

Wellington City Council and Group

Financial Statements

For the year ended 30 June 2011

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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 2011 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Celia Wade-Brown
Mayor
31 August 2011

Garry Poole
Chief Executive
31 August 2011

Peter Garty
Chief Financial Officer
31 August 2011

Statement of Comprehensive Financial Performance

For the year ended 30 June 2011

	Note	Actual	Council	Actual	Group ¹	
		2011	Budget	2010	Actual	Actual
		\$000	\$000	\$000	2011	2010
					\$000	\$000
INCOME						
Revenue from rates	1		221,987	213,489		213,489
Revenue from operating activities	2		161,819	135,566		153,692
Revenue from investments	3		14,849	29,808		14,269
Total Revenue			398,655	378,863		381,450
Other income	4		1,165	17,711		17,711
Finance income	5		465	2,015		2,273
TOTAL INCOME			- 400,285	398,589	-	401,434
EXPENSE						
Finance expense	5		(21,569)	(18,410)		(18,467)
Expenditure on operating activities	6		(252,744)	(264,331)		(281,246)
Depreciation and amortisation	7		(76,983)	(77,703)		(79,127)
Fair value movement on related party loans	13		-	(2,410)		(2,410)
Fair value movement on investment property revaluation	17		-	(5,405)		(5,405)
TOTAL EXPENSE			- (351,296)	(368,259)	-	(386,655)
TOTAL OPERATING SURPLUS			- 48,989	30,330	-	14,779
Share of equity accounted surplus/(deficit) from associates	41		-			8,783
NET SURPLUS BEFORE TAXATION			- 48,989	30,330	-	23,562
Income tax expense	8		-	-		(17)
NET SURPLUS for the year			- 48,989	30,330	-	23,545
OTHER COMPREHENSIVE INCOME						
Revaluations:						
Fair value movement - property, plant and equipment - net	25		- 152,382	-		-
Impairment	25		-	(234)		(234)
Cash flow hedges:						
Fair value movement - net	26		-	(5,058)		(5,058)
Reclassification to finance income	26		-	(268)		(268)
Fair value through other comprehensive income:						
Fair value movement - financial assets - net	27		-	1,080		1,080
Share of other comprehensive income of associates:						
Revaluations - fair value movement - net	25		-	-		-
Cash flow hedges - fair value movement - net	26		-	-		-
Reclassification to share of equity accounted surplus	26		-	-		1,461
TOTAL OTHER COMPREHENSIVE INCOME			- 152,382	(4,480)	-	(3,019)
TOTAL COMPREHENSIVE INCOME for the year			- 201,371	25,850	-	20,526

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 \$XXXXXm compared to a budgeted surplus of \$48.989m. The underlying financial performance outlined below shows a surplus for the year of \$XXXXm after the exclusion of fair value movements and other unbudgeted items that cannot be used to fund operating expenditure.

Budgeted surplus

The Council has budgeted for a surplus of \$48.989m in the 2010/11 Annual Plan. The majority of this surplus represents funding received from third parties for capital purposes. As this income is received for specific capital projects, it cannot be used to offset rates.

Significant variances to the budgeted surplus are as follows:

Fair value movements

These amounts are non-cash, and reflect changes in the fair value of our investment properties, loans to related parties and interest rate swaps (shown in Note 5: Finance income and expense). These fair value movements are non-cash in nature, but are recognised in our Statement of Comprehensive Financial Performance.

Vested assets

Vested assets are those assets transferred to the Council from a third party and are recognised as revenue. The majority of the \$XXXXm in vested assets represents the fair value of infrastructural assets such as roading, drainage, water and waste assets that have been constructed by developers and transfer to the Council on completion.

Additional Expenditure not funded under section 100 of LGA

Certain depreciation charges are not funded through rates as they are either fully or partially funded by external parties.

Council underlying net surplus

The underlying financial performance outlined above shows an underlying surplus of \$XXXXm versus the budgeted surplus for the year after the exclusion of fair value movements and other items that cannot be used to fund operating expenditure. The items which have had a significant impact on the underlying result for the year are:

The increase in the Council's provision for non-weather-tight homes. The social, economic and health costs of non-weather-tight homes are affecting a number of home owners and their families across the country and have had an effect on our financial results for the year. The Council is actively working with the Crown to address non-weather-tight homes with the introduction of the Government's financial assistance package.

The

Net surplus for the Group

The Group has recorded a net surplus for the year of \$XXXXm. The difference between the Council and Group results arises from the elimination of transactions between Group entities, and recognition of the Group's share of the results of subsidiaries and associates.

Explanation of Total Comprehensive Income

The Council has recorded total comprehensive income of \$XXXXm for the year. This includes the net surplus (as identified above), less fair value movements in our reserves. The Group has recorded total comprehensive income of \$XXXXm. This includes the Council's share of reserve movements for Wellington International Airport Limited and the accumulated net surplus from its subsidiaries.

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

Statement of Financial Position

As at 30 June 2011

	Note	Actual	Council	Actual	Group	
		2011	Budget	2010	Actual	Actual
		\$000	\$000	\$000	2011	2010
					\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	10		3,945	2,349		6,016
Derivative financial assets	11		238	-		-
Trade and other receivables	12		35,724	42,674		43,577
Prepayments			6,322	3,874		4,089
Inventories	14		925	837		1,666
Non-current assets classified as held for sale	15		-	9,044		9,044
Total current assets		-	47,154	58,778	-	64,392
Non-current assets						
Derivative financial assets	11		4,831	1,460		1,460
Other financial assets	13		5,933	6,569		6,977
Intangibles	16		9,935	7,043		7,220
Investment properties	17		217,617	213,127		213,127
Property, plant and equipment	18		6,265,228	6,012,779		6,039,941
Investment in subsidiaries	40		6,509	6,509		-
Investment in associates	41		19,468	19,556		152,583
Total non-current assets		-	6,529,521	6,267,043	-	6,421,308
TOTAL ASSETS		-	6,576,675	6,325,821	-	6,485,700
LIABILITIES						
Current liabilities						
Derivative financial liabilities	11		153	377		377
Trade and other payables	19		55,139	49,720		52,006
Revenue in advance	20		11,022	8,876		9,632
Borrowings	21		84,490	100,105		100,187
Employee benefit liabilities	22		8,228	6,464		7,606
Provision for other liabilities	23		4,843	10,184		10,184
Total current liabilities		-	163,875	175,726	-	179,992
Non-current liabilities						
Derivative financial liabilities	11		5,819	5,923		5,923
Borrowings	21		275,376	183,117		183,688
Employee benefit liabilities	22		1,644	1,614		1,754
Provision for other liabilities	23		21,242	26,243		26,243
Total non-current liabilities		-	304,081	216,897	-	217,608
TOTAL LIABILITIES		-	467,956	392,623	-	397,600
EQUITY						
Accumulated funds and retained earnings	24		4,818,704	4,801,720		4,880,421
Revaluation reserves	25		1,270,720	1,117,615		1,194,025
Hedging reserve	26		861	(4,465)		(7,120)
Fair value through other comprehensive income reserve	27		-	1,080		1,080
Restricted funds	28		18,434	17,248		19,694
TOTAL EQUITY		-	6,108,719	5,933,198	-	6,088,100
TOTAL EQUITY AND LIABILITIES		-	6,576,675	6,325,821	-	6,485,700

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

Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Actual 2011 \$000	Council Budget 2011 \$000	Actual 2010 \$000	Group Actual 2011 \$000	Group Actual 2010 \$000
EQUITY - Opening balances						
Accumulated funds and retained earnings	24		4,769,715	4,769,715		4,855,281
Revaluation reserves	25		1,118,338	1,118,338		1,194,748
Hedging reserve	26		861	861		(3,255)
Fair value through other comprehensive income reserve	27		-	-		-
Restricted funds	28		18,434	18,434		20,800
TOTAL EQUITY - Opening balance		-	5,907,348	5,907,348	-	6,067,574
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year	24		48,989	30,330		23,545
Transfer to restricted funds	24		-	(557)		(967)
Transfer from restricted funds	24		-	1,743		2,073
Transfer from revaluation reserves	24		-	489		489
Revaluation reserves						
Share of other comprehensive income	25		152,382	-		-
Impairment	25		-	(234)		(234)
Transfer to retained earnings	25		-	(489)		(489)
Hedging reserve						
Movement in hedging reserve	26		-	(5,326)		(3,865)
Fair value through other comprehensive income reserve						
Movement in fair value	27		-	1,080		1,080
Restricted funds						
Transfer to retained earnings	28		-	(1,743)		(2,073)
Transfer from retained earnings	28		-	557		967
Total comprehensive income		-	201,371	25,850	-	20,526
EQUITY - Closing balances						
Accumulated funds and retained earnings	24	-	4,818,704	4,801,720	-	4,880,421
Revaluation reserves	25	-	1,270,720	1,117,615	-	1,194,025
Hedging reserve	26	-	861	(4,465)	-	(7,120)
Fair value through other comprehensive income reserve	27	-	-	1,080	-	1,080
Restricted funds	28	-	18,434	17,248	-	19,694
TOTAL EQUITY - Closing balance		-	6,108,719	5,933,198	-	6,088,100

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 2011

	Note	Actual	Council	Actual	Group	
		2011	Budget	2010	Actual	Actual
		\$000	\$000	\$000	2011	2010
					\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from rates - Council			221,987	213,390		213,390
Receipts from rates - Greater Wellington Regional Council			-	40,631		40,631
Receipts from activities and other income			108,413	107,333		119,728
Receipts from grants and subsidies - operating			4,416	5,924		9,319
Receipts from grants and subsidies - capital			50,255	27,384		29,755
Receipts from investment property lease rentals			9,599	16,374		16,433
Cash paid to suppliers and employees			(226,567)	(237,924)		(271,702)
Rates paid to Greater Wellington Regional Council			-	(41,374)		(41,374)
Grants paid			(27,993)	(30,514)		(14,176)
Income tax paid			-	(84)		(103)
Net GST (paid) / received			-	-		(296)
NET CASH FLOWS FROM OPERATING ACTIVITIES			- 140,110	101,140	-	101,605
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received			5,250	7,238		7,108
Interest received			10	262		406
Decrease in bank investments			-	-		33
Proceeds from sale of property, plant and equipment			-	707		730
Loan advances made			-	(3,280)		(3,280)
Purchase of investment properties			-	(915)		(915)
Purchase of intangibles			(4,128)	(4,261)		(4,422)
Purchase of property, plant and equipment			(192,885)	(106,828)		(107,276)
NET CASH FLOWS FROM INVESTING ACTIVITIES			- (191,753)	(107,077)	-	(107,616)
CASH FLOWS FROM FINANCING ACTIVITIES						
New borrowings			71,984	79,863		79,863
Repayment of borrowings			-	(59,182)		(59,406)
Interest paid on borrowings			(20,341)	(16,340)		(16,396)
NET CASH FLOWS FROM FINANCING ACTIVITIES			- 51,643	4,341	-	4,061
Net increase/(decrease) in cash and cash equivalents			-	(1,596)		(1,950)
Cash and cash equivalents at beginning of year			3,945	3,945		7,966
CASH AND CASH EQUIVALENTS AT END OF YEAR	10		- 3,945	2,349	-	6,016

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 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	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Net surplus for the period			30,330		23,545
Add/(deduct) non-cash items:					
Vested assets	4		(15,194)		(15,194)
Bad debts written-off not previously provided for	6		59		70
Depreciation and amortisation	7		77,703		79,127
Fair value changes in investment properties	17		5,405		5,405
Other fair value changes			2,336		2,534
Movement in provision for impairment of doubtful debts			(245)		(228)
Tax expense			-		65
Non-cash movement in provisions			14,473		14,473
Total non-cash items		-	84,537	-	86,252
Add/(deduct) movement in working capital: ¹					
Trade and other receivables			(6,705)		1,776
Prepayments			2,448		2,500
Trade and other payables			(11,326)		(12,090)
Revenue in advance			(2,146)		(2,420)
Inventories			88		30
Employee benefit liabilities			(1,905)		(1,889)
Provision for other liabilities			(3,051)		(3,081)
Total working capital movement		-	(22,597)	-	(15,174)
Add/(deduct) investing and financing activities:					
Net gain on disposal of property, plant and equipment			(207)		(207)
Dividends received			(7,238)		(40)
Interest received			(262)		(519)
Interest paid on borrowings			16,577		16,531
Share of equity accounted surplus from associates			-		(8,783)
Total investing and financing activities		-	8,870	-	6,982
Net cash flow from operating activities		-	101,140	-	101,605

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 2011

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Summary of Significant Accounting Policies

Reporting Entity

Wellington City Council is a territorial local authority governed by the Local Government Act 2002. 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 the Wellington Waterfront Project. 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 based in New Zealand.

