

## Wellington City Council

### i) Statement of Compliance

The prospective financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

### ii) Summary of Significant Accounting Policies

The prospective financial statements are prepared in accordance with the Local Government Act 2002.

#### Reporting Entity

These prospective financial statements are for Wellington City Council (the Council) as a separate legal entity. Consolidated prospective financial statements comprising the Council and its subsidiaries and associates have not been prepared.

The reporting period for these prospective financial statements is the year ended 30 June 2009. These prospective financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

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

#### Judgments and Estimations

The preparation of prospective financial statements in conformity with NZ IFRS requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Revenue

Revenue is measured at the fair value of consideration received. Specific accounting policies for major categories of revenue are outlined below:

##### Rates and Levies

Rates are set annually by resolution from Council and relate to a particular financial year. Ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when invoiced.

##### Operating Activities

###### *Government grants*

Revenue from government grants (e.g. Land Transport New Zealand roading subsidies) is recognised upon entitlement.

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## *Fines and penalties*

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue fines) is recognised when infringement notices are issued or when 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 at balance date. Under this method, revenue is recognised in the accounting periods in which the services are provided.

## *Sale of goods*

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

## **Investment Property Leases**

Lease rentals are recognised on a straight line basis over the term of the lease.

## **Finance Income**

### *Interest*

Interest income is recognised using the effective interest rate method.

### *Dividends*

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

## **Other Revenues and Gains**

### *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 revenue.

### *Donated Services*

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (e.g. Beach cleaning, Otari-Wilton's Bush guiding and planting, and the Volunteer Rural Fire Force). Due to the difficulty in determining the 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*

Expenditure is classified as a grant if it results in a transfer of resources to another entity in return for compliance with certain conditions relating to the operating activities of that entity. Grants expenditure includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants are distinct from donations which are discretionary charitable gifts. Where grants and subsidies 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

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## Depreciation and Amortisation

Depreciation (of property, plant and equipment) and amortisation (of intangible assets) are charged to the Statement of Financial Performance on a straight-line basis over the useful life of the associated assets. Refer to the separate accounting policies for Property, Plant and Equipment and Intangible Assets for further information.

## Taxation

Income tax is charged in the Statement of Financial Performance in respect of the current period's results of council controlled trading organisations only. Income tax on the profits or loss 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 substantially enacted at the balance date, and any adjustment to tax receivable or 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 carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## Goods and Services Tax (GST)

All items in the prospective 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 (e.g. residential housing) then it is recognised as part of the related asset or expense.

## Financial Instruments

Financial instruments include financial assets (cash and cash equivalents, loans and receivables, available-for-sale financial assets, and investments in subsidiaries and associates), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the Council.

In accordance with NZ IAS 39: *Financial Instruments Recognition and Measurement*, financial instruments are classified into the categories outlined below based upon the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at each balance date.

### Financial assets

Financial assets are classified as loans and receivables, or available for sale financial assets.

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

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition.

Trade and other receivables are financial assets with fixed or determinable payments. They arise when the Council 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 loans to subsidiaries and associates), and bank deposits (with maturity greater than three months from the date of acquisition).

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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 issued with duration less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are 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.

**Available for sale financial assets** are either designated in this category by nature or, by default, if they cannot be classified in one of the other categories of financial assets. Available for sale financial assets are initially recorded at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity. If there is no active market and no intention to sell the asset, the asset is measured at cost. Fair value is equal to Council's share of net assets of the entity. On disposal, the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Statement of Financial Performance.

## Financial liabilities

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration 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 in the Statement of Financial Performance. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

On disposal of financial liabilities, gains or losses are recognised in the Statement of Financial Performance.

## Derivatives

Derivative financial instruments include interest rate swaps used to hedge exposure to interest rate risk arising from financing activities. Derivatives are initially recognised at fair value based on quoted market prices, and subsequently re-measured at their fair value at each balance date. Derivatives that do not qualify for hedge accounting are classified as held for trading financial instruments with fair value gains or losses recognised in the Statement of Financial Performance.

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 qualifies as a hedge of variability in asset or liability cash flows (cash flow hedge), the effective part of any gain or loss on the derivative is recognised in equity while the ineffective part is recognised in the Statement of Financial Performance. Gains or losses recognised in equity transfer to the Statement of Financial Performance in the same periods as when the hedged item affects the Statement of Financial Performance. As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

## Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis (such as botanical supplies) are measured at the lower of cost and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis, such as printing materials, are recorded at the lower of cost 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, less applicable variable selling expenses.

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## Investment properties

Investment properties are properties which are held primarily to earn rental income, for capital appreciation or for both. Investment properties exclude those properties held for strategic purposes or to provide a social service, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, and are accounted for as described in the *Property, Plant and Equipment* accounting policy.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by an independent registered valuer. The fair value is determined based on quoted market prices and 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 after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from a change in fair value is recognised in the income statement. Investment properties are not depreciated. Rental income from investment property is accounted for as described in the *Revenue Recognition* accounting policy.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

## Non-current assets classified as held for sale

Non-current assets are separately classified where 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 and complete the plan 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 qualify for recognition as a sale within one year from the date of classification or beyond one year where a delay has occurred which is caused by events beyond the Council's control and there is sufficient evidence that the Council remains committed to its plan to sell the asset, and
- Actions required to complete the plan to sell the asset 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 and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss. Fair value is determined by 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 after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## 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.

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*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 cannot be disposed of because of legal or other restrictions.

