

Audit and Risk Management Committee
ATTACHMENTS UNDER SEPARATE COVER

Date: Wednesday 16 June 2021
Time: 2pm
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

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Christchurch City Council Final Long Term Plan 2021-31 - Management Sign-off

SIGN-OFF BY MANAGEMENT FOR THE FINAL 2021-31 LONG TERM PLAN PROCESS

| Initial | Signatory's Position | Number of sign-offs |
|---------|--------------------------------------------------------------------------|---------------------|
| CFO/HFM | Chief Financial Officer / Head of Financial Management | 43 |
| GMIPR | General Manager, Infrastructure, Planning & Regulatory Services (Acting) | 6 |
| GMC&C | General Manager, Citizen & Community | 1 |
| GMRes | General Manager, Resources | 1 |
| GMSP&P | General Manager, Strategic Policy & Performance | 1 |

| Initial | Signatory's Position | Number of sign-offs |
|---------|-----------------------------------------------------------------------------|---------------------|
| F&FPM | Funds & Financial Policy Manager | 11 |
| P&RM | Manager Planning & Reporting | 14 |
| MERG | Manager External Reporting and Governance | 4 |
| HPM | Head of Performance Management | 1 |
| BP-IPR | Finance Business Partner for Infrastructure, Planning & Regulatory Services | 1 |
| LEGAL | Head of Legal Services | 2 |

| AREA | COMMENTS | ASSESSMENT | |
|------------------------------------------------------------------------------------------------|----------|--------------------|-------------------------------------|
| | | Person Responsible | Sign-Off |
| 1. Financial Strategy | | | |
| 1.1. Does the financial strategy meet the purpose as defined in LGA 2002, section 101A(2)? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| 1.2. Does the Long Term Plan comply with the financial strategy? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| 1.3. Does the Long Term Plan comply with the Infrastructure Strategy? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | GMIPR | <input checked="" type="checkbox"/> |
| 1.4. Are the “stories” that the financial and infrastructure strategies tell still consistent? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | GMIPR | <input checked="" type="checkbox"/> |

| AREA | COMMENTS | ASSESSMENT | |
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| | | Person Responsible | Sign-Off |
| A robust financial strategy cannot be developed in isolation from intended levels of service and the opex and capex programs associated with these. | | | |
| 2. Revenue and Financing Policy (RFP) | | | |
| 2.1. Does the LTP include the revenue and financing policy as required by clause 10 of Schedule 10 of the LGA? | Yes. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 2.2. If not, have you planned a review of the RFP so that it is adopted before the Long Term Plan? | N/A | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 3. Funding Impact Statement (FIS) | | | |
| 3.1. Does your Long Term Plan contain a funding impact statement (FIS) for the whole of council? (LGA 2002, sch 10 cl 15 (2)/Financial Reporting Regulations 2014) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 3.2. Does your FIS contain two components: 3.2.1. a financial statement as per 3.1 above 3.2.2. information about funding sources ("funding disclosure"). (LGA 2002, sch 10 cl 15(3)) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 3.3. Does the whole-of-council FIS have a "nil" balance (Financial Reporting Regulations 2014)? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 3.4. Does the funding disclosure contain details of each of the rates your local authority proposes to set and how these will be calculated (including specifying the relevant matters from Schedule Two and factors from Schedule Three of the Rating Act)? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |

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| | | Person Responsible | Sign-Off |
| 3.5. Is the funding disclosure specified with enough particularity that ratepayers can, for example, determine whether they are liable for any particular rate and what differential categories they are in? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 3.6. Does the funding disclosure include sample models of the impact of the rating proposals for the Long Term Plan? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 3.7. Has the entire Funding Impact Statement, but especially the funding disclosure, been reviewed for legal compliance by someone conversant with the LGA 2002 and the Rating Act? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | LEGAL | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 3.8. Has the funding disclosure been checked for consistency with the RFP? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 3.9. Is the funding disclosure complete (i.e., is every rate that your local authority proposes to set included)? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 4. Financial Statements | | | |
| 4.1. Does the Long Term Plan include forecast financial statements for each of the financial years covered by the plan? (LGA 2002, sch 10 cl 12) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 4.2. Has the Long Term Plan included the financial statements for the year preceding the Long Term Plan? If yes, are these in the same format as the financial statements for the Long Term Plan? (LGA 2002, sch 10 cl 13). | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | Yes | P&RM | <input checked="" type="checkbox"/> |