Basis of Preparation

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.

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 BERL forecasts and the discount rate is the Council's forecast long term cost of borrowing.

The reporting period for these financial statements is the year ended 30 June 2011. The financial statements are presented in New Zealand dollars, rounded to the nearest thousand, unless otherwise stated.

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

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

Grant and subsidies

Grants and subsidies are initially recognised at their fair value where there is reasonable assurance that the grant 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. Other grants (e.g. New Zealand Transport Agency (NZTA) roading subsidies) 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 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 (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 are distinct from donations which are discretionary or 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.

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 is charged in respect of the current year's results of council controlled trading organisations only. 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 to 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 is dependent upon 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 a 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 a 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 sub-division). 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 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 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. 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. 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 off-sets 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	3 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	15 to 40 years
Pedestrian furniture	8 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 100 years
Fittings	10 to 111 years
Water pump stations	10 to 100 years
Water reservoirs	80 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 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 5 years
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Carbon credits are allocations of emission allowances granted by the Government. Cost is deemed to be equal to the fair value at the date of allocation. Any difference between the carrying value and the residual value is amortised over the estimated useful life of the asset.

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.

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 at the greater of the average or current hourly earnings 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.

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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 their agreement with ACC from Full Self Cover (FSC) to Partnership Discount Plan (PDP). Under the PDP option, 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 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 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, 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; and
- 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.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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 2013	1
NZ IFRS 9	<i>NZ IFRS 9: Financial Instruments (2010)</i>	1 January 2013	1

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

1. NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. It proposes changes to the requirements for the classification and measurement of financial assets and financial liabilities to reduce the complexity in reporting financial instruments.

Only the first phase of the new standard has been released, which covers the classification and measurement of financial assets and financial liabilities. When adopted, it will affect the categories under which financial assets are classified in the Annual Report, but will largely leave financial liabilities unchanged and have no impact on the values currently reported.

Where Council uses the exemption available to Public Benefit Entities (PBEs), the standards are included in the category below:

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted as they are not anticipated to impact on the Council's financial reporting

Reference	Title	Application Date
NZ IAS 12	<i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
Various	<i>Harmonisation Amendments</i>	1 July 2011
FRS 44	<i>New Zealand Additional Disclosures</i>	1 July 2011
NZ IFRS 7	<i>Amendments to NZ IFRS 7 Financial Instruments: Disclosures</i>	1 July 2011
NZ IFRS 1	<i>Amendments to NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i>	1 July 2011
NZ IAS 26	<i>Amendments to NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans</i>	1 April 2011
NZ IFRS 7	<i>Amendments to NZ IFRS 7 - Appendix E</i>	1 April 2011
NZ IFRS 8	<i>Operating Segments</i>	1 January 2011
NZ IFRIC 14	<i>Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement</i>	1 January 2011
NZ IAS 24	<i>Related Parties (Revised 2009)</i>	1 January 2011

Note 1: Revenue from rates

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
General rates				
Base sector		56,175		56,175
Commercial, industrial and business sector		60,415		60,415
Targeted rates				
Base sector		6,473		6,473
Commercial, industrial and business sector		2,970		2,970
Sewerage		30,405		30,405
Stormwater		14,040		14,040
Water (including water by meter)		32,638		32,638
Downtown		10,326		10,326
Marsden Village		14		14
Tawa driveways		33		33
Total revenue from rates for Wellington City Council	-	213,489	-	213,489
Total rates billed		254,150		254,150
less Greater Wellington Regional Council component		(40,661)		(40,661)
Total revenue from rates for Wellington City Council	-	213,489	-	213,489

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$XXXXm (2010: \$10.322m). For the Group rates of \$XXXXm (2010: \$10.428m) 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 2011 totalled \$XXXXm (2010: \$0.295m).

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Total gross revenue from rates		213,784		213,784
<i>Less</i>				
Council policy remissions				
Rural open space		90		90
Land used principally for games or sport		73		73
Downtown levy		132		132
Total remissions	-	295	-	295
Total revenue from rates (net of remissions)	-	213,489	-	213,489

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Grants and subsidies - operating		5,924		11,072
Grants and subsidies - capital		27,384		27,456
Development contributions		5,174		5,174
Fines and penalties		12,152		12,152
Rendering of services		80,014		84,066
Sale of goods		4,918		13,772
Total revenue from operating activities	-	135,566	-	153,692

Grants and subsidies

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

- 1) The New Zealand Transport Agency (NZTA), which subsidises part of the Council's costs for maintaining the local roading infrastructure. The capital subsidies from NZTA of \$XXXXm and operating subsidies of \$XXXXm are reimbursements for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the subsidies.
- 2) Housing New Zealand, for the upgrade of the Council's social housing stock. The capital grant recognised in the current year of \$XXXXm is part of a 10 year work programme 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 principal subsidy was \$XXXXm 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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Animal control		923		923
Berths and boat sheds		515		515
Building consents and licensing services		10,071		10,071
Community programmes and facilities hire		1,047		1,047
Community housing		17,352		17,352
Convention and conference centre		5,785		5,785
Drainage operations and water projects		130		130
Encroachments and reserve land contributions		1,378		1,378
Green spaces		1,372		1,372
Landfill operations and recycling		6,651		6,651
Lease revenue from property, plant and equipment		4,212		4,212
Libraries - hireage		1,204		1,204
Parking fees and permits		15,775		15,775
Rendering of services recognised in subsidiaries		-		4,052
Roading infrastructure projects		2,672		2,672
Services to Greater Wellington Regional Council		693		693
Swimming pools		6,463		6,463
Trade waste		528		528
Other		3,243		3,243
Total rendering of services	-	80,014	-	84,066

Note 3: Revenue from investments

	Note	Council		Group	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Dividend from investment in associates			15,409		-
Dividend from investment in subsidiary			130		-
Dividend from other financial assets			40		40
Investment property lease rentals	17		14,229		14,229
Total revenue from investments		-	29,808	-	14,269

Two years of dividends were received from the Council's 34 % shareholding in Wellington International Airport Limited in the 2009/10 year.

Note 4: Other income

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Gain on disposal of property, plant and equipment		207		207
Release of provisions		1,037		1,037
Petrol tax		1,251		1,251
Restricted funds		22		22
Vested assets		15,194		15,194
Total other income	-	17,711	-	17,711

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: land under roads \$XXXX and drainage, waste and water \$XXXX.

Note 5: Finance income and expense

	Note	Council		Group	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Finance income					
Amortisation of loans to related parties	13		362		362
Cash flow hedge movements reclassified from hedging reserve	26		268		268
Fair value hedge movements			364		364
Interest on investments, loans and receivables			262		520
Movements on derivatives at fair value through surplus or deficit			759		759
Total finance income		-	2,015	-	2,273
<i>Less</i>					
Finance expense					
Movements on derivatives at fair value through surplus or deficit			-		-
Fair value hedge adjustments to borrowings			364		364
Interest on borrowings			16,723		16,780
Interest on finance leases			146		146
Re-discounting of interest on provisions			1,177		1,177
Total finance expense		-	18,410	-	18,467
Net finance cost		-	16,395	-	16,194

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.

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: Provision for other liabilities.

Note 6: Expenditure on operating activities

	Note	Council		Group	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Auditor's remuneration:					
Audit services - Audit New Zealand - Financial Statements			268		319
Audit services - Audit New Zealand - LTCCP			-		-
Audit services - Audit New Zealand - other			7		7
Audit services - Other Auditors			-		88
Impairments					
Bad debts written off not previously provided for			59		70
Increase in provision for impairment of trade and other receivables	12		187		187
Impairment loss from property, plant and equipment	18		336		336
Inventory written-off			36		36
Governance and employment					
Councillor remuneration as directors/trustees	42		1,287		1,358
Directors/trustees of subsidiaries - remuneration			-		488
Other elected members' remuneration (Community Boards)	43		98		98
Employee benefits expense:					
- Remuneration			76,399		88,902
- Superannuation contributions (including Kiwisaver)			992		1,105
- Termination benefits (including severances)			1,090		1,120
Other personnel costs			3,569		3,957
Insurance					
Insurance premiums			5,982		6,198
Self insurance costs	29		1,314		1,314
General					
Advertising, printing and publications			2,401		7,570
Consultants and legal fees			7,368		7,567
Contractors			2,957		4,128
Direct costs			84,405		93,703
Donations for charitable purposes			7		7
Grants - general			8,732		8,744
Grants to subsidiaries	42		16,338		-
Grants to associates	42		180		180
Information and communication technology			4,952		5,553
Loss on disposal of property, plant and equipment			743		743
Operating lease - minimum lease payments			1,082		1,569
Reassessment of other provisions	23		14,195		14,195
Utility costs			16,656		17,141
Other general costs			12,691		14,563
Total expenditure on operating activities			-	264,331	-
					281,246

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.

General

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

Note 6: Expenditure on operating activities - continued

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Depreciation				
Buildings		13,422		13,917
Civic Centre complex		2,750		2,750
Restricted buildings		948		948
Drainage, waste and water infrastructure		29,143		29,143
Landfill post closure		103		103
Library collections		1,859		1,859
Plant and equipment		10,175		10,956
Roading infrastructure		17,979		17,979
Total depreciation	-	76,379	-	77,655
Amortisation				
Computer software		1,324		1,472
Total amortisation	-	1,324	-	1,472
Total depreciation and amortisation	-	77,703	-	79,127

Note 8: Income tax expense

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current tax expense				
Current year		-		17
Prior period adjustment		-		-
Total current tax expense	-	-	-	17
Deferred tax expense				
Origination and reversal of temporary differences		(174)		(25)
Change in unrecognised temporary differences		-		9
Recognition of previously unrecognised tax losses		174		16
Total deferred tax expense	-	-	-	-

Income tax recognised directly in equity

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Surplus for the period	-	30,330	-	23,562
Prima facie income tax based on domestic tax rate - 30%		9,099		7,068
Effect of non-deductible expenses and tax exempt income		(9,273)		(9,064)
Effect of tax losses utilised		182		22
Current years loss for which no deferred tax asset was recognised		-		5
Change in unrecognised temporary differences		-		4
Prior period adjustment		(8)		(6)
Share of income tax of equity accounted associates		-		1,988
Total reconciliation of tax on the surplus and tax expense	-	-	-	17

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2010: \$Nil)

Imputation Credits	Group	
	2011 \$000	2010 \$000
Imputation credits as at 1 July		5
New Zealand tax payments		5
Imputation credits attached to dividends received		-
New Zealand tax refunds received		(3)
Imputation credits as at 30 June	-	7

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 deferred tax assets**

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

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Deductible temporary differences		-		60
Tax losses		4,639		4,655
Total unrecognised deferred tax assets	-	4,639	-	4,715

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 \$XXXX (2010: \$1.392m) and for the Group \$XXXX (2010: \$1.419m).

