Financial Forecasts

Christchurch City Three Year Plan

Christchurch Ōtautahi

Photographer: Alumine Andrew Location: Port Hills, Christchurch

Christchurch City Council

Income Statement

Annual Plan 2012/13	$000	Note	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	REVENUE				
309,173	Rates revenue		332,988	356,768	382,626
616,023	Other revenue	1	656,567	699,294	514,738
925,196	**Total operating income**		**989,555**	**1,056,062**	**897,364**
	EXPENDITURE				
36,384	Finance costs		40,637	57,477	79,061
113,579	Depreciation and amortisation	2	106,364	113,625	121,365
436,492	Other expenses	3	454,579	450,912	422,941
586,455	**Total operating expenditure**		**601,580**	**622,014**	**623,367**
338,741	**Surplus before asset contributions**		**387,975**	**434,048**	**273,997**
3,500	Vested assets		3,500	3,659	3,805
342,241	**Surplus before income tax expense**		**391,475**	**437,707**	**277,802**
(4,256)	Income tax expense		(2,797)	(2,780)	(3,097)
346,497	**Surplus for the period**		**394,272**	**440,487**	**280,899**
346,497	**Net surplus for year**		**394,272**	**440,487**	**280,899**
	Other Comprehensive Income				
-	Changes in Revaluation Reserve		57,773	233,152	361,227
346,497	**Total Comprehensive Income**		**452,045**	**673,639**	**642,126**

Christchurch City Council

Statement of Change in Equity

Annual Plan 2012/13	$000	Note	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
6,031,901	**EQUITY AT JULY 1**		6,841,510	7,293,555	7,967,194
	Net surplus attributable to:				
	Reserves				
-	Transfers		-	-	-
-	Revaluation reserve		57,773	233,152	361,227
	Retained earnings				
346,497	Surplus		394,272	440,487	280,899
346,497	Total comprehensive income for the year		452,045	673,639	642,126
6,378,398	**EQUITY AT JUNE 30**	**8**	**7,293,555**	**7,967,194**	**8,609,320**

Christchurch City Council

Balance Sheet

Annual Plan 2012/13	$000	Note	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	Current assets				
12,751	Cash and cash equivalents		1,897	3,504	5,740
248,483	Trade and other receivables	4	111,167	112,879	116,125
2,248	Inventories		3,914	3,974	4,088
55,534	Other financial assets		104,528	105,811	108,282
	Non-current assets				
1,742,698	Investments	5	1,786,406	1,788,746	1,811,508
13,751	Intangible assets		45,834	54,370	61,637
1,230,688	Operational assets		1,010,963	1,257,583	1,461,120
3,361,522	Infrastructural assets		4,615,054	5,510,466	6,208,485
791,914	Restricted assets		855,595	897,895	940,527
7,459,589	**TOTAL ASSETS**		**8,535,358**	**9,735,228**	**10,717,512**
	Current liabilities	6			
124,981	Trade and other payables		139,352	142,451	147,388
24,651	Borrowings		118,109	122,324	128,624
14,508	Provisions		15,646	15,842	16,265
	Non-current liabilities				
760,204	Borrowings		779,566	1,299,351	1,628,789
153,118	Provisions	7	185,265	184,026	182,924
3,729	Deferred tax liability		3,865	4,040	4,202
6,378,398	Equity	8	7,293,555	7,967,194	8,609,320
7,459,589	**TOTAL EQUITY AND LIABILITIES**		**8,535,358**	**9,735,228**	**10,717,512**