| AREA | COMMENTS | ASSESSMENT | |
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| | | Person Responsible | Sign-Off |
| 4.3. Do all of the forecast financial statements comply with Generally Accepted Accounting Practice? (LGA 2002, s 111) | Yes; MERG: The nature of the forecast financial statements within the LTP allow for reduced disclosure opportunities for reporting financial performance and position. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | MERG | <input checked="" type="checkbox"/> |
| 4.4. Has the Long Term Plan included the rating base disclosures? (LGA 2002, sch 10 cl 15A) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 4.5. Has the Long Term Plan included a statement showing the objectives for reserves, the starting and end balance for reserves and any movements in reserves? (LGA 2002, sch 10 cl 16) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 4.6. Have disclosures been made with respect to the Council's intended level of performance against the so-called fiscal benchmarks and indicators? (Financial Reporting Regulations 2014)? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 4.7. Are the prospective financial statements in the Long Term Plan prepared in accordance with the appropriate financial reporting standards? <ul style="list-style-type: none"> LGA 2002, Schedule 10, Section 12 – Forecast PBE FRS 42 | Yes; MERG: The nature of the forecast financial statements within the LTP allow for reduced disclosure opportunities for reporting financial performance and position. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | MERG Accounting Policies Only | <input checked="" type="checkbox"/> |
| 4.8. Has review of required disclosures in the prospective financial statements been performed? LGA 2002, Schedule 10 | Yes; MERG: The nature of the forecast financial statements within the LTP allow for reduced disclosure opportunities for reporting financial performance and position. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | MERG Accounting Policies Only | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |

| AREA | COMMENTS | ASSESSMENT | |
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| | | Person Responsible | Sign-Off |
| 5. Balanced Budget Statements | | | |
| 5.1. Is the Council running a balanced budget in any year of the Long Term Plan? (LGA 2002, s 100) | Yes, except for the FY 2024/25. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 5.2. If there is an unbalanced budget does the Long Term Plan explain the reasons for the unbalanced budget, and the implications of the decision? (LGA 2002, s 10 cl 14) | Yes, for FY 2024/25. Details are provided in the Financial Overview, Financial Strategy and Financial Prudence Benchmarks | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 5.3. Is running an unbalanced budget prudent? (NB: Assessing prudence will necessitate consideration of the impacts beyond the life of the plan) | Yes. For FY 2024/25 rating for renewals is being progressively increased over time to address this. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 5.4. Has the Council resolved to operate an unbalanced budget? | Council will resolve this as part of the LTP adoption on 21 June 2021 | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 5.5. Has the necessary analysis been performed with respect to the levels of service and the financial impacts in order to provide the Council and the auditors with assurance that the unbalanced budget is prudent? | Yes – long standing strategy issue that is being addressed since 2015 | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 5.6. Are appropriate disclosures considered and / made in the Long Term Plan regarding the unbalanced budget? | Yes. In the Financial Overview | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| 5.7. Is an unbalanced budget an issue that warrants inclusion in the financial strategy? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| 6. Forecasting Assumptions – See also Sign-off for Forecasting Assumptions where individual assumptions are signed off | | | |

| AREA | COMMENTS | ASSESSMENT | |
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| | | Person Responsible | Sign-Off |
| 6.1. Has the Long Term Plan identified all of the significant forecasting assumptions and risks? (LGA 2002, sch 10 cl 17(a)) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| 6.2. Has the Long Term Plan disclosed the useful life of significant assets and funding sources for the replacement of significant assets? (LGA 2002, sch 10 cl 17(b)) | Yes; MERG: Use life of assets confirmed to latest Annual Report. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | MERG | <input checked="" type="checkbox"/> |
| 6.3. Are there any disconnects between the assumptions disclosed in this section and those disclosed in the infrastructure strategy and the financial strategy? | No | CFO/HFM | <input checked="" type="checkbox"/> |
| | | GMIPR | <input checked="" type="checkbox"/> |
| 6.4. Did management review the assumptions and their significance afresh, or did it “roll over” the assumptions from the previous Long Term Plan? | Yes. Assumptions were reviewed afresh and update. | CFO/HFM | <input checked="" type="checkbox"/> |
| 6.5. Has management checked economic assumptions with those others are making (e.g., is there a reason management is assuming interest rates of 10 percent when others are assuming 6-7)? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| 6.6. Should Council undertake scenario modelling of the impact if significant assumptions fail to materialise or are significantly different from those you expected? For example, a local authority reliant on central government funding for a particular large project might consider whether it needs a “plan B”; a growth council might want to forecast different scenarios for the receipt of development contributions revenue. | If significant funding sources failed associated projects would be put on hold until alternative funding was secured. | CFO/HFM | <input checked="" type="checkbox"/> |
| 6.7. Does the Long Term Plan include the following (if not, should it)? 6.7.1. service level assumptions | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | GMIPR | <input checked="" type="checkbox"/> |
| | | CFO/HFM | <input checked="" type="checkbox"/> |

