Prospective Financial Statements

Christchurch City Council
Prospective statement of comprehensive revenue and expense

Annual Plan 2016/17	$000	Note	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	REVENUE				
423,900	Rates revenue		450,606	455,612	5,006
13,115	Development contributions		18,113	18,113	-
147,146	Grants and subsidies		121,169	87,916	(33,253)
302,474	Other revenue	1	394,863	360,819	(34,044)
886,635	**Total operating income**		**984,751**	**922,460**	**(62,291)**
	EXPENDITURE				
78,051	Finance costs		82,547	89,978	7,431
189,484	Depreciation	2	208,239	214,001	5,762
447,097	Other expenses	3	406,576	449,286	42,710
714,632	**Total operating expenditure**		**697,362**	**753,265**	**55,903**
172,003	**Surplus before asset contributions**		**287,389**	**169,195**	**(118,194)**
4,550	Vested assets		6,579	6,579	-
176,553	**Surplus before income tax expense**		**293,968**	**175,774**	**(118,194)**
(1,500)	Income tax expense		(300)	(474)	(174)
178,053	**Net surplus for year**		**294,268**	**176,248**	**(118,020)**
	Other Comprehensive Revenue and Expense				
403,084	Changes in Revaluation Reserve		12,114	58,373	46,259
581,137	**Total Comprehensive Revenue and Expense**		**306,382**	**234,621**	**(71,761)**

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

Annual Plan 2016/17	$000	Note	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
9,679,762	**RATEPAYERS EQUITY AT JULY 1**		10,260,899	10,926,188	665,289
	Net surplus attributable to:				
	Reserves				
403,084	Revaluation reserve		12,114	58,373	46,259
	Retained earnings				
178,053	Surplus		294,268	176,248	(118,020)
581,137	Total comprehensive income for the year		306,382	234,621	(71,761)
10,260,899	**RATEPAYERS EQUITY AT JUNE 30**	8	**10,567,281**	**11,160,809**	**593,528**

Christchurch City Council
Prospective statement of financial position

Annual Plan 2016/17	$000	Note	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	Current assets				
43,854	Cash and cash equivalents		47,253	38,859	(8,394)
91,508	Trade receivables and prepayments	4	93,338	89,908	(3,430)
3,666	Inventories		3,744	3,231	(513)
24,095	Other financial assets		26,841	15,383	(11,458)
	Non-current assets				
	Investments				
2,073,148	- Investments in CCOs and other similar entities		1,898,352	2,547,408	649,056
105,120	- Other investments		105,120	80,047	(25,073)
89,507	Intangible assets		95,816	70,052	(25,764)
1,326,855	Operational assets		1,498,678	1,455,492	(43,186)
7,100,531	Infrastructural assets		7,483,002	8,025,573	542,571
1,065,024	Restricted assets		1,123,554	981,073	(142,481)
11,923,308	**TOTAL ASSETS**		**12,375,698**	**13,307,026**	**931,328**

Annual Plan 2016/17	$000	Note	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	Current liabilities				
167,216	Trade and other payables		170,560	149,032	(21,528)
135,374	Borrowings	5	147,336	281,686	134,350
22,004	Other liabilities and provisions	6	22,109	21,380	(729)
	Non-current liabilities				
1,205,456	Borrowings	5	1,335,959	1,438,470	102,511
127,736	Other liabilities and provisions	7	127,719	250,011	122,292
4,623	Deferred tax liability		4,734	5,638	904
10,260,899	**Ratepayers Equity**	8	10,567,281	11,160,809	593,528
11,923,308	**TOTAL EQUITY AND LIABILITIES**		**12,375,698**	**13,307,026**	**931,328**

Christchurch City Council
Prospective cash flow statement

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	OPERATING ACTIVITIES			
	Cash was provided from:			
596,417	Rates, grants, subsidies and other sources	642,927	661,775	18,848
29,688	Interest received	25,043	30,106	5,063
270	Earthquake recoveries	160	337	177
155,972	Dividends	256,372	207,830	(48,542)
782,347		924,502	900,048	(24,454)
	Cash was disbursed to:			
447,449	Payments to suppliers and employees	403,146	449,649	46,503
78,051	Interest paid	82,547	89,978	7,431
525,500		485,693	539,627	53,934
256,847	**NET CASH FLOW FROM OPERATIONS**	**438,809**	**360,421**	**(78,388)**