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 2011 \$XXXX (2010: \$0.582m) previously unrecognised tax losses, with a tax effect of \$XXXX (2010: \$0.175m) were recognised by the Group by way of a loss transfer arrangement between the Council and Council Controlled Organisations.

As at 30 June 2011 the Group had an unrecognised deferred tax liability of \$Nil (2010: \$Nil)

Movement in unrecognised deferred tax assets and liabilities during the year

	Temporary Differences		Tax Losses	Total
	Taxable \$000	Deductible \$000	\$000	\$000
Council				
Balance as at 1 July 2009	-	-	1,565	1,565
Additions/(reductions) during the year	-	-	9	9
Recognised during the year	-	-	(182)	(182)
Balance as at 30 June 2010	-	-	1,392	1,392
Additions/(reductions) during the year	-	-	-	-
Recognised during the year	-	-	-	-
Balance as at 30 June 2011	-	-	1,392	1,392
Group				
Balance as at 1 July 2009	-	40	1,565	1,605
Additions/(reductions) during the year	-	(22)	14	(8)
Recognised during the year	-	-	(182)	(182)
Increase due to tax rate change for tax years beginning on or after 1 April 2011	-	4	-	4
Balance as at 30 June 2010	-	22	1,397	1,419
Additions/(reductions) during the year	-	-	-	-
Recognised during the year	-	-	-	-
Increase due to tax rate change for tax years beginning on or after 1 April 2011	-	-	-	-
Balance as at 30 June 2011	-	22	1,397	1,419

Note 9: Deferred tax assets and liabilities - continued

The Taxation (Budget Measures) Act 2010 containing the provisions for the reduction of the company income tax rate from 30% to 28% for the income tax years beginning on or after 1 April 2011 was given Royal Assent on 27 May 2010. Consequently, the unrecognised deferred tax assets of both the Council and the Group were restated to reflect the financial effects of the change as at 30 June 2010.

Note 10: Cash and cash equivalents

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Bank balances		2,321		4,671
Cash on hand		28		44
Short term deposits		-		1,301
Total cash and cash equivalents	-	2,349	-	6,016

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 of the Group, and earn interest at the applicable short term deposit rates.

Note 11: Derivative financial instruments

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current assets				
Interest rate swaps - fair value hedges	-	-	-	-
Total current assets	-	-	-	-
Non-current assets				
Interest rate swaps - cash flow hedges		545		545
Interest rate swaps - fair value hedges		915		915
Total non-current assets	-	1,460	-	1,460
Total derivative financial instrument assets	-	1,460	-	1,460
Current liabilities				
Interest rate swaps - cash flow hedges		290		290
Interest rate swaps - non-hedged		87		87
Total current liabilities	-	377	-	377
Non-current liabilities				
Interest rate swaps - cash flow hedges		5,419		5,419
Interest rate swaps - fair value hedges		-		-
Interest rate swaps - non-hedged		504		504
Total non-current liabilities	-	5,923	-	5,923
Total derivative financial instrument liabilities	-	6,300	-	6,300

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 bank borrowings.

Fair value hedges are used to float interest rates on 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	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Trade receivables - debtors			8,430		9,853
Provision for impairment of trade receivables -debtors			(326)		(387)
Net trade receivables - debtors		-	8,104	-	9,466
Trade receivables - fines			11,914		11,914
Provision for impairment of trade receivables -fines			(7,132)		(7,132)
Net trade receivables - fines		-	4,782	-	4,782
Trade receivables from related parties	42				
- Subsidiaries			428		-
- Associates			15		15
		-	443	-	15
Total net trade receivables		-	13,329	-	14,263
Accrued income			13,182		13,307
GST receivable			2,277		2,466
Rates receivable			10,292		10,292
Sundry receivables			3,594		3,249
Total trade and other receivables		-	42,674	-	43,577

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		7,703		7,748
Additional or increased provision made		187		203
Release of provision		(202)		(202)
Amount of provision utilised		(230)		(230)
Provision for impairment of total trade receivables - closing balance	-	7,458	-	7,519

Note 12: Trade and other receivables - continued

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

Council	2011 Receivables			2010 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
Trade and other receivables						
Not past due				23,821	-	23,821
Past due 0-3 months				9,161	(607)	8,554
Past due 3-6 months				3,274	(526)	2,748
Past due more than 6 months				13,876	(6,325)	7,551
Total trade and other receivables	-	-	-	50,132	(7,458)	42,674

Group	2011 Receivables			2010 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
Trade and other receivables						
Not past due				24,350	-	24,350
Past due 0-3 months				9,462	(616)	8,846
Past due 3-6 months				3,282	(526)	2,756
Past due more than 6 months				14,002	(6,377)	7,625
Total trade and other receivables	-	-	-	51,096	(7,519)	43,577

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.

Note 13: Other financial assets

	Note	Council		Group	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial assets at fair value through other comprehensive income					
Equity investment - Civic Assurance			1,607		1,607
Loans and deposits					
Bank deposits - term			-		408
Loans to related parties - associates	42		983		983
Loans to related parties - other organisations			3,979		3,979
Total other financial assets		-	6,569	-	6,977

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to New Zealand local government. The Council holds an 8.2% shareholding in this entity and has no present intention to sell this financial asset.

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	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Loans to related parties - associates					
<i>Wellington Regional Stadium Trust (nominal value \$15,394,893)</i>					
Opening balance			872		872
Amortisation of fair value adjustment			111		111
Closing balance at fair value	42	-	983	-	983
Loans to related parties - other organisations					
<i>Karori Wildlife Sanctuary Trust (nominal value \$10,346,689)</i>					
Opening balance			2,858		2,858
Amortisation of fair value adjustment			251		251
Increase in loan drawdown			3,280		3,280
Fair value movement on loan drawdowns			(2,410)		(2,410)
Closing balance at fair value		-	3,979	-	3,979
Total loans to related parties		-	4,962	-	4,962

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.

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

Note 14: Inventories

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Consumables		544		1,163
Inventories held for re-sale		293		503
Inventories held for distribution		-		-
Total inventories	-	837	-	1,666

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, Wellington Zoo and the St. James Theatre.

Inventories held for distribution primarily relate arise from the change to recycling collection processes and the holding of wheelie bins and green bins for distribution at no or nominal cost.

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

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		7,692	9,044	7,692
Disposals	-	(324)	-	(324)
Transfers from property plant and equipment	-	1,676	-	1,676
Non-current assets classified as held for sale - closing balance	-	9,044	9,044	9,044

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.

One property intended for sale represented in the opening balance is still for sale at the end of the reporting period. **The agreement remains conditional** upon the developer securing minimum agreements for sale and purchase and/or leasing commitments for the completed building and so the property has remained in this category.

Note 16: Intangibles

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Computer software				
Cost - opening balance		24,440		24,937
Accumulated amortisation		(22,826)		(23,158)
Computer software opening balance	-	1,614	-	1,779
Acquired by direct purchase		3,577		3,737
Amortisation		(1,324)		(1,472)
Net disposals		-		-
Total computer software - closing balance	-	3,867	-	4,044
Cost		27,801		28,459
Accumulated amortisation		(23,934)		(24,415)
Total computer software - closing balance	-	3,867	-	4,044
Work in progress				
Computer software	-	3,123	-	3,123
Total work in progress	-	3,123	-	3,123
Carbon credits				
Cost - opening balance		20		20
Acquired by government grant		33		33
Total carbon credits - closing balance	-	53	-	53
Total intangibles	-	7,043	-	7,220

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 1196 credits for the 2011 calendar year (2010: 1531) These are currently being held pending finalisation of the New Zealand Emissions Trading Scheme.

At 30 June 2011 there are no associated liabilities relating to these credits.

Note 17: Investment properties

	Note	Council		Group	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance			217,617		217,617
Additions by acquisition		-	-	-	-
Additions by subsequent expenditure			915		915
Fair value movements taken to surplus/(deficit)		-	(5,405)	-	(5,405)
Investment properties - closing balance		-	213,127	-	213,127

Wellington City Council's investment properties were valued as at 30 June 2011 by William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for Darroch Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2011 by Andrew Washington (BCom, VPM, SPINZ), registered valuer and Director of Colliers International Valuers.

The Council's total investment properties comprise ground leases of \$XXXX (2010: \$159.202m) and land and buildings of \$XXXX (2010: \$53.925m) 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 methodology applied to the valuations depends on the nature of the lease. Where the investment property is subject to a perpetually renewable lease either a direct capitalisation or discounted cash flow methodology is applied, the key drivers for both methods are the ground rental and discount rate. Leases with short or medium terms are valued based on value of the rental income for the remainder of the lease added to the residual value of the land at lease expiry.

Revenues and expenses	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Revenue from investment properties		14,229		14,229
Direct operating expenses of investment properties - From investment properties that generated income		796		796
Contractual obligations for capital expenditure		138		138
Contractual obligations for operating expenditure		69		69

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
William Bunt - Darroch Limited		164,012		164,012
Andrew Washington - Colliers International Valuers		49,115		49,115
Total fair value of investment properties valued by independent registered valuers	-	213,127	-	213,127

Note 18: Property, plant and equipment

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Operational assets				
Land				
Land - at cost - opening balance		-		3,091
Land - at valuation - opening balance		198,868		198,868
Total land - opening balance	-	198,868	-	201,959
Additions		1,941		1,941
Disposals		(115)		(115)
Revaluation movement	-	-	-	-
Transfer between asset classes	-	-	-	-
Transfer to non-current assets held for sale		(470)		(470)
Total land - closing balance	-	200,224	-	203,315
Land - at cost - closing balance		1,941		5,032
Land - at valuation - closing balance		198,283		198,283
Total land - closing balance	-	200,224	-	203,315
Buildings				
Buildings - at cost - opening balance		-		16,075
Buildings - at valuation - opening balance		370,962		370,962
Total cost/valuation	-	370,962	-	387,037
Accumulated depreciation		-		-
Total buildings - opening balance	-	370,962	-	387,037
Additions		17,350		17,366
Depreciation expense		(13,422)		(13,917)
Disposals		(397)		(397)
Revaluation movement	-	(234)	-	(234)
Transfer between asset classes	-	(142)	-	(142)
Transfer to non-current assets held for sale		(236)		(236)
Total buildings - closing balance	-	373,881	-	389,477
Buildings - at cost - closing balance		17,350		33,441
Buildings - at valuation - closing balance		369,665		369,665
Total cost/valuation	-	387,015	-	403,106
Accumulated depreciation		(13,134)		(13,629)
Total buildings - closing balance	-	373,881	-	389,477
Landfill post closure costs				
Landfill post closure - at cost - opening balance		2,917		2,917
Accumulated depreciation		(1,209)		(1,209)
Landfill post closure costs - opening balance		1,708	-	1,708
Depreciation expense		(103)		(103)
Movement in post closure costs	-	273		273
Total landfill post closure costs - closing balance	-	1,878	-	1,878
Landfill post closure - at cost - closing balance		3,354		3,354
Accumulated depreciation		(1,476)		(1,476)
Total landfill post closure costs - closing balance	-	1,878	-	1,878

Disposals and transfers are reported net of accumulated depreciation.