Christchurch City Council

Cash Flow Statement

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	OPERATING ACTIVITIES			
	Cash was provided from:			
867,164	Rates, grants, subsidies, and other sources	927,537	993,336	830,935
18,974	Interest received	16,072	14,793	14,894
42,369	Dividends	48,744	48,940	51,271
928,507		**992,353**	**1,057,069**	**897,100**
	Cash was disbursed to:			
436,700	Payments to suppliers and employees	454,908	448,856	418,683
36,384	Interest paid	40,637	57,477	79,061
473,084		495,545	506,333	497,744
455,423	**NET CASH FLOW FROM OPERATIONS**	**496,808**	**550,736**	**399,356**
	INVESTING ACTIVITIES			
	Cash was provided from:			
1,205	Sale of assets	75,792	14,268	1,296
183,414	Investments realised	-	-	-
184,619		75,792	14,268	1,296
	Cash was applied to:			
844,087	Purchase of assets	934,825	1,083,774	708,922
-	Purchase of investments	(3,150)	2,340	22,761
-	Purchase of investments (special funds)	(78,279)	1,283	2,471
844,087		853,396	1,087,397	734,154
659,468)	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(777,604)**	**(1,073,129)**	**(732,858)**

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	FINANCING ACTIVITIES			
	Cash was provided from:			
201,382	Raising of loans	289,283	535,502	351,455
201,382		289,283	535,502	351,455
	Cash was applied to:			
7,157	Repayment of term liabilities	8,218	11,502	15,717
7,157		8,218	11,502	15,717
194,225	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**281,065**	**524,000**	**335,738**
(9,820)	Increase/(decrease) in cash	269	1,607	2,236
22,571	Add opening cash	1,628	1,897	3,504
12,751	**ENDING CASH BALANCE**	**1,897**	**3,504**	**5,740**
	Represented by:			
12,751	Cash and cash equivalents	1,897	3,504	5,740

Christchurch City Council

Notes to the Financial Statements

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	NOTE 1			
	Other revenue			
	Fees and charges, including:			
2,000	Rate penalties	2,000	2,116	2,241
224,285	Other income	174,670	188,315	199,189
226,285	Total fees, charges and penalties	176,670	190,431	201,430
9,000	Development contributions	13,000	17,466	21,140
319,395	Grants and subsidies	402,081	427,664	226,003
	Interest:			
8,330	Subsidiaries	7,979	7,983	8,001
10,435	Special and other fund investments	7,889	6,607	6,674
209	Short term investments	204	203	219
18,974	Total interest revenue	16,072	14,793	14,894
	Dividends:			
40,035	Christchurch City Holdings Ltd	46,060	46,120	48,120
2,334	Transwaste Ltd	2,684	2,820	3,151
42,369	Total dividend revenue	48,744	48,940	51,271
616,023	**Total other revenue**	**656,567**	**699,294**	**514,738**

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	NOTE 2			
	Depreciation			
19	City planning and development	8	34	62
6,914	Community support	6,511	7,167	7,619
8,478	Cultural and learning services	7,212	7,800	8,370
-	Democracy and governance	-	-	-
15	Economic development	86	90	86
7,976	Parks, open spaces and waterways	7,930	8,565	8,659
3,906	Recreation and leisure	2,763	2,932	3,294
2,033	Refuse minimisation and disposal	2,005	2,147	2,290
27	Regulatory services	33	92	137
41,762	Roads and footpaths	37,433	38,726	41,287
18,587	Swerage collection, treatment and disposal	17,409	18,616	19,276
10,841	Water supply	10,322	11,041	11,691
4,547	Stormwater and flood protection and control works	4,571	4,827	5,116
8,474	Corporate	10,081	11,588	13,478
113,579	**Total Depreciation**	**106,364**	**113,625**	**121,365**

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	NOTE 3			
	Other expenses			
	Operating expenditure:			
154,949	Personnel costs	155,547	162,050	167,824
38,020	Donations, grants and levies	33,981	31,907	36,210
243,523	Other operating costs	265,051	256,955	218,907
436,492	**Total other expenses**	**454,579**	**450,912**	**422,941**

