

Statement of Accounting Policies

Statement of Reporting Entity

The Christchurch City Council is a territorial local authority formed under the Local Government Act 1974 (as amended).

Measurement Base

The measurement base adopted is that of historical cost as modified by the revaluation of certain assets.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Fixed Assets

Fixed assets have been divided into three broad categories:

(i) Operational Assets

Operational assets include land, buildings, furniture and office equipment, fixed plant, vehicles and mobile plant. Operational assets are valued at depreciated replacement value at 30 June 1991 with additions recorded at cost. The only exception is land and buildings that are revalued to fair value by reference to their highest and best use every three years. All operational assets with the exception of land are depreciated and details of the depreciation methods and rates are noted below.

(ii) Infrastructural Assets

Infrastructural assets are the fixed utility systems. They include roads, footpaths, bridges, traffic signals, water, sewerage and drainage systems. Stormwater Infrastructural Assets have been valued using the optimised depreciated replacement cost method at 30 June 2002, by Meritec Limited. Sewerage

Infrastructural Assets have been valued using the optimised depreciated replacement cost at 30 June 2000 by the City Solutions Unit of the Council and peer reviewed by Opus International Consultants Limited and Beca Valuations Limited. Roading and Water Reticulation Infrastructural Assets (including Traffic Signals and Bus Shelters) have been valued using the optimised depreciation replacement cost method at 30 June 2001 by Meritec Limited. Land under roads was valued at 30 June 1992, by Quotable Value NZ for rating purposes. Subsequent additions have been recorded at either purchase cost or assessed cost to the subdivider for vested land.

(iii) Restricted Assets

Restricted assets cannot be disposed of because of legal and other restrictions. They include:

- Land and buildings with restrictions on sale eg Reserves
- Trust Housing
- Library books - New Zealand Collection
- Properties held in trust for other organisations
- Works of Art

Restricted assets are not depreciated except for Trust Housing and Historic Buildings. These assets are valued on the same basis as Operational Assets except for Works of Art that have been valued at market value by the Senior Curator of the Christchurch Art Gallery as at 30 June 2000.

(b) Depreciation

Depreciation is provided in respect of an operational and infrastructural asset. Depreciation is included in each cost of service statement and is an accounting method for writing off the cost of an asset over its estimated useful life. Where it is not shown as a line item it is disclosed by way of note.

Statement of Accounting Policies

(i) Operational Assets

Depreciation is on a straight line basis for all operational assets.

The following lives have been used:

Buildings	15 - 100 years
Office and Computer Equipment	4 - 5 years
Motor Vehicles / Motorised Plant	2 - 16 years
Mobile Plant	2 - 30 years
Leasehold Land Improvements	10 - 100 years
Library Books	3 - 10 years

(ii) Infrastructural Assets

Expenditure on infrastructural asset replacement and renewal is capitalised. Disclosure is in the capital expenditure summary immediately below the Cost of Service Statement on each of the significant activity pages (see pages 44 to 91). The expensing of these assets is by way of depreciation. This is calculated on a straight line basis. The following economic lives have been used:

Pavement	Subbase	Not Depreciated
	Basecourse	50 - 90 years
	Surface	2 - 63 years
Signs/Lighting		25 years
Kerb & Channel/ Sumps / Berms		80 years
Bridges		70 - 150 years
Bus Furniture		20 - 40 years
Water Supply		55 - 130 years
Water Meters		20 - 25 years
Stormwater		30 - 120 years
Waterways		15 - 120 years
Sewer		50 - 130 years

Treatment Plant	10 - 50 years
Pump Stations	10 - 80 years

Previously sewer, stormwater and water systems, their plant and water meters have been depreciated using the long run average renewals approach (LRARA). The change from 1 July 2003 will increase the overall depreciation provision by \$4.7M.

(iii) Restricted Assets - The only restricted assets that are depreciated are:

Trust Housing	1% of valuation
Historic Buildings	1% - 4% of valuation

(iv) Assets under Construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion, and then depreciated.

(c) Landfill Aftercare Costs

As operator of the Burwood Landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill after closure. To provide for the estimated cost of aftercare, a charge is made each year based on volumes processed through the landfill.

The estimated cost is calculated based on estimates of:

(i) Total current cost

This is defined as the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period. The estimate has been based on costs of closure of similar landfills by other local authorities.

(ii) Total capacity

The estimated length of time needed for post-closure care is 30 years.

The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating

Statement of Accounting Policies

authorities. The estimated future costs to perform this obligation have been accrued and charged.

The calculations assume no change in the legislative requirements for closure and post-closure treatment.

(d) Debt Servicing

Significant Activities are charged a share of the Council's actual borrowing costs. These costs are apportioned on the book value of the Operational and Infrastructural Assets employed at 1 July 2003.

(e) Goods and Services Tax (GST)

GST has been excluded from all budgetary provisions except for rental housing, accounts receivable and accounts payable.

(f) Cost Allocations

The costs of all internal service type 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 type activities provide support for the external service activities. Where the user of a service can be identified, for example with City Solutions, the cost recovery is made by way of direct charge.

Where this has not been possible, the costs are allocated by way of corporate overhead.

The basis of the corporate overhead allocation is reviewed each year and every attempt is made to relate the allocation made with the service utilised.

Internal service costs which are allocated out as corporate overhead include Corporate Services and Financial Services.

