



**Wellington City Council
and Group**

Consolidated Financial Statements

For the year ended 30 June 2013

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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 2013 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Celia Wade-Brown
Mayor
28 August 2013

Kevin Lavery
Chief Executive
28 August 2013

Peter Garty
Chief Financial Officer
28 August 2013

Statement of Comprehensive Financial Performance

For the year ended 30 June 2013

		Actual 2013 \$000	Council Budget 2013 \$000	Actual 2012 \$000	Group ¹ Actual 2013 \$000	Actual 2012 \$000
	Note					
INCOME						
Revenue from rates						
Revenue from rates (excluding metered water)	1		226,603	217,908		217,908
Revenue from water rates by meter	1		12,822	12,356		12,356
Operating Activities						
Revenue from development contributions	2		5,000	3,434		3,434
Revenue from grants, subsidies and reimbursements	2		52,596	69,523		76,420
Revenue from other operating activities	2		99,395	108,529		119,518
Revenue from investments	3		18,464	34,929		12,493
Total Revenue		-	414,880	446,679	-	442,129
Other income	4		1,164	16,451		16,468
Finance income	5		562	2,202		2,493
TOTAL INCOME		-	416,606	465,332	-	461,090
EXPENSE						
Finance expense	5		(22,647)	(21,578)		(21,670)
Expenditure on operating activities	6		(264,830)	(288,611)		(304,680)
Depreciation and amortisation	7		(91,703)	(88,537)		(89,356)
Fair value movement on related party loans	12		-	(1,002)		(1,002)
Fair value movement on investment property revaluation	17		-	(3,418)		(3,418)
TOTAL EXPENSE		-	(379,180)	(403,146)	-	(420,126)
TOTAL OPERATING SURPLUS		-	37,426	62,186	-	40,964
Share of equity accounted surplus/(deficit) from associates	41	-	-	-	-	9,105
NET SURPLUS BEFORE TAXATION		-	37,426	62,186	-	50,069
Income tax expense	8	-	-	-	-	(107)
NET SURPLUS for the year		-	37,426	62,186	-	49,962
OTHER COMPREHENSIVE INCOME						
Adjustment for wind-up of St James	40			14,577		-
Revaluations:						
Fair value movement - property, plant and equipment - net	25			48,612		48,612
Cash flow hedges:						
Fair value movement - net	26			(14,455)		(14,455)
Reclassification to finance income	26			(268)		(268)
Fair value through other comprehensive income:						
Fair value movement - financial assets - net	27		(432)	(594)		(594)
Share of other comprehensive income of associates:						
Fair value movement - property, plant and equipment - net	25			-		33,437
Reclassification to share of equity accounted surplus	26			-		1,072
Adjustment - disposal of a subsidiary by an associate	41			-		1,745
TOTAL OTHER COMPREHENSIVE INCOME		-	(432)	47,872	-	69,549
TOTAL COMPREHENSIVE INCOME for the year		-	36,994	110,058	-	119,511

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 \$XXXm compared to a budgeted surplus of \$37.426m. The majority of the budgeted surplus represents funding received from the Crown for the housing upgrade (\$XXXm). This income is received for specific capital projects and because capital expenditure is not included in the Statement of Comprehensive Financial Performance the capital funding shows as a surplus. The underlying financial performance is shown in the table below and shows a variance for the year of \$XXXm. This total includes variances of \$XXXm from budget for surpluses and deficits that have been ring fenced for specific activities relating to City Housing and the Waste Activity. Once these are removed the remaining underlying variance available to carry forward is \$XXXm. This variance represents the funding surplus so excludes expenses that are not required to be funded (such as fair value movements) and any income recorded that cannot be used to fund operating expenditure (such as vested assets).

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

		2013 \$000	2012 \$000
	Reported Council surplus		62,186
	<i>Adjusted by:</i>		
a	Fair value movements		3,886
b	Vested assets - net		(7,163)
	Non-cash adjustments		(3,277)
c	Additional net expenditure from Wellington Waterfront and Venues projects and Porirua joint ventures		3,678
d	Changes to external funding for capital expenditure		(2,081)
e	(Gain) or loss on disposal of assets - net		(6,471)
f	Other changes		(1,797)
	Cash adjustments		(6,671)
	Adjusted surplus		52,238
	Council budgeted surplus		51,148
g	Council underlying variance		1,090

a) Fair value movements

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

b) Vested assets – net

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

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

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

d) Changes to external funding for capital expenditure

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

e) Gain of loss on disposal of assets - net

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

f) Other changes

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

g) Council underlying variance

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

Items contributing to underlying variance:	\$000
Increase in dividend income	
Increase in leaky homes provision	
Decrease in revenue from operating activities	
Decrease in interest expense	
Insurance claims funded through self insurance	
Other net variances	
Underlying variance available to carry forward	-
Ringfenced surpluses and (deficits) - net variance from budget	
Council underlying variance	-

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

Statement of Changes in Equity

For the year ended 30 June 2013

	Note	Actual 2013 \$000	Council Budget 2013 \$000	Actual 2012 \$000	Group Actual 2013 \$000	Group Actual 2012 \$000
EQUITY - Opening balances						
Accumulated funds and retained earnings	24		4,870,224	4,819,507		4,890,529
Revaluation reserves	25		1,414,606	1,369,106		1,447,476
Hedging reserve	26		(9,173)	(9,173)		(10,399)
Fair value through other comprehensive income reserve	27		748	748		748
Restricted funds	28		16,018	16,085		18,383
TOTAL EQUITY - Opening balance		-	6,292,423	6,196,273	-	6,346,737
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year	24	-	37,426	62,186	-	49,962
Adjustment for wind-up of St James			-	14,577		-
Adjustment - disposal of a subsidiary by an associate	41		-	-		1,745
Transfer to restricted funds	24		(765)	(517)		(1,273)
Transfer from restricted funds	24		765	1,901		2,355
Transfer from revaluation reserves	24		-	25		25
Revaluation reserves						
Fair value movement - property, plant and equipment - net	25		-	48,612		82,049
Transfer to retained earnings	25		-	(25)		(25)
Hedging reserve						
Movement in hedging reserve	26		-	(14,723)		(13,651)
Fair value through other comprehensive income reserve						
Movement in fair value	27		(432)	(594)		(594)
Restricted funds						
Transfer to retained earnings	28		(765)	(1,901)		(2,355)
Transfer from retained earnings	28		765	517		1,273
Total comprehensive income		-	36,994	110,058	-	119,511
EQUITY - Closing balances						
Accumulated funds and retained earnings	24	-	4,907,650	4,897,679	-	4,943,343
Revaluation reserves	25	-	1,414,606	1,417,693	-	1,529,500
Hedging reserve	26	-	(9,173)	(23,896)	-	(24,050)
Fair value through other comprehensive income reserve	27	-	316	154	-	154
Restricted funds	28	-	16,018	14,701	-	17,301
TOTAL EQUITY - Closing balance		-	6,329,417	6,306,331	-	6,466,248

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

Statement of Financial Position

As at 30 June 2013

	Note	Actual	Council	Actual	Group	
		2013 \$000	Budget 2013 \$000	2012 \$000	Actual 2013 \$000	Actual 2012 \$000
ASSETS						
Current assets						
Cash and cash equivalents	10		19,641	22,622		26,912
Derivative financial assets	11		-	108		108
Trade and other receivables	12		38,090	41,658		43,541
Prepayments			5,869	14,211		14,309
Inventories	14		1,134	866		2,017
Non-current assets classified as held for sale	15			949		949
Total current assets			64,734	80,414		87,836
Non-current assets						
Derivative financial assets	11		1,275	949		949
Trade and other receivables	12		-	12,675		12,675
Other financial assets	13		6,814	7,842		9,362
Intangibles	16		8,350	12,169		12,277
Investment properties	17		203,742	200,474		200,474
Property, plant and equipment	18		6,533,338	6,501,686		6,514,367
Investment in subsidiaries	40		3,809	3,809		-
Investment in associates	41		19,519	19,519		168,424
Total non-current assets			6,776,847	6,759,123		6,918,528
TOTAL ASSETS			6,841,581	6,839,537		7,006,364
LIABILITIES						
Current liabilities						
Derivative financial liabilities	11		26	469		469
Trade and other payables	19		60,435	53,217		56,715
Revenue in advance	20		10,320	11,889		12,643
Borrowings	21		92,067	129,572		129,574
Employee benefit liabilities and provisions	22		5,694	6,638		7,936
Provision for other liabilities	23		11,708	32,209		32,209
Total current liabilities			180,250	233,994		239,546
Non-current liabilities						
Deferred tax	9		-	-		1,196
Derivative financial liabilities	11		10,062	23,812		23,812
Trade and other payables	19		-	630		630
Borrowings	21		281,601	232,046		232,057
Employee benefit liabilities and provisions	22		1,600	1,649		1,800
Provision for other liabilities	23		38,651	41,075		41,075
Total non-current liabilities			331,914	299,212		300,570
TOTAL LIABILITIES			512,164	533,206		540,116
EQUITY						
Accumulated funds and retained earnings	24		4,907,650	4,897,679		4,943,343
Revaluation reserves	25		1,414,606	1,417,693		1,529,500
Hedging reserve	26		(9,173)	(23,896)		(24,050)
Fair value through other comprehensive income reserve	27		316	154		154
Restricted funds	28		16,018	14,701		17,301
TOTAL EQUITY			6,329,417	6,306,331		6,466,248
TOTAL EQUITY AND LIABILITIES			6,841,581	6,839,537		7,006,364

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 2013

	Note	Actual	Council	Actual	Group	
		2013	Budget	2012	Actual	Actual
		\$000	\$000	\$000	2013	2012
					\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from rates - Council (excluding metered water)			226,745	218,440		218,440
Receipts from water rates by meter			12,822	12,356		12,356
Receipts from rates - Greater Wellington Regional Council				50,341		50,341
Receipts from activities and other income			105,417	102,336		116,109
Receipts from grants and subsidies - operating			6,831	7,452		12,744
Receipts from grants and subsidies - capital			45,765	55,644		51,720
Receipts from investment property lease rentals			9,166	13,333		13,481
Cash paid to suppliers and employees			(240,674)	(243,401)		(266,379)
Rates paid to Greater Wellington Regional Council				(51,255)		(51,255)
Grants paid			(29,328)	(38,932)		(29,739)
Income tax paid				-		(49)
Net GST (paid) / received				1,260		1,310
NET CASH FLOWS FROM OPERATING ACTIVITIES		-	136,744	127,574	-	129,079
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received			9,298	22,436		22,426
Interest received			10	951		1,110
Proceeds from sale of property, plant and equipment			-	2,023		2,023
Increase in investments			-	(2,240)		(2,630)
Purchase of investment properties			-	(150)		(150)
Purchase of intangibles			(4,563)	(4,677)		(4,693)
Purchase of property, plant and equipment			(151,574)	(151,994)		(153,052)
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	(146,829)	(133,651)	-	(134,966)
CASH FLOWS FROM FINANCING ACTIVITIES						
New borrowings			31,662	158,299		158,299
Repayment of borrowings			-	(129,000)		(129,000)
Interest paid on borrowings			(21,577)	(20,241)		(20,332)
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	10,085	9,058	-	8,967
Net increase/(decrease) in cash and cash equivalents		-	-	2,981	-	3,080
Cash and cash equivalents at beginning of year			19,641	19,641		23,832
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	-	19,641	22,622	-	26,912

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

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

Statement of Cash Flows - continued

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

Reconciliation of net surplus to net cash flows from operating activities	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Net surplus for the period		-	62,186	-	49,962
Add/(deduct) non-cash items:					
Net vested assets / expense			(7,163)		(7,191)
Bad debts written-off not previously provided for	6		78		78
Depreciation and amortisation	7		88,537		89,356
Fair value changes in investment properties	17		3,418		3,418
Other fair value changes			100		30
Movement in provision for impairment of doubtful debts			(72)		(72)
Tax expense			-		81
Non-cash movement in provisions			9,887		9,887
Total non-cash items		-	94,785	-	95,587
Add/(deduct) movement in working capital: 1					
Trade and other receivables			(16,249)		(17,682)
Prepayments			(8,342)		(7,978)
Trade and other payables			6,422		7,592
Revenue in advance			1,569		1,140
Inventories			268		94
Employee benefit liabilities			993		1,103
Provision for other liabilities			(4,441)		(4,378)
Total working capital movement		-	(19,780)	-	(20,109)
Add/(deduct) investing and financing activities:					
Net loss / (gain) on disposal of property, plant and equipment			(6,471)		(6,470)
Dividends received			(22,436)		-
Interest received			(951)		(1,110)
Interest paid on borrowings			20,241		20,332
Share of equity accounted surplus from associates			-		(9,113)
Total investing and financing activities		-	(9,617)	-	3,639
Net cash flow from operating activities		-	127,574	-	129,079

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

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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.