Christchurch City Council

Notes to the Financial Statements

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	NOTE 4			
	Current assets			
	Trade and other receivables			
15,433	Rates debtors	14,069	15,781	19,027
10,195	Other trade debtors	11,697	11,697	11,697
1,771	Amount owing by subsidiaries	606	606	606
193,803	Other receivables/prepayments	83,694	82,308	84,604
17,325	Dividends receivable	-	-	-
11,638	GST receivable	3,864	5,250	2,954
250,165		113,930	115,642	118,888
(1,682)	Less provision for doubtful debts	(2,763)	(2,763)	(2,763)
248,483	**Total receivables and prepayments**	**111,167**	**112,879**	**116,125**
	NOTE 5			
	Investments			
1,523,295	Shares in controlled entities	1,610,922	1,613,262	1,636,023
111,692	Advances to subsidiaries and other entities	100,335	100,335	100,335
107,711	Other investments	75,149	75,149	75,150
1,742,698	**Total investments**	**1,786,406**	**1,788,746**	**1,811,508**

Annual Plan 2012/13	$000	Three Year Plan 2013 - 2016 2013/14	2014/15	2015/16
	NOTE 6			
	Current liabilities			
118,383	Trade creditors	122,196	125,295	130,232
6,598	Owing to subsidiaries	17,156	17,156	17,156
124,981		139,352	142,451	147,388
24,651	Current portion of gross debt	118,109	122,324	128,624
519	Provision for landfill aftercare	335	311	316
-	Provision for weathertight homes	1,000	1,000	1,000
13,989	Provision for employee entitlements	14,311	14,531	14,949
14,508		15,646	15,842	16,265
164,140	**Total current liabilities**	**273,107**	**280,617**	**292,277**
	NOTE 7			
	Non-current provisions			
15,525	Provision for landfill aftercare	23,004	22,678	22,335
5,970	Provision for employee entitlements	5,657	7,437	9,442
2,802	Provision for weathertight homes	2,264	1,264	264
118,064	Provision for hedge and finance lease liability	147,289	146,331	145,303
10,757	Provision for service concession arrangement	7,051	6,316	5,580
153,118	**Total non-current provisions**	**185,265**	**184,026**	**182,924**
	NOTE 8			
	Equity			
1,733,853	Capital reserve	1,733,853	1,733,853	1,733,853
163,245	Reserve funds	167,677	168,960	171,432
1,775,246	Asset revaluation reserves	2,913,207	3,146,359	3,507,586
2,706,054	Retained earnings	2,478,818	2,918,022	3,196,449
6,378,398	**Total equity**	**7,293,555**	**7,967,194**	**8,609,320**

Christchurch City Council

Statement of Significant Accounting Policies

Reporting entity

Christchurch City Council ("Council") is a territorial authority governed by the Local Government Act 2002. For the purposes of financial reporting the Council 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.

Basis of preparation

i) Statement of compliance

The prospective financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002: sections 93, 101 and Part 1 of Schedule 10 as amended by the Canterbury Earthquake (Local Government Act 2002) Order (No 2) 2011 and the Canterbury Earthquake (Local Government Act 2002 – Christchurch City 3-Year Plan) Order 2013 which includes the requirement to comply with General Accepted Accounting Practice in New Zealand ("NZ GAAP"), together with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

ii) Prospective Financial Statements

The prospective financial statements comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), Financial Reporting Standard ("FRS") 42 and other applicable Financial Reporting Standards, as appropriate for public benefit entities with the exception of NZ IAS 36 – Impairment of Assets and NZ IAS 16 – Property, Plant and Equipment as detailed below. They have been prepared using the best information available at the time they were prepared.

iii) Measurement base

The reporting period for these prospective financial statements is the three year period ending 30 June 2016. 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.