| AREA | COMMENTS | ASSESSMENT | |
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| | | Person Responsible | Sign-Off |
| 6.7.2. demand assumptions (note that this includes demand driven by population growth and change, economic growth and transformation, and changing preferences) | Yes | GMIPR | <input checked="" type="checkbox"/> |
| 6.7.3. economic assumptions (interest rates both for council investments and council borrowing, investment/dividend flows from council assets, forecast changes in key costs. | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| 7. Capital Expenditure | | | |
| 7.1. Does the capital expenditure show the following detail for each group of activity? (LGA 2002, sch 10 cl 3) • amount to meet additional demand • amount to improve levels of performance • amount to replace existing assets | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | P&RM | <input checked="" type="checkbox"/> |
| | | BP-IPR | <input checked="" type="checkbox"/> |
| 8. Statement of service provision | | | |
| 8.1. Does the Long Term Plan include statement of levels of service provision (LGA 2002, sch 10 cl 4) that specifies:- (a) any performance measures specified in a rule made under section 261B for a group of activities described in clause 2(2); and (b) the performance measures that the local authority considers will enable the public to assess the level of service for major aspects of groups of activities for which performance measures have not been specified under paragraph (a); and (c) the performance target or targets set by the local authority for each performance measure; and | Yes | CFO/HFM | <input checked="" type="checkbox"/> |

| AREA | COMMENTS | ASSESSMENT | |
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| | | Person Responsible | Sign-Of |
| (d) any intended changes to the level of service that was provided in the year before the first year covered by the plan and the reasons for the changes; and (e) the reason for any material change to the cost of a service. | | | |
| 9. Proposed Fees and Charges | | | |
| 9.1. Fees and charges schedules - have these been prepared in line with LGA 2002 Section 12 and LGA 2002 Section 150 or other relevant legislation (eg. Dog Control Act 1990, Building Act 2004, Food Act 2014, etc.) | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | GMIPR | <input checked="" type="checkbox"/> |
| | | GMC&C | <input checked="" type="checkbox"/> |
| | | GMSP&P | <input checked="" type="checkbox"/> |
| | | GMRes | <input checked="" type="checkbox"/> |
| | | F&FPM | <input checked="" type="checkbox"/> |
| 10. Significance and Engagement Policy | | | |
| 10.1. Does the process for adopting 2021-31 LTP comply with the requirements of the LGA02 and the Council’s significance and engagement policy? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| | | LEGAL | <input checked="" type="checkbox"/> |

Christchurch City Council Final Long Term Plan 2021-31 - Management Sign-off

SIGN-OFF BY MANAGEMENT FOR SIGNIFICANT FORECASTING ASSUMPTIONS IN THE FINAL 2021-31 LONG TERM PLAN

| Initial | Person Responsible | Number of sign-offs | Initial | Person Responsible | Number of sign-offs | Initial | Person Responsible | Number of sign-offs |
|---------|--------------------------------------------------------------------------|---------------------|---------|-------------------------------------------|---------------------|---------|-----------------------------------------------------------------------------|---------------------|
| CFO/HFM | Chief Financial Officer / Head of Financial Management | 29 | HPM | Head of Performance Management | 4 | BP-IPR | Finance Business Partner for Infrastructure, Planning & Regulatory Services | 1 |
| GMC&C | General Manager, Citizens & Community | 1 | F&FPM | Manager Funds & Financial Policy | 3 | HOT | Head of Transport | 1 |
| GMIPR | General Manager, Infrastructure, Planning & Regulatory Services (Acting) | 6 | P&RM | Manager Planning & Reporting | 3 | HFPP | Head of Facilities, Property and Planning | 1 |
| GMSP&P | General Manager, Strategic Policy & Performance | 3 | MERG | Manager External Reporting and Governance | 2 | BP-Res | Finance Business Partner for Resources | 1 |
| GMRes | General Manager, Resources | 1 | H3W | Head of Three Waters and Waste | 1 | | | |