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

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

The financial statements of the Council and Group are for the year ended 30 June 2013 and were authorised for issue by Council on 28 August 2013.

Basis of preparation

Statement of compliance

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

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

Measurement base

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

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

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

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

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

Change of accounting policies

There have been no changes in accounting policies during the financial period.

Standards, amendments and interpretations issued but not yet effective and not 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:

- NZ IFRS 9 *Financial Instruments* and NZ IFRS 9 *Financial Instruments (2010)* - The Council has previously made the decision not to early adopt NZ IFRS 9 Financial Instruments to replace NZ IAS 39

Financial Instruments: Recognition and Measurement, as not all phases of NZ IFRS 9 have been completed and authorised for use. The effective date for adoption by Council is 1 July 2015.

The suite of approved accounting standards currently applicable for Public Benefit entities (PBE) is temporarily frozen pending the development of a new set of New Zealand public sector accounting standards (PAS) based on the International Public Sector Accounting Standards (IPSAS). The expected transition date to the new standards is 1 July 2014.

An interim 'new' set of standards (NZ IFRS PBE) with effect for periods beginning on or after 1 December 2012 will replace the 'old' NZ IFRS with PBE paragraphs. There are no differences between the 'old' and 'new' sets of standards.

No disclosures have been made in regard to new or amended NZ IFRS that are presently only applicable to 'for profit' entities.

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 structure diagram is included in Note 38.

Joint ventures

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

Subsidiaries

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

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

Associates

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

Income

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

Rates

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

Operating activities

Grants, subsidies and reimbursements

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

Development contributions

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

Fines and penalties

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

Rendering of services

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

Sale of goods

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

Investment revenues

Dividends

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

Investment property lease rentals

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

Other income

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

Donated, subsidised or vested assets

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

Gains

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

Finance income

Interest

Interest income is recognised using the effective interest rate method.

Donated services

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

Expenses

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

Operating activities

Grants and sponsorships

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

Finance expense

Interest

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

Depreciation and amortisation

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

Taxation

Income tax on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

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

Goods and Services Tax (GST)

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

Financial instruments

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

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

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

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

Derivatives

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

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

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

Inventories

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

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

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

Investment properties

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

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

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

Non-current assets classified as held for sale

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

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

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

Property, plant and equipment

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

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

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

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

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

Recognition

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

Measurement

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

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

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

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

Operational assets

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

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

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

Restricted assets

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

Infrastructure assets

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

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

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

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

Revaluations

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

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

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

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

Impairment

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

Disposal

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

Work in progress

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

Depreciation

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

Land	unlimited	not depreciated
Buildings	10 to 100 years	1% to 10%
Civic Centre complex	10 to 100 years	1% to 10%
Plant and equipment	3 to 100 years	1% to 33.3%
Library collections	3 to 10 years	10% to 33.3%
Restricted assets (excluding buildings)	unlimited	not depreciated
Infrastructure assets		
Land (including land under roads)	unlimited	not depreciated
Roading		
Formation/earthworks	unlimited	not depreciated
Pavement	13 to 40 years	2.5% to 7.7%
Traffic islands	80 years	1.25%
Bridges and tunnels	3 to 150 years	0.67% to 33.3%
Drainage	15 to 120 years	0.83% to 6.67%
Retaining walls	30 to 100 years	1% to 3.33%
Pedestrian walkway	10 to 50 years	2% to 10%
Pedestrian furniture	8 to 25 years	4% to 12.5%
Barriers and lighting	10 to 50 years	2% to 10%
Cycleway network	25 to 40 years	2.5% to 4%
Parking equipment	8 to 10 years	10% to 12.5%
Passenger transport facilities	25 years	4%
Traffic infrastructure	3 to 30 years	3.33% to 33.3%
Drainage, waste and water		
Pipework	40 to 100 years	1% to 2.5%
Fittings	7 to 100 years	1% to 14.29%
Water pump stations	10 to 100 years	1% to 10%
Water reservoirs	40 to 100 years	1% to 2.5%
Equipment	25 years	4%
Sewer pump stations	20 to 80 years	1.25% to 5%
Tunnels	150 years	0.67%
Treatment plants	3 to 100 years	1% to 33.3%

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 and depreciation rate range of these assets are as follows:

Computer software	3 to 7 years	14.29% to 33.3%
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Carbon credits comprise either allocations of emission allowances granted by the Government related to forestry assets or units purchased in the market to cover liabilities associated with landfill operations. Carbon credits are recognised at cost at the date of allocation or purchase.

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

Research and Development

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

Leases

Operating leases as lessee

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

Operating leases as lessor

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

Finance leases

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

The finance charge is released to surplus or deficit over the lease period and the capitalised values are amortised over the shorter of the lease term and the useful life of the leased item.

Employee benefit liabilities

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

Holiday leave

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

Long service leave and retirement gratuities

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

Other contractual entitlements

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

Provisions

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

Landfill post closure costs

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

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

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

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

ACC partnership programme

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

Financial guarantee contracts

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

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

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

Equity

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

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

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

Contingent assets and liabilities

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

Statement of cash flows

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

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

Related parties

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

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

Budget figures

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

Cost allocation

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

Comparatives

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

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

Note 1: Revenue from rates

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
General rates				
Base sector		67,032		67,032
Commercial, industrial and business sector		57,836		57,836
Targeted rates				
Base sector		6,112		6,112
Commercial, industrial and business sector		4,411		4,411
Sewerage		31,287		31,287
Stormwater		16,986		16,986
Water		23,210		23,210
Downtown		10,987		10,987
Marsden Village		14		14
Tawa driveways		33		33
Total revenue from rates (excluding metered water)		217,908		217,908
Revenue from water rates by meter		12,356		12,356
Total revenue from rates for Wellington City Council	-	230,264	-	230,264
Total rates billed		273,942		273,942
less Greater Wellington Regional Council component		(43,678)		(43,678)
Total revenue from rates for Wellington City Council	-	230,264	-	230,264

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$XXXm (2012: \$10.125m). For the Group rates of \$XXXm (2012: \$10.161m) 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 2013 totalled \$XXXm (2012: \$0.224m).

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Total revenue from rates	-	230,488	-	230,488
less Council policy remissions				
Rural open space		99	-	99
Land used principally for games or sport		78	-	78
Downtown levy		47	-	47
Total remissions	-	224	-	224
Total revenue from rates (net of remissions)	-	230,264	-	230,264

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	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Grants, subsidies and reimbursements				
Grants, subsidies and reimbursements - operating		7,452		14,112
Grants, subsidies and reimbursements - capital		62,071		62,308
Total grants, subsidies and reimbursements		69,523		76,420
Development contributions		3,434		3,434
Other operating activities				
Fines and penalties		11,140		11,140
Rendering of services		91,055		97,577
Sale of goods		6,334		10,801
Total other operating activities		108,529		119,518
Total revenue from operating activities	-	181,486	-	199,372

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

- 1) The New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs for maintaining the local roading infrastructure. The capital reimbursements from NZTA of \$XXXm (2012: \$12.377m) and operating reimbursements of \$XXXm (2012: \$4.527m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.
- 2) The Crown, for the upgrade of the Council's social housing stock. The capital grant recognised in the current year of \$XXXm (2012: \$48.050m) is part of a 10 year work programme that commenced in 2008 and the revenue is recognised in accordance with that agreed work programme. There are no unfulfilled conditions or other contingencies relating to this grant.

For the Group, the additional principal subsidy was \$XXXm (2012: \$5.632m) from Greater Wellington Regional Council to Wellington Cable Car Limited for the maintenance of the overhead wire trolley system.

Rendering of services includes revenue from all Council services and is broken down as follows:

Rendering of services	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Animal control		1,043		1,043
Berths and boat sheds		585		585
Building consents and licensing services		10,500		10,500
Community programmes and facilities hire		1,929		1,929
Community housing		16,717		16,717
Convention and conference centre		13,663		13,663
Encroachments and reserve land contributions		1,517		1,517
Green spaces		1,987		1,987
Landfill operations and recycling		8,084		8,084
Lease revenue from property, plant and equipment		4,572		4,572
Libraries - hireage		1,047		1,047
Parking fees and permits		16,699		16,699
Rendering of services recognised in subsidiaries		-		6,522
Roading infrastructure projects		1,628		1,628
Services to Greater Wellington Regional Council		727		727
Swimming pools		6,135		6,135
Trade waste		529		529
Other		3,693		3,693
Total rendering of services	-	91,055	-	97,577

Note 3: Revenue from investments

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Dividend from investment in associates			22,426		-
Dividend from investment in subsidiary			10		-
Investment property lease rentals	17		12,493		12,493
Total revenue from investments		-	34,929	-	12,493

The decrease in the dividends from associates is due to the payment of a special dividend in the prior period of \$13.600m from Wellington International Airport Limited in 2012 that was not repeated in the current period.