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

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

## **Recognition**

Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life 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 (eg vested assets), in which case the asset is recognised at fair value at the date of acquisition. 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. Borrowing costs are not capitalised. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Fair value is determined by 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 after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Where there is no market related evidence for an asset, fair value is determined by optimised depreciated replacement.

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.

Library collections are valued at depreciated replacement cost on a three-year basis by the Council's library staff in accordance with guidelines released by the New Zealand Library Association and the National Library of New Zealand.

Land and buildings are valued at fair value on a three-year basis by independent registered valuers. Wellington Waterfront Project land and buildings are valued annually to fair value 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. Under NZ IFRS the Council has elected to use the fair value of other restricted assets at 30 June 2005 as deemed cost. These assets are no longer revalued. Subsequent additions have been recorded at historical cost.

### *Infrastructure Assets*

Infrastructure assets (roading network, water and drainage reticulation assets) are valued at optimised depreciated replacement cost on a three-year basis by independent registered valuers. Infrastructure valuations are based on current quotes from actual suppliers. As such, they include ancillary costs

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such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land is valued at fair value on a three-year basis. 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. Under NZ IFRS the Council has elected to use the fair value of land under roads at 30 June 2005 as deemed cost. Land under roads is no longer revalued. Subsequent additions have been recorded at historical cost.

The carrying values of revalued property, plant and equipment are reviewed at each balance date 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 credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Statement of Financial Performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance, will be recognised firstly in the Statement of Financial Performance up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment.

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

## 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 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 in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

## Disposal

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of Financial Performance 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.

## 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). In accordance with NZ IAS 16: *Property Plant and Equipment*, depreciation is required to be provided in the Statement of Financial Performance. Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The estimated useful lives of the major classes of property, plant and equipment are as follows:

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

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Formation/earthworks	indefinite
Pavement	3 to 40 years
Traffic Islands	60 years
Bridges and tunnels	3 to 150 years
Drainage	10 to 120 years
Retaining walls	40 to 100 years
Pedestrian walkway	5 to 50 years
Pedestrian furniture	10 to 25 years
Barriers & lighting	2 to 50 years
Cycle-way network	15 to 40 years
Parking equipment	8 to 10 years
Passenger transport facilities	25 years
Traffic infrastructure	5 to 10 years
Drainage, waste and water	
Pipework	40 to 150 years
Fittings	10 to 111 years
Water pump stations	20 to 100 years
Water reservoirs	40 to 100 years
Equipment	25 years
Sewer pump stations	20 to 100 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 used.

## ***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.

## **Intangible Assets**

Intangible assets comprise computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software                      3-5 years

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

## **Leases**

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

Finance leases transfer to the Council as lessee substantially all the risks and rewards incident on the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value

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of the minimum lease payments. The capitalised values are amortised over the period in which the Council expects to receive benefits from their use.

## Employee Benefits

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

### Holiday Leave

Holiday leave (annual leave, long service leave qualified for and time off in lieu) is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) & 16(4) of the Holidays Act 2003.

### Long Service Leave and Retirement Gratuities

Long-service leave (not yet qualified for) and retirement gratuities have been calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. The present value of the estimated future cash flows has been calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index to 31 March prior year end. The discount rate used represents the Council's average cost of borrowing.

### Other Contractual Entitlements

Other contractual entitlements include termination benefits. Termination benefits are recognised in the Statement of Financial Performance 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 expenditure of uncertain timing or amount when there is a present obligation as a result of a past event, it is probable that expenditures 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 where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

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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.

The present value of the estimated future cash flows has been calculated using an inflation factor and discount rates for the Council and the Spicer Valley landfill. The inflation rate used is the annual Consumer Price Index to 31 March prior to year end. The discount rate used represents the Council's average cost of borrowing.

## **ACC Partnership programme**

The Council belongs to the ACC Partnership Programme and therefore accepts the management and financial responsibility of work related illnesses and accidents of employees. 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 accidents and illnesses occurring up to the balance sheet date for which 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 fair value.

Financial guarantees are subsequently measured at the higher of the Council's best estimate of the obligation in accordance with NZ IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, or the amount initially recognised less any amortisation.

## **Equity**

Equity is the community's interest in the Council 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.

The components of equity are accumulated funds and retained earnings, revaluation reserves, a hedging 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.

## **Statement of Cash Flows**

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 income sources of the Council and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities include interest expense and activities that change the equity and debt capital structure of the Council.

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## Cost Allocation

The Council has derived the cost of service for each significant activity using the following cost allocation methodology. Direct costs can be directly attributed to the activity. Indirect costs include things like staff time, office space and information technology costs which relate to the overall costs of running the organisation. These indirect costs are allocated as overheads across all activities.

## Changes in Accounting Policies

There have been no changes in accounting policies. The Council has applied all NZ IFRS that are applicable at the date of preparation of these prospective financial statements.

## Financial Reporting Standard 42: *Prospective Financial Statements (FRS 42)* Disclosures

The Council has complied with FRS 42 in the preparation of these prospective financial statements. In accordance with FRS 42, the following information is provided:

***(i) Description of the nature of the entity's current operations and its principal activities***

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within this Annual Plan.

***(ii) Purpose for which the prospective financial statements are prepared***

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 1 year and include within the Annual Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

***(iii) Bases for assumptions, risks and uncertainties***

The financial information has been prepared on the basis of best estimate assumptions as to future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within the LTCCP.

***(iv) Cautionary Note***

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

***(v) Other Disclosures***

The prospective financial statements were authorised for issue on 27 June 2008 by Wellington City Council. The Council is responsible for the prospective financial statements presented, including the assumptions underlying the prospective financial statements and all other disclosures. The Annual Plan is prospective and as such contains no actual operating results.