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

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

| AREA | COMMENT | ASSESSMENT | |
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| | | Person Responsible | Sign-Off |
| Forecasting Assumptions | | | |
| Has management considered the level of uncertainty in each of the significant forecasting assumptions and risks? | Yes | CFO/HFM | <input checked="" type="checkbox"/> |
| Where levels of uncertainty are high then the LTP must disclose: <ul style="list-style-type: none">the fact of the uncertaintyan estimate of the uncertainty on the financial estimate (Cl. 17, Sch. 10, LGA). | | CFO/HFM | <input checked="" type="checkbox"/> |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty | Person Responsible | Sign-Off |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------|
| 1. Capital Programme and infrastructure assets | | | | | |
| 1.1 Capital Works. Programmes and projects are assumed to be delivered within budget and on time. The capital programme is generally managed within overall budget allocations requiring changes to programme or project budget to be found within available budgets. At a corporate level provision is made for delayed delivery by forecasting an annual capital budget carry forward based on historic delivery trends. There may also be some projects delivered ahead of forecast and these will be managed within | Actual costs will vary from estimates, due to higher input prices and/or delivery delays, resulting in budget shortfalls. These are partially offset by the delay in borrowing. However, Council has tendered significant work and estimates are based on the best available information. Delays could also be due to consenting and consultation requirements. | Moderate/ Low | To the extent possible Council staff seek to proactively manage the delivery of capital works, substituting projects within a programme where necessary. Those that are unable to be completed as planned in any year of the Long Term Plan may be carried forward. The implications of this are: <ul style="list-style-type: none"> possible additional reactive opex; not all delays lead to additional costs. possible reduction in opex if the delay relates to a new facility projects may cost more than planned due to inflation. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMIPR | <input checked="" type="checkbox"/> |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty | Person Responsible | Sign-Off |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------|
| borrowing allowances via bring backs. | | | <ul style="list-style-type: none"> less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs. possible reduction to levels of service Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue is likely to impact the timing of future works or increase borrowing. | | |
| 1.2 Sources of funds for replacing assets. The sources of funds will occur as projected. | Funding does not occur as projected. | Low | Council is well placed to borrow funds as required and remain within its LGFA benchmarks. The impact to ratepayers of every \$10 million of additional borrowing for capital works is a 0.08% increase to rates spread over two years. This increase accounts for the interest cost and repayment of the borrowing over 30 years. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMIPR | <input checked="" type="checkbox"/> |
| 1.3 Asset life. Useful life of assets is as recorded in asset management plans or based upon professional advice (the Accounting Policies detail the useful lives by asset class) | Damage to assets as a result of the earthquakes is such that their useful lives are shortened significantly. | Moderate | <p>Council has updated its database with the latest information. However, condition information on all water assets is more difficult to obtain as the piped networks are below ground therefore making remaining life difficult to quantify.</p> <p>Ideally assets need to be replaced just in time. Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs. Late replacement leads to more expensive replacements costs plus generally greater impacts on the operational costs, community and the environment.</p> | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMIPR | <input checked="" type="checkbox"/> |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty | Person Responsible | Sign-Off | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------|---------|---------|---------|---------|---------|
| 1.4 Carrying value of assets. The opening statement of financial position reflects the correct asset values. The carrying value of assets are revalued on a regular basis. | Asset revaluations will differ to that planned and change projected carrying values of the assets and depreciation expense. | Low | Waste water, water supply and stormwater, were revalued at 30 June 2020. Roading assets were revalued at 30 June 2019 Land and buildings were revalued as at 30 June 2018. The valuation of the Council’s facilities and infrastructural assets at optimum depreciated replacement cost involves a significant amount of judgement in estimating the replacement unit cost, asset condition (for underground assets) and the remaining useful life of the assets. | CFO/HFM | <input checked="" type="checkbox"/> | | | | | |
| | | | | P&RM | <input checked="" type="checkbox"/> | | | | | |
| | | | | MERG | <input checked="" type="checkbox"/> | | | | | |
| 2 Inflation. Growth and Population | | | | | | | | | | |
| 2.1 Inflation. The price level changes projected will occur. Council has considered both information provided by Business Economic Research Limited to all local authorities and a weighted mix of its own cost inputs in determining appropriate inflators. | Inflation will be higher or lower than anticipated Inflation on costs will not be offset by inflation on revenues. | Low Low | Current volatility is low. Short term impact will be low as costs will be managed to budget. Inflation on costs will not be offset by inflation on revenues. Short term impact will be low as costs will be managed to budget. | CFO/HFM | <input checked="" type="checkbox"/> | | | | | |
| | | | | P&RM | <input checked="" type="checkbox"/> | | | | | |
| Different forecast inflation figures for capital and operational items are used in developing the plan due to the differing mix of cost inputs in each. | | | | | | | | | | |
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
| Capital | 2.3% | 2.3% | 2.4% | 2.5% | 2.5% | 2.6% | 2.7% | 2.8% | 2.9% | 2.7% |
| Opex | 2.1% | 2.1% | 2.2% | 2.3% | 2.4% | 2.4% | 2.5% | 2.7% | 2.7% | 2.6% |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty | Person Responsible | Sign-Off |
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| <p>2.2 Economic Environment. Real production GDP contracted by 2.1% in the year to June 2020. A positive movement of 1.5% is forecast for the year to June 2021 with progressive improvements thought to 3.8% in 2024. (Half Year Economic and Fiscal Update from December 2020)</p> <p>Economic activity in Christchurch will continue to receive some support from the delivery of key anchor projects - the convention centre, metro sports centre and Canterbury Multi Use Arena.</p> <p>Council has prepared this Plan on the basis that the current predictions about the economy will prove correct.</p> | <p>That there are further unexpected local, national or international economic shocks such as further restrictions on movement and economic activity from a second wave of the COVID-19 virus. This would further exacerbate the contraction in economic activity.</p> | <p>Moderate</p> | <p>Further economic contraction will impact on the rating base and on ratepayers' ability to pay. It could force Council to borrow more heavily or reduce facilities and services.</p> | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | HPM | <input checked="" type="checkbox"/> |
| <p>2.3 Growth development contributions revenue.</p> <p>Council collects development contributions from property developers to fund the capital costs of providing infrastructure capacity to service growth development.</p> <p>Development contribution charges are based on apportioning the cost of providing growth infrastructure to the forecast number of new residential, commercial, industrial and other properties. This forecast is based on Council's Growth Model.</p> | <p>If the number of new properties paying development contributions is less than forecast over the funding life of assets then revenue from development contributions will not be sufficient to fund the growth component of the Council's capital programme.</p> <p>If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing.</p> | Low | <p>The timing of growth, and its impact on Council's development contributions revenue, will have a low impact on the borrowing and interest expense assumptions in this Plan.</p> | CFO/HFM | <input checked="" type="checkbox"/> |
| | | Low | <p>Any shortfall in development contributions revenue must be funded by borrowing.</p> | | |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty | Person Responsible | Sign-Off |
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| Development contribution revenue is dependent on the forecast growth materialising over the funding life of the particular growth assets provided. | The location and timing of development is determined by a number of factors such as market forces which are outside the control of the council. | | | | |
| <p>2.4 Population. Planning for activities, and thus the likely cost of providing those activities is on the assumption that the population of Christchurch will increase at the rate forecast by Council's growth model.</p> <p>That model predicts the population of Christchurch to reach 439,438 by June 2031, an increase of 9.8% over the expected 2021 population. The number of households is projected to increase by 10% over the same period.</p> | <p>That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure.</p> <p>That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery.</p> | <p>Low</p> <p>Low</p> | <p>Population projections are based upon a standard set of demographic assumptions. The level of risk is low but could impact the cost of providing activities</p> <p>Net increases in inward migration fuelled by a rebuild are difficult to predict as is their sustainability in the medium term.</p> <p>The short term impact of COVID-19 on migration is unknown at this stage.</p> | HPM | <input checked="" type="checkbox"/> |
| <p>2.5 Rating Base. The capital value of Christchurch is expected to increase across the years of the LTP.</p> | Rating base grows at a different rate from that projected. | Low | Actual growth in the rating base is never known until year end because of the process by which it's measured. Council staff work closely with QV in the period leading up to year end in order to have as accurate an assessment as possible. Variances between the forecast and actual growth in the rating base will cause changes to the total rates revenue collected. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | F&FPM | <input checked="" type="checkbox"/> |