The Canterbury Earthquakes of 2010 and 2011 have impacted the Council's ability to account for its property, plant and equipment in accordance with NZ IFRS. Details of these departures are outlined below:

- **NZ IAS 36 – Impairment of Assets**
  - Assets with earthquake damage have been written off only when it is certain that they have been destroyed. Where Council and its insurers have agreed that a building has been damaged beyond economic repair, insurers have agreed to pay out the indemnity value of the building. In these circumstances, Council has recognised the indemnity amount as impairment to the building.
  - An impairment provision was recognised in 2012 for damage to certain classes of infrastructure assets and a further adjustment has been made to the opening balance for other infrastructure assets and buildings. These provisions will be reversed and replaced with the final journals as more information becomes available.
- **NZ IAS 16 – Property, Plant and Equipment**
  - Land, buildings, storm water, waterways and wetlands infrastructure assets and works of art were due for valuation in 2011. With the exception of works of art where the carrying value is the 2012 valuation the carrying value of the other classes represents their 2008 fair value less depreciation. Parks land and land improvements, restricted land and buildings, sewerage infrastructure and heritage and public art assets were due for valuation in 2012. The carrying value of these assets represents their 2009 fair value less depreciation. Roading and water reticulation infrastructure assets are due for valuation in 2013. Their carrying value represents their 2010 fair value less depreciation. No assets will be revalued in 2013. Assets will be revalued over the period of the Three Year Plan as their condition becomes apparent.
  - NZ IAS 16 requires the Council to review the useful lives and residual values of its assets annually. Because of the scale of earthquake damage the Council will not comply with this requirement in 2013. Useful lives will be reviewed as part of the asset revaluation as information becomes available.

All of the above have flow on effects to depreciation, impairment of assets carrying values, revaluation reserves, and retained earnings.

The prospective financial statements do not disclose audit fees nor 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.

Except where specified the accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Christchurch City Council

Statement of Significant Accounting Policies

Revenue

Revenue comprises income, gains and finance income and is measured at the fair value of consideration received or receivable. Specific accounting policies for the major categories of income are outlined below:

(i) Rates, goods sold and services rendered

Revenue from rates is recognised at the time of invoicing. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised 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.

(ii) Construction contracts

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

An expected loss on a contract is recognised immediately.

(iii) Finance Income

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

(iv) Rental income

Rental income from investment and other property is recognised proportionately over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(v) Government grants

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

(vi) Dividend income

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

(vii) Finance lease income

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

(viii) Development Contributions

Development contributions are recognised as revenue in the year in which they are received.

(ix) Other gains

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

(x) Earthquake subsidies and recoveries

Earthquake subsidies and recoveries include payments from Government agencies, Ministries and Departments as well as payments from Council's insurers. Earthquake subsidies and recoveries are recognised in the financial statements when received or when it is probable or virtually certain that they will be received under the insurance contracts in place.

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 revaluation decrements relating to investment properties (see Investment Property Policy), losses on the sale of property, plant and equipment and investments and losses arising from derivative financial instruments (see Hedging Policy).

Christchurch City Council

Statement of Significant Accounting Policies

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

Property, plant and equipment

The following assets (except for investment properties) are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation:

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

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, increases in the carrying amounts arising on revaluation of a class of assets are credited directly to equity under the heading Revaluation reserve. However, the net revaluation increase shall be recognised in profit or loss to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss.

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

Assets to be depreciated include:

Operational Assets:	
Buildings	1-100 yrs
Office and computer equipment	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
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	1-25 yrs
Streetlights and signs	15-40 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/retaining walls	20-100 yrs
Bridges	70-100 yrs
Bus shelters and furniture	15-30 yrs
Water supply	55-130 yrs
Water meters	20-25 yrs
Stormwater	20-150 yrs
Waterways	15-120 yrs
Sewer	50-150 yrs
Treatment plant	15-100 yrs
Pump stations	10-100 yrs

Christchurch City Council

Statement of Significant Accounting Policies

Restricted Assets:

Planted areas	5-110 yrs
Reserves – sealed areas	10-40 yrs
Reserves – structures	25-150 yrs
Historic buildings	100 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included as revenue or expenses. When revalued assets are sold, the amounts included in other reserves 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.

