,006	300,047	315,043	321,728	329,086	336,686	342,522	348,673
67,703	Depreciation		83,023	89,552	98,358	106,621	109,105	117,901	123,849	129,485	132,404	131,852
5,952	Interest		5,534	7,513	13,353	16,764	18,096	18,535	18,507	18,168	17,822	17,531
316,233	Total Operating Expenditure	1	360,122	376,703	400,717	423,432	442,244	458,164	471,442	484,339	492,748	498,056
12,860	Operating Surplus Before Vested Assets		26,422	40,283	53,644	72,260	72,262	75,483	73,368	73,221	73,583	76,830
15,000	Vested Assets	7	22,353	19,340	17,420	19,337	21,304	19,583	22,214	22,664	23,091	23,526
27,860	Operating Surplus Before Taxation		48,775	59,623	71,064	91,597	93,566	95,066	95,582	95,885	96,674	100,356
	Less Tax Expense / (Benefit)											
27,860	Surplus After Taxation		48,775	59,623	71,064	91,597	93,566	95,066	95,582	95,885	96,674	100,356
27,860	Net Surplus for Year		48,775	59,623	71,064	91,597	93,566	95,066	95,582	95,885	96,674	100,356

*Prior period figures exclude Banks Peninsula District Council.

Christchurch City Council

Statement of Change in Equity

Budget 2005/06 $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
4,129,319	EQUITY AT JULY 1	4,781,112	4,932,764	5,158,840	5,389,959	5,630,423	5,868,073	6,101,289	6,326,180	6,543,804	6,752,790
	Net Surplus Attributable to:										
52,800	IFRS Adjustment										
0	Revaluation Reserve	102,877	166,453	160,055	148,867	144,084	138,150	129,309	121,739	112,312	114,277
27,860	Retained Earnings	48,775	59,623	71,064	91,597	93,566	95,066	95,582	95,885	96,674	100,356
80,660	Total Recognised Revenues and Expenses for the Year	151,652	226,076	231,119	240,464	237,650	233,216	224,891	217,624	208,986	214,633
4,209,979	EQUITY AT JUNE 30	4,932,764	5,158,840	5,389,959	5,630,423	5,868,073	6,101,289	6,326,180	6,543,804	6,752,790	6,967,423

*Prior period figures exclude Banks Peninsula District Council.

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Christchurch City Council

Balance Sheet

Budget 2005/06 $000's		Note	Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
4,209,979	Equity		4,932,764	5,158,840	5,389,959	5,630,423	5,868,073	6,101,289	6,326,180	6,543,804	6,752,790	6,967,423
	Non-Current Liabilities	3										
75,381	Financial liabilities		69,451	166,976	233,949	255,251	264,267	262,860	257,227	253,014	248,602	244,190
22,855	Provisions		17,540	17,028	16,515	16,003	15,491	14,978	14,466	13,954	13,441	12,929
12,385	Deferred tax liability		12,385	12,837	13,276	13,694	14,096	14,476	14,828	15,154	15,448	15,748
	Current Liabilities	4										
33,035	Accounts payable		51,562	59,736	65,882	71,351	74,585	76,447	77,707	78,491	78,562	77,917
21,738	Financial liabilities		4,140	3,601	4,322	3,892	4,509	7,289	7,489	6,687	6,885	6,885
21,340	Provisions		14,859	15,103	15,517	15,911	16,283	16,630	16,958	17,258	17,518	17,783
4,396,713	TOTAL EQUITY AND LIABILITIES		5,102,701	5,434,121	5,739,420	6,006,525	6,257,304	6,493,969	6,714,855	6,928,362	7,133,246	7,342,875
	Represented by:											
	Current Assets	5										
116,704	Cash and cash equivalents		146,706	142,179	146,284	156,067	167,648	179,399	191,861	213,269	246,818	277,537
24,482	Accounts receivable		35,100	40,665	44,848	48,571	50,773	52,040	52,898	53,433	53,480	53,041
1,831	Inventories		1,784	2,066	2,280	2,467	2,579	2,643	2,686	2,714	2,716	2,694
54,919	Financial instruments		69,038	65,612	66,526	70,212	75,053	80,170	85,712	95,540	111,196	125,613
	Non-Current Assets	6										
1,024,409	Investments		1,032,406	1,060,244	1,085,553	1,105,609	1,126,132	1,146,813	1,164,225	1,181,644	1,200,248	1,218,886
9,268	Investment property		12,556	13,117	13,815	14,116	14,388	14,644	14,815	14,915	14,989	15,120
4,066	Intangible assets		5,509	5,755	6,061	6,193	6,312	6,424	6,499	6,543	6,576	6,633
581,487	Operational assets		769,745	802,811	844,317	861,551	877,041	891,603	901,052	906,222	909,937	917,096
2,207,531	Infrastructural assets		2,573,027	2,822,467	3,027,627	3,215,558	3,385,552	3,543,607	3,692,627	3,826,638	3,935,993	4,049,855
372,016	Restricted assets		456,830	479,205	502,109	526,181	551,826	576,626	602,480	627,444	651,293	676,400
4,396,713	TOTAL ASSETS		5,102,701	5,434,121	5,739,420	6,006,525	6,257,304	6,493,969	6,714,855	6,928,362	7,133,246	7,342,875

*Prior period figures exclude Banks Peninsula District Council.