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	INVESTING ACTIVITIES			
	Cash was provided from:			
8,003	Sale of assets	5,902	2,523	(3,379)
105,786	Earthquake recoveries	58,643	21,334	(37,309)
201,839	Investments realised	-	68,232	68,232
315,628		64,545	92,089	27,544
	Cash was applied to:			
535,180	Purchase of assets	623,857	478,239	(145,618)
-	Purchase of investments	15,817	15,045	(772)
-	Purchase of investments (special funds)	2,746	-	(2,746)
535,180		642,420	493,284	(149,136)
(219,552)	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(577,875)**	**(401,195)**	**176,680**
	FINANCING ACTIVITIES			
	Cash was provided from:			
30,927	Raising of loans	202,259	88,459	(113,800)
30,927		202,259	88,459	(113,800)
	Cash was applied to:			
46,754	Repayment of term liabilities	59,794	47,708	(12,086)
46,754		59,794	47,708	(12,086)
(15,827)	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**142,465**	**40,751**	**(101,714)**
21,468	Increase/(decrease) in cash	3,399	(23)	(3,422)
22,386	Add opening cash	43,854	38,882	(4,972)
43,854	**ENDING CASH BALANCE**	**47,253**	**38,859**	**(8,394)**
	Represented by:			
43,854	Cash and cash equivalents	47,253	38,859	(8,394)

Notes to the prospective financial statements

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	NOTE 1			
	Other revenue			
116,814	Fees and charges	113,448	122,275	8,827
	Interest:			
19,532	Subsidiaries	18,772	24,813	6,041
-	Loan repayment investments	-	-	-
9,311	Special and other fund investments	5,352	5,008	(344)
845	Short term investments	919	894	(25)
29,688	Total interest revenue	25,043	30,715	5,672
	Dividends:			
150,600	Christchurch City Holdings Ltd	241,000	195,300	(45,700)
5,252	Transwaste Ltd	15,252	12,409	(2,843)
120	Other	120	120	-
155,972	Total dividend revenue	256,372	207,829	(48,543)
302,474	**Total other revenue**	**394,863**	**360,819**	**(34,044)**

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	NOTE 2			
	Depreciation			
2,045	Community services	2,214	1,927	(287)
50	Economic development	27	15	(12)
12	Flood protection and control works	19	10	(9)
-	Heritage protection and policy	-	-	-
7,507	Housing	7,784	7,312	(472)
7,450	Libraries, arts and culture	8,196	10,521	2,325
-	Natural environment	-	-	-
8,787	Parks and open spaces	8,914	9,299	385
2,330	Refuse minimisation and disposal	2,429	2,371	(58)
239	Regulation and enforcement	245	110	(135)
54,564	Roads and footpaths	57,018	57,744	726
45,146	Sewerage collection, treatment and disposal	46,940	50,733	3,793
8,742	Sport and recreation	9,732	9,521	(211)
5,317	Stormwater and drainage	12,225	13,084	859
1	Strategic governance	1	1	-
34	Strategic policy and planning	46	38	(8)
4,061	Transport	4,995	4,342	(653)
25,700	Water supply	26,577	27,927	1,350
17,499	Corporate	20,877	19,046	(1,831)
189,484	**Total Depreciation**	**208,239**	**214,001**	**5,762**
	NOTE 3			
	Other expenses			
	Operating expenditure:			
177,597	Personnel costs	178,269	196,053	17,784
45,067	Donations, grants and levies	43,014	40,599	(2,415)
224,433	Other operating costs	185,293	212,634	27,341
447,097	**Total other expenses**	**406,576**	**449,286**	**42,710**

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	NOTE 4			
	Current assets			
	Trade receivables and prepayments			
11,205	Rates debtors	13,035	12,359	(676)
33,906	Other trade debtors	33,906	12,887	(21,019)
43,959	Other receivables/prepayments	43,986	63,349	19,363
-	Dividends receivable	-	-	-
3,782	GST receivable	3,782	2,636	(1,146)
92,852		94,709	91,231	(3,478)
(1,344)	Less provision for doubtful debts	(1,371)	(1,323)	48
91,508	**Total trade receivables and prepayments**	**93,338**	**89,908**	**(3,430)**
	NOTE 5			
	Debt			
135,374	Current portion of gross debt	147,336	281,686	134,350
1,205,456	Non current portion of gross debt	1,335,959	1,438,470	102,511
1,340,830	**Total gross debt**	1,483,295	1,720,156	236,861
876,655	**Total net debt**	1,012,975	1,049,425	36,450
	NOTE 6			
	Other liabilities and provisions			
350	Provision for landfill aftercare	335	299	(36)
4,987	Provision for building related claims	4,774	2,036	(2,738)
16,667	Provision for employee entitlements	17,000	19,045	2,045
22,004	**Total other liabilities and provisions**	**22,109**	**21,380**	**(729)**

