



# **Wellington City Council and Group**

## **Financial Statements**

### **For the year ended 30 June 2012**

## In this chapter

<b>Statement of Compliance and Responsibility</b>	<b>Page xx</b>
<b>Statement of Comprehensive Financial Performance</b>	<b>Page xx</b>
<b>Statement of Changes in Equity</b>	<b>Page xx</b>
<b>Statement of Financial Position</b>	<b>Page xx</b>
<b>Statement of Cash Flows</b>	<b>Page xx</b>
<b>Notes forming part of the financial statements</b>	<b>Page xx</b>

### We invest prudently in the things that matter

**This chapter will be introduced with a double page graphic, including the following information:**

Improvements to our water reservoirs will ensure they retain water and can supply the city after an earthquake.

Reservoirs are doubly important in Wellington as the main water supply into the city crosses a major fault several times.

During a shake, sensors detect shaking and shut off the outlet to the reservoir.

Flow meters also sense when another part of the system has ruptured and will also shut off the supply.

These can controls can be activated remotely also.

By keeping the water in the reservoir, we can isolate faults without losing water and ensure that once repairs are completed, water supply can be restored.

Flexible couplings also mean pipe ruptures are less likely.

**These ‘did you know’ facts will be used in the body of the chapter:**

- The Council owns over \$6 billion worth of assets, and we've been working to make this infrastructure more resilient in an earthquake.
- We have been planning and working in the last 15 years to replace old cast iron and fibrous cement pipes with more resilient materials. Some 35 percent of our underground water network now comprises earthquake resilient pipes. Our wastewater system is up to 16 percent.
- A new emergency water supply point has been installed in Khandallah, where tankers and residents will be able to get water in an emergency. Also, twenty 25,000 litre tanks are available for distribution positions throughout the city.
- Council is also encouraging households to store at least 3 days supply of water.
- The construction project will allow a total of 6 million litres of water to be stored – enough capacity to meet the city's growth for the next 75 years.

## Statement of Compliance and Responsibility

### Compliance

The Council and management of Wellington City Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in Schedule 10 of the Local Government Act 2002, have been complied with.

### Responsibility

The Council and management accept responsibility for the preparation of the annual financial statements and judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2012 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

**Celia Wade-Brown**  
**Mayor**  
29 August 2012

**Garry Poole**  
**Chief Executive**  
29 August 2012

**Peter Garty**  
**Chief Financial Officer**  
29 August 2012

<b>Statement of Comprehensive Financial Performance</b>						
<b>For the year ended 30 June 2012</b>						
	Note	Council			Group <sup>1</sup>	
		Actual	Budget	Actual	Actual	Actual
		2012	2012	2011	2012	2011
		\$000	\$000	\$000	\$000	\$000
<b>INCOME</b>						
Revenue from rates	1	230,264	230,282	222,612	230,264	222,612
Revenue from operating activities	2	181,486	167,940	162,240	199,372	182,397
Revenue from investments	3	34,929	18,417	22,513	12,493	13,452
<b>Total Revenue</b>		<b>446,679</b>	<b>416,639</b>	<b>407,365</b>	<b>442,129</b>	<b>418,461</b>
Other income	4	16,451	1,680	7,003	16,468	7,003
Finance income	5	2,202	511	1,688	2,493	1,978
<b>TOTAL INCOME</b>		<b>465,332</b>	<b>418,830</b>	<b>416,056</b>	<b>461,090</b>	<b>427,442</b>
<b>EXPENSE</b>						
Finance expense	5	(21,578)	(22,195)	(19,872)	(21,670)	(19,913)
Expenditure on operating activities	6	(288,611)	(259,139)	(289,118)	(304,680)	(306,920)
Depreciation and amortisation	7	(88,537)	(86,348)	(80,576)	(89,356)	(81,993)
Fair value movement on related party loans	12	(1,002)	-	-	(1,002)	-
Fair value movement on investment property revaluation	17	(3,418)	-	(10,473)	(3,418)	(10,473)
<b>TOTAL EXPENSE</b>		<b>(403,146)</b>	<b>(367,682)</b>	<b>(400,039)</b>	<b>(420,126)</b>	<b>(419,299)</b>
<b>TOTAL OPERATING SURPLUS</b>		<b>62,186</b>	<b>51,148</b>	<b>16,017</b>	<b>40,964</b>	<b>8,143</b>
Share of equity accounted surplus/(deficit) from associates	41	-	-	-	9,105	491
<b>NET SURPLUS BEFORE TAXATION</b>		<b>62,186</b>	<b>51,148</b>	<b>16,017</b>	<b>50,069</b>	<b>8,634</b>
Income tax expense	8	-	-	-	(107)	(444)
<b>NET SURPLUS for the year</b>		<b>62,186</b>	<b>51,148</b>	<b>16,017</b>	<b>49,962</b>	<b>8,190</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Adjustment for wind-up of St James	40	14,577	-	-	-	-
<b>Revaluations:</b>						
Fair value movement - property, plant and equipment - net	25	48,612	45,500	252,408	48,612	254,281
Impairment	25	-	-	(257)	-	(257)
<b>Cash flow hedges:</b>						
Fair value movement - net	26	(14,455)	-	(4,440)	(14,455)	(4,440)
Reclassification to finance income	26	(268)	-	(268)	(268)	(268)
<b>Fair value through other comprehensive income:</b>						
Fair value movement - financial assets - net	27	(594)	-	(332)	(594)	(332)
<b>Share of other comprehensive income of associates:</b>						
Adjustment - disposal of a subsidiary by an associate	41	-	-	-	1,745	-
Fair value movement - property, plant and equipment - net	25	-	-	-	33,437	-
Reclassification to share of equity accounted surplus	26	-	-	-	1,072	1,429
Effect of changed shareholding - Chaffers Marina Holdings Limited	25	-	-	-	-	87
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>47,872</b>	<b>45,500</b>	<b>247,111</b>	<b>69,549</b>	<b>250,500</b>
<b>TOTAL COMPREHENSIVE INCOME for the year</b>		<b>110,058</b>	<b>96,648</b>	<b>263,128</b>	<b>119,511</b>	<b>258,690</b>

1. The Group includes the Council, the subsidiaries disclosed in Note 40, and the Council's interest in the associates disclosed in Note 41. A structural diagram of the Group is shown in Note 38.

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

## Explanation of Net Surplus

The Council has recorded a net surplus for the year of \$62.186m compared to a budgeted surplus of \$51.148m. The majority of the budgeted surplus represents funding received from the Crown for the housing upgrade (\$42.700m). This income is received for specific capital projects and because capital expenditure is not included in the Statement of Comprehensive Financial Performance the capital funding shows as a surplus. The underlying financial performance is shown in the table below and shows a variance for the year of \$1.090m. This total includes variances of -\$0.850m from budget for surpluses and deficits that have been ring fenced for specific activities relating to City Housing and the Waste Activity. Once these are removed the remaining underlying variance available to carry forward is \$1.940m. This variance represents the funding surplus so excludes expenses that are not required to be funded (such as fair value movements) and any income recorded that cannot be used to fund operating expenditure (such as vested assets).

The surplus shown in the table below has arisen from the recognition of additional operating income or through savings in expenditure. The revenue and financing policy states that where the Council has recorded a surplus in one financial period it may pass this benefit on to ratepayers in a subsequent financial period. The use of prior year surplus will be considered as part of the funding decisions made during of the approval of the Annual Plan.

		2012 \$000	2011 \$000
	<b>Reported Council surplus</b>	62,186	16,017
	<i>Adjusted by:</i>		
a	Fair value movements	3,886	10,095
b	Vested assets - net	(7,163)	(3,066)
	<b>Non-cash adjustments</b>	<b>(3,277)</b>	<b>7,029</b>
c	Additional net expenditure from Wellington Waterfront and Venues projects and Porirua joint ventures	3,678	1,284
d	Changes to external funding for capital expenditure	(2,081)	(275)
e	(Gain) or loss on disposal of assets - net	(6,471)	304
f	Other changes	(1,797)	(42)
	<b>Cash adjustments</b>	<b>(6,671)</b>	<b>1,271</b>
	Adjusted surplus	52,238	24,317
	Council budgeted surplus	51,148	48,989
g	<b>Council underlying variance</b>	<b>1,090</b>	<b>(24,672)</b>

### a) Fair value movements

These amounts reflect changes in the fair value of our investment properties, loans to related parties and interest rate swaps. These fair value movements, while being non-cash in nature, are recognised in the Statement of Comprehensive Financial Performance.

### b) Vested assets – net

Vested assets are those assets transferred between the Council and an external party and recognised as revenue or expense accordingly. The majority of this relates to infrastructural assets such as drainage, water and waste assets that have been constructed by developers and transferred to the Council on completion.

### c) Net expenditure from Wellington Waterfront and Venues projects and joint ventures with Porirua

The collective financial performance (deficit) of the other entities that comprise the Council is not included in the budget and is added back, excluding fair value movements and gains or losses on the disposal of assets shown separately, to adjust the surplus.

### d) Changes to external funding for capital expenditure

This income is received for specific capital projects and cannot be used to fund operating expenditure.

### e) Gain of loss on disposal of assets - net

In accordance with our revenue and financing policy surpluses in relation to the sale of assets are used for repayment of borrowings.

### f) Other changes

Largely comprises an adjustment for non-funded depreciation where all or part of the asset replacement is funded by a third party (e.g. renewals funded by NZTA).

### g) Council underlying variance

Items which have had a significant impact on this underlying result for the year are:

Items contributing to underlying variance:	\$000
Increase in dividend income mainly due to special dividend from Wellington International Airport Ltd	13,138
Increase in leaky homes provision	(9,903)
Decrease in revenue from operating activities	(2,366)
Decrease in interest expense	986
Insurance claims funded through self insurance	(915)
Other net variances	1,000
<b>Underlying variance available to carry forward</b>	<b>1,940</b>
Ringfenced surpluses and (deficits) - net variance from budget	(850)
<b>Council underlying variance</b>	<b>1,090</b>

For further explanation of the Council's net surplus please refer to Note 33: Major budget variations.

# Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Actual	Council	Actual	Group	
		2012	Budget	2011	Actual	Actual
		\$000	\$000	\$000	2012	2011
					\$000	\$000
<b>EQUITY - Opening balances</b>						
Accumulated funds and retained earnings	24	4,819,507	5,003,091	4,801,667	4,890,529	4,880,368
Revaluation reserves	25	1,369,106	1,117,615	1,117,615	1,447,476	1,194,025
Hedging reserve	26	(9,173)	(4,465)	(4,465)	(10,399)	(7,120)
Fair value through other comprehensive income reserve	27	748	-	1,080	748	1,080
Restricted funds	28	16,085	17,248	17,248	18,383	19,694
<b>TOTAL EQUITY - Opening balance</b>		<b>6,196,273</b>	<b>6,133,489</b>	<b>5,933,198</b>	<b>6,346,737</b>	<b>6,088,100</b>
<b>CHANGES IN EQUITY</b>						
<b>Retained earnings</b>						
Net surplus for the year	24	62,186	51,148	16,017	49,962	8,190
Adjustment for wind-up of St James		14,577	-	-	-	-
Adjustment - disposal of a subsidiary by an associate	41	-	-	-	1,745	-
Transfer to restricted funds	24	(517)	-	(537)	(1,273)	(1,482)
Transfer from restricted funds	24	1,901	-	1,700	2,355	2,793
Transfer from revaluation reserves	24	25	-	660	25	660
<b>Revaluation reserves</b>						
Fair value movement - property, plant and equipment - net	25	48,612	45,500	252,408	82,049	254,281
Impairment	25	-	-	(257)	-	(257)
Transfer to retained earnings	25	(25)	-	(660)	(25)	(660)
Effect of changed shareholding in Chaffers Marina Holding Limited	25	-	-	-	-	87
<b>Hedging reserve</b>						
Movement in hedging reserve	26	(14,723)	-	(4,708)	(13,651)	(3,279)
<b>Fair value through other comprehensive income reserve</b>						
Movement in fair value	27	(594)	-	(332)	(594)	(332)
<b>Restricted funds</b>						
Transfer to retained earnings	28	(1,901)	-	(1,700)	(2,355)	(2,793)
Transfer from retained earnings	28	517	-	537	1,273	1,482
<b>Total comprehensive income</b>		<b>110,058</b>	<b>96,648</b>	<b>263,128</b>	<b>119,511</b>	<b>258,690</b>
<b>EQUITY - Closing balances</b>						
Accumulated funds and retained earnings	24	4,897,679	5,055,739	4,819,507	4,943,343	4,890,529
Revaluation reserves	25	1,417,693	1,163,115	1,369,106	1,529,500	1,447,476
Hedging reserve	26	(23,896)	(4,465)	(9,173)	(24,050)	(10,399)
Fair value through other comprehensive income reserve	27	154	-	748	154	748
Restricted funds	28	14,701	17,248	16,085	17,301	18,383
<b>TOTAL EQUITY - Closing balance</b>		<b>6,306,331</b>	<b>6,231,637</b>	<b>6,196,273</b>	<b>6,466,248</b>	<b>6,346,737</b>

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

# Statement of Financial Position

As at 30 June 2012

	Note	Council		Group		
		Actual 2012 \$000	Budget 2012 \$000	Actual 2011 \$000	Actual 2012 \$000	Actual 2011 \$000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	10	22,622	2,349	19,641	26,912	23,832
Derivative financial assets	11	108	-	-	108	-
Trade and other receivables	12	41,658	42,674	38,090	43,541	39,586
Prepayments		14,211	3,874	5,869	14,309	5,974
Inventories	14	866	837	1,134	2,017	2,117
Non-current assets classified as held for sale	15	949	-	8,099	949	8,099
<b>Total current assets</b>		<b>80,414</b>	<b>49,734</b>	<b>72,833</b>	<b>87,836</b>	<b>79,608</b>
<b>Non-current assets</b>						
Derivative financial assets	11	949	1,460	1,275	949	1,275
Trade and other receivables	12	12,675	-	-	12,675	-
Other financial assets	13	7,842	7,070	6,694	9,362	7,703
Intangibles	16	12,169	11,144	10,608	12,277	10,763
Investment properties	17	200,474	213,127	203,742	200,474	203,742
Property, plant and equipment	18	6,501,686	6,395,878	6,362,494	6,514,367	6,393,223
Investment in subsidiaries	40	3,809	6,509	6,509	-	-
Investment in associates	41	19,519	19,556	19,519	168,424	145,491
<b>Total non-current assets</b>		<b>6,759,123</b>	<b>6,654,744</b>	<b>6,610,841</b>	<b>6,918,528</b>	<b>6,762,197</b>
<b>TOTAL ASSETS</b>		<b>6,839,537</b>	<b>6,704,478</b>	<b>6,683,674</b>	<b>7,006,364</b>	<b>6,841,805</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Derivative financial liabilities	11	469	377	26	469	26
Trade and other payables	19	53,217	49,720	60,435	56,715	63,627
Revenue in advance	20	11,889	8,876	10,320	12,643	11,634
Borrowings	21	129,572	100,105	92,067	129,574	92,599
Employee benefit liabilities and provisions	22	6,638	6,464	5,694	7,936	7,006
Provision for other liabilities	23	32,209	10,184	11,708	32,209	11,708
<b>Total current liabilities</b>		<b>233,994</b>	<b>175,726</b>	<b>180,250</b>	<b>239,546</b>	<b>186,600</b>
<b>Non-current liabilities</b>						
Deferred tax	9	-	-	-	1,196	1,151
Derivative financial liabilities	11	23,812	5,923	10,062	23,812	10,062
Trade and other payables	19	630	-	-	630	-
Borrowings	21	232,046	268,901	239,370	232,057	239,370
Employee benefit liabilities and provisions	22	1,649	1,614	1,600	1,800	1,766
Provision for other liabilities	23	41,075	20,677	56,119	41,075	56,119
<b>Total non-current liabilities</b>		<b>299,212</b>	<b>297,115</b>	<b>307,151</b>	<b>300,570</b>	<b>308,468</b>
<b>TOTAL LIABILITIES</b>		<b>533,206</b>	<b>472,841</b>	<b>487,401</b>	<b>540,116</b>	<b>495,068</b>
<b>EQUITY</b>						
Accumulated funds and retained earnings	24	4,897,679	5,055,739	4,819,507	4,943,343	4,890,529
Revaluation reserves	25	1,417,693	1,163,115	1,369,106	1,529,500	1,447,476
Hedging reserve	26	(23,896)	(4,465)	(9,173)	(24,050)	(10,399)
Fair value through other comprehensive income reserve	27	154	-	748	154	748
Restricted funds	28	14,701	17,248	16,085	17,301	18,383
<b>TOTAL EQUITY</b>		<b>6,306,331</b>	<b>6,231,637</b>	<b>6,196,273</b>	<b>6,466,248</b>	<b>6,346,737</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,839,537</b>	<b>6,704,478</b>	<b>6,683,674</b>	<b>7,006,364</b>	<b>6,841,805</b>

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements

# Statement of Cash Flows

For the year ended 30 June 2012

	Note	Actual	Council	Actual	Group	
		2012	Budget	2011	Actual	Actual
		\$000	\$000	\$000	2012	2011
					\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from rates - Council		230,796	230,282	222,640	230,796	222,640
Receipts from rates - Greater Wellington Regional Council		50,341	-	42,440	50,341	42,440
Receipts from activities and other income		102,336	107,094	100,717	116,109	122,670
Receipts from grants and subsidies - operating		7,452	5,477	6,231	12,744	4,472
Receipts from grants and subsidies - capital		55,644	57,049	55,741	51,720	56,715
Receipts from investment property lease rentals		13,333	9,119	13,652	13,481	13,652
Cash paid to suppliers and employees		(243,401)	(232,247)	(225,259)	(266,379)	(254,270)
Rates paid to Greater Wellington Regional Council		(51,255)	-	(43,129)	(51,255)	(43,129)
Grants paid		(38,932)	(28,432)	(27,156)	(29,739)	(15,817)
Income tax paid		-	-	-	(49)	-
Net GST (paid) / received		1,260	-	(2,583)	1,310	(2,614)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>127,574</b>	<b>148,342</b>	<b>143,294</b>	<b>129,079</b>	<b>146,759</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Dividends received		22,436	9,298	17,402	22,426	17,402
Interest received		951	10	496	1,110	655
Proceeds from sale of property, plant and equipment		2,023	-	1,995	2,023	1,996
Increase in investments		(2,240)	-	-	(2,630)	(601)
Purchase of investment properties		(150)	-	(1,080)	(150)	(1,080)
Purchase of intangibles		(4,677)	(6,783)	(5,664)	(4,693)	(5,676)
Purchase of property, plant and equipment		(151,994)	(174,737)	(168,281)	(153,052)	(170,606)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(133,651)</b>	<b>(172,212)</b>	<b>(155,132)</b>	<b>(134,966)</b>	<b>(157,910)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
New borrowings		158,299	45,021	147,113	158,299	147,113
Repayment of borrowings		(129,000)	-	(99,577)	(129,000)	(99,697)
Interest paid on borrowings		(20,241)	(21,151)	(18,406)	(20,332)	(18,447)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>9,058</b>	<b>23,870</b>	<b>29,130</b>	<b>8,967</b>	<b>28,969</b>
Net increase/(decrease) in cash and cash equivalents		2,981	-	17,292	3,080	17,818
Cash and cash equivalents at beginning of year		19,641	2,349	2,349	23,832	6,014
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>10</b>	<b>22,622</b>	<b>2,349</b>	<b>19,641</b>	<b>26,912</b>	<b>23,832</b>

Wellington City Council acts as a collection agency for Greater Wellington Regional Council (GWRC) by including additional rates and levies in its own billing process. Once collected, the monies are passed to GWRC.

The GST (net) component of operating activities reflects the net GST paid and received.

The Council has ring fenced cash of \$8.738m relating to the housing upgrade project and waste activities; this has been offset against borrowings. See Note 21: Borrowings for more information.

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.



## Statement of Cash Flows - continued

The net surplus from the Statement of Comprehensive Financial Performance is reconciled to the net cash flows from operating activities in the Statement of Cash Flows as follows:

Reconciliation of net surplus to net cash flows from operating activities	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Net surplus for the period</b>		<b>62,186</b>	<b>16,017</b>	<b>49,962</b>	<b>8,190</b>
<b>Add/(deduct) non-cash items:</b>					
Net vested assets / expense		(7,163)	(3,066)	(7,191)	(3,066)
Bad debts written-off not previously provided for	6	78	122	78	123
Depreciation and amortisation	7	88,537	80,576	89,356	81,993
Fair value changes in investment properties	17	3,418	10,473	3,418	10,473
Other fair value changes		100	(1,277)	30	(1,253)
Movement in provision for impairment of doubtful debts		(72)	(62)	(72)	159
Tax expense		-	-	81	595
Non-cash movement in provisions		9,887	35,426	9,887	35,426
<b>Total non-cash items</b>		<b>94,785</b>	<b>122,192</b>	<b>95,587</b>	<b>124,450</b>
<b>Add/(deduct) movement in working capital: <sup>1</sup></b>					
Trade and other receivables		(16,249)	4,741	(17,682)	(4,412)
Prepayments		(8,342)	(1,995)	(7,978)	(2,116)
Trade and other payables		6,422	5,449	7,592	6,485
Revenue in advance		1,569	1,444	1,140	1,843
Inventories		268	(297)	94	(408)
Employee benefit liabilities		993	(894)	1,103	(520)
Provision for other liabilities		(4,441)	(4,011)	(4,378)	(4,158)
<b>Total working capital movement</b>		<b>(19,780)</b>	<b>4,437</b>	<b>(20,109)</b>	<b>(3,286)</b>
<b>Add/(deduct) investing and financing activities:</b>					
Net loss / (gain) on disposal of property, plant and equipment		(6,471)	304	(6,470)	304
Dividends received		(22,436)	(17,402)	-	-
Interest received		(951)	(496)	(1,110)	(650)
Interest paid on borrowings		20,241	18,242	20,332	18,242
Share of equity accounted surplus from associates		-	-	(9,113)	(491)
<b>Total investing and financing activities</b>		<b>(9,617)</b>	<b>648</b>	<b>3,639</b>	<b>17,405</b>
<b>Net cash flow from operating activities</b>		<b>127,574</b>	<b>143,294</b>	<b>129,079</b>	<b>146,759</b>

1. Excluding non-cash items

The notes on pages **XX to XX** form part of and should be read in conjunction with these financial statements.

# Notes forming part of the Financial Statements

For the year ended 30 June 2012

	Page
<b>Summary of significant accounting policies</b>	XX
<b>Note</b>	
1 Revenue from rates	XX
2 Revenue from operating activities	XX
3 Revenue from investments	XX
4 Other income	XX
5 Finance income and expense	XX
6 Expenditure on operating activities	XX
7 Depreciation and amortisation	XX
8 Income tax expense	XX
9 Deferred tax assets and liabilities	XX
10 Cash and cash equivalents	XX
11 Derivative financial instruments	XX
12 Trade and other receivables	XX
13 Other financial assets	XX
14 Inventories	XX
15 Non-current assets classified as held for sale	XX
16 Intangibles	XX
17 Investment properties	XX
18 Property, plant and equipment	XX
19 Trade and other payables	XX
20 Revenue in advance	XX
21 Borrowings	XX
22 Employee benefit liabilities and provisions	XX
23 Provision for other liabilities	XX
24 Accumulated funds and retained earnings	XX
25 Revaluation reserves	XX
26 Hedging reserve	XX
27 Fair value through other comprehensive income reserve	XX
28 Restricted funds	XX
29 Special and Council created reserves and funds	XX
30 Trusts and bequests	XX
31 Financial instruments	XX
32 Analysis of operating surplus by strategy	XX
33 Major budget variations	XX
34 Analysis of capital expenditure by strategy	XX
35 Capital expenditure performance	XX
36 Commitments	XX
37 Contingencies	XX
38 Group structure	XX
39 Joint ventures	XX
40 Investment in subsidiaries	XX
41 Investment in associates	XX
42 Related party disclosures (including Mayoral and Councillor remunerations)	XX
43 Community Board remuneration	XX
44 Severances	XX
45 Events after the end of the reporting period	XX

## Summary of Significant Accounting Policies

### Reporting entity

Wellington City Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of the Council and Group is to provide goods or services for community or social benefits rather than making a financial return. Accordingly, for the purposes of financial reporting, Wellington City Council is a public benefit entity.