Note 4: Other income

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Gain on disposal of property, plant and equipment		6,701		6,701
Release of provisions		1,276		1,293
Petrol tax		1,127		1,127
Restricted funds		184		184
Vested assets		7,163		7,163
Total other income	-	16,451	-	16,468

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

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

Note 5: Finance income and expense

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Finance income					
Amortisation of loans to related parties	13		504		504
Cash flow hedge movements reclassified from hedging reserve	26		268		268
Fair value hedge movements			-		-
Fair value hedge adjustments to borrowings			217		217
Interest on deposits, loans and receivables			951		1,242
Movements on derivatives at fair value through surplus or deficit			262		262
Total finance income		-	2,202	-	2,493
<i>Less</i>					
Finance expense					
Fair value hedge movements			217		217
Fair value hedge adjustments to borrowings			-		-
Interest on borrowings			20,015		20,107
Interest on finance leases			117		117
Re-discounting of interest on provisions			1,229		1,229
Total finance expense		-	21,578	-	21,670
Net finance cost		-	19,376	-	19,177

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

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

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

Note 6: Expenditure on operating activities

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Auditor's remuneration:					
Audit services - Audit New Zealand - Financial Statements			314		359
Audit services - Audit New Zealand - Long Term Plan			135		135
Audit services - Audit New Zealand - other			7		7
Audit services - Other Auditors			-		29
Impairments					
Bad debts written off not previously provided for			78		78
Increase in provision for impairment of trade and other receivables	12		222		222
Impairment loss from property, plant and equipment	18		132		132
Inventory written-off			-		-
Governance and employment					
Councillor remuneration as directors/trustees	42		1,314		1,404
Directors/trustees of subsidiaries - remuneration			-		453
Other elected members' remuneration (Community Boards)	43		102		102
Employee benefits expense:					
- Remuneration			76,698		94,052
- Superannuation contributions (including Kiwisaver)			1,246		1,457
- Termination benefits (including severances)			2,410		2,502
Other personnel costs			3,492		3,944
Insurance					
Insurance premiums			9,084		9,423
Self insurance costs	29		915		915
General					
Advertising, printing and publications			2,976		8,595
Consultants and legal fees			5,647		5,796
Contractors			3,278		4,593
Direct costs			98,727		108,634
Grants - general			11,025		10,970
Grants to subsidiaries	42		17,824		-
Grants to associates	42		180		180
Information and communication technology			5,482		6,090
Loss on disposal of property, plant and equipment			210		210
Loss on disposal of intangibles			20		20
Operating lease - minimum lease payments			1,196		1,692
Reassessment of weathertight homes provision	23		9,903		9,903
Utility costs			17,151		17,655
Vested assets - expense			-		-
Other general costs			18,843		15,128
Total expenditure on operating activities			-	288,611	-
					304,680

Auditor's remuneration

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

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

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

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

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

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

Note 7: Depreciation and amortisation

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Depreciation				
Buildings		16,442		16,442
Civic Centre complex		2,807		2,807
Restricted buildings		1,168		1,168
Drainage, waste and water infrastructure		33,222		33,222
Landfill post closure		213		213
Library collections		2,070		2,070
Plant and equipment		10,779		11,529
Roading infrastructure		18,695		18,695
Total depreciation	-	85,396	-	86,146
Amortisation				
Computer software		3,141		3,210
Total amortisation	-	3,141	-	3,210
Total depreciation and amortisation	-	88,537	-	89,356

Note 8: Income tax expense

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Current tax expense				
Current year	-	-		107
Prior period adjustment	-	-	-	-
Total current tax expense	-	-	-	107
Deferred tax expense				
Origination and reversal of temporary differences		(190)		103
Change in unrecognised temporary differences		-		(46)
Recognition of previously unrecognised tax losses		190		(57)
Total deferred tax expense	-	-	-	-

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Surplus for the period before taxation	-	62,186	-	50,069
Prima facie income tax based on domestic tax rate - 28%		17,412		14,019
Effect of non-deductible expenses and tax exempt income		(17,539)		(17,539)
Effect of tax losses utilised		190		-
Current years loss for which no deferred tax asset was recognised		(25)		(30)
Change in unrecognised temporary differences		-		(16)
Prior period adjustment		0		(57)
Share of income tax of equity accounted associates		(38)		3,730
Total reconciliation of tax on the surplus and tax expense	-	-	-	107

Income tax recognised directly in equity

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2012: \$Nil)

Imputation credits	Group	
	2013 \$000	2012 \$000
Imputation credits available in subsequent periods	-	70

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

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Deductible temporary differences	-	-		363
Tax losses		2,911		2,924
Total	-	2,911	-	3,287

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 \$XXXm (2012: \$0.815m) and for the Group \$XXXm (2012: \$0.819m).

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

In 2012 \$XXXm (2012: \$0.679m) previously unrecognised tax losses, with a tax effect of \$XXXm (2012: \$0.190m), were recognised by the Group by way of loss offset arrangements of \$xxx (2012: \$xxx) and subvention payments of \$xxx (2012: \$xxx).

As at 30 June 2013 the Group had a deferred tax liability of \$XXXm (2012: \$1.196m).

Movement in deferred tax balances during the year

Group	Balance 1 July 2013 \$000	Recognised in surplus or deficit \$000	Recognised in equity \$000	Balance 30 June 2013 \$000
Property, plant & equipment				
Intangibles				
Investment properties				
Investment in subsidiaries				
Investment in associates				
Non-current assets held for sale				
Derivatives				
Inventories				
Borrowings				
Employee benefits				
Provisions				
Other items				
	0	0	0	0

Note 9: Deferred tax assets and liabilities - continued

Group	Balance 1 July 2011 \$000	Recognised in surplus or deficit \$000	Recognised in equity \$000	Balance 30 June 2012 \$000
-------	---------------------------------	---	----------------------------------	----------------------------------

Property, plant & equipment
Intangibles
Investment properties
Investment in subsidiaries
Investment in associates
Non-current assets held for sale
Derivatives
Inventories
Borrowings
Employee benefits
Provisions
Other items

0	0	0	0
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Note 10: Cash and cash equivalents

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Cash at bank		2,574		5,266
Cash on hand		48		59
Short term bank deposits		20,000		21,587
Total cash and cash equivalents	-	22,622	-	26,912

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

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

Note 11: Derivative financial instruments

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Current assets				
Interest rate swaps - fair value hedges		108	-	108
Total current assets	-	108	-	108
Non-current assets				
Interest rate swaps - fair value hedges		949	-	949
Total non-current assets	-	949	-	949
Total derivative financial instrument assets	-	1,057	-	1,057
Current liabilities				
Interest rate swaps - cash flow hedges		247	-	247
Interest rate swaps - non-hedged		222	-	222
Total current liabilities	-	469	-	469
Non-current liabilities				
Interest rate swaps - cash flow hedges		23,812	-	23,812
Interest rate swaps - non-hedged		-	-	-
Total non-current liabilities	-	23,812	-	23,812
Total derivative financial instrument liabilities	-	24,281	-	24,281

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

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

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

Note 12: Trade and other receivables

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Trade receivables - debtors			8,402		11,078
Provision for impairment of trade receivables -debtors			(318)		(591)
Net trade receivables - debtors		-	8,084	-	10,487
Trade receivables - fines			10,758		10,758
Provision for impairment of trade receivables -fines			(6,329)		(6,329)
Net trade receivables - fines		-	4,429	-	4,429
Trade receivables from related parties					
- Subsidiaries	42		1,089	-	-
- Associates	42		25	-	25
Total trade receivables from related parties		-	1,114	-	25
Total net trade receivables		-	13,627	-	14,941
Accrued income			13,704		14,069
GST receivable			3,568		3,572
Rates receivable			9,605		9,605
Sundry receivables			13,829		14,029
Total trade and other receivables		-	54,333	-	56,216
Represented by:					
Current			41,658	-	43,541
Non-current			12,675	-	12,675
Total trade and other receivables		-	54,333	-	56,216

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

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

Provision for impairment of total trade receivables	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		7,301		7,574
Additional or increased provision made		222		222
Release of provision		(295)		(295)
Amount of provision utilised		(581)		(581)
Provision for impairment of total trade receivables - closing balance	-	6,647	-	6,920

Note 12: Trade and other receivables - continued

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

Council	2013 Receivables			2012 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
Trade and other receivables						
Not past due				38,832	-	38,832
Past due 0-3 months				6,325	(125)	6,200
Past due 3-6 months				2,199	(114)	2,085
Past due more than 6 months				13,624	(6,408)	7,216
Total trade and other receivables	-	-	-	60,980	(6,647)	54,333

Group	2013 Receivables			2012 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
Trade and other receivables						
Not past due				40,512	-	40,512
Past due 0-3 months				6,405	(125)	6,280
Past due 3-6 months				2,227	(114)	2,113
Past due more than 6 months				13,992	(6,681)	7,311
Total trade and other receivables	-	-	-	63,136	(6,920)	56,216

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

Note 13: Other financial assets

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial assets at fair value through other comprehensive income					
Equity investments:					
- Civic Assurance			681		681
- NZ Local Government Funding Agency (LGFA)			2,000		2,000
Loans and deposits					
Bank deposits - term			-		1,520
LGFA - borrower notes			240		240
Loans to related parties - associates	42		1,248		1,248
Loans to related parties - other organisations			3,673		3,673
Total other financial assets		-	7,842	-	9,362

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to local authorities. The Council holds a 4.78% (2012: 4.78%) shareholding in this entity with no present intention to sell.

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

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	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Loans to related parties - associates					
<i>Wellington Regional Stadium Trust</i> <i>(nominal value \$15,394,893)</i>					
Opening balance			1,107		1,107
Amortisation of fair value adjustment			141		141
Closing balance at fair value	42	-	1,248	-	1,248
Loans to related parties - other organisations					
<i>Karori Wildlife Sanctuary Trust</i> <i>(nominal value \$10,346,689)</i>					
Opening balance			4,312		4,312
Amortisation of fair value adjustment			363		363
Additional fair value movement			(1,002)		(1,002)
Closing balance at fair value		-	3,673	-	3,673
Total loans to related parties		-	4,921	-	4,921

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

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

Note 14: Inventories

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Consumables		432		1,355
Inventories held for re-sale		368		596
Inventories held for distribution		66		66
Total inventories	-	866	-	2,017

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

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

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

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		8,099		8,099
Disposals		(7,916)		(7,916)
Transfers from property, plant and equipment		899		899
Transfers to property, plant and equipment		(133)		(133)
Non-current assets classified as held for sale - closing balance	-	949	-	949

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.

Note 16: Intangibles

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Computer software				
Cost - opening balance		34,128		34,865
Accumulated amortisation		(25,943)		(26,525)
Computer software opening balance	-	8,185	-	8,340
Acquired by direct purchase		5,021		5,043
Net disposals		(20)		(20)
Amortisation		(3,141)		(3,210)
Total computer software - closing balance	-	10,045	-	10,153
Cost		38,981		39,662
Accumulated amortisation		(28,936)		(29,509)
Total computer software - closing balance	-	10,045	-	10,153
Work in progress				
Computer software		2,124		2,124
Total work in progress	-	2,124	-	2,124
Carbon Credits				
Cost - Opening Balance	-	-	-	-
Additions		-		-
Total Carbon Credits - closing balance	-	-	-	-
Total intangibles	-	12,169	-	12,277

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 XXX credits for the 2013 calendar year (2012: 1,196). The Council has also purchased XXX credits in the market to cover the expected liabilities associated with landfill operations. At 30 June 2013 the total number of credits held is XXX (2012: 4,707).

At 30 June 2013 the liability relating to these credits is XXX (2012: nil).

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

Note 17: Investment properties

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		203,742		203,742
Additions by acquisition		21		21
Additions by subsequent expenditure		129		129
Fair value revaluation movements taken to surplus/(deficit)		(3,418)		(3,418)
Transfer from property, plant and equipment		-		-
Investment properties - closing balance	-	200,474	-	200,474

Wellington City Council's investment properties were valued as at 30 June 2013 by William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for CBRE Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2013 by Paul Butchers (BBS, FNZIV, FPINZ), Director of Bayleys Valuation Limited.

The Council's total investment properties comprise ground leases of \$XXXm (2012: \$154.527m) and land and buildings of \$XXXm (2012: \$45.947m) held for investment purposes.

