

Wellington City Council and Group

Financial Statements

For the year ended 30 June 2010

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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 2010 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Kerry Prendergast
Mayor
25 August 2010

Garry Poole
Chief Executive
25 August 2010

Peter Garty
Chief Financial Officer
25 August 2010

Statement of Comprehensive Financial Performance

For the year ended 30 June 2010

	Note	Council			Group ¹	
		Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Actual 2010 \$000	Actual 2009 \$000
INCOME						
Revenue from rates	1	213,489	213,992	206,264	213,489	206,264
Revenue from operating activities	2	135,566	134,128	126,835	153,692	143,469
Revenue from investment property leases	16	14,229	10,377	13,870	14,229	13,870
Other income	3	17,711	2,244	13,904	17,711	13,957
Finance income	4	17,594	5,448	8,693	2,313	1,578
TOTAL INCOME		398,589	366,189	369,566	401,434	379,138
EXPENSE						
Finance expense	4	(18,410)	(21,891)	(22,271)	(18,467)	(22,337)
Expenditure on operating activities	5	(264,331)	(245,454)	(250,688)	(281,246)	(267,144)
Depreciation and amortisation	6	(77,703)	(74,716)	(74,330)	(79,127)	(75,561)
Fair value movement on related party loans	12	(2,410)	-	(3,445)	(2,410)	(3,445)
Fair value movement on investment property revaluation	16	(5,405)	-	(2,775)	(5,405)	(2,775)
TOTAL EXPENSE		(368,259)	(342,061)	(353,509)	(386,655)	(371,262)
TOTAL OPERATING SURPLUS		30,330	24,128	16,057	14,779	7,876
Share of equity accounted surplus/(deficit) from associates	40	-	-	-	8,783	8,092
NET SURPLUS BEFORE TAXATION		30,330	24,128	16,057	23,562	15,968
Income tax expense	7	-	-	-	(17)	-
NET SURPLUS for the year		30,330	24,128	16,057	23,545	15,968
OTHER COMPREHENSIVE INCOME						
Revaluations:						
Fair value movement - property, plant and equipment - net	24	-	-	80,427	-	80,427
Impairment	24	(234)	-	-	(234)	-
Cash flow hedges:						
Fair value movement - net	25	(5,058)	-	(1,928)	(5,058)	(1,928)
Reclassification to finance income	25	(268)	-	(268)	(268)	(268)
Fair value through other comprehensive income:						
Fair value movement - financial assets - net	26	1,080	-	-	1,080	-
Share of other comprehensive income of associates:						
Revaluations - fair value movement - net	24	-	-	-	-	18,046
Cash flow hedges - fair value movement - net	25	-	-	-	-	(4,092)
Reclassification to share of equity accounted surplus	25	-	-	-	1,461	-
TOTAL OTHER COMPREHENSIVE INCOME		(4,480)	-	78,231	(3,019)	92,185
TOTAL COMPREHENSIVE INCOME for the year		25,850	24,128	94,288	20,526	108,153

1. The Group includes the Council, the subsidiaries disclosed in Note 39, and the Council's interest in the associates disclosed in Note 40. A structural diagram of the Group is shown in Note 37.

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 \$30.330m compared to a budgeted surplus of \$24.128m. The underlying financial performance outlined below shows a surplus for the year of \$1.498m after the exclusion of fair value movements and other unbudgeted items that cannot be used to fund operating expenditure.

	\$000
Reported Council surplus	30,330
<i>Exclude</i>	
Fair Value movements	6,525
Expenditure from Wellington Waterfront Project and joint ventures	2,334
Vested assets	(15,194)
Additional expenditure not funded under section 100 of LGA	1,679
Other changes	(48)
Adjusted surplus	25,626
Council budgeted surplus	24,128
Underlying surplus	1,498

Budgeted surplus

The Council has budgeted for a surplus of \$24.128m in the Long Term Council Community Plan 2009-19. The majority of this surplus represents funding received from third parties for capital purposes. As this income is received for specific capital projects, it cannot be used to offset rates.

Significant variances to the budgeted surplus are as follows:

Fair value movements

These amounts are non-cash, and reflect changes in the fair value of our investment properties, loans to related parties and interest rate swaps (shown in Note 4: Finance income and expense). These fair value movements are non-cash in nature, but are recognised in our Statement of Comprehensive Financial Performance.

Vested assets

Vested assets are those assets transferred to the Council from a third party and are recognised as revenue. The majority of the \$15.194m in vested assets represents the fair value of infrastructural assets such as roading, drainage, water and waste assets that have been constructed by developers and transfer to the Council on completion. It also includes the transfer of the Carter Observatory assets to the Council during the year.

Additional Expenditure not funded under section 100 of LGA

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

Council underlying net surplus

The underlying financial performance outlined above shows an underlying surplus of \$1.498m versus the budgeted surplus for the year after the exclusion of fair

value movements and other items that cannot be used to fund operating expenditure. There were two items which have had a significant impact on the underlying result for the year.

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

The second item was the receipt of two years of dividends from Wellington International Airport Limited which totalled an additional \$8.341m and served to significantly reduce the impact of the provision increase on the reported result. We also continued to manage our costs within budgeted levels and make savings in areas such as interest costs, despite increasing financial pressures.

Net surplus for the Group

The Group has recorded a net surplus for the year of \$23.545m. The difference between the Council and Group results arises from the elimination of transactions between Group entities, and recognition of the Group's share of the results of subsidiaries and associates.

Explanation of Total Comprehensive Income

The Council has recorded total comprehensive income of \$25.850m for the year. This includes the net surplus (as identified above), less fair value movements in our reserves. The Group has recorded total comprehensive income of \$20.526m. This includes the Council's share of reserve movements for Wellington International Airport Limited and the accumulated net surplus from its subsidiaries.

For further explanation of the Council's net surplus please refer to Note 32: Major budget variation

Statement of Financial Position

As at 30 June 2010

	Note	Council			Group	
		Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Actual 2010 \$000	Actual 2009 \$000
ASSETS						
Current assets						
Cash and cash equivalents	9	2,349	2,307	3,945	6,016	7,966
Derivative financial assets	10	-	173	238	-	238
Trade and other receivables	11	42,674	29,401	35,724	43,577	36,401
Prepayments		3,874	4,199	6,322	4,089	6,499
Inventories	13	837	960	925	1,666	1,696
Non-current assets classified as held for sale	14	9,044	-	7,692	9,044	7,692
Total current assets		58,778	37,040	54,846	64,392	60,492
Non-current assets						
Derivative financial assets	10	1,460	2,382	4,831	1,460	4,831
Other financial assets	12	6,569	3,524	4,257	6,977	4,644
Intangibles	15	7,043	14,148	4,073	7,220	4,238
Investment properties	16	213,127	220,368	217,617	213,127	217,617
Property, plant and equipment	17	6,012,779	6,007,237	5,965,492	6,039,941	5,993,474
Investment in subsidiaries	39	6,509	6,509	6,509	-	-
Investment in associates	40	19,556	19,558	19,468	152,583	157,748
Total non-current assets		6,267,043	6,273,726	6,222,247	6,421,308	6,382,552
TOTAL ASSETS		6,325,821	6,310,766	6,277,093	6,485,700	6,443,044
LIABILITIES						
Current liabilities						
Derivative financial liabilities	10	377	-	153	377	153
Trade and other payables	18	49,720	48,194	55,139	52,006	57,899
Revenue in advance	19	8,876	9,991	11,022	9,632	11,992
Borrowings	20	100,105	108,235	84,490	100,187	84,711
Employee benefit liabilities	21	6,464	7,358	8,228	7,606	9,213
Provision for other liabilities	22	10,184	2,981	4,843	10,194	4,843
Total current liabilities		175,726	176,759	163,875	180,002	168,811
Non-current liabilities						
Derivative financial liabilities	10	5,923	-	5,819	5,923	5,819
Borrowings	20	183,117	216,646	178,386	183,688	179,042
Employee benefit liabilities	21	1,614	1,610	1,644	1,754	1,777
Provision for other liabilities	22	26,243	21,823	20,021	26,233	20,021
Total non-current liabilities		216,897	240,079	205,870	217,598	206,659
TOTAL LIABILITIES		392,623	416,838	369,745	397,600	375,470
EQUITY						
Accumulated funds and retained earnings	23	4,801,720	4,794,070	4,769,715	4,880,421	4,855,281
Revaluation reserves	24	1,117,615	1,075,322	1,118,338	1,194,025	1,194,748
Hedging reserve	25	(4,465)	3,057	861	(7,120)	(3,255)
Fair value through other comprehensive income reserve	26	1,080	-	-	1,080	-
Restricted funds	27	17,248	21,479	18,434	19,694	20,800
TOTAL EQUITY		5,933,198	5,893,928	5,907,348	6,088,100	6,067,574
TOTAL EQUITY AND LIABILITIES		6,325,821	6,310,766	6,277,093	6,485,700	6,443,044

