

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 3 broad categories:

(i) Operational Assets

Operational assets include land, buildings, furniture and office equipment, fixed plant, vehicles and mobile plant. 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.

Infrastructural assets are depreciated and details of the depreciation methods and rates are noted below:

(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.

(b) Depreciation

Depreciation provided in respect of an operational or infrastructural asset is intended to write off the cost of the asset over its estimated useful life. Depreciation is included in each cost of service statement. Where it is not shown as a line item it is disclosed by way of note.

(i) Operational Assets

Depreciation is on a straight line basis for all operational assets other than mobile plant. Mobile plant is depreciated on a diminishing value (DV) basis.

The following rates have been applied:

Buildings	1% of valuation
Plant	10% of valuation established in 1991 10% of cost price for later purchases
Computers and associated equipment	25% of valuation established in 1991 20%-25% of cost price for later purchases
Chattels	20% of valuation established in 1991 20% of cost price for later purchases
Library Books	10%-33%

Mobile Plant:

Light Vehicles	20% DV
Trucks, Trailers, Buses	15% DV
Small Plant	50% DV
Medium Plant	33.3% DV
Heavy Plant	15% DV
Specialist Plant	7.5% DV

(ii) Infrastructural Assets

Depreciation has been provided on the following basis:

Roading	1.3-3.57%
Sewer, Stormwater Water systems & Plant	1.1%-1.25%
Water meters	4.5%
Street Lighting	3.5%
Traffic Signals	10% of valuation established in 1991 2%-10% of cost price for later purchases
Bridges	0.7%
Bus Shelters	1.5%

(c) Cost of Capital

Although no longer included in each cost of service statement for the service delivery and corporate service providers, cost of capital is shown as a below the line note. It has however been taken account of for fee calculation purposes.

The cost of capital rate used for 1996/97 is 8.0%. This is applied to the total value of the assets used in the provision of the outputs shown in the Cost of Service Statement. It does not apply to inventory or restricted assets

(d) Goods and Services Tax (GST)

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

(e) Cost Allocations

The costs of all internal services are either charged directly to the service delivery activities or allocated to them.

Where the user of the service can be identified the cost recovery is made by way of direct charge. This applies to services provided by Design Services, Works Operations and Plant and Building Services. Where this is not 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 with the service utilised. Internal service costs which are allocated out as corporate overhead include: the City Manager's Office, the Directors, Corporate Planning and Information, Corporate Administration, Personnel, Management Information Services, Funds Accounting, Accounting Services, Financial Planning and Administration, Internal Audit and Purchasing.

(f) Infrastructural Assets

Expenditure on infrastructural asset replacement and renewal is capitalised and reflected by way of note to each Cost of Service Statement. The expensing of these assets is by way of depreciation.

(g) Projected Cost of Service 1997/98 and 1998/99

The projected cost of service for 1997/98 and 1998/99 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.

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(h) Changes in Accounting Policies

(i) Cost of Capital

As noted above cost of capital has no longer been included in the Cost of Service Statements.

(ii) Significant Activities

Public Health and Safety and Environmental Planning have been combined into a new significant activity called Environmental Services. This reflects the combining of these activities into one organisational unit.

The Christchurch Town Hall has been included in the grant made for the operation of the Convention and Entertainment venues.

(iii) Cost Allocations

Cost of capital was deemed to include rate collection costs and debt servicing costs. Now that cost of capital has been taken out of the budget these items have had to be allocated out to the various activities. Rate collection costs have been included within the corporate overhead allocation and debt servicing costs have been allocated separately using total assets held as the allocation base.

(i) Comparative Figures

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

(j) Application of Accounting Policies

All policies have been applied on a consistent basis.

Policy Change Statement

To meet the requirements of Sections 223D(2)(a) and (b), and Section 223D(4) of the Act it is stated that at this time the Council and its related organisations will, subject to the review of Revenue Policy, have similar policies and objectives in 1997/98 and 1998/99. Where relevant, significant changes between the policies, objectives and activities proposed for 1996/97 and those for 1995/96 are described.