Financial forecasts

Our Long Term Council Community Plan 2009–2019
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.

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Income statement	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Revenue											
243,446	Rates revenue		256,052	269,172	283,488	297,887	314,753	330,065	345,881	362,174	379,220	396,397
209,313	Other revenue	1	208,508	234,596	250,113	265,905	266,277	265,862	272,089	285,807	294,332	301,321
452,759	**Total operating income**		**464,560**	**503,768**	**533,601**	**563,792**	**581,030**	**595,927**	**617,970**	**647,981**	**673,552**	**697,718**
	Expenditure											
15,655	Finance costs		17,782	22,254	27,970	33,056	38,829	42,714	44,474	47,378	49,950	53,308
105,299	Depreciation and amortisation		110,611	118,205	127,830	135,980	144,897	153,151	156,272	164,711	174,006	179,458
305,754	Other expenses	2	316,185	338,073	349,631	360,415	366,552	370,598	381,000	393,827	402,931	416,694
426,708	**Total operating expenditure**		**444,578**	**478,532**	**505,431**	**529,451**	**550,278**	**566,463**	**581,746**	**605,916**	**626,887**	**649,460**
26,051	**Surplus before asset contributions**		**19,982**	**25,236**	**28,170**	**34,341**	**30,752**	**29,464**	**36,224**	**42,065**	**46,665**	**48,258**
15,926	Vested assets		16,249	16,703	17,170	17,624	18,128	18,668	19,236	19,776	20,644	21,822
41,977	**Surplus before income tax expense**		**36,231**	**41,939**	**45,340**	**51,965**	**48,880**	**48,132**	**55,460**	**61,841**	**67,309**	**70,080**
–	Income tax expense											
41,977	**Surplus for the period**		**36,231**	**41,939**	**45,340**	**51,965**	**48,880**	**48,132**	**55,460**	**61,841**	**67,309**	**70,080**
41,977	**Net surplus for year**		**36,231**	**41,939**	**45,340**	**51,965**	**48,880**	**48,132**	**55,460**	**61,841**	**67,309**	**70,080**
	Other Comprehensive Income											
170,000	Changes in Revaluation Reserve		209,000	170,407	162,491	170,408	155,974	166,217	171,338	171,338	175,529	186,237
211,977	**Total Comprehensive Income**		**245,231**	**212,346**	**207,831**	**222,373**	**204,854**	**214,349**	**226,798**	**233,179**	**242,838**	**256,317**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Statement of change in equity	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
6,099,279	**Equity at July 1**		6,452,608	6,697,839	6,910,185	7,118,016	7,340,388	7,545,243	7,759,592	7,986,391	8,219,569	8,462,408
	Net surplus attributable to:											
	Reserves											
170,000	Transfers		–	–	–	–	–	–	–	–	–	–
–	Revaluation reserve		**209,000**	**170,407**	**162,491**	**170,408**	**155,974**	**166,217**	**171,338**	**171,338**	**175,529**	**186,237**
	Retained earnings											
41,977	Surplus		36,231	41,939	45,340	51,965	48,880	48,132	55,460	61,841	67,309	70,080
211,977	Total recognised revenues and expenses for the year		245,231	212,346	207,831	222,373	204,854	214,349	226,798	233,179	242,838	256,317
6,311,256	**Equity at June 30**		**6,697,839**	**6,910,185**	**7,118,016**	**7,340,388**	**7,545,243**	**7,759,592**	**7,986,391**	**8,219,569**	**8,462,408**	**8,718,725**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Balance sheet	Note	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Current assets											
59,079	Cash and cash equivalents		45,567	46,629	47,651	48,671	49,569	50,478	51,475	52,543	53,571	54,687
23,081	Trade and other receivables	3	44,356	45,722	47,035	48,352	49,506	50,677	51,959	53,329	54,655	56,093
1,316	Inventories		1,297	1,339	1,375	1,414	1,444	1,478	1,513	1,551	1,590	1,631
60,006	Other financial assets		61,513	64,194	68,133	72,511	77,840	83,362	88,806	90,096	91,389	91,911
	Non–current assets											
1,481,694	Investments	4	1,761,199	1,779,169	1,793,200	1,806,465	1,809,359	1,799,775	1,795,565	1,791,432	1,787,110	1,783,911
16,750	Intangible assets		13,980	14,205	14,085	13,945	13,834	13,668	13,479	13,475	13,492	14,273
1,327,179	Operational assets		1,107,683	1,174,076	1,210,882	1,248,359	1,284,082	1,318,287	1,352,158	1,400,671	1,452,017	1,567,029
3,215,271	Infrastructural assets		3,260,822	3,447,180	3,636,184	3,867,042	4,077,760	4,253,613	4,453,125	4,659,881	4,850,635	5,036,520
521,026	Restricted assets		795,741	825,929	855,058	885,587	913,510	942,735	974,083	1,005,536	1,039,670	1,075,193
852	Deferred tax assets		–	–	–	–	–	–	–	–	–	–
6,706,254	**Total assets**		**7,092,158**	**7,398,443**	**7,673,603**	**7,992,346**	**8,276,904**	**8,514,073**	**8,782,163**	**9,068,514**	**9,344,129**	**9,681,248**
	Current liabilities	5										
48,946	Trade and other payables		60,729	62,600	64,397	66,201	67,780	69,383	71,138	73,015	74,831	76,798
42,001	Borrowings		3,348	10,543	13,896	15,693	26,917	24,704	77,423	32,392	33,098	33,098
14,562	Provisions		12,921	13,236	13,539	13,864	14,195	14,530	14,898	15,291	15,671	16,083
	Non–current liabilities											
263,452	Borrowings		297,906	382,817	445,002	537,716	604,595	628,008	614,777	711,032	741,252	820,019
18,307	Provisions	6	17,872	17,463	17,100	16,774	16,413	16,039	15,663	15,285	14,881	14,475
7,730	Deferred tax liability		1,543	1,599	1,653	1,710	1,761	1,817	1,873	1,930	1,988	2,050
6,311,256	**Equity**	7	6,697,839	6,910,185	7,118,016	7,340,388	7,545,243	7,759,592	7,986,391	8,219,569	8,462,408	8,718,725
6,706,254	**Total equity and liabilities**		**7,092,158**	**7,398,443**	**7,673,603**	**7,992,346**	**8,276,904**	**8,514,073**	**8,782,163**	**9,068,514**	**9,344,129**	**9,681,248**