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

Statement of Changes in Equity

For the year ended 30 June 2010

		Actual	Council	Actual	Group	
	Note	2010	Budget	2009	Actual	Actual
		\$000	2010	\$000	2010	2009
			\$000		\$000	\$000
EQUITY - Opening balances						
Accumulated funds and retained earnings	23	4,769,715	4,769,942	4,750,523	4,855,281	4,835,506
Revaluation reserves	24	1,118,338	1,075,322	1,038,501	1,194,748	1,096,865
Hedging reserve	25	861	3,057	3,057	(3,255)	3,033
Fair value through other comprehensive income reserve	26	-	-	-	-	-
Restricted funds	27	18,434	21,479	20,979	20,800	24,017
TOTAL EQUITY - Opening balance		5,907,348	5,869,800	5,813,060	6,067,574	5,959,421
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year	23	30,330	24,128	16,057	23,545	15,968
Transfer to restricted funds	23	(557)	-	(700)	(967)	(1,610)
Transfer from restricted funds	23	1,743	-	3,245	2,073	4,827
Transfer from revaluation reserves	23	489	-	590	489	590
Revaluation reserves						
Share of other comprehensive income	24	-	-	80,427	-	98,473
Impairment	24	(234)	-	-	(234)	-
Transfer to retained earnings	24	(489)	-	(590)	(489)	(590)
Hedging reserve						
Movement in hedging reserve	25	(5,326)	-	(2,196)	(3,865)	(6,288)
Fair value through other comprehensive income reserve						
Movement in fair value	26	1,080	-	-	1,080	-
Restricted funds						
Transfer to retained earnings	27	(1,743)	-	(3,245)	(2,073)	(4,827)
Transfer from retained earnings	27	557	-	700	967	1,610
Total comprehensive income		25,850	24,128	94,288	20,526	108,153
EQUITY - Closing balances						
Accumulated funds and retained earnings	23	4,801,720	4,794,070	4,769,715	4,880,421	4,855,281
Revaluation reserves	24	1,117,615	1,075,322	1,118,338	1,194,025	1,194,748
Hedging reserve	25	(4,465)	3,057	861	(7,120)	(3,255)
Fair value through other comprehensive income reserve	26	1,080	-	-	1,080	-
Restricted funds	27	17,248	21,479	18,434	19,694	20,800
TOTAL EQUITY - Closing balance		5,933,198	5,893,928	5,907,348	6,088,100	6,067,574

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 2010

		Council		Group		
	Note	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000	Actual 2010 \$000	Actual 2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from rates - Council		213,390	213,992	204,635	213,390	204,635
Receipts from rates - Greater Wellington Regional Council		40,631	-	39,050	40,631	39,050
Receipts from activities and other income		107,333	103,926	106,228	119,728	127,456
Receipts from grants and subsidies - operating		5,924	1,182	6,529	9,319	10,725
Receipts from grants and subsidies - capital		27,384	31,364	20,673	29,755	20,673
Receipts from investment property lease rentals		16,374	10,377	13,020	16,433	13,020
Cash paid to suppliers and employees		(237,924)	(219,680)	(227,738)	(271,702)	(258,939)
Rates paid to Greater Wellington Regional Council		(41,374)	-	(38,455)	(41,374)	(38,455)
Grants paid		(30,514)	(27,561)	(24,804)	(14,176)	(9,905)
Income tax paid		(84)	-	-	(103)	-
Net GST (paid) / received		-	-	(250)	(296)	(353)
NET CASH FLOWS FROM OPERATING ACTIVITIES		101,140	113,600	98,888	101,605	107,907
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received		7,238	5,250	7,570	7,108	73
Interest received		262	-	99	406	392
Decrease in bank investments		-	-	-	33	-
Loan repayments received		-	-	-	-	-
Proceeds from sale of property, plant and equipment		707	-	1,356	730	2,157
Increase in bank investments		-	-	(11)	-	(463)
Loan advances made		(3,280)	(3,380)	(5,375)	(3,280)	(5,375)
Purchase of investment properties		(915)	-	(24)	(915)	(24)
Purchase of intangibles		(4,261)	(5,027)	(1,151)	(4,422)	(793)
Purchase of property, plant and equipment		(106,828)	(134,719)	(92,727)	(107,276)	(94,039)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(107,077)	(137,876)	(90,263)	(107,616)	(98,072)
CASH FLOWS FROM FINANCING ACTIVITIES						
New borrowings		79,863	44,881	46,021	79,863	46,125
Repayment of borrowings		(59,182)	-	(36,000)	(59,406)	(36,313)
Interest paid on borrowings		(16,340)	(20,605)	(17,008)	(16,396)	(16,985)
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,341	24,276	(6,987)	4,061	(7,173)
Net increase/(decrease) in cash and cash equivalents		(1,596)	-	1,638	(1,950)	2,662
Cash and cash equivalents at beginning of year		3,945	2,307	2,307	7,966	5,304
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	2,349	2,307	3,945	6,016	7,966

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

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

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

Statement of Cash Flows - continued

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

Reconciliation of net surplus to net operating cash flows	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Net surplus for the period		30,330	16,057	23,545	15,968
Add/(deduct) non-cash items:					
Vested assets	3	(15,194)	(10,851)	(15,194)	(10,851)
Bad debts written-off not previously provided for	5	59	379	70	386
Depreciation and amortisation	6	77,703	74,330	79,127	75,561
Fair value changes in investment properties	16	5,405	2,775	5,405	2,775
Other fair value changes		2,336	6,274	2,534	15,005
Movement in provision for impairment of doubtful debts		(245)	173	(228)	192
Tax expense		-	-	65	-
Non-cash movement in provisions		14,473	3,566	14,473	3,513
Total non-cash items		84,537	76,646	86,252	86,581
Add/(deduct) movement in working capital: ¹					
Trade and other receivables		(6,705)	(6,294)	1,776	(5,514)
Prepayments		2,448	(2,123)	2,500	(2,202)
Trade and other payables		(11,326)	4,969	(12,090)	5,188
Revenue in advance		(2,146)	1,031	(2,420)	780
Inventories		88	35	30	174
Employee benefit liabilities		(1,905)	186	(1,889)	(280)
Provision for other liabilities		(3,051)	(1,156)	(3,081)	(1,414)
Total working capital movement		(22,597)	(3,352)	(15,174)	(3,268)
Add/(deduct) investing and financing activities:					
Net gain on disposal of property, plant and equipment		(207)	(751)	(207)	(751)
Dividends received		(7,238)	(7,570)	(40)	(73)
Interest received		(262)	(99)	(519)	(481)
Interest paid on borrowings		16,577	17,957	16,531	18,023
Share of equity accounted surplus from associates		-	-	(8,783)	(8,092)
Total investing and financing activities		8,870	9,537	6,982	8,626
Net cash flow from operating activities		101,140	98,888	101,605	107,907

1. Excluding non-cash items

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

Notes forming part of the Financial Statements

For the year ended 30 June 2010

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Summary of Significant Accounting Policies

Reporting Entity

Wellington City Council is a territorial local authority governed by the Local Government Act 2002. For the purposes of financial reporting Wellington City Council is a public benefit entity.