Christchurch City Council

Cash Flow Statement

Budget 2005/06 $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	OPERATING ACTIVITIES										
	Cash was provided from:										
312,394	Rates, Grants, Subsidies, and Other Sources	329,572	357,278	397,284	436,559	455,632	472,938	483,154	493,451	500,420	507,102
18,522	Interest Received	23,952	19,682	18,816	19,110	19,949	20,766	21,644	22,437	23,250	24,247
30,114	Dividends	33,020	34,179	33,865	36,111	36,611	38,611	39,111	41,111	42,611	43,998
0	Net GST										
361,030		386,544	411,139	449,965	491,780	512,192	532,315	543,909	556,999	566,281	575,347
	Cash was disbursed to:										
276,968	Payments to Suppliers and Employees	273,550	271,732	282,958	294,696	311,948	320,032	328,012	336,113	342,704	349,565
5,950	Interest Paid	5,534	7,513	13,353	16,764	18,097	18,534	18,506	18,168	17,822	17,531
282,918		279,084	279,245	296,311	311,460	330,045	338,566	346,518	354,281	360,526	367,096
78,112	NET CASH FLOW FROM OPERATIONS	107,460	131,894	153,654	180,320	182,147	193,749	197,391	202,718	205,755	208,251
	INVESTING ACTIVITIES										
	Cash was provided from:										
4,412	Sale of Assets	2,310	6,984	1,310	5,310	1,310	1,310	1,310	1,310	1,310	1,310
0	Investments Realised	10,051	1,840	1,941	2,349	2,241	2,440	5,641	5,841	5,041	5,241
4,412		12,361	8,824	3,251	7,659	3,551	3,750	6,951	7,151	6,351	6,551
	Cash was applied to:										
161,987	Purchase of Assets	190,539	244,908	218,830	194,632	178,160	181,253	180,156	172,866	157,938	164,503
2,270	Purchase of Investments	750	750	750	750	750	750	750	750	750	750
164,257		191,289	245,658	219,580	195,382	178,910	182,003	180,906	173,616	158,688	165,253
-159,845	NET CASH FLOW FROM INVESTING ACTIVITIES	-178,928	-236,834	-216,329	-187,723	-175,359	-178,253	-173,955	-166,465	-152,337	-158,702

*Prior period figures exclude Banks Peninsula District Council.

Financial statements

Christchurch City Council

Cash Flow Statement

2005/06 Budget $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	FINANCING ACTIVITIES										
	Cash was provided from:										
1,623	Raising of Loans	2,491	99,444	69,613	23,512	11,842	4,200	174	790	791	790
1,623		2,491	99,444	69,613	23,512	11,842	4,200	174	790	791	790
	Cash was applied to:										
	Repayment of Term Liabilities	21,738	2,457	1,919	2,640	2,209	2,827	5,607	5,806	5,005	5,202
1,683		21,738	2,457	1,919	2,640	2,209	2,827	5,607	5,806	5,005	5,202
-60	NET CASH FLOW FROM FINANCING ACTIVITIES	-19,247	96,987	67,694	20,872	9,633	1,373	-5,433	-5,016	-4,214	-4,412
-81,793	Increase/(Decrease) in Cash	-90,715	-7,953	5,019	13,469	16,421	16,869	18,003	31,237	49,204	45,137
253,416	Add Opening Cash	251,541	146,706	142,179	146,284	156,067	167,648	179,399	191,861	213,269	246,818
-54,919	IFRS Reclassification	-14,120	3,426	-914	-3,686	-4,840	-5,118	-5,541	-9,829	-15,655	-14,418
116,704	ENDING CASH BALANCE	146,706	142,179	146,284	156,067	167,648	179,399	191,861	213,269	246,818	277,537
	Represented by:										
116,704	Cash and Cash Equivalents	146,706	142,179	146,284	156,067	167,648	179,399	191,861	213,269	246,818	277,537

*Prior period figures exclude Banks Peninsula District Council.