Christchurch City Council

Financial forecasts

Cash flow statement

Budget 2008–09 $000's	Cash flow statement	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Operating activities										
	Cash was provided from:										
387,315	Rates, grants, subsidies, and other sources	400,544	429,866	458,945	486,830	502,040	514,778	535,748	564,076	588,705	611,314
25,924	Interest received	23,440	23,362	23,619	23,638	23,568	23,516	22,896	22,836	22,176	21,959
–	Contributions from subsidiaries	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783	26,783
39,520	Dividends	13,794	22,220	22,648	24,804	26,959	29,037	30,493	32,009	33,526	35,043
452,759		464,561	502,231	531,995	562,055	579,350	594,114	615,920	645,704	671,190	695,099
	Cash was disbursed to:										
306,904	Payments to suppliers and employees	317,125	336,169	347,636	358,230	364,509	368,426	378,520	391,068	400,142	413,580
15,655	Interest paid	17,782	22,254	27,970	33,055	38,830	42,713	44,474	47,378	49,950	53,306
322,559		334,907	358,423	375,606	391,285	403,339	411,139	422,994	438,446	450,092	466,886
130,200	**Net cash flow from operations**	**129,654**	**143,808**	**156,389**	**170,770**	**176,011**	**182,975**	**192,926**	**207,258**	**221,098**	**228,213**
	Investing activities										
	Cash was provided from:										
3,654	Sale of assets	4,289	1,128	5,774	1,206	1,243	1,282	1,322	1,362	6,428	930
–	Investments realised	(2)	1,699	5,086	6,285	6,487	11,937	6,786	6,887	6,986	6,086
3,654		4,287	2,827	10,860	7,491	7,730	13,219	8,108	8,249	13,414	7,016
	Cash was applied to:										
251,135	Purchase of assets	200,399	215,328	208,707	247,824	246,237	208,609	231,506	261,619	260,451	309,470
57,650	Purchase of investments	29,216	16,926	16,479	16,905	7,063	–	–	–	–	–
	Purchase of investments (special funds)	(34,646)	5,426	6,576	7,025	7,645	7,875	8,019	4,043	3,957	3,410
308,785		194,969	237,680	231,762	271,754	260,945	216,484	239,525	265,662	264,408	312,880
(305,131)	**Net cash flow from investing activities**	**(190,682)**	**(234,853)**	**(220,902)**	**(264,263)**	**(253,215)**	**(203,265)**	**(231,417)**	**(257,413)**	**(250,994)**	**(305,864)**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Cash flow statement (Cont'd)	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Financing activities										
	Cash was provided from:										
171,382	Raising of loans	89,544	95,341	75,964	108,293	93,680	48,001	64,076	128,530	63,199	111,746
171,382		89,544	95,341	75,964	108,293	93,680	48,001	64,076	128,530	63,199	111,746
	Cash was applied to:										
1,919	Repayment of term liabilities	28,018	3,234	10,429	13,780	15,578	26,802	24,588	77,307	32,275	32,979
1,919		28,018	3,234	10,429	13,780	15,578	26,802	24,588	77,307	32,275	32,979
169,463	**Net cash flow from financing activities**	**61,526**	**92,107**	**65,535**	**94,513**	**78,102**	**21,199**	**39,488**	**51,223**	**30,924**	**78,767**
(5,468)	Increase/(decrease) in cash	498	1,062	1,022	1,020	898	909	997	1,068	1,028	1,116
64,547	Add opening cash	45,069	45,567	46,629	47,651	48,671	49,569	50,478	51,475	52,543	53,571
59,079	**Ending cash balance**	**45,567**	**46,629**	**47,651**	**48,671**	**49,569**	**50,478**	**51,475**	**52,543**	**53,571**	**54,687**
	Represented by:										
59,079	Cash and cash equivalents	45,567	46,629	47,651	48,671	49,569	50,478	51,475	52,543	53,571	54,687