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

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

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

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

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

Intangible assets

(i) Computer software

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

Costs associated with maintaining computer software 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.

Christchurch City Council

Statement of Significant Accounting Policies

Derivative financial instruments

The Council uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with 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.

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

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

Hedging

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

The Council documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

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

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately within surplus or deficit.

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately within surplus or deficit.

Investments

The Council classifies its investments in the following categories:

a. *Financial assets at fair value through comprehensive income*
This category has two sub-categories: financial assets held for trading, and those designated at fair value through comprehensive income 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.

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d. *Financial assets at fair value through other comprehensive income*
Financial assets at fair value through other comprehensive income 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) Parent company investment in subsidiaries

The Council's equity investments in its subsidiaries are designated as financial assets at fair value through other comprehensive income. 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 income 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

(i) Construction work in progress

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

(ii) Other 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

Normally 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 balance sheet 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 on property, plant and equipment are recognised within surplus or deficit. Impairment losses on revalued assets offset any balance in the asset revaluation reserve for that class of assets, with any remaining impairment loss being recognised within surplus or deficit. The opening balance for fixed assets includes a general provision of $771 million, $692 million was debited against the asset revaluation reserve and $79 million was recognised in surplus or deficit at 30 June 2013. This provision will be reversed and replaced with the correct accounting treatment as the condition of assets is identified.

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 balance sheet date.

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

(i) Calculation of recoverable amount

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

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

As a public benefit entity, Council uses depreciated

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replacement cost to assess value in use where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Council would, if deprived of the asset, replace its remaining future economic benefits or service potential. For the Group, where an asset does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The value in use for cash-generating assets is the present value of expected future cash flows. The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Reversals of impairment

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

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

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

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Creditors and other payables

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

Provisions

A provision is recognised in the balance sheet when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Landfill aftercare provision

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

The provision is calculated based on:

- The estimated amount required by the Council to meet its obligations for all equipment, facilities and services. The estimated amounts are based on costs of closure of similar landfills by other local authorities with an allowance for inflation.
- The estimated costs have been discounted to their present value using a discount rate of 6.00%.
- The estimated length of time needed for post-closure care is 35 years.
- The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.

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

(ii) Weathertight homes

The Council through its insurers is processing a number of weathertight home claims.

The provision is calculated based on:

- The number of known claims,
- The average actual settlement costs,
- The average actual claims settled per year.
- Costs in future years have been adjusted for inflation and discounted to their present value using a discount rate of 6.00%.

This method of calculation is consistent with previous years. However, other metropolitan local authorities, including Wellington City Council and Auckland Council, are using independent actuarial calculations of their weathertight homes liability, particularly in relation to claims not yet lodged.

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The Council has chosen not to follow this approach for these forecast financial statements due to earthquake-related uncertainty regarding the number of properties that have existing or potential future claims that:

- will be repaired or demolished and rebuilt by insurers, or
- are in government red zones and will be abandoned.

Employee entitlements

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

(i) Short-term entitlements

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

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

(ii) Long-term entitlements

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

These estimated amounts are discounted to their present value using an interpolated 10-year government bond rate.

Superannuation is provided as a percentage of remuneration.

(iii) National Provident Fund's Defined Benefit Plan Scheme (the 'Scheme')

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

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 balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

(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.

Third party transfer payment agencies

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

Goods and Services Tax

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

Donated goods and services

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

Cost allocations

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

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

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

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

Preparing prospective financial statements to conform with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. 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.

Standards issued but not yet in force

The following new standards, interpretations and amendments have been adopted for these forecast financial statements. The impact of these standards is minimal as the standards impact the disclosure notes required in the annual report rather than the three year plan.

- NZ IFRS 9 Financial Instruments – replacing NZ IAS 39 Financial Instruments: Recognition and Measurement – to be adopted from 1 July 2013. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value.
- NZ IFRS 13 Fair Value Measurement – to be adopted from 1 July 2013 – IFRS 13 introduces a single source of fair value measurement guidance.