The financial statements include the Council and Group. A Group structural diagram is included in Note 38. The Council includes the results and operations of Wellington City Council as a separate legal entity, the Council's interests in the joint ventures as disclosed in Note 39 and both the Wellington Waterfront and Wellington Venues projects. The Group includes the Council, the subsidiaries disclosed in Note 40, and the Council's interest in the associates disclosed in Note 41. All entities included within the Group are domiciled in Wellington, New Zealand.

The financial statements of the Council and Group are for the year ended 30 June 2012 and were authorised for issue by Council on 29 August 2012.

### Basis of preparation

#### Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

#### Measurement base

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated.

For the assets and liabilities recorded at fair value, fair value is defined as the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. For investment property, non-current assets classified as held for sale and items of property plant and equipment which are revalued, the fair value is determined by reference to market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate. The inflation rates used are obtained from the latest relevant BERL forecasts and the discount rate is the Council's forecast long term cost of borrowing.

The financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### Change of accounting policies

##### *Carbon Credits*

During the year the Council changed its accounting policy regarding the recognition of carbon credits. Carbon credits are now recognised at cost rather than at fair value at the date of allocation. While there is no accounting standard specifically relating to carbon credits this is the most common treatment of carbon credits within the European ETS and the Council believes it is a more appropriate method of recognising the revenue from our free allocation of credits from the Government. The Council believes that this change in accounting policy reduces unnecessary volatility resulting from movements in carbon prices which have recently shown large fluctuations.

## Financial Statements

The number of credits held by the Council will continue to be disclosed under Note 16: Intangibles.

The effect of this change has been adjusted in the 2011/12 figures and the comparative figures. The effect of this change is shown below (\$000):

	2012		2011		Prior periods	
	Dr	Cr	Dr	Cr	Dr	Cr
Intangibles		(8)		(30)		(53)
Revenue	8		30		53	

### Accounting Standards

The Council and Group have adopted the following relevant changes to the applicable accounting standards for public benefit entities:

- The Annual Improvements process for 2010 has resulted in various minor amendments and clarifications to existing standards and interpretations. These improvements were effective from 1 January 2011.
- The 2009 revision to NZ IAS 24 *Related Party Disclosures* removes some inconsistencies with the definition of a related party and modifies some of the disclosure requirements for government related entities. It also requires disclosure of commitments with related parties. This revision was effective from 1 January 2011.
- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures* enhance the transparency of disclosure requirements for the transfer of financial assets. These amendments were effective from 1 July 2011.
- Amendments to NZ IFRS to harmonise with IFRS & Australian Accounting Standards and FRS 44 – *New Zealand additional disclosures* to harmonise Australian and New Zealand accounting standards with effect from 1 July 2011.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council include:

Reference	Title	Application Date*	Reference
NZ IFRS 9	<i>NZ IFRS 9 – Financial Instruments</i>	1 January 2015	1
NZ IFRS 9	<i>NZ IFRS 9 – Financial Instruments (2010)</i>	1 January 2015	1

\* The application date is for periods beginning on or after this date.

1. The Council has made the decision not to early adopt NZ IFRS 9 *Financial Instruments* to replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* remains, as only one of three phases of NZ IFRS 9 have been completed and authorised for use.

## Judgements and estimations

The preparation of financial statements using NZ IFRS requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy or in the relevant note.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include landfill post closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

## Basis of consolidation

The Group includes joint ventures, subsidiaries and associates. A Group structural diagram is included in Note 38.

### Joint ventures

Joint ventures are contractual arrangements with other parties to undertake a jointly controlled operation. The Council has a liability in respect of its share of joint ventures' deficits and liabilities, and shares in any surpluses and assets. The Council's proportionate interest in the assets, liabilities, revenue and expenditure is included in the financial statements of the Council and Group on a line-by-line basis.

### Subsidiaries

Subsidiaries are entities that are controlled by the Council. In the Council financial statements, the investment in subsidiaries are carried at cost. In the Group financial statements, subsidiaries are accounted for using the purchase method where assets, liabilities, revenue and expenditure is added in on a line-by-line basis.

All significant transactions between Group entities, other than rates, are eliminated on consolidation. Rates are charged on an arm's length basis and are not eliminated to ensure that reported costs and revenues are consistent with the Council's Annual Plan.

### Associates

Associates are entities where the Council has significant influence, but not control, over their operating and financial policies. In the Council financial statements, the investments in associates are carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, revenue and expenditure of associates is included on an equity accounting basis as a single line.

## Income

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

### Rates

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised proportionately throughout the year.

### Operating activities

#### *Grants, subsidies and reimbursements*

Grants, subsidies and reimbursements are initially recognised at their fair value where there is reasonable assurance that the payment will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Reimbursements (e.g. New Zealand Transport Agency roading claim payments) are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

#### *Development contributions*

Development contributions are recognised as income when the Council provides, or is able to provide, the service for which the contribution was charged. Until such time as the Council provides, or is able to provide, the service, development contributions are recognised as liabilities.

#### *Fines and penalties*

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue book fines, rates penalties) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed.

#### *Rendering of services*

Revenue from the rendering of services (e.g. building consent fees) is recognised by reference to the stage of completion of the transaction, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided.

### *Sale of goods*

Sale of goods is recognised when products are sold to the customer and all risks and rewards of ownership have transferred to the customer.

### **Investment revenues**

#### *Dividends*

Dividends are recognised when the shareholders' rights to receive payment have been established.

#### *Investment property lease rentals*

Lease rentals (net of any incentives given) are recognised on a straight line basis over the term of the lease.

### **Other income**

Specific accounting policies for major categories of other income are outlined below:

#### *Donated, subsidised or vested assets*

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income when the control of the asset is transferred to the Council.

#### *Gains*

Gains include additional earnings on the disposal of property, plant and equipment and movements in the fair value of financial assets and liabilities.

### **Finance income**

#### *Interest*

Interest income is recognised using the effective interest rate method.

### **Donated services**

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (e.g. beach cleaning and Otari-Wilton's Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements.

## **Expenses**

Specific accounting policies for major categories of expenditure are outlined below:

### **Operating activities**

#### *Grants and sponsorships*

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (e.g. cash or physical assets) to another entity in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations which are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

### **Finance expense**

#### *Interest*

Interest expense is recognised using the effective interest rate method. All borrowing costs are expensed in the period in which they are incurred.

### **Depreciation and amortisation**

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

## **Taxation**

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 end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

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 amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

## **Good and Services Tax (GST)**

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

## **Financial instruments**

Financial instruments include financial assets (loans and receivables and financial assets at fair value through other comprehensive income), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Council. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of ownership.

Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

### **Financial assets**

Financial assets are classified as loans and receivables or financial assets at fair value through other comprehensive income.

**Loans and receivables** comprise cash and cash equivalents, trade and other receivables and loans and deposits.

Cash and cash equivalents comprise cash balances and call deposits with maturity dates of less than three months.

Trade and other receivables have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable.

Loans and deposits include loans to other entities (including subsidiaries and associates), and bank deposits with maturity dates of more than three months.

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Trade and other receivables due in less than 12 months are recognised at their nominal value. A provision for impairment is recognised when there is objective evidence that the asset is impaired. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for impairment in respect of these receivables.

**Financial assets at fair value through other comprehensive income** relate to equity investments that are held by the Council for long term strategic purposes and therefore are not intended to be sold. Financial assets at fair value through other comprehensive income are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive income is recognised within surplus or deficit.

### **Financial liabilities**

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised within surplus or deficit. Financial liabilities with duration of less than 12 months are recognised at their nominal value.

On disposal any gains or losses are recognised within surplus or deficit.

## Derivatives

Derivative financial instruments include interest rate swaps used to hedge exposure to interest rate risk on borrowings. Derivatives are initially recognised at fair value, based on quoted market prices, and subsequently remeasured to fair value at the end of each reporting period. Fair value is determined by reference to quoted prices for similar instruments in active markets. Derivatives that do not qualify for hedge accounting are classified as non-hedged and fair value gains or losses are recognised within surplus or deficit.

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative is used to hedge variability of cash flows (cash flow hedge), the effective part of any gain or loss is recognised within other comprehensive income while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive income transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit. Where a derivative is used to hedge variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss is recognised within surplus or deficit.

As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

## Inventories

Inventories consumed in the provision of services (such as botanical supplies) are measured at the lower of cost and current replacement cost.

Inventories held for resale (such as rubbish bags), are recorded at the lower of cost (determined on a first-in, first-out basis) and net realisable value. This valuation includes allowances for slow moving and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business.

Inventories held for distribution at no or nominal cost, are recorded at the lower of cost and current replacement cost.

## Investment properties

Investment properties are properties which are held primarily to earn rental income or for capital growth or both. These include the Council's ground leases, land and buildings and the Wellington Waterfront Project's investment properties.

Investment properties exclude those properties held for strategic purposes or to provide a social service. This includes properties which generate cash inflows as the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment. Borrowing costs incurred during the construction of investment property are not capitalised.

Investment properties are measured initially at cost and subsequently measured at fair value, determined annually by an independent registered valuer. Any gain or loss arising is recognised within surplus or deficit. Investment properties are not depreciated.

## Non-current assets classified as held for sale

Non-current assets held for sale are separately classified as their carrying amount will be recovered through a sale transaction rather than through continuing use. A non-current asset is classified as held for sale where:

- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- A plan to sell the asset is in place and an active programme to locate a buyer has been initiated;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence that the Group remains committed to sell the asset; and
- Actions required to complete the sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount or fair value less costs to sell. Impairment losses on initial classification are included within surplus or deficit.



## Property, plant and equipment

Property, plant and equipment consists of operational assets, restricted assets and infrastructure assets.

*Operational assets* include land, the landfill post closure asset, buildings, the Civic Centre complex, the library collection and plant and equipment.

*Restricted assets* include art and cultural assets, zoo animals, restricted buildings, parks and reserves and the Town Belt. These assets provide a benefit or service to the community and in most cases cannot be disposed of because of legal or other restrictions.

*Infrastructure assets* include the roading network, water, waste and drainage reticulation networks and infrastructure land (including land under roads). Each asset type includes all items that are required for the network to function.

Vested assets are those assets where ownership and control is transferred to the Council from a third party (e.g. infrastructure assets constructed by developers and transferred to the Council on completion of a subdivision). Vested assets are recognised within their respective asset classes as above.

### Recognition

Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

### Measurement

Property, plant and equipment is recognised initially at cost, unless acquired for nil or nominal cost (e.g. vested assets), in which case the asset is recognised at fair value at the date of transfer. The initial cost of property, plant and equipment includes the purchase consideration (or the fair value in the case of vested assets), and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

Borrowing costs incurred during the construction of property, plant and equipment are not capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Where there is no active market for an asset, fair value is determined by optimised depreciated replacement cost.

Specific measurement policies for categories of property, plant and equipment are shown below:

#### *Operational assets*

Plant and equipment and the Civic Centre complex are measured at historical cost and not revalued.

Library collections are valued at depreciated replacement cost on a three-year cycle by the Council's library staff in accordance with guidelines outlined in *Valuation Guidance for Cultural and Heritage Assets*, published by the Treasury Accounting Team, November 2002.

Land and buildings are valued at fair value on a three-year cycle by independent registered valuers.

#### *Restricted assets*

Art and cultural assets (artworks, sculptures and statues) are valued at historical cost. Zoo animals are stated at estimated replacement cost. All other restricted assets (buildings, parks and reserves and the Town Belt) were valued at fair value as at 30 June 2005 by independent registered valuers. The Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at cost.

#### *Infrastructure assets*

Infrastructure assets (roading network, water, waste and drainage reticulation assets) are valued at optimised depreciated replacement cost on a three-year cycle by independent registered valuers. Infrastructure valuations are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued at fair value on a three-year cycle.

Land under roads, which represents the corridor of land directly under and adjacent to the Council's roading network, was valued as at 30 June 2005 at the average value of surrounding adjacent land discounted by 50% to reflect its restricted nature. The Council elected to use the fair value of land under roads at 30 June 2005 as the deemed cost of the asset. Land under roads is no longer revalued. Subsequent additions have been recorded at cost.

The carrying values of revalued property, plant and equipment are reviewed at the end of each reporting period to ensure that those values are not materially different to fair value.

### Revaluations

The result of any revaluation of the Council's property, plant and equipment is recognised within other comprehensive income and taken to the asset revaluation reserve. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is included in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised within surplus or deficit will be recognised firstly, within surplus or deficit up to the amount previously expensed, with any remaining increase recognised within other comprehensive income and in the revaluation reserve for that class of property, plant and equipment.

Accumulated depreciation at the revaluation date is eliminated so that the carrying amount after revaluation equals the revalued amount.

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of assets are not visible and must therefore be estimated. Any revaluation risk is minimised by performing a combination of physical inspections and condition modelling assessments.

Further information in respect of the most recent valuations for each class is provided in Note 25: Revaluation reserves.

### Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable amount is less than its carrying amount it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported within surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive income.

### Disposal

Gains and losses arising from the disposal of property, plant and equipment are recognised within surplus or deficit in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

### Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

### Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, and assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any assessed residual value) over its estimated useful life. The estimated useful lives of the major classes of property, plant and equipment are as follows:

Land	unlimited
Buildings	10 to 100 years
Civic Centre complex	10 to 100 years
Plant and equipment	3 to 100 years
Library collections	3 to 10 years
Restricted assets (excluding buildings)	unlimited
Infrastructure assets	
Land (including land under roads)	unlimited

Roading	
Formation/earthworks	unlimited
Pavement	13 to 40 years
Traffic islands	80 years
Bridges and tunnels	3 to 150 years
Drainage	15 to 120 years
Retaining walls	30 to 100 years
Pedestrian walkway	10 to 50 years
Pedestrian furniture	8 to 25 years
Barriers and lighting	10 to 50 years
Cycleway network	25 to 40 years
Parking equipment	8 to 10 years
Passenger transport facilities	25 years
Traffic infrastructure	3 to 30 years
Drainage, waste and water	
Pipework	40 to 100 years
Fittings	7 to 100 years
Water pump stations	10 to 100 years
Water reservoirs	40 to 100 years
Equipment	25 years
Sewer pump stations	20 to 80 years
Tunnels	150 years
Treatment plants	3 to 100 years

The landfill post closure asset is depreciated over the life of the landfill based on the capacity of the landfill.

Variation in the range of lives for infrastructural assets is due to these assets being managed and depreciated by individual component rather than as a whole asset.

## Intangible assets

Intangible assets predominantly comprise computer software and carbon credits. They are recorded at cost less any subsequent amortisation and impairment losses.

Computer software has a finite economic life and amortisation is charged to surplus or deficit on a straight-line basis over the estimated useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer software	3 to 7 years
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Carbon credits are allocations of emission allowances granted by the Government. Carbon credits are recognised at cost at the date of allocation.

Gains and losses arising from disposal of intangible assets are recognised within surplus or deficit 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 within surplus or deficit.

## Research and Development

Research costs are expensed as incurred. Development expenditure on individual projects is capitalised and recognised as an asset when it meets the definition and criteria for capitalisation as an asset and it is probable that the Council will receive future economic benefits from the asset. Assets which have finite lives are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives.

## Leases

### Operating leases as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised within surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised within surplus or deficit over the term of the lease as they form an integral part of the total lease payment.

### Operating leases as lessor

The Group leases investment properties and a portion of land and buildings. Rental income is recognised on a straight line basis over the lease term.

### Finance leases

Finance leases transfer to the Group (as lessee) substantially all the risks and rewards of ownership of the 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 finance charge is released to surplus or deficit over the lease period and the capitalised values are amortised over the shorter of the lease term and the useful life of the leased item.

### Employee benefit liabilities

A provision for employee benefit liabilities (holiday leave, long service leave and retirement gratuities) is recognised as a liability when benefits are earned but not paid.

#### Holiday leave

Holiday leave includes: annual leave, long service leave (qualified for), statutory time off in lieu and ordinary time off in lieu. Annual leave is calculated on an actual entitlement basis in accordance with section 21(2) of the Holidays Act 2003.

#### Long service leave and retirement gratuities

Long-service leave (not yet qualified for) and retirement gratuities are calculated on an actuarial basis based on the likely future entitlements accruing to employees, after taking into account years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and other contractual entitlements information.

#### Other contractual entitlements

Other contractual entitlements include termination benefits, which are recognised within surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

### Provisions

Provisions are recognised for future liabilities of uncertain timing or amount when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are measured at the expenditure expected to be required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

#### Landfill post closure costs

The Council, as operator of the Southern Landfill, has a legal obligation to apply for resource consents when the landfill or landfill stages reach the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises, which is when each stage of the landfill is commissioned and refuse begins to accumulate.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure including final cover application and vegetation; incremental drainage control features; completing facilities for leachate collection and monitoring; completing facilities for water quality monitoring; completing facilities for monitoring and recovery of gas.

Amounts provided for landfill post closure are capitalised to the landfill asset. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

The Council has a 21.5% joint venture interest in the Spicer Valley landfill. The Council's provision for landfill post closure costs includes the Council's proportionate share of the Spicer Valley landfill provision for post closure costs.

## ACC partnership programme

The Council is an Accredited Employer under the ACC Partnership Programme. As such the Council accepts the management and financial responsibility of our employee work-related injuries. From 1 April 2009 the Council changed its agreement with ACC from Full Self Cover (FSC) to Partnership Discount Plan (PDP). Under the PDP option, the Council is responsible for managing work related injury claims for a two-year period only and transfer ongoing claims to ACC at the end of the two-year claim management period with no further liability. Under the ACC Partnership Programme the Council is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to work related injuries occurring up to the end of the reporting period for which the Council has responsibility under the terms of the Partnership Programme.

## Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the contract holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. The Council measures the fair value of a financial guarantee by determining the probability of the guarantee being called by the holder. The probability factor is then applied to the principal and the outcome discounted to present value.

Financial guarantees are subsequently measured at the higher of the Council's best estimate of the obligation or the amount initially recognised less any amortisation.

## Equity

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the Council and the Group.

The components of equity are accumulated funds and retained earnings, revaluation reserves, a hedging reserve, a fair value through other comprehensive income reserve and restricted funds (special funds, reserve funds, trusts and bequests).

Restricted funds are those reserves that are subject to specific conditions of use, whether under statute or accepted as binding by the Council, and that may not be revised without reference to the Courts or third parties. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

## Contingent assets and liabilities

Contingent liabilities and contingent assets are disclosed in the Notes forming part of the Financial Statements at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

## Statement of cash flows

Cash and cash equivalents for the purposes of the cash flow statement comprises bank balances, cash on hand and short term deposits with a maturity of three months or less. The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled-over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all non-financial income sources of the Council and the Group and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and investment income. Financing activities relate to activities that change the equity and debt capital structure of the Council and Group and financing costs.

## Related parties

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include members of the Group and key management personnel, including the Mayor and Councillors, the Chief Executive and all members of the Management Board.

The Mayor and Councillors are considered directors as they occupy the position of a member of the governing body of the Council reporting entity. Directors' remuneration comprises any money, consideration or benefit received or receivable or otherwise made available, directly or indirectly, to a director during the reporting period. The disclosures for the Group include the remuneration of the Mayor and those Councillors in their role as trustees or directors of entities within the Group. Directors' remuneration does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cellphones and laptops.

## Budget figures

The Annual Plan budget figures included in these financial statements are for the Council as a separate entity. The Annual Plan figures do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning of each financial year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. For completeness, any additional expenditure approved by the Council is explained in Notes 32 to 35. The Annual Plan figures have been prepared in accordance with Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

## Cost allocation

The Council has derived the cost of service for each significant activity (as reported within the Statements of Service Performance). Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These indirect costs are allocated as overheads across all activities.

## Comparatives

To ensure consistency with the current year, certain comparative information has been reclassified where appropriate. This has occurred:

- where classifications have changed between periods;
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required; and
- where there has been a change of accounting policy.

## Note 1: Revenue from rates

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>General rates</b>				
Base sector	67,032	63,450	67,032	63,450
Commercial, industrial and business sector	57,836	60,200	57,836	60,200
<b>Targeted rates</b>			-	
Base sector	6,112	6,714	6,112	6,714
Commercial, industrial and business sector	4,411	3,189	4,411	3,189
Sewerage	31,287	30,062	31,287	30,062
Stormwater	16,986	14,266	16,986	14,266
Water (including water by meter)	35,566	33,493	35,566	33,493
Downtown	10,987	11,191	10,987	11,191
Marsden Village	14	14	14	14
Tawa driveways	33	33	33	33
<b>Total revenue from rates for Wellington City Council</b>	<b>230,264</b>	<b>222,612</b>	<b>230,264</b>	<b>222,612</b>
Total rates billed	280,496	265,044	280,496	265,044
less Greater Wellington Regional Council component	(50,232)	(42,432)	(50,232)	(42,432)
<b>Total revenue from rates for Wellington City Council</b>	<b>230,264</b>	<b>222,612</b>	<b>230,264</b>	<b>222,612</b>

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$10.125m (2011: \$10.077m). For the Group rates of \$10.161m (2011: \$10.226m) have not been eliminated.

### Rates remissions

Revenue from rates and levies is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown levy targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown levy targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting period ended 30 June 2012 totalled \$0.224m (2011: \$0.521m).

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Total revenue from rates</b>	<b>230,488</b>	<b>223,133</b>	<b>230,488</b>	<b>223,133</b>
<b>less Council policy remissions</b>				
Rural open space	99	97	99	97
Land used principally for games or sport	78	66	78	66
Downtown levy	47	358	47	358
<b>Total remissions</b>	<b>224</b>	<b>521</b>	<b>224</b>	<b>521</b>
<b>Total revenue from rates (net of remissions)</b>	<b>230,264</b>	<b>222,612</b>	<b>230,264</b>	<b>222,612</b>

### Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties are non-rateable. This includes schools, churches, public gardens and certain land vested in the Crown. This land is non-rateable in respect of general rates but, where applicable, is rateable in respect of sewerage and water. Non-rateable land does not constitute a remission under the Council's Rates Remission and Postponement Policies.

**Note 2: Revenue from operating activities**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Grants, subsidies and reimbursements - operating	7,452	6,231	14,112	11,599
Grants, subsidies and reimbursements - capital	62,071	54,741	62,308	55,074
Development contributions	3,434	2,708	3,434	2,708
Fines and penalties	11,140	11,689	11,140	11,689
Rendering of services	91,055	81,271	97,577	87,278
Sale of goods	6,334	5,600	10,801	14,049
<b>Total revenue from operating activities</b>	<b>181,486</b>	<b>162,240</b>	<b>199,372</b>	<b>182,397</b>

**Grants and subsidies**

For the Council, the principal grants and reimbursements are from:

- 1) The New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs for maintaining the local roading infrastructure. The capital reimbursements from NZTA of \$12.377m and operating reimbursements of \$4.527m are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.
- 2) Housing New Zealand, for the upgrade of the Council's social housing stock. The capital grant recognised in the current year of \$48.050m is part of a 10 year work programme that commenced in 2008 and the revenue is recognised in accordance with that agreed work programme. There are no unfulfilled conditions or other contingencies relating to this grant.

For the Group, the additional principal subsidy was \$5.632m from Greater Wellington Regional Council to Wellington Cable Car Limited for the maintenance of the overhead wire trolley system.