(g) Revenue Recognition

Rates revenue is recognised when levied. Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at the year end, are accrued on an average basis. Transfund roading subsidies are recognised as revenue upon entitlement, that is, when the conditions related to eligible expenditure have been fulfilled. Other grants and bequests and assets vested in the Council, are recognised as revenue when control over the assets is obtained. Dividends are only recognised as income, net of imputation credits, when the dividends have been declared and have or are almost certain to receive the necessary shareholder approval.

(h) Research and Development Costs

Research and development costs are expensed in the period incurred. Development costs are deferred where it is probable that future benefits will exceed those costs. Deferred development costs are amortised over future periods in relation to expected future revenue.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by FIFO or weighted average methods.

(j) Investments

Subsidiaries, except for Christchurch City Holdings Ltd (CCHL), Associates and shares in the Local Government Insurance Corporation Limited are valued by the share of equity as per the latest Statement of Financial Position. Shares in CCHL are valued at independent market valuation as at 30 June 2001.

(k) Donated Goods and Services

The Council receives the benefits of many services provided by volunteers. These services are greatly valued. They are however, difficult to measure in monetary

Statement of Accounting Policies

terms. From an accounting point of view these services are not considered material in relation to the Council's total expenditure.

Vested land is included at current value and Infrastructural Assets are included at the cost to the subdivider.

(l) Leases

(i) Finance Leases

These leases effectively transfer all the risks and benefits of ownership to the lessee. Finance Leases are included in liabilities at their current value.

Assets purchased under such leases are included in fixed assets and depreciated at usual rates.

(ii) Operating Leases

Under these leases, the lessor effectively retains all the risks and benefits of ownership. These lease payments are charged as expenses in the periods in which they are incurred.

(m) Employment Entitlements

Provision is made in respect of the Council's liability for gratuity allowances, and annual and long service leave. The liabilities for leave have been calculated on an actual entitlement basis at current rates of pay. The retiring gratuity liability has been assessed on an actuarial basis.

(n) Third Party - Transfer Payment Agencies

The Council collects monies for many organisations including Environment Canterbury, Building Industry Authority and others. Where collections are processed through the Council's books, any monies held are included in the Accounts Payable figure in the Statement of Financial Position.

(o) Projected Cost of Service 2003/04 and 2004/05

The projected cost of service for 2003/04 and 2004/05 relates only to operating expenditure. The projections do not include fixed asset purchases or capital

expenditure on infrastructural assets. Details of these costs can be found under the Five Year Capital Expenditure Programme (see pages 119 to 138).

(p) Comparative Figures

Certain comparative figures have been restated to reflect changes in presentation.

(q) Income Tax

The income tax expense charged to the Statement of Financial Performance includes the expense and the income tax effects of timing differences. This has been calculated using the liability method.

(r) Financial Instruments

The Christchurch City Council is party to financial instrument arrangements as part of its everyday operations. These financial instruments include Banking Funds, Bank Deposits, Short Term Investments, Accounts Receivable, Sinking Fund Investments, Accounts Payable and Term Debt.

Details of the policy relating to Financial Instruments can be found in the introductory section of Volume I of the Corporate Plan : 2004 Edition. (Copies can be inspected at the Civic Offices or on the web at www.ccc.govt.nz)

(s) Investment and Development Property

The Council has no properties purchased or acquired for the primary purpose of earning capital gains or rental income.

(t) Financial Reporting Standard No. 29 (FRS 29) Disclosures

In accordance with the Institute of Chartered Accountants of New Zealand Financial Reporting Standard 29, the following information is provided in respect of the Long Term Financial Strategy:

(i) Cautionary Note

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

Statement of Accounting Policies

(ii) Nature of Prospective Information

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place.

The financial information presented consists of both forecasts and projections. The financials for 2003/04 are forecasts which reflect the most probable outcome. The financials for 2004/05 and subsequent years are projections. They are based upon varying assumptions about the conditions that might exist and possible courses of action.

(iii) Assumptions

The principal assumptions underlying the forecasts and projections are noted in the Long Term Financial Strategy Section of the Strategic Statement. These assumptions were valid as at 27 March 2003, the date this Financial Plan and Programme was adopted.

(iv) Extent to which Prospective Information Incorporates Actual Results

Although the period covered by the Long Term Financial Strategy contains no actual operating results, some financial information has however been extrapolated from the Council's audited Financial Statements as at 30 June 2002.

(v) Purpose for which the Prospective Information is prepared

The Long Term Financial Strategy is in accordance with the Local Government Amendment Act (No. 3) 1996. The purpose of this legislation is to promote prudent, effective, and efficient financial management by local authorities.

Changes in Accounting Policies

Depreciation on sewer, stormwater and water systems, water meters, their plant and infrastructural assets has been changed from LRARA to Straight Line Depreciation. For further details of this change see Specific Accounting Policies (b) Depreciation (ii) Infrastructural Assets. All other policies have been applied on a basis consistent with those in previous years.

Policy Change Statement

To meet the requirements of Sections S223(1)(a) and (b) and (3)(b) of the Local Government Amendment Act (No. 3) 1996, it is stated that at this time the Council and its related organisations will have similar policies and objectives in 2003/04 and 2004/05. Where relevant, significant changes between the policies, objectives and activities proposed for 2003/04 and those for 2004/05 are described.



The Templeton Community Centre which was opened in February 2003.