| Assumption | | | Risk | | Level of Uncertainty | | Reasons and Financial Impact of Uncertainty | | | | Person Responsible | Sign-Off |
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| The projected percentage increase in rates includes the assumption that growth in the capital value of the city will generate the additional rates revenue as outlined in table below, | | | | | | | | | | | | |
| Year | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 | | |
| Growth % | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | | |
| \$ Impact on following year's Rates Base | \$4.4 m | \$4.7 m | \$4.9 m | \$5.2 m | \$5.5 m | \$5.8 m | \$6.1 m | \$6.3 m | \$6.6 m | \$6.8 m | | |
| 2.6 Aging population. The number of people over the age of 65 is expected to increase by 80% by 2051 to 117,800 (24%). By 2051 the number of people over the age of 80 is expected to be around 10% of the population, compared to around 4% in 2021. | | If the mix of ages within the population is significantly different from that forecast the range and types of services that have factored in the needs of older persons may need to change. | | | Low | | Age projections are provided by Statistics New Zealand on a nation-wide basis. The projections for people who will be in post- retirement age groups is determined by the current population structure which does not change significantly, especially in the ages from 45 to 65 years, which will be the retirement age group in the next 20 years. | | | | HPM | ☒ |
| 3. Impact of policies and external factors | | | | | | | | | | | | |
| 3.1 Council policy. Given the significant extent of government reform, there will be regular updates to Council policy in response to legislative changes and emerging strategic issues.. | | New legislation is enacted that requires a significant policy response or business change from Council or, Department of the Prime Minister and Cabinet (DPMC) uses its statutory powers such that a change is required to Council policy. | | | Low | | Dealing with changes in legislation is part of normal Council operations. | | | | CFO/HFM | ☒ |
| | | | | | | | | | | | GMSP&P | ☒ |
| 3.2 Waka Kotahi subsidies. The Current Funding Assistance Rate (FAR) of 51% on qualifying expenditure will not change. We will receive the total amount of subsidy that we have assumed we will receive. | | Changes in the FAR, changes to the overall amount in the National Land Transport Fund, changes to government transport priorities, and changes to eligibility criteria | | | Moderate | | Changes to government funding priorities and Waka Kotahi funding decisions are outside Council control and the risk varies from project to project. The maximum financial impact would be the elimination of the subsidy, which is extremely unlikely. | | | | CFO/HFM | ☒ |
| | | | | | | | | | | | GMIPR | ☒ |
| | | | | | | | | | | | HOT | ☒ |
| | | | | | | | | | | | BP-IPR | ☒ |