Revenue from rendering of services includes revenue from all of the services that the Council provides. Below is a breakdown of these services:

Rendering of services	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Animal control	1,043	993	1,043	993
Berths and boat sheds	585	525	585	525
Building consents and licensing services	10,500	9,770	10,500	9,770
Community programmes and facilities hire	1,929	1,086	1,929	1,086
Community housing	16,717	16,822	16,717	16,822
Convention and conference centre	13,663	5,886	13,663	5,886
Encroachments and reserve land contributions	1,517	1,467	1,517	1,467
Green spaces	1,987	1,591	1,987	1,591
Landfill operations and recycling	8,084	8,258	8,084	8,258
Lease revenue from property, plant and equipment	4,572	4,191	4,572	4,191
Libraries - hireage	1,047	1,106	1,047	1,106
Parking fees and permits	16,699	16,400	16,699	16,400
Rendering of services recognised in subsidiaries	-	-	6,522	6,007
Roading infrastructure projects	1,628	1,467	1,628	1,467
Services to Greater Wellington Regional Council	727	721	727	721
Swimming pools	6,135	6,651	6,135	6,651
Trade waste	529	509	529	509
Other	3,693	3,828	3,693	3,828
<b>Total rendering of services</b>	<b>91,055</b>	<b>81,271</b>	<b>97,577</b>	<b>87,278</b>



**Note 3: Revenue from investments**

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Dividend from investment in associates		22,426	9,061	-	-
Dividend from investment in subsidiary		10	-	-	-
Investment property lease rentals	17	12,493	13,452	12,493	13,452
<b>Total revenue from investments</b>		<b>34,929</b>	<b>22,513</b>	<b>12,493</b>	<b>13,452</b>

The increase in the dividends from associates is due to the payment of a special dividend of \$13.600m in addition to the annual dividend from Wellington International Airport Limited.

**Note 4: Other income**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Gain on disposal of property, plant and equipment	6,701	1,009	6,701	1,009
Release of provisions	1,276	569	1,293	569
Petrol tax	1,127	1,167	1,127	1,167
Restricted funds	184	2	184	2
Vested assets	7,163	4,256	7,163	4,256
<b>Total other income</b>	<b>16,451</b>	<b>7,003</b>	<b>16,468</b>	<b>7,003</b>

The gain on disposal of property, plant and equipment is primarily due to the 125 year lease of the Overseas Passenger Terminal.

Vested assets are principally infrastructural assets such as roading, drainage, waste and water assets that have been constructed by developers. As part of the consents process, ownership of these assets is transferred to the Council, and on completion they become part of the city's network.

The values of principal vested assets received were: Drainage, waste and water (\$6.163m) and Parks and reserves (\$0.530m).

## Note 5: Finance income and expense

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Finance income</b>					
Amortisation of loans to related parties	13	504	457	504	457
Cash flow hedge movements reclassified from hedging reserve	26	268	268	268	268
Fair value hedge movements		-	360	-	360
Fair value hedge adjustments to borrowings		217	-	217	-
Interest on deposits, loans and receivables		951	496	1,242	786
Movements on derivatives at fair value through surplus or deficit		262	107	262	107
<b>Total finance income</b>		<b>2,202</b>	<b>1,688</b>	<b>2,493</b>	<b>1,978</b>
<i>Less</i>					
<b>Finance expense</b>					
Fair value hedge movements		217	-	217	-
Fair value hedge adjustments to borrowings		-	360	-	360
Interest on borrowings		20,015	18,242	20,107	18,283
Interest on finance leases		117	117	117	117
Re-discounting of interest on provisions		1,229	1,153	1,229	1,153
<b>Total finance expense</b>		<b>21,578</b>	<b>19,872</b>	<b>21,670</b>	<b>19,913</b>
<b>Net finance cost</b>		<b>19,376</b>	<b>18,184</b>	<b>19,177</b>	<b>17,935</b>

Movements arising from the remeasurement of the Group's fair value hedges are offset by a fair value adjustment to borrowings so there is no impact on the net surplus for the year.

Movements on derivatives at fair value through surplus or deficit represents the fair value movements on interest rate swaps that do not meet the criteria for hedge accounting. Movements in the Group's other derivatives that meet the criteria for hedge accounting, are taken to the cash flow hedge reserve and have no impact on the net surplus for the year.

Re-discounting of interest on provisions is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date). For further information refer to Note 22: Employee benefit liabilities, and Note 23: Provision for other liabilities.

**Note 6: Expenditure on operating activities**

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Auditor's remuneration:</b>					
Audit services - Audit New Zealand - Financial Statements		314	280	359	327
Audit services - Audit New Zealand - Long Term Plan		135	6	135	6
Audit services - Audit New Zealand - other		7	7	7	7
Audit services - Other Auditors		-	5	29	94
				-	
<b>Impairments</b>					
Bad debts written off not previously provided for		78	122	78	123
Increase in provision for impairment of trade and other receivables	12	222	255	222	476
Impairment loss from property, plant and equipment	18	132	-	132	-
Inventory written-off		-	4	-	4
<b>Governance and employment</b>					
Councillor remuneration as directors/trustees	42	1,314	1,284	1,404	1,341
Directors/trustees of subsidiaries - remuneration		-	-	453	493
Other elected members' remuneration (Community Boards)	43	102	99	102	99
Employee benefits expense:					
- Remuneration		76,698	77,732	94,052	92,284
- Superannuation contributions (including Kiwisaver)		1,246	1,153	1,457	1,323
- Termination benefits (including severances)		2,410	570	2,502	605
Other personnel costs		3,492	3,694	3,944	4,095
<b>Insurance</b>					
Insurance premiums		9,084	5,185	9,423	5,421
Self insurance costs	29	915	1,323	915	1,323
<b>General</b>					
Advertising, printing and publications		2,976	2,644	8,595	9,360
Consultants and legal fees		5,647	6,461	5,796	6,647
Contractors		3,278	3,395	4,593	4,459
Direct costs		98,727	84,871	108,634	93,271
Grants - general		11,025	9,091	10,970	9,463
Grants to subsidiaries	42	17,824	17,885	-	-
Grants to associates	42	180	180	180	180
Information and communication technology		5,482	5,145	6,090	5,739
Loss on disposal of property, plant and equipment		210	1,313	210	1,314
Loss on disposal of intangibles		20	-	20	-
Operating lease - minimum lease payments		1,196	1,195	1,692	1,677
Reassessment of weathertight homes provision	23	9,903	33,875	9,903	33,875
Utility costs		17,151	16,732	17,655	17,477
Vested assets - expense		-	1,190	-	1,190
Other general costs		18,843	13,422	15,128	14,247
<b>Total expenditure on operating activities</b>		<b>288,611</b>	<b>289,118</b>	<b>304,680</b>	<b>306,920</b>

**Auditor's remuneration**

During the period Audit New Zealand provided other services to the Council, namely assurance services relating to the Clifton Terrace Carpark managed by the Council on behalf of the New Zealand Transport Agency.

**Note 6: Expenditure on operating activities - continued****General**

Direct costs are costs directly attributable to the provision of Council services, including contracts, maintenance, management fees, materials and services.

Grants – general include \$2.250m towards the funding of Te Papa.

Operating lease minimum lease payments are for non-cancellable agreements for the use of assets such as buildings and specialised computer equipment.

Utility costs are those relating to the use of electricity, gas, and water. It also includes the payment of rates on Council owned properties.

**Note 7: Depreciation and amortisation**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Depreciation</b>				
Buildings	16,442	14,382	16,442	14,518
Civic Centre complex	2,807	2,817	2,807	2,817
Restricted buildings	1,168	1,029	1,168	1,029
Drainage, waste and water infrastructure	33,222	29,270	33,222	29,270
Landfill post closure	213	160	213	160
Library collections	2,070	2,040	2,070	2,040
Plant and equipment	10,779	10,532	11,529	11,713
Roading infrastructure	18,695	18,270	18,695	18,270
<b>Total depreciation</b>	<b>85,396</b>	<b>78,500</b>	<b>86,146</b>	<b>79,817</b>
<b>Amortisation</b>				
Computer software	3,141	2,076	3,210	2,176
<b>Total amortisation</b>	<b>3,141</b>	<b>2,076</b>	<b>3,210</b>	<b>2,176</b>
<b>Total depreciation and amortisation</b>	<b>88,537</b>	<b>80,576</b>	<b>89,356</b>	<b>81,993</b>

**Note 8: Income tax expense**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current tax expense</b>				
Current year	-	-	107	444
Prior period adjustment	-	-	-	-
<b>Total current tax expense</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>444</b>
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(190)	(326)	103	(4)
Change in unrecognised temporary differences	-	-	(46)	7
Recognition of previously unrecognised tax losses	190	326	(57)	(3)
<b>Total deferred tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Surplus for the period before taxation	62,186	16,017	50,069	8,634
Prima facie income tax based on domestic tax rate - 28%	17,412	4,805	14,019	2,590
Effect of non-deductible expenses and tax exempt income	(17,539)	(5,135)	(17,539)	(4,721)
Effect of tax losses utilised	190	326	-	-
Current years loss for which no deferred tax asset was recognised	(25)	(11)	(30)	(11)
Change in unrecognised temporary differences	-	-	(16)	18
Prior period adjustment	-	15	(57)	(3)
Share of income tax of equity accounted associates	(38)	-	3,730	2,571
<b>Total reconciliation of tax on the surplus and tax expense</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>444</b>

**Income tax recognised directly in equity**

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2011: \$Nil)

Imputation credits	Group	
	2012 \$000	2011 \$000
Imputation credits as at 1 July	83	7
New Zealand tax payments	24	99
New Zealand tax refunds received	(36)	(23)
Other debits	(1)	-
<b>Imputation credits as at 30 June</b>	<b>70</b>	<b>83</b>

No amounts have been shown for the Council as, under section OB1 of the Income Tax Act 2007, local authorities are not permitted to maintain an imputation credit account.

**Note 9: Deferred tax assets and liabilities****Unrecognised temporary differences and tax losses**

Deferred tax assets have not been recognised in respect of the following items:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Deductible temporary differences	-	-	363	253
Tax losses	2,911	3,637	2,924	3,677
<b>Total</b>	<b>2,911</b>	<b>3,637</b>	<b>3,287</b>	<b>3,930</b>

Under current income tax legislation, the above tax losses and deductible temporary differences do not expire.

The unrecognised deferred tax asset in respect of the above items for the Council is \$0.815m (2011: \$1.018m) and for the Group \$0.819m (2011: \$1.105m).

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits will be available against which the benefit of the losses can be utilised.

In 2012 \$0.679m (2011: \$1.085m) previously unrecognised tax losses, with a tax effect of \$0.190m (2011: \$0.325m), were recognised by the Group by way of a loss transfer arrangement between the Council and Council controlled organisations.

As at 30 June 2012 the Group had a deferred tax liability of \$1.196m (2011: \$1.151m).

**Movement in recognised and unrecognised deferred tax assets and liabilities during the year**

	Temporary Differences		Tax Losses	Total
	Taxable \$000	Deductible \$000	\$000	\$000
<b>Council</b>				
<b>Balance as at 1 July 2010</b>	-	-	1,392	1,392
Additions/(reductions) during the year	-	-	25	25
Recognised during the year	-	-	(326)	(326)
Increase due to tax rate change for tax years beginning on or after 1 April 2011	-	-	(73)	(73)
<b>Balance as at 30 June 2011</b>	-	-	1,018	1,018
Additions/(reductions) during the year	-	-	(13)	(13)
Recognised during the year	-	-	(190)	(190)
<b>Balance as at 30 June 2012</b>	-	-	815	815
<b>Group</b>				
<b>Balance as at 1 July 2010</b>	-	22	1,397	1,419
Additions/(reductions) during the year	(1,151)	59	32	(1,060)
Recognised during the year	-	-	(326)	(326)
Increase due to tax rate change for tax years beginning on or after 1 April 2011	-	(5)	(74)	(79)
<b>Balance as at 30 June 2011</b>	(1,151)	76	1,029	(46)
Additions/(reductions) during the year	(45)	33	(20)	(32)
Recognised during the year	-	-	(190)	(190)
<b>Balance as at 30 June 2012</b>	(1,196)	109	819	(268)

**Note 10: Cash and cash equivalents**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash at bank	2,574	2,115	5,266	4,914
Cash on hand	48	26	59	37
Short term deposits	20,000	17,500	21,587	18,881
<b>Total cash and cash equivalents</b>	<b>22,622</b>	<b>19,641</b>	<b>26,912</b>	<b>23,832</b>

Bank balances that are interest bearing earn interest based on current floating bank deposit rates.

Short term deposits are made with a registered bank for varying periods of up to three months depending on the immediate cash requirements and short term borrowings of the Group, and earn interest at the applicable short term deposit rates.

**Note 11: Derivative financial instruments**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current assets</b>				
Interest rate swaps - fair value hedges	108	-	108	-
<b>Total current assets</b>	<b>108</b>	<b>-</b>	<b>108</b>	<b>-</b>
<b>Non-current assets</b>				
Interest rate swaps - fair value hedges	949	1,275	949	1,275
<b>Total non-current assets</b>	<b>949</b>	<b>1,275</b>	<b>949</b>	<b>1,275</b>
<b>Total derivative financial instrument assets</b>	<b>1,057</b>	<b>1,275</b>	<b>1,057</b>	<b>1,275</b>
<b>Current liabilities</b>				
Interest rate swaps - cash flow hedges	247	26	247	26
Interest rate swaps - non-hedged	222	-	222	-
<b>Total current liabilities</b>	<b>469</b>	<b>26</b>	<b>469</b>	<b>26</b>
<b>Non-current liabilities</b>				
Interest rate swaps - cash flow hedges	23,812	9,578	23,812	9,578
Interest rate swaps - non-hedged	-	484	-	484
<b>Total non-current liabilities</b>	<b>23,812</b>	<b>10,062</b>	<b>23,812</b>	<b>10,062</b>
<b>Total derivative financial instrument liabilities</b>	<b>24,281</b>	<b>10,088</b>	<b>24,281</b>	<b>10,088</b>

Derivative financial instruments are used by the Group in the normal course of business to hedge exposure to cash flow and fair value interest rate risk. The amounts shown above represent the fair values of these derivative financial instruments. Although these are managed as a portfolio, the Group has no rights to offset assets and liabilities and must present these figures separately.

Cash flow hedges are used to fix interest rates on floating rate debt (floating rate notes or commercial paper) or bank borrowings. Fair value hedges are used to float interest rates on some fixed rate debt (bonds).

For further information on the Council's interest rate swaps please refer to Note 31: Financial instruments

## Note 12: Trade and other receivables

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Trade receivables - debtors		8,402	6,838	11,078	9,158
Provision for impairment of trade receivables -debtors		(318)	(381)	(591)	(654)
Net trade receivables - debtors		8,084	6,457	10,487	8,504
Trade receivables - fines		10,758	11,604	10,758	11,604
Provision for impairment of trade receivables -fines		(6,329)	(6,920)	(6,329)	(6,920)
Net trade receivables - fines		4,429	4,684	4,429	4,684
Trade receivables from related parties					
- Subsidiaries	42	1,089	1,127	-	-
- Associates	42	25	59	25	59
Total trade receivables from related parties		1,114	1,186	25	59
<b>Total net trade receivables</b>		<b>13,627</b>	<b>12,327</b>	<b>14,941</b>	<b>13,247</b>
Accrued income		13,704	6,953	14,069	6,974
GST receivable		3,568	4,860	3,572	4,920
Rates receivable		9,605	10,246	9,605	10,246
Sundry receivables		13,829	3,704	14,029	4,199
<b>Total trade and other receivables</b>		<b>54,333</b>	<b>38,090</b>	<b>56,216</b>	<b>39,586</b>
Represented by:					
Current		41,658	38,090	43,541	39,586
Non-current		12,675	-	12,675	-
<b>Total trade and other receivables</b>		<b>54,333</b>	<b>38,090</b>	<b>56,216</b>	<b>39,586</b>

Current trade receivables, rates receivables and sundry receivables are non-interest bearing and receipt is generally on 30 day terms, therefore the carrying value of trade and other receivables approximates their fair value.

The movement in the provision for impairment of trade receivables is analysed as follows:

Provision for impairment of total trade receivables	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	7,301	7,458	7,574	7,519
Additional or increased provision made	222	255	222	476
Release of provision	(295)	(317)	(295)	(317)
Amount of provision utilised	(581)	(95)	(581)	(104)
<b>Provision for impairment of total trade receivables - closing balance</b>	<b>6,647</b>	<b>7,301</b>	<b>6,920</b>	<b>7,574</b>



**Note 12: Trade and other receivables - continued**

The ageing profile of trade and other receivables at the reporting date is as follows:

Council	2012 Receivables			2011 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
<b>Trade and other receivables</b>						
Not past due	38,832	-	38,832	20,451	-	20,451
Past due 0-3 months	6,325	(125)	6,200	7,817	(1,096)	6,721
Past due 3-6 months	2,199	(114)	2,085	4,568	(547)	4,021
Past due more than 6 months	13,624	(6,408)	7,216	12,555	(5,658)	6,897
<b>Total trade and other receivables</b>	<b>60,980</b>	<b>(6,647)</b>	<b>54,333</b>	<b>45,391</b>	<b>(7,301)</b>	<b>38,090</b>

Group	2012 Receivables			2011 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
<b>Trade and other receivables</b>						
Not past due	40,512	-	40,512	21,461	-	21,461
Past due 0-3 months	6,405	(125)	6,280	8,306	(1,317)	6,989
Past due 3-6 months	2,227	(114)	2,113	4,688	(547)	4,141
Past due more than 6 months	13,992	(6,681)	7,311	12,705	(5,710)	6,995
<b>Total trade and other receivables</b>	<b>63,136</b>	<b>(6,920)</b>	<b>56,216</b>	<b>47,160</b>	<b>(7,574)</b>	<b>39,586</b>

The receivables past due for more than six months primarily relates to fines. Due to their nature, the collection pattern for fines is longer than that for trade debtors.

## Note 13: Other financial assets

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Financial assets at fair value through other comprehensive income</b>					
Equity investments:					
- Civic Assurance		681	1,275	681	1,275
- NZ Local Government Funding Agency (LGFA)		2,000	-	2,000	-
<b>Loans and deposits</b>					
Bank deposits - term		-	-	1,520	1,009
LGFA - borrower notes		240	-	240	-
Loans to related parties - associates	42	1,248	1,107	1,248	1,107
Loans to related parties - other organisations		3,673	4,312	3,673	4,312
<b>Total other financial assets</b>		<b>7,842</b>	<b>6,694</b>	<b>9,362</b>	<b>7,703</b>

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to local authorities. The Council holds a 4.78% (2011: 8.24%) shareholding in this entity with no present intention to sell. The reduction in shareholding arose from Council's decision not to subscribe for new shares offered in January 2012 in order to raise new capital. The reduction in equity value from 2011 is a direct result of the losses incurred following the Canterbury earthquakes and the dilution effect resulting from the non-participation in the capital raising.

The New Zealand Local Government Funding Agency Limited, which commenced in December 2011 is the new alternative debt provider majority owned by and operated for local authorities. The Council holds an 8% shareholding of the paid-up capital and as a shareholder will benefit from a return on its investment and as a borrower from lower borrowing costs.

The loans to related parties are concessionary in nature, since the loans have been granted on interest free terms. The movements in the loans are as follows:

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Loans to related parties - associates</b>					
<i>Wellington Regional Stadium Trust</i> <i>(nominal value \$15,394,893)</i>					
Opening balance		1,107	983	1,107	983
Amortisation of fair value adjustment		141	124	141	124
<b>Closing balance at fair value</b>	42	<b>1,248</b>	<b>1,107</b>	<b>1,248</b>	<b>1,107</b>
<b>Loans to related parties - other organisations</b>					
<i>Karori Wildlife Sanctuary Trust</i> <i>(nominal value \$10,346,689)</i>					
Opening balance		4,312	3,979	4,312	3,979
Amortisation of fair value adjustment		363	333	363	333
Additional fair value movement		(1,002)	-	(1,002)	-
<b>Closing balance at fair value</b>		<b>3,673</b>	<b>4,312</b>	<b>3,673</b>	<b>4,312</b>
<b>Total loans to related parties</b>		<b>4,921</b>	<b>5,419</b>	<b>4,921</b>	<b>5,419</b>

The fair value movement on loans reflects the timing of their expected repayments and the interest free nature of the loan. Over the remaining life of the loans their fair value will be amortised back up to their full nominal value. The amortisation rate applicable to the Wellington Regional Stadium Trust is 12.710% and the rates applicable to the Karori Wildlife Sanctuary Trust range from 6.875% to 12.710%.

Further information on the related parties is disclosed in Note 42: Related party disclosures.

**Note 14: Inventories**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Consumables	432	490	1,355	1,224
Inventories held for re-sale	368	274	596	523
Inventories held for distribution	66	370	66	370
<b>Total inventories</b>	<b>866</b>	<b>1,134</b>	<b>2,017</b>	<b>2,117</b>

Consumables are materials or supplies which will be consumed in conjunction with the delivery of services. Consumables within the Council predominately comprise nursery plants, printing products and drainage and waste consumables. Consumables within the Group are mainly Wellington Cable Car Limited inventories of spare parts.

Inventories held for resale within the Council mainly comprise inventories at the Botanic Gardens and the Council's swimming pools. The Group includes inventories at Wellington Museums Trust and Wellington Zoo.

Inventories held for distribution primarily relate to the holding of wheelie bins, green bins and recycling bags for distribution at no or nominal cost.

**Note 15: Non-current assets classified as held for sale**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	8,099	9,044	8,099	9,044
Disposals	(7,916)	(678)	(7,916)	(678)
Transfers from property, plant and equipment	899	731	899	731
Transfers to property, plant and equipment	(133)	(998)	(133)	(998)
<b>Non-current assets classified as held for sale - closing balance</b>	<b>949</b>	<b>8,099</b>	<b>949</b>	<b>8,099</b>

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at the time of reclassification.

The disposals primarily relate to the long term lease of the Overseas Passenger Terminal.

## Note 16: Intangibles

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Computer software</b>				
Cost - opening balance	34,128	27,801	34,865	28,459
Accumulated amortisation	(25,943)	(23,934)	(26,525)	(24,415)
Computer software opening balance	8,185	3,867	8,340	4,044
Acquired by direct purchase	5,021	6,394	5,043	6,472
Net Disposals	(20)	-	(20)	-
Amortisation	(3,141)	(2,076)	(3,210)	(2,176)
<b>Total computer software - closing balance</b>	<b>10,045</b>	<b>8,185</b>	<b>10,153</b>	<b>8,340</b>
Cost	38,981	34,128	39,662	34,865
Accumulated amortisation	(28,936)	(25,943)	(29,509)	(26,525)
<b>Total computer software - closing balance</b>	<b>10,045</b>	<b>8,185</b>	<b>10,153</b>	<b>8,340</b>
<b>Work in progress</b>				
Computer software	2,124	2,423	2,124	2,423
<b>Total work in progress</b>	<b>2,124</b>	<b>2,423</b>	<b>2,124</b>	<b>2,423</b>
<b>Total intangibles</b>	<b>12,169</b>	<b>10,608</b>	<b>12,277</b>	<b>10,763</b>

Disposals and transfers are reported net of accumulated amortisation.

### Carbon credits

As part of the Emissions Trading Scheme the Council received carbon credits from Central Government in recognition of the carbon absorbed by a portion of the Council's green belt. The Council received 1,196 credits for the 2012 calendar year (2011: 1,196) bringing the total number of credits held to 4,707.

At 30 June 2012 there are no associated liabilities relating to these credits.

More information on carbon credits can be found in the Statements of Service Performance under activity 2.2: Waste reduction and energy conservation.

## Note 17: Investment properties

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	203,742	213,127	203,742	213,127
Additions by acquisition	21	63	21	63
Additions by subsequent expenditure	129	1,017	129	1,017
Fair value revaluation movements taken to surplus/(deficit)	(3,418)	(10,473)	(3,418)	(10,473)
Transfer from property, plant and equipment	-	8	-	8
<b>Investment properties - closing balance</b>	<b>200,474</b>	<b>203,742</b>	<b>200,474</b>	<b>203,742</b>

Wellington City Council's investment properties were valued as at 30 June 2012 by William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for CBRE Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2012 by Paul Butchers (BBS, FNZIV, FPINZ), Director of Bayleys Valuation Limited.

The Council's total investment properties comprise ground leases of \$154.527m (2011: \$153.052m) and land and buildings of \$45.947m (2011: \$50.690m) held for investment purposes.