Notes to the financial statements

Budget 2005/06 $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	NOTE 1:										
	SUMMARY OF OPERATING INCOME										
	Summary of Group of Activities Income										
	City Development	1,194	1,232	1,269	1,298	1,331	1,362	1,391	1,418	1,442	1,466
	Community Support	14,144	14,596	15,034	15,448	15,845	16,218	16,563	16,881	17,162	17,449
	Cultural and Learning Services	3,543	3,675	3,806	3,911	4,011	4,106	4,193	4,273	4,345	4,417
	Democracy and Governance		330			358			382		
	Economic Development	173	179	184	189	194	198	203	207	210	213
	Parks, Open Spaces and Waterways	9,012	9,659	10,319	10,983	11,654	12,485	12,863	13,225	13,564	13,910
	Recreation and Leisure	8,251	8,619	8,986	9,344	9,697	9,974	10,196	10,401	10,585	10,773
	Refuse Minimisation and Disposal	7,311	8,211	8,563	8,799	9,024	9,237	9,433	9,614	9,775	9,938
	Regulatory Services	19,072	19,605	20,114	20,669	21,198	21,698	22,158	22,584	22,961	23,344
	Streets and Transport	38,657	48,696	55,509	63,509	58,421	60,849	57,956	57,008	56,510	58,346
	Wastewater Collection, Treatment and Disposal	8,947	10,165	11,549	12,963	14,417	14,081	14,242	14,374	14,471	14,567
	Water Supply	5,569	6,100	6,651	7,228	7,817	7,763	7,876	7,980	8,061	8,145
95,451	**Activity Results represented in Income Statement**	**115,873**	**131,067**	**141,984**	**154,341**	**153,967**	**157,971**	**157,074**	**158,347**	**159,086**	**162,568**
	Other income:										
	Interest Income:										
4,042	Subsidiaries	3,940	3,836	3,724	3,601	3,661	3,508	3,341	2,972	2,569	2,222
985	Loan Repayment Investments	198	10	14	16	1	3	6	9	12	15
11,474	Short Term Investments	15,405	11,384	10,557	10,892	11,704	12,699	13,772	14,967	16,220	17,557
2,321	Special and Other Fund Investments	4,409	4,452	4,521	4,601	4,583	4,556	4,525	4,489	4,449	4,453
18,822	**Total Interest Income**	**23,952**	**19,682**	**18,816**	**19,110**	**19,949**	**20,766**	**21,644**	**22,437**	**23,250**	**24,247**
	Dividend Income:										
	Christchurch City Holdings Ltd										
30,000	Ordinary	31,500	32,000	32,500	34,500	35,000	37,000	37,500	39,500	41,000	42,387
-	Special										
114	Transwaste Ltd	1,520	2,179	1,365	1,611	1,611	1,611	1,611	1,611	1,611	1,611
30,114	**Total Dividend Income**	**33,020**	**34,179**	**33,865**	**36,111**	**36,611**	**38,611**	**39,111**	**41,111**	**42,611**	**43,998**

Notes to the financial statements

Budget 2005/06 $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	Sundry Income:										
2,080	Petroleum tax	2,160	2,223	2,284	2,342	2,397	2,448	2,496	2,540	2,579	2,618
1,200	Rate penalties	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342	1,342
6,017	Other Corporate income	7,332	8,072	8,539	9,469	9,816	10,118	10,436	10,836	11,162	11,414
9,297	Total Sundry Income	10,834	11,637	12,165	13,153	13,555	13,908	14,274	14,718	15,083	15,374
153,684	Total Operating Income	183,679	196,565	206,830	222,715	224,082	231,256	232,103	236,613	240,030	246,187
	SUMMARY OF OPERATING EXPENDITURE										
	Summary of Groups of Activities Costs										
	City Development	14,185	15,869	15,203	15,645	15,046	15,213	15,282	15,401	15,711	15,803
	Community Support	33,755	33,864	34,710	35,486	36,915	37,804	38,641	39,410	40,100	40,291
	Cultural and Learning Services	41,831	43,497	46,132	47,637	50,089	51,332	52,617	54,151	55,408	56,521
	Democracy and Governance	12,074	13,390	12,875	13,042	14,438	13,750	14,028	15,308	14,492	14,698
	Economic Development	10,377	10,120	10,622	11,224	11,912	12,279	12,647	13,002	13,342	13,665
	Parks, Open Spaces and Waterways	41,989	43,421	45,041	46,252	48,048	49,243	50,336	51,258	52,134	51,603
	Recreation and Leisure	23,883	24,727	26,997	28,245	29,707	30,634	31,429	32,141	32,796	33,258
	Refuse Minimisation and Disposal	18,246	19,332	21,405	24,603	25,635	26,129	26,694	27,223	27,700	27,971
	Regulatory Services	26,517	27,400	28,078	28,891	29,993	30,650	31,258	31,723	32,158	32,590
	Streets and Transport	72,060	77,010	84,072	89,557	94,861	102,218	106,581	110,709	112,974	114,913
	Wastewater Collection, Treatment and Disposal	32,031	34,672	38,392	40,856	43,685	45,932	47,995	49,949	51,556	52,368
	Water Supply	18,812	19,651	20,903	21,982	22,926	23,752	24,248	24,412	24,990	25,462
	Activity Results represented in Income Statement	345,760	362,953	384,430	403,420	423,255	438,936	451,756	464,687	473,361	479,143
	Other Expenditure:										
	Interest Expense not allocated	4,664	4,562	4,534	4,644	4,735	4,563	4,333	3,918	3,521	3,178
	Other Corporate expenditure	9,698	9,188	11,753	15,368	14,254	14,665	15,353	15,734	15,866	15,735
	Total Other Expenditure	14,362	13,750	16,287	20,012	18,989	19,228	19,686	19,652	19,387	18,913
316,233	Total Operating Expenditure	360,122	376,703	400,717	423,432	442,244	458,164	471,442	484,339	492,748	498,056