Christchurch City Council

Financial forecasts

Notes to the financial statements

Note 1: Other revenue

Budget 2008–09 $000's		Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Fees, charges and rates penalties, including:										
1,450	Rate penalties	1,450	1,495	1,538	1,581	1,618	1,657	1,699	1,743	1,787	1,834
91,559	Other income	92,686	99,267	102,501	105,999	108,725	111,444	113,355	117,080	119,848	123,179
93,009	Total fees, charges and penalties	94,136	100,762	104,039	107,580	110,343	113,101	115,054	118,823	121,635	125,013
14,060	Development contributions	18,672	25,854	31,978	33,948	37,186	39,150	41,937	50,780	52,008	54,707
36,800	Grants and subsidies	31,685	35,615	41,048	49,153	41,439	34,276	34,929	34,575	38,204	37,814
–	Contributions from subsidiaries	26,782	26,782	26,781	26,782	26,782	26,782	26,781	26,782	26,784	26,784
	Interest:										
9,704	Subsidiaries	12,920	12,566	12,515	12,163	11,695	11,211	10,369	9,861	8,973	8,536
–	Loan repayment investments	–	–	–	–	–	–	–	–	–	–
11,803	Short term investments	8,011	7,989	8,282	8,639	9,025	9,444	9,716	10,162	10,371	10,576
4,417	Special and other fund investments	2,508	2,807	2,822	2,836	2,847	2,861	2,810	2,814	2,831	2,848
25,924	Total interest revenue	23,439	23,362	23,619	23,638	23,567	23,516	22,895	22,837	22,175	21,960
	Dividends:										
38,000	Christchurch City Holdings Ltd	12,111	19,253	19,253	21,253	23,253	25,253	26,553	27,953	29,353	30,753
1,470	Transwaste Ltd	1,633	2,918	3,345	3,501	3,657	3,734	3,890	4,007	4,123	4,240
50	NZ Local Government Insurance Corporation	50	50	50	50	50	50	50	50	50	50
39,520	Total dividend revenue	13,794	22,221	22,648	24,804	26,960	29,037	30,493	32,010	33,526	35,043
209,313	**Total other revenue**	**208,508**	**234,596**	**250,113**	**265,905**	**266,277**	**265,862**	**272,089**	**285,807**	**294,332**	**301,321**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Notes to the financial statements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Note 2: Other expenses										
	Operating expenditure:										
118,149	Employee benefits	123,839	128,971	132,830	136,731	140,459	143,425	147,153	152,111	155,642	159,293
17,249	Grants	16,003	16,294	23,550	24,852	20,989	18,600	19,119	19,536	20,100	20,634
101,244	Contracts	113,187	115,570	118,296	120,695	123,922	125,662	129,102	132,803	136,541	140,576
51,862	Assets	54,560	67,581	67,337	70,084	71,774	73,665	75,765	78,206	79,451	84,442
16,919	General	8,596	9,657	7,618	8,053	9,408	9,246	9,861	11,171	11,197	11,749
305,423	**Total other expenses**	**316,185**	**338,073**	**349,631**	**360,415**	**366,552**	**370,598**	**381,000**	**393,827**	**402,931**	**416,694**
	Note 3: Current assets										
	Trade and other receivables:										
6,274	Rates debtors	8,744	9,013	9,272	9,532	9,759	9,990	10,243	10,513	10,774	11,058
4,752	Other trade debtors	10,775	11,106	11,426	11,745	12,026	12,310	12,621	12,955	13,276	13,626
472	Amount owing by subsidiaries	254	262	269	277	283	290	298	305	313	321
9,680	Other receivables/prepayments	12,856	13,252	13,632	14,014	14,348	14,688	15,059	15,456	15,841	16,257
–	Dividends receivable	6,140	6,330	6,512	6,694	6,854	7,016	7,193	7,383	7,567	7,766
2,242	GST receivable	6,487	6,687	6,879	7,071	7,240	7,411	7,599	7,799	7,993	8,203
23,420		45,256	46,650	47,990	49,333	50,510	51,705	53,013	54,411	55,764	57,231
(339)	Less provision for doubtful debts	(900)	(928)	(955)	(981)	(1,004)	(1,028)	(1,054)	(1,082)	(1,109)	(1,138)
23,081	**Total receivables and prepayments**	**44,356**	**45,722**	**47,035**	**48,352**	**49,506**	**50,677**	**51,959**	**53,329**	**54,655**	**56,093**
	Note 4: Investments										
1,225,022	Shares in controlled entities	1,511,914	1,526,839	1,540,133	1,555,851	1,561,728	1,560,042	1,558,857	1,557,670	1,556,484	1,555,298
145,125	Advances to subsidiaries and other entities	160,178	160,478	158,578	153,478	148,178	137,928	132,328	126,628	120,828	115,928
111,547	Other investments	89,107	91,852	94,489	97,136	99,453	101,805	104,380	107,134	109,798	112,685
1,481,694	**Total investments**	**1,761,199**	**1,779,169**	**1,793,200**	**1,806,465**	**1,809,359**	**1,799,775**	**1,795,565**	**1,791,432**	**1,787,110**	**1,783,911**