The financial statements include the Council and Group. A Group structural diagram is included in Note 37. 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 38 and the Wellington Waterfront Project. The Group includes the Council, the subsidiaries disclosed in Note 39, and the Council's interest in the associates disclosed in Note 40.

All entities included within the Group are based in New Zealand.

Basis of Preparation

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

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

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

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

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using an inflation factor and discount rates. The inflation rate used is the annual Consumer Price Index to 31 March and the discount rate is the Council's long term cost of borrowing.

The reporting period for these financial statements is the year ended 30 June 2010. The financial statements are presented in New Zealand dollars, rounded to the nearest thousand, unless otherwise stated.

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

Judgements and Estimations

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

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

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

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

Basis of Consolidation

The Group includes joint ventures, subsidiaries and associates. A Group structural diagram is included in Note 37.

Joint ventures

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

Subsidiaries

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

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

Associates

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

Income

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

Rates

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

Operating Activities

Grant and subsidies

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

Development contributions

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

Fines and penalties

Revenue from fines and penalties (e.g. traffic and parking infringements, overdue library 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 Property Leases

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.

Dividends

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

Donated Services

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

Expenses

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

Operating Activities

Grants

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

Finance Expense

Interest

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

Depreciation and Amortisation

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

Taxation

Income tax is charged in respect of the current year's results of council controlled trading organisations only. Income tax on the surplus or deficit for the year comprises current and deferred tax.

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

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

Good and Services Tax (GST)

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

Financial Instruments

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

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

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

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

Derivatives

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

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

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

Inventories

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

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

Investment properties

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

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

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

Non-current assets classified as held for sale

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

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

- Actions required to complete the sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

Property, Plant and Equipment

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

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

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

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

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

Recognition

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

Measurement

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

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

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

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

Operational Assets

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

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

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

Restricted Assets

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

Infrastructure Assets

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

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

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

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

Revaluations

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

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

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

Further information in respect of the most recent valuations for each class is provided in Note 24.

Impairment

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

Disposal

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

Work in progress

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

Depreciation

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

Land	unlimited
Buildings	10 to 100 years
Civic Centre complex	10 to 100 years
Plant and equipment	3 to 100 years
Library collections	3 to 10 years
Restricted assets (excluding buildings)	unlimited
Infrastructure assets	
Land (including land under roads)	unlimited
Roading	
Formation/earthworks	unlimited
Pavement	3 to 40 years
Traffic Islands	80 years
Bridges and tunnels	3 to 150 years
Drainage	15 to 120 years
Retaining walls	30 to 100 years
Pedestrian walkway	15 to 40 years
Pedestrian furniture	8 to 25 years
Barriers & lighting	2 to 50 years
Cycle-way network	15 to 40 years
Parking equipment	8 to 10 years
Passenger transport facilities	25 years
Traffic infrastructure	5 to 10 years
Drainage, waste and water	
Pipework	40 to 100 years
Fittings	10 to 111 years
Water pump stations	10 to 100 years
Water reservoirs	80 years
Equipment	25 years
Sewer pump stations	20 to 100 years
Tunnels	150 years
Treatment plants	3 to 100 years

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

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

Intangible Assets

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

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

Computer software	3 to 5 years
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Carbon credits are allocations of emission allowances granted by the Government. Cost is deemed to be equal to the fair value at the date of allocation. Any difference between the carrying value and the residual value is amortised over the estimated useful life of the asset.

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

Leases

Operating leases as lessee

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

Operating leases as lessor

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

Finance leases

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

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

Employee Benefit Liabilities

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

Holiday Leave

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

Long Service Leave and Retirement Gratuities

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

Other Contractual Entitlements

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

Provisions

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

Landfill Post Closure Costs

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

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. The

provision includes all costs associated with landfill post closure including final cover application and vegetation; incremental drainage control features; completing facilities for leachate collection and monitoring; completing facilities for water quality monitoring; completing facilities for monitoring and recovery of gas.

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

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

ACC Partnership Programme

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

Financial Guarantee Contracts

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

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

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

Equity

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

The components of equity are accumulated funds and retained earnings, revaluation reserves, a hedging reserve and restricted funds (special funds, reserve funds, trusts and bequests).

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

Contingent Assets and Liabilities

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

Statement of Cash Flows

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

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

Related Parties

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

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

Budget Figures

The Annual Plan budget figures included in these financial statements are for the Council as a separate entity. The Annual Plan figures do not include budget information relating to the subsidiaries or associates. These figures are those approved by the Council at the beginning of the current financial year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. For completeness, additional expenditure approved by the Council is included in Notes 31, 32 and 33. The Annual Plan figures have been prepared in accordance with Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

Cost Allocation

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

Comparatives

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

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

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

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

Reference	Title	Application Date*	Reference
NZ IFRS 9	<i>NZ IFRS 9: Financial Instruments</i>	1 January 2013	1
NZ IAS 24	<i>NZ IAS 24: Related Party Disclosures (revised)</i>	1 January 2011	2
Various	<i>Annual improvements process – 2010</i>	1 July 2010 or 1 January 2011	3

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

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

The first stage of the new standard has been released but only discusses financial assets. When adopted, it will affect the categories under which financial assets are classified in the Annual Report, but will have no impact on the values currently reported.

2. The revision to NZ IAS 24 *Related Party Disclosures* removes some inconsistencies with the definition of a related party and modifies some of the disclosure requirements for government related entities.

3. The Annual improvements process for 2010 has resulted in various minor amendments and clarifications to existing standards and interpretations.

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

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

Reference	Title	Application Date
NZ IFRIC 14	<i>Proposed amendments to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2011
NZ IFRIC 19	<i>Extinguishing Financial Liabilities with Equity</i>	1 July 2010

Note 1: Revenue from rates

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
General rates				
Base sector	56,175	51,307	56,175	51,307
Commercial, industrial and business sector	60,415	60,936	60,415	60,936
Targeted rates	-	-	-	-
Base sector	6,473	7,675	6,473	7,675
Commercial, industrial and business sector	2,970	1,889	2,970	1,889
Sewerage	30,405	31,165	30,405	31,165
Stormwater	14,040	12,497	14,040	12,497
Water (including water by meter)	32,638	29,456	32,638	29,456
Downtown	10,326	10,165	10,326	10,165
Indoor Community Sports Centre	-	1,138	-	1,138
Marsden Village	14	14	14	14
Tawa driveways	33	22	33	22
Total revenue from rates for Wellington City Council	213,489	206,264	213,489	206,264
Total rates billed	254,150	245,679	254,150	245,679
less Greater Wellington Regional Council component	(40,661)	(39,415)	(40,661)	(39,415)
Total revenue from rates for Wellington City Council	213,489	206,264	213,489	206,264

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$10.322m (2009: \$10.288m). For the Group rates of \$10.428m (2009: \$10.388m) 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 2010 totalled \$0.295m (2009: \$0.167m).