Notes to the financial statements

2005/06 Budget $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	NOTE 2:										
	Specified expenses:										
185	Audit Fees	245	190	317	201	205	340	214	218	358	224
98,842	Employee Benefits Expense	108,076	111,225	114,184	117,299	120,376	122,952	125,375	127,594	129,520	131,476
12,784	Donations	17,574	17,268	17,433	18,340	18,992	19,510	19,998	20,460	20,881	21,311
	NOTE 3:										
	Non Current Liabilities:										
75,381	Gross Debt	69,450	166,976	233,950	255,251	264,266	262,860	257,227	253,013	248,602	244,190
15,314	Provision for Landfill Aftercare	10,514	10,002	9,489	8,977	8,465	7,952	7,440	6,928	6,415	5,903
7,541	Provision for Employee Entitlements	7,026	7,026	7,026	7,026	7,026	7,026	7,026	7,026	7,026	7,026
12,385	Deferred Tax Liability	12,385	12,837	13,276	13,694	14,096	14,476	14,828	15,154	15,448	15,748
110,261	Total Non Current Liabilities	99,375	196,841	263,741	284,948	293,853	292,314	286,521	282,121	277,491	272,867
	NOTE 4:										
	Current Liabilities:										
32,020	Trade Creditors	44,323	51,349	56,632	61,332	64,113	65,713	66,796	67,471	67,531	66,977
8,426	Owing to Subsidiaries	7,240	8,387	9,250	10,018	10,472	10,734	10,910	11,021	11,031	10,940
21,738	Current Portion of Gross Debt	4,140	3,601	4,322	3,892	4,509	7,289	7,489	6,687	6,885	6,885
3,000	Provision for Landfill Aftercare	3,628	3,545	3,643	3,735	3,823	3,904	3,981	4,052	4,113	4,175
10,929	Provision for Employee Entitlements	11,230	11,558	11,874	12,176	12,460	12,726	12,977	13,205	13,405	13,608
76,113	Total Current Liabilities	70,561	78,440	85,721	91,153	95,377	100,366	102,153	102,436	102,965	102,585

Notes to the financial statements

2005/06 Budget $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	NOTE 5:										
	Current Assets:										
171,623	Cash at Bank, and Short Term Investments	215,744	207,791	212,810	226,279	242,701	259,569	277,573	308,809	358,014	403,150
	Receivables and Prepayments										
5,196	Rates Debtors	5,703	6,606	7,286	7,891	8,247	8,456	8,594	8,681	8,689	8,617
6,567	Other Trade Debtors	8,154	9,447	10,419	11,283	11,795	12,089	12,289	12,413	12,424	12,322
1,580	Amount Owing by Subsidiaries	1,289	1,493	1,647	1,783	1,864	1,911	1,942	1,962	1,964	1,947
7,743	Other Receivables/Prepayments	11,338	13,135	14,487	15,689	16,401	16,810	17,087	17,260	17,275	17,133
1,805	Dividends Receivable	7,000	8,110	8,944	9,686	10,126	10,378	10,549	10,656	10,665	10,578
2,231	GST Receivable	3,074	3,562	3,928	4,256	4,447	4,558	4,633	4,680	4,684	4,646
25,122		36,558	42,353	46,711	50,588	52,880	54,202	55,094	55,652	55,701	55,243
-640	Less Provision for Doubtful Debts	-1,457	-1,688	-1,862	-2,017	-2,108	-2,161	-2,196	-2,219	-2,221	-2,202
24,482	Total Receivables and Prepayments	35,101	40,665	44,849	48,571	50,772	52,041	52,898	53,433	53,480	53,041
1,831	Inventories	1,784	2,066	2,280	2,467	2,579	2,643	2,686	2,714	2,716	2,694
197,936	Total Current Assets	252,629	250,522	259,939	277,317	296,052	314,253	333,157	364,956	414,210	458,885