The following new standards, interpretations and amendments have been issued but as they are not yet compulsory have not been applied to these forecast financial statements, and have not been applied in preparing these forecast financial statements:

- NZ IFRS 9 Financial Instruments – replacing NZ IAS 39 Financial Instruments: Classification & Measurement – effective 1 January 2015. Changes focus primarily on Hedge Accounting.
- The External Reporting Board in April 2012 issued a new accounting standards framework for New Zealand. The framework provides specific accounting standards and reporting framework for 'public benefit' entities based on International Public Sector Accounting Standards. The Council will be a Tier 1 reporting entity when the standards become effective. The Council will report under the new standards in its Annual Report for the year ended 30 June 2015 together with the 30 June 2014 comparatives. It is expected that at adoption the new standards will be similar to NZ IFRS and will not result in any significant changes in the Council's accounting policies.

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Impact of the Canterbury Earthquakes on Fixed Assets

While some progress has been made, Council is still assessing the full extent of the damage caused by the 2010 and 2011 Canterbury earthquakes to its infrastructure and facilities, (buildings) assets. Accounting standards require assets to be written off when destroyed or impaired, where there is an indication that the value recorded in the financial statements is greater than the actual value.

Further information has become available since 30 June 2012 when provision was made for $192 million of damage to infrastructure assets. The additional information has allowed the Council to make an estimate of the impairment to facilities, together with a further adjustment for the repair of infrastructure assets. The additional impairment totals $579 million. Where the impairment of an asset class exceeds the classes' asset revaluation reserve it is necessary to recognise the impairment in the Council's surplus.

Details of the provision are set out in the table below:

Asset Class	Impairment	Reduction in opening revaluation reserve	Reduction in opening retained earnings
Infrastructure			
Wastewater	$81 million	$22 million	$60 million
Roading	$244 million	$243 million	-
Facilities	$254 million	$235 million	$19 million
Total	$579 million	$500 million	$79 million

For the purposes of the Long-term Plan this impairment has been made as at 30 June 2013. No further impairment adjustments have been made during the period of the Plan. For reporting purposes the impairment provision estimate will continue to be reviewed as better information becomes available which could result in changes to these numbers in future Annual Plans and Long-term Plans.

As more information becomes available regarding the asset condition the Council will recommence external revaluations, beginning with the revaluation of Land and Buildings for the 30 June 2014 financial year.

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Significant Forecasting Assumptions 2013-2016 Three Year Plan

In preparing this Three Year 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 (i.e. if actual future events differ from the assumptions, it could result in material variances to this Three Year 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.

This table is prepared in accordance with Schedule 10 (clause 17) of the Local Government Act 2002.

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Capital Works	Actual costs will vary from estimates, due to higher input prices or delivery delays, resulting in budget shortfalls.	High	At the time this plan was adopted Council, insurers, and central Government were still refining estimates of earthquake related asset damage. Final capital works estimates could vary from this plan by 30% or more.
Timing of the infrastructure rebuild	The infrastructure rebuild will be delayed beyond December 2016.	Low	SCIRT operations are operating to plan. Any delay could result in increased costs.
Timing of the facilities rebuild	The facilities rebuild will be delayed beyond 2018.	High	At the time this plan was adopted negotiations between Council and its insurers were far from complete. The risk is of cost escalation.
Total infrastructure and facilities damage	At the time of preparing the plan damage assessments were not complete	Moderate	Total costs will increase putting pressure on the Financial Strategy.
Sources of funds for replacing assets The sources of funds will occur as projected. (The Revenue and Funding Policy outlines the funding sources for each activity.)	Funding does not occur as projected.	Moderate	At the time this plan was adopted Council, insurers, and Central Government were still refining estimates of earthquake related asset damage and the associated funding sources. A process for timely reimbursement from the Crown is still to be determined. The expectation is that this will be determined by 30 April 2013. The risk is that Council assumes a higher share of the cost.
Growth 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.	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.	High	The timing of growth, and its impact on Council's development contributions revenue, can impact on the borrowing and interest expense assumptions in this Three Year Plan.