Ground leases are parcels of land owned by the Council in the central city or on the waterfront that are leased to other parties who own the buildings situated on the land. The leases are generally based on 21-year perpetually renewable terms. As these parcels of land are held for investment purposes the rentals are charged on a commercial market basis.

The basis of valuation varies depending on the nature of the lease. For sites that are subject to a terminating lease the approach is to assess the value of the rental income over the remaining term of the lease and add the residual value of the land at lease expiry. For sites subject to perpetually renewable leases values have been assessed utilising a discounted cash flow and arriving at a net present value of all future anticipated gross rental payments.

Revenues and expenses	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Revenue from investment properties	12,493	13,452	12,493	13,452
Direct operating expenses of investment properties - From investment properties that generated income	1,058	823	1,058	823
Contractual obligations for capital expenditure	6,947	230	6,947	230
Contractual obligations for operating expenditure	62	111	62	111

The direct operating expenses relating to investment properties form part of the direct expenses in Note 6: Expenditure.

Fair value of investment properties valued by independent registered valuers	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
William Bunt - CBRE Limited	156,577	157,962	156,577	157,962
Paul Butchers - Bayleys Valuation Limited	43,897	45,780	43,897	45,780
<b>Total fair value of investment properties valued by independent registered valuers</b>	<b>200,474</b>	<b>203,742</b>	<b>200,474</b>	<b>203,742</b>

**Note 18: Property, plant and equipment**

The movements in the property, plant and equipment assets above are summarised as follows:

Summary	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Property, plant and equipment - Opening balance	6,362,494	6,012,779	6,393,223	5,994,129
Additions	226,238	128,016	223,057	130,321
Disposals	(1,936)	(3,771)	(16,028)	(3,771)
Depreciation expense	(85,396)	(78,500)	(86,146)	(79,817)
Impairment losses	(132)	-	(132)	-
Revaluation movement	48,612	252,408	48,612	255,008
Transfer from non-current assets held for sale	133	998	133	998
Transfer to non-current assets held for sale	(899)	(731)	(899)	(731)
Movement in work in progress	(47,428)	51,295	(47,453)	97,086
<b>Property, plant and equipment - Closing balance</b>	<b>6,501,686</b>	<b>6,362,494</b>	<b>6,514,367</b>	<b>6,393,223</b>

The movements according to the individual classes of assets are as follows:

**Operational assets****Land**

Land - at cost - opening balance	3,081	1,941	6,172	5,032
Land - at valuation - opening balance	198,283	198,283	198,283	198,283
<b>Total land - opening balance</b>	<b>201,364</b>	<b>200,224</b>	<b>204,455</b>	<b>203,315</b>
Additions	4,222	2,503	4,222	2,503
Disposals	(1,356)	(1,648)	(4,447)	(1,648)
Revaluation movement	2,536	-	2,536	-
Transfer between asset classes	145	-	145	-
Transfer from non-current assets held for sale	-	285	-	285
Transfer to non-current assets held for sale	(875)	-	(875)	-
<b>Total land - closing balance</b>	<b>206,036</b>	<b>201,364</b>	<b>206,036</b>	<b>204,455</b>
Land - at cost - closing balance	-	3,081	-	6,172
Land - at valuation - closing balance	206,036	198,283	206,036	198,283
<b>Total land - closing balance</b>	<b>206,036</b>	<b>201,364</b>	<b>206,036</b>	<b>204,455</b>

**Buildings**

Buildings - at cost - opening balance	41,057	17,350	54,112	33,441
Buildings - at valuation - opening balance	369,665	369,665	369,665	369,665
<b>Total cost/valuation</b>	<b>410,722</b>	<b>387,015</b>	<b>423,777</b>	<b>403,106</b>
Accumulated depreciation	(26,115)	(13,134)	(28,169)	(13,629)
<b>Total buildings - opening balance</b>	<b>384,607</b>	<b>373,881</b>	<b>395,608</b>	<b>389,477</b>
Additions	130,694	25,671	130,694	25,671
Depreciation expense	(16,442)	(14,382)	(16,442)	(14,518)
Disposals	(56)	(799)	(11,057)	(799)
Revaluation movement	46,076	-	46,076	-
Transfer between asset classes	2,825	-	2,825	(4,459)
Transfer from non-current assets held for sale	-	236	-	236
<b>Total buildings - closing balance</b>	<b>547,704</b>	<b>384,607</b>	<b>547,704</b>	<b>395,608</b>
Buildings - at cost - closing balance	-	41,057	-	54,112
Buildings - at valuation - closing balance	547,704	369,665	547,704	369,665
<b>Total cost/valuation</b>	<b>547,704</b>	<b>410,722</b>	<b>547,704</b>	<b>423,777</b>
Accumulated depreciation	-	(26,115)	-	(28,169)
<b>Total buildings - closing balance</b>	<b>547,704</b>	<b>384,607</b>	<b>547,704</b>	<b>395,608</b>

## Note 18: Property, plant and equipment - continued

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Landfill post closure costs <sup>1</sup></b>				
Landfill post closure - at cost - opening balance	3,635	3,354	3,635	3,354
Accumulated depreciation	(1,701)	(1,476)	(1,701)	(1,476)
<b>Total landfill post closure costs - opening balance</b>	<b>1,934</b>	<b>1,878</b>	<b>1,934</b>	<b>1,878</b>
Depreciation expense	(213)	(160)	(213)	(160)
Transfer between asset classes	(700)	-	(700)	-
Movement in post closure costs	1,059	216	1,059	216
<b>Total landfill post closure costs - closing balance</b>	<b>2,080</b>	<b>1,934</b>	<b>2,080</b>	<b>1,934</b>
Landfill post closure - at cost - closing balance	3,930	3,635	3,930	3,635
Accumulated depreciation	(1,850)	(1,701)	(1,850)	(1,701)
<b>Total landfill post closure costs - closing balance</b>	<b>2,080</b>	<b>1,934</b>	<b>2,080</b>	<b>1,934</b>
<b>Civic Centre complex</b>				
Civic Centre complex - at cost - opening balance	170,774	169,157	170,774	169,157
Accumulated depreciation	(50,259)	(47,443)	(50,259)	(47,443)
<b>Total Civic Centre complex - opening balance</b>	<b>120,515</b>	<b>121,714</b>	<b>120,515</b>	<b>121,714</b>
Additions	2,170	1,618	2,170	1,618
Transfer between asset classes	6	-	6	-
Depreciation expense	(2,807)	(2,817)	(2,807)	(2,817)
<b>Total Civic Centre complex- closing balance</b>	<b>119,884</b>	<b>120,515</b>	<b>119,884</b>	<b>120,515</b>
Civic Centre complex - at cost - closing balance	172,949	170,774	172,949	170,774
Accumulated depreciation	(53,065)	(50,259)	(53,065)	(50,259)
<b>Total Civic Centre complex- closing balance</b>	<b>119,884</b>	<b>120,515</b>	<b>119,884</b>	<b>120,515</b>
<b>Plant and equipment</b>				
Plant and equipment - at cost - opening balance	150,472	135,701	167,405	145,975
Accumulated depreciation	(68,257)	(60,112)	(73,514)	(64,293)
<b>Total plant and equipment - opening balance</b>	<b>82,215</b>	<b>75,589</b>	<b>93,891</b>	<b>81,682</b>
Additions	13,057	17,576	9,877	19,881
Depreciation expense	(10,779)	(10,532)	(11,529)	(11,713)
Disposals	(520)	(605)	(520)	(605)
Transfer between asset classes	(2,122)	187	(2,122)	4,646
<b>Total plant and equipment - closing balance</b>	<b>81,851</b>	<b>82,215</b>	<b>89,597</b>	<b>93,891</b>
Plant and equipment - at cost	156,363	150,472	169,045	167,405
Accumulated depreciation	(74,512)	(68,257)	(79,448)	(73,514)
<b>Total plant and equipment - closing balance</b>	<b>81,851</b>	<b>82,215</b>	<b>89,597</b>	<b>93,891</b>

1. The Council's share of the joint venture with Porirua City Council relating to the Spicer Valley Landfill is included in this asset class.

Disposals and transfers are reported net of accumulated depreciation

## Note 18: Property, plant and equipment - continued

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Library collections</b>				
Library collections - at cost - opening balance	-	3,826	-	3,826
Library collections - at valuation - opening balance	15,715	13,700	15,715	13,700
Total cost/valuation	15,715	17,526	15,715	17,526
Accumulated depreciation	-	(3,634)	-	(3,634)
Total library collections - opening balance	15,715	13,892	15,715	13,892
Additions	1,977	1,629	1,977	1,629
Depreciation expense	(2,070)	(2,040)	(2,070)	(2,040)
Revaluation movement	-	2,234	-	2,234
<b>Total library collections - closing balance</b>	<b>15,622</b>	<b>15,715</b>	<b>15,622</b>	<b>15,715</b>
Library collections - at cost - closing balance	1,977	-	1,977	-
Library collections - at valuation - closing balance	15,715	15,715	15,715	15,715
Total cost/valuation	17,692	15,715	17,692	15,715
Accumulated depreciation	(2,070)	-	(2,070)	-
<b>Total library collections - closing balance</b>	<b>15,622</b>	<b>15,715</b>	<b>15,622</b>	<b>15,715</b>
<b>Total operational assets</b>	<b>973,177</b>	<b>806,350</b>	<b>980,923</b>	<b>832,118</b>
<b>Infrastructure assets</b>				
<b>Drainage, waste and water</b>				
Drainage, waste and water - at cost - opening balance	-	53,939	-	53,939
Drainage, waste and water - at valuation - opening balance	1,365,199	1,141,678	1,365,199	1,141,678
Total cost/valuation	1,365,199	1,195,617	1,365,199	1,195,617
Accumulated depreciation	-	(58,365)	-	(58,365)
Total drainage, water and waste - opening balance	1,365,199	1,137,252	1,365,199	1,137,252
Additions	32,130	29,037	32,130	29,037
Depreciation expense	(33,222)	(29,270)	(33,222)	(29,270)
Revaluation movement	-	228,365	-	228,365
Transfer between asset classes	-	(185)	-	(185)
<b>Total drainage, water and waste - closing balance</b>	<b>1,364,107</b>	<b>1,365,199</b>	<b>1,364,107</b>	<b>1,365,199</b>
Drainage, waste and water - at cost - closing balance	46,755	-	46,755	-
Drainage, waste and water - at valuation - closing balance	1,350,574	1,365,199	1,350,574	1,365,199
Total cost/valuation	1,397,329	1,365,199	1,397,329	1,365,199
Accumulated depreciation	(33,222)	-	(33,222)	-
<b>Total drainage, water and waste - closing balance</b>	<b>1,364,107</b>	<b>1,365,199</b>	<b>1,364,107</b>	<b>1,365,199</b>

Disposals and transfers are reported net of accumulated depreciation



## Note 18: Property, plant and equipment - continued

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Roading</b>				
Roading - at cost - opening balance	-	69,522	-	69,522
Roading - at valuation - opening balance	784,374	703,648	786,974	703,648
Total cost/valuation	784,374	773,170	786,974	773,170
Accumulated depreciation	-	(36,050)	-	(36,050)
Total roading - opening balance	784,374	737,120	786,974	737,120
Additions	38,614	43,274	38,614	43,274
Depreciation expense	(18,695)	(18,270)	(18,695)	(18,270)
Revaluation movement	-	22,252	-	24,852
Transfer between asset classes	-	(2)	-	(2)
<b>Total roading - closing balance</b>	<b>804,293</b>	<b>784,374</b>	<b>806,893</b>	<b>786,974</b>
Roading - at cost - closing balance	38,614	-	38,614	-
Roading - at valuation - closing balance	784,374	784,374	786,974	786,974
Total cost/valuation	822,988	784,374	825,588	786,974
Accumulated depreciation	(18,695)	-	(18,695)	-
<b>Total roading - closing balance</b>	<b>804,293</b>	<b>784,374</b>	<b>806,893</b>	<b>786,974</b>
<b>Infrastructure land</b>				
Infrastructure land - at cost - opening balance	-	376	-	376
Infrastructure land - at valuation - opening balance	36,447	36,888	36,447	36,888
Total infrastructure land - opening balance	36,447	37,264	36,447	37,264
Addition	-	93	-	93
Revaluation movement	-	(443)	-	(443)
Transfer between asset classes	-	(467)	-	(467)
<b>Total infrastructure land - closing balance</b>	<b>36,447</b>	<b>36,447</b>	<b>36,447</b>	<b>36,447</b>
Infrastructure land - at cost - closing balance	-	-	-	-
Infrastructure land - at valuation - closing balance	36,447	36,447	36,447	36,447
<b>Total infrastructure land - closing balance</b>	<b>36,447</b>	<b>36,447</b>	<b>36,447</b>	<b>36,447</b>
<b>Land under roads</b>				
Land under roads - at cost - opening balance	2,944,639	2,943,817	2,944,639	2,943,817
Additions	158	2,034	158	2,034
Disposals	(4)	(646)	(4)	(646)
Impairment	(132)		(132)	
Transfer from non-current assets held for sale	133	115	133	115
Transfer to non-current assets held for sale	(24)	(681)	(24)	(681)
<b>Land under roads - closing balance</b>	<b>2,944,770</b>	<b>2,944,639</b>	<b>2,944,770</b>	<b>2,944,639</b>
<b>Total infrastructure assets</b>	<b>5,149,617</b>	<b>5,130,659</b>	<b>5,152,217</b>	<b>5,133,259</b>

Disposals and transfers are reported net of accumulated depreciation

## Note 18: Property, plant and equipment - continued

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Restricted assets</b>				
<b>Art and cultural assets</b>				
Art and cultural assets - at cost - opening balance	8,382	7,914	10,718	10,250
Additions	421	187	420	187
Transfer between asset classes	(72)	281	(72)	281
<b>Art and cultural assets - closing balance</b>	<b>8,731</b>	<b>8,382</b>	<b>11,066</b>	<b>10,718</b>
<b>Restricted buildings</b>				
Restricted buildings - at cost - opening balance	32,820	28,730	32,820	28,730
Accumulated depreciation	(4,615)	(3,639)	(4,615)	(3,639)
Total restricted buildings - opening balance	28,205	25,091	28,205	25,091
Additions	454	3,922	454	3,922
Depreciation expense	(1,168)	(1,029)	(1,168)	(1,029)
Disposals	-	(73)	-	(73)
Transfer between asset classes	(82)	294	(82)	294
<b>Restricted buildings - closing balance</b>	<b>27,409</b>	<b>28,205</b>	<b>27,409</b>	<b>28,205</b>
Restricted buildings - at cost - closing balance	33,175	32,820	33,175	32,820
Accumulated depreciation	(5,766)	(4,615)	(5,766)	(4,615)
<b>Total restricted buildings - closing balance</b>	<b>27,409</b>	<b>28,205</b>	<b>27,409</b>	<b>28,205</b>
<b>Parks and reserves</b>				
Parks and reserves - at cost - opening balance	203,234	202,774	203,234	202,774
Additions	1,282	256	1,282	256
Transfer between asset classes	-	(108)	-	(108)
Transfer from non-current assets held for sale	-	362	-	362
Transfer to non-current assets held for sale	-	(50)	-	(50)
<b>Parks and reserves - closing balance</b>	<b>204,516</b>	<b>203,234</b>	<b>204,516</b>	<b>203,234</b>
<b>Town Belt - at cost</b>	<b>88,103</b>	<b>88,103</b>	<b>88,103</b>	<b>88,103</b>
<b>Zoo animals - at cost</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>Total restricted assets</b>	<b>329,259</b>	<b>328,424</b>	<b>331,594</b>	<b>330,760</b>
<b>Work in progress</b>				
- Land	460	11	460	11
- Buildings	33,873	84,294	33,873	84,294
- Civic Centre complex	1,226	538	1,226	538
- Plant and equipment	9,416	10,353	9,416	10,378
- Drainage, waste and water	381	-	381	-
- Roading	1,854	1,163	1,854	1,163
- Art and cultural	326	562	326	562
- Restricted buildings	2,097	140	2,097	140
<b>Total work in progress</b>	<b>49,633</b>	<b>97,061</b>	<b>49,633</b>	<b>97,086</b>
<b>Total property, plant and equipment</b>	<b>6,501,686</b>	<b>6,362,494</b>	<b>6,514,367</b>	<b>6,393,223</b>

Disposals and transfers are reported net of accumulated depreciation

## Note 18: Property, plant and equipment - continued

### Revaluation of property, plant and equipment

The Council's operational land and buildings were valued as at 30 June 2012, and infrastructural land as at 30 June 2011 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collections were valued as at 30 June 2011 by the Council's library staff. The revaluation was carried out in accordance with guidelines outlined in *Valuation Guidance for Cultural and Heritage Assets* published by the Treasury Accounting Team, November 2002. An independent peer review was conducted by Michaela O'Donovan, Manager Service Design and Implementation, National Library of New Zealand.

Drainage, waste and water infrastructure and the roading network were valued as at 30 June 2011 by John Vessey (MIPENZ), Partner of Opus International Consultants Limited.

In the years which an asset class is not revalued, the Group assesses whether there has been any material change in the value of that asset class. The movement in asset values between 30 June 2011 and 30 June 2012 for the Roads, Water and Library asset classes were assessed using appropriate indices. The increase in asset value of 2.7% was not considered material by management and accordingly the assets were not revalued at 30 June 2012.

Further information on revaluation reserves and movements is contained in Note 25: Revaluation reserves.

### Finance leases

The net carrying amount of plant and equipment assets held the Council under finance leases is \$1.242m (2011: \$1.359m).

### Service concession arrangement

The Moa Point sewerage treatment plant is owned by the Council and operated by Veolia Water under a design, build and operate contract. Veolia Water also operates the Council owned Western (Karori) and Carey's Gully treatment plants. The plants and building assets are included in the drainage, waste and water asset class above.

Veolia Water is required to fund all renewals and repairs and return the plants to the Council in 2020 with a future life expectancy of at least 25 years.

As asset owner, the Council incurs all associated operating expenses, namely management fees, depreciation and finance costs. In accordance with section 100 of the Local Government Act 2002, the Council does not fully fund the plant's depreciation expenditure.

Veolia's monthly management fee is determined in accordance with annually adjusted tariffs.

The contract terminates either on the expiry of the 25 year term (2020) or on the occurrence of a contract default event by either party. The contract's right of renewal resides with the Council.

### Note 19: Trade and other payables

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Trade payables and accruals		41,667	46,991	45,834	50,255
Trade payables owing to related parties					
- Subsidiaries	42	1,344	422	-	-
- Associates	42	677	876	677	876
Interest payable		2,759	2,868	2,759	2,868
Sundry payables		7,400	9,278	8,075	9,628
<b>Total trade and other payables</b>		<b>53,847</b>	<b>60,435</b>	<b>57,345</b>	<b>63,627</b>
represented by:					
Current		53,217	60,435	56,715	63,627
Non-current		630	-	630	-
<b>Total trade and other payables</b>		<b>53,847</b>	<b>60,435</b>	<b>57,345</b>	<b>63,627</b>

Trade payables are non-interest bearing and are normally settled on terms varying between seven days and the 20<sup>th</sup> of the month following the invoice date.

### Note 20: Revenue in advance

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Building consents and licensing services	2,733	2,764	2,733	2,764
Lease rentals	2,667	3,144	2,667	3,144
Rates and water	1,152	857	1,152	857
Indoor Community Sports Centre	2,342	940	2,342	940
Wellington Venues	1,212	679	1,212	679
Revenue in advance - subsidiaries	-	-	754	1,314
Other	1,783	1,936	1,783	1,936
<b>Total revenue in advance</b>	<b>11,889</b>	<b>10,320</b>	<b>12,643</b>	<b>11,634</b>

**Note 21: Borrowings**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current</b>				
Bank facilities - short term - committed	2,000	-	2,000	-
Bank loans - term	-	-	-	532
Commercial paper	100,000	91,500	100,000	91,500
Debt securities - fixed rate bonds	9,000	-	9,000	-
Debt securities - floating rate notes	18,000	-	18,000	-
Finance leases	572	567	574	567
<b>Total current</b>	<b>129,572</b>	<b>92,067</b>	<b>129,574</b>	<b>92,599</b>
<b>Non-current</b>				
Bank loans - term	1,242	1,377	1,242	1,377
Debt securities - fixed rate bonds	36,057	40,275	36,057	40,275
Debt securities - floating rate notes	194,000	197,000	194,000	197,000
Finance leases	747	718	758	718
<b>Total non-current</b>	<b>232,046</b>	<b>239,370</b>	<b>232,057</b>	<b>239,370</b>
<b>Total borrowings</b>	<b>361,618</b>	<b>331,437</b>	<b>361,631</b>	<b>331,969</b>

The Council's borrowing strategy is to minimise liquidity risk by avoiding concentration of debt maturity dates and to ensure there is long term access to funds.

**Bank facilities**

A total of \$155m (2011: \$155m) of committed bank facilities is available to the Council. Some \$55m is on a short term basis of less than one year and \$100m for longer than one year. Interest is payable in arrears at wholesale market rates. A further \$5m (2011: \$5m) is available as an uncommitted facility with interest payable in arrears at wholesale market rates. Of these facilities, \$2m was drawn at the end of the reporting period (2011: \$Nil). The Group no longer has additional committed short term bank facilities (2011: \$0.300m).

**Bank loans – term**

Loans for the Council relate to the wastewater treatment plant joint venture with Porirua City Council, and comprise several individual loans totalling \$1.242m (2011: \$1.377m) with maturities from 2015 to 2036. The average effective interest rate applicable is 7.00%

Due to the transfer of operations from the St James Theatre Charitable Trust to Wellington Venues with effect from 1 July 2011 a loan to the St James of \$0.532m (2011: \$0.532m) maturing May 2015 was fully repaid as part of the wind-up.

**Commercial paper**

The Group has issued \$100m of commercial paper with maturities of three months or less. The interest is paid on issue. The interest rates range from 2.69% to 2.87%.

**Debt securities**

The Group has issued \$44m (2011: \$39m) of fixed rate bonds with maturities from 16 October 2012 to 15 August 2018. Interest is payable six monthly in arrears. The interest rates range from 5.25% to 7.50%. The value of fixed rate debt securities includes a fair value hedge adjustment of \$1.057m (2011: \$1.275m) relating to the fair value interest rate swaps associated with these bonds.

**Note 21: Borrowings - continued**

The Group has issued \$212m (2011: \$197m) of floating rate notes with maturities from 2 July 2012 to 15 December 2017. Interest is payable quarterly in arrears. The interest rates vary from 2.73% to 4.25% and are subject to quarterly reset dates.

Further discussion and illustration of the net borrowing and investment position is included in the Financial Overview on page XX.

The following table shows the total borrowing facilities available to the Council and Group, and the use of these facilities at the end of the reporting period.

<b>Borrowing and overdraft facilities</b>	<b>Council</b>		<b>Group</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Borrowing and overdraft facilities available</b>				
Bank facilities - short term - committed	55,000	95,000	55,000	95,300
Bank facilities - long term - committed	100,000	60,000	100,000	60,000
Bank facilities - short term - uncommitted	5,000	5,000	5,000	5,000
Bank loans - term	1,242	1,377	1,242	1,909
Bank overdraft	1,500	1,500	1,550	2,550
Commercial paper	100,000	91,500	100,000	91,500
Debt securities - fixed rate bonds	45,057	40,275	45,057	40,275
Debt securities - floating rate notes	212,000	197,000	212,000	197,000
Finance leases	1,319	1,285	1,332	1,285
<b>Total borrowing and overdraft facilities available</b>	<b>521,118</b>	<b>492,937</b>	<b>521,181</b>	<b>494,819</b>
<b>Borrowing and overdraft facilities utilised</b>				
Bank facilities - short term - committed	2,000	-	2,000	-
Bank loans - term	1,242	1,377	1,242	1,909
Commercial paper	100,000	91,500	100,000	91,500
Debt securities - fixed rate bonds	45,057	40,275	45,057	40,275
Debt securities - floating rate notes	212,000	197,000	212,000	197,000
Finance leases	1,319	1,285	1,332	1,285
<b>Total borrowing and overdraft facilities utilised</b>	<b>361,618</b>	<b>331,437</b>	<b>361,631</b>	<b>331,969</b>
<b>Borrowing and overdraft facilities unutilised</b>				
Bank facilities - short term - committed	53,000	95,000	53,000	95,300
Bank facilities - long term - committed	100,000	60,000	100,000	60,000
Bank facilities - short term - uncommitted	5,000	5,000	5,000	5,000
Bank overdraft	1,500	1,500	1,550	2,550
<b>Total borrowing and overdraft facilities unutilised</b>	<b>159,500</b>	<b>161,500</b>	<b>159,550</b>	<b>162,850</b>

**Bank overdraft**

An overdraft facility of \$1.500m (2011: \$1.500m) is available to Council. This facility was undrawn as at 30 June 2012 (2011: undrawn). The Group has additional overdraft facilities of \$0.050m (2011: \$1.050m).