Notes to the financial statements

2005/06 Budget $000's		Plan 2006/07 $000's	Plan 2007/08 $000's	Plan 2008/09 $000's	Forecast 2009/10 $000's	Forecast 2010/11 $000's	Forecast 2011/12 $000's	Forecast 2012/13 $000's	Forecast 2013/14 $000's	Forecast 2014/15 $000's	Forecast 2015/16 $000's
	NOTE 6:										
	Non-Current Assets:										
1,017,000	General Investments	1,032,340	1,060,124	1,085,373	1,105,693	1,126,172	1,146,805	1,164,163	1,181,524	1,200,063	1,218,629
7,409	Loan Repayment Investments	66	120	181	-85	-40	8	62	120	185	256
3,174,368	Property, Plant and Equipment	3,817,667	4,123,355	4,393,930	4,623,599	4,835,119	5,032,903	5,217,473	5,381,762	5,518,788	5,665,105
4,198,777	Total Non-Current Assets	4,850,073	5,183,599	5,479,484	5,729,207	5,961,251	6,179,716	6,381,698	6,563,406	6,719,036	6,883,990
	NOTE 7:										
	Vested Assets:										
	(included within Property, Plant and Equipment above)										
910	Restricted Land and Buildings	7,662	4,183	5,008	6,584	8,226	8,302	10,693	10,922	11,153	11,389
14,036	Infrastructural Assets	14,691	15,157	12,412	12,753	13,078	11,281	11,521	11,742	11,938	12,137
54	Artworks and Heritage Assets	-	-	-	-	-	-	-	-	-	-
15,000	Total Vested Assets	22,353	19,340	17,420	19,337	21,304	19,583	22,214	22,664	23,091	23,526

Financial statements

Christchurch City Council Accounting Policies

Reporting Entity

The Christchurch City Council is a territorial authority under the Local Government Act 2002. The role of the Council is to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.

Purpose:

In general, these policies are intended to comply with New Zealand International Financial Reporting Standards (NZ IFRS).

These policies are intended as guidelines for financial accounting and also as the base for preparation of notes to the financial statements.

Public Benefit Entity Treatment

Under NZ IFRS, Christchurch City Council is a public benefit entity (PBE). Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

1. Statement of Compliance

The forecast financial statements of Christchurch City Council (the 'Council') have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS). These standards have been consistently applied to all the years presented from 1 July 2006, unless otherwise stated.

2. Basis of financial statement preparation

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

They are prepared under the historical cost convention, as modified by the revaluation of:

- available-for-sale financial assets,
- financial assets and liabilities (including derivative instruments) at fair value through profit or loss,
- certain classes of property, plant and equipment,
- investment property.

Preparing forecast financial statements 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 are based on historical experience and other factors that are believed to be reasonable under the circumstances and represent the best information available at the time of preparing the accounts. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. It is likely that changes will be needed as events alter and actual quotes for work are obtained and that actual results may differ materially from this plan.

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3. Foreign currency transactions

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

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

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

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

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

4. Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging policy 5).

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

5. Hedging

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

6. Property, plant and equipment

The following assets (except for investment properties - refer to note 10(iii) are shown at fair value, based on periodic (every three to five years) valuations by external independent valuers, less subsequent depreciation:

- Land
- Buildings
- Harbour structures
- 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. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

All other property, plant and equipment is stated at historical cost less depreciation. Historical

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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 to the income statement during the financial period in which they are incurred.

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

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

Assets to be depreciated include:

Operational Assets:

Buildings	10 to 100 yrs
Office and computer equipment	4 to 5 yrs
Mobile plant including vehicles	2 to 30 yrs
Sealed surfaces (other than roads)	9 to 100 yrs
Harbour structures	3 to 50 yrs
Leasehold land improvements	5 to 100 yrs
Library books	3 to 10 yrs

Infrastructure Assets:

Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40 to 120 yrs
Footpaths and cycleways	20 to 80 yrs
Surface	2 to 25 yrs
Streetlights and signs	6 to 50 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	15 to 80 yrs
Drain pipes/culverts/retaining walls	20 to 120 yrs
Bridges	70 to 120 yrs
Bus shelters and furniture	30 yrs
Water supply	55 to 130 yrs
Water meters	20 to 25 yrs
Stormwater	30 to 120 yrs
Waterways	15 to 120 yrs
Sewer	50 to 150 yrs
Treatment plant	15 to 100 yrs
Pump stations	10 to 100 yrs

Restricted Assets are not depreciated except for Historic Buildings, Artworks and Heritage Assets that are depreciated on a straight line basis at 1%, 0.1% and 0.1% respectively.