Note 18: Property, plant and equipment - continued

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Civic Centre complex				
Civic Centre complex - at cost - opening balance		161,766		161,766
Accumulated depreciation		(45,061)		(45,061)
Total Civic Centre complex - opening balance	-	116,705	-	116,705
Additions		7,841		7,841
Disposals		(82)		(82)
Depreciation expense		(2,750)		(2,750)
Total Civic Centre complex- closing balance	-	121,714	-	121,714
Civic Centre complex - at cost - closing balance		169,157		169,157
Accumulated depreciation		(47,443)		(47,443)
Total Civic Centre complex- closing balance	-	121,714	-	121,714
Plant and equipment				
Plant and equipment - at cost - opening balance		121,073		138,474
Accumulated depreciation		(53,630)		(64,635)
Total plant and equipment - opening balance	-	67,443	-	73,839
Additions		19,005		19,483
Depreciation expense		(10,175)		(10,956)
Disposals		(500)		(500)
Impairment losses		(336)		(336)
Transfer between asset classes		152		152
Total plant and equipment - closing balance	-	75,589	-	81,682
Plant and equipment - at cost		135,701		145,975
Accumulated depreciation		(60,112)		(64,293)
Total plant and equipment - closing balance	-	75,589	-	81,682
Library collections				
Library collections - at cost - opening balance		1,695		1,695
Library collections - at valuation - opening balance		13,700		13,700
Total cost/valuation	-	15,395	-	15,395
Accumulated depreciation		(1,775)		(1,775)
Total library collections - opening balance	-	13,620	-	13,620
Additions		2,131		2,131
Depreciation expense		(1,859)		(1,859)
Total library collections - closing balance	-	13,892	-	13,892
Library collections - at cost - closing balance	-	3,826	-	3,826
Library collections - at valuation - closing balance		13,700		13,700
Total cost/valuation	-	17,526	-	17,526
Accumulated depreciation		(3,634)		(3,634)
Total library collections - closing balance	-	13,892	-	13,892
Total operational assets	-	787,178	-	811,958

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Infrastructure Assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		29,157		29,157
Drainage, waste and water - at valuation - opening balance		1,141,686		1,141,686
Total cost/valuation	-	1,170,843	-	1,170,843
Accumulated depreciation		(29,195)		(29,195)
Total drainage, water and waste - opening balance	-	1,141,648	-	1,141,648
Additions		24,747		24,747
Depreciation expense		(29,143)		(29,143)
Transfer between asset classes		-		-
Total drainage, water and waste - closing balance	-	1,137,252	-	1,137,252
Drainage, waste and water - at cost - closing balance	-	53,939	-	53,939
Drainage, waste and water - at valuation - closing balance		1,141,678		1,141,678
Total cost/valuation	-	1,195,617	-	1,195,617
Accumulated depreciation		(58,365)		(58,365)
Total drainage, water and waste - closing balance	-	1,137,252	-	1,137,252
Roading				
Roading - at cost - opening balance		38,499		38,499
Roading - at valuation - opening balance		703,648		703,648
Total cost/valuation	-	742,147	-	742,147
Accumulated depreciation		(18,071)		(18,071)
Total roading - opening balance	-	724,076	-	724,076
Additions		31,023		31,023
Depreciation expense		(17,979)		(17,979)
Total roading - closing balance	-	737,120	-	737,120
Roading - at cost - closing balance	-	69,522	-	69,522
Roading - at valuation - closing balance		703,648		703,648
Total cost/valuation	-	773,170	-	773,170
Accumulated depreciation		(36,050)		(36,050)
Total roading - closing balance	-	737,120	-	737,120
Infrastructure land				
Infrastructure land - at cost - opening balance		376		376
Infrastructure land - at valuation - opening balance		37,708		37,708
Total infrastructure land - opening balance	-	38,084	-	38,084
Disposals		-		-
Transfer between asset classes		(330)		(330)
Transfer to non-current assets held for sale		(490)		(490)
Total infrastructure land - closing balance	-	37,264	-	37,264
Infrastructure land - at cost - closing balance	-	376	-	376
Infrastructure land - at valuation - closing balance		36,888		36,888
Total infrastructure land - closing balance	-	37,264	-	37,264

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Land under roads				
Land under roads - at cost - opening balance		2,938,378		2,938,378
Additions		5,339		5,339
Disposals		(112)		(112)
Transfer between asset classes		330		330
Transfer to non-current assets held for sale		(118)		(118)
Land under roads - closing balance	-	2,943,817	-	2,943,817
Total infrastructure assets	-	4,855,453	-	4,855,453
Restricted assets				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		7,250		9,583
Additions		655		658
Transfer between asset classes		9		9
Art and cultural assets - closing balance	-	7,914	-	10,250
Restricted Buildings				
Restricted buildings - at cost - opening balance		22,316		22,316
Accumulated depreciation		(2,788)		(2,788)
Total restricted buildings - opening balance	-	19,528	-	19,528
Additions		6,631		6,631
Depreciation Expense		(948)		(948)
Disposals		(101)	-	(101)
Transfer between asset classes		(19)	-	(19)
Restricted buildings - closing balance	-	25,091	-	25,091
Restricted Buildings - at cost - closing balance		28,730		28,730
Accumulated depreciation		(3,639)		(3,639)
Total restricted buildings - closing balance	-	25,091	-	25,091
Parks and reserves				
Parks and reserves - at cost - opening balance		202,853		202,853
Additions		283		283
Transfer to non-current assets held for sale		(362)	-	(362)
Parks and reserves - closing balance	-	202,774	-	202,774
Town Belt - at cost		88,103		88,103
Zoo animals - at cost		500		500
Total restricted assets	-	324,382	-	326,718
Work in progress				
- Land	-	262	-	262
- Buildings	-	31,163	-	31,163
- Civic Centre complex	-	40	-	40
- Plant and equipment	-	10,485	-	10,531
- Roading	-	3,566	-	3,566
- Art and cultural	-	250	-	250
- Restricted buildings	-	-	-	-
Total work in progress	-	45,766	-	45,812
Total property, plant and equipment	-	6,012,779	-	6,039,941

Note 18: Property, plant and equipment - continued

Revaluation of property, plant and equipment

The Council's land and buildings were valued as at 30 June 2009, and infrastructural land as at 30 June 2011 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for Darroch 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 provided by the New Zealand Library Association and the National Library of New Zealand and independently reviewed.

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.

The carrying values of revalued property, plant and equipment have been reviewed at the end of the reporting period to ensure that they are not significantly different to fair value.

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 under finance leases is \$XXXX (2010: \$0.956m)

Service Concession Arrangement

The Clearwater Sewerage Treatment Plant (Moa Point) is owned by the Council and operated by United Water International (UWI) under a design, build, operate and transfer contract. The plant and building assets are included in the drainage, waste and water asset class above.

UWI is required to fund all repairs and return the Clearwater Sewerage Plant to the Council in 2019 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 rates fund the plant's depreciation expenditure.

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

The contract terminates either on the expiry of the 21 year term (2019) 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	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Trade payables and accruals			37,106		39,240
Trade payables owing to related parties	42				
- Subsidiaries			775		-
- Associates			507		507
Interest payable			3,032		3,032
Sundry payables			8,300		9,227
Total trade and other payables		-	49,720	-	52,006

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

Note 20: Revenue in advance

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Building consents and licensing services		3,010		3,010
Housing upgrade project		280		280
Lease rentals		2,304		2,304
Rates		867		867
Wellington Venues		679		679
Revenue in advance - subsidiaries		-		756
Other		1,736		1,736
Total revenue in advance	-	8,876	-	9,632

Note 21: Borrowings

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
Bank loans - term		77		159
Debt securities - commercial paper		-		-
Debt securities - fixed rate bonds		-		-
Debt securities - floating rate notes		65,000		65,000
Bank facilities - committed		29,500		29,500
Bank facilities - uncommitted		5,000		5,000
Finance leases		528		528
Total current	-	100,105	-	100,187
Non-current				
Bank loans - term		764		1,335
Debt securities - fixed rate bonds		34,915		34,915
Debt securities - floating rate notes		147,000		147,000
Finance leases		438		438
Total non-current	-	183,117	-	183,688
Total borrowings	-	283,222	-	283,875

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

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 \$XXXX (2010:\$ 0.841m) with maturities from 2011 to 2023. The average effective interest rate applicable is 7.0%

Loans for the Group comprise a loan for the St James Theatre Charitable Trust of \$XXXX (2010: \$0.644m) maturing May 2015 at 7.13%. A loan for the Wellington Museums Trust of \$Nil (2010: \$0.008m) matured in July 2010.

Debt securities

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

The Group has issued \$34m (2010: \$34m) of fixed rate bonds with maturities from 16 October 2012 to 31 March 2014. Interest is payable six monthly in arrears. The interest rates range from 7.13% to 7.50%. The value of fixed rate debt securities includes a fair value hedge adjustment of \$XXXX (2010: \$0.915m) relating to the fair value interest rate swaps associated with these bonds.

The Group has issued \$XXXX (2010: \$212m) of floating rate notes with maturities from 1 October 2010 to 31 July 2017. Interest is payable quarterly in arrears. The interest rates vary from 2.80% to 4.20% and are subject to quarterly reset dates.

Security

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

Note 21: Borrowings - continued

The following table shows the total borrowing facilities available to the Council and Group, and the use of these facilities during the year.

Borrowing and overdraft facilities	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Borrowing and overdraft facilities available				
Bank overdraft		1,500		2,550
Bank loans - term		841		1,494
Debt securities - commercial paper		-		-
Debt securities - fixed rate bonds		34,915		34,915
Debt securities - floating rate notes		212,000		212,000
Bank facilities - committed		105,000		105,300
Bank facilities - uncommitted		5,000		5,000
Finance leases		966		966
Total borrowing and overdraft facilities available	-	360,222	-	362,225
Borrowing and overdraft facilities utilised				
Bank loans - term		841		1,494
Debt securities - commercial paper		-		-
Debt securities - fixed rate bonds		34,915		34,915
Debt securities - floating rate notes		212,000		212,000
Bank facilities - committed		29,500		29,500
Bank facilities - uncommitted		5,000		5,000
Finance leases		966		966
Total borrowing and overdraft facilities utilised	-	283,222	-	283,875
Borrowing and overdraft facilities unutilised				
Bank overdraft		1,500		2,550
Bank facilities - committed		75,500		75,800
Bank facilities - uncommitted		-		-
Total borrowing and overdraft facilities unutilised	-	77,000	-	78,350

Bank facilities

\$XXXX (2010: \$105m) of committed bank facilities are generally available on a short term basis of less than one year. Interest is payable in arrears at wholesale market rates. A further \$XX (2010: \$5m) is available as uncommitted facilities with interest payable in arrears at wholesale market rates. Of these facilities, a total of \$XXXX has been drawn at the end of the reporting period (2010: \$34.5m). The Group has additional short term bank facilities of \$XXXX (2010: \$0.3m).

Bank overdraft

An overdraft facility of \$1.5m (2010: \$1.5m) is available to Council. This facility was undrawn as at 30 June 2011 (2010: undrawn). The Group has additional overdraft facilities of \$XXXX (2010: \$1.05m).