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Total gross revenue from rates	213,784	206,431	213,784	206,431
<i>Less</i>				
Council policy remissions				
Rural open space	90	92	90	92
Land used principally for games or sport	73	75	73	75
Downtown levy	132	-	132	-
Total remissions	295	167	295	167
Total revenue from rates (net of remissions)	213,489	206,264	213,489	206,264

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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Grants and subsidies - operating	5,924	6,529	11,072	10,725
Grants and subsidies - capital	27,384	20,673	27,456	20,673
Development contributions	5,174	2,562	5,174	2,562
Fines and penalties	12,152	12,206	12,152	12,206
Rendering of services	80,014	80,158	84,066	84,578
Sale of goods	4,918	4,707	13,772	12,725
Total revenue from operating activities	135,566	126,835	153,692	143,469

Grants and subsidies

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

- 1) The New Zealand Transport Agency (NZTA), which subsidises part of the Council's costs for maintaining the local roading infrastructure. The capital subsidies from NZTA of \$11.068m and operating subsidies of \$4.282m are reimbursements for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the subsidies.
- 2) Housing New Zealand, for the upgrade of the Council's social housing stock. The capital grant recognised in the current year of \$14.875m is part of a 10 year work programme and the revenue is recognised in accordance with that agreed work programme. There are no unfulfilled conditions or other contingencies relating to this grant.

Development contributions are now included above, having being previously included in Note 3: Other income. Penalties on rates of \$1.398m (2009: \$1.315m), previously included in Note 3: Other income, are now included in fines and penalties above, with the comparative reclassified accordingly.

For the Group, the principal subsidy was \$3.958m from Greater Wellington Regional Council to Wellington Cable Car Limited for the maintenance of the overhead wire trolley system.

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

Rendering of services	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Animal control	923	899	923	899
Berths and boat sheds	515	512	515	512
Building consents and licensing services	10,071	10,368	10,071	10,368
Community programmes and facilities hire	1,047	959	1,047	959
Community housing	17,352	17,545	17,352	17,545
Convention and conference centre	5,785	5,749	5,785	5,749
Drainage operations and water projects	130	1,790	130	1,790
Encroachments and reserve land contributions	1,378	1,053	1,378	1,053
Green spaces	1,372	1,400	1,372	1,400
Landfill operations and recycling	6,651	5,979	6,651	5,979
Lease revenue from property, plant and equipment	4,212	4,087	4,212	4,087
Libraries - hireage	1,204	1,128	1,204	1,128
Parking fees and permits	15,775	15,622	15,775	15,622
Rendering of services recognised in subsidiaries	-	-	4,052	4,420
Roading infrastructure projects	2,672	2,662	2,672	2,662
Services to Greater Wellington Regional Council	693	667	693	667
Swimming pools	6,463	6,160	6,463	6,160
Trade waste	528	544	528	544
Other	3,243	3,034	3,243	3,034
Total rendering of services	80,014	80,158	84,066	84,578

Note 3: Other income

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Gain on disposal of property, plant and equipment	207	751	207	751
Release of provisions	1,037	1,081	1,037	1,134
Petrol tax	1,251	1,148	1,251	1,148
Restricted funds	22	73	22	73
Vested assets	15,194	10,851	15,194	10,851
Total other income	17,711	13,904	17,711	13,957

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 increase in vested assets is principally due to the transfer of the Carter Observatory assets from the Crown following the passing of the Carter Observatory Act Repeal Bill on 31 May 2010. The fair value of these assets was \$4.008m in total.

The values of other principal vested assets received were: land under roads \$5.339m and drainage, waste and water \$4.848m.

Note 4: Finance income and expense

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Finance income					
Amortisation of loans to related parties	12	362	204	362	204
Cash flow hedge movements reclassified from hedging reserve	25	268	268	268	268
Dividend from investment in associates		15,409	7,185	-	-
Dividend from investment in subsidiary		130	312	-	-
Dividend from other financial assets		40	73	40	73
Fair value hedge movements		364	552	364	552
Movements on derivatives at fair value through surplus or deficit		759	-	759	-
Interest on loans and receivables		262	99	520	481
Total finance income		17,594	8,693	2,313	1,578
<i>Less</i>					
Finance expense					
Movements on derivatives at fair value through surplus or deficit		-	2,082	-	2,082
Fair value hedge adjustments to borrowings		364	552	364	552
Interest on borrowings		16,723	17,957	16,780	18,023
Interest on finance leases		146	231	146	231
Re-discounting of interest on provisions		1,177	1,449	1,177	1,449
Total finance expense		18,410	22,271	18,467	22,337
Net finance cost		816	13,578	16,154	20,759

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

Movements on derivatives at fair value through surplus or deficit represents the fair value movements on interest rate swaps that do not meet the criteria for hedge accounting. Movements in the Group's other derivatives that meet the criteria for hedge accounting, are taken to the cash flow hedge reserve.

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

Note 5: Expenditure on operating activities

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Auditor's remuneration:					
Audit services - Audit New Zealand - Financial Statements		268	268	319	319
Audit services - Audit New Zealand - LTCCP		-	145	-	145
Audit services - Audit New Zealand - other		7	7	7	7
Audit services - Other Auditors		-	1	88	86
Impairments					
Bad debts written off not previously provided for		59	379	70	386
Increase in provision for impairment of trade and other receivables	11	187	557	187	629
Impairment loss from property, plant and equipment	17	336	-	336	-
Inventory written-off		36	-	36	-
Governance and employment					
Councillor remuneration as directors/trustees	41	1,287	1,282	1,358	1,356
Directors/trustees of subsidiaries - remuneration		-	-	488	537
Other elected members' remuneration (Community Boards)	42	98	99	98	99
Employee benefits expense:					
- Remuneration		76,399	75,069	88,902	86,569
- Superannuation contributions (including Kiwisaver)		992	606	1,105	652
- Termination benefits (including severances)		1,090	764	1,120	804
Other personnel costs		3,569	3,652	3,957	4,078
Insurance					
Insurance premiums		5,982	5,275	6,198	5,605
Self insurance costs	28	1,314	623	1,314	623
General					
Advertising, printing and publications		2,401	2,536	7,570	6,697
Consultants and legal fees		7,368	9,540	7,567	9,796
Contractors		2,957	3,477	4,128	4,777
Direct costs		84,405	84,189	93,703	93,294
Donations for charitable purposes		7	6	7	6
Grants - general		8,732	7,990	8,744	8,583
Grants to subsidiaries	41	16,338	15,686	-	-
Grants to associates	41	180	180	180	180
Information and communication technology		4,952	4,580	5,553	5,367
Loss on disposal of property, plant and equipment		743	662	743	683
Operating lease - minimum lease payments		1,082	931	1,569	1,428
Reassessment of other provisions	22	14,195	3,198	14,195	3,198
Utility costs		16,656	16,355	17,141	16,904
Other general costs		12,691	12,631	14,563	14,336
Total expenditure on operating activities		264,331	250,688	281,246	267,144

Auditor's remuneration

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

General

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

Note 5: Expenditure on operating activities - continued

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

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

Note 6: Depreciation and amortisation

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Depreciation				
Buildings	13,422	11,074	13,917	11,375
Civic Centre complex	2,750	2,694	2,750	2,694
Restricted buildings	948	742	948	742
Drainage, waste and water infrastructure	29,143	29,195	29,143	29,195
Landfill post closure	103	135	103	135
Library collections	1,859	1,775	1,859	1,775
Plant and equipment	10,175	9,109	10,956	9,905
Road infrastructure	17,979	18,071	17,979	18,071
Total depreciation	76,379	72,795	77,655	73,892
Amortisation				
Computer software	1,324	1,535	1,472	1,669
Total amortisation	1,324	1,535	1,472	1,669
Total depreciation and amortisation	77,703	74,330	79,127	75,561