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

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

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

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

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

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

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

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

8. Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see Impairment policy 14). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

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

(ii) Computer software

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

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

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

(iii) Other intangible assets

Other intangible assets that are acquired by the Council are stated at cost less accumulated amortisation (see below) and impairment losses (see Impairment policy 14).

(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 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.

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.

9. Biological assets and agricultural produce

A biological asset is a living animal or plant.

Biological assets that are the subject of agricultural activity (i.e., the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets) are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement, and are revalued annually. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

All other biological assets are measured at the lower of cost and net realisable value.

Agricultural produce is the harvested product of the entity's biological assets. Agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

10. Investments

The Council classifies its investments in the following categories:

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

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

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

(d) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

(i) Council investment in subsidiaries

For the purposes of the parent company financial statements, the Council's equity investments in its subsidiary companies are stated at fair value, based on periodic, but at least triennial, valuations by external independent valuers.

The investments in subsidiary companies are designated as available-for-sale financial assets. They are measured at fair value, with valuations performed by an independent, external valuer on a periodic basis. 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 in the income statement.

Where the Council has the positive intent and ability to hold government bonds to maturity, they are classified as held-to-maturity investments, measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses (see Impairment policy 14).

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.

Other financial instruments held by the Council are classified as being fair value through profit or loss and are stated at fair value, with any resultant gain or loss flowing through the income statement.

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

(iii) Investment property

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

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

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

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

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

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

11. Trade and other receivables

(i) Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date (see Revenue policy 19) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Council's contract activities based on normal operating capacity.

(ii) Other trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see Impairment policy 14).

12. 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

13. Cash and cash equivalents

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

14. Impairment

The carrying amounts of the Council's assets, other than biological assets (see Biological Assets policy 9), investment property (see Investments policy 10(iii)), inventories (see Inventories policy 12) and deferred tax assets (see Income Tax policy 21), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the income statement.

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

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

(i) Calculation of recoverable amount

The recoverable amount of the Council's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

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

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

An impairment loss in respect of goodwill is not reversed.

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

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

15. Interest-bearing borrowings

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

16. Provisions

A provision is recognised in the balance sheet when there is 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.

17. Employee entitlements

Council's employee compensation policy is based on Total Cash Remuneration: a single cash payment in compensation for work, where the employee is responsible for and able to individually decide how best to use their remuneration to meet their needs over time in the mix and type of benefits purchased.

Provision is made in respect of Council's liability for the following short and long-term employee entitlements.

(i) Short term entitlements

Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet date.

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

(ii) Long term entitlements

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value using an interpolated 10 year government bond rate.

Superannuation is provided as a percentage of remuneration.

(iii) DBP Contributors Scheme (the 'Scheme')

Council participates in the Scheme, which is a multi-employer defined benefit plan. However, because it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers the Council participation in the Scheme is accounted for as if the Scheme were a defined contribution plan.

(iv) Super Trust of New Zealand ('Super Trust')

Council participates in Super Trust, a multi-employer master trust, where money invested in separate schemes is pooled for investment purposes. Super Trust is a defined contribution plan, and contributions to the plan are expensed as incurred.

18. Leases

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

19. Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or continuing management involvement with the goods.

(ii) Construction contracts

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

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

(iii) Rental income

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

(iv) Government grants

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

(v) Dividend income

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

(vi) Finance lease income

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

(vii) Development Contributions

Development contributions are recognised in the income statement in the year in which they are received.

20. Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

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

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares (which are redeemable at the option of the holder), interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see Hedging policy 5).

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

21. Income tax

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

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

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

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

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

22. Research and development costs

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

23. Third party transfer payment agencies

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

24. Goods and Services Tax

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

25. Donated goods and services

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

26. 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 user of a service can be identified, for example City Solutions, the cost recovery is made by way of a direct charge. Where this has not been possible, the costs are allocated by way of corporate overhead.

The basis of the corporate overhead allocation is reviewed each year and every attempt is made to relate the allocation made with the service utilised. Internal service costs which are allocated out as corporate overhead include Corporate Services, Human Resources, and Public Affairs.

27. Landfill after care

As operator of the Burwood Landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure.

The provision is calculated based on:

- The estimated amount required by the Council to meet its obligations for all equipment, facilities and services. The estimated amounts are based on costs of closure of similar landfills by other local authorities with an allowance for inflation.
- The estimated costs have been discounted to their present value using a discount rate of 6%.
- The estimated length of time needed for post-closure care is 35 years.
- The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.

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

28. Change in accounting policies

These are first financial statements that the Council has produced as a result of adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The resulting changes are detailed within the impact statement on page 169.