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

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

Revenues and expenses	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Revenue from investment properties		12,493		12,493
Direct operating expenses of investment properties - From investment properties that generated income		1,058		1,058
Contractual obligations for capital expenditure		6,947		6,947
Contractual obligations for operating expenditure		62		62

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

Fair value of investment properties valued by independent registered valuers	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
William Bunt - CBRE Limited		156,577		156,577
Paul Butchers - Bayleys Valuation Limited		43,897		43,897
Total fair value of investment properties valued by independent registered valuers	-	200,474	-	200,474

Note 18: Property, plant and equipment

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

Summary	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Property, plant and equipment - Opening balance		6,362,494		6,393,223
Additions		226,238		223,057
Disposals		(1,936)		(16,028)
Depreciation expense		(85,396)		(86,146)
Impairment losses		(132)		(132)
Revaluation movement		48,612		48,612
Transfer from non-current assets held for sale		133		133
Transfer to non-current assets held for sale		(899)		(899)
Movement in work in progress		(47,428)		(47,453)
Property, plant and equipment - Closing balance	-	6,501,686	-	6,514,367

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Operational assets				
Land				
Land - at cost - opening balance		3,081		6,172
Land - at valuation - opening balance		198,283		198,283
Total land - opening balance	-	201,364	-	204,455
Additions		4,222		4,222
Disposals		(1,356)		(4,447)
Revaluation movement		2,536		2,536
Transfer between asset classes		145		145
Transfer from non-current assets held for sale		-		-
Transfer to non-current assets held for sale		(875)		(875)
Total land - closing balance	-	206,036	-	206,036
Land - at cost - closing balance		-		-
Land - at valuation - closing balance		206,036		206,036
Total land - closing balance	-	206,036	-	206,036
Buildings				
Buildings - at cost - opening balance		41,057		54,112
Buildings - at valuation - opening balance		369,665		369,665
Total cost/valuation	-	410,722	-	423,777
Accumulated depreciation		(26,115)		(28,169)
Total buildings - opening balance	-	384,607	-	395,608
Additions		130,694		130,694
Depreciation expense		(16,442)		(16,442)
Disposals		(56)		(11,057)
Revaluation movement		46,076		46,076
Transfer between asset classes		2,825		2,825
Transfer from non-current assets held for sale		-		-
Total buildings - closing balance	-	547,704	-	547,704

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Buildings - at cost - closing balance		-		-
Buildings - at valuation - closing balance		547,704		547,704
Total cost/valuation	-	547,704	-	547,704
Accumulated depreciation		-		-
Total buildings - closing balance	-	547,704	-	547,704
Landfill post closure costs ¹				
Landfill post closure - at cost - opening balance		3,635		3,635
Accumulated depreciation		(1,701)		(1,701)
Total landfill post closure costs - opening balance	-	1,934	-	1,934
Depreciation expense		(213)		(213)
Transfer between asset classes		(700)		(700)
Movement in post closure costs		1,059		1,059
Total landfill post closure costs - closing balance	-	2,080	-	2,080
Landfill post closure - at cost - closing balance		3,930		3,930
Accumulated depreciation		(1,850)		(1,850)
Total landfill post closure costs - closing balance	-	2,080	-	2,080
Civic Centre complex				
Civic Centre complex - at cost - opening balance		170,774		170,774
Accumulated depreciation		(50,259)		(50,259)
Total Civic Centre complex - opening balance	-	120,515	-	120,515
Additions		2,170		2,170
Transfer between asset classes		6		6
Depreciation expense		(2,807)		(2,807)
Total Civic Centre complex- closing balance	-	119,884	-	119,884
Civic Centre complex - at cost - closing balance		172,949		172,949
Accumulated depreciation		(53,065)		(53,065)
Total Civic Centre complex- closing balance	-	119,884	-	119,884
Plant and equipment				
Plant and equipment - at cost - opening balance		150,472		167,405
Accumulated depreciation		(68,257)		(73,514)
Total plant and equipment - opening balance	-	82,215	-	93,891
Additions		13,057		9,877
Depreciation expense		(10,779)		(11,529)
Disposals		(520)		(520)
Transfer between asset classes		(2,122)		(2,122)
Total plant and equipment - closing balance	-	81,851	-	89,597
Plant and equipment - at cost		156,363		169,045
Accumulated depreciation		(74,512)		(79,448)
Total plant and equipment - closing balance	-	81,851	-	89,597

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

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Library collections				
Library collections - at cost - opening balance		-		-
Library collections - at valuation - opening balance		15,715		15,715
Total cost/valuation	-	15,715	-	15,715
Accumulated depreciation		-		-
Total library collections - opening balance	-	15,715	-	15,715
Additions		1,977		1,977
Depreciation expense		(2,070)		(2,070)
Revaluation movement		-		-
Total library collections - closing balance	-	15,622	-	15,622
Library collections - at cost - closing balance		1,977		1,977
Library collections - at valuation - closing balance		15,715		15,715
Total cost/valuation	-	17,692	-	17,692
Accumulated depreciation		(2,070)		(2,070)
Total library collections - closing balance	-	15,622	-	15,622
Total operational assets	-	973,177	-	980,923
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		-		-
Drainage, waste and water - at valuation - opening balance		1,365,199		1,365,199
Total cost/valuation	-	1,365,199	-	1,365,199
Accumulated depreciation		-		-
Total drainage, water and waste - opening balance	-	1,365,199	-	1,365,199
Additions		32,130		32,130
Depreciation expense		(33,222)		(33,222)
Revaluation movement		-		-
Transfer between asset classes		-		-
Total drainage, water and waste - closing balance	-	1,364,107	-	1,364,107
Drainage, waste and water - at cost - closing balance		46,755		46,755
Drainage, waste and water - at valuation - closing balance		1,350,574		1,350,574
Total cost/valuation	-	1,397,329	-	1,397,329
Accumulated depreciation		(33,222)		(33,222)
Total drainage, water and waste - closing balance	-	1,364,107	-	1,364,107
Roading				
Roading - at cost - opening balance		-		-
Roading - at valuation - opening balance		784,374		786,974
Total cost/valuation	-	784,374	-	786,974
Accumulated depreciation		-		-
Total roading - opening balance	-	784,374	-	786,974
Additions		38,614		38,614
Depreciation expense		(18,695)		(18,695)
Revaluation movement		-		-
Transfer between asset classes		-		-
Total roading - closing balance	-	804,293	-	806,893

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Roading - at cost - closing balance		38,614		38,614
Roading - at valuation - closing balance		784,374		786,974
Total cost/valuation	-	822,988	-	825,588
Accumulated depreciation		(18,695)		(18,695)
Total roading - closing balance	-	804,293	-	806,893
Infrastructure land				
Infrastructure land - at cost - opening balance		-		-
Infrastructure land - at valuation - opening balance		36,447		36,447
Total infrastructure land - opening balance	-	36,447	-	36,447
Addition		-		-
Revaluation movement		-		-
Transfer between asset classes		-		-
Total infrastructure land - closing balance	-	36,447	-	36,447
Infrastructure land - at cost - closing balance		-		-
Infrastructure land - at valuation - closing balance		36,447		36,447
Total infrastructure land - closing balance	-	36,447	-	36,447
Land under roads				
Land under roads - at cost - opening balance		2,944,639		2,944,639
Additions		158		158
Disposals		(4)		(4)
Impairment		(132)		(132)
Transfer from non-current assets held for sale		133		133
Transfer to non-current assets held for sale		(24)		(24)
Land under roads - closing balance	-	2,944,770	-	2,944,770
Total infrastructure assets	-	5,149,617	-	5,152,217
Restricted assets				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,382		10,718
Additions		421		420
Transfer between asset classes		(72)		(72)
Art and cultural assets - closing balance	-	8,731	-	11,066
Restricted buildings				
Restricted buildings - at cost - opening balance		32,820		32,820
Accumulated depreciation		(4,615)		(4,615)
Total restricted buildings - opening balance	-	28,205	-	28,205
Additions		454		454
Depreciation expense		(1,168)		(1,168)
Disposals		-		-
Transfer between asset classes		(82)		(82)
Restricted buildings - closing balance	-	27,409	-	27,409
Restricted buildings - at cost - closing balance		33,175		33,175
Accumulated depreciation		(5,766)		(5,766)
Total restricted buildings - closing balance	-	27,409	-	27,409

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Parks and reserves				
Parks and reserves - at cost - opening balance		203,234		203,234
Additions		1,282		1,282
Disposals				
Transfer between asset classes		-		-
Transfer from non-current assets held for sale		-		-
Transfer to non-current assets held for sale		-		-
Parks and reserves - closing balance	-	204,516	-	204,516
Town Belt - at cost		88,103		88,103
Zoo animals - at cost		500		500
Total restricted assets	-	329,259	-	331,594
Work in progress				
- Land		460		460
- Buildings		33,873		33,873
- Civic Centre complex		1,226		1,226
- Plant and equipment		9,416		9,416
- Drainage, waste and water		381		381
- Roothing		1,854		1,854
- Art and cultural		326		326
- Restricted buildings		2,097		2,097
Total work in progress	-	49,633	-	49,633
Total property, plant and equipment	-	6,501,686	-	6,514,367

Disposals and transfers are reported net of accumulated depreciation

Revaluation of property, plant and equipment

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

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

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

In the years which an asset class is not revalued, the Group assesses whether there has been any material change in the value of that asset class. The movement in asset values between 30 June 2012 and 30 June 2013 for the Roads, Water and Library asset classes were assessed using appropriate indices. The increase in asset value of X.X% was not considered material by management and accordingly the assets were not revalued at 30 June 2013.

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

Finance leases

The net carrying amount of plant and equipment assets held the Council under finance leases is \$XXXm (2012: \$1.242m).

Note 18: Property, plant and equipment - continued**Service concession arrangement**

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

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

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

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

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

Note 19: Trade and other payables

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Trade payables and accruals			41,667		45,834
Trade payables owing to related parties					
- Subsidiaries	42		1,344		-
- Associates	42		677		677
Interest payable			2,759		2,759
Sundry payables			7,400		8,075
Total trade and other payables			53,847		57,345
represented by:					
Current			53,217		56,715
Non-current			630		630
Total trade and other payables			53,847		57,345

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	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Building consents and licensing services		2,733		2,733
Lease rentals		2,667		2,667
Rates and water		1,152		1,152
Indoor Community Sports Centre		2,342		2,342
Wellington Venues		1,212		1,212
Revenue in advance - subsidiaries		-		754
Other		1,783		1,783
Total revenue in advance	-	11,889	-	12,643

Note 21: Borrowings

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Current				
Bank facilities - short term - committed		2,000		2,000
Bank loans - term		-		-
Commercial paper		100,000		100,000
Debt securities - fixed rate bonds		9,000		9,000
Debt securities - floating rate notes		18,000		18,000
Finance leases		572		574
Total current	-	129,572	-	129,574
Non-current				
Bank loans - term		1,242		1,242
Debt securities - fixed rate bonds		36,057		36,057
Debt securities - floating rate notes		194,000		194,000
Finance leases		747		758
Total non-current	-	232,046	-	232,057
Total borrowings	-	361,618	-	361,631

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

Bank facilities

A total of \$XXXm (2012: \$155m) of committed bank facilities is available to the Council. Some \$XXXm is on a short term basis of less than one year and \$XXXm for longer than one year. Interest is payable in arrears at wholesale market rates. A further \$5m (2012: \$5m) is available as an uncommitted facility with interest payable in arrears at wholesale market rates. Of these facilities, \$XXm was drawn at the end of the reporting period (2012: \$2m).

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 \$XXXm (2012: \$1.242m) with maturities from 2015 to 2036. The average effective interest rate applicable is 7.00%

Commercial paper

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

Debt securities

The Group has issued \$XXm (2012: \$44m) of fixed rate bonds with maturities from 31 March 2014 to 15 August 2018. Interest is payable six monthly in arrears. The interest rates range from 5.25% to 7.13%. The value of fixed rate debt securities includes a fair value hedge adjustment of \$XXXm (2012: \$1.057m) relating to the fair value interest rate swaps associated with these bonds.

The Group has issued \$XXXm (2012: \$212m) of floating rate notes with maturities from 30 September 2013 to 2 August 2019. Interest is payable quarterly in arrears. The interest rates vary from 2.73% to 4.25% and are subject to quarterly reset dates.