Note 21: Borrowings - continued**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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Future minimum lease payments				
Not later than one year		609		609
Later than one year and not later than five years		473		473
Later than five years		-		-
Total future minimum lease payments	-	1,082	-	1,082
Future finance charges		(116)		(116)
Present value of future minimum lease payments	-	966	-	966
Present value of future minimum lease payments				
Not later than one year		528		528
Later than one year and not later than five years		438		438
Later than five years		-		-
Total present value of future minimum lease payments	-	966	-	966

Note 22: Employee benefit liabilities

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
Short-term benefits				
Payroll accruals		628		1,054
Holiday leave		5,306		6,022
Long service leave provision		13		13
Total short-term benefits	-	5,947	-	7,089
Termination benefits				
Other contractual entitlements		517		517
Total termination benefits	-	517	-	517
Total current	-	6,464	-	7,606
Non-current				
Long-term benefits				
Long service leave provision		-		94
Retirement gratuities provision		1,614		1,660
Total long-term benefits	-	1,614	-	1,754
Total employee benefit liabilities	-	8,078	-	9,360

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

Long service leave provision	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		41		129
Additional or increased provision made		-		6
Release of provision		(2)		(2)
Rediscounting of interest		1		1
Amount utilised		(27)		(27)
Long service leave - closing balance	-	13	-	107

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 has been granted and the provision is now extinguished.

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

Note 22: Employee benefit liabilities - continued

Retirement gratuities provision	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		1,630		1,675
Additional or increased provision made		-		1
Release of provision		(100)		(100)
Rediscounting of interest		110		110
Amount utilised		(26)		(26)
Retirement gratuities - closing balance	-	1,614	-	1,660

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 2.30%) as at 30 June 2011, before discounting, is \$XXXX (2010: \$2.514m). The discount rate used is 6.75%.

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

Other contractual entitlements	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		458		458
Additional or increased provision made		517		517
Release of provision		(48)		(48)
Amount utilised		(410)		(410)
Other contractual entitlements - closing balance	-	517	-	517

Note 23: Provision for other liabilities

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Current				
ACC Partnership programme		105		105
Landfill post closure costs		1,972		1,972
Other provisions		8,107		8,107
Total current	-	10,184	-	10,184
Non-current				
Landfill post closure costs		14,564		14,564
Other provisions		11,679		11,679
Total non-current	-	26,243	-	26,243
Total provision for other liabilities	-	36,427	-	36,427

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

ACC Partnership programme	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		258		258
Change in provision for risks incurred		(10)		(10)
Amounts utilised		(143)		(143)
Total liability for claims outstanding	-	105	-	105
Represented by:				
Present value of future payments		91		91
Risk margin		14		14
Total liability for claims outstanding	-	105	-	105

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		17,040		17,040
Additional or increased provision made		-		-
Release of provision		(635)		(635)
Re-discounting of interest		1,064		1,064
Amount utilised		(933)		(933)
Landfill post closure costs - closing balance	-	16,536	-	16,536

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 6.75%. The gross provision (inflation adjusted at 2.90%), before discounting, is \$XXXX as at 30 June 2011 (2010: \$27.652m). 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 XXXXXXX (2010: 1,085,313m³) and an estimated remaining life of 8 years (2010: 9 years). 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 XXXXXXX (2010: 600,000m³) and an estimated remaining life of 7 years (2010: 8 years).

Note 23: Provision for other liabilities - continued

Other provisions	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		7,566		7,566
Additional or increased provision made		14,195		14,195
Amount utilised		(1,975)		(1,975)
Other provisions - closing balance	-	19,786	-	19,786

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. A provision has been recognised for the potential net settlement of known claims.

Estimation

The nature of the liability means there are inherent uncertainties in estimating the likely costs that will be incurred in the future. The provision has been estimated using actuarial assessments and other information on known claims. This represents the Council's projection 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. Since August 2009 the Council, like all territorial authorities, has been unable to obtain insurance to cover its future liability in respect of new weathertight claims and will need to meet the full cost of these claims, including legal fees and other costs.

The provision for 2011 includes certain actuarial assumptions around the Government's Financial Assistance Package (FAP), which came into effect on xxxxxxxxxx. because as at the end of the reporting period this legislation was virtually certain to be enacted. Although this package came into effect after the end of the reporting period it has been factored into the provision calculation.

Note 24: Accumulated funds and retained earnings

Note	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Accumulated funds		1,269,134		1,293,162
Retained earnings				
Opening balance		3,500,581		3,562,119
Net surplus		30,330		23,545
Transfers from revaluation reserves	25	489		489
Transfers from restricted funds	28	1,743		2,073
Transfers to restricted funds	28	(557)		(967)
Retained earnings - closing balance	-	3,532,586	-	3,587,259
Total accumulated funds and retained earnings	-	4,801,720	-	4,880,421

Note 25: Revaluation reserves

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Land - opening balance		142,301		142,301
Revaluation recognised in other comprehensive income	-	-	-	-
Transfer between classes	-	-	-	-
Transfer to retained earnings on disposal of assets	-	(3)	-	(3)
Land - closing balance	-	142,298	-	142,298
Buildings - opening balance		195,635		195,635
Revaluation recognised in other comprehensive income	-	-	-	-
Impairment recognised in other comprehensive income	-	(234)	-	(234)
Transfer between classes	-	-	-	-
Transfer to retained earnings on disposal of assets	-	(486)	-	(486)
Buildings - closing balance	-	194,915	-	194,915
Library collections - opening balance		4,913		4,913
Revaluation recognised in other comprehensive income	-	-	-	-
Library collections - closing balance	-	4,913	-	4,913
Drainage, waste and water - opening balance		413,184		413,184
Revaluation recognised in other comprehensive income	-	-	-	-
Drainage, waste and water - closing balance	-	413,184	-	413,184
Infrastructure land - opening balance		14,041		14,041
Revaluation recognised in other comprehensive income	-	-	-	-
Transfer to retained earnings on disposal of assets	-	-	-	-
Infrastructure land - closing balance	-	14,041	-	14,041
Roading - opening balance		348,264		348,264
Revaluation recognised in other comprehensive income	-	-	-	-
Roading - closing balance	-	348,264	-	348,264
Associates' revaluation reserves - opening balance		-		76,410
Revaluation recognised in other comprehensive income	-	-	-	-
Associates' revaluation reserves - closing balance	-	-	-	76,410
Total revaluation reserves	-	1,117,615	-	1,194,025
These revaluation reserves are represented by:				
Opening balance		1,118,338		1,194,748
Revaluation recognised in other comprehensive income		-		-
Revaluation recognised in other comprehensive income - associates		-		-
Impairment recognised in other comprehensive income		(234)		(234)
Transfer to retained earnings on disposal of assets		(489)		(489)
Total revaluation reserves - closing balance	-	1,117,615	-	1,194,025

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.

Revaluations occurring during the period

Note 26: Hedging reserve

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		861		(3,255)
Cash flow hedge net movement recognised in other comprehensive income		(5,058)		(5,058)
Cash flow hedge net movement recognised in other comprehensive income - associate		-		-
Cash flow hedge movement reclassified to finance income		(268)		(268)
Cash flow hedge movement reclassified to share of equity accounted surplus of associate		-		1,461
Hedging reserve - closing balance	-	(4,465)	-	(7,120)

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 Wellington International Airport Limited.

Note 27: Fair value through other comprehensive income reserve

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Opening balance		-		-
Fair value adjustment taken to other comprehensive income		1,080		1,080
Fair value through other comprehensive income - closing balance		1,080		1,080

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	
		2011 \$000	2010 \$000	2011 \$000	2010 \$000
Special reserves and funds	29		1,433		1,433
Council created reserves and funds	29		15,204		15,204
Trusts and bequests	30		611		611
		-	17,248	-	17,248
Subsidiaries' restricted funds					
Opening balance			-		2,366
Additional funds received			-		410
Funds utilised			-		(330)
Subsidiaries' restricted funds - closing balance		-	-	-	2,446
Total restricted funds		-	17,248	-	19,694
These funds are represented by:					
Opening balance			18,434		20,800
Transfers from retained earnings			557		967
Transfers to retained earnings			(1,743)		(2,073)
Restricted funds - closing balance		-	17,248	-	19,694

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Reserve purchase and development fund				
Opening balance		1,358		1,358
Additional funds received		22		22
Funds utilised		(12)		(12)
Reserve purchase & development fund - closing balance	-	1,368	-	1,368
Early Settlers Memorial Park reserve				
Opening balance		76		76
Funds utilised		(11)		(11)
Early Settlers Memorial Park reserve - closing balance	-	65	-	65
Total special reserves and funds - closing balance	-	1,433	-	1,433

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas within the city. The funds were utilised for the purchase of.....

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Self insurance reserve				
Opening balance		11,775		11,775
Additional funds received		500		500
Funds utilised		(1,314)		(1,314)
Self insurance reserve - closing balance	-	10,961	-	10,961
Subdivision development reserve		4,119		4,119
Other reserves		124		124
Total Council created reserves and funds - closing balance	-	15,204	-	15,204

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 (2010: \$0.500m) are funded through rates as identified in the Annual Plan.

Note 30: Trusts and bequests

Council	Opening	Additional	Funds	Closing
	Balance	Funds	Utilised	Balance
	2011	2011	2011	2011
	\$000	\$000	\$000	\$000
A Graham Trust	7			
A W Newton Bequest	243			
Charles Plimmer Bequest	168			
E A McMillan Estate	6			
E Pengelly Bequest	10			
F L Irvine Smith Memorial	5			
Greek NZ Memorial Association	5			
Kidsarus 2 Donation	2			
Kirkcaldie and Stains Donation	17			
Lewis Glover Bequest	27			
QEII Memorial Book Fund	34			
Schola Cantorum Trust	5			
Stanley Banks Trust	61			
Terawhiti Grant	10			
W G Morrison Estate	11			
Total trusts and bequests	611	-	-	-

Analysis of movements in trusts and bequests

- Trusts and bequests receiving additional funds during the year were those where interest has been applied in accordance with the original terms and conditions.
- Trusts and bequests funds utilised during the year were:
 - Charles Plimmer bequest – \$
 - A W Newton bequest – grants for art, adult education or athletics - \$
 - Stanley Banks trust – educational grants to children of WWII service personnel - \$

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

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial assets				
Loans and receivables				
Cash and cash equivalents		2,349		6,016
Trade and other receivables		42,674		43,577
Other financial assets		4,962		4,962
Total loans and receivables	-	49,985	-	54,555
Financial assets at fair value through other comprehensive income				
Other financial assets		1,607		1,607
Total financial assets at fair value through other comprehensive income	-	1,607	-	1,607
Hedged derivative financial instruments				
Derivatives designated as fair value hedges		915		915
Derivatives designated as cash flow hedges		545		545
Total hedged derivative financial instruments	-	1,460	-	1,460
Total financial assets		53,052		57,622
Total non-financial assets		6,272,769		6,428,078
Total assets	-	6,325,821	-	6,485,700
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables		49,720		52,006
Borrowings		283,222		283,875
Total financial liabilities at amortised cost	-	332,942	-	335,881
Derivative financial instruments				
Derivatives designated as fair value hedges		-		-
Derivatives designated as cash flow hedges		5,709		5,709
Total derivative financial instruments	-	5,709	-	5,709
Financial liabilities at fair value through surplus/deficit				
Derivative financial instruments		591		591
Total financial liabilities at fair value through surplus/deficit	-	591	-	591
Total financial liabilities		339,242		342,181
Total non-financial liabilities		53,381		55,419
Total liabilities	-	392,623	-	397,600

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:

Level 1 - Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.

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.