**Security**

Council borrowings are secured by way of a Debenture Trust Deed over the Council's rates revenue.

## Note 21: Borrowings - continued

### Ring fenced funds

The Council holds \$8.738m of cash that may only be used for a specified purpose; this amount has been offset against borrowings. As part of the agreement with the Crown for the Housing Upgrade Project an amount of \$7.700m, representing the accumulated cash surpluses from the Housing activity, has been ring fenced for future investment in the Council's social housing assets. There is also an amount of \$1.038m related to accumulated cash surpluses from the Waste Reduction and Energy Conservation activity which, under the Waste Minimisation Act 2008, must be ring fenced for future investment in waste activities.

### Finance lease liabilities

The Group has entered into finance leases for items of plant and equipment, predominantly computer equipment. The net carrying amount of the leased items is included within the plant and equipment class shown in Note 18: Property, plant and equipment.

The finance leases can be renewed at the Group's option, with rentals set by reference to current market rates for items of equivalent age and condition. The Group does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Group by any of the finance leasing arrangements.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The finance lease liabilities are analysed as follows:

Analysis of finance lease liabilities	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Future minimum lease payments</b>				
Not later than one year	634	662	638	662
Later than one year and not later than five years	793	813	805	813
Later than five years	-	-	-	-
<b>Total future minimum lease payments</b>	<b>1,427</b>	<b>1,475</b>	<b>1,443</b>	<b>1,475</b>
Future finance charges	(108)	(190)	(111)	(190)
<b>Present value of future minimum lease payments</b>	<b>1,319</b>	<b>1,285</b>	<b>1,332</b>	<b>1,285</b>
<b>Present value of future minimum lease payments</b>				
Not later than one year	572	567	574	567
Later than one year and not later than five years	747	718	758	718
Later than five years	-	-	-	-
<b>Total present value of future minimum lease payments</b>	<b>1,319</b>	<b>1,285</b>	<b>1,332</b>	<b>1,285</b>

## Note 22: Employee benefit liabilities and provisions

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current</b>				
<b>Short-term benefits</b>				
Payroll accruals	417	159	743	498
Holiday leave	4,992	5,162	5,964	6,135
<b>Total short-term benefits</b>	<b>5,409</b>	<b>5,321</b>	<b>6,707</b>	<b>6,633</b>
<b>Termination benefits</b>				
Other contractual provisions	1,229	373	1,229	373
<b>Total termination benefits</b>	<b>1,229</b>	<b>373</b>	<b>1,229</b>	<b>373</b>
<b>Total current</b>	<b>6,638</b>	<b>5,694</b>	<b>7,936</b>	<b>7,006</b>
<b>Non-current</b>				
<b>Long-term benefits</b>				
Long service leave provision	-	-	101	118
Retirement gratuities provision	1,649	1,600	1,699	1,648
<b>Total long-term benefits</b>	<b>1,649</b>	<b>1,600</b>	<b>1,800</b>	<b>1,766</b>
<b>Total employee benefit liabilities and provisions</b>	<b>8,287</b>	<b>7,294</b>	<b>9,736</b>	<b>8,772</b>

Movements in the above short term and long term benefit provisions are analysed as follows:

Long service leave provision	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	-	13	118	107
Additional or increased provision made	-	-	-	24
Release of provision	-	(4)	(17)	(4)
Amount utilised	-	(9)	-	(9)
<b>Long service leave - closing balance</b>	<b>-</b>	<b>-</b>	<b>101</b>	<b>118</b>

### Background

The Council's long service leave provision was a contractual entitlement for a reducing number of employees who, after 20 years service, were granted a one-off entitlement of additional leave. This entitlement has not been offered to new Council employees since 1991. At 30 June 2011 all long service leave for the Council had been granted and the provision extinguished.

The Group's long service leave entitlement continues to be offered to the employees of some subsidiaries.



**Note 22: Employee benefit liabilities and provisions - continued**

Retirement gratuities provision	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	1,600	1,614	1,648	1,660
Additional or increased provision made	3	10	5	12
Release of provision	(14)	(16)	(14)	(16)
Rediscounting of interest	100	110	100	110
Amount utilised	(40)	(118)	(40)	(118)
<b>Retirement gratuities - closing balance</b>	<b>1,649</b>	<b>1,600</b>	<b>1,699</b>	<b>1,648</b>

**Background**

The Council's retirement gratuities provision is a contractual entitlement for a reducing number of employees who, having qualified with 10 years service, will on retirement be entitled to a payment based on years of service and current salary. This entitlement has not been offered to Council employees since 1991. Based on the age of participants the provision may not be extinguished until 2037, assuming retirement at age 65.

**Estimation**

The gross retirement gratuities provision (inflation adjusted at 2.50%) as at 30 June 2012, before discounting, is \$2.360m (2011: \$2.399m). The discount rate used is 6.50%.

Movements in the above termination benefit provisions are analysed as follows:

Other contractual provisions	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	373	517	373	517
Additional or increased provision made	1,229	273	1,229	273
Release of provision	(11)	(99)	(11)	(99)
Amount utilised	(362)	(318)	(362)	(318)
<b>Other contractual provisions - closing balance</b>	<b>1,229</b>	<b>373</b>	<b>1,229</b>	<b>373</b>

**Background**

The above provision is to cover estimated redundancy costs as at 30 June 2012 resulting from the current restructuring of the Council.

### Note 23: Provision for other liabilities

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Current</b>				
ACC Partnership programme	10	133	10	133
Landfill post closure costs	4,509	2,833	4,509	2,833
Weathertight homes	27,690	8,742	27,690	8,742
<b>Total current</b>	<b>32,209</b>	<b>11,708</b>	<b>32,209</b>	<b>11,708</b>
<b>Non-current</b>				
Landfill post closure costs	12,708	13,997	12,708	13,997
Weathertight homes	28,367	42,122	28,367	42,122
<b>Total non-current</b>	<b>41,075</b>	<b>56,119</b>	<b>41,075</b>	<b>56,119</b>
<b>Total provision for other liabilities</b>	<b>73,284</b>	<b>67,827</b>	<b>73,284</b>	<b>67,827</b>

Movements in the above provisions for other liabilities are analysed as follows:

ACC Partnership programme	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	133	105	133	105
Change in provision for risks incurred	(5)	133	(5)	133
Amounts utilised	(118)	(105)	(118)	(105)
<b>Total liability for claims outstanding</b>	<b>10</b>	<b>133</b>	<b>10</b>	<b>133</b>
Represented by:				
Present value of future payments	9	116	9	116
Risk margin	1	17	1	17
<b>Total liability for claims outstanding</b>	<b>10</b>	<b>133</b>	<b>10</b>	<b>133</b>

#### Background

The Council is a member of the Accident Compensation Corporation (ACC) partnership programme. The Council acts as an agent on behalf of ACC managing claims for its employees and providing entitlements under the Accident Insurance Act 1998 in relation to work-related personal injuries and illnesses.

#### Estimation

This provision represents an estimate of the claims outstanding at the end of the reporting period together with an estimate of the claims incurred but not yet reported.

**Note 23: Provision for other liabilities - continued**

Landfill post closure costs	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	16,830	16,536	16,830	16,536
Additional or increased provision made	1,011	398	1,011	398
Release of provision	(956)	(133)	(956)	(133)
Re-discounting of interest	1,129	1,043	1,129	1,043
Amount utilised	(796)	(1,014)	(796)	(1,014)
<b>Landfill post closure costs - closing balance</b>	<b>17,218</b>	<b>16,830</b>	<b>17,218</b>	<b>16,830</b>

**Background**

The Council currently operates the Southern Landfill (Stage 3) and has a 21.5% joint venture interest in the Spicer Valley Landfill. It also manages a number of closed landfill sites around Wellington. The Council has responsibility for the closure of its landfills and to provide ongoing maintenance and monitoring of the landfills after they are closed.

As part of the closure of landfills, or landfill stages, the Council's responsibilities include:

- final cover application and vegetation;
- incremental drainage control features; and
- completing facilities for post closure responsibilities.

Post closure responsibilities include:

- treatment and monitoring of leachate;
- ground water and surface monitoring;
- gas monitoring and recovery;
- implementation of remedial measures such as needed for cover and control systems; and
- ongoing site maintenance for drainage systems, final cover and vegetation.

The management of the landfill will influence the timing of recognition of some liabilities – for example, the Southern Landfill operates in stages. A liability relating to any future stages will only be created when the stage is commissioned and when refuse begins to accumulate in this stage.

**Estimations**

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cashflows are discounted using the rate of 6.50%. The gross provision (inflation adjusted at 3.30%), before discounting, is \$28.630m as at 30 June 2012 (2011: \$28.840m). This represents the Council's projection of the amount required to settle the obligation at the estimated time of the cash outflow.

Stage 3 of the Southern Landfill has an estimated remaining capacity of 751,160m<sup>3</sup> (2011: 888,692m<sup>3</sup>) and is expected to close in 2018. These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council's provision includes a proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of 620,000 m<sup>3</sup> (2011: 670,000m<sup>3</sup>) and an estimated remaining life out to the end of 2022.

**Note 23: Provision for other liabilities - continued**

Weathertight homes	Council		Group	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Opening balance	50,864	19,786	50,864	19,786
Additional or increased provision made	9,903	33,875	9,903	33,875
Amount utilised	(4,710)	(2,797)	(4,710)	(2,797)
<b>Weathertight homes - closing balance</b>	<b>56,057</b>	<b>50,864</b>	<b>56,057</b>	<b>50,864</b>

**Background**

This provision represents the Council's estimated liability relating to the settlement of claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006 and civil proceedings for weathertightness.

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims have been lodged with WHRS but not yet being actively managed. The provision also includes an amount of \$8.933m as a provision for future claims relating to weathertightness issues not yet identified or not yet reported. Prior to 30 June 2011, future claims were previously recognised as an unquantified contingent liability however, based on an increasing amount of historical data available and work done around the Government's new financial assistance package, it has been concluded that an estimate should be made of the value of these claims.

**Estimation**

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council's expected future costs to settle these claims and is reviewed on a case by case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the Council's best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cashflows are inflation adjusted and discounted using an applicable discount rate. The provision is net of any third-party contributions including insurance, where applicable.

The provision is based on best estimates and actuarial assessments and therefore actual costs incurred may vary significantly from those included in this provision, especially for future claims relating to weathertightness issues not yet identified or not yet reported.

The significant assumptions used in the calculation of the weathertight homes provision are as follows:

**Amount claimed**

Represents the expected amount claimed by the homeowner and is based on the actual amounts for claims already settled.

**Settlement amount**

Represents the expected amount of awarded settlement and is based on the actual amounts for claims already settled.

**Amount expected to be paid by the Council**

Represents the amount expected to be paid by the Council out of any awarded settlement amount and is based on the actual amounts for claims already settled. This figure has been increasing over the last few years as it is becoming more common for the other parties involved in a claim to be either in liquidation or bankrupt, or have limited funds and be unable to contribute to settlement.

**Timing of claim payments**

Represents the expected timing of claim payments based on the expected length of time it takes to settle claims. This assumption is based on experience and the actual timings for claims already settled.

**Note 23: Provision for other liabilities - continued****Participation in Financial Assistance Package scheme**

The provision for 2012 includes certain actuarial assumptions around the Government's Financial Assistance Package (FAP). This assumption is based on actual and expected participation rates in the scheme.

**Percentage of homeowners who will make a successful claim**

Historical data collected on the number of claims lodged has enabled assumptions to be made on the percentage of homes built in the last 10 years which may experience weathertightness problems and therefore the percentage of homeowner who may make a successful claim.

The table below illustrates the potential impact on surplus or deficit of changes in some of the assumptions listed above.

<b>Council and Group</b>	<b>2012 \$000</b>	
<b>Assumption</b>	<b>+10%</b>	<b>-10%</b>
	<b>Effect on Surplus or Deficit</b>	
Amount claimed	5,503	(5,503)
Settlement level award	5,503	(5,503)
Council contribution to settlement	5,503	(5,503)
Timing of claim payments	623	(815)
Participation in FAP scheme	(1,633)	1,632
Percentage of homeowners who will make a successful claim	893	(894)

<b>Council and Group</b>	<b>2012 \$000</b>	
<b>Assumption</b>	<b>+2%</b>	<b>-2%</b>
	<b>Effect on Surplus or Deficit</b>	
Discount rate	(1,060)	1,187

**Funding of weathertight homes settlements**

Weathertight homes settlements are funded initially through borrowings. To repay those borrowings, the Council has agreed to incrementally increase rates by 0.75% per annum until such time as the weathertight homes liability has been settled and the associated borrowings and funding costs are repaid. To ensure that the funding of weathertight homes is fully transparent the associated settlement costs, borrowings and rates funding is reported annually.

<b>Funding for weathertight homes liability</b>	<b>Council</b>		<b>Group</b>	
	<b>2012 \$000</b>	<b>2011 \$000</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
Opening balance	-	-	-	-
Funding for weathertight homes liability	2,221	-	2,221	-
Total amounts paid	(4,711)	-	(4,711)	-
Interest allocation	(72)	-	(72)	-
<b>Closing balance funded through borrowings</b>	<b>(2,562)</b>	<b>-</b>	<b>(2,562)</b>	<b>-</b>

## Note 24: Accumulated funds and retained earnings

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Accumulated funds</b>		<b>1,269,134</b>	<b>1,269,134</b>	<b>1,293,162</b>	<b>1,293,162</b>
<b>Retained earnings</b>					
Opening balance		3,550,373	3,532,533	3,597,367	3,587,206
Net surplus		62,186	16,017	49,962	8,190
Adjustment for wind-up of St James	40	14,577	-	-	-
Adjustment for disposal by associate	41	-	-	1,745	-
Transfers from revaluation reserves	25	25	660	25	660
Transfers from restricted funds	28	1,901	1,700	2,355	2,793
Transfers to restricted funds	28	(517)	(537)	(1,273)	(1,482)
<b>Retained earnings - closing balance</b>		<b>3,628,545</b>	<b>3,550,373</b>	<b>3,650,181</b>	<b>3,597,367</b>
<b>Total accumulated funds and retained earnings</b>		<b>4,897,679</b>	<b>4,819,507</b>	<b>4,943,343</b>	<b>4,890,529</b>

## Note 25: Revaluation reserves

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Land - opening balance</b>	142,136	142,298	142,136	142,298
Revaluation recognised in other comprehensive income	2,536	-	2,536	-
Transfer to retained earnings on disposal of assets	-	(162)	-	(162)
<b>Land - closing balance</b>	<b>144,672</b>	<b>142,136</b>	<b>144,672</b>	<b>142,136</b>
<b>Buildings - opening balance</b>	194,411	194,915	194,411	194,915
Revaluation recognised in other comprehensive income	46,076	-	46,076	-
Impairment recognised in other comprehensive income	-	(257)	-	(257)
Transfer to retained earnings on disposal of assets	(25)	(247)	(25)	(247)
<b>Buildings - closing balance</b>	<b>240,462</b>	<b>194,411</b>	<b>240,462</b>	<b>194,411</b>
<b>Library collections - opening balance</b>	7,147	4,913	7,147	4,913
Revaluation recognised in other comprehensive income	-	2,234	-	2,234
<b>Library collections - closing balance</b>	<b>7,147</b>	<b>7,147</b>	<b>7,147</b>	<b>7,147</b>
<b>Drainage, waste and water - opening balance</b>	641,549	413,184	641,549	413,184
Revaluation recognised in other comprehensive income	-	228,365	-	228,365
<b>Drainage, waste and water - closing balance</b>	<b>641,549</b>	<b>641,549</b>	<b>641,549</b>	<b>641,549</b>
<b>Infrastructure land - opening balance</b>	13,347	14,041	13,347	14,041
Revaluation recognised in other comprehensive income	-	(443)	-	(443)
Transfer to retained earnings on disposal of assets	-	(251)	-	(251)
<b>Infrastructure land - closing balance</b>	<b>13,347</b>	<b>13,347</b>	<b>13,347</b>	<b>13,347</b>
<b>Roading - opening balance</b>	370,516	348,264	372,389	348,264
Revaluation recognised in other comprehensive income	-	22,252	-	24,125
<b>Roading - closing balance</b>	<b>370,516</b>	<b>370,516</b>	<b>372,389</b>	<b>372,389</b>
<b>Associates' revaluation reserves - opening balance</b>	-	-	76,497	76,410
Revaluation recognised in other comprehensive income	-	-	33,437	-
Effect of changed shareholding in Chaffers Marina Holdings Limited	-	-	-	87
<b>Associates' revaluation reserves - closing balance</b>	<b>-</b>	<b>-</b>	<b>109,934</b>	<b>76,497</b>
<b>Total revaluation reserves</b>	<b>1,417,693</b>	<b>1,369,106</b>	<b>1,529,500</b>	<b>1,447,476</b>
These revaluation reserves are represented by:				
Opening balance	1,369,106	1,117,615	1,447,476	1,194,025
Revaluation recognised in other comprehensive income	48,612	252,408	82,049	254,281
Effect of changed shareholding in Chaffers Marina Holdings Limited	-	-	-	87
Impairment recognised in other comprehensive income	-	(257)	-	(257)
Transfer to retained earnings on disposal of assets	(25)	(660)	(25)	(660)
<b>Total revaluation reserves - closing balance</b>	<b>1,417,693</b>	<b>1,369,106</b>	<b>1,529,500</b>	<b>1,447,476</b>

The revaluation reserves are used to record accumulated increases and decreases in the fair value of land, buildings, the library collection, and drainage, waste, water and roading assets.

**Note 26: Hedging reserve**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	(9,173)	(4,465)	(10,399)	(7,120)
Cash flow hedge net movement recognised in other comprehensive income	(14,455)	(4,440)	(14,455)	(4,440)
Cash flow hedge movement reclassified to finance income	(268)	(268)	(268)	(268)
Cash flow hedge movement reclassified to share of equity accounted surplus of associate	-	-	1,072	1,429
<b>Hedging reserve - closing balance</b>	<b>(23,896)</b>	<b>(9,173)</b>	<b>(24,050)</b>	<b>(10,399)</b>

The hedging reserve shows accumulated fair value changes for interest rate swaps which satisfy the criteria for hedge accounting and have operated as effective hedges during the period. The Group includes the equity accounted net movement in the hedging reserve of our associate, Wellington International Airport Limited.

**Note 27: Fair value through other comprehensive income reserve**

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Opening balance	748	1,080	748	1,080
Fair value adjustment taken to other comprehensive income	(594)	(332)	(594)	(332)
<b>Fair value through other comprehensive income - closing balance</b>	<b>154</b>	<b>748</b>	<b>154</b>	<b>748</b>

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Assurance, for which there is no intention to sell. See Note 13: Other financial assets - for further information.



**Note 28: Restricted funds**

	Note	Council		Group	
		2012 \$000	2011 \$000	2012 \$000	2011 \$000
Special reserves and funds	29	322	1,243	322	1,243
Council created reserves and funds	29	13,966	14,381	13,966	14,381
Trusts and bequests	30	413	461	413	461
		<b>14,701</b>	<b>16,085</b>	<b>14,701</b>	<b>16,085</b>
<b>Subsidiaries' restricted funds</b>					
Opening balance				2,298	2,446
Additional funds received				756	945
Funds utilised				(454)	(1,093)
<b>Subsidiaries' restricted funds - closing balance</b>				<b>2,600</b>	<b>2,298</b>
<b>Total restricted funds</b>		<b>14,701</b>	<b>16,085</b>	<b>17,301</b>	<b>18,383</b>
<b>These funds are represented by:</b>					
Opening balance		16,085	17,248	18,383	19,694
Transfers from retained earnings		517	537	1,273	1,482
Transfers to retained earnings		(1,901)	(1,700)	(2,355)	(2,793)
<b>Restricted funds - closing balance</b>		<b>14,701</b>	<b>16,085</b>	<b>17,301</b>	<b>18,383</b>

These funds are a mixture of special purpose reserves and funds, including Council created reserves as well as trusts and bequests. More detailed information on the Council's reserves and funds is disclosed in Note 29: Special and Council created reserves and funds, and Note 30: Trusts and bequests.

The restricted funds of the subsidiaries relate to the Wellington Museums Trust and the Wellington Zoo Trust:

- The Wellington Museums Trust has three reserves; a Capital Reserve, a Colonial Cottage Museum Collection reserve and a City and Sea Collection reserve. The two collection reserves are for the purpose of future museum acquisitions.
- The Wellington Zoo Trust has a number of trust and bequests made, which are held as restricted funds until utilised.

## Note 29: Special and council created reserves and funds

Special reserves and funds	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Reserve purchase and development fund</b>				
Opening balance	1,199	1,368	1,199	1,368
Additional funds received /(repaid)	-	(12)	-	(12)
Funds utilised	(900)	(157)	(900)	(157)
<b>Reserve purchase and development fund - closing balance</b>	<b>299</b>	<b>1,199</b>	<b>299</b>	<b>1,199</b>
<b>Early Settlers Memorial Park reserve</b>				
Opening balance	44	65	44	65
Funds utilised	(21)	(21)	(21)	(21)
<b>Early Settlers Memorial Park reserve - closing balance</b>	<b>23</b>	<b>44</b>	<b>23</b>	<b>44</b>
<b>Total special reserves and funds - closing balance</b>	<b>322</b>	<b>1,243</b>	<b>322</b>	<b>1,243</b>

### Reserve purchase and development fund

This fund is used to purchase and develop reserve areas within the city. The funds were primarily utilised for the purchase of reserve land on Te Ahumairangi (Tinakori) Hill and at Oruaiti Reserve (Point Dorset).

### Early Settlers Memorial Park reserve

This reserve is used to upgrade and maintain the Bolton Street Cemetery and surrounding park and walkways.

Council created reserves and funds	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Self insurance reserve</b>				
Opening balance	10,138	10,961	10,138	10,961
Additional funds received	500	500	500	500
Funds utilised	(915)	(1,323)	(915)	(1,323)
<b>Self insurance reserve - closing balance</b>	<b>9,723</b>	<b>10,138</b>	<b>9,723</b>	<b>10,138</b>
<b>Subdivision development reserve</b>	<b>4,119</b>	<b>4,119</b>	<b>4,119</b>	<b>4,119</b>
<b>Other reserves</b>	<b>124</b>	<b>124</b>	<b>124</b>	<b>124</b>
<b>Total Council created reserves and funds - closing balance</b>	<b>13,966</b>	<b>14,381</b>	<b>13,966</b>	<b>14,381</b>

### Self-insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the uninsured portion of insurance claims. Annual additions to the reserve of \$0.500m (2011: \$0.500m) are funded through rates as identified in the Annual Plan.

**Note 30: Trusts and bequests**

<b>Council</b>	<b>Opening Balance 2012 \$000</b>	<b>Additional Funds 2012 \$000</b>	<b>Funds Utilised 2012 \$000</b>	<b>Closing Balance 2012 \$000</b>
A Graham Trust	2	-	-	2
A W Newton Bequest	257	15	-	272
Charles Plimmer Bequest	19	-	(19)	-
E A McMillan Estate	6	-	-	6
E Pengelly Bequest	11	-	-	11
F L Irvine Smith Memorial	6	-	-	6
Greek NZ Memorial Association	5	-	-	5
Kidsarus 2 Donation	3	-	-	3
Kirkcaldie and Stains Donation	17	-	-	17
Lewis Glover Bequest	27	-	(27)	-
QEII Memorial Book Fund	19	1	(1)	19
Schola Cantorum Trust	5	1	-	6
Stanley Banks Trust	49	-	(18)	31
Terawhiti Grant	10	-	-	10
W G Morrison Estate	11	-	-	11
Wellington Beautifying Society Bequest	14	-	-	14
<b>Total trusts and bequests</b>	<b>461</b>	<b>17</b>	<b>(65)</b>	<b>413</b>

**Analysis of movements in trusts and bequests***Additional Funds*

Trusts and bequests receiving additional funds during the year were those where interest has been applied in accordance with the original terms and conditions.