Christchurch City Council

Financial forecasts

Budget 2008–09 $000's	Notes to the financial statements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
	Note 5: Current liabilities										
48,946	Trade creditors	54,802	56,490	58,112	59,740	61,165	62,611	64,195	65,889	67,528	69,303
–	Owing to subsidiaries	5,927	6,110	6,285	6,461	6,615	6,772	6,943	7,126	7,303	7,495
48,946		60,729	62,600	64,397	66,201	67,780	69,383	71,138	73,015	74,831	76,798
–	Current portion of gross debt	3,348	10,543	13,896	15,693	26,917	24,704	77,423	32,392	33,098	33,098
2,014	Provision for landfill aftercare	670	607	548	509	521	534	547	562	576	591
12,548	Provision for employee entitlements	12,251	12,629	12,991	13,355	13,674	13,996	14,351	14,729	15,095	15,492
14,562		12,921	13,236	13,539	13,864	14,195	14,530	14,898	15,291	15,671	16,083
63,508	**Total current liabilities**	**76,998**	**86,379**	**91,832**	**95,758**	**108,892**	**108,617**	**163,459**	**120,698**	**123,600**	**125,979**
	Note 6: Non–current provisions										
11,411	Provision for landfill aftercare	11,236	10,622	10,063	9,540	9,007	8,457	7,890	7,306	6,704	6,083
6,896	Provision for employee entitlements	6,636	6,841	7,037	7,234	7,406	7,582	7,773	7,979	8,177	8,392
18,307	**Total non–current provisions**	**17,872**	**17,463**	**17,100**	**16,774**	**16,413**	**16,039**	**15,663**	**15,285**	**14,881**	**14,475**
	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
176,827	Reserve funds	150,620	156,046	162,622	169,647	177,293	185,167	193,186	197,230	201,187	204,596
2,697,407	Asset revaluation reserves	2,960,749	3,131,157	3,293,648	3,464,055	3,620,030	3,786,246	3,957,585	4,128,922	4,304,452	4,490,688
1,703,169	Retained earnings	1,852,617	1,889,129	1,927,893	1,972,833	2,014,067	2,054,326	2,101,767	2,159,564	2,222,916	2,289,588
6,311,256	**Total equity**	**6,697,839**	**6,910,185**	**7,118,016**	**7,340,388**	**7,545,243**	**7,759,592**	**7,986,391**	**8,219,569**	**8,462,408**	**8,718,725**

Christchurch City Council

Statement of accounting policies

Christchurch City Council

Statement of accounting policies to the prospective financial statements
For the ten year period 1 July 2009 to 30 June 2019.

Reporting entity

Christchurch City Council ("Council") is a territorial authority under the Local Government Act 2002.

The primary objective of Council is to provide goods or services for the community or social benefit rather than to make a financial return. Accordingly, Council has designated itself a public benefit entity ("PBE") for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

Basis of preparation

The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

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

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Council is New Zealand dollars.

Foreign currency transactions

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.

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. In accordance with the treasury policies of the respective group entities, 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).

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.

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

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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.