Annual Plan 2016/17	$000	Long Term Plan 2017/18	Annual Plan 2017/18	Variance to LTP
	NOTE 7			
	Non-current other liabilities and provisions			
14,812	Provision for landfill aftercare	18,588	21,744	3,156
5,637	Provision for employee entitlements	5,750	5,183	(567)
4,945	Provision for building related claims	1,039	10,063	9,024
96,314	Hedge and other liabilities	96,524	207,203	110,679
1,920	Revenue in advance	1,710	1,710	-
4,108	Service concession arrangement	4,108	4,108	-
127,736	**Total non-current other liabilities and provisions**	**127,719**	**250,011**	**122,292**
	NOTE 8			
	Equity			
1,733,853	Capital reserve	1,733,853	1,733,885	32
159,958	Reserve funds	162,704	154,085	(8,619)
5,298,768	Asset revaluation reserves	5,205,882	5,663,088	457,206
3,068,320	Retained earnings	3,464,842	3,609,751	144,909
10,260,899	**Total equity**	**10,567,281**	**11,160,809**	**593,528**
	NOTE 9			
	Revenues from exchange and non-exchange transactions			
253,564	Revenue from exchange transactions	351,486	325,106	(26,380)
639,121	Revenue from non-exchange transactions	640,144	604,407	(35,737)
892,685	**Total revenue**	**991,630**	**929,513**	**(62,117)**

Statement of significant accounting policies

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

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

Basis of preparation

(i) Statement of compliance

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

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

(ii) Prospective Financial Statements

The prospective financial statements comply with Tier 1 PBE Standards, (including PBE FRS 42 – Prospective Financial Statements).

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

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

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this Annual Plan and the 2015-25 Amended Long Term Plan.

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

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

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

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

<u>Cautionary Note</u>

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

<u>Other Disclosures</u>

The prospective financial statements were authorised for issue on 20 June 2017 by Christchurch City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying prospective financial statements and all other disclosures. The Annual Plan is prospective and as such contains no actual operating results.

(iii) Measurement base

The reporting period for these prospective financial statements is the year ending 30 June 2018. The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand ($000), unless otherwise stated. The functional currency of the Council is New Zealand dollars.

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

Following the Canterbury Earthquakes of 2010 and 2011 the Council had not been able to fully comply with PBE Accounting standards in relation to the valuation and recognition of property, plant and equipment. It is expected that the Council will be in full compliance with PBE Standards from 30 June 2017 onwards.

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

Revenue

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

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

Revenue from exchange transactions

Revenue from exchange transactions arises where the Council provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Revenue from non-exchange transactions

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

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

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

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

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

(i) Rates

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

(ii) Goods sold and services rendered

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

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

(iii) Finance Revenue

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

(iv) Rental Revenue

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

Rental revenue is classified as exchange revenue where it is considered to reflect a market/arm's length rental.

(v) Grants revenue (including government grants)

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

Grant revenue is categorised as non-exchange revenue.

(vi) Dividend revenue

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

(vii) Finance lease revenue

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

(viii) Development Contributions

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

(ix) Other gains

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

(x) Vested assets and donated goods

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

Expenses

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

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Finance costs

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

(iv) Other losses

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

(v) Grant expenditure

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

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

Income tax

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

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

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

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

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

Property, plant and equipment

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

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. 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 are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

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

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

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

Distinction between capital and revenue expenditure

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

Intangible assets

(i) Computer software

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

Estimated useful lives are:

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

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

Derivative financial instruments

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

Hedging

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

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

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

Investments

The Council classifies its investments in the following categories:

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

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

(b) *Loans and receivables*

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

(c) *Held-to-maturity investments*

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

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

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

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

(i) Investment in subsidiaries

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

(ii) Investments in debt and equity securities

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

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

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

Trade and other receivables

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

Inventories

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

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

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

Impairment

For the purposes of assessing impairment indicators and impairment testing, Council classifies non-financial assets as either cash-generating or non-cash-generating assets. A non-financial asset is cash-generating if its primary objective is to generate a commercial return. All other assets are classified as non-cash generating.