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| | for projects could impact on the amount of subsidy we receive from Waka Kotahi. | | Decisions on what projects will be funded through the National Land Transport Fund will not likely be confirmed until after 30 June 2021, and this means there is some uncertainty around funding for some projects. The Council is in discussions with Waka Kotahi to gain more clarity on which projects will receive funding. | | |
| 3.3 Resource Consents. Conditions of resource consents held by Council will not be significantly altered. | Conditions required to obtain/maintain the consents will change, resulting in higher costs than projected, and these costs will not be covered by planned funding. | Moderate/ Low | Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified. Council is currently working through the Akaroa wastewater consent issues. The Comprehensive Stormwater Consent was finalised in December 2019 and costs have been incorporated. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMIPR | <input checked="" type="checkbox"/> |
| 3.4 Legislative and Regulatory change. While the Council will continue to operate within the same general legislative environment, and with the same authority, as it does at the time this Plan is published, given the significant programme of government reform, the Council will be required to respond to changes in legislation in response to water reform, climate change and urban planning and form. | Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change. | High | The Government has several taskforces reviewing different aspects of local government, with some legislative change having occurred and further expected to occur within the period of this Plan. At the time of preparing this Plan the Council is unable to determine how any potential legislative change might impact its operations or quantify the potential financial impact. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMSP&P | <input checked="" type="checkbox"/> |
| 3.5 Water Reform. The Council will continue to deliver water services over the life of the LTP. | The Crown is proposing to establish publicly-owned water service delivery entities of significant scale. If this occurs it will significantly affect Council assets, | High | These activities have planned direct costs in the 2022 financial year of \$92 million, with a further \$10 million of debt servicing and \$7 million of other internal charges/overheads. Operating revenues total \$9 million. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | H3W | <input checked="" type="checkbox"/> |

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| | <p>liabilities, and operating expenditure and revenues.</p> <p>The following water activities are under consideration:</p> <ul style="list-style-type: none"> • Water Supply • Wastewater Collection, Treatment and Disposal • Stormwater Drainage • Land Drainage | | <p>The closing book value of these assets at 30 June 2020 was \$5.9 billion, with a replacement cost of \$10.2 billion.</p> <p>Council does not borrow separately for these activities, but estimates debt relating to these activities is in the order of \$1 billion at 30 June 2020.</p> <p>There will be probable second order impacts, which Council will assess as part of its analysis of the reform proposal (when the proposal is received).</p> <p>We expect Cabinet to make policy decisions around the water reform programme in June/July 2021, which will allow legislation to be prepared. After this, the Government and local authorities, including Christchurch City Council, will engage with local communities later in the year.</p> <p>If we decide to remain in, it will likely be effective from FY 2024/25.</p> | | |
| <p>3.6 Potential climate change impacts.</p> <p>The Ministry for the Environment and Stats NZ Environment Aotearoa 2019 report states all aspects of life in New Zealand will be impacted by climate change. The Council has developed a draft climate change strategy, which identifies action programmes to respond to the impacts of climate change and the</p> | <p>The timing or severity of any climate change impacts could be worse than expected, meaning the Council is not sufficiently prepared.</p> | <p>Moderate</p> | <p>Variability in changes to the climate and its impacts and how we respond could result in different financial impacts.</p> <p>We have significant work to do to have a better understanding of our exposure and vulnerability to the impacts of climate change on our assets and how we adapt, to determine the financial impacts.</p> | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMSP&P | <input checked="" type="checkbox"/> |