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

Note 21: Borrowings - continued

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

Borrowing and overdraft facilities	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Borrowing and overdraft facilities available				
Bank facilities - short term - committed		55,000		55,000
Bank facilities - long term - committed		100,000		100,000
Bank facilities - short term - uncommitted		5,000		5,000
Bank loans - term		1,242		1,242
Bank overdraft		1,500		1,550
Commercial paper		100,000		100,000
Debt securities - fixed rate bonds		45,057		45,057
Debt securities - floating rate notes		212,000		212,000
Finance leases		1,319		1,332
Total borrowing and overdraft facilities available	-	521,118	-	521,181
Borrowing and overdraft facilities utilised				
Bank facilities - short term - committed		2,000		2,000
Bank loans - term		1,242		1,242
Commercial paper		100,000		100,000
Debt securities - fixed rate bonds		45,057		45,057
Debt securities - floating rate notes		212,000		212,000
Finance leases		1,319		1,332
Total borrowing and overdraft facilities utilised	-	361,618	-	361,631
Borrowing and overdraft facilities unutilised				
Bank facilities - short term - committed		53,000		53,000
Bank facilities - long term - committed		100,000		100,000
Bank facilities - short term - uncommitted		5,000		5,000
Bank overdraft		1,500		1,550
Total borrowing and overdraft facilities unutilised	-	159,500	-	159,550

Net Borrowings

The following table offsets investment deposits held against the total borrowings to obtain a net borrowings position.

Net borrowings	Council		Group	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
Borrowing and overdraft facilities utilised		361,618		361,631
<i>Less current investment deposits</i>				
Short term bank deposits (0-3 months)		(20,000)		(21,587)
Bank deposits - term (3-12 months)		-		(1,520)
Total net borrowings	-	341,618	-	338,524

Note 21: Borrowings - continued

Bank overdraft

An overdraft facility of \$1.500m (2012: \$1.500m) is available to Council. This facility was undrawn as at 30 June 2013 (2012: undrawn). The Group has additional overdraft facilities of \$0.050m (2012: \$0.050m).

Security

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

Ring fenced funds

The Council holds \$XXXm (2012: \$8.738m) of cash that may only be used for a specified purpose; this amount has been offset against borrowings. As part of the agreement with the Crown for the Housing Upgrade Project an amount of \$XXXm (2012: \$7.700m), representing the accumulated cash surpluses from the Housing activity, has been ring fenced for future investment in the Council's social housing assets. There is also an amount of \$XXXm (2012: \$1.038m) related to accumulated cash surpluses from the Waste Reduction and Energy Conservation activity which, under the Waste Minimisation Act 2008, must be ring fenced for future investment in waste activities.

Finance lease liabilities

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

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

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

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

The finance lease liabilities are analysed as follows:

Analysis of finance lease liabilities	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Future minimum lease payments				
Not later than one year		634		638
Later than one year and not later than five years		793		805
Later than five years		-		-
Total future minimum lease payments	-	1,427	-	1,443
Future finance charges		(108)		(111)
Present value of future minimum lease payments	-	1,319	-	1,332
Present value of future minimum lease payments				
Not later than one year		572		574
Later than one year and not later than five years		747		758
Later than five years		-		-
Total present value of future minimum lease payments	-	1,319	-	1,332

Note 22: Employee benefit liabilities and provisions

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Current				
Short-term benefits				
Payroll accruals		417		743
Holiday leave		4,992		5,964
Total short-term benefits	-	5,409	-	6,707
Termination benefits				
Other contractual provisions		1,229		1,229
Total termination benefits	-	1,229	-	1,229
Total current	-	6,638	-	7,936
Non-current				
Long-term benefits				
Long service leave provision		-		101
Retirement gratuities provision		1,649		1,699
Total long-term benefits	-	1,649	-	1,800
Total employee benefit liabilities and provisions	-	8,287	-	9,736

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

Long service leave provision	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		-		118
Additional or increased provision made		-		-
Release of provision		-		(17)
Amount utilised		-		-
Long service leave - closing balance	-	-	-	101

Note 22: Employee benefit liabilities and provisions - continued

Retirement gratuities provision	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		1,600		1,648
Additional or increased provision made		3		5
Release of provision		(14)		(14)
Rediscounting of interest		100		100
Amount utilised		(40)		(40)
Retirement gratuities - closing balance	-	1,649	-	1,699

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 remaining participants the provision may not be extinguished until 2037, assuming retirement at age 65.

Estimation

The gross retirement gratuities provision (inflation adjusted at XX%) as at 30 June 2013, before discounting, is \$XXXm (2012: \$2.360m). The discount rate used is 6.50%.

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

Other contractual provisions	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		373		373
Additional or increased provision made		1,229		1,229
Release of provision		(11)		(11)
Amount utilised		(362)		(362)
Other contractual provisions - closing balance	-	1,229	-	1,229

Background

The above provision is to cover estimated redundancy costs as at 30 June 2013 resulting from the current restructuring of the Council.

Note 23: Provision for other liabilities

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Current				
ACC Partnership programme		10		10
Landfill post closure costs		4,509		4,509
Weathertight homes		27,690		27,690
Total current	-	32,209	-	32,209
Non-current				
Landfill post closure costs		12,708		12,708
Weathertight homes		28,367		28,367
Total non-current	-	41,075	-	41,075
Total provision for other liabilities	-	73,284	-	73,284

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

ACC Partnership programme	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		133		133
Change in provision for risks incurred		(5)		(5)
Amounts utilised		(118)		(118)
Total liability for claims outstanding	-	10	-	10
Represented by:				
Present value of future payments		9		9
Risk margin		1		1
Total liability for claims outstanding	-	10	-	10

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	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		16,830		16,830
Additional or increased provision made		1,011		1,011
Release of provision		(957)		(957)
Re-discounting of interest		1,129		1,129
Amount utilised		(796)		(796)
Landfill post closure costs - closing balance	-	17,217	-	17,217

Background

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

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

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

Post closure responsibilities include:

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

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

Estimations

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cashflows are discounted using the rate of 6.50%. The gross provision (inflation adjusted at XX%), before discounting, is \$XXXm as at 30 June 2013 (2012: \$28.630m). 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 XXXm³ (2012: 751,160m³) and is expected to close in 2018. These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council's provision includes a proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of XXX m³ (2012: 620,000m³) and an estimated remaining life out to the end of 2022.

Note 23: Provision for other liabilities - continued

Weathertight homes	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		50,864		50,864
Additional or increased provision made		9,903		9,903
Amount utilised		(4,710)		(4,710)
Weathertight homes - closing balance	-	56,057	-	56,057

Background

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes an amount of \$XXXm (2012: \$8.933m) as a provision for future claims relating to weathertightness issues not yet identified or not yet reported.

Estimation

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

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

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

Amount claimed

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

Settlement amount

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

Amount expected to be paid by the Council

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

Timing of claim payments

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

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

The provision for 2013 includes certain actuarial assumptions around the Government's Financial Assistance Package (FAP). This assumption is based on actual and expected participation rates in the scheme.

Percentage of homeowners who will make a successful claim

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

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

Council and Group	2013 \$000	
Assumption	+10%	-10%
	Effect on Surplus or Deficit	
Amount claimed		
Settlement level award		
Council contribution to settlement		
Timing of claim payments		
Participation in FAP scheme		
Percentage of homeowners who will make a successful claim		

Council and Group	2013 \$000	
Assumption	+2%	-2%
	Effect on Surplus or Deficit	
Discount rate		

Funding of weathertight homes settlements

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

Funding for weathertight homes liability	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		-		
Funding for weathertight homes liability		2,221		2,221
Total amounts paid		(4,711)		(4,711)
Interest allocation		(72)		(72)
Closing balance funded through borrowings	-	(2,562)	-	(2,562)

Note 24: Accumulated funds and retained earnings

	Note	Council		Group	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Accumulated funds			1,269,134		1,293,162
Retained earnings					
Opening balance			3,550,373		3,597,367
Net surplus			62,186		49,962
Adjustment for wind-up of St James	40		14,577		-
Adjustment for disposal by associate	41		-		1,745
Transfers from revaluation reserves	25		25		25
Transfers from restricted funds	28		1,901		2,355
Transfers to restricted funds	28		(517)		(1,273)
Retained earnings - closing balance		-	3,628,545	-	3,650,181
Total accumulated funds and retained earnings		-	4,897,679	-	4,943,343

Note 25: Revaluation reserves

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Land - opening balance		142,136		142,136
Revaluation recognised in other comprehensive income		2,536		2,536
Transfer to retained earnings on disposal of assets		-		-
Land - closing balance	-	144,672	-	144,672
Buildings - opening balance		194,411		194,411
Revaluation recognised in other comprehensive income		46,076		46,076
Impairment recognised in other comprehensive income		-		-
Transfer to retained earnings on disposal of assets		(25)		(25)
Buildings - closing balance	-	240,462	-	240,462
Library collections - opening balance		7,147		7,147
Revaluation recognised in other comprehensive income		-		-
Library collections - closing balance	-	7,147	-	7,147
Drainage, waste and water - opening balance		641,549		641,549
Revaluation recognised in other comprehensive income		-		-
Drainage, waste and water - closing balance	-	641,549	-	641,549
Infrastructure land - opening balance		13,347		13,347
Revaluation recognised in other comprehensive income		-		-
Transfer to retained earnings on disposal of assets		-		-
Infrastructure land - closing balance	-	13,347	-	13,347
Roading - opening balance		370,516		372,389
Revaluation recognised in other comprehensive income		-		-
Roading - closing balance	-	370,516	-	372,389
Associates' revaluation reserves - opening balance	-	-		76,497
Revaluation recognised in other comprehensive income	-	-		33,437
Effect of changed shareholding in Chaffers Marina Holdings Limited	-	-		-
Associates' revaluation reserves - closing balance	-	-	-	109,934
Total revaluation reserves	-	1,417,693	-	1,529,500
These revaluation reserves are represented by:				
Opening balance		1,369,106		1,447,476
Revaluation recognised in other comprehensive income		48,612		82,049
Effect of changed shareholding in Chaffers Marina Holdings Limited		-		-
Impairment recognised in other comprehensive income		-		-
Transfer to retained earnings on disposal of assets		(25)		(25)
Total revaluation reserves - closing balance	-	1,417,693	-	1,529,500

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

Note 26: Hedging reserve

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		(9,173)		(10,399)
Cash flow hedge net movement recognised in other comprehensive income		(14,455)		(14,455)
Cash flow hedge movement reclassified to finance income		(268)		(268)
Cash flow hedge movement reclassified to share of equity accounted surplus of associate		-		1,072
Hedging reserve - closing balance	-	(23,896)	-	(24,050)

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

Note 27: Fair value through other comprehensive income reserve

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Opening balance		748		748
Fair value adjustment taken to other comprehensive income		(594)		(594)
Fair value through other comprehensive income - closing balance	-	154	-	154

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	
		2013 \$000	2012 \$000	2013 \$000	2012 \$000
Special reserves and funds	29		14,288		16,888
Trusts and bequests	30		413		413
		-	14,701	-	17,301

These funds are held by Council for specific purposes. More detailed information on the Council's restricted funds is disclosed in Note 29: Special reserves and funds and Note 30: Trusts and bequests.

Note 29: Special reserves and funds

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Reserve purchase and development fund				
Opening balance		1,199	-	1,199
Additional funds received /(repaid)		-	-	-
Funds utilised		(900)	-	(900)
Reserve purchase and development fund - closing balance	-	299	-	299
Early Settlers Memorial Park reserve				
Opening balance		44	-	44
Funds utilised		(21)	-	(21)
Early Settlers Memorial Park reserve - closing balance	-	23	-	23
Self insurance reserve				
Opening balance		10,138		10,138
Additional funds received		500		500
Funds utilised		(915)		(915)
Self insurance reserve - closing balance	-	9,723	-	9,723
Subsidiaries' restricted funds				
Opening balance		-		2,298
Additional funds received		-		756
Funds utilised		-		(454)
Subsidiaries' restricted funds - closing balance		-	-	2,600
Subdivision development reserve		4,119		4,119
Other reserves		124		124
Total special reserves and funds - closing balance	-	14,288	-	16,888

Reserve purchase and development fund

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

Early Settlers Memorial Park reserve

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

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 \$0.750m (2012: \$0.500m) are funded through rates as identified in the Annual Plan.