Property, plant and equipment assets, measured at fair value are not required to be reviewed and tested for impairment. The carrying value of revalued assets is assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then off-cycle asset classes are revalued.

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

Impairment losses are recognised through surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

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

Cash and cash equivalents

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

Borrowings

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

Creditors and other payables

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

Provisions

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

Employee entitlements

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

(i) Short-term entitlements

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

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

(ii) Long-term entitlements

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

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Superannuation is provided as a percentage of remuneration.

Leases

(i) As lessee

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

(ii) As lessor

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

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

Net Assets / Equity

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

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

Third party transfer payment agencies

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

Goods and Services Tax

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

Donated services

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

Cost allocations

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

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

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

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

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

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

Significant Forecasting Assumptions

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

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

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Capital Programme and infrastructure assets			
Capital Works. Programmes and projects are delivered within budget and on time.	Actual costs will vary from estimates, due to a variety of reasons, including: • Change in market conditions • Delivery delays • External cost drivers Some projects which are to repair earthquake damage are still to be finally costed. The full scope of some of these projects is unknown until work proceeds. Depending on the asset a delay in the rebuild capital works programme could result in higher reactive maintenance and operating costs for the essential services. Capital cost estimates for renewing horizontal infrastructure assets are based on pre-quake renewal rates adjusted for inflation, market escalation and increased construction requirements. Should costs not reduce to these levels, either an increased budget would be required, or some renewals works would be deferred.	Moderate	At the time the Long Term Plan was adopted Council and central Government were still refining estimates of the cost to repair earthquake related asset damage and the timing of these repairs. Final capital works and ongoing related operating impact estimates will vary from this Plan. Any additional financial subsidies would have a positive impact for rate payers by reducing the amount of new borrowing required. Should the level of capital works be unable to be completed as planned this will result in projects being carried forward. The implications of this are: • projects may cost more than planned due to inflation. • debt will be lower in the short term. Delaying new borrowing will impact on the timing of financing costs. Conversely, should work proceed ahead of plan debt will increase which will also impact on the timing of financial costs but the costs may be lower. The cost estimate risk is considered high due to the ongoing uncertainty of market conditions related to the extent and duration of rebuild activity and wider economic influences on the cost of capital works. Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue is likely to impact the timing of future works or increase borrowing.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
			For Anchor projects which the Crown is leading we have assumed that the Council's contribution is its maximum contribution (in line with the Cost Share Agreement). Where construction has been delayed, the Stadium for example, we have assumed that the project will either be reduced in scope or that a PPP will be used in order to remain within budget. Relocation of contracting resources to Auckland, which has a very large construction demand, could also impact on the constructions costs in Christchurch.
Impact of the Kaikoura Earthquakes	Actual costs may be higher than budgeted as a result of the Kaikoura earthquakes	Low	There is a demand on suppliers to meet the more urgent requirements of Kaikoura and surrounding communities which may impact on their availability and pricing. We're comfortable that the impact for this year will be minimal mainly because of existing contracts.
Asset life. Useful life of assets is as recorded in asset management plans based upon professional advice (The Accounting Policies detail the useful lives by asset class)	Damage to assets as a result of the earthquake is such that their useful lives are shortened significantly.	Low	Work has not yet been completed to determine the condition of assets in the lesser affected areas. Earlier replacement would put more pressure on the Council's capital programme, leading to higher depreciation expense and financing costs. This plan has been prepared using the best information available at the time. [This is also discussed in the Infrastructure Strategy.]