Level 3 - Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

Group	2011			2010		
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
Financial assets						
Financial assets at fair value through other comprehensive income				-	-	1,607
Derivative financial instruments						
- Cashflow hedges				-	545	-
- Fair value hedges				-	915	-
Financial liabilities						
Derivative financial instruments						
- Cashflow hedges				-	5,709	-
- Fair value hedges				-	-	-
- non-hedged swaps				-	591	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial assets at fair value through other comprehensive income				
- Equity investment - Civic Assurance				
Opening balance - 1 July		527		527
Gains or losses recognised in other comprehensive income		1,080		1,080
Closing balance - 30 June	-	1,607	-	1,607

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 risks for the Group 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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial instruments with credit risk				
Cash and cash equivalents		2,349		6,016
Derivative financial instruments				
- Interest rate swaps - interest receivable		436		436
Trade and other receivables				
- Trade receivables		13,329		14,263
- Other receivables		29,345		29,314
Other financial assets				
- Loans to related parties - associates		983		983
- Loans to related parties - other organisations		3,979		3,979
Financial guarantees to related parties		1,016		1,016
Total financial instruments with credit risk	-	51,437	-	56,007

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

Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group's strong liquidity management means that it is cost effective to maintain negative working capital. 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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Contractual cashflows of financial liabilities excluding derivatives				
0-12 months		158,857		161,271
1-2 years		8,034		8,154
2-5 years		126,294		126,745
More than 5 years		73,785		73,785
Total contractual cashflow of financial liabilities excluding derivatives	-	366,970	-	369,955
Represented by:				
Carrying amount as per the Statement of Financial Position		332,942		335,881
Future interest payable		34,028		34,074
Total contractual cashflow of financial liabilities excluding derivatives	-	366,970	-	369,955

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Contractual cashflows of derivative financial liabilities				
0-12 months		2,620		2,620
1-2 years		1,495		1,495
2-5 years		4,686		4,686
More than 5 years		1,889		1,889
Total contractual cashflow of derivative financial liabilities	-	10,690	-	10,690
Represented by:				
Future interest payable		10,690		10,690
Total contractual cashflow of derivative financial liabilities	-	10,690	-	10,690

In addition to cash received in 2010/11 the Council currently has \$XXm in unused facilities available to settle obligations as well as \$XXm of cash and cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

Note 31: Financial instruments - continued

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%	56%
3-5 years	20%	60%	24%
More than 5 years	15%	60%	20%

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 Council Community Plan (LTCCP).

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%	13%	81%

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

	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents		2,349		6,016
Bank loans		(841)		(1,494)
Short term bank facilities		(34,500)		(34,500)
Debt securities		(212,000)		(212,000)
Total financial instruments subject to interest rate volatility before effect of interest rate swaps	-	(244,992)	-	(241,978)
Effect of interest rate swaps in reducing interest rate				
Effect of fair value hedge		(34,000)		(34,000)
Effect of Cash flow interest rate swaps - hedged		227,000		227,000
Effect of Cash flow interest rate swaps - non-hedged		30,000		30,000
Total effect of interest rate swaps in reducing interest rate volatility	-	223,000	-	223,000
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	-	(21,992)	-	(18,978)

Note 31: Financial instruments - continued

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 2011 the fair value of the interest rate swaps was XXXX (2010: -\$4.804m). 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 the interest rate swaps have terms that match with the borrowings (short term bank facilities 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	
	2011 %	2010 %	2011 %	2010 %
Investments				
Cash and cash equivalents		3.00		2.54
Bank deposits - term		-		5.10
Loans to related parties		0.00		0.00
Borrowings				
Short term bank facilities		3.84		3.84
Bank loans		7.00		7.04
Debt securities		3.85		3.85
Derivative financial instruments - hedged		5.18		5.18
Derivative financial instruments - non-hedged		6.72		6.72
Finance leases		13.75		13.75

Loans to related parties, being the loan to the Wellington Regional Stadium Trust and the drawdown of the loan 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 Council's and the Group's exposures at the end of the reporting period:

Council	2011 \$000			
	+1%	-1%	+1%	-1%
	Effect on Surplus or Deficit		Effect on Other Comprehensive Income	
Interest rate risk	Note			
Financial assets				
Cash and cash equivalents - Council	a			
Bank deposits - term				
Derivatives - Interest rate swaps - hedged	b			
Derivatives - Interest rate swaps - non-hedged				
Financial liabilities				
Bank loans	c			
Short term bank facilities	d			
Debt securities	e			
Derivatives - Interest rate swaps - hedged	b			
Derivatives - Interest rate swaps - non-hedged				
Total sensitivity to interest rate risk	-	-	-	-

a. Cash and cash equivalents

Council funds are in a number of different 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 \$XXXX.

b. Derivatives - interest rate swaps

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

c. Bank loans

Bank loans total \$XXXX. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$XXXX.

d. Short term bank facilities

Short term bank facilities are at floating rates and total \$XXXX. The full exposure to changes in interest rates has been reduced because the Council has \$XXXX 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 \$XXXX.

e. Debt securities

Debt securities are at floating rates and total \$XXXX. The full exposure to changes in interest rates has been reduced because the Council has \$XXXX 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 \$XXXX.

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 Council Community Plan (LTCCP) 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 LTCCP.

Note 32: Analysis of operating surplus by strategy

This analysis by strategy 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	Actual	Budget	Actual	Budget	Actual	Budget	Variance
	Income		Expenditure		Net		
	2011	2011	2011	2011	2011	2011	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Strategy							
Urban development							
Transport							
Economic development							
Environment							
Cultural well-being							
Social and recreation							
Governance							
Total strategy	-	-	-	-	-	-	-
Council							
Total strategy and Council	-	-	-	-	-	-	-

The variance in Urban development is due to.....

The variance in Transport is due to.....

The variance in Economic development is due to

The variance in Environment is due to

The variance in Social and recreation is due to.....

The variance in Governance is due to.....

The variance in Council

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

Note 32: Analysis of operating surplus by strategy

Council	Actual	Budget	Actual	Budget	Actual	Budget	Variance
	Income		Expenditure		Net		
	2010	2010	2010	2010	2010	2010	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Strategy							
Urban development	12,552	9,649	28,826	24,739	(16,274)	(15,090)	(1,184)
Transport	36,632	31,230	47,599	48,561	(10,967)	(17,331)	6,364
Economic development	9,865	5,853	25,046	24,481	(15,181)	(18,628)	3,447
Environment	18,605	12,762	122,922	125,385	(104,317)	(112,623)	8,306
Cultural well-being	984	1,133	13,807	14,025	(12,823)	(12,892)	69
Social and recreation	46,987	45,466	85,768	87,140	(38,781)	(41,674)	2,893
Governance	404	364	13,200	14,577	(12,796)	(14,213)	1,417
Total strategy	126,029	106,457	337,168	338,908	(211,139)	(232,451)	21,312
Council	272,560	259,733	31,091	3,154	241,469	256,579	(15,110)
Total strategy and Council	398,589	366,190	368,259	342,062	30,330	24,128	6,202

Note 33: Major Budget Variations

Statement of Comprehensive Financial Performance	Council 2011 \$000
Council actual net surplus	-
Less:	
Fair value movements:	
Cash flow hedge movement reclassified from hedging reserve	
Fair value hedge movements	
Fair value hedge adjustments to borrowings	
Derivatives at fair value through surplus or (deficit)	
Loans to related parties	
Loan amortisation	
Investment property revaluation	
Total fair value movements	-
Additional net expenditure from Wellington Waterfront Project and Porirua Joint Ventures	-
External funding for capital expenditure:	
Plimmer Trust capital funding requirement deferred	
Increase in development contributions revenue	
Timing of the Housing New Zealand capital grant	
Decrease in New Zealand Transport Agency subsidies - capital	
Additional external funding towards capital projects	
Total changes to external funding for capital expenditure	-
Vested assets	-
Additional expenditure not funded under section 100 of LGA	
New Zealand Transport Agency funded transport projects	
Clearwater sewerage treatment plant	
Living Earth	
Total additional expenditure not funded under section 100 of LGA	-
Increased surplus from City Housing	
Underlying Council actual net surplus	-
less Council budget net surplus	
Underlying net surplus	-
Unbudgeted revenue/expenditure:	
Restatement of provisions	
Insurance costs (net of recoveries) funded through self insurance reserve	
Gain on disposal of property, plant and equipment	
Loss on disposal of assets	
Total unbudgeted revenue/expenditure	-
Significant variations from budget	
Dividends in excess of budget (including Wellington International Airport Limited)	
Decrease in interest expense	
Decrease in general expenses	
Decrease in personnel expenses	
Other net variances ¹	
Total significant variations from budget	-
Total factors contributing to underlying variance	-

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

Total equity is \$XXXXm above budget and is primarily due to the following:

Statement of Financial Position

Significant movements are as follows:

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 strategy

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

Council	Original LTCCP Budget 2011 \$000	Budget Carried Forward 2011 \$000	Total Capex Budget 2011 \$000	Budget to Carry Forward 2011 \$000	Available Capex Budget 2011 \$000	Actual Capex 2011 \$000	Variance Net 2011 \$000
Strategy							
Urban development			-			-	-
Transport			-			-	-
Economic development			-			-	-
Environment			-			-	-
Cultural well-being			-			-	-
Social and recreation			-			-	-
Governance			-			-	-
Total strategy	-	-	-	-	-	-	-
Council			-			-	-
Total capital expenditure	-	-	-	-	-	-	-
Excluding additional expenditure funded from external sources							
Zoo Trust - Zoo upgrades							
Carter Observatory Trust - Observatory upgrade							
Art Gallery upgrade							
Other - less than \$50,000							
Total adjusted net variance							-

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.

:

Note 34: Analysis of capital expenditure by strategy - continued

Council	Original Annual Plan Budget 2010 \$000	Budget Carried Forward 2010 \$000	Total Capex Budget 2010 \$000	Budget to Carry Forward 2010 \$000	Available Capex Budget 2010 \$000	Actual Capex 2010 \$000	Variance Net 2010 \$000
Strategy							
Urban development	10,776	8,158	18,934	(6,754)	12,180	8,461	3,719
Transport	33,507	2,266	35,773	(4,485)	31,288	30,742	546
Economic development	1,138	1,322	2,460	(14)	2,446	2,756	(310)
Environment	29,690	3,048	32,738	(4,821)	27,917	27,863	54
Cultural well-being	1,163	68	1,231	(68)	1,163	1,690	(527)
Social and recreation	25,426	14,365	39,791	(4,083)	35,708	35,670	38
Governance	-	-	-	-	-	-	-
Total strategy	101,700	29,227	130,927	(20,225)	110,702	107,182	3,520
Council	12,646	8,227	20,873	(6,578)	14,295	10,970	3,325
Total capital expenditure	114,346	37,454	151,800	(26,803)	124,997	118,152	6,845
Excluding additional expenditure funded from external sources							
Zoo Trust - Zoo upgrades							330
Carter Observatory Trust - Observatory upgrade							309
Art Gallery upgrade							266
Other - less than \$50,000							197
Total adjusted net variance							7,947

Significant acquisitions and replacements of assets

In accordance with the provisions of Section 15(f) Part 3 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 35: Capital expenditure performance

Capital expenditure projects

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

	Actual Expenditure ¹ 2011 \$000	Proposed Budget Carry Forward ² 2011 \$000	Total Forecast Expenditure 2011 \$000	Budget ³ 2011 \$000	Notes
Urban development					
Wellington Waterfront Development					
Earthquake risk mitigation					
Central City - Golden Mile, squares and parks					
Other					
Total Urban development					
Transport					
Roading and vehicle network					
Footpath renewals					
Road safety					
Traffic and street sign renewals					
Bus priority planning					
Other					
Total Transport					
Economic development					
Cable Car precinct					
Other					
Total Economic development					
Environment					
Water network					
Sewage collection and disposal					
Stormwater management					
Zoo upgrades					
Botanic Gardens					
Other					
Total Environment					
Cultural Wellbeing					
Art Gallery					
Other					
Total Cultural wellbeing					
Social and recreation					
Housing upgrade and renewals					
Indoor Community Sport Centre					
Swimming pools					
Libraries					
Sportsfields (including synthetic turf)					
Other					
Total Social and recreation					
Council					
Organisational projects including IT					
Total Council					
Total capital expenditure projects	-	-	-	-	

Note 36: Commitments

Capital commitments	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Approved and contracted - property, plant and equipment		88,913		88,913
Approved and contracted - investment properties		138		138
Approved and contracted - share of associates		-		4,290
Total capital commitments	-	89,051	-	93,341

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 strategy, 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 5: Expenditure on operating activities.