Subsidiaries' restricted funds

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 30: Trusts and bequests

Council	Opening Balance 2013 \$000	Additional Funds 2013 \$000	Funds Utilised 2013 \$000	Closing Balance 2013 \$000
A Graham Trust	2			2
A W Newton Bequest	272			272
Charles Plimmer Bequest	-			-
E A McMillan Estate	6			6
E Pengelly Bequest	11			11
F L Irvine Smith Memorial	6			6
Greek NZ Memorial Association	5			5
Kidsarus 2 Donation	3			3
Kirkcaldie and Stains Donation	17			17
Lewis Glover Bequest	-			-
QEII Memorial Book Fund	19			19
Schola Cantorum Trust	6			6
Stanley Banks Trust	31			31
Terawhiti Grant	10			10
W G Morrison Estate	11			11
Wellington Beautifying Society Bequest	14			14
Total trusts and bequests	413	-	-	413

Analysis of movements in trusts and bequests*Additional Funds*

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

Funds utilised

Trusts and bequests funds utilised during the year were:

- Stanley Banks trust – educational grants to children of WWII service personnel -\$ XXXX

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	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial assets				
Loans and receivables				
Cash and cash equivalents	-	22,622	-	26,912
Trade and other receivables	-	54,333	-	56,216
Other financial assets	-	5,161	-	6,681
Total loans and receivables	-	82,116	-	89,809
Financial assets at fair value through other comprehensive income				
Other financial assets	-	2,681	-	4,201
Total financial assets at fair value through other comprehensive income	-	2,681	-	4,201
Hedged derivative financial instruments				
Derivatives designated as fair value hedges	-	1,057	-	1,057
Total hedged derivative financial instruments	-	1,057	-	1,057
Total financial assets	-	85,854	-	95,067
Total non-financial assets	-	6,753,683	-	6,911,297
Total assets	-	6,839,537	-	7,006,364
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	-	53,847	-	57,345
Borrowings	-	361,618	-	361,631
Total financial liabilities at amortised cost	-	415,465	-	418,976
Derivative financial instruments				
Derivatives designated as cash flow hedges	-	24,059	-	24,059
Total derivative financial instruments	-	24,059	-	24,059
Financial liabilities at fair value through surplus/deficit				
Derivative financial instruments	-	222	-	222
Total financial liabilities at fair value through surplus/deficit	-	222	-	222
Total financial liabilities	-	439,746	-	443,257
Total non-financial liabilities	-	93,460	-	96,859
Total liabilities	-	533,206	-	540,116

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.

Council and Group	2013			2012		
	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	-	-	-	-	-	2,681
Derivative financial instruments						
- Fair value hedges	-	-	-	-	1,057	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges	-	-	-	-	24,059	-
- non-hedged swaps	-	-	-	-	222	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial assets at fair value through other comprehensive income				
- Equity investments				
Opening balance - 1 July		1,275	-	1,275
Purchases		2,000	-	2,000
Disposals		-	-	-
Gains or losses recognised in other comprehensive income		(594)	-	(594)
Closing balance - 30 June	-	2,681	-	2,681

Note 31: Financial instruments - continued

Financial risk management

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

Credit risk

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

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial instruments with credit risk				
Cash and cash equivalents		22,574		26,853
Derivative financial instrument assets		1,057		1,057
Trade and other receivables				
- Trade receivables		13,627		14,941
- Other receivables		40,706		41,275
Other financial assets				
- Bank deposits - term		-		1,520
- LGFA borrower notes		240		240
- Loans to related parties - associates		1,248		1,248
- Loans to related parties - other organisations		3,673		3,673
Financial guarantees to related parties		800		800
Total financial instruments with credit risk	-	83,925	-	91,607

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

Note 31: Financial instruments - continued

Credit quality of financial assets

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

Counterparties with credit ratings	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Cash - registered banks AA-		2,574		5,266
Short term deposits - registered banks AA-		20,000		21,587
Term deposits - registered banks AA-		-		1,520
Term deposits - borrower notes - NZ LGFA AA+		240		240
Derivative financial instrument assets AA-		1,057		1,057

Liquidity risk

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

Contractual maturity

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		192,578		196,079
1-2 years		65,023		65,027
2-5 years		154,421		154,430
More than 5 years		37,167		37,167
Total contractual cash flows of financial liabilities excluding derivatives	-	449,189	-	452,703
Represented by:				
Carrying amount as per the Statement of Financial Position		415,465		418,976
Future interest payable		33,724		33,727
Total contractual cash flows of financial liabilities excluding derivatives	-	449,189	-	452,703

Note 31: Financial instruments - continued

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Contractual cash flows of derivative financial liabilities				
0-12 months		6,894		6,894
1-2 years		5,946		5,946
2-5 years		11,304		11,304
More than 5 years		1,653		1,653
Total contractual cashflow of derivative financial liabilities	-	25,797	-	25,797
Represented by:				
Future interest payable		25,797		25,797
Total contractual cash flows of derivative financial liabilities	-	25,797	-	25,797

In addition to cash to be received in 2013/14 the Council currently has \$XXM in unused committed bank 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.

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

Market risk

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

Cash flow and fair value interest rate risk

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

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

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

Note 31: Financial instruments - continued

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

	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents		22,622		26,912
Bank facilities - short term		(2,000)		(2,000)
Bank loans		(1,242)		(1,242)
Commercial paper		(100,000)		(100,000)
Debt securities - floating rate notes		(212,000)		(212,000)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	-	(292,620)	-	(288,330)
Effect of interest rate swaps in reducing interest rate volatility				
Effect of fair value hedge		(34,000)		(34,000)
Effect of Cash flow interest rate swaps - hedged		290,000		290,000
Effect of Cash flow interest rate swaps - non-hedged		10,000		10,000
Total effect of interest rate swaps in reducing interest rate volatility	-	266,000	-	266,000
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	-	(26,620)	-	(22,330)

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 2013 the fair value of the interest rate swaps was -\$XXXm (2012: -\$23.224m). This liability will reduce to zero as the swaps reach the end of their lives, and therefore do not represent a liability that the Council will be required to pay cash to settle.

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

Weighted effective interest rates	Council		Group	
	2013 %	2012 %	2013 %	2012 %
Investments				
Cash and cash equivalents		3.45		3.24
Bank deposits - term		-		4.40
LGFA - borrower notes		3.37		3.37
Loans to related parties		-		-
Borrowings				
Bank facilities - short term		3.70		3.70
Bank loans		7.00		7.00
Commercial paper		2.81		2.81
Debt securities		4.05		4.05
Derivative financial instruments - hedged		5.01		5.01
Derivative financial instruments - non-hedged		6.31		6.31
Finance leases		10.32		10.34

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

Note 31: Financial instruments - continued

Sensitivity analysis

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

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

Council		2013 \$000			
		+1%	-1%	+1%	-1%
Interest rate risk	Note	Effect on Surplus or Deficit		Effect on Other Comprehensive Income	
Financial assets					
Cash and cash equivalents - Council	a				
LGFA - Borrower notes					
Derivatives - Interest rate swaps - hedged	b				
Financial liabilities					
Bank facilities - short term					
Bank term loans					
Commercial paper	c				
Debt securities	d				
Derivatives - Interest rate swaps - hedged	b				
Derivatives - Interest rate swaps - non-hedged	b				
Total sensitivity to interest rate risk		-	-	-	-

a. Cash and cash equivalents

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

b. Derivatives - interest rate swaps

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

c. Commercial paper

Commercial paper is part of a programme and subject to floating rates and totals \$100m. The full exposure to changes in interest rates has been reduced because the Council has \$XXm 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 \$XXm.

d. Debt securities

Debt securities at floating rates total \$XXXm. The full exposure to changes in interest rates has been reduced because the Council has \$XXXm of this debt at fixed rates through interest rate swaps. Debt securities at fixed rates total \$35m of which \$25m is subject to changes in interest rates as it has been swapped to floating through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$XXXm.

Note 31: Financial instruments - continued

Equity management

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

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

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

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

Note 32: Analysis of operating surplus by strategic area

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

Operating Income and Expenditure

Council	Income		Expenditure		Net		Net Variance 2013 \$000
	Actual 2013 \$000	Budget 2013 \$000	Actual 2013 \$000	Budget 2013 \$000	Actual 2013 \$000	Budget 2013 \$000	
Strategic area							
Urban development							
Transport							
Economic development							
Environment							
Cultural wellbeing							
Social and recreation							
Governance							
Total strategic areas	-	-	-	-	-	-	-
Council							
Total strategic areas and Council	-	-	-	-	-	-	-

The variance in Urban Development is due to

The variance in Transport is due to

The variance in Economic Development is primarily 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 is due to

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

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

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

Note 33: Major budget variations

Statement of Comprehensive Financial Performance	Council 2013 \$000	Council 2012 \$000
Reconciliation of actual surplus to underlying surplus and variance to budget		
Council actual net surplus	-	62,186
Less:		
Fair value movements:		
Related party loans		1,002
Investment property revaluation		3,418
Other		(534)
Total fair value movements	-	3,886
Additional net expenditure from Wellington Waterfront and Venues Projects and Porirua Joint Ventures		3,678
Changes to external funding for capital expenditure:		
Restricted funds income		196
Decrease in development contributions revenue		2,319
Timing of the Housing New Zealand capital grant		(5,348)
Change in New Zealand Transport Agency reimbursement - capital		1,601
Additional external funding towards capital projects		(849)
Total changes to external funding for capital expenditure	-	(2,081)
Vested assets - income		(7,163)
Gain on disposal of assets		(6,701)
Loss on disposal of assets and intangible assets		230
Expenditure not funded under section 100 of LGA		
New Zealand Transport Agency funded transport projects		(1,772)
Other		(25)
Total additional expenditure not funded under section 100 of LGA	-	(1,797)
Underlying Council actual net surplus	-	52,238
less Council budget net surplus		51,148
Council underlying variance	-	1,090
Major Budget Variations		
Unbudgeted revenue/expenditure:		
Restatement of provisions		(9,903)
Insurance costs (net of recoveries) funded through self insurance reserve		(915)
Total unbudgeted revenue/expenditure	-	(10,818)
Significant variations from budget		
Dividends in excess of budget (including Wellington International Airport Limited)		13,138
Decrease in income from activities		(2,366)
Decrease in interest expense		986
Other net variances ¹		1,000
Total significant variations from budget	-	12,758
Underlying variance available to carry forward	-	1,940
Variance in ringfenced City Housing deficit		(1,581)
Variance in ringfenced Waste Activity surplus		731
Council underlying variance	-	1,090

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

Note 33: Major budget variations - continued

Statement of Changes in Equity

Significant variations from budgeted changes in equity are as follows:

- \$XXXm of higher surplus

Offset by:

-

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

Statement of Financial Position

Significant variations from budget are as follows:

- Current assets are \$XXXm higher than budget primarily due to unbudgeted short-term deposits of \$XXXm as well as an increase in prepayments, largely due to timing differences.
- Non-current assets are \$XXXm higher than budget primarily due to revaluation movements for property plant and equipment although there have been some offsetting decreases in the fair value of investment properties.
- Total liabilities are \$XXXm higher than budget due to changes in debt levels from budget as well as a significant increase in our provision for non-weather-tight homes over the last two years. Changes in the maturity profile of our debt, as well as changes in the expected timing of leaky home claim payments, have resulted in most of the change in total liabilities being within current liabilities.