Property, plant and equipment
The following assets (except for investment properties) 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

When determining the initial recognition value of an asset that Council has built or acquired, Council has taken advantage of the PBE exemption in NZ IAS 23 (Borrowing Costs) and does not capitalise the interest cost of any borrowings relating to that asset.

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 cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or 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	1-100 yrs
Office and computer equipment	4-10 yrs
Mobile plant including vehicles	2-30 yrs
Sealed surfaces (other than roads)	9-100 yrs
Leasehold land improvements	5-100 yrs
Library books	3-8 yrs
Infrastructure assets:	
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	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
Art works	1000 yrs
Heritage assets	1000 yrs

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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.

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.

Intangible assets

(i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures.

In respect of acquisitions prior to 30 June 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

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). 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 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 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.

(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).

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

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

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

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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) Financial assets at fair value through equity
Financial assets at fair value through equity 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 Council's financial statements, equity investments in its subsidiaries are designated as financial assets at fair value through equity. 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.

(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.

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 equity 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.

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.

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) 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).

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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.

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.

Impairment
The carrying amounts of the Council's assets, investment property (see Investments policy), inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), 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, other 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 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 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.

As a public benefit entity, Council uses depreciated replacement cost to assess value in use where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Council would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

(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.

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.

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.

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Statement of accounting policies

Provisions

A provision is recognised in the balance sheet 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.

(i) Landfill aftercare provision

As operator of several closed landfill sites, including Burwood, the Council has a legal obligation to provide ongoing maintenance and monitoring services at these sites 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 6.88%.
- 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.

Employee entitlements

The 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 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 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 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.

(iii) National Provident Fund's Defined Benefit Plan 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 (see Contingencies note).

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 recognised 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 recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

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.

Revenue

(i) Rates, goods sold and services rendered

Revenue from rates is recognised in the income statement at the time of invoicing. 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.

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Statement of accounting policies

(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 and other 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 as income 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.

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, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see Hedging policy).

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. All interest payable on borrowings is recognised as an expense in the income statement as it accrues.

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 substantively 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.

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.

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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 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.

Goods and Services Tax
The 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 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.

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 forecast financial statements to conform with NZ IFRS 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 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. 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.

In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

- The physical deterioration and condition of an asset, for example the Council could be carrying at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a combination of physical assessments and condition modelling of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or underestimating the annual depreciation charge recognised as an expense in the income statement. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions and past experience. Asset inspections, depreciation and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further reassurance over its useful life estimates. Finally, Council's assets are also periodically revalued by experienced independent valuers who provide assurance that Council's useful life estimates are valid.
- Management are required to exercise judgement in calculating provisions for doubtful debts, assessing the level of unrecoverable work in progress and calculating provisions for employee benefits.

Changes to accounting policies
Since the publication of its last financial statements, the 2007/08 Annual Report, Council has not made any changes to its accounting policies.

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Significant forecasting assumptions

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Significant forecasting assumptions: Christchurch Long Term Council Community Plan 2009–2019

In preparing this LTCCP 2009–2019 it was necessary for Council to make a number of assumptions about the future. Under the Local Government Act 2002 (Schedule 10, Section 11) the Council is required to identify its forecasting assumptions, and the risks of those assumptions to financial estimates in the LTCCP.

The following tables identify significant forecasting assumptions; describe the risk in making such an assumption; rate the level of risk; give a reason for the risk rating and explain how that level of risk may affect financial estimates in the LTCCP.