*Funds utilised*

Trusts and bequests funds utilised during the year were:

- Charles Plimmer bequest – Point Dorset - \$19,000
- Lewis Glover Bequest – permanent artwork in Glover Park - \$27,000
- QEII Memorial Book fund – commonwealth language books - \$1,000
- Stanley Banks trust – educational grants to children of WWII service personnel - \$18,000

Other than those specific trusts and bequests discussed above, the others are generally provided for library, educational or environmental purposes.

**Charles Plimmer bequest**

The funds previously held by Council as restricted funds have now been fully drawn down. The principal bequest fund administered by the Public Trust, which previously advanced a share of income each year to increase these restricted funds, is now retaining all income until notified of specific annual expenditure requirements on approved projects. In the period ending 30 June 2012, Council received \$380,000 towards the Point Dorset project, of which \$184,000 was spent and the remaining \$196,000 will be recognised and spent in 2012/13.

## Note 31: Financial Instruments

The following tables provide an analysis of the Council's financial assets and financial liabilities by reporting category as described in the summary of accounting policies:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	22,622	19,641	26,912	23,832
Trade and other receivables	54,333	38,090	56,216	39,586
Other financial assets	5,161	5,419	6,681	5,419
<b>Total loans and receivables</b>	<b>82,116</b>	<b>63,150</b>	<b>89,809</b>	<b>68,837</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Other financial assets	2,681	1,275	4,201	1,275
<b>Total financial assets at fair value through other comprehensive income</b>	<b>2,681</b>	<b>1,275</b>	<b>4,201</b>	<b>1,275</b>
<b>Hedged derivative financial instruments</b>				
Derivatives designated as fair value hedges	1,057	1,275	1,057	1,275
<b>Total hedged derivative financial instruments</b>	<b>1,057</b>	<b>1,275</b>	<b>1,057</b>	<b>1,275</b>
<b>Total financial assets</b>	<b>85,854</b>	<b>65,700</b>	<b>95,067</b>	<b>71,387</b>
Total non-financial assets	6,753,683	6,617,974	6,911,297	6,770,418
<b>Total assets</b>	<b>6,839,537</b>	<b>6,683,674</b>	<b>7,006,364</b>	<b>6,841,805</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	53,847	60,435	57,345	63,627
Borrowings	361,618	331,437	361,631	331,969
<b>Total financial liabilities at amortised cost</b>	<b>415,465</b>	<b>391,872</b>	<b>418,976</b>	<b>395,596</b>
<b>Derivative financial instruments</b>				
Derivatives designated as cash flow hedges	24,059	9,604	24,059	9,604
<b>Total derivative financial instruments</b>	<b>24,059</b>	<b>9,604</b>	<b>24,059</b>	<b>9,604</b>
<b>Financial liabilities at fair value through surplus/deficit</b>				
Derivative financial instruments	222	484	222	484
<b>Total financial liabilities at fair value through surplus/deficit</b>	<b>222</b>	<b>484</b>	<b>222</b>	<b>484</b>
<b>Total financial liabilities</b>	<b>439,746</b>	<b>401,960</b>	<b>443,257</b>	<b>405,684</b>
Total non-financial liabilities	93,460	85,441	96,859	89,384
<b>Total liabilities</b>	<b>533,206</b>	<b>487,401</b>	<b>540,116</b>	<b>495,068</b>

## Note 31: Financial instruments - continued

### Fair value

The fair values of all financial instruments equate to the carrying amount recognised in the Statement of Financial Position.

### Fair value hierarchy

For those financial instruments recognised at fair value in the Statement of Financial Position, the fair values are determined according to the following hierarchy:

- o **Level 1** - Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.
- o **Level 2** - Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- o **Level 3** - Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

Council and Group	2012			2011		
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Financial assets</b>						
Financial assets at fair value through other comprehensive income	-	-	2,681	-	-	1,275
Derivative financial instruments						
- Fair value hedges	-	1,057	-	-	1,275	-
<b>Financial liabilities</b>						
Derivative financial instruments						
- Cash flow hedges	-	24,059	-	-	9,604	-
- non-hedged swaps	-	222	-	-	484	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Financial assets at fair value through other comprehensive income</b>				
- Equity investments				
Opening balance - 1 July	1,275	1,607	1,275	1,607
Purchases	2,000	-	2,000	-
Gains or losses recognised in other comprehensive income	(594)	(332)	(594)	(332)
<b>Closing balance - 30 June</b>	<b>2,681</b>	<b>1,275</b>	<b>2,681</b>	<b>1,275</b>

## Note 31: Financial instruments - continued

### Financial risk management

As part of its normal operations, the Group is exposed to a number of risks. The most significant are credit risk, liquidity risk and market risk, which includes interest rate risk. The Group's exposure to these risks and the action that the Group has taken to minimise the impact of these risks is outlined below:

#### Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer Note 37: Contingencies). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

The Group's maximum exposure to credit risk at the end of the reporting period is:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Financial instruments with credit risk</b>				
Cash and cash equivalents	22,574	19,615	26,853	23,795
Derivative financial instrument assets	1,057	1,275	1,057	1,275
Trade and other receivables				
- Trade receivables	13,627	12,327	14,941	13,247
- Other receivables	40,706	25,763	41,275	26,339
Other financial assets				
- Bank deposits - term	-	-	1,520	1,009
- LGFA borrower notes	240	-	240	-
- Loans to related parties - associates	1,248	1,107	1,248	1,107
- Loans to related parties - other organisations	3,673	4,312	3,673	4,312
Financial guarantees to related parties	800	900	800	900
<b>Total financial instruments with credit risk</b>	<b>83,925</b>	<b>65,299</b>	<b>91,607</b>	<b>71,984</b>

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

## Note 31: Financial instruments - continued

### Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard and Poor's credit ratings.

Counterparties with credit ratings	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Cash - registered banks AA-	2,574	2,115	5,266	4,914
Short term deposits - registered banks AA-	20,000	17,500	21,587	18,881
Term deposits - registered banks AA-	-	-	1,520	1009
Term deposits - borrower notes - NZ LGFA AA+	240	-	240	-
Derivative financial instrument assets AA-	1,057	1,275	1,057	1,275

### Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Liability Management Policy to ensure the Group is able to access required funds.

### Contractual maturity

The following maturity analysis sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis. Contractual cash flows for financial liabilities include the nominal amount and interest payable.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Contractual cash flows of financial liabilities excluding derivatives</b>				
0-12 months	192,578	162,378	196,079	166,134
1-2 years	65,023	36,178	65,027	36,178
2-5 years	154,421	171,355	154,430	171,355
More than 5 years	37,167	57,235	37,167	57,235
<b>Total contractual cash flows of financial liabilities excluding derivatives</b>	<b>449,189</b>	<b>427,146</b>	<b>452,703</b>	<b>430,902</b>
<b>Represented by:</b>				
Carrying amount as per the Statement of Financial Position	415,465	391,872	418,976	395,596
Future interest payable	33,724	35,274	33,727	35,306
<b>Total contractual cash flows of financial liabilities excluding derivatives</b>	<b>449,189</b>	<b>427,146</b>	<b>452,703</b>	<b>430,902</b>

**Note 31: Financial instruments - continued**

The following maturity analysis sets out the contractual cash flows for all financial liabilities that are settled on a net cash flow basis. Contractual cash flows for derivative financial liabilities are the future interest payable.

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Contractual cash flows of derivative financial liabilities</b>				
0-12 months	6,894	2,248	6,894	2,248
1-2 years	5,946	2,020	5,946	2,020
2-5 years	11,304	6,392	11,304	6,392
More than 5 years	1,653	584	1,653	584
<b>Total contractual cashflow of derivative financial liabilities</b>	<b>25,797</b>	<b>11,244</b>	<b>25,797</b>	<b>11,244</b>
<b>Represented by:</b>				
Future interest payable	25,797	11,244	25,797	11,244
<b>Total contractual cash flows of derivative financial liabilities</b>	<b>25,797</b>	<b>11,244</b>	<b>25,797</b>	<b>11,244</b>

In addition to cash to be received in 2012/13 the Council currently has \$153m in unused committed bank facilities available to settle obligations as well as \$77m of cash and cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Council mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits:

Period	Minimum	Maximum	Actual
0 to 3 years	20%	60%	50%
3 to 5 years	20%	60%	32%
More than 5 years	15%	60%	18%

**Market risk**

Market risk is the risk that the value of an investment will decrease or a liability will increase due to changes in market conditions. The Group uses interest rate swaps in the ordinary course of business to manage interest rate risks. A Treasury Committee, headed by senior management personnel, provides oversight for financial risk management and derivative activities and ensures any activities are in line with the Liability Management Policy which is formally approved by the Council as part of the Long Term Plan (LTP).

**Cash flow and fair value interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will decrease due to changes in market interest rates. The Group is exposed to interest rate risk from its interest-earning financial assets and interest-bearing financial liabilities. The Group is risk averse and seeks to minimise exposure arising from its treasury activities primarily by entering into interest rate swap arrangements to fix interest rates on its borrowings.

The Group manages its cash flow interest rate risk by using interest rate swaps. These have the economic effect of converting borrowings from floating rates to fixed rates. The Council uses interest rate swaps to maintain a required ratio of borrowing between fixed and floating interest rates as specified in the treasury management policy:

Minimum fixed rate	Maximum fixed rate	Actual % of fixed debt prior interest rate swaps	Actual % of fixed debt after interest rate swaps
50%	95%	14%	90%



### Note 31: Financial instruments - continued

The table below shows the effect of the interest rate swaps at reducing the Council's exposure to interest rate risk:

	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Financial instruments subject to interest rate volatility - before effect of interest rate swaps</b>				
Cash and cash equivalents	22,622	19,641	26,912	23,832
Bank facilities - short term	(2,000)	-	(2,000)	-
Bank loans	(1,242)	(1,377)	(1,242)	(1,909)
Commercial paper	(100,000)	(91,500)	(100,000)	(91,500)
Debt securities - floating rate notes	(212,000)	(197,000)	(212,000)	(197,000)
<b>Total financial instruments subject to interest rate volatility - before effect of interest rate swaps</b>	<b>(292,620)</b>	<b>(270,236)</b>	<b>(288,330)</b>	<b>(266,577)</b>
<b>Effect of interest rate swaps in reducing interest rate volatility</b>				
Effect of fair value hedge	(34,000)	(34,000)	(34,000)	(34,000)
Effect of Cash flow interest rate swaps - hedged	290,000	270,000	290,000	270,000
Effect of Cash flow interest rate swaps - non-hedged	10,000	10,000	10,000	10,000
<b>Total effect of interest rate swaps in reducing interest rate volatility</b>	<b>266,000</b>	<b>246,000</b>	<b>266,000</b>	<b>246,000</b>
<b>Total financial instruments subject to interest rate volatility - after effect of interest rate swaps</b>	<b>(26,620)</b>	<b>(24,236)</b>	<b>(22,330)</b>	<b>(20,577)</b>

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements; instead the fair value of these interest rate swaps is recognised. This represents the difference between the current floating interest rate and the fixed swap interest rate. At 30 June 2012 the fair value of the interest rate swaps was -\$23.224m (2011: -\$8.813m). This liability will reduce to zero as the swaps reach the end of their lives, and therefore does not represent a liability that the Council will be required to pay cash to settle.

Given that the interest rate swaps have terms that match with the borrowings (short term bank facilities, commercial paper and debt securities), it is appropriate to include the effect of the interest rate swaps on the borrowings interest rate and present the net effective interest rates for the underlying borrowings:

Weighted effective interest rates	Council		Group	
	2012 %	2011 %	2012 %	2011 %
<b>Investments</b>				
Cash and cash equivalents	3.45	3.40	3.24	1.41
Bank deposits - term	-	-	4.40	1.33
LGFA - borrower notes	3.37	-	3.37	-
Loans to related parties	-	-	-	-
<b>Borrowings</b>				
Bank facilities - short term	3.70	-	3.70	-
Bank loans	7.00	7.00	7.00	7.00
Commercial paper	2.81	2.76	2.81	2.76
Debt securities	4.05	4.02	4.05	4.02
Derivative financial instruments - hedged	5.01	5.04	5.01	5.04
Derivative financial instruments - non-hedged	6.31	6.31	6.31	6.31
Finance leases	10.32	11.63	10.34	11.63

Loans to related parties, being the loans to the Wellington Regional Stadium Trust and to the Karori Wildlife Sanctuary Trust, are both on interest free terms.

## Note 31: Financial instruments - continued

### Sensitivity analysis

While the Council has significantly reduced the impact of short-term fluctuations on the Group's earnings through interest rate swap arrangements, there is still some exposure to changes in interest rates.

The tables below illustrate the potential surplus and deficit impact of a 1% changes in interest rates based on the Council's and the Group's exposures at the end of the reporting period:

Council		2012 \$000			
		+1%	-1%	+1%	-1%
		Effect on Surplus or Deficit		Effect on Other Comprehensive Income	
Interest rate risk	Note				
<b>Financial assets</b>					
Cash and cash equivalents - Council	a	226	(226)	-	-
LGFA - Borrower notes		2	(2)	-	-
Derivatives - Interest rate swaps - hedged	b	-	-	(399)	407
<b>Financial liabilities</b>					
Bank facilities - short term		(20)	20	-	-
Bank term loans		(12)	12	-	-
Commercial paper	c	(130)	130	-	-
Debt securities	d	(390)	390	-	-
Derivatives - Interest rate swaps - hedged	b	-	-	15,498	(16,539)
Derivatives - Interest rate swaps - non-hedged	b	51	(51)	-	-
<b>Total sensitivity to interest rate risk</b>		<b>(273)</b>	<b>273</b>	<b>15,099</b>	<b>(16,132)</b>

#### a. Cash and cash equivalents

Council funds are in a number of different registered bank accounts with interest payable on the aggregation of all accounts. A movement in interest rates of plus or minus 1% has an effect on interest income of \$0.226m.

#### b. Derivatives - interest rate swaps

Derivatives include interest rate swaps with a fair value totalling -\$23.224m. A movement in interest rates of plus 1% has an effect on increasing the unrealised value of the hedged interest rate swaps by \$15.099m. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the hedged interest rate swaps by \$16.132m. A movement in interest rates of plus or minus 1% has an effect on finance costs related to non-hedged derivatives of \$0.051m.

#### c. Commercial paper

Commercial paper is part of a programme and subject to floating rates and totals \$100m. The full exposure to changes in interest rates has been reduced because the Council has \$87m of the debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.130m.

#### d. Debt securities

Debt securities at floating rates total \$212m. The full exposure to changes in interest rates has been reduced because the Council has \$207m of this debt at fixed rates through interest rate swaps. Debt securities at fixed rates total \$44m of which \$34m is subject to changes in interest rates as it has been swapped to floating through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.390m.

## Note 31: Financial instruments - continued

### Equity management

The Group's equity includes accumulated funds and retained earnings, revaluation reserves, a hedging reserve, a fair value through other comprehensive income reserve and restricted funds which comprise special funds, reserve funds and trusts and bequests.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

## Note 32: Analysis of operating surplus by strategic area

This analysis by strategic area is a summary of the “what it cost” information within the Statements of Service Performance. Refer to pages XX to XX for more detailed information including variance explanations in respect of the Council’s strategies and activities.

### Operating Income and Expenditure

Council	Income		Expenditure		Net		Net Variance 2012 \$000
	Actual	Budget	Actual	Budget	Actual	Budget	
	2012	2012	2012	2012	2012	2012	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Strategic area</b>							
Urban development	17,006	11,164	29,223	25,035	(12,217)	(13,871)	1,654
Transport	31,420	33,430	49,830	54,301	(18,410)	(20,871)	2,461
Economic development	14,228	248	35,919	19,968	(21,691)	(19,720)	(1,971)
Environment	23,540	13,489	136,625	133,513	(113,085)	(120,024)	6,939
Cultural wellbeing	1,105	1,195	14,939	15,126	(13,834)	(13,931)	97
Social and recreation	81,223	78,030	97,933	97,367	(16,710)	(19,337)	2,627
Governance	279	245	14,032	14,661	(13,753)	(14,416)	663
<b>Total strategic areas</b>	<b>168,801</b>	<b>137,801</b>	<b>378,501</b>	<b>359,971</b>	<b>(209,700)</b>	<b>(222,170)</b>	<b>12,470</b>
Council	296,531	281,029	24,645	7,711	271,886	273,318	(1,432)
<b>Total strategic areas and Council</b>	<b>465,332</b>	<b>418,830</b>	<b>403,146</b>	<b>367,682</b>	<b>62,186</b>	<b>51,148</b>	<b>11,038</b>

The variance in Urban Development is due to the gain on disposal of the Overseas Passenger Terminal, recognised as a long term lease, being partially offset by a downward movement in the fair value of investment properties and additional expenditure, all relating to the Wellington Waterfront Project.

The variance in Transport is due to the revaluation of roading assets in 2010/11 resulting in lower depreciation and lower interest costs.

The variance in Economic Development is primarily due to the inclusion of Wellington Venues Project into the Council position. The majority of the overall strategy variance is due to the consolidation of Wellington Venues Project trading position and costs associated with the establishment.

The variance in Environment is due to the recognition of unbudgeted vested asset income for water, stormwater and sewerage pipes and higher volumes of contaminated soil waste being disposed at the landfill as well as lower interest costs.

The variance in Social and Recreation is due to additional capital funding being recognised as a result of an increased work programme for the Newtown Park flats upgrade as well as costs savings, primarily on labour costs and organisational overheads.

The variance in Governance is due to lower personnel and organisational overhead costs.

The variance in Council is due to a downwards movement in the fair value of investment properties and an increase in the provision for Weathertight homes.

Other major operating income and expenditure budget variances are explained within Note 33: Major budget variations.

## Note 32: Analysis of operating surplus by strategic areas - continued

Council	Income		Expenditure		Net		Net Variance 2011 \$000
	Actual	Budget	Actual	Budget	Actual	Budget	
	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	
<b>Strategic area</b>							
Urban development	12,386	10,404	31,845	25,694	(19,459)	(15,290)	(4,169)
Transport	33,173	32,130	48,587	50,240	(15,414)	(18,110)	2,696
Economic development	6,214	6,263	24,763	26,116	(18,549)	(19,853)	1,304
Environment	17,653	12,783	125,991	125,477	(108,338)	(112,694)	4,356
Cultural wellbeing	943	1,057	14,375	14,921	(13,432)	(13,864)	432
Social and recreation	71,484	70,246	88,106	89,665	(16,622)	(19,419)	2,797
Governance	672	552	14,769	15,419	(14,097)	(14,867)	770
<b>Total strategic areas</b>	<b>142,525</b>	<b>133,435</b>	<b>348,436</b>	<b>347,532</b>	<b>(205,911)</b>	<b>(214,097)</b>	<b>8,186</b>
Council	273,531	266,850	51,603	3,764	221,928	263,086	(41,128)
<b>Total strategic areas and Council</b>	<b>416,056</b>	<b>400,285</b>	<b>400,039</b>	<b>351,296</b>	<b>16,017</b>	<b>48,989</b>	<b>(32,942)</b>

## Note 33: Major budget variations

Statement of Comprehensive Financial Performance	Council 2012 \$000	Council 2011 \$000
<b>Council actual net surplus</b>	<b>62,186</b>	<b>16,017</b>
<b>Less:</b>		
<b>Fair value movements:</b>		
Cash flow hedge movement reclassified from hedging reserve	(268)	(268)
Fair value hedge movements	217	(360)
Fair value hedge adjustments to borrowings	(217)	360
Derivatives at fair value through surplus or (deficit)	(262)	(107)
Loan amortisation	(4)	(3)
Related party loans	1,002	-
Investment property revaluation	3,418	10,473
<b>Total fair value movements</b>	<b>3,886</b>	<b>10,095</b>
<b>Additional net expenditure from Wellington Waterfront and Venues Projects and Porirua Joint Ventures</b>	<b>3,678</b>	<b>1,284</b>
<b>Changes to external funding for capital expenditure:</b>		
Restricted funds income	196	63
Decrease in development contributions revenue	2,319	4,357
Timing of the Housing New Zealand capital grant	(5,348)	(2,652)
Change in New Zealand Transport Agency reimbursement - capital	1,601	(229)
Additional external funding towards capital projects	(849)	(1,814)
<b>Total changes to external funding for capital expenditure</b>	<b>(2,081)</b>	<b>(275)</b>
<b>Vested assets - income</b>	<b>(7,163)</b>	<b>(4,256)</b>
<b>Vested assets - expenditure</b>	<b>-</b>	<b>1,190</b>
<b>Gain on disposal of assets</b>	<b>(6,701)</b>	<b>(1,009)</b>
<b>Loss on disposal of assets</b>	<b>210</b>	<b>1,313</b>
<b>Loss on disposal of intangible assets</b>	<b>20</b>	<b>-</b>
<b>Expenditure not funded under section 100 of LGA</b>		
New Zealand Transport Agency funded transport projects	(1,772)	(36)
Moa Point treatment plant	(15)	-
Living Earth	(10)	(6)
<b>Total additional expenditure not funded under section 100 of LGA</b>	<b>(1,797)</b>	<b>(42)</b>
<b>Underlying Council actual net surplus</b>	<b>52,238</b>	<b>24,317</b>
<b>less Council budget net surplus</b>	<b>51,148</b>	<b>48,989</b>
<b>Underlying variance</b>	<b>1,090</b>	<b>(24,672)</b>
<b>Unbudgeted revenue/expenditure:</b>		
Restatement of provisions	(9,903)	(33,875)
Insurance costs (net of recoveries) funded through self insurance reserve	(915)	(1,323)
<b>Total unbudgeted revenue/expenditure</b>	<b>(10,818)</b>	<b>(35,198)</b>
<b>Significant variations from budget</b>		
Dividends in excess of budget (including Wellington International Airport Limited)	13,138	3,811
Increase in rates revenue and rates penalties	134	1,039
Decrease in income from activities	(2,366)	(2,992)
Decrease in interest expense	986	2,147
Decrease in other general expenses	265	2,107
Other net variances <sup>1</sup>	601	4,670
<b>Total significant variations from budget</b>	<b>12,758</b>	<b>10,782</b>
<b>Underlying variance available to carry forward</b>	<b>1,940</b>	<b>(24,416)</b>
Variance in ringfenced City Housing deficit	(1,581)	(991)
Variance in ringfenced Waste Activity surplus	731	735
<b>Council underlying variance</b>	<b>1,090</b>	<b>(24,672)</b>

1. Other net variances relate to other reduced costs in programmes, projects and organisational costs.

## Note 33: Major budget variations - continued

### Statement of Changes in Equity

Significant variations from budgeted changes in equity are as follows:

- \$11.038m of higher surplus
- \$14.577m of unbudgeted adjustment relating to the wind-up of the St. James Charitable Trust
- \$3.112m of higher revaluations to property, plant and equipment,

Offset by:

- \$14.723m of decrease in the hedging reserve and,
- \$0.594m of decrease in the fair value through other comprehensive income reserve.

Total equity is \$74.694m higher than budgeted due to the \$13.410m of variations above, and also due to the understated total opening budgeted equity due to timing of the annual plan.

### Statement of Financial Position

Significant variations from budget are as follows:

- Current assets are \$30.680m higher than budget primarily due to unbudgeted short-term deposits of \$20.000m as well as an increase in prepayments, largely due to timing differences.
- Non-current assets are \$104.379m higher than budget primarily due to revaluation movements for property plant and equipment although there have been some offsetting decreases in the fair value of investment properties. Our investment in subsidiaries has also decreased by \$2.700m due to the wind-up of the St. James Charitable Trust.
- Total liabilities are \$60.365m higher than budget due to changes in debt levels from budget as well as a significant increase in our provision for non-weathertight homes over the last two years. Changes in the maturity profile of our debt, as well as changes in the expected timing of leaky home claim payments, have resulted in most of the change in total liabilities being within current liabilities.