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| <p>legislative requirements to consider the impacts of climate change.</p> <p>The projected local changes to climate that we must prepare for are:</p> <p>a. 0.5 metre rise in sea-level by 2075 and 1 metre sea-level rise by 2120;</p> <p>b. average temperatures will rise 0.5°C – 1.5°C by 2040 and by 3°C by 2090</p> <p>c. changes in rainfall and extreme weather events.</p> | | | | | |
| <p>3.7 Future for Local Government Review. On 24 April the Minister of Local Government announced that she had established a Ministerial Inquiry into the Future for Local Government.</p> <p>The overall purpose of the review is to “<i>identify how our system of local democracy needs to evolve over the next 30 years, to improve the well-being of New Zealand communities and the environment, and actively embody the treaty partnership.</i>”</p> <p>The review includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • roles, functions, and partnerships • representation and governance and • funding and financing <p>The following are the key steps in the review</p> | <p>While the review could recommend significant change to what local government is and does, there is no information available on the likely direction for the review at this time.</p> | Moderate | <p>Council considers it unlikely that any recommendations could take effect before 1 July 2024 – particularly for changes to roles or functions. Any changes that are made will be incorporated in the 2024-34 long-term plan.</p> <p>Unless specifically stated otherwise, council has prepared the plan on the assumption its existing role and functions will continue for the life of the plan.”</p> | HPM | <input checked="" type="checkbox"/> |

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| <ul style="list-style-type: none"> April 2021: Inquiry begins 30 September 2021: an interim report will be presented to the Minister signalling the probable direction of the review and key next steps 30 September 2022: Draft report and recommendations to be issued for public consultation and 30 April 2023: Review presents final report to the Minister and Local Government New Zealand. | | | | | |
| 4. Borrowing Related | | | | | |
| 4.1 Credit Rating. The current rating is maintained. | Council's credit rating with Standard and Poor's is downgraded as a result of the additional borrowing required to meet the capital programme. | Moderate | <p>Council's credit rating with Standard and Poor's was upgraded from A+ to AA- on 10 December 2019 with a stable outlook, and reconfirmed in December 2020. There is some risk of a credit downgrade given the additional borrowing required to meet the capital programme planned for the next four years. If the Council falls one notch from its current credit rating (i.e. from AA- to A+) the cost of new borrowing and refinanced borrowing will increase by 5 basis points (0.05 percentage points) for the life of the borrowing.</p> <p>In such an event, interest costs in 2021/22 could increase by \$0.13 million. This could increase to \$1.1 million annually by 2027/28.</p> | CFO/HFM | <input checked="" type="checkbox"/> |
| 4.2 Borrowing Costs. Net cost of ratepayer funded borrowing (i.e. including current and projected debt) is projected to fall from 4.1% in 2021/22 to 3.3% in 2030/31. This | Interest rates will vary from those projected. | Low / Moderate | Projections are based on assumptions about future market interest rates. Projected borrowing costs are largely hedged against changes in floating interest rates over the first few years of the Long Term Plan, so the impact | CFO/HFM | <input checked="" type="checkbox"/> |

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| reflects a combination of the expected path for future interest rates, the timing of new debt, and the Council’s existing interest rate hedge commitments. | | | of interest rate changes over that period is low. However, existing hedge commitments reduce over time (in accordance with Council’s Liability Management Policy) so that in the later years of the LTP the impact of changing interest rates would be greater. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor. | | | | | | | |
| The net cost of new borrowing includes assumed long-term market interest rates (based on a fixed/floating mix of 75/25% and including Council's borrowing margin) of: | | | | | | | | | | |
| Year | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 | 2030/31 |
| Total rate | 2.0% | 2.2% | 2.4% | 2.6% | 2.9% | 3.1% | 3.2% | 3.3% | 3.3% | 3.3% |
| 4.3 Securing External Funding. New, or renewal of existing borrowings on acceptable terms can be achieved. | That new borrowings cannot be accessed to refinance existing debt or fund future capital requirements. | Low | The Council minimises its liquidity risk by maintaining a mix of current and non-current borrowings in accordance with its Liability Management Policy. | CFO/HFM | <input checked="" type="checkbox"/> | | | | | |
| 4.4 LGFA Guarantee. Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and they guarantee obligations of other participating local authorities to the LGFA, in the event of default. | In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor’s relative rates income. | Low | The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is remote. The likelihood of a local authority borrower defaulting is extremely low and LGFA has recovery mechanisms that would be applied prior to any call on the Guarantee. All of the borrowings by a local authority from the LGFA are secured by a rates charge. | CFO/HFM | <input checked="" type="checkbox"/> | | | | | |
| 4.5 Opening Debt: The opening debt of \$2,049 million is made up of; \$222 million of equity investments, mainly in CCTOs (Venues Ōtautahi Ltd, formerly Vbase \$185 million), | 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. | CFO/HFM | <input checked="" type="checkbox"/> | | | | | |
| | | | | P&RM | <input checked="" type="checkbox"/> | | | | | |
| | | | | F&FPM | <input checked="" type="checkbox"/> | | | | | |