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Population	Planning for activities, and thus the likely cost of providing those activities, considers that the population of Christchurch will increase at the rate forecast by Councils growth model. That model predicts the population of Christchurch to reach 396,000 by 2019, an increase of 7% over 2009.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure.	Low	Population projections are based upon a standard set of demographic assumptions and are not expected to change quickly. Therefore the level of risk is low and little financial impact is expected.
		That population growth is lower than projected, and Council will be required to support excess levels of infrastructure and service delivery.	Low	
Growth	Council collects development contributions from property developers to fund the capital costs of infrastructure in the city The amount collected from each development 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, modified for short to medium term economic conditions.	Should growth in the number of properties vary considerably from forecasts, there is a possibility that revenue collected from development contributions will be too much or too little to fund Councils capital programme.	Moderate	Growth projections are based upon a standard set of demographic assumptions and are not expected to change quickly. However, the timing of that growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this LTCCP.
		If the timing of growth differs significantly from forecast this will impact on Councils cash flows and may necessitate changes to planned borrowing.		
Economic Environment	At the time of preparing this draft LTCCP the global economy is in a period of unprecedented turmoil. Council has prepared this LTCCP on the basis that current predictions on the depth and duration of this recession will prove correct.	The current recession significantly deepens.	Moderate	This LTCCP has been prepared based on data available at the time of writing. It reflects the current recession through assumptions around Rating Base, Inflation, Borrowing Costs, Return on Investments, CCTO Income and Capital Works. Also, forecast cash-flow from Development Contribution revenue has been reduced by 40 percent in 2009/10 and 25 percent in 2010/11 to reflect an anticipated short term downturn in property development.
Environmental change	This draft LTCCP is prepared with the assumption that environmental change (i.e. global warming) will not have a significant impact on the environment or economy of Christchurch within the ten year LTCCP period.	Environmental change accelerates.	Low	Should environmental change significantly accelerate such that the environment and economy of Christchurch change in the next ten years the activities and services outlined in this LTCCP will fundamentally change. These changes would be reflected in an amended LTCCP or in one of the new LTCCPs due to be published in 2012 or 2015.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Rating base	The capital value of Christchurch on 1 July 2009 is expected to be approximately $77.910 billion, up $1.132 billion from 1 year ago and generating an additional $3.0 million in rates revenue. The projected percentage increase in rates for years beginning on or after 1 July 2009 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. which reflects the current economic environment.	The rating base does not grow at the rate projected.	Moderate	Variances between the forecast and actual growth in the rating base is unlikely to cause any changes to the total rates revenue needed. However, should the actual increase in the rating base not meet expectations the amount of rates paid by each individual ratepayer would increase by a maximum of 1%. Conversely, if the actual increase in the rating base exceeds expectations the amount of rates paid by each individual ratepayer would decrease.
Rating powers	Council will continue to be able to assess General Rates, Targeted Rates, Targeted Uniform Annual Rates, and Uniform Annual General Charges. Also, Council will continue to be able to set rating differentials.	Should Council's ability to use one or more of these rating tools change, the amount of rates collected by rate type and by ratepayer group may change considerably. It is not envisaged that any such change would alter the total rates income.	Low	Following the publication of the Local Government Rates Inquiry in 2007, the Government has been considering legislative change. However, Council considers that legislative change significant enough to change Council's rating powers is unlikely.
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.
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 $25 million in 2009–10.
Inflation	The price level changes projected will occur. In developing this LTCCP Council based its inflation projections on information provided by Business Economic Research Limited to all local authorities, and updated these for local market conditions. The corporate weighted average inflation figure used in this draft LTCCP is calculated and applied across all Groups of Activities for each year, with the resulting flow through to the balance sheet. (Details of the inflation adjustments may be found below)	Inflation will be higher or lower than anticipated.	Low	Inflation is affected by external economic factors.
		Inflation on costs will not be offset by inflation on revenues.	Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Borrowing Costs	Interest on debt is calculated at 5.50% per annum for 2009–10, 6.25% in 2010–11, and 6.60% in 2011–12 and out-years.	Interest rates will vary from those projected.	Moderate	Rates used are based on detailed analysis and includes the cost of both funds already borrowed and anticipated new debt at anticipated future interest rates. If actual interest rates are higher than the assumed rate, this cost would be rated for or future borrowing requirements adjusted. An increase of 1% over forecast borrowing costs would increase 2009/10 costs by $1.156m (equivalent to 0.5% of rates). In 2018/19 the effect of a 1% increase would be to increase total costs by $8.462m (equivalent to 2% of rates). However, it should be noted that any increases in costs due to increased interest rates will be offset by increase interest revenue.
Return on investments	Interest on investments is calculated at 5.10% for year 1, 5.70% for years 2–6, and 5.60% for years 7–10.	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. An increase of 1% over forecast returns on investments would increase 2009/10 revenue by $0.710m (equivalent to 0.3% of rates). In 2018/19 the effect of a 1% increase would be to increase total costs by $3.758m (equivalent to 1% of rates). However, it should be noted that any increases in revenue due to increased interest rates will be offset by increase interest costs.
Tax planning	The core Council will be operating at a tax loss for each of the ten years 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.	CCTOs will deliver lower than projected profits and subvention payments will be lower than planned.	Low	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this LTCCP.
CCTO income	CCHL will continue to deliver dividend income at the levels forecast in this LTCCP.	CCHL will deliver lower than projected income and Council will need to source alternate funding.	Low	CCTO's are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this LTCCP.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
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.
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.
Transfer of Town Hall ownership	This draft LTCCP proposes to sell the Town Hall to Vbase at its market value and to grant a lease to Vbase over the land prior to 30 June 2009. Efficiencies created by this transfer result in an increase in the annual operating cash-flow for the Group. These increased cash-flows have been recognised within this draft LTCCP.	Following consultation, should Council decide not to transfer the ownership of the Town Hall the budgeted subvention payments will not be received from Council.	Moderate	Should Council decide not to transfer the ownership of the Town Hall the effect would be to reduce Council revenue by $0.7 million and reduce the anticipated surplus of Vbase by approximately $1 million.
Tax legislation	This draft LTCCP includes the planned creation of a trust which will receive charitable donations and use these to fund work considered to be charitable.	Council's interpretation of current taxation legislation allows donations to the charitable trust to be tax deductible. However, Council is seeking a binding ruling from Inland Revenue to confirm this interpretation.	Low	Should the binding ruling not support Council's interpretation Council's ability to attract charitable donations will be removed. The result of this will be a decrease in revenue in 2010/11 of approximately $8 million and thereafter an ongoing reduction of $11 million.
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.
Social housing	This draft LTCCP has been prepared during a period when Council are consulting with the public and tenants of Council's social housing portfolio about the Council's policy in relation to social housing. Because consultation is not yet complete and Council is yet to make a decision this draft LTCCP 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 through rental income and ring-fenced from any rates funding	Council policy in relation to social housing changes	Moderate	The effect on this LTCCP of any change in social housing policy cannot yet be quantified.