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Carrying value of assets. The opening balance sheet reflects the correct asset values. The carrying value of assets are revalued on a regular basis	All assets are not correctly recorded at their revalued amounts. Asset revaluations will change projected carrying values of the assets and depreciation expense.	Low	Land and buildings and roading assets were revalued as at 30 June 2015, Wastewater assets were revalued at 30 June 2015 and 2016. The findings from these revaluations were incorporated into the opening balance sheet. Because of the number of buildings which were valued the valuers assumed no damage and an adjustment was made for the loss of value due to impairment. Stormwater, water supply and roading assets will be revalued by 30 June 2017, and an adjustment has been made based on the movement in similar asset classes. These adjustments may prove to be incorrect and will affect levels of depreciation.
Inflation. Growth and Population			
Inflation. The price level changes projected will occur. In developing this plan Council based its inflation projections on information provided by Business Economic Research Limited (BERL) to all local authorities. Different weighted average inflation figures for capital and operational items are used due to the different mix of inputs. Inflation adjustments used are: Capital Opex 2017/18 2.0% 2.0%	Inflation will be higher or lower than anticipated Inflation on costs will not be offset by inflation on revenues.	Low Low	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates in the following year.
The following BERL national rates were considered in determining the weighted average for capital expenditure, in addition to the localised impact of the Christchurch rebuild. Roading 1.8%, Earthmoving 2.0%, Pipelines 1.00%, Other 1.6%			
Economic Environment. The performance of the New Zealand economy in recent times is driven by the Auckland expansion and the Canterbury rebuild. Council has prepared this Plan on the basis that the current predictions about the economy and speed of recovery will prove correct.	The current rebuild and recovery slows or the economy moves into a new recession.	Moderate	While the New Zealand economy is currently in a strong position the availability and cost of resources including labour and materials could constrain the speed of the recovery. Building costs have increased due to the demand on resources and may impact rebuild and non-earthquake related projects, while accommodation issues along with the labour demand by Auckland could affect the ability of the region to secure and retain the temporary workforce required for the rebuild. Any slow-down in recovery will impact on the rating base. Current housing demand will peak and may correct itself through value adjustment downwards – possibly over the next 3-5 years.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Growth and land use change on development contributions. Council collects development contributions from property developers to fund the capital costs of growth in the City's infrastructure. The amount collected is dependent on the forecast growth in the number of residential, commercial, industrial, and other properties. This forecast is based on Council's Growth Model adjusted for expected post-earthquake activity. The location and timing of future residential and business development.	If growth in the number of properties varies considerably from forecasts there is a possibility that revenue collected from development contributions will be too much or too little to fund Council's capital programme. If the timing of growth differs significantly from forecast this will impact on Council's cash flows and may necessitate changes to planned borrowing. The location and timing of development is determined by a number of factors outside the control of the council such as market factors.	Moderate Moderate	The timing of growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this Plan. This may mean that growth could occur in different areas or at different rates than projected. This would have an impact on planned infrastructure provision by either requiring projects to be brought forward or delayed.
Rating Base The capital value of Christchurch (post revaluation) is expected to increase during the next year. The percentage increase in rates includes the assumption that 0.7% growth in the capital value of the city will generate an additional $2.0 million of rates revenue during the year under the Earthquake Order in Council.	The rating base grows at a rate different to that projected.	Moderate	Variances between the forecast and actual growth in the rating base are likely to cause changes to the total rates revenue collected.
Impact of policies and external factors			
Council policy. There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response or business change from Council or, 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.
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 the immediate elimination of the subsidy, budgeted at $83 million in 2017/18.
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.	Low	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.
Legislative change. Council will continue to operate within the same general legislative environment, and with the same authority, as it does at the time this Plan is published.	Should the local government legislative environment change, the activities and services the Council plans to provide over the period of this Plan could change.	Low	The Government has several taskforces reviewing different aspects of local government, with some legislative change having occurred, and further is expected to occur within the period of this Plan. At the time of plan preparation the Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Borrowing Related			
Credit Rating. The current rating is maintained.	Council's credit rating with Standard and Poor's is downgraded.	Low	There is still some uncertainty around the final rebuild costs. A downgrade would increase costs of borrowing. If the Council falls one notch from its current credit rating the cost of new borrowing will increase between 0.1 and 0.2 per cent per annum for the life of the borrowing. Increases in interest rates flow through to higher debt servicing costs and higher rates funding requirements. The total cost increase each year will depend on how much debt has been borrowed or refinanced since the rating downgrade. The additional cost is estimated to be between $0.5 million to $3 million per annum.
Borrowing Costs. Average net cost of borrowing (i.e. including current and projected debt) is projected to be 5.3% in 2017/18.	Interest rates will vary from those projected.	Moderate	Projections are based on conservative assumptions about future market interest rates. The cost of projected debt is hedged to minimise exposure to market rate fluctuations. Council manages interest rate exposure in accordance with its Liability Management Policy, and in line with advice from an independent external advisor.