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

Non-cancellable operating lease commitments as lessee	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Plant and equipment				
Not later than one year		69		134
Later than one year and not later than five years		70		144
Later than five years		-		-
Land and buildings				
Not later than one year		1,644		1,875
Later than one year and not later than five years		4,227		4,636
Later than five years		3,674		3,674
Total non-cancellable operating lease commitments as lessee	-	9,684	-	10,463

Note 36: Commitments - continued**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.

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	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Investment properties				
Not later than one year		10,683		10,683
Later than one year and not later than five years		32,481		32,481
Later than five years		83,418		83,418
Land and buildings				
Not later than one year		1,347		3,158
Later than one year and not later than five years		2,585		2,782
Later than five years		7,512		7,512
Total non-cancellable operating lease commitments as lessor	-	138,026	-	140,034

Note 37: Contingencies

Contingent liabilities	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Financial guarantees to community groups		1,016		1,016
Share of associates' contingent liabilities		-		-
Share of joint ventures' contingent liabilities		-		-
Other legal proceedings		780		780
Total contingent liabilities	-	1,796	-	1,796

The financial guarantees to community groups above are analysed below:

Outstanding debt subject to Council guarantees	Council		Group	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Karori Wildlife Sanctuary Trust		1,008		1,008
Wellington Museums Trust		8		8
Total outstanding debt subject to Council guarantees	-	1,016	-	1,016

Karori Wildlife Sanctuary Trust

The Council has provided a guarantee over a term loan facility to a maximum limit of \$1.55m plus any outstanding interest and enforcement costs.

Wellington Museums Trust

The Council has provided a guarantee over a bank term loan facility to a maximum limit of \$0.75m plus one year's interest on the principal amount and enforcement costs. The loan matured in July 2010, and the Council has been released from the guarantee by the bank.

The above financial guarantees have not been recognised as liabilities as the Council and Group consider it is not probable at 30 June 2011 that any expenditure will be incurred to settle them.

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 \$XXXX.

Unquantified contingent liabilities

The Council and Group have a potential liability for the settlement of future claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006 and civil proceedings for weathertightness. A provision has been recognised for accounting purposes for potential settlement of known claims and is shown in Note 23: Provision for other liabilities. Since August 2009 the Council, like all territorial authorities, has been unable to obtain insurance to cover its future liability in respect of new weathertight claims and will need to meet the full cost of these claims, including legal fees and other costs.

The Council notes that it may be liable for future claims relating to non-weathertight homes not yet identified. The number and cost of these potential future claims cannot be measured reliably and therefore the Council and Group have an unquantified net contingent liability in relation to potential future claims which are not yet advised nor recognised as a potential liability.

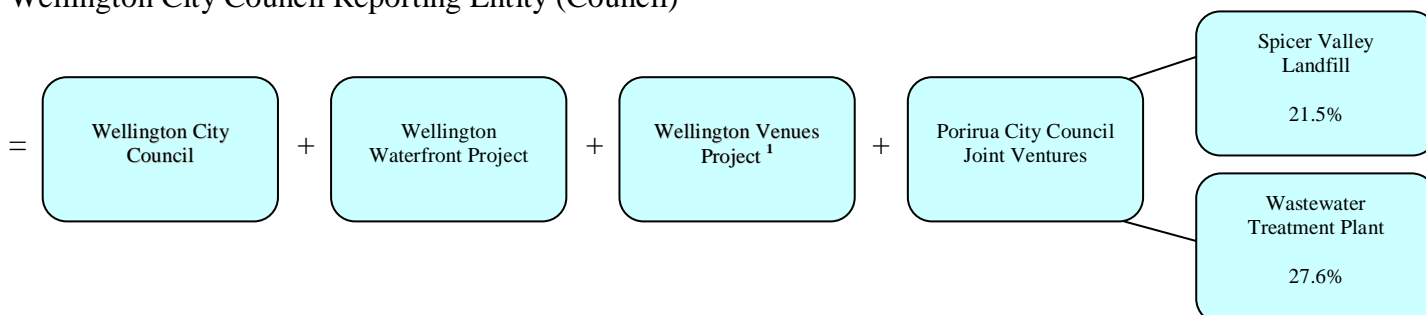
The Government's Financial Assistance Package for Leaky Buildings came into effect on XXXXXXXXXX. The package aims to help people get their leaky homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair costs and affected homeowners funding the remaining 50% backed by a government loan guarantee.

Note 37: Contingencies - continued

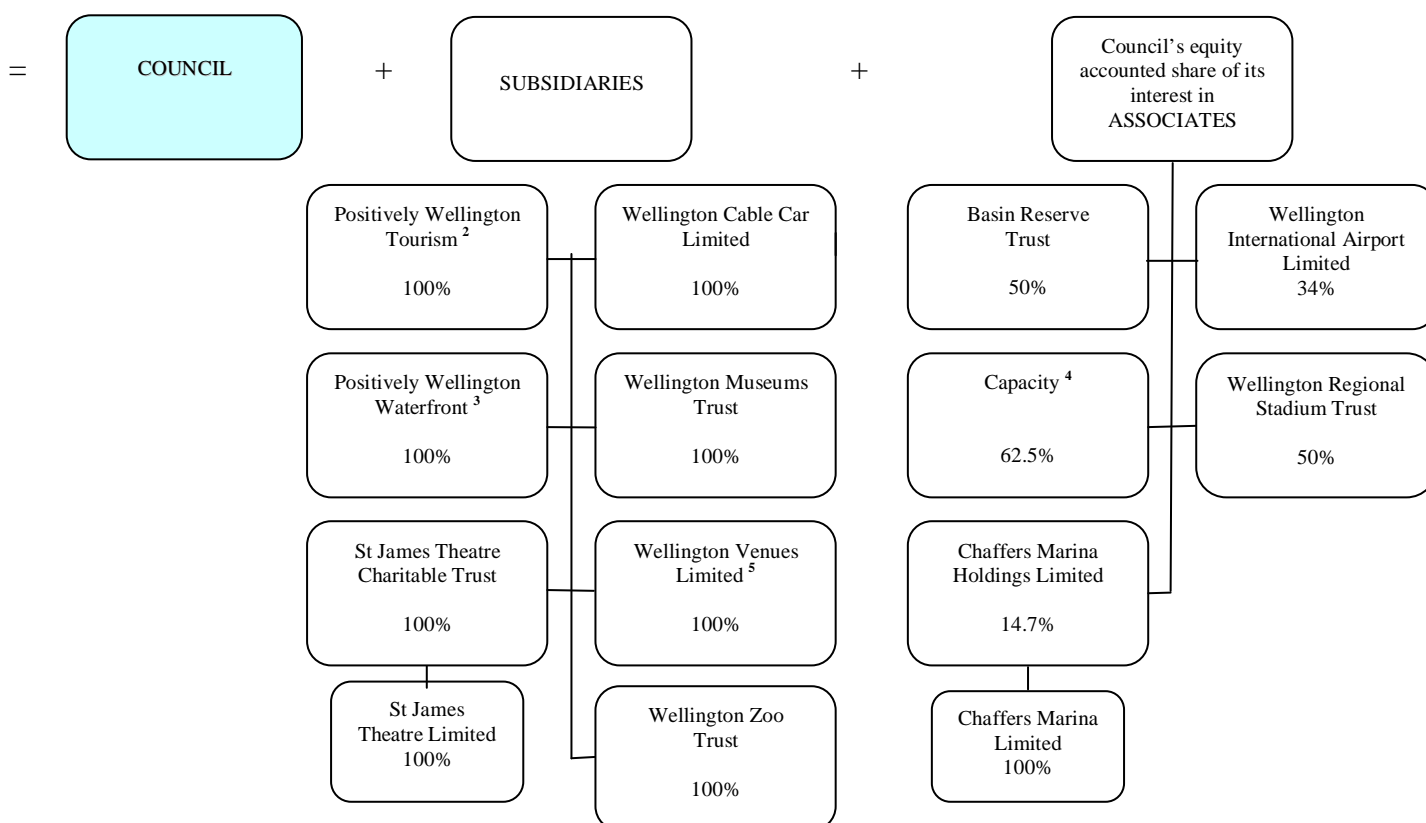
There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant. The possibility of any outflow in settlement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

Note 38: Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



- 1 Wellington Venues Project commenced on 1 February 2011
- 2 The legal name of the subsidiary is the Partnership Wellington Trust Inc.
- 3 The legal name of the subsidiary is Wellington Waterfront Limited.
- 4 The legal name of the associate is Capacity Infrastructure Services Limited (formerly Wellington Water Management Limited).
- 5 Wellington Venues Limited commenced on 1 February 2011

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

Note 39: Joint ventures

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2011	Interest 2010	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	2011 \$000	2010 \$000
Assets		
Current		
Inventory		6
Trade and other receivables		1,538
Non-current		
Property, plant and equipment		15,350
Share of total assets	-	16,894
Liabilities		
Current		
Borrowings		77
Non-current		
Borrowings		764
Provisions for other liabilities		878
Share of total liabilities	-	1,719
Share of net assets	-	15,175

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	2011 \$000	2010 \$000
Operating revenue		293
Operating expenditure		372
Share of net surplus or (deficit)	-	(79)
Share of current year revaluation movement	-	-

The Council's and Group's share of the joint ventures' capital commitments is \$XX (2010: \$Nil) and contingent liabilities is \$XX (2010: \$Nil).

Note 40: Investment in Subsidiaries

The following entities are subsidiaries of Council:

Subsidiary	Interest 2011	Interest 2010	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.
Positively Wellington Waterfront (Wellington Waterfront Limited)	100%	100%	Manages the Wellington Waterfront Project.
St James Theatre Charitable Trust	100%	100%	Owns and operates the St James Theatre and Opera House to promote them as artistic venues and to promote the performing arts.
- St James Theatre Limited	100%	100%	Performing arts venue.
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
Wellington Venues Limited	100%	N/A	Manages the Wellington Venues Project from 1 February 2011.
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	2011 \$000	2010 \$000
St James Theatre Charitable Trust		2,700
Wellington Cable Car Limited		3,809
Total investment in subsidiaries	-	6,509

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 respect of the St James Theatre Charitable Trust and the 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.

Wellington Venues Limited

This entity commenced on 1 February 2011 to manage the Wellington Venues Project, which currently includes the operations of the former Wellington Convention Centre (the Michael Fowler Centre, the TSB Arena and Shed 6). From 1 July 2011 this project will expand to include the operations of the St. James Theatre Charitable Trust, which currently owns and manages the St. James Theatre and the Opera House. After 30 June 2011 the Trust and St James Theatre Limited will cease trading in their own right.