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Significant Forecasting Assumptions 2013-2016 Three Year Plan

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Economic Environment At the time of finalising this Three Year Plan the global economy is still dominated by concern about the strength of the Euro, and Christchurch is recovering from the Canterbury earthquakes. Council has prepared this Three Year Plan on the basis that current predictions about the economy and speed of that recovery will prove correct.	The current rebuild and recovery slows or the economy moves into a new recession.	Moderate	Any slow down in recovery will impact on the rating base.
Council policy There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response from Council or, CERA 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 elimination of the subsidy, estimated at $40 million per annum.
Inflation The price level changes projected will occur. In developing this Three Year Plan Council based its inflation projections on information provided by Business Economic Research Limited to all local authorities, modified for Christchurch specific conditions. Different weighted average inflation figures for capital and operational items are used due to the potential impact of the rebuild on capital costs. Inflation is calculated and applied across all groups of activities for each year, with the resulting flow through to the balance sheet. (Some grants are not inflated as shown on the Grant Summary page). Inflation adjustments used are: **Capital / Opex** **2014-15** 4.53% / 2.74% **2015-16** 4.00% / 2.88% In 2014-15 operational expenditure has been increased by only 1.54% overall, reflecting the intention to absorb inflation on a significant portion of operational costs.	Inflation will be higher or lower than anticipated Inflation on costs will not be offset by inflation on revenues.	Moderate Moderate	Any inflationary increase in Council's costs that is not offset by efficiency gains or revenue increases is likely to impact on rates.

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Significant Forecasting Assumptions 2013-2016 Three Year Plan

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Further downgrade in credit rating	Council's credit rating with Standard and Poor's is downgraded to A+	Low	There is still some uncertainty around the final rebuild costs. A downgrade would increase costs of borrowing.
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	Advance warning of likely changes is anticipated. The financial impact of failing to obtain/renew resource consents cannot be quantified.
Borrowing Costs Interest on new debt is calculated at: 2013-14 - 4.46% per annum 2014-15 – 4.41% 2015-16 – 4.81%	Interest rates will vary from those projected.	Low	Rates used are based on expert advice. All future borrowings are fully hedged in accordance with the Liability Management Policy.
Renewal of External Funding It is assumed that the Council will be able to renew existing borrowings on equivalent terms.	That new borrowings cannot be accessed to 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.
Return on investments Interest on investments is calculated at: 2013-14 – 3.15% 2014-15 –.3.26% 2015-16 – 3.66% Capital Endowment Fund rates used are: 2013-14 – 4.71% 2014-15 – 4.68% 2015-16 – 4.45%	Interest rates will vary from those projected.	Moderate	Rates used are based on expert advice. If actual interest rates differ from those anticipated the impact will largely fall on the Capital Endowment Fund.

