

### Intangible Assets

Acquired intangible assets are initially recorded at cost. Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software	3 to 5 years
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Realised gains and losses arising from disposal of intangible assets are recognised in the Income Statement in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Income Statement.

### Investments

#### *Investments in subsidiaries and associates*

Subsidiaries are entities that are controlled by Council. Associates are entities in which the Council has significant influence, but not control, over their operating and financial policies.

Investments in subsidiaries and associates are valued at cost in Council's Balance Sheet, with investments in associates being adjusted for Council's share of post acquisition gains and losses. However, if evidence of any impairment loss exists, the carrying value of the investment is reduced to the present value of estimated future cash flows. The amount of any resulting reduction in carrying value is recognised as an expense in the Income Statement.

#### *Other investments*

All other investments are valued at amortised cost in Council's Balance Sheet. However, if evidence of any impairment loss exists, the carrying value of the investment is reduced to the present value of estimated future cash flows. The amount of any resulting reduction in carrying value is recognised as an expense in the Income Statement.

### Other Assets

Other assets are recognised in the Balance Sheet on an amortised cost basis. However, if evidence of any impairment loss exists, the carrying value is reduced to the present value of estimated future cash flows. The amount of any resulting reduction in carrying value is recognised as an expense in the Income Statement.

### Borrowing

Borrowing is recognised in the Balance Sheet on a fair value basis. Valuation gains and losses are recognised in the Income Statement.

### Trade and Other Payables

These amounts represent liabilities for goods and services provided to Council prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### Provisions and Other Liabilities

Provisions or other liabilities are recognised when Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions and other liabilities are recorded at the best estimate of the expenditure required to settle the obligations. Provisions and other liabilities to be settled beyond 12 months are recorded at their present value.

### Employee Entitlements

Provision is made in respect of Council's liability for annual leave, long service leave, and retirement gratuities. Vested leave and retirement entitlements are calculated on an actual basis, applying current rates of pay as appropriate at balance date. A provision is also made for that portion of leave and retirement allowances that has been earned but not yet vested at balance date. This provision is calculated on an actuarial basis based on the present value of earned portion of expected future entitlements.



### Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease payment.

Finance leases transfer to Council, as lessee, substantially all the risks and rewards incident on the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The leased asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

### Landfill Post Closure Costs

As operator of the Silverstream and Wainuiomata landfill sites, Council has an obligation to ensure ongoing maintenance and monitoring services at these landfill sites after closure. Council also has an obligation to monitor closed landfill sites previously operated by local authorities subsequently amalgamated to form the Hutt City Council.

A site restoration and aftercare provision has been recognised as a liability in the Balance Sheet. Provision is made for the present value of closure and post-closure costs when the obligation for post-closure arises. The calculated cost is based on estimates of closure costs and future site trade waste charges and monitoring costs. The estimated length of time needed for post-closure care is Silverstream 30 years, and Wainuiomata 28 years.

The calculations assume no change in the legislative requirements or technological changes for closure and post-closure treatment. The discount rate used is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

Amounts provided for closure and post-closure costs are capitalised to the landfill asset where they give rise to future economic benefits, or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

### Financial Instruments

The Council is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, trade and other receivables, investments, sinking funds, other assets, trade and other payables, borrowing, other liabilities, financial guarantees and interest rate swaps and options.

Revenue and expense arising from these financial instruments is recognised in the Income Statement. The financial instruments are recognised in the Balance Sheet in accordance with the accounting policies described in the corresponding sections of this Summary of Significant Accounting Policies or outlined below.

#### *Financial guarantees*

Financial guarantees are not recognised in the Balance Sheet unless it becomes probable that a financial loss will be incurred as a result of a guarantee.

#### *Interest rate swaps and options*

Council enters into interest rate swaps and options to manage interest rate risk in accordance with Council's Borrowing Management Policy. The following accounting treatments are applied:

- The net differential paid or received on interest rate swaps is recognised as a component of interest expense over the period of the swap agreement

- Interest rate option premiums paid or received and net settlements on maturity are amortised as a component of interest expense over the period of the option cover
- Interest rate swaps and options are stated at fair value in the Balance Sheet with valuation gains and losses recorded in the Income Statement. Council does not adopt hedge accounting. Trade date accounting is used to determine the timing of recognition or derecognition of the resulting financial assets and liabilities
- Any interest differentials paid or received, option premiums and net settlements that are unamortised at balance date are recognised in the Balance Sheet.

#### **Operating Statements Included in the Statement of Service Performance**

The operating statements report the net cost of services for significant activities of Council. Council has derived the net cost of services for each significant activity using the cost allocation system outlined below.

- Direct costs are charged directly to significant activities. Indirect costs are charged to the significant activities based on cost drivers and related activity or usage information
- Each significant activity has been charged an internal interest cost. The net interest cost incurred by Council is allocated to each significant activity based on the net book value of property, plant and equipment used by the activity.

#### **Cash Flow Statement**

*Cash* means cash balances on hand, in bank accounts, demand deposits and other highly liquid investments which Council holds as part of its day-to-day cash management.

*Operating activities* include cash received from all income sources within Council and cash paid for the supply of goods and services. Agency transactions (the collection of regional council rates) are recognised as receipts and payments in the Cash Flow Statement given that they flow through Council's main bank account.

*Investing activities* are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* include the change in equity and debt capital structure of Council.

#### **CHANGES IN ACCOUNTING POLICIES**

There are no significant changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