Note 41: Investment in Associates

The Council has a significant interest in the following associates:

Associate	Interest 2011	Interest 2010	Nature of business
Basin Reserve Trust	50%	50%	Manage, operate and maintain the Basin Reserve
Capacity (Capacity Infrastructure Services Limited)	62.5%	62.5%	Jointly manage water services for Wellington and Lower Hutt cities.
Chaffers Marina Holdings Limited	14.7%	14.7%	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 (formerly Wellington Water Management 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 2011 Council held a 16.9% interest in Chaffers Marina Holdings Limited (2010: 16.9%). Of this 2.2% (2010: 2.2%) was subject to sale and purchase agreements where share ownership passes from the Council when the terms of each agreement are fulfilled. Amounts owing under these sale and purchase agreements have been recognised as receivables. The Council's interest in Chaffers Marina Holdings Limited of 14.7% (2010: 14.7%) 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

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

Associates	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2011 \$000	2011 \$000	2012 \$000	2011 \$000
Basin Reserve Trust				
Capacity				
Chaffers Marina Holdings Limited				
Wellington International Airport Limited				
Wellington Regional Stadium Trust				

Associates	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2010 \$000	2010 \$000	2010 \$000	2010 \$000
Basin Reserve Trust	869	92	242	(144)
Capacity	850	641	4,514	10
Chaffers Marina Holdings Limited	941	139	144	91
Wellington International Airport Limited	247,131	121,385	36,152	7,141
Wellington Regional Stadium Trust	49,622	15,531	8,863	1,685

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	
	2011 \$000	2010 \$000
Capacity		376
Chaffers Marina Holdings Limited		1,405
Wellington International Airport Limited		17,775
Total investment in associates	-	19,556

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:

Investment in associates	Group	
	2011 \$000	2010 \$000
Basin Reserve Trust		
Opening balance		921
Equity accounted earnings of associate		(144)
Closing balance - investment in Basin Reserve Trust	-	777
Capacity		
Opening balance		200
Equity accounted earnings of associate		10
Closing balance - investment in Capacity	-	210
Chaffers Marina Holdings Limited		
Opening balance		932
Equity accounted earnings of associate		91
Closing balance - investment in Chaffers Marina Holdings Limited	-	1,023
Wellington International Airport Limited		
Opening balance		124,212
Dividends		(15,409)
Equity accounted earnings of associate		7,141
Share of net revaluation of property, plant and equipment - movement		-
Share of hedging reserve - movement		1,461
Closing balance - investment in Wellington International Airport Limited	-	117,405
Wellington Regional Stadium Trust		
Opening balance		31,483
Equity accounted earnings of associate		1,685
Closing balance - investment in Wellington Regional Stadium Trust	-	33,168
Total investment in associates	-	152,583

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	Group	
	2011 \$000	2010 \$000
Basin Reserve Trust		
Share of net surplus/(deficit) before tax		(144)
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Basin Reserve Trust	-	(144)
Capacity		
Share of net surplus before tax		10
Tax (expense)/credit		-
Share of associate's surplus - Capacity	-	10
Chaffers Marina Holdings Limited		
Share of net surplus/(deficit) before tax		91
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited	-	91
Wellington International Airport Limited		
Share of net surplus before tax		6,948
Tax (expense)/credit		193
Share of associate's surplus - Wellington International Airport Limited	-	7,141
Wellington Regional Stadium Trust		
Share of net surplus before tax		1,685
Tax (expense)/credit		-
Share of associate's surplus - Wellington Regional Stadium Trust	-	1,685
Total share of associates' surplus/(deficit)	-	8,783

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	
	2011 \$	2010 \$
Chief Executive and Management Board		
Short-term employee benefits		2,582,359
Post employment benefits		13,756
Termination benefits		58,110
Council Members (Directors)		
Short-term employee benefits		1,470,204
Total key management personnel benefits	-	4,124,429

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 2011 was \$XXX,XXX (2010: \$393,547).

Under the terms of his contract, the Chief Executive of the Council chooses how he wishes to take his package (salary only or a combination of salary and benefits). Effective from 1 March 2011, the breakdown of the Chief Executive's remuneration package is:

Remuneration of the Chief Executive	Council	
	2011 \$	2010 \$
Short-term employee benefits		
Salary		380,582
Motor vehicle (including FBT)		22,650
Carpark		3,000
Total remuneration of the Chief Executive	-	406,232

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

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a director 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 paid to the Mayor and Councillors during the year from 1 July 2010 to 30 June 2011 was \$X, XXX, XXX (2010: \$1,470,204) and is disaggregated and classified as follows:

Council Member	Monetary Remuneration			Non Monetary Remuneration	Total Council Remuneration 2011	Director/ Trustee Fees	Total Remuneration 2011
	Salary	Resource Consent Hearing Fees	Taxable Allowances				
	\$	\$	\$	\$	\$	\$	\$
Current Council							
Ahipene-Mercer, Ray					-		-
Best, Ngaire					-		-
Cook, Stephanie					-		-
Coughlan, Jo					-		-
Eagle, Paul					-		-
Foster, Andy					-		-
Gill, Leonie					-		-
Lester, Justin					-		-
McKinnon, Ian					-		-
Marsh, Simon					-		-
Morrison, John					-		-
Pannett, Iona					-		-
Pepperell, Bryan					-		-
Ritchie, Helene					-		-
Wade-Brown, Celia					-		-
Previous Council							
Goulden, Rob					-		-
Prendergast, Kerry					-		-
Wain, Hayley					-		-
Totals	-	-	-	-	-	-	-
	Total monetary remuneration				-	-	-
	Total non- monetary remuneration				-	-	-

Salary

With the enactment of the Local Government Act 2002, the Remuneration Authority is now responsible for setting the remuneration levels for elected members. 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 2010/11 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 on 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 \$85 per hour for the Chair and \$68 per hour for other members of the Hearings Committee.

Note 42: Related party disclosures - continued**Taxable allowances – mileage and internet**

Councillors are able to claim an allowance for mileage. From December 2008, Councillors voluntarily decided to forgo receiving this allowance.

Councillors are able to choose to receive either a taxable allowance for broadband services or seek reimbursement of the actual expense. The maximum claimable amount is \$50 per month. Only the taxable allowance option is included as monetary remuneration.

Councillors are also able to seek actual reimbursement up to a maximum \$85 per month on their mobile phones. This is not subject to tax and is not included in the taxable allowance disclosure amounts.

The level of allowances payable has been approved by the Remuneration Authority.

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
		Subsidiaries \$	Associates \$	
Current Council				
Ahipene-Mercer, Ray	Director ¹			Positively Wellington Waterfront
	Trustee ²			Wellington Museums Trust
Best, Ngaire	Director ³			Wellington Venues Limited
Cook, Stephanie	Trustee			St. James Theatre Charitable Trust
Coughlan, Jo	Trustee			Positively Wellington Tourism
Foster, Andy	Director			Capacity
McKinnon, Ian	Director ²			Wellington International Airport Limited
Marsh, Simon	Trustee ²			Wellington Zoo Trust
Morrison, John	Trustee			Wellington Regional Stadium Trust
Wade-Brown, Celia	Trustee ¹			Wellington Zoo Trust
Previous Council				
Prendergast, Kerry	Director ¹			Wellington International Airport Limited
Wain, Hayley	Trustee ¹			Wellington Museums Trust
Total director and trustee fees		0	0	

¹ From 1 July 2010 to 10 November 2010

² From 11 November 2010 to 30 June 2011

³ From 1 February 2011 to 30 June 2011

⁴ From 11 November 2010 to 30 June 2011

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

During the year the Council also:

During the year the Group also:

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

Material related party transactions – other organisations

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.

Karori Wildlife Sanctuary Trust (Zealandia)

Council appoints three of the seven trustees including the Chair. Operational funding of \$XXXm was made during the year to 30 June 2011. The Council has a concessionary loan totalling \$10.380m 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. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows:

Intra group transactions and balances - Joint ventures	2011 \$000	2010 \$000
Revenue received by Council from the joint venture		
Distribution from landfill operations		410
Expenditure incurred by Council to fund the operation and management of:		
Porirua - waste water treatment plant		1,532

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:

Intra group transactions and balances - Subsidiaries	2011 \$000	2010 \$000
Dividend received from:		
Wellington Cable Car Limited		130
Revenue for services provided by Council to:		
Positively Wellington Tourism		116
Positively Wellington Waterfront		3
St James Theatre Charitable Trust		55
Wellington Cable Car Limited		57
Wellington Museums Trust		1,946
Wellington Venues Limited		-
Wellington Zoo Trust		457
	-	2,634
Expenditure incurred by Council to fund operations and management of:		
Positively Wellington Tourism		5,440
Positively Wellington Waterfront		1,200
St James Theatre Charitable Trust		154
Wellington Museums Trust		6,835
Wellington Venues Limited		-
Wellington Zoo Trust		2,709
	-	16,338
Expenditure for services provided to Council by:		
Positively Wellington Tourism		169
St James Theatre Charitable Trust		44
Wellington Cable Car Limited		239
Wellington Museums Trust		48
Wellington Zoo Trust		936
	-	1,436
Current receivables owing to Council from:		
Positively Wellington Tourism		1
Positively Wellington Waterfront		1
St James Theatre Charitable Trust		4
Wellington Cable Car Limited		5
Wellington Museums Trust		36
Wellington Venues Limited		-
Wellington Zoo Trust		381
	-	428
Current payables owed by Council to:		
Positively Wellington Waterfront		338
Wellington Cable Car Limited		-
Wellington Museums Trust		17
Wellington Venues Limited		-
Wellington Zoo Trust		420
	-	775

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:

Intra group transactions and balances - Associates	2011 \$000	2010 \$000
Dividend received from:		
Wellington International Airport Limited		15,409
Revenue for services provided by Council to:		
Basin Reserve Trust		44
Capacity		41
Wellington International Airport Limited		220
Wellington Regional Stadium Trust		213
	-	518
Expenditure incurred by Council to fund the operation and management of:		
Basin Reserve Trust		180
Expenditure for services provided to Council from:		
Basin Reserve Trust		1
Capacity		7,845
Wellington International Airport Limited		64
Wellington Regional Stadium Trust		352
	-	8,262
Current receivables owing to Council from:		
Basin Reserve Trust		4
Capacity		3
Wellington Regional Stadium Trust		8
	-	15
Current payables owed by Council to:		
Capacity		507
Wellington International Airport Limited		-
	-	507
Limited-recourse funding loan and advance		
Wellington Regional Stadium Trust - nominal value - \$15,394,893		983

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/Ohairu Community Board. Remuneration paid to the elected members of these boards is as follows:

Community Board Member	Salary	Resource Consent Hearing Fees	Taxable Allowances	Total 2011
	\$	\$	\$	\$
TAWA COMMUNITY BOARD				
<i>Current Board</i>				
Sparrow, Malcolm (Chair)				-
Hansen, Graeme				-
Lucas, Margaret				-
Reading, Chris				-
Sutton, Alistair				-
Tredger, Robert (previous Chair)				-
<i>Previous Board</i>				
Darroch, David				-
Sharman, Dennis				-
MAKARA-OHARIU COMMUNITY BOARD				
<i>Current Board</i>				
Grace, Christine (Chair)				-
Bruce, Gavin (deputy Chair)				-
Liddell, Judy				-
Rudd, Wayne				-
Scotts, Margie				-
Todd, Hamish				-
<i>Previous Board</i>				
Paul, Ruth (previous Chair)				-
Hume, John				-
Jorgenson, Ralph				-
Shepherd, Craig				-
Totals	-	-	-	-

A technology allowance, which is available to the chair of each board, can be taken as either a taxable allowance or as an actual expense reimbursement. Only the taxable allowance option is included in the above 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 2011 the Council made severance payments to **XX** employees (2010: 25) totalling **\$XXX, XXX** (2010: \$328,458).

The individual values of each of these severance payments are: \$.....

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 prepared on pages XXX to XXX or the notes to the financial statements.