Christchurch City Council

Significant forecasting assumptions

	Assumption	Risk	Level of risk	Reason for level of risk, and impact on LTCCP
Capital works	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls.	Asset Renewal and Replacement budgets have been prepared on the basis that Council can achieve a 2.5% savings on forecast renewal costs through efficient management and tight control over contingency budgets.	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.
Opening Debt	The opening debt of $239.7 million is made up of; • $91.2 million of equity investments in CCTOs, • $145.9 million of money borrowed for onlending to CCTOs, (in accordance with the Council's Investment Policy), • $2.0 million of borrowing for capital works, after applying $19 million of reserves and $73 million of charitable donations, • $0.6 million of other borrowing. $68.1 million of the equity investment is with Vbase and includes $35.7 million to fund the transfer of the Town Hall, and $20 million of the funding underwrite for AMI Stadium. $70.7 million of the monies on-lent to Vbase fund the old and new stands at AMI Stadium, and $48.9 million is for the Council's share of the new civic offices.	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.

Christchurch City Council

Significant forecasting assumptions

The adjustors used for each year are as follows:

	Basis	Weighting	10–11	11–12	12–13	13–14	14–15	15–16	16–17	17–18	18–19
Opex expenditure											
Interest expense	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Staff costs	Staff	31.3%	2.7	2.7	2.5	2.5	2.5	2.6	3.2	2.7	3.1
Electricity	Energy	3.6%	2.3	2.6	3.0	2.9	3.3	3.3	3.3	3.4	3.5
Grants	Other	5.7%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property/parks contracts/materials/assets	CCC/property	9.3%	3.1	2.6	2.8	2.8	2.9	3.0	2.6	2.2	2.3
CWW contracts/materials/assets	Water	13.6%	3.0	2.8	2.7	3.3	2.9	3.5	3.1	3.2	3.3
Streets contracts/materials/assets	CCC/road	12.5%	2.9	2.9	2.4	2.3	2.2	2.3	2.4	2.4	2.2
Other	Other	24.0%	3.3	2.3	2.4	2.1	2.2	2.3	2.3	2.4	2.5
		100%									
Weighted average			2.78	2.48	2.39	2.39	2.37	2.53	2.64	2.48	2.63
Carbon tax adjustment			0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average used:			**3.08**	**2.88**	**2.79**	**2.39**	**2.37**	**2.53**	**2.64**	**2.48**	**2.63**
Revenue											
Interest revenue	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fees & charges	Other	84.1%	2.7	2.5	2.3	2.3	2.3	2.4	2.7	2.5	2.7
Rents	Property	15.9%	3.1	2.6	2.8	2.8	2.9	3.0	2.6	2.2	2.3
		100%									
Weighted average			2.78	2.48	2.39	2.39	2.37	2.53	2.64	2.48	2.63
Carbon tax adjustment			0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average used:			**3.08**	**2.88**	**2.79**	**2.39**	**2.37**	**2.53**	**2.64**	**2.48**	**2.63**
Capex (and depreciation)											
Roading infrastructure	Earthmoving	34.1%	3.5	3.4	3.4	3.7	3.8	3.4	3.1	3.2	3.3
Parks/land drainage	Earthmoving	8.3%	3.5	3.4	3.4	3.7	3.8	3.4	3.1	3.2	3.3
Water & wastewater infrastructure	Pipelines	24.5%	3.2	3.1	3.2	3.1	3.2	3.8	3.9	3.5	3.6
Other expenditure	Other	33.1%	3.3	2.3	2.4	2.1	2.2	2.3	2.3	2.4	2.5
		100%									
Weighted average			3.36	2.96	3.02	3.02	3.12	3.13	3.03	3.01	3.11
Carbon tax adjustment			0.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average used:			**3.66**	**3.36**	**3.42**	**3.02**	**3.12**	**3.13**	**3.03**	**3.01**	**3.11**