Christchurch City Council

Significant Forecasting Assumptions 2013-2016 Three Year Plan

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Tax planning The Council (parent) will be operating at a tax loss for the period covered by the Three Year Plan due to the availability of tax deductions on some Council expenditure. This allows the Council's profit-making subsidiaries to make payments (know as subvention payments) to Council instead of tax payments. It has been assumed that sufficient profits will be made within the wider group to ensure that subvention receipts are available.	CCTOs will deliver lower than projected profits and subvention payments will be lower than planned.	Moderate	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Three Year Plan.
CCTO income CCHL will continue to deliver dividend income at the levels forecast in this Three Year Plan.	CCHL will deliver lower than projected income and Council will need to source alternate funding.	Moderate	CCTOs are monitored by the Statement of Intent and a quarterly reporting process. Returns are expected to continue as forecast in this Three Year Plan.
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 earthquake is such that their useful lives are shortened significantly.	Moderate	No meaningful work has yet been done 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.
Asset revaluation	Asset revaluations will change projected carrying values of the assets and depreciation expense.	High	No adjustments have been made for the revaluation of assets because either, there is still considerable uncertainty around their condition as is the case for below ground assets or a robust market does not yet exist, as is the case for land and buildings.
Carrying value of assets The opening balance sheet reflects the correct asset values.	All assets are correctly recorded at their written down values	High	Provision was made in June 2012 for $192 million being the best estimate of the value of assets to be replaced. A further $579 million provision has been made within this plan to the opening balance of fixed assets reflecting the best estimate of the value of impaired assets. Damage assessments on facility assets are still to be completed so the condition of the assets cannot be accurately determined. Similarly, the condition of below ground assets is still to be assessed. Any error in the carrying values will affect levels of depreciation.

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Significant Forecasting Assumptions 2013-2016 Three Year Plan

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Opening Debt: The opening debt of $616.6 million is made up of; • $152.5 million of equity investments, mainly in CCTOs, • $93.5 million of money borrowed for on-lending to CCTOs, (in accordance with the Council's Liability Management Policy), • $143.4 million of earthquake related borrowings. • $227.2 million of borrowing for capital works. $128.1 million of the equity investment is in Vbase together with $34.2 million of the monies on-lent. $59.2 million of the monies on-lent is to Civic Building Limited to fund its share of the Hereford Street civic building.	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.
Social housing The Three Year Plan has been prepared on the basis that Council's existing policy in relation to social housing continues. Specifically, that social housing operating and capital costs are funded solely through rental income. It assumes rental increases of: 3.8% (2.8% plus CGPI of 1%in 2013-14; 2.8% plus CGPI in 2014-15; and CGPI for the last year of the Three Year Plan	Council policy in relation to social housing changes	Moderate	There will be no effect on rating unless the Council changes the underlying assumption that social housing is a stand-alone activity and is not dependent on rates for its funding
Contract Rates Re-tendering of major contracts will not result in cost increases other than those comparable with the rate of inflation.	There is a significant variation in price from re-tendering contracts.	Moderate	Council would review the amount of work planned and undertaken.
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 guarantors 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.

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Significant Forecasting Assumptions 2013-2016 Three Year Plan

Assumption	Risk	Level of Uncertainty	Reasons and Financial Impact of Uncertainty
Population Planning for activities, and thus the likely cost of providing those activities considers that the population of Christchurch will increase at the rate forecast by Council's growth model. That model predicts the population of Christchurch to reach 377,000 by 2022, an increase of 3% over 2013 with the number of households increasing 6% over the same period.	That population growth is higher than projected, and Council will need to provide additional unplanned services and infrastructure. That population growth is lower than projected, and the Council will be required to support excess levels of infrastructure and service delivery.	Moderate Moderate	Population projections are based upon a standard set of demographic assumptions. However, the impact of the earthquake and the speed of the rebuild could alter these assumptions. Therefore the level of risk is moderate and could impact the cost of providing activities
Rating Base The capital value of Christchurch is expected to increase by 1% in the year to June 2014, and by 0.6% and 0.7% in the following two years, generating an additional $3 million, $2 million and $2.5 million respectively in rates revenue.	The rating base does not grow at the rate projected.	Moderate	Variances between the forecast and actual growth in the rating base are unlikely to cause any changes to the total rates revenue needed. However, should the actual increase in the rating base not meet expectations the amount of rates paid by each individual ratepayer would increase. Conversely, if the actual increase in the rating base exceeds expectations the amount of rates paid by each individual ratepayer would decrease.
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 Three Year Plan is published.	Should the local government legislative environment change, the activities and services the Council plans to provide over the 2013-2016 Three Year Plan period could change	Moderate	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 Three Year Plan. At the time of adopting this Three Year Plan the Council is unable to determine how potential legislative change might impact its operations or quantify the potential financial impact.