
IMPLICATIONS FOR COUNCIL OF NEW AND PROPOSED FINANCIAL REPORTING STANDARDS

1. Purpose

The purpose of this regular report is to inform the Subcommittee of new and proposed Financial Reporting Standards and their likely impact for the Council.

2. Recommendation

It is recommended that the Subcommittee:

- 1. Receive the information*
- 2. Note the developments in New Zealand generally accepted accounting practice (GAAP) since the last regular Subcommittee meeting in March 2008.*

3. Background

The Local Government Act 2002 requires the Council to comply with GAAP in preparing the Annual Report. GAAP is defined by the Accounting Standards Review Board (ASRB) to encompass all applicable Financial Reporting Standards (FRSs) and other sources of appropriate authoritative support (for example; exposure drafts of financial reporting standards, international accounting standards etc).

Council Officers have undertaken to report to the Subcommittee on a regular basis in relation to any new FRSs and any exposure drafts currently on issue by the New Zealand Institute of Chartered Accountants (the Institute). This report outlines developments in GAAP and the implications for the Council since the last regular Subcommittee meeting on 3 March 2008.

Although new accounting standards and authoritative support are unlikely to be applicable to the 2007/08 financial year (as they are effective for dates commencing post year end) early adoption is encouraged. Council may consider early adoption if this is consistent with best practice or where there is a compelling business reason.

4 Developments in Financial Reporting Standards

4.1 Submissions Made

The Council makes submissions on exposure drafts where there is potential for a significant impact on either the Council as a reporting entity or the level of funding provided by ratepayers. We also consider whether the proposals are appropriate, in our opinion, from a standard setting perspective. Whilst there were no formal submissions made during the period there were a number of exposure drafts reviewed which we have divided between exposure drafts with a potential impact for Council and those with limited or no expected impact.

Exposure drafts with potential impact for Council reporting:

Exposure Draft	Impact/Summary
<p>NZ IFRIC D24 Customer Contributions.</p> <p><i>International Financial Reporting Interpretations Committee (IFRIC)</i></p>	<p>This draft interpretation was created to provide guidance on the accounting for customer contributions received by an access provider on:</p> <ul style="list-style-type: none"> a) determining whether an asset should be recognised and, if so, at what amount; b) the obligation to provide access to a supply of goods or services; c) determining whether the ongoing arrangement contains a lease; and d) the accounting for a cash contribution <p>Council officers agree with some of the asset recognition and measurement proposals (recognise as Property, Plant and Equipment and measure at fair value), however there are some issues with the proposal.</p> <p>The standard requires recognition of revenue for customer contributions across the life of the service which uses the contributed asset. This is inconsistent with current practice in some areas and could create some difficulties for Local Authorities including recognition of water connection revenue and some contributions by developers which are currently recognised on connection or supply.</p> <p>The Financial Reporting Standards Board (FRSB) has recently submitted against this IFRIC alongside the Australian Accounting Standards Board (AASB) who strongly disagreed with the proposals.</p> <p>Council officers will continue to monitor the progress of this IFRIC and will be involved in further discussion through the Public Benefit Entity Working Group.</p>

Exposure drafts with limited or no expected impact on Council Reporting:

- NZ IFRIC D23 Distributions of Non-cash Assets to Owners

4.2 Exposure Drafts on Issue

The following exposure drafts are currently open for comment:

- Preliminary Views on Amendments to IAS 19 Employee benefits
- Discussion Paper Reducing complexity in Reporting Financial Instruments
- Accounting and Financial Reporting for Service Concession Arrangements
- IPSASB ED 34 Social benefits: Disclosure of Cash Transfers to Individuals or Households
- Discussion Paper Financial Instruments with Characteristics of Equity

We are currently reviewing these exposure drafts to determine any potential impacts on the Council. We will provide copies of any submissions made at the next Subcommittee meeting.

5. Conclusion

We will circulate any key documents prepared to Subcommittee members as they become available. We will also continue to report developments to the Subcommittee on a quarterly basis.

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Supporting Information

1) Strategic Fit/Strategic Outcome

This project supports Key Achievement Area 9 Governance and Citizen Information: As per the Annual Plan, Governance and Citizen Information includes all those activities that make the Council accountable to the people of Wellington and ensure the smooth running of the city. That includes all meetings of the Council and its committees.

2) LTCCP/Annual Plan reference and long term financial impact

Relates to C534: Committee and Council process

3) Treaty of Waitangi considerations

There are no Treaty of Waitangi implications

4) Decision-Making

This is not a significant decision

5) Consultation

a) General Consultation

Not required

b) Consultation with Maori

Not required

6) Legal Implications

None

7) Consistency with existing policy

This report is consistent with existing Wellington City Council policy