Significant forecasting assumptions

Significant forecasting assumptions

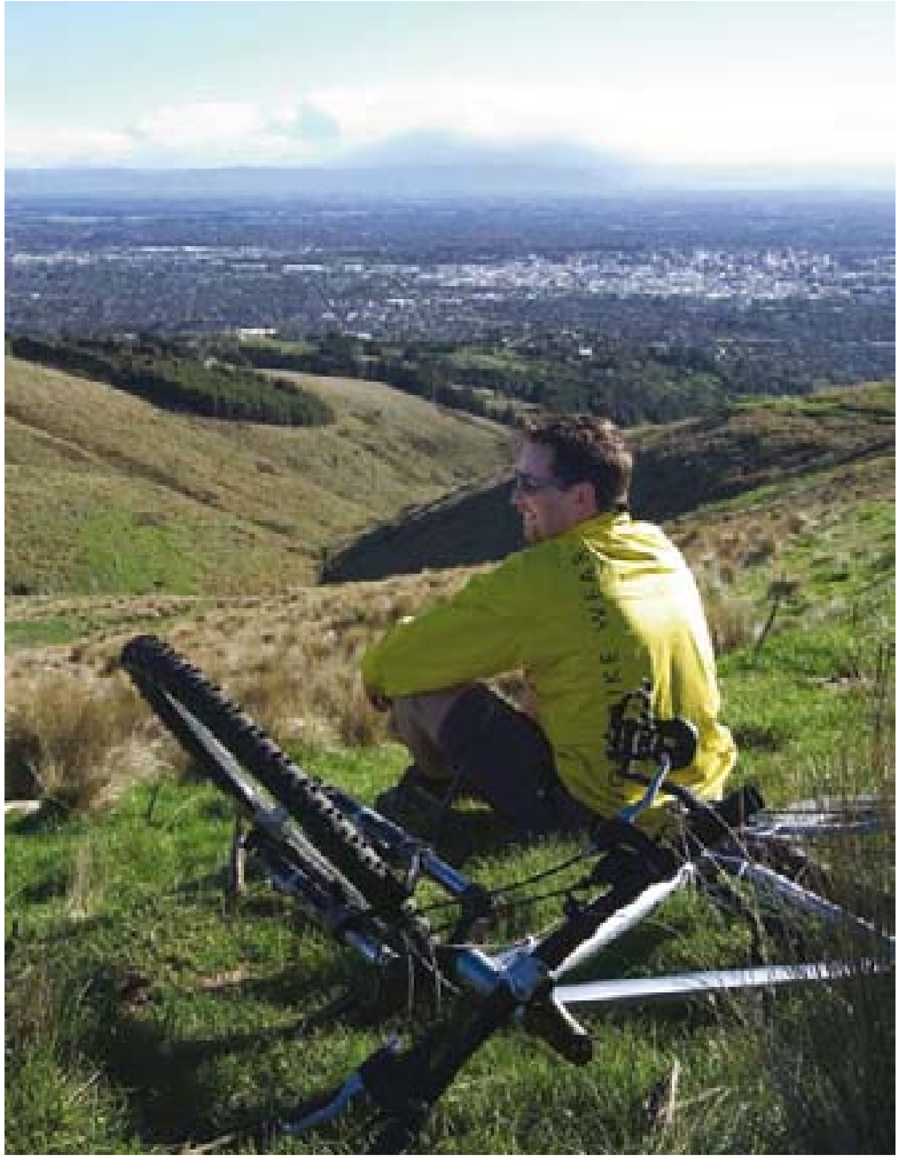
Christchurch City Council

Significant Forecasting Assumptions LTCCP 2006 to 2016

Schedule 10 (Section 11) of the Local Government Act 2002 requires that Council identify the significant forecasting assumptions and risks underlying the financial estimates. Where there is a high level of uncertainty Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects of the assumptions. This section is designed to identify the assumptions made and explain the risks associated with those assumptions. It is divided into two categories: General and Financial.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Population. Planning for activities, and thus the likely cost of providing those activities, considers that the population of Christchurch will increase at the medium growth rate projected by the Department of Statistics. The Department is currently predicting the population of Christchurch to reach 388,800 by 2026, an increase of 16% over 2001.	Population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure. Population growth is lower than projected, and Council will be required to support excess levels of infrastructure and service delivery.	Low Low	Population projections are based upon a standard set of demographic assumptions and are not expected to change quickly.
Rating base. The capital value of Christchurch on 1 July 2006 is expected to be approximately $46.048 billion, up $750 million from 1 year ago and generating an additional $3.0 million in rate revenue. The projected percentage increase in rates for years beginning on or after 1 July 2006 include the assumption that growth in the capital value of the City will generate an additional $3 million in rate revenue per annum. This is a conservative figure.	The rating base does not grow at the rate projected.	Moderate	Rate revenue would not be as high as projected. This would be partially offset by the lower demand for services.