Statement of Cash Flows

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

Note 34: Analysis of capital expenditure by strategic area

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

Council	Annual Plan Budget	Budget Brought Forward from	Total Capex Budget	Budget to Carry Forward to	Available Capex Budget	Actual Capex	Variance Net
	2013 \$000	2012 \$000	2013 \$000	2014 \$000	2013 \$000	2013 \$000	2013 \$000
Strategic area							
Urban development							
Transport							
Economic development							
Environment							
Cultural wellbeing							
Social and recreation							
Governance							
Total strategic areas	-	-	-	-	-	-	-
Council							
Total capital expenditure	-	-	-	-	-	-	-

Excluding additional expenditure funded from external sources:**Total adjusted net variance**

-

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

Budget to carry forward

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

Significant acquisitions and replacements of assets

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

Note 34: Analysis of capital expenditure by strategic area - continued

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

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

Excluding additional expenditure funded from external sources:

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

Note 35: Capital expenditure performance

Capital expenditure projects

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

	Actual Expenditure ¹ 2013 \$000	Proposed Budget Carry Forward ² 2013 \$000	Total Forecast Expenditure 2013 \$000	Budget ³ 2013 \$000	Notes
Urban development					
Total Urban development					
Transport					
Total Transport					
Economic development					
Total Economic development				-	
Environment					
Total Environment				-	
Cultural Wellbeing					
Total Cultural wellbeing				-	
Social and recreation					
Total Social and recreation				-	
Governance					
Total Governance				-	
Council					
Total Council				-	
Total capital expenditure projects	-	-	-	-	

1. Actual capital expenditure consists of all expenditure 2012/13 including expenditure against carry forwards.
2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.
3. Budgets comprise 2012/13 Annual Plan budgets brought forward into 2012/13 from the previous financial period.

Note 36: Commitments

Capital commitments	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Approved and contracted - property, plant and equipment		63,935		63,935
Approved and contracted - investment properties		6,940		6,940
Approved and contracted - intangibles		821		821
Approved and contracted - share of associates		-		2,400
Total capital commitments	-	71,696	-	74,096

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

Operating leases – Group as lessee

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

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

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

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

Non-cancellable operating lease commitments as lessee	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Plant and equipment				
Not later than one year		194		345
Later than one year and not later than five years		17		219
Later than five years		-		-
Land and buildings				
Not later than one year		1,909		2,328
Later than one year and not later than five years		3,763		4,218
Later than five years		1,760		1,760
Total non-cancellable operating lease commitments as lessee	-	7,643	-	8,870

Operating leases – Group as lessor

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

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

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

Note 36: Commitments - continued

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

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

Non-cancellable operating lease commitments as lessor	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Investment properties				
Not later than one year		9,755		9,755
Later than one year and not later than five years		36,430		36,430
Later than five years		97,720		97,720
Land and buildings				
Not later than one year		4,848		3,787
Later than one year and not later than five years		9,326		5,115
Later than five years		11,238		11,146
Total non-cancellable operating lease commitments as lessor	-	169,317	-	163,953

Commitments to related parties

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

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

Council	2013/14 \$000	2015-2022 \$000	Total \$000
Subsidiaries			
Wellington Waterfront			
Wellington Zoo Trust			
Wellington Museums Trust			
Positively Wellington Tourism			
Carter Observatory			
Wellington Venues			
Total subsidiary commitments	-	-	-
Associates			
Basin Reserve Trust			
Total associate commitments	-	-	-
Other related parties			
Karori Wildlife Sanctuary Trust			
Total other related party commitments	-	-	-
Total related party commitments	-	-	-

Note 37: Contingencies

Contingent liabilities	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Financial guarantees to community groups		800		800
Uncalled capital - LGFA		2,000		2,000
Other legal proceedings		280		280
Share of associates' contingent liabilities		-		-
Share of joint ventures' contingent liabilities		-		-
Total contingent liabilities	-	3,080	-	3,080

The financial guarantees to community groups above are analysed below:

Outstanding debt subject to Council guarantees	Council		Group	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Karori Wildlife Sanctuary Trust		800	-	800
Total outstanding debt subject to Council guarantees	-	800	-	800

Karori Wildlife Sanctuary Trust (Zealandia)

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

NZ Local Government Funding Agency Limited (LGFA)

As a shareholder in the LGFA the Council has subscribed \$1.866m in paid up capital and \$1.866m in uncalled capital. Each of the local authority shareholders of the LGFA is a party to a deed of guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and the guarantee obligations of other participating local authorities to the LGFA, in the event of default. In such event, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's rates income. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge. The Council has been unable to determine a sufficiently reliable fair value for the guarantee and has therefore not recognised a liability. The Council believes the risk of a further call on capital or of the guarantee being called on and any financial loss arising from the guarantee is remote.

Other legal proceedings

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

Unquantified contingent liabilities

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

On 11 October 2012 the Supreme Court of New Zealand released a decision clarifying that councils owe a duty of care when approving plans and inspecting construction of a building which was not purely a residential building. The Court held that there was no principled basis for distinguishing between the liability of those who played a role in the construction of residential buildings as against the construction of non-residential buildings. This extends the scope of the potential liability for the Council to include non-residential buildings consented under the Building Act 1991.

Note 37: Contingencies - continued

Through the process of working with our actuaries, it has been identified that due to a lack of historical and current information relating to non residential building claims, a reliable estimate of any potential liability cannot be quantified at this time.

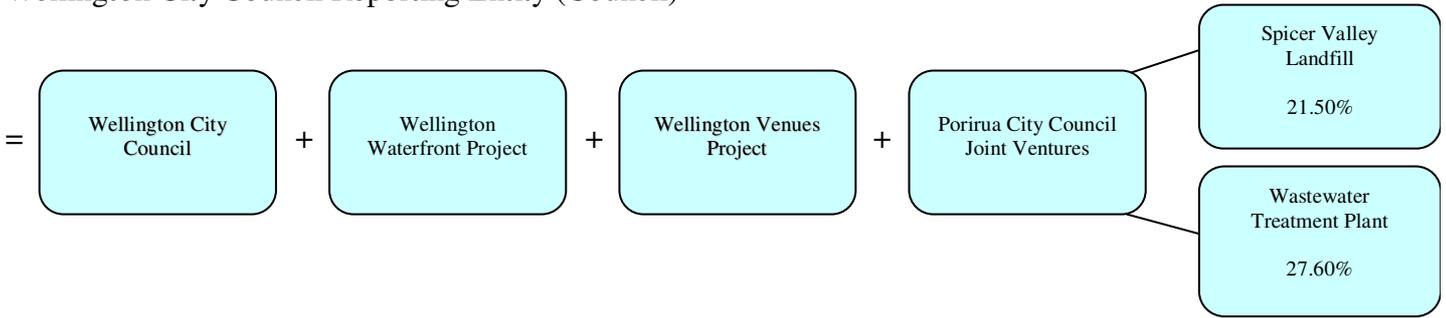
There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant. The possibility of any outflow in settlement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

Contingent assets

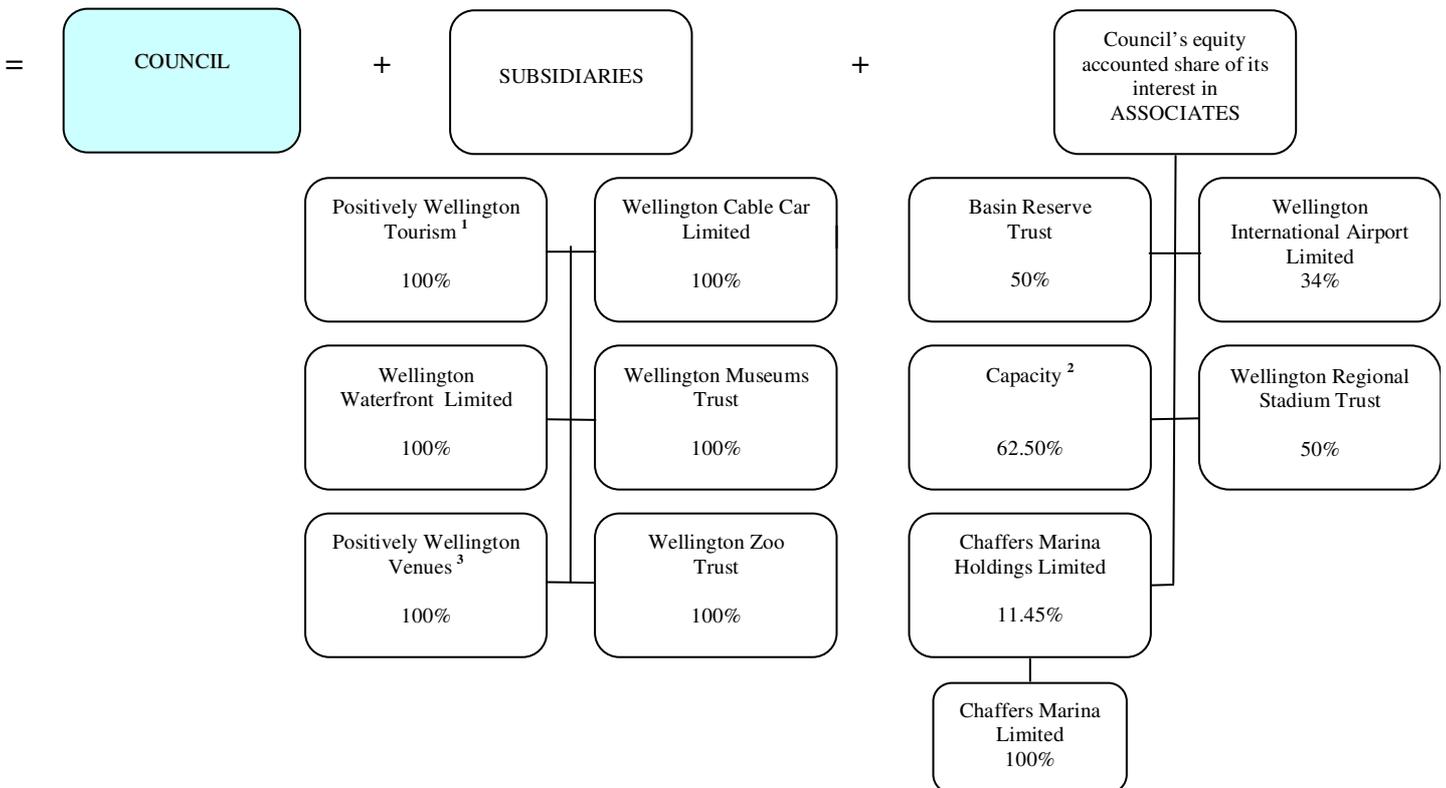
The Council and Group have no contingent assets as at 30 June 2013 (2012: \$Nil).

Note 38: Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



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

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

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

Note 39: Joint ventures

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2013	Interest 2012	Nature of business
Wastewater treatment plant – Porirua City Council	27.6%	27.6%	Owns 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%	Owns 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	2013 \$000	2012 \$000
Assets		
Current		
Inventory		5
Trade and other receivables		-
Non-current		
Property, plant and equipment		19,444
Share of total assets	-	19,449
Liabilities		
Current		
Trade and other payables		62
Non-current		
Borrowings		1,242
Provisions for other liabilities		1,680
Share of total liabilities	-	2,984
Share of net assets	-	16,465

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	2013 \$000	2012 \$000
Operating revenue		611
Operating expenditure		(858)
Share of net surplus or (deficit)	-	(247)
Share of current year revaluation movement		(82)

The Council's and Group's share of the joint ventures' capital commitments is \$Nil (2012: \$Nil) and contingent liabilities is \$Nil (2012: \$Nil).