Note 7: Income tax expense

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current tax expense				
Current year	-	-	17	-
Prior period adjustment	-	-	-	-
Total current tax expense	-	-	17	-
Deferred tax expense				
Origination and reversal of temporary differences	(174)	(120)	(25)	(5)
Change in unrecognised temporary differences	-	-	9	(14)
Recognition of previously unrecognised tax losses	174	120	16	19
Total deferred tax expense	-	-	-	-

Income tax recognised directly in equity

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Surplus for the period	30,330	16,057	23,562	15,968
Prima facie income tax based on domestic tax rate - 30%	9,099	4,817	7,068	4,791
Effect of non-deductible expenses and tax exempt income	(9,273)	(4,937)	(9,064)	(4,524)
Effect of tax losses utilised	182	162	22	56
Current years loss for which no deferred tax asset was recognised	-	-	5	-
Change in unrecognised temporary differences	-	-	4	(14)
Prior period adjustment	(8)	(42)	(6)	(37)
Share of income tax of equity accounted associates	-	-	1,988	(272)
Total reconciliation of tax on the surplus and tax expense	-	-	17	-

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2009: \$Nil)

Imputation Credits	Group	
	2010 \$000	2009 \$000
Imputation credits as at 1 July	5	15
New Zealand tax payments	5	5
Imputation credits attached to dividends received	-	-
New Zealand tax refunds received	(3)	(15)
Imputation credits as at 30 June	7	5

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

Note 8: Deferred tax assets and liabilities**Unrecognised deferred tax assets**

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

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Deductible temporary differences	-	-	60	133
Tax losses	4,639	5,217	4,655	5,217
Total unrecognised deferred tax assets	4,639	5,217	4,715	5,350

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 \$1.392m (2009: \$1.565m) and for the Group \$1.419m (2009: \$1.605m).

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 2010 \$0.582m (2009: \$0.353m) previously unrecognised tax losses, with a tax effect of \$0.175m (2009: \$0.106m) were recognised by the Group by way of a loss transfer arrangement between the Council and Council Controlled Organisations.

As at 30 June 2010 the Group had an unrecognised deferred tax liability of \$Nil (2009: \$Nil)

Movement in unrecognised deferred tax assets and liabilities during the year

	Temporary Differences		Tax Losses	Total
	Taxable \$000	Deductible \$000	\$000	\$000
Council				
Balance as at 1 July 2008	-	-	1,685	1,685
Additions/(reductions) during the year	-	-	42	42
Recognised during the year	-	-	(162)	(162)
Balance as at 30 June 2009	-	-	1,565	1,565
Additions/(reductions) during the year	-	-	9	9
Recognised during the year	-	-	(182)	(182)
Balance as at 30 June 2010	-	-	1,392	1,392
Group				
Balance as at 1 July 2008	-	74	1,685	1,759
Additions/(reductions) during the year	-	(34)	42	8
Recognised during the year	-	-	(162)	(162)
Balance as at 30 June 2009	-	40	1,565	1,605
Additions/(reductions) during the year	-	(22)	14	(8)
Recognised during the year	-	-	(182)	(182)
Increase due to tax rate change for tax years beginning on or after 1 April 2011	-	4	-	4
Balance as at 30 June 2010	-	22	1,397	1,419

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

Note 9: Cash and cash equivalents

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Bank balances	2,321	3,916	4,671	6,460
Cash on hand	28	29	44	41
Short term deposits	-	-	1,301	1,465
Total cash and cash equivalents	2,349	3,945	6,016	7,966

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

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

Note 10: Derivative financial instruments

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current assets				
Interest rate swaps - fair value hedges	-	238	-	238
Total current assets	-	238	-	238
Non-current assets				
Interest rate swaps - cash flow hedges	545	4,231	545	4,231
Interest rate swaps - fair value hedges	915	600	915	600
Total non-current assets	1,460	4,831	1,460	4,831
Total derivative financial instrument assets	1,460	5,069	1,460	5,069
Current liabilities				
Interest rate swaps - cash flow hedges	290	153	290	153
Interest rate swaps - non-hedged	87	-	87	-
Total current liabilities	377	153	377	153
Non-current liabilities				
Interest rate swaps - cash flow hedges	5,419	3,335	5,419	3,335
Interest rate collar swaptions - cash flow hedges	-	848	-	848
Interest rate swaps - fair value hedges	-	287	-	287
Interest rate swaps - non-hedged	504	1,349	504	1,349
Total non-current liabilities	5,923	5,819	5,923	5,819
Total derivative financial instrument liabilities	6,300	5,972	6,300	5,972

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

Cash flow hedges are used to fix interest rates on floating rate debt (floating rate notes) or bank borrowings.

Fair value hedges are used to float interest rates on fixed rate debt (bonds).

For further information on the Council's interest rate swaps please refer to Note 30: Financial Instruments

Note 11: Trade and other receivables

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade receivables - debtors		8,430	9,402	9,853	11,189
Provision for impairment of trade receivables -debtors		(326)	(607)	(387)	(652)
Net trade receivables - debtors		8,104	8,795	9,466	10,537
Trade receivables - fines		11,914	12,174	11,914	12,174
Provision for impairment of trade receivables -fines		(7,132)	(7,096)	(7,132)	(7,096)
Net trade receivables - fines		4,782	5,078	4,782	5,078
Trade receivables from related parties	41				
- Subsidiaries		428	1,068	-	-
- Associates		15	3	15	3
		443	1,071	15	3
Total net trade receivables		13,329	14,944	14,263	15,618
Accrued income		13,182	5,461	13,307	4,811
GST receivable		2,277	2,193	2,466	2,320
Rates receivable		10,292	10,117	10,292	10,117
Sundry receivables		3,594	3,009	3,249	3,535
Total trade and other receivables		42,674	35,724	43,577	36,401

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.

Previously prepayments have been included in this note, but as they are not classified as financial instruments they are now shown separately in the Statement of Financial Position.

The amounts reclassified were: Council \$3.874m (2009: \$6.322m), Group \$4.089m (2009: \$6.499m).

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

Provision for impairment of total trade receivables	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	7,703	7,530	7,748	7,556
Additional or increased provision made	187	557	203	629
Release of provision	(202)	(279)	(202)	(332)
Amount of provision utilised	(230)	(105)	(230)	(105)
Provision for impairment of total trade receivables - closing balance	7,458	7,703	7,519	7,748

Note 11: Trade and other receivables - continued

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

Council	2010 Receivables			2009 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
Trade and other receivables						
Not past due	23,821	-	23,821	13,283	-	13,283
Past due 0-3 months	9,161	(607)	8,554	10,083	(627)	9,456
Past due 3-6 months	3,274	(526)	2,748	6,964	(539)	6,425
Past due more than 6 months	13,876	(6,325)	7,551	13,097	(6,537)	6,560
Total trade and other receivables	50,132	(7,458)	42,674	43,427	(7,703)	35,724

Group	2010 Receivables			2009 Receivables		
	Gross \$000	Impaired \$000	Net \$000	Gross \$000	Impaired \$000	Net \$000
Trade and other receivables						
Not past due	24,350	-	24,350	13,213	-	13,213
Past due 0-3 months	9,462	(616)	8,846	10,375	(627)	9,748
Past due 3-6 months	3,282	(526)	2,756	7,024	(566)	6,458
Past due more than 6 months	14,002	(6,377)	7,625	13,537	(6,555)	6,982
Total trade and other receivables	51,096	(7,519)	43,577	44,149	(7,748)	36,401

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

Note 12: Other financial assets

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial assets at fair value through other comprehensive income					
Equity investment - Civic Assurance		1,607	527	1,607	527
Loans and deposits					
Bank deposits - term		-	-	408	387
Loans to related parties - associates	41	983	872	983	872
Loans to related parties - other organisations		3,979	2,858	3,979	2,858
Total other financial assets		6,569	4,257	6,977	4,644

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to New Zealand local government. The Council holds an 8.2% shareholding in this entity and has no present intention to sell this financial asset. To more accurately reflect the value of this investment the Council has changed the basis of determining fair value. Any movement in the fair value is taken through to a reserve within equity (Note 26). This change has resulted in a movement of \$1.080m in the current period.