### Statement of Cash Flows

The budget variations explained above also contribute to budget variations in the Statement of Cash Flows.

### Note 34: Analysis of capital expenditure by strategic area

This analysis reports capital expenditure performance against the approved budget contained within the Annual Plan by strategic area. The note reflects Wellington City Council capital expenditure only.

<b>Council</b>	<b>Annual Plan Budget</b>	<b>Budget Brought Forward</b>	<b>Total Capex Budget</b>	<b>Budget to Carry Forward</b>	<b>Available Capex Budget</b>	<b>Actual Capex</b>	<b>Variance Net</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>to 2013</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Strategic area</b>							
Urban development	6,688	3,197	9,885	(2,979)	6,906	7,337	(431)
Transport	38,781	7,553	46,334	(8,473)	37,861	38,307	(446)
Economic development	2,201	332	2,533	(1,736)	797	212	585
Environment*	30,610	4,208	34,818	(5,254)	29,564	30,716	(1,152)
Cultural wellbeing	43	232	275	-	275	261	14
Social and recreation	58,967	9,287	68,254	(8,057)	60,197	66,063	(5,866)
Governance	-	31	31	(31)	-	-	-
<b>Total strategic areas</b>	<b>137,290</b>	<b>24,840</b>	<b>162,130</b>	<b>(26,530)</b>	<b>135,600</b>	<b>142,896</b>	<b>(7,296)</b>
Council	16,230	3,839	20,069	(5,032)	15,037	11,324	3,713
<b>Total capital expenditure</b>	<b>153,520</b>	<b>28,679</b>	<b>182,199</b>	<b>(31,562)</b>	<b>150,637</b>	<b>154,220</b>	<b>(3,583)</b>

\*The budget carry forward for 2011-12 includes a carry forward from 2008-09

#### Excluding additional expenditure funded from external sources:

Zoo Trust - Contribution	435
Housing Grant - accrued income	5,348
Waste Activity surplus for capital works	450
Khandallah Town Hall - Cornerstone Trust	157
Indoor Community Sports Centre - NZCT SPARC funding	940
Cobblestone Light Box - Victoria University	17
Willis Street - Citylink	131
Wakefield Park - Lotteries funding	200
Minor funding for capital works	12
<b>Total adjusted net variance</b>	<b>4,107</b>

The capex variance of -\$3.583m has been adjusted for additional external funding received over and above budget.

#### Budget to carry forward

Amounts committed for future expenditure at end of the reporting period from within these capital expenditure budget carry forwards have been included within Note 36: Commitments.

#### Significant acquisitions and replacements of assets

In accordance with the provisions of Schedule 10 of the Local Government Act 2002, information in respect of significant acquisitions and replacements of assets is reported within the Statements of Service Performance.



## Note 34: Analysis of capital expenditure by strategic areas - continued

Council	Original Annual Plan Budget	Budget Brought Forward from 2010 \$000	Total Capex Budget 2011 \$000	Budget to Carry Forward to 2012 \$000	Available Capex Budget 2011 \$000	Actual Capex 2011 \$000	Variance Net 2011 \$000
<b>Strategic area</b>							
Urban development	5,659	6,754	12,413	(3,197)	9,216	7,991	1,225
Transport	43,333	4,485	47,818	(7,553)	40,265	40,975	(710)
Economic development	603	14	617	(332)	285	261	24
Environment	28,182	4,821	33,003	(2,348)	30,655	30,822	(167)
Cultural wellbeing	449	68	517	(232)	285	355	(70)
Social and recreation	81,233	4,083	85,316	(9,287)	76,029	83,752	(7,723)
Governance	104	-	104	(31)	73	8	65
<b>Total strategic areas</b>	<b>159,563</b>	<b>20,225</b>	<b>179,788</b>	<b>(22,980)</b>	<b>156,808</b>	<b>164,164</b>	<b>(7,356)</b>
Council	12,650	6,578	19,228	(3,839)	15,389	13,231	2,158
<b>Total capital expenditure</b>	<b>172,213</b>	<b>26,803</b>	<b>199,016</b>	<b>(26,819)</b>	<b>172,197</b>	<b>177,395</b>	<b>(5,198)</b>
Excluding additional expenditure funded from external sources							
Budget brought forward for artificial pitches							2,625
Housing grant - accrued income							2,373
Zoo Trust - Contribution							603
Wakefield Artificial sportsfield							772
Increase in New Zealand Transport Agency reimbursement							229
Transfer to reserves purchase and development fund							157
Waka Settlement							150
Stormwater development - Moturoa Street							120
Other - less than \$50,000							169
<b>Total adjusted net variance</b>							<b>2,000</b>

## Note 35: Capital expenditure performance

### Capital expenditure projects

The following analysis shows the actual capital expenditure against budget. Projects are classified according to the strategic area. Detailed commentaries on each strategic area, activity and the outcomes that they contribute towards are contained in the strategy area section of the Statements of Service Performance.

	Actual Expenditure <sup>1</sup> 2012 \$000	Proposed Budget Carry Forward <sup>2</sup> 2012 \$000	Total Forecast Expenditure 2012 \$000	Budget <sup>3</sup> 2012 \$000	Notes
<b>Urban development</b>					
Urban planning and policy development	197	1,494	1,691	2,434	
Earthquake risk mitigation	948	42	990	989	
Waterfront development	4,700	-	4,700	3,444	4
Public space and centre developments	1,492	1,443	2,935	3,018	
<b>Total Urban development</b>	<b>7,337</b>	<b>2,979</b>	<b>10,316</b>	<b>9,885</b>	
<b>Transport</b>					
Vehicle network	24,459	7,192	31,651	31,135	
Passenger transport network	558	913	1,471	2,565	
Network-wide control and management	2,324	-	2,324	2,312	
Cycle network	1,127	243	1,370	1,369	
Pedestrian network	4,940	-	4,940	5,006	
Road safety	2,542	125	2,667	2,632	
Other	2,357	-	2,357	1,315	5
<b>Total Transport</b>	<b>38,307</b>	<b>8,473</b>	<b>46,780</b>	<b>46,334</b>	
<b>Economic development</b>					
Visitor attractions and Convention venues	212	1,736	1,948	2,533	
<b>Total Economic development</b>	<b>212</b>	<b>1,736</b>	<b>1,948</b>	<b>2,533</b>	
<b>Environment</b>					
Botanical gardens	444	364	808	808	
Water network	12,223	1,030	13,253	13,523	
Stormwater management	4,001	-	4,001	3,957	
Sewage collection and disposal network	8,069	397	8,466	8,411	
Waste minimisation, disposal and recycling management	1,103	393	1,496	1,124	6
Zoo	2,105	2,446	4,551	4,531	
Other	2,771	624	3,395	2,464	7
<b>Total Environment</b>	<b>30,716</b>	<b>5,254</b>	<b>35,970</b>	<b>34,818</b>	
<b>Cultural Wellbeing</b>					
Other	261	-	261	275	
<b>Total Cultural wellbeing</b>	<b>261</b>	<b>-</b>	<b>261</b>	<b>275</b>	

1. Actual capital expenditure consists of all expenditure 2011/12 including expenditure against carry forwards.
2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.
3. Budgets comprise 2011/12 Annual Plan budgets brought forward into 2011/12 from the previous financial period.
4. Council approved increased short term advance funding for the Waterfront development project.
5. Council approved overspend for timing of capital works for parking meters.
6. Funded by Waste Activity prior year surplus.
7. Council approved land purchases funded by receipts from developers for this purpose.

## Note 35: Capital expenditure performance - continued

	Actual Expenditure <sup>1</sup> 2012 \$000	Proposed Budget Carry Forward <sup>2</sup> 2012 \$000	Total Forecast Expenditure 2012 \$000	Budget <sup>3</sup> 2012 \$000	Notes
<b>Social and recreation</b>					
Libraries network	2,066	-	2,066	2,606	
Swimming pools	4,417	5,399	9,816	9,817	
Synthetic turf sportsfields	1,074	-	1,074	900	8
Indoor Community Sports Centre	5,595	12	5,607	4,748	9
Public toilets	418	313	731	731	
Community housing	49,102	1,931	51,033	45,947	10
Other	3,391	402	3,793	3,505	11
<b>Total Social and recreation</b>	<b>66,063</b>	<b>8,057</b>	<b>74,120</b>	<b>68,254</b>	
<b>Governance</b>					
City governance and engagement	-	31	31	31	
<b>Total Governance</b>	<b>-</b>	<b>31</b>	<b>31</b>	<b>31</b>	
<b>Council</b>					
Organisational projects including IT	11,324	5,032	16,356	20,069	
<b>Total Council</b>	<b>11,324</b>	<b>5,032</b>	<b>16,356</b>	<b>20,069</b>	
<b>Total capital expenditure projects</b>	<b>154,220</b>	<b>31,562</b>	<b>185,782</b>	<b>182,199</b>	

1. Actual capital expenditure consists of all expenditure 2011/12 including expenditure against budget carry forwards.
2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.
3. Budgets comprise 2011/12 Annual Plan budgets brought forward into 2011/12 from the previous financial period.
8. Funded by grant funding received.
9. Additional fit out costs for the ASB sports centre funded by tenants and grants received.
10. Funded by Crown housing grant.
11. Mainly relates to additional works completed on the Khandallah Town Hall. This work was funded by community fundraising.

**Note 36: Commitments**

Capital commitments	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Approved and contracted - property, plant and equipment	63,935	91,841	63,935	93,491
Approved and contracted - investment properties	6,940	230	6,940	230
Approved and contracted - intangibles	821	302	821	302
Approved and contracted - share of associates	-	-	2,400	1,650
<b>Total capital commitments</b>	<b>71,696</b>	<b>92,373</b>	<b>74,096</b>	<b>95,673</b>

The capital commitments above often span more than one financial year and includes the capital expenditure carried forward from Note 34: Analysis of capital expenditure by strategic area, which forms only part of the total commitments shown.

**Operating leases – Group as lessee**

The Group leases certain items of plant, equipment, land and buildings under various non-cancellable operating lease agreements.

The lease terms are between 2 and 21 years and the majority of the lease agreements are generally renewable at the end of the lease period at market rates.

The amount of minimum payments for non-cancellable operating leases is recognised as an expense in Note 6: Expenditure on operating activities.

The future expenditure committed by these leases is analysed as follows:

Non-cancellable operating lease commitments as lessee	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Plant and equipment</b>				
Not later than one year	194	127	345	128
Later than one year and not later than five years	17	151	219	151
Later than five years	-	-	-	-
<b>Land and buildings</b>				
Not later than one year	1,909	1,710	2,328	1,986
Later than one year and not later than five years	3,763	3,908	4,218	4,641
Later than five years	1,760	4,011	1,760	4,202
<b>Total non-cancellable operating lease commitments as lessee</b>	<b>7,643</b>	<b>9,907</b>	<b>8,870</b>	<b>11,108</b>

**Operating leases – Group as lessor**

The Group has also entered into commercial property leases of its investment property portfolio and other land and buildings.

The land and buildings held for investment purposes are properties which are not held for operational purposes and are leased to external parties.

Ground leases are parcels of land owned by the Group in the central city or on the waterfront that are leased to other parties who own the buildings situated on the land. The leases are generally based on 21-year perpetually renewable terms. As these parcels of land are held for investment purposes the rentals are charged on a commercial market basis.

**Note 36: Commitments - continued**

The land and buildings not held for investment purposes are either used to accommodate the Group's operational activities or are held for purposes such as road widening, heritage, or are being monitored for compliance reasons. In some cases, parts of these assets are leased to external parties on a commercial basis. The terms of these commercial leases generally range from 1 to 15 years.

The committed revenues expected from these lease portfolios are analysed as follows:

Non-cancellable operating lease commitments as lessor	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
<b>Investment properties</b>				
Not later than one year	9,755	9,689	9,755	9,689
Later than one year and not later than five years	36,430	31,460	36,430	31,460
Later than five years	97,720	78,938	97,720	78,938
<b>Land and buildings</b>				
Not later than one year	4,848	2,588	3,787	2,390
Later than one year and not later than five years	9,326	5,010	5,115	4,991
Later than five years	11,238	10,125	11,146	10,125
<b>Total non-cancellable operating lease commitments as lessor</b>	<b>169,317</b>	<b>137,810</b>	<b>163,953</b>	<b>137,593</b>

**Commitments to related parties**

The Council and Group have no commitments to key management personnel beyond normal employment obligations.

The Council has commitments to its subsidiaries and associates only to the extent of the expenditure approved in the Long Term Plan for the period ending 30 June 2013. Other expenditure approved as part of the Long Term Plan for the period from 1 July 2014 to 30 June 2022 is subject to change and approval each year through the Annual Plan.

Council	2012/13 \$000	2014-2022 \$000	Total \$000
<b>Subsidiaries</b>			
Wellington Waterfront	1,076	9,680	10,756
Wellington Zoo Trust	2,799	25,191	27,990
Wellington Museums Trust	7,710	69,393	77,103
Positively Wellington Tourism	6,940	63,888	70,828
Carter Observatory	300	2,700	3,000
Wellington Venues	102	921	1,023
<b>Total subsidiary commitments</b>	<b>18,927</b>	<b>171,773</b>	<b>190,700</b>
<b>Associates</b>			
Basin Reserve Trust	355	3,195	3,550
<b>Total associate commitments</b>	<b>355</b>	<b>3,195</b>	<b>3,550</b>
<b>Other related parties</b>			
Karori Wildlife Sanctuary Trust	365	1,400	1,765
<b>Total other related party commitments</b>	<b>365</b>	<b>1,400</b>	<b>1,765</b>
<b>Total related party commitments</b>	<b>19,647</b>	<b>176,368</b>	<b>196,015</b>

## Note 37: Contingencies

Contingent liabilities	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Financial guarantees to community groups	800	900	800	900
Uncalled capital - LGFA	2,000	-	2,000	-
Other legal proceedings	280	340	280	340
Share of associates' contingent liabilities	-	-	-	-
Share of joint ventures' contingent liabilities	-	-	-	-
<b>Total contingent liabilities</b>	<b>3,080</b>	<b>1,240</b>	<b>3,080</b>	<b>1,240</b>

The financial guarantees to community groups above are analysed below:

Outstanding debt subject to Council guarantees	Council		Group	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Karori Wildlife Sanctuary Trust	800	900	800	900
<b>Total outstanding debt subject to Council guarantees</b>	<b>800</b>	<b>900</b>	<b>800</b>	<b>900</b>

### Karori Wildlife Sanctuary Trust

The Council has provided a guarantee over a term loan facility to a maximum limit of \$1.550m plus any outstanding interest and enforcement costs.

### NZ Local Government Funding Agency Limited (LGFA)

As a shareholder in the LGFA the Council has subscribed \$2.000m in paid up capital and \$2.000m in uncalled capital. Each of the local authority 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 the guarantee obligations of other participating local authorities to the LGFA, in the event of default. In such event, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's rates income. 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. The Council has been unable to determine a sufficiently reliable fair value for the guarantee and has therefore not recognised a liability. The Council believes the risk of a further call on capital or of the guarantee being called on and any financial loss arising from the guarantee is remote.

### Other legal proceedings

Other legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid. The outcome of these remains uncertain at the end of the reporting period. The maximum exposure to Council is anticipated to be less than \$0.280m.

### Unquantified contingent liabilities

The Government's Financial Assistance Package for Leaky Buildings was given Royal assent on 22 July 2011. The package aims to help people get their leaky homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair costs and affected homeowners funding the remaining 50% backed by a Government loan guarantee. The impact that this package will have on future claim numbers and the quantum of those claims remains unknown at this stage since the scheme is still in its early stage. A provision for known claims and future claims has been made (refer Note 23: Provisions), but there may be an uplift in the number of claims as a result of the Government package. The impact and cost of this potential uplift in claims is unknown at this stage and cannot be measured reliably and therefore the Council and Group have an unquantified contingent liability.

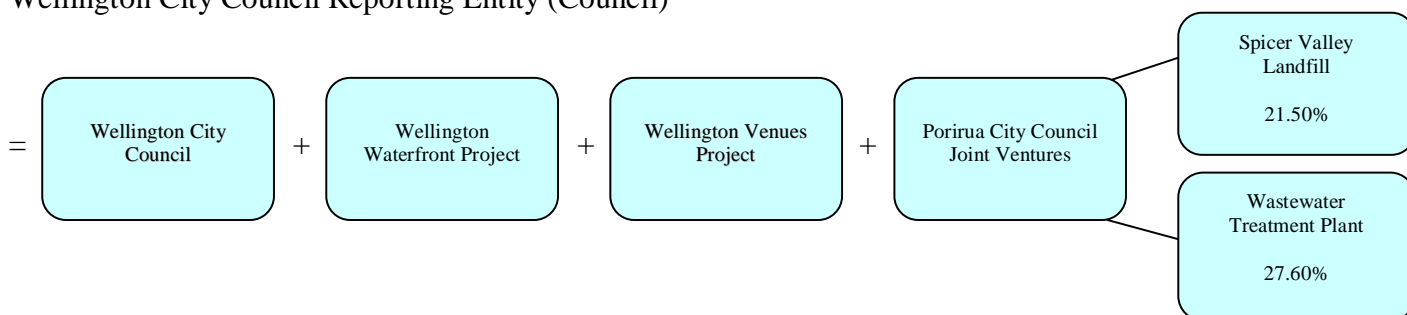
There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant. The possibility of any outflow in settlement in these cases is assessed as remote.

### Contingent assets

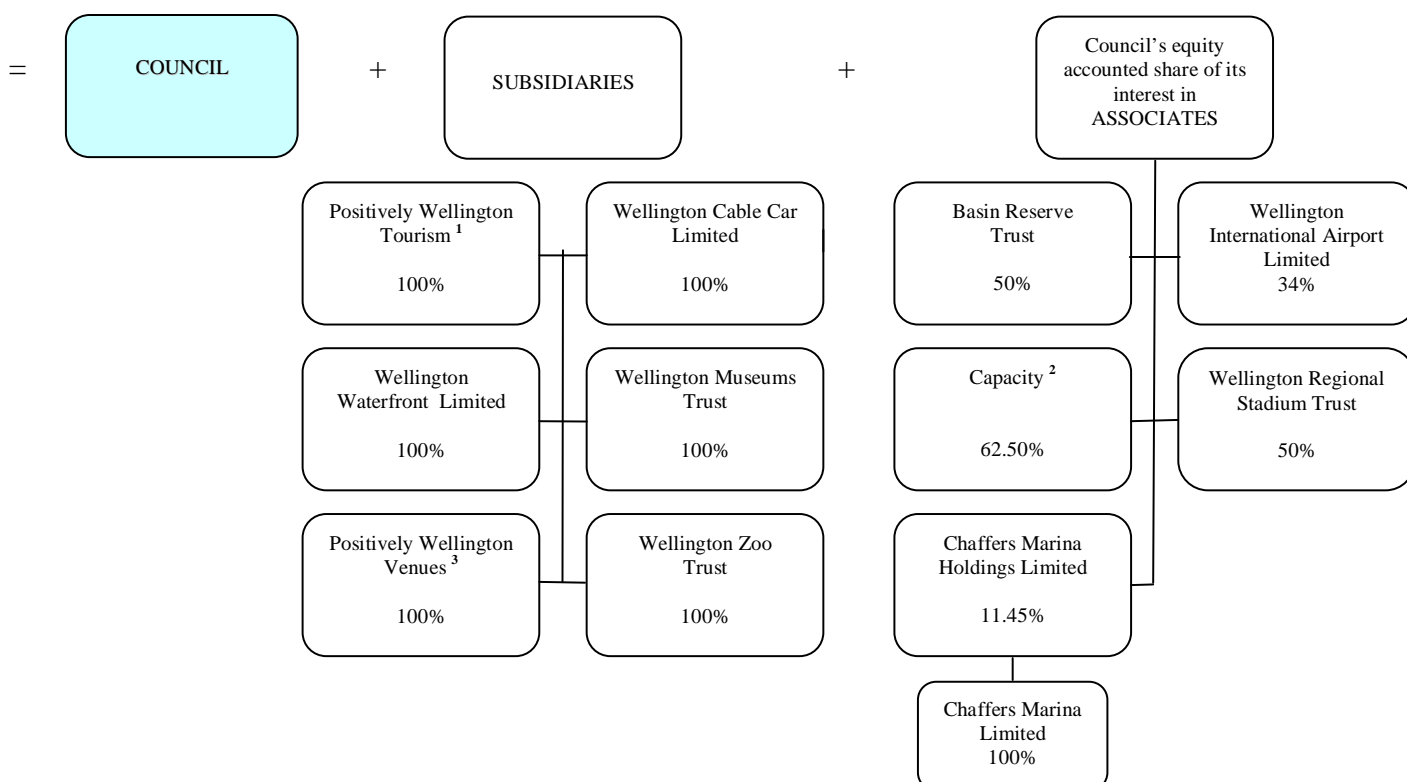
The Council and Group have no contingent assets as at 30 June 2012 (2011: \$Nil).

Note 38: Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



The Council has established several Council Controlled Organisations (CCO's) and Council Controlled Trading Organisations (CCTO's) to help it achieve its goals for Wellington. These organisations were set up to independently manage Council facilities, or deliver specific services and developments on behalf of Wellington residents. A report on these organisations is found on page XX. Council has made appointments to other organisations, which make them Council Organisations (as defined in the Local Government Act 2002) but they are not Council controlled or part of the Group.

St James Theatre Charitable Trust and St James Theatre Limited have not been included in the above diagram. They ceased trading at 30 June 2011, all assets and operations have been transferred, but the wind-up process has not been fully completed as at 30 June 2012.

Percentages above represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group.

1. The legal name of the subsidiary is the Partnership Wellington Trust Inc.
2. The legal name of the associate is Capacity Infrastructure Services Limited.
3. The legal name of the subsidiary is Wellington Venues Limited.

### Note 39: Joint ventures

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2012	Interest 2011	Nature of business
Wastewater treatment plant – Porirua City Council	27.6%	27.6%	Owens and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs.
Spicer Valley Landfill – Porirua City Council	21.5%	21.5%	Owens and operates a sanitary landfill that provides services to Wellington City's northern suburbs.

The end of the reporting period for the joint ventures is 30 June. Included in the financial statements are the following items that represent the Council's and Group's interest in the assets and liabilities of the joint ventures.

Share of Net Assets	2012 \$000	2011 \$000
<b>Assets</b>		
<b>Current</b>		
Inventory	5	1
Trade and other receivables	-	1,340
<b>Non-current</b>		
Property, plant and equipment	19,444	17,803
<b>Share of total assets</b>	<b>19,449</b>	<b>19,144</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	62	-
<b>Non-current</b>		
Borrowings	1,242	1,377
Provisions for other liabilities	1,680	979
<b>Share of total liabilities</b>	<b>2,984</b>	<b>2,356</b>
<b>Share of net assets</b>	<b>16,465</b>	<b>16,788</b>

The Council's and Group's share of the joint ventures' current year net surplus and revaluation movements (after elimination) included in the financial statements are shown below.

Share of Net Surplus and Revaluation Movements	2012 \$000	2011 \$000
Operating revenue	611	690
Operating expenditure	(858)	(605)
<b>Share of net surplus or (deficit)</b>	<b>(247)</b>	<b>85</b>
<b>Share of current year revaluation movement</b>	<b>(82)</b>	<b>1,528</b>

The Council's and Group's share of the joint ventures' capital commitments is \$Nil (2011: \$Nil) and contingent liabilities is \$Nil (2011: \$Nil).