Note 40: Investment in Subsidiaries

The following entities are subsidiaries of Council:

Subsidiary	Interest 2013	Interest 2012	Nature of business
Positively Wellington Tourism (Partnership Wellington Trust Inc)	100%	100%	Creates economic and social benefit by marketing the city with the private sector as a visitor destination.
Wellington Waterfront Limited	100%	100%	Manages the Wellington Waterfront Project.
Wellington Cable Car Limited	100%	100%	Owns and manages the trolley bus overhead wiring system and the Cable Car.
Wellington Museums Trust	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Colonial Cottage Museum, the Carter Observatory and the Museum of Wellington City and Sea
Positively Wellington Venues (Wellington Venues Limited)	100%	100%	Manages the Wellington Venues Project.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

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

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

Investment in subsidiaries	2013 \$000	2012 \$000
Wellington Cable Car Limited	3,809	3,809
Total investment in subsidiaries	3,809	3,809

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

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

Note 41: Investment in Associates

The Council has a significant interest in the following associates:

Associate	Interest 2013	Interest 2012	Nature of business
Basin Reserve Trust	50%	50%	Manages, operates and maintains the Basin Reserve
Capacity (Capacity Infrastructure Services Limited)	62.5%	62.5%	Jointly manages water services for Wellington and Lower Hutt cities.
Chaffers Marina Holdings Limited	11.45%	11.45%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	100%	100%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Regional Stadium Trust	50%	50%	Owns and manages the Westpac Stadium.

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

Basin Reserve Trust

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

Capacity

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

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

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

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2013 Council held an XX.XX% interest in Chaffers Marina Holdings Limited (2012: 11.45%) which has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

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

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

Wellington Regional Stadium Trust

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

Summary of Financial Position and Performance of Associates

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

Associates	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2013	2013	2013	2013
	\$000	\$000	\$000	\$000
Basin Reserve Trust				
Capacity				
Chaffers Marina Holdings Limited				
Wellington International Airport Limited				
Wellington Regional Stadium Trust				

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

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	
	2013	2012
	\$000	\$000
Capacity		376
Chaffers Marina Holdings Limited		1,368
Wellington International Airport Limited		17,775
Total investment in associates	-	19,519

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	
	2013 \$000	2012 \$000
Basin Reserve Trust		
Opening balance		643
Equity accounted earnings of associate		(69)
Closing balance - investment in Basin Reserve Trust	-	574
Capacity		
Opening balance		173
Equity accounted earnings of associate		53
Closing balance - investment in Capacity	-	226
Chaffers Marina Holdings Limited		
Opening balance		1,037
Change in shares during the year		-
Change in equity due to changed shareholding		-
Equity accounted earnings of associate		(23)
Closing balance - investment in Chaffers Marina Holdings Limited	-	1,014
Wellington International Airport Limited		
Opening balance		108,842
Dividends		(22,426)
Equity accounted earnings of associate		7,289
Share of net revaluation of property, plant and equipment - movement		33,437
Share of hedging reserve - movement		1,072
Adjustment for sale of i-site		1,745
Closing balance - investment in Wellington International Airport Limited	-	129,959
Wellington Regional Stadium Trust		
Opening balance		34,796
Equity accounted earnings of associate		1,855
Closing balance - investment in Wellington Regional Stadium Trust	-	36,651
Total investment in associates	-	168,424

Note 41: Investment in Associates - continued

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

Share of associates' surplus/(deficit)	Group	
	2013 \$000	2012 \$000
Basin Reserve Trust		
Share of net surplus/(deficit) before tax		(69)
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Basin Reserve Trust	-	(69)
Capacity		
Share of net surplus/(deficit before tax)		53
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Capacity	-	53
Chaffers Marina Holdings Limited		
Share of net surplus/(deficit) before tax		(23)
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited	-	(23)
Wellington International Airport Limited		
Share of net surplus before tax		5,985
Tax (expense)/credit		1,304
Share of associate's surplus/(deficit) - Wellington International Airport Limited	-	7,289
Wellington Regional Stadium Trust		
Share of net surplus before tax		1,855
Tax (expense)/credit		-
Share of associate's surplus - Wellington Regional Stadium Trust	-	1,855
Total share of associates' surplus/(deficit)	-	9,105

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 (the Mayor and Councillors), the Chief Executive and all members of the Council's Executive Leadership Team. 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		Group	
	2013 \$	2012 \$	2013 \$	2012 \$
Council Members (Directors)				
Short-term employee benefits		1,358,825		1,523,919
Chief Executive and Executive Leadership Team				
Short-term employee benefits		2,627,432		2,627,432
Post employment benefits		17,791		17,791
Termination benefits		-		-
Total remuneration paid to key management	-	4,004,047	-	4,169,141

For further disclosure of the remuneration payable to the Mayor, Councillors and the Chief Executive refer to Note 43: Remuneration and staffing.

Material related party transactions – key management personnel

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

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

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

There are no commitments from Council to key management personnel.

Material related party transactions – other organisations

- NZ Local Government Funding Agency Limited (LGFA)

The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 30 regional, district and city councils throughout New Zealand that own 80% of the issued capital, with the Government holding the remaining 20%. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) and currently has an investment of \$1.866m representing 8% of paid-up capital.

- Karori Wildlife Sanctuary Trust (Zealandia)

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

Note 42 : Related party disclosures - continued

The Council appoints three of the seven trustees including the Chair. Operational funding of \$XXXm was made during the year to 30 June 2013. The Council has a concessionary loan totalling \$10.347m on interest free terms to the Trust. Further information on the loan is included in Note 13: Other financial assets.

Intra group transactions and balances

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

Intra group transactions and balances - Joint ventures	2013 \$000	2012 \$000
Expenditure incurred by the Council to fund the operation and management of:		
Porirua - waste water treatment plant		1,537

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	2013 \$000	2012 \$000
Dividend received from:		
Wellington Cable Car Limited		10
Revenue for services provided by the Council to:		
Positively Wellington Tourism		160
Positively Wellington Waterfront		2
Wellington Cable Car Limited		63
Wellington Museums Trust		2,377
Wellington Zoo Trust		524
	-	3,126
Expenditure incurred by the Council to fund operations and management of:		
Positively Wellington Tourism		5,940
Positively Wellington Waterfront		1,075
Wellington Museums Trust		8,010
Wellington Zoo Trust		2,799
	-	17,824
Expenditure for services provided to the Council by:		
Positively Wellington Tourism		128
Wellington Cable Car Limited		195
Wellington Museums Trust		230
Wellington Venues Limited		5,428
Wellington Zoo Trust		1,112
	-	7,093
Current receivables owing to the Council from:		
Positively Wellington Waterfront		1
Wellington Cable Car Limited		1
Wellington Museums Trust		598
Wellington Zoo Trust		489
	-	1,089
Current payables owed by the Council to:		
Positively Wellington Tourism		-
Wellington Cable Car Limited		193
Wellington Museums Trust		172
Wellington Venues Limited		362
Wellington Zoo Trust		617
	-	1,344

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	2013 \$000	2012 \$000
Dividend received from:		
Wellington International Airport Limited		22,426
Revenue for services provided by the Council to:		
Basin Reserve Trust		79
Capacity		34
Wellington International Airport Limited		3
Wellington Regional Stadium Trust		228
	-	344
Expenditure incurred by the Council to fund the operation and management of:		
Basin Reserve Trust		180
Expenditure for services provided to the Council from:		
Basin Reserve Trust		7
Capacity		8,190
Wellington International Airport Limited		35
Wellington Regional Stadium Trust		252
	-	8,484
Current receivables owing to the Council from:		
Basin Reserve Trust		14
Capacity		3
Wellington International Airport Limited		-
Wellington Regional Stadium Trust		8
	-	25
Current payables owed by the Council to:		
Capacity		605
Wellington Regional Stadium Trust		72
	-	677
Limited-recourse funding loan and advance		
Wellington Regional Stadium Trust - nominal value - \$15,394,893		1,248

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: Remuneration and staffing

Mayoral and Councillor remuneration

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

The following people held office as, either or both, elected members of the Council's governing body, and trustees or directors of entities comprising the Group during the reporting period. The total remuneration attributed to the Mayor and Councillors during the year from 1 July 2012 to 30 June 2013 was \$XXX (2012: \$1,523,919) and is disaggregated and classified as follows:

Council Member	Monetary Remuneration			Non Monetary Remuneration	Total Council Remuneration 2013	Director/ Trustee Fees	Total Remuneration 2013
	Salary	Resource Consent Hearing Fees	Allowances				
	\$	\$	\$	\$	\$	\$	\$
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					-		-
Totals	-	-	-	-	-	-	-
	Total monetary remuneration				-	-	-
	Total non- monetary remuneration				-	-	-
					\$000	0	

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the Local Government Act 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2012/13 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Resource consent hearings payments

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

Note 43: Remuneration and staffing - continued**Taxable and non-taxable allowances – mileage, broadband services and mobile phones**

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

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

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

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

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

Non-monetary

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

Director/Trustee Fees

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

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

Note 43: Remuneration and staffing - continued**Community Boards**

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

Community Board Member	Salary	Resource Consent Hearing Fees	Allowances	Total 2013
	\$	\$	\$	\$
TAWA COMMUNITY BOARD				
Sparrow, Malcolm (Chair)				-
Hansen, Graeme (Deputy Chair)				-
Lucas, Margaret				-
Reading, Chris				-
Sutton, Alistair				-
Tredger, Robert				-
MAKARA-OHARIU COMMUNITY BOARD				
Grace, Christine (Chair)				-
Bruce, Gavin (Deputy Chair)				-
Liddell, Judy				-
Rudd, Wayne				-
Scotts, Margie				-
Todd, Hamish				-
Totals	-	-	-	-

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

Note 43: Remuneration and staffing - continued**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 2013 was \$XXX (2012: \$423,457).

Of this, \$XXX,XXX was paid to Garry Poole and includes the period from 4 March to 30 March 2013 when he was acting Chief Executive.

The remaining \$XXX,XXX was paid to Dr Kevin Lavery, who commenced as Chief Executive from 31 March 2013.

Under the terms of his agreement, the Chief Executive of the Council chooses how he wishes to take his remuneration package (salary only or a combination of salary and benefits).

Remuneration of the Chief Executive	Council	
	2013 \$	2012 \$
Short-term employee benefits		
Garry Poole - to 3 March 2013		
Salary		394,206
Motor vehicle and carpark (including FBT)		25,025
		419,231
Kevin Lavery - from 31 March 2013		
Salary		-
Motor vehicle and carpark (including FBT)		-
		-

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 2013 the Council made severance payments to XX employees (2012:12) totalling \$XXX (2012: \$110,628).

The individual values of each of these severance payments are:

Note 43: Remuneration and staffing - continued

	2013	2012
The number of full-time employees as at 30 June		
The full-time equivalent number of all other employees		
The number of employees receiving total annual remuneration of less than \$60,000		
The number of employees receiving total annual remuneration of more than \$60,000 in bands of \$20,000		
\$60,000 - \$79,999		
\$80,000 - \$99,999		
\$100,000 - \$119,999		
\$120,000 - \$139,999		
\$140,000 - \$159,999		
\$160,000 - \$179,999		
\$180,000 - \$199,999		
\$200,000 - \$219,999		
\$220,000 - \$239,999		
\$240,000 - \$259,999		
\$260,000 - \$279,999		
\$280,000 - \$299,999		
\$300,000 - \$319,999		
\$320,000 - \$339,999		
\$340,000 - \$359,999		
\$360,000 - \$379,999		
\$380,000 - \$399,999		
\$400,000 - \$419,999		
\$420,000 - \$439,999		

If the number of employees for any band is 5 or less then it has been combined with the next highest band.

Note 44: Events after the end of the reporting period

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