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	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Loans to related parties - associates					
<i>Wellington Regional Stadium Trust (nominal value \$15,394,893)</i>					
Opening balance		872	773	872	773
Amortisation of fair value adjustment		111	99	111	99
Closing balance at fair value	41	983	872	983	872
Loans to related parties - other organisations					
<i>Karori Wildlife Sanctuary Trust (nominal value \$10,346,689)</i>					
Opening balance		2,858	823	2,858	823
Amortisation of fair value adjustment		251	105	251	105
Increase in loan drawdown		3,280	5,375	3,280	5,375
Fair value movement on loan drawdowns		(2,410)	(3,445)	(2,410)	(3,445)
Closing balance at fair value		3,979	2,858	3,979	2,858
Total loans to related parties		4,962	3,730	4,962	3,730

The fair value movement on loans reflects the timing of their expected repayments and the interest free nature of the loan. Over the remaining life of the loans their fair value will be amortised back up to their full nominal value.

Further information on the related parties is disclosed in Note 41: Related party disclosures.

Note 13: Inventories

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Consumables	544	712	1,163	1,246
Inventories held for re-sale	293	213	503	450
Total inventories	837	925	1,666	1,696

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

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

Note 14: Non-current assets classified as held for sale

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	7,692	7,368	7,692	7,368
Disposals	(324)	-	(324)	-
Transfers from property plant and equipment	1,676	324	1,676	324
Non-current assets classified as held for sale - closing balance	9,044	7,692	9,044	7,692

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

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

Note 15: Intangibles

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Computer software				
Cost - opening balance	24,440	23,684	24,937	24,773
Accumulated amortisation	(22,826)	(21,274)	(23,158)	(22,046)
Computer software opening balance	1,614	2,410	1,779	2,727
Acquired by direct purchase	3,577	739	3,737	747
Amortisation	(1,324)	(1,535)	(1,472)	(1,669)
Net disposals	-	-	-	(26)
Total computer software - closing balance	3,867	1,614	4,044	1,779
Cost	27,801	24,440	28,459	24,937
Accumulated amortisation	(23,934)	(22,826)	(24,415)	(23,158)
Total computer software - closing balance	3,867	1,614	4,044	1,779
Work in progress				
Computer software	3,123	2,439	3,123	2,439
Total work in progress	3,123	2,439	3,123	2,439
Carbon credits				
Cost - opening balance	20	-	20	-
Acquired by government grant	33	20	33	20
Total carbon credits - closing balance	53	20	53	20
Total intangibles	7,043	4,073	7,220	4,238

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 1531 credits for the 2010 calendar year (2009: 784) These are currently being held pending finalisation of the New Zealand Emissions Trading Scheme.

At 30 June 2010 there are no associated liabilities relating to these credits.

Note 16: Investment properties

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance		217,617	220,368	217,617	220,368
Additions by acquisition		-	13	-	13
Additions by subsequent expenditure		915	11	915	11
Fair value movements taken to surplus/(deficit)		(5,405)	(2,775)	(5,405)	(2,775)
Investment properties - closing balance		213,127	217,617	213,127	217,617

Wellington City Council's investment properties were valued as at 30 June 2010 by William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for Darroch Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2010 by Andrew Washington (BCom, VPM, SPINZ), registered valuer and Director of Colliers International Valuers.

The Council's total investment properties comprise ground leases of \$159.202m (2009: \$163.245m) and land and buildings of \$53.925m (2009: \$54.372m) 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.

Revenues and expenses	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Revenue from investment properties	14,229	13,870	14,229	13,870
Direct operating expenses of investment properties - From investment properties that generated income	796	880	796	880
Contractual obligations for capital expenditure	138	118	138	118

The direct operating expenses relating to investment properties form part of the direct expenses in Note 5: Expenditure.

Fair value of investment properties valued by independent registered valuers	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
William Bunt - Darroch Limited	164,012	168,275	164,012	168,275
Andrew Washington - Colliers International Valuers	49,115	49,342	49,115	49,342
Total fair value of investment properties valued by independent registered valuers	213,127	217,617	213,127	217,617

Note 17: Property, plant and equipment

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Operational assets				
Land				
Land - at cost - opening balance	-	238	3,091	3,329
Land - at valuation - opening balance	198,868	151,285	198,868	151,285
Total land - opening balance	198,868	151,523	201,959	154,614
Additions	1,941	1,064	1,941	1,064
Disposals	(115)	(6)	(115)	(6)
Revaluation movement	-	46,586	-	46,586
Transfer between asset classes	-	(299)	-	(299)
Transfer to non-current assets held for sale	(470)	-	(470)	-
Total land - closing balance	200,224	198,868	203,315	201,959
Land - at cost - closing balance	1,941	-	5,032	3,091
Land - at valuation - closing balance	198,283	198,868	198,283	198,868
Total land - closing balance	200,224	198,868	203,315	201,959
Buildings				
Buildings - at cost - opening balance	-	34,749	16,075	57,095
Buildings - at valuation - opening balance	370,962	328,507	370,962	328,507
Total cost/valuation	370,962	363,256	387,037	385,602
Accumulated depreciation	-	(19,650)	-	(25,690)
Total buildings - opening balance	370,962	343,606	387,037	359,912
Additions	17,350	4,951	17,366	5,021
Depreciation expense	(13,422)	(11,074)	(13,917)	(11,375)
Disposals	(397)	(1,332)	(397)	(1,332)
Revaluation movement	(234)	33,841	(234)	33,841
Transfer between asset classes	(142)	970	(142)	970
Transfer to non-current assets held for sale	(236)	-	(236)	-
Total buildings - closing balance	373,881	370,962	389,477	387,037
Buildings - at cost - closing balance	17,350	-	33,441	16,075
Buildings - at valuation - closing balance	369,665	370,962	369,665	370,962
Total cost/valuation	387,015	370,962	403,106	387,037
Accumulated depreciation	(13,134)	-	(13,629)	-
Total buildings - closing balance	373,881	370,962	389,477	387,037
Landfill post closure costs				
Landfill post closure - at cost - opening balance	2,917	2,409	2,917	2,409
Accumulated depreciation	(1,209)	(1,074)	(1,209)	(1,074)
Landfill post closure costs - opening balance	1,708	1,335	1,708	1,335
Depreciation expense	(103)	(135)	(103)	(135)
Movement in post closure costs	273	508	273	508
Total landfill post closure costs - closing balance	1,878	1,708	1,878	1,708
Landfill post closure - at cost - closing balance	3,354	2,917	3,354	2,917
Accumulated depreciation	(1,476)	(1,209)	(1,476)	(1,209)
Total landfill post closure costs - closing balance	1,878	1,708	1,878	1,708

Disposals and transfers are reported net of accumulated depreciation.

