

Significant forecasting assumptions

March 2016

The financial forecasts within this annual plan are based on a range of assumptions about our future situation, in particular assumptions that impact on our revenue and expenditure levels. Schedule 10 of the Local Government Act 2002 requires that the council identify the significant forecasting assumptions and risks underlying the financial information set out in the Plan. Where there is a high level of uncertainty, council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects that uncertainty has on the financial estimates provided. The level of uncertainty is determined by reference to both the likelihood of occurrence and the financial materiality.

Each year council reviews its position and has the opportunity to revise the intentions signalled in the Long Term Plan 2015-2025. An annual plan may be prepared for the 2016-2017 financial year if required and for the 2017-2018 year, with a long term plan being prepared every third financial year. Where revised prospective financial statements are issued, council must provide an explanation of the changes made to the prospective financial statements in the long term plan and include a reconciliation of all material differences between the previously reported prospective financial statements and the revised financial statements. The projections for individual years will be reviewed annually if required through a special consultative procedure, in accordance with the Local Government Act 2002.

The financial forecast information disclosed is future focused for the purposes of the Financial Reporting Standard FRS-42: Prospective Financial Statements and accordingly, there are a number of budget assumptions that, at the time of preparing the forecast information, the council reasonably expects to occur. These assumptions are necessary as the long term plan covers a 10-year period and to ensure that there is a consistent and justifiable basis for the preparation of the financial forecasts.

The information presented in prospective financial statements is by definition uncertain and its preparation requires the exercise of judgement. Events and circumstances may not occur as expected or may not have been predicted. In addition, the council may subsequently take actions which differ from the intended courses of action on which the prospective financial statements were based. Actual financial results may be materially different to the forecast financial information presented in this long term plan.

The council has assumed that the actual results for the 2015-2016 financial year are largely in accordance with the year one of the Long Term Plan 2015-2025. Certain events have occurred that are not directly aligned with forecasts made in the long term plan (for example, the borrowing of \$13,000,000 to fund infrastructure construction costs previously funded using council's cash reserves; unspent capital expenditure being carried forward; and, treatment of reserves associated with the borrowing) and the financial results have been adjusted accordingly.

The council has a reasonable and supportable basis for the determination of assumptions underlying these prospective financial statements. The realisation of assumptions may have a direct impact on resulting rates and funding requirements. The information in these financial statements may not be appropriate for purposes other than those described.

The prospective financial statements will be authorised for issue in June 2016 by council resolution. The council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The significant forecasting assumptions used in developing the financial forecasts in the annual plan are detailed in the table over-leaf.