Significant forecasting assumptions



Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Council policy. There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response from Council.	Low	Dealing with changes in legislation is part of normal Council operations.
	Election of a new Council with different objectives from the current Council.	Moderate	Any significant change to Council policy would be assessed in terms of impact upon Council's financial position.
Resource Consents. Conditions of resource consents held by Council will not be significantly altered.	That conditions required to obtain/maintain the consents will change, resulting in higher costs than projected, and these costs will not be covered by planned funding.	Moderate	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.

Significant forecasting assumptions

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Land Transport New Zealand 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 Land Transport New Zealand are outside Council control. The maximum financial impact would be elimination of the subsidy, estimated at $15 million per annum.

Christchurch City Council

Significant Forecasting Assumptions LTCCP 2006 to 2016

Financial

Assumption	Risk	Level of Uncertainty	Impact
Inflation. The price level changes projected will occur. (Details of the inflation adjustments may be found on page 199.)	Inflation will be higher or lower than anticipated.	Moderate	Inflation is affected by external economic factors.
	Inflation on costs will not be offset by inflation on revenues.	Moderate	Council's costs will increase unless efficiency gains can be made.
Borrowing Costs. Interest on Term Debt is calculated at 6.85% per annum. Interest on the Capital Endowment Fund is estimated at 7% for years 1-2 and 6.75% years 3-10.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis. If actual interest rates are higher than the assumed rate, this cost would be rated for or future borrowing requirements adjusted.

Significant forecasting assumptions

Assumption	Risk	Level of Uncertainty	Impact
Return on investments. Interest on Investments is calculated at 6.8% for years 1-2 and 6.7% for years 3-10. Interest on the Capital Endowment Fund is estimated at 7% for years 1-2 and 6.75% for years 3-10.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis. If actual interest rates are lower than the assumed rate, expenditure priorities would be re-evaluated or alternative funding mechanisms utilised.
CCTO income. CCHL will continue to deliver dividend income at the current level.	CCHL will deliver lower than projected income and Council will need to source alternate funding.	Low	CCTO's are managed by the Statement of Intent and biannual reporting process. Returns are expected to continue at the current level.
Asset revaluation. The impact of asset revaluations on carrying values and depreciation will occur as projected.	Revaluations will materially differ from those projected, thus changing projected carrying values of the assets and depreciation expense.	Moderate	Variation in values is expected to be low unless valuation methodology changes.

Assumption	Risk	Level of Uncertainty	Impact
Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice. (The Accounting Policies detail the useful lives by asset class).	Assets wear out earlier than estimated or asset lives are changed due to revisions of AMP's or new advice.	Moderate	Capital could be brought forward in event of early expiration of assets, but depreciation expense and financing costs would increase.
Sources of funds for replacing significant assets. The sources of funds will occur as projected. (The Revenue and Funding Policy details the funding sources.)	Funding does not occur as projected.	Low	Funding sources are stable.
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.
Capital Works. Capital works projects will occur as projected.	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls.	Moderate	Council is confident in the planning work undertaken on capital projects, but recognises external economic factors may impact upon the costs and delivery timeframes for capital works.

Significant forecasting assumptions

Assumption	Risk	Level of Uncertainty	Impact
Cash Position at 30 June 2006. A special dividend of $17.9 million will be received from CCHL.	The dividend amount will vary from projections.	Low	The cash balance will reduce slightly, with less interest revenue received, and borrowing will need to be brought forward.
Current Civic Offices on Tuam Street will be sold to a council controlled trading organisation prior to 30 June 2006 for $11.0 million. Council will enter into a lease with the CCTO for the current building, until a new building is completed (planned for 2010/11).	The sale will not occur as planned.	Low	The cash balance will reduce slightly, with less interest revenue received, and borrowing will need to be brought forward.

The adjustors used for each year are as follows:

	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16
Expenditure	1.029	1.0274	1.0254	1.0234	1.0213	1.0197	1.0177	1.0151	1.0151
Cumulative Expenditure	1.029	1.0572	1.0840	1.1094	1.1330	1.1554	1.1758	1.1936	1.2116
Revenue (excl rates & dividends)	1.032	1.030	1.0276	1.0256	1.0236	1.0212	1.0192	1.0167	1.0167
Cumulative Revenue	1.032	1.0630	1.0923	1.1203	1.1467	1.1710	1.1935	1.2134	1.2337
Capital Expenditure	1.0365	1.0342	1.0315	1.0293	1.0270	1.0243	1.0220	1.0194	1.0194
Cumulative CAPEX	1.0365	1.0719	1.1057	1.1381	1.1688	1.1972	1.2236	1.2473	1.2715