**Note 40: Investment in Subsidiaries**

The following entities are subsidiaries of Council:

Subsidiary	Interest 2012	Interest 2011	Nature of business
Positively Wellington Tourism (Partnership Wellington Trust Inc)	100%	100%	Creates economic and social benefit by marketing the city with the private sector as a visitor destination.
Wellington Waterfront Limited	100%	100%	Manages the Wellington Waterfront Project.
Wellington Cable Car Limited	100%	100%	Owns and manages the trolley bus overhead wiring system and the Cable Car.
Wellington Museums Trust	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Colonial Cottage Museum, the Carter Observatory and the Museum of Wellington City and Sea
Positively Wellington Venues (Wellington Venues Limited)	100%	100%	Manages the Wellington Venues Project.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

The reporting period end date for all subsidiaries is 30 June. Full copies of their financial statements can be obtained directly from their offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the Report on Council Controlled Organisations (page XX).

The cost of the Council's investment in subsidiaries is reflected in the Council's financial statements as follows:

Investment in subsidiaries	2012 \$000	2011 \$000
St James Theatre Charitable Trust	-	2,700
Wellington Cable Car Limited	3,809	3,809
<b>Total investment in subsidiaries</b>	<b>3,809</b>	<b>6,509</b>

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to subsidiaries. The Council has only made equity investments in Wellington Cable Car Limited. Nominal settlement amounts (i.e. \$100) made in respect of Trusts, for which Council is the settlor, have not been recognised due to their materiality.

Information on inter-company transactions is included in the Note 42: Related party disclosures.

**St James Theatre Charitable Trust wind-up**

From 1 July 2011 the St James Theatre Charitable Trust and St James Limited ceased trading and the management of the St James Theatre and Opera House was transferred to Wellington Venues Limited. All assets and any residual liabilities of the St James Theatre Charitable Trust and St James Limited were transferred to the Council, with operational assets transferred to the Wellington Venues Project, effective from 1 July 2011.

The amount transferred is broken down as follows:

	2012 \$000
Property, plant and equipment transferred to Council at book value	18,377
Loan repaid by Council	(1,100)
Reversal of Council investment	(2,700)
<b>Total transferred</b>	<b>14,577</b>

## Note 41: Investment in Associates

The Council has a significant interest in the following associates:

Associate	Interest 2012	Interest 2011	Nature of business
Basin Reserve Trust	50%	50%	Manages, operates and maintains the Basin Reserve
Capacity (Capacity Infrastructure Services Limited)	62.5%	62.5%	Jointly manages water services for Wellington and Lower Hutt cities.
Chaffers Marina Holdings Limited	11.45%	11.45%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	100%	100%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Regional Stadium Trust	50%	50%	Owns and manages the Westpac Stadium.

Full copies of the associates' separately prepared financial statements can be obtained directly from their offices.

### Basin Reserve Trust

The Basin Reserve Trust was established on 24 February 2005 to manage, operate and maintain the Basin Reserve and has a reporting period end date of 30 June. The Trust was jointly created with Cricket Wellington Incorporated (CWI). Wellington City Council and CWI each appoint two of the four trustees. Wellington City Council has significant influence over the Trust through the appointment of trustees, and receives benefits from the complementary activities of the Trust. On this basis the Trust is recognised as an associate of the Council in accordance with NZ IAS 28: *Investments in Associates*. It is therefore appropriate to recognise the interest that Wellington City ratepayers have in the Trust within the Council's financial statements. As each party has equal power to appoint Trustees, Wellington City Council's ownership interest in the Trust has been accounted for at 50%.

### Capacity

Capacity, the trading name for Capacity Infrastructure Services Limited was jointly created with Hutt City Council on 9 July 2003 and has a reporting period ending 30 June. Wellington City Council and Hutt City Council each own Class A and Class B shares in the company.

	Wellington City Council	Hutt City Council	Shares on Issue
Class A shares (voting rights)	150	150	300
Class B shares (financial entitlements)	188	112	300

The Class A shares represent voting rights and are split evenly between the two Councils. The Class B shares confer the level of contributions and ownership benefits of each council. Wellington City Council holds 188 Class B shares, and Hutt City Council holds 112. The company is considered to be jointly controlled because of the equal sharing of voting rights conferred through the Class A shares and is therefore an associate of both Wellington City Council and Hutt City Council in accordance with NZ IAS 28: *Investments in Associates*. Each Council will equity account for their respective ownership interest as determined by the proportionate value of Class A and Class B shares held. Wellington City Council's ownership interest in the company is 62.5%.

### Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2012 Council held an 11.45% interest in Chaffers Marina Holdings Limited (2011: 11.45%) which has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

**Note 41: Investment in Associates - continued****Wellington International Airport Limited**

Wellington International Airport Limited has a reporting period end date of 31 March. The ultimate majority owner, Infratil Limited, has determined a different end of reporting period to Council, which is legislatively required to use 30 June. The Council owns 34% of the company, with the remaining 66% owned by NZ Airports Limited (which is wholly owned by Infratil Limited).

**Wellington Regional Stadium Trust**

Wellington Regional Stadium Trust was jointly created with Greater Wellington Regional Council and has a reporting period end date of 30 June. Wellington City Council has significant influence over the Wellington Regional Stadium Trust through the appointment of Trustees and receives benefits from the complementary activities of the Trust. On this basis the Trust is an associate of the Council in accordance with NZ IAS 28: *Investments in Associates*. It is therefore appropriate to recognise the interest that Wellington City ratepayers have in the Trust within the Council's financial statements. As each Council has equal power to appoint Trustees, Wellington City Council's ownership interest in the Trust has been accounted for at 50%.

**Summary of Financial Position and Performance of Associates**

The Council's share of the assets, liabilities, revenues and surpluses or deficits of the associates is as follows:

Associates	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2012 \$000	2012 \$000	2012 \$000	2012 \$000
Basin Reserve Trust	628	53	300	(69)
Capacity	1,149	925	4,873	53
Chaffers Marina Holdings Limited	688	125	99	(23)
Wellington International Airport Limited	270,192	131,388	33,819	7,289
Wellington Regional Stadium Trust	48,212	10,448	9,353	1,855

Associates	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2011 \$000	2011 \$000	2011 \$000	2011 \$000
Basin Reserve Trust	728	84	193	(134)
Capacity	804	633	4,588	(37)
Chaffers Marina Holdings Limited	910	154	134	(35)
Wellington International Airport Limited	254,978	131,164	39,015	(931)
Wellington Regional Stadium Trust	48,969	13,159	8,331	1,628

**Investment in associates**

The cost of the Council's investment in associates is reflected in the Council financial statements as follows:

Investment in associates	Council	
	2012 \$000	2011 \$000
Capacity	376	376
Chaffers Marina Holdings Limited	1,368	1,368
Wellington International Airport Limited	17,775	17,775
<b>Total investment in associates</b>	<b>19,519</b>	<b>19,519</b>

**Note 41: Investment in Associates - continued**

The investment in associates in the Group financial statements represents the Council's share of the net assets of the associate. This is reflected in the Group financial statements as follows:

<b>Investment in associates</b>	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>Basin Reserve Trust</b>		
Opening balance	643	777
Equity accounted earnings of associate	(69)	(134)
<b>Closing balance - investment in Basin Reserve Trust</b>	<b>574</b>	<b>643</b>
<b>Capacity</b>		
Opening balance	173	210
Equity accounted earnings of associate	53	(37)
<b>Closing balance - investment in Capacity</b>	<b>226</b>	<b>173</b>
<b>Chaffers Marina Holdings Limited</b>		
Opening balance	1,037	1,023
Change in shares during the year	-	(37)
Change in equity due to changed shareholding	-	86
Equity accounted earnings of associate	(23)	(35)
<b>Closing balance - investment in Chaffers Marina Holdings Limited</b>	<b>1,014</b>	<b>1,037</b>
<b>Wellington International Airport Limited</b>		
Opening balance	108,842	117,405
Dividends	(22,426)	(9,061)
Equity accounted earnings of associate	7,289	(931)
Share of net revaluation of property, plant and equipment - movement	33,437	-
Share of hedging reserve - movement	1,072	1,429
Adjustment for sale of i-site	1,745	-
<b>Closing balance - investment in Wellington International Airport Limited</b>	<b>129,959</b>	<b>108,842</b>
<b>Wellington Regional Stadium Trust</b>		
Opening balance	34,796	33,168
Equity accounted earnings of associate	1,855	1,628
<b>Closing balance - investment in Wellington Regional Stadium Trust</b>	<b>36,651</b>	<b>34,796</b>

**Note 41: Investment in Associates - continued**

The Council's share of the results of the Basin Reserve Trust, Capacity, Chaffers Marina Holdings Limited, Wellington International Airport Limited and the Wellington Regional Stadium Trust is as follows:

Share of associates' surplus/(deficit)	Group	
	2012 \$000	2011 \$000
<b>Basin Reserve Trust</b>		
Share of net surplus/(deficit) before tax	(69)	(134)
Tax (expense)/credit	-	-
<b>Share of associate's surplus/(deficit) - Basin Reserve Trust</b>	<b>(69)</b>	<b>(134)</b>
<b>Capacity</b>		
Share of net surplus before tax	53	(37)
Tax (expense)/credit	-	-
<b>Share of associate's surplus - Capacity</b>	<b>53</b>	<b>(37)</b>
<b>Chaffers Marina Holdings Limited</b>		
Share of net surplus/(deficit) before tax	(23)	(35)
Tax (expense)/credit	-	-
<b>Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited</b>	<b>(23)</b>	<b>(35)</b>
<b>Wellington International Airport Limited</b>		
Share of net surplus before tax	5,985	5,306
Tax (expense)/credit	1,304	(6,237)
<b>Share of associate's surplus - Wellington International Airport Limited</b>	<b>7,289</b>	<b>(931)</b>
<b>Wellington Regional Stadium Trust</b>		
Share of net surplus before tax	1,855	1,628
Tax (expense)/credit	-	-
<b>Share of associate's surplus - Wellington Regional Stadium Trust</b>	<b>1,855</b>	<b>1,628</b>
<b>Total share of associates' surplus/(deficit)</b>	<b>9,105</b>	<b>491</b>

## Note 42 : Related party disclosures

### Identity of related parties

In this section, the Council discloses the remuneration and related party transactions of key management personnel, which comprises the directors (Councillors and the Mayor), the Chief Executive and all members of the Council's Management Board. All members of the Group are also considered to be related parties of Wellington City Council, including its joint ventures, subsidiaries and associates.

Key management personnel	Council			
	2012		2011	
	\$		\$	
<b>Chief Executive and Management Board</b>				
Short-term employee benefits	2,627,432		2,636,432	
Post employment benefits	17,791		19,171	
Termination benefits	-		-	
	<b>2,645,223</b>		<b>2,655,604</b>	
	Council		Group	
	2012	2011	2012	2011
	\$		\$	
<b>Council Members (Directors)</b>				
Short-term employee benefits	1,358,825	1,329,345	1,523,919	1,458,106
<b>Total remuneration paid to key management</b>			<b>4,169,142</b>	<b>4,113,710</b>

### Chief Executive's remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the Local Government Act 2002. The total cost to the Council (including fringe benefit tax), of the remuneration package paid or payable for the reporting period ended 30 June 2012 was \$423,457 (2011: \$406,232).

Under the terms of his agreement, the Chief Executive of the Council chooses how he wishes to take his remuneration package (salary only or a combination of salary and benefits). A remuneration review for the Chief Executive was completed for the period from 3 March 2010 to 30 June 2011 in September 2011. As a result the cost incurred during the 2011/12 year was higher than his annual remuneration package as shown below:

Remuneration of the Chief Executive	Council	
	2012	2011
	\$	
<b>Short-term employee benefits</b>		
Salary	394,206	380,582
Motor vehicle and carpark (including FBT)	25,025	25,650
<b>Total remuneration of the Chief Executive</b>	<b>419,231</b>	<b>406,232</b>

**Note 42: Related party disclosures - continued****Councillors' remuneration**

Councillors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to the Mayor or a Councillor during the reporting period. The Mayor and Councillors are considered directors as they occupy the position of a member of the governing body of the Council reporting entity. The disclosures for the Group include the remuneration of the Mayor and the appropriate Councillors in their role as trustees or directors of entities within the Group.

The following people held office as, either or both, elected members of the Council's governing body, and trustees or directors of entities comprising the Group during the reporting period. The total remuneration attributed to the Mayor and Councillors during the year from 1 July 2011 to 30 June 2012 was \$1,523,919 (2011: \$1,458,106) and is disaggregated and classified as follows:

Council Member	Monetary Remuneration			Non Monetary Remuneration	Total Council Remuneration 2012	Director/ Trustee Fees	Total Remuneration 2012
	Salary	Resource Consent Hearing Fees	Allowances				
	\$	\$	\$	\$	\$	\$	\$
Ahipene-Mercer, Ray	79,700	-	360	3,000	83,060	15,000	98,060
Best, Ngaire	79,700	675	360	3,000	83,735	15,000	98,735
Cook, Stephanie	84,585	-	360	3,000	87,945	-	87,945
Coughlan, Jo	79,700	-	360	3,000	83,060	15,000	98,060
Eagle, Paul	79,700	1,360	360	3,000	84,420	15,000	99,420
Foster, Andy	89,650	3,250	360	3,000	96,260	15,000	111,260
Gill, Leonie	84,585	1,820	-	3,000	89,405	-	89,405
Lester, Justin	79,700	1,620	330	3,000	84,650	15,000	99,650
McKinnon, Ian	96,700	800	360	3,000	100,860	42,094	142,954
Marsh, Simon	65,430	-	360	3,000	68,790	15,000	83,790
Morrison, John	79,700	-	360	3,000	83,060	18,000	101,060
Pannett, Iona	79,700	-	360	3,000	83,060	-	83,060
Pepperell, Bryan	79,700	1,800	360	3,000	84,860	-	84,860
Ritchie, Helene	79,700	-	360	3,000	83,060	-	83,060
Wade-Brown, Celia	159,600	-	-	3,000	162,600	-	162,600
<b>Totals</b>	<b>1,297,850</b>	<b>11,325</b>	<b>4,650</b>	<b>45,000</b>	<b>1,358,825</b>	<b>165,094</b>	<b>1,523,919</b>
	<b>Total monetary remuneration</b>				<b>1,313,825</b>	<b>165,094</b>	<b>1,478,919</b>
	<b>Total non- monetary remuneration</b>				<b>45,000</b>	<b>-</b>	<b>45,000</b>

**Salary**

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the Local Government Act 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2011/12 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

**Resource consent hearings payments**

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those Councillors who sit as members of the Hearings Committee for hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members, who act in this capacity, are paid at the rate of \$100 per hour for the Chair and \$80 per hour for other members.

**Note 42: Related party disclosures - continued****Taxable and non-taxable allowances – mileage, broadband services and mobile phones**

Councillors are entitled to claim an allowance for mileage for which the rates are set by the Remuneration Authority. However, from December 2008, Councillors voluntarily decided to forgo receiving this allowance.

Councillors are able to choose either of the following two options:

- The payment of a communication allowance of \$30 per month; or
- The reimbursement of any Council related communication costs, over and above any communication costs they would normally incur, payable on receipt of the appropriate documentation required under the provisions of the Remuneration Authority's determination.

Both the allowance and reimbursement options are non-taxable. Only the payments under the allowance option have been included as remuneration in the schedule above.

The level of all allowances payable to the Council's elected members has been approved by the Remuneration Authority and is reviewed by the Authority on an annual basis.

**Non-monetary**

In addition, the Mayor and Councillors receive non-monetary remuneration in relation to car parking space provided. The Councillors have shared office and working space available for use, and access to phones and computers. Professional indemnity and trustee liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

**Director/Trustee Fees**

The above director/trustee remuneration was paid to the following Council members in their capacity as Council appointees to the following organisations:

Council Member	Position	Director / Trustee Fees		Organisation	Council Interest %
		Subsidiaries \$	Associates \$		
Ahipene-Mercer, Ray	Trustee	15,000	-	Wellington Museums Trust	100.0
Best, Ngaire	Director	15,000	-	Positively Wellington Venues	100.0
Coughlan, Jo	Trustee	15,000	-	Positively Wellington Tourism	100.0
Eagle, Paul	Director	15,000	-	Positively Wellington Venues	100.0
Foster, Andy	Director	-	15,000	Capacity	62.5
Lester, Justin	Director	15,000	-	Wellington Waterfront Limited	100.0
McKinnon, Ian	Director	-	42,094	Wellington International Airport Limited	34.0
Marsh, Simon	Trustee	15,000	-	Wellington Zoo Trust	100.0
Morrison, John	Trustee	-	18,000	Wellington Regional Stadium Trust	50.0
<b>Total director and trustee fees</b>		<b>90,000</b>	<b>75,094</b>		

**Material related party transactions – key management personnel**

During the year key management personnel, as part of normal local authority relationships, were involved in transactions of a minor and routine nature with the Council on normal commercial terms (such as payment of rates and purchases of rubbish bags).

These transactions were on normal commercial terms. Except for these transactions no key management personnel have entered into related party transactions with the Group.

The Mayor and Councillor's disclose their personal interests in a register available on the Council Website.

There are no commitments to key management personnel.



**Note 42: Related party disclosures - continued****Material related party transactions – other organisations****- NZ Local Government Funding Agency Limited (LGFA)**

The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 18 regional, district and city councils throughout New Zealand that own 80% of the issued capital, with the Government holding the remaining 20%. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) with an initial investment of \$2.000m representing 8% of paid-up capital.

**- Karori Wildlife Sanctuary Trust (Zealandia)**

The Council has influence in the governance, funding and operations of the Karori Wildlife Sanctuary Trust (trading as Zealandia) which is not part of the Group, to the extent that it is considered appropriate to disclose the nature of the transactions as being between related parties.

The Council appoints three of the seven trustees including the Chair. Operational funding of \$0.040m was made during the year to 30 June 2012. The Council has a concessionary loan totalling \$10.347m on interest free terms to the Trust. Further information on the loan is included in Note 13: Other financial assets.

**Intra group transactions and balances**

During the year the Council has entered into several transactions with its joint venture partner Porirua City Council. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

<b>Intra group transactions and balances - Joint ventures</b>	<b>2012</b>	<b>2011</b>
	<b>\$000</b>	<b>\$000</b>
<b>Expenditure incurred by the Council to fund the operation and management of:</b>		
Porirua - waste water treatment plant	1,537	1,528

**Note 42: Related party disclosures - continued**

During the year the Council has entered into several transactions with its subsidiaries. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

<b>Intra group transactions and balances - Subsidiaries</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
<b>Dividend received from:</b>		
Wellington Cable Car Limited	10	-
<b>Revenue for services provided by the Council to:</b>		
Positively Wellington Tourism	160	127
Positively Wellington Waterfront	2	2
St James Theatre Charitable Trust	-	61
Wellington Cable Car Limited	63	60
Wellington Museums Trust	2,377	2,837
Wellington Zoo Trust	524	1,199
	<b>3,126</b>	<b>4,286</b>
<b>Expenditure incurred by the Council to fund operations and management of:</b>		
Positively Wellington Tourism	5,940	5,940
Positively Wellington Waterfront	1,075	1,200
St James Theatre Charitable Trust	-	372
Wellington Museums Trust	8,010	7,574
Wellington Zoo Trust	2,799	2,799
	<b>17,824</b>	<b>17,885</b>
<b>Expenditure for services provided to the Council by:</b>		
Positively Wellington Tourism	128	176
St James Theatre Charitable Trust	-	23
Wellington Cable Car Limited	195	1,627
Wellington Museums Trust	230	51
Wellington Venues Limited	5,428	1,312
Wellington Zoo Trust	1,112	1,627
	<b>7,093</b>	<b>4,816</b>
<b>Current receivables owing to the Council from:</b>		
Positively Wellington Waterfront	1	-
St James Theatre Charitable Trust	-	14
Wellington Cable Car Limited	1	-
Wellington Museums Trust	598	701
Wellington Zoo Trust	489	412
	<b>1,089</b>	<b>1,127</b>
<b>Current payables owed by the Council to:</b>		
Positively Wellington Tourism	-	3
St James Theatre Charitable Trust	-	158
Wellington Cable Car Limited	193	1
Wellington Museums Trust	172	-
Wellington Venues Limited	362	202
Wellington Zoo Trust	617	58
	<b>1,344</b>	<b>422</b>

**Current receivables and payables**

The receivables and payables balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

**Note 42: Related party disclosures - continued**

During the year the Council has entered into several transactions with its associates. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

<b>Intra group transactions and balances - Associates</b>	<b>2012 \$000</b>	<b>2011 \$000</b>
<b>Dividend received from:</b>		
Wellington International Airport Limited	22,426	9,061
<b>Revenue for services provided by the Council to:</b>		
Basin Reserve Trust	79	149
Capacity	34	41
Wellington International Airport Limited	3	3
Wellington Regional Stadium Trust	228	211
	<b>344</b>	<b>404</b>
<b>Expenditure incurred by the Council to fund the operation and management of:</b>		
Basin Reserve Trust	180	180
<b>Expenditure for services provided to the Council from:</b>		
Basin Reserve Trust	7	16
Capacity	8,190	8,381
Wellington International Airport Limited	35	78
Wellington Regional Stadium Trust	252	163
	<b>8,484</b>	<b>8,638</b>
<b>Current receivables owing to the Council from:</b>		
Basin Reserve Trust	14	44
Capacity	3	7
Wellington International Airport Limited	-	1
Wellington Regional Stadium Trust	8	7
	<b>25</b>	<b>59</b>
<b>Current payables owed by the Council to:</b>		
Capacity	605	876
Wellington Regional Stadium Trust	72	-
	<b>677</b>	<b>876</b>
<b>Limited-recourse funding loan and advance</b>		
Wellington Regional Stadium Trust - nominal value - \$15,394,893	1,248	1,107

**Current receivables and payables:**

The receivables and payables balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

**Limited-recourse funding loan and advance**

The \$15m loan to the Wellington Regional Stadium Trust (WRST) is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished.

On maturity of the WRST membership underwrite, the unpaid interest was converted to a \$0.395m advance repayable after all other advances made by the Council and Greater Wellington Regional Council.

**Note 43: Community Board remuneration**

The Council has two community boards – the Tawa Community Board and the Makara/Ohariu Community Board. Remuneration paid to the elected members of these boards is as follows:

<b>Community Board Member</b>	<b>Salary</b>	<b>Resource Consent Hearing Fees</b>	<b>Allowances</b>	<b>Total 2012</b>
	\$	\$	\$	\$
<b>TAWA COMMUNITY BOARD</b>				
Sparrow, Malcolm (Chair)	20,551	-	540	21,091
Hansen, Graeme (Deputy Chair)	8,220	-	-	8,220
Lucas, Margaret	8,220	-	-	8,220
Reading, Chris	8,220	-	-	8,220
Sutton, Alistair	8,220	-	-	8,220
Tredger, Robert	8,220	-	-	8,220
<b>MAKARA-OHARIU COMMUNITY BOARD</b>				
Grace, Christine (Chair)	13,155	-	540	13,695
Bruce, Gavin (Deputy Chair)	5,142	-	-	5,142
Liddell, Judy	5,142	-	-	5,142
Rudd, Wayne	5,142	-	-	5,142
Scotts, Margie	5,142	-	-	5,142
Todd, Hamish	5,142	-	-	5,142
<b>Totals</b>	<b>100,516</b>	<b>-</b>	<b>1,080</b>	<b>101,596</b>

A technology allowance of \$45 per month is available to the chair of both the Tawa and Makara/Ohariu Community Boards. This allowance can be taken as either an allowance or as an actual expense reimbursement. Both options are non-taxable but only payments under the allowance option are included in the above remuneration table.

**Note 44: Severances**

In accordance with Schedule 10, section 19 of the Local Government Act 2002, the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made.

Severance payments include any consideration (monetary and non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with the Council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions.

For the year ending 30 June 2012 the Council made severance payments to 12 employees (2011:10) totalling \$110,628 (2011: \$168,400).

The individual values of each of these severance payments are: \$445; \$1,726; \$3,000; \$6,718; \$15,000; \$27,500; \$26,829; \$15,000; \$8,240; \$3,200; \$2,000; \$959.

**Note 45: Events after the end of the reporting period**

There are no events after the end of the reporting period that require adjustment to the financial statements or the notes to the financial statements.