Note 17: Property, plant and equipment - continued

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Civic Centre complex				
Civic Centre complex - at cost - opening balance	161,766	160,896	161,766	160,896
Accumulated depreciation	(45,061)	(42,368)	(45,061)	(42,368)
Total Civic Centre complex - opening balance	116,705	118,528	116,705	118,528
Additions	7,841	871	7,841	871
Disposals	(82)	-	(82)	-
Depreciation expense	(2,750)	(2,694)	(2,750)	(2,694)
Total Civic Centre complex- closing balance	121,714	116,705	121,714	116,705
Civic Centre complex - at cost - closing balance	169,157	161,766	169,157	161,766
Accumulated depreciation	(47,443)	(45,061)	(47,443)	(45,061)
Total Civic Centre complex- closing balance	121,714	116,705	121,714	116,705
Plant and equipment				
Plant and equipment - at cost - opening balance	121,073	107,502	138,474	124,561
Accumulated depreciation	(53,630)	(45,337)	(64,635)	(55,516)
Total plant and equipment - opening balance	67,443	62,165	73,839	69,045
Additions	19,005	15,646	19,483	16,092
Depreciation expense	(10,175)	(9,109)	(10,956)	(9,905)
Disposals	(500)	(289)	(500)	(423)
Impairment losses	(336)	-	(336)	-
Transfer between asset classes	152	(970)	152	(970)
Total plant and equipment - closing balance	75,589	67,443	81,682	73,839
Plant and equipment - at cost	135,701	121,073	145,975	138,474
Accumulated depreciation	(60,112)	(53,630)	(64,293)	(64,635)
Total plant and equipment - closing balance	75,589	67,443	81,682	73,839
Library collections				
Library collections - at cost - opening balance	1,695	-	1,695	-
Library collections - at valuation - opening balance	13,700	13,700	13,700	13,700
Total cost/valuation	15,395	13,700	15,395	13,700
Accumulated depreciation	(1,775)	-	(1,775)	-
Total library collections - opening balance	13,620	13,700	13,620	13,700
Additions	2,131	1,695	2,131	1,695
Depreciation expense	(1,859)	(1,775)	(1,859)	(1,775)
Total library collections - closing balance	13,892	13,620	13,892	13,620
Library collections - at cost - closing balance	3,826	1,695	3,826	1,695
Library collections - at valuation - closing balance	13,700	13,700	13,700	13,700
Total cost/valuation	17,526	15,395	17,526	15,395
Accumulated depreciation	(3,634)	(1,775)	(3,634)	(1,775)
Total library collections - closing balance	13,892	13,620	13,892	13,620
Total operational assets	787,178	769,306	811,958	794,868

Disposals and transfers are reported net of accumulated depreciation

Note 17: Property, plant and equipment - continued

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Infrastructure Assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance	29,157	-	29,157	-
Drainage, waste and water - at valuation - opening balance	1,141,686	1,142,150	1,141,686	1,142,150
Total cost/valuation	1,170,843	1,142,150	1,170,843	1,142,150
Accumulated depreciation	(29,195)	-	(29,195)	-
Total drainage, water and waste - opening balance	1,141,648	1,142,150	1,141,648	1,142,150
Additions	24,747	28,693	24,747	28,693
Depreciation expense	(29,143)	(29,195)	(29,143)	(29,195)
Transfer between asset classes		-		-
Total drainage, water and waste - closing balance	1,137,252	1,141,648	1,137,252	1,141,648
Drainage, waste and water - at cost - closing balance	53,939	29,157	53,939	29,157
Drainage, waste and water - at valuation - closing balance	1,141,678	1,141,686	1,141,678	1,141,686
Total cost/valuation	1,195,617	1,170,843	1,195,617	1,170,843
Accumulated depreciation	(58,365)	(29,195)	(58,365)	(29,195)
Total drainage, water and waste - closing balance	1,137,252	1,141,648	1,137,252	1,141,648
Roading				
Roading - at cost - opening balance	38,499	-	38,499	-
Roading - at valuation - opening balance	703,648	703,648	703,648	703,648
Total cost/valuation	742,147	703,648	742,147	703,648
Accumulated depreciation	(18,071)	-	(18,071)	-
Total roading - opening balance	724,076	703,648	724,076	703,648
Additions	31,023	38,499	31,023	38,499
Depreciation expense	(17,979)	(18,071)	(17,979)	(18,071)
Total roading - closing balance	737,120	724,076	737,120	724,076
Roading - at cost - closing balance	69,522	38,499	69,522	38,499
Roading - at valuation - closing balance	703,648	703,648	703,648	703,648
Total cost/valuation	773,170	742,147	773,170	742,147
Accumulated depreciation	(36,050)	(18,071)	(36,050)	(18,071)
Total roading - closing balance	737,120	724,076	737,120	724,076
Infrastructure land				
Infrastructure land - at cost - opening balance	376	-	376	-
Infrastructure land - at valuation - opening balance	37,708	37,708	37,708	37,708
Total infrastructure land - opening balance	38,084	37,708	38,084	37,708
Disposals	-	(3)	-	(3)
Transfer between asset classes	(330)	379	(330)	379
Transfer to non-current assets held for sale	(490)	-	(490)	-
Total infrastructure land - closing balance	37,264	38,084	37,264	38,084
Infrastructure land - at cost - closing balance	376	376	376	376
Infrastructure land - at valuation - closing balance	36,888	37,708	36,888	37,708
Total infrastructure land - closing balance	37,264	38,084	37,264	38,084

Disposals and transfers are reported net of accumulated depreciation

Note 17: Property, plant and equipment - continued

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Land under roads				
Land under roads - at cost - opening balance	2,938,378	2,935,535	2,938,378	2,935,535
Additions	5,339	3,113	5,339	3,113
Disposals	(112)	(105)	(112)	(105)
Transfer between asset classes	330	-	330	-
Transfer to non-current assets held for sale	(118)	(165)	(118)	(165)
Land under roads - closing balance	2,943,817	2,938,378	2,943,817	2,938,378
Total infrastructure assets	4,855,453	4,842,186	4,855,453	4,842,186
Restricted assets				
Art and cultural assets				
Art and cultural assets - at cost - opening balance	7,250	7,169	9,583	9,502
Additions	655	81	658	81
Transfer between asset classes	9	-	9	-
Art and cultural assets - closing balance	7,914	7,250	10,250	9,583
Restricted Buildings				
Restricted buildings - at cost - opening balance	22,316	19,666	22,316	19,666
Accumulated depreciation	(2,788)	(2,046)	(2,788)	(2,046)
Total restricted buildings - opening balance	19,528	17,620	19,528	17,620
Additions	6,631	2,650	6,631	2,650
Depreciation Expense	(948)	(742)	(948)	(742)
Disposals	(101)	-	(101)	-
Transfer between asset classes	(19)	-	(19)	-
Restricted buildings - closing balance	25,091	19,528	25,091	19,528
Restricted Buildings - at cost - closing balance	28,730	22,316	28,730	22,316
Accumulated depreciation	(3,639)	(2,788)	(3,639)	(2,788)
Total restricted buildings - closing balance	25,091	19,528	25,091	19,528
Parks and reserves				
Parks and reserves - at cost - opening balance	202,853	202,265	202,853	202,265
Additions	283	1,048	283	1,048
Disposals	-	(221)	-	(221)
Transfer between asset classes	-	(80)	-	(80)
Transfer to non-current assets held for sale	(362)	(159)	(362)	(159)
Parks and reserves - closing balance	202,774	202,853	202,774	202,853
Town Belt - at cost	88,103	88,103	88,103	88,103
Zoo animals - at cost	500	500	500	500
Total restricted assets	324,382	318,234	326,718	320,567
Work in progress				
- Land	262	70	262	70
- Buildings	31,163	12,101	31,163	12,112
- Civic Centre complex	40	5,988	40	5,988
- Plant and equipment	10,485	8,676	10,531	8,752
- Roading	3,566	3,534	3,566	3,534
- Art and cultural	250	578	250	578
- Restricted buildings	-	4,819	-	4,819
Total work in progress	45,766	35,766	45,812	35,853
Total property, plant and equipment	6,012,779	5,965,492	6,039,941	5,993,474

Note 17: Property, plant and equipment - continued

Revaluation of property, plant and equipment

In accordance with the Council's revaluation cycle, no revaluations of property, plant and equipment were scheduled for 30 June 2010.