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| <p>\$636 million of money borrowed for on-lending, (in accordance with the Council's Liability Management Policy),</p> <p>\$1,100 million of capital works and earthquake related borrowing. There is an additional \$79 million borrowed internally from the Capital Endowment Fund.</p> <p>\$91 million finance lease (Civic Building).</p> | | | | | |
| 5. Investment related | | | | | |
| <p>5.1 Return on investments. Interest received on cash and general funds invested is projected to be 0.7% for 2021/22 increasing to 2.6% by 2030/31.</p> <p>The return on the Capital Endowment Fund (most of which is currently invested internally) is forecast to be 3.0% for 2021/22, to 3.6% by 2030/31.</p> | Interest rates will vary from those projected. | Low | Financial impact is unlikely to be significant. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | F&FPM | <input checked="" type="checkbox"/> |
| <p>5.2 Value of Investment in Subsidiaries The opening statement of financial position reflects the correct investment values.</p> <p>The carrying value of CCO investments are revalued on a regular basis</p> | CCO revaluations will differ to that planned and change projected carrying values of the investments. | Low | The valuation of the Council's investments in subsidiary and associated companies at fair value has a material impact on the amounts recognised in these prospective financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic (currently annually) basis, at intervals sufficient to ensure that the fair value of these | CFO/HFM | <input checked="" type="checkbox"/> |

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| | | | investments does not differ materially from their carrying value. | | |
| 5.3 CCTO income. CCHL will deliver dividend income at the levels forecast in this Plan, which include reduced dividends in the first two years due to the impact of COVID-19. | CCHL will deliver a lower than projected dividend and Council will need to source alternate funding. | Moderate | CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan. Should additional dividend income be received the level of borrowing forecast in this plan will be reduced. | CFO/HFM | <input checked="" type="checkbox"/> |
| 5.4 Tax planning. The Council (parent) will be operating at a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council’s profit-making subsidiaries to make payments (known as subvention payments) to Council instead of tax payments. Due to the ongoing effects of COVID-19 it has been assumed that for at least the first two years insufficient profits will be made within the wider group to enable any subvention receipts to be available. | Subvention payments will be lower than planned. | Low | CCTOs are monitored by the Statement of Intent and a quarterly performance reporting process. Returns are expected to continue as forecast in this Plan. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | MERG | <input checked="" type="checkbox"/> |
| 6. Services and Operations | | | | | |
| 6.1 Community housing. Community housing assets are leased to Otautahi Community Trust while asset ownership, including long term maintenance, is the responsibility of Council. Community housing asset | Community housing remains ring-fenced from rates, through a separate Housing Fund. The ongoing revenue source for this fund is the lease payments from the | Low | Council is committed to upgrading units to improve the warmth, dryness and quality of units within the portfolio and if necessary will reprioritise other community housing expenditure. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMRes | <input checked="" type="checkbox"/> |
| | | | | HFPP | <input checked="" type="checkbox"/> |
| | | | | BP-Res | <input checked="" type="checkbox"/> |

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| long term maintenance is funded through the lease payments. | <p>Ōtautahi Community Housing Trust.</p> <p>Modelling for the Housing Fund indicates that its sustainability is sensitive to small changes and there is a risk that:</p> <ul style="list-style-type: none">• The lease payments are not sufficient to enable the social housing portfolio to be financially viable in the long term.• Higher than expected expenditure (e.g. due to asset failure or external events) reduces the financial sustainability in the short term (2 years). | | | | |
| 6.2 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 | Where possible Council would review the appropriate scope of work, or alternatively adjust the budget between services to free up additional funding. | CFO/HFM | <input checked="" type="checkbox"/> |
| | | | | GMIPR | <input checked="" type="checkbox"/> |
| | | | | GMC&C | <input checked="" type="checkbox"/> |
| 7. Insurance cover and natural disaster financing | | | | | |
| 7.1 Insurance cover. The Council has adequate Material Damage cover for all major above ground buildings which are undamaged and fire cover for significant unrepaired buildings. | Risk of major loss through fire | Low | The results of external and independent modelling carried out during the 2019/20 year suggests that the cover taken is sufficient to meet two times the maximum loss. Any financial impact is not expected to be significant. | CFO/HFM | <input checked="" type="checkbox"/> |

| Assumption | Risk | Level of Uncertainty | Reasons and Financial Impact of Uncertainty | Person Responsible | Sign-Off |
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| 7.2 Natural disaster financial implications. The Christchurch region is susceptible to further damage from earthquake, flooding and tsunamis. | Council has limited insurance cover in place for damage to infrastructure networks from flooding, tsunami and earthquake events and relies on the strength of its statement of financial position plus access to central government emergency funding in the event of another major event. | Moderate | <p>Financial implications of another significant event are large, particularly when our ability to borrow may be limited due to the high debt to revenue ratios forecast.</p> <p>This risk is considered in preparing the LTP and particular attention is paid to the financial headroom for each year. Financial headroom is a measure of Council's ability to borrow in the event of an emergency.</p> | CFO/HFM | <input checked="" type="checkbox"/> |