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.
LGFA Guarantee. Each of the shareholders of the LGFA is a party to a deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and they guarantee obligations of other participating local authorities to the LGFA, in the event of default.	In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor's relative rates income.	Low	The Council believes the risk of the guarantee being called on and any financial loss arising from the guarantee is low. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge.
Opening Debt: The opening debt of $1,679 million is made up of; • $153 million of equity investments, mainly in CCTOs (Vbase $129 million), • $579 million of money borrowed for on-lending to CCTOs, (in accordance with the Council's Liability Management Policy), • $784 million of borrowing for earthquake related and capital works. • $100 million finance lease (Civic Building). • $63 million other investments	Actual opening debt differs from forecast.	Low	Council's debt requirements are well understood and closely managed. It is unlikely that differences in opening debt will have a material impact on the financial projections.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Investment related			
Return on investments. Interest on general funds invested is calculated at 1.75%. The return on the Capital Endowment Fund is calculated at 3.75%. This is a mix of external investments and internal borrowing.	Interest rates will vary from those projected.	Moderate	Rates used are based on expert advice.
CCTO income. CCHL will deliver dividend income at the levels forecast in this Plan.	CCHL will deliver a lower than projected dividend and Council will need to source alternate funding.	Low	CCTOs are monitored by their Statements of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan. Should additional dividend income be received the level of borrowing forecast in this plan will be reduced.
CCHL capital release The Council will receive $140 million from CCHL in 2017/18 via its capital release programme, and a further $140 million in the 2018/19 year.	That $140 million cannot be released within the planned time frame. A change in tax legislation or policy changes the tax treatment by Council of the dividends.	Moderate Moderate	CCHL has agreed to provide the Council with $140 million in the annual plan year via its capital release programme. The timing of receipt could change depending on the methods of release selected and the impact on the Council's total debt and the Debt to Revenue ratio. A change in tax legislation or policy could result in the funds being returned to Council in a different manner or requiring the development of an alternative approach to maximising the value to Council from the remaining $280 million release. A tax cost of approximately $31 million would be the result, if no alternative was possible.
Tax planning. The Council (parent) will be operating at a tax loss for the period covered by this Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (known as subvention payments) to Council instead of tax payments. It has been assumed that sufficient profits will be made within the wider group to ensure that subvention receipts are available.	Subvention payments will be lower than planned.	Moderate	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Plan.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Services and Operations			
Social housing. Social housing assets are leased to Otautahi Community Trust while asset ownership, including long term maintenance, is the responsibility of the Council. Social housing asset long term maintenance is funded through the lease payments.	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)	Moderate	The Trust may not maximise the rental subsidies available. The Trust increases its operating costs through alternatives to the point that lease payments are unsustainable. Social housing remains ring-fenced from rates, through a separate Social Housing Fund. The ongoing revenue source for this fund is the lease payments from the Otautahi Community Housing Trust. Modelling for the Social Housing Fund indicates that its sustainability is sensitive to small changes.
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 may need to review the amount of work planned and undertaken.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Anchor project ownership and operating costs The Cost Share Agreement is the underlying document that the Council has used to determine ownership and operating cost requirements. In most instances ownership is clear but where the Agreement is ambiguous Council has assumed as follows for the purposes of this Plan: • **Bus Interchange** Crown operation for at least 3 years. Council assumes it will fund the operating costs from 2020 onwards. • **The Frame, (Public realm)** Council ownership and maintenance • **The Square** Council ownership and maintenance • **Central Library** Council ownership and operation • **Car parking** Council / private ownership and operation • **Earthquake memorial** Crown/ Council ownership and maintenance • **Metro Sports Facility** Council ownership and operation • **Avon River Precinct** Council ownership and operation • **Stadium** For planning purposes we have assumed this will be completed towards the end of the LTP period, (although published CCDU updates indicate a completion date of Quarter 4 2019). The decision to push the construction to the end of the LTP period was used to assist Council's capital expenditure profile and avoid additional expenditure during the most constrained years. Council is currently in discussions with the Crown to enable mutual agreement to be reached on the delivery timetable.	The Cost Share is changed and Council is assigned responsibility for meeting the operating costs of additional venues.	Low	We are not expecting any additional operating or ownership costs from any other of the anchor projects.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Insurance cover and natural disaster financing			
Insurance cover The Council has full 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	Financial impact is not expected to be significant.
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. Council is self-insuring on the basis of the strength of its balance sheet but could not meet the cost of another event similar to those in 2010 and 2011.	Low	Financial implications of another significant event are large, particularly in the first 10 years when our ability to borrow will be limited due to the high debt to revenue ratios forecast. Creating this ability within ten years from rates would unfairly burden the current ratepayer but it could be achieved by the further sell down of CCHL's investments.