The Council's land and buildings were valued as at 30 June 2009, and infrastructural land as at 30 June 2008 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for Darroch Limited.

Library collections were valued as at 30 June 2008 by the Council's library staff. The revaluation was carried out in accordance with guidelines provided by the New Zealand Library Association and the National Library of New Zealand.

Drainage, waste and water infrastructure and the roading network were valued as at 30 June 2008 by John Vessey (MIPENZ), Partner of Opus International Consultants Limited.

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

Further information on revaluation reserves and movements is contained in Note 24: Revaluation reserves.

Finance leases

The net carrying amount of plant and equipment assets held under finance leases is \$0.956m (2009: \$1.260m)

Service Concession Arrangement

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

UWI is required to fund all repairs and return the Clearwater Sewerage Plant to the Council in 2019 with a future life expectancy of at least 25 years.

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

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

The contract terminates either on the expiry of the 21 year term (2019) or on the occurrence of a contract default event by either party. The contract's right of renewal resides with the Council.

Note 18: Trade and other payables

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Trade payables and accruals		37,106	44,925	39,240	47,092
Trade payables owing to related parties	41				
- Subsidiaries		775	480	-	-
- Associates		507	422	507	422
Interest payable		3,032	2,649	3,032	2,649
Sundry payables		8,300	6,663	9,227	7,736
Total trade and other payables		49,720	55,139	52,006	57,899

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.

Previously revenue in advance has been included under Note 18: Trade and other payables, but as it is not classified as a financial instrument, it is now disclosed separately in the Statement of Financial Position and Note 19: Revenue in advance.

Note 19: Revenue in advance

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Building consents and licensing services	3,010	3,310	3,010	3,310
Housing upgrade project	280	2,177	280	2,177
Lease rentals	2,304	2,827	2,304	2,827
Rates	867	821	867	821
Convention Centre	679	565	679	565
Revenue in advance - subsidiaries	-	-	756	970
Other	1,736	1,322	1,736	1,322
Total revenue in advance	8,876	11,022	9,632	11,992

Note 20: Borrowings

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
Bank loans - term	77	30	159	251
Debt securities - fixed rate bonds	-	20,000	-	20,000
Debt securities - floating rate notes	65,000	-	65,000	-
Bank facilities - committed	29,500	59,000	29,500	59,000
Bank facilities - uncommitted	5,000	5,000	5,000	5,000
Finance leases	528	460	528	460
Total current	100,105	84,490	100,187	84,711
Non-current				
Bank loans - term	764	993	1,335	1,649
Debt securities - fixed rate bonds	34,915	34,552	34,915	34,552
Debt securities - floating rate notes	147,000	142,000	147,000	142,000
Finance leases	438	841	438	841
Total non-current	183,117	178,386	183,688	179,042
Total borrowings	283,222	262,876	283,875	263,753

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

Bank loans - term

Loans for the Council relate to the wastewater treatment plant joint venture with Porirua City Council, and comprise several individual loans totalling \$0.841m (2009:\$1.023m) with maturities from 2011 to 2023. The average effective interest rate applicable is 7.0%

Loans for the Group include a loan for the Wellington Museums Trust of \$0.008m (2009: \$0.108m) maturing July 2010 currently at 4.63% and a loan for the St James Theatre Charitable Trust of \$0.644m (2009: \$0.748m) maturing May 2015 at 7.13%.

Debt securities

The Group has issued \$212m (2009: \$142m) of floating rate notes with maturities from 1 October 2010 to 31 July 2017. Interest is payable quarterly in arrears. The interest rates vary from 2.80% to 4.20% and are subject to quarterly reset dates.

The Group has issued \$34m (2009: \$54m) of fixed rate bonds with maturities from 16 October 2012 to 31 March 2014. Interest is payable six monthly in arrears. The interest rates range from 7.13% to 7.50%.

The value of fixed rate debt securities includes a fair value hedge adjustment of \$0.915m (2009: \$0.552m) relating to the fair value interest rate swaps associated with these bonds.

Security

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

Note 20: Borrowings - continued

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

Borrowing and overdraft facilities	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Borrowing and overdraft facilities available				
Bank overdraft	1,500	1,500	2,550	2,550
Bank loans - term	841	1,023	1,494	1,900
Debt securities - fixed rate bonds	34,915	54,552	34,915	54,552
Debt securities - floating rate notes	212,000	142,000	212,000	142,000
Bank facilities - committed	105,000	155,000	105,300	155,300
Bank facilities - uncommitted	5,000	10,000	5,000	10,000
Finance leases	966	1,301	966	1,301
Total borrowing and overdraft facilities available	360,222	365,376	362,225	367,603
Borrowing and overdraft facilities utilised				
Bank loans - term	841	1,023	1,494	1,900
Debt securities - fixed rate bonds	34,915	54,552	34,915	54,552
Debt securities - floating rate notes	212,000	142,000	212,000	142,000
Bank facilities - committed	29,500	59,000	29,500	59,000
Bank facilities - uncommitted	5,000	5,000	5,000	5,000
Finance leases	966	1,301	966	1,301
Total borrowing and overdraft facilities utilised	283,222	262,876	283,875	263,753
Borrowing and overdraft facilities unutilised				
Bank overdraft	1,500	1,500	2,550	2,550
Bank facilities - committed	75,500	96,000	75,800	96,300
Bank facilities - uncommitted	-	5,000	-	5,000
Total borrowing and overdraft facilities unutilised	77,000	102,500	78,350	103,850

Bank facilities

\$105m (2009: \$155m) of committed bank facilities are generally available on a short term basis of less than one year. Interest is payable in arrears at wholesale market rates. A further \$5m (2009: \$10m) is available as uncommitted facilities with interest payable in arrears at wholesale market rates. Of these facilities, a total of \$34.5m has been drawn at the end of the reporting period (2009: \$64m). The Group has additional short term bank facilities of \$0.3m (2009: \$0.3m)

Bank overdraft

An overdraft facility of \$1.5m (2009: \$1.5m) is available to Council. This facility was undrawn as at 30 June 2010 (2009: undrawn). The Group has additional overdraft facilities of \$1.05m (2009: \$1.05m).

Note 20: Borrowings - continued**Finance lease liabilities**

The Group has entered into finance leases for items of plant and equipment, predominantly computer equipment. The net carrying amount of the leased items within property, class and equipment is shown in Note 17.

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	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Future minimum lease payments				
Not later than one year	609	596	609	596
Later than one year and not later than five years	473	942	473	942
Later than five years	-	-	-	-
Total future minimum lease payments	1,082	1,538	1,082	1,538
Future finance charges	(116)	(237)	(116)	(237)
Present value of future minimum lease payments	966	1,301	966	1,301
Present value of future minimum lease payments				
Not later than one year	528	460	528	460
Later than one year and not later than five years	438	841	438	841
Later than five years	-	-	-	-
Total present value of future minimum lease payments	966	1,301	966	1,301

Note 21: Employee benefit liabilities

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
Short-term benefits				
Payroll accruals	628	2,283