Christchurch City Council

Capital Endowment Fund

Capital Endowment Fund

In April 2001, Council set up a Capital Endowment Fund of $75M. This fund was established using a share of the proceeds from the sale of Orion's investment in a gas company. The Fund provides an ongoing income stream which can be applied to economic development and civic and community projects.

Current Council resolutions in respect of the fund are;

1. that the income from the fund be allocated each year in the following way:

Economic Development	70%
Civic and Community	30%

the above general categories be reviewed on a three yearly cycle, the next review aligning with the 2012/22 LTCCP, or

if the interest earned from the fund changes significantly (increase or decrease) within the next three years,

2. that if desired, funding for a particular category be carried forward to another year,
3. that no single project be funded for more than three years, except in exceptional circumstances,
4. that the capital of the fund will not be used unless 80% of councillors vote in favour,
5. funds are managed in accordance with Council's Investment Policy.
6. With regards the Civic and Community portion;
   - projects implement a strong community strategic plan,
   - projects are of city-wide benefit,
   - priority is given to new community facilities,
   - projects only more than $50k be considered.

Christchurch City Council

Capital Endowment Fund

Capital Endowment Fund Movements	Plan 2009–10 $000's	Plan 2010–11 $000's	Plan 2011–12 $000's	Forecast 2012–13 $000's	Forecast 2013–14 $000's	Forecast 2014–15 $000's	Forecast 2015–16 $000's	Forecast 2016–17 $000's	Forecast 2017–18 $000's	Forecast 2018–19 $000's
Inflation Adjusted Capital	92,340	95,572	99,010	101,687	104,530	106,727	109,075	11,584	114,151	116,891
Unallocated Funds carried forward	1,297	(134)	(1,087)	(1,085)	(1,048)	(153)	816	1,747	2,860	4,054
Total Projected Opening Balance 1 July	**93,637**	**95,438**	**97,923**	**100,602**	**103,482**	**106,574**	**109,891**	**113,331**	**117,011**	**120,945**
Plus Net Interest Earnings	4,801	5,488	5,679	5,880	6,092	6,317	6,440	6,680	6,934	7,202
Less Drawdowns for Projects (Funding Allocations)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Projected Closing Balance 30 June	**95,438**	**97,926**	**100,602**	**103,482**	**106,574**	**109,891**	**113,331**	**117,011**	**120,945**	**125,047**

Capital Endowment Fund Allocations	Plan 2009–10	Plan 2010–11	Plan 2011–12	Forecast 2012–13	Forecast 2013–14	Forecast 2014–15	Forecast 2015–16	Forecast 2016–17	Forecast 2017–18	Forecast 2018–19
Estimated total available income from Fund after inflation protection	1,569	2,047	3,006	3,033	3,897	3,969	3,931	4,113	4,194	4,279
Economic Development 70%										
Net income available for allocation	1,098	1,433	2,104	2,123	2,728	2,778	2,752	2,879	2,936	2,995
Project funds carried forward from previous year	868	(134)	(801)	(797)	(774)	(146)	532	1,184	1,963	2,799
Allocation :										
Economic development initiatives:										
CDC special projects	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Canterbury Economic Development Fund	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)	(350)
CCT special projects	(300)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Domestic Campaign	(200)									
Iconic events:										
Iconic Events (PGA Golf, Buskers, Cup and Show week, Ellerslie Flower show)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)	(900)
Contributions to one off events (exhibitions, concerts, and sporting):										
Events (unallocated)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Over/under allocated for Economic Development Projects	**(134)**	**(801)**	**(797)**	**(774)**	**(146)**	**532**	**1,184**	**1,963**	**2,799**	**3,694**
Civic and Community 30%										
Net income available for allocation	471	614	902	910	1,169	1,191	1,179	1,234	1,258	1,284
Project funds carried forward from previous year	429	0	(286)	(288)	(274)	(7)	284	563	897	1,255
Allocation :										
Civic and Community Grants	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Unallocated advancing of Community Capital Projects	(850)	(850)	(850)	(850)	(850)	(850)	(850)	(850)	(850)	(850)
Over/underallocated for Civic and Community Projects	**0**	**(286)**	**(288)**	**(274)**	**(7)**	**284**	**563**	**897**	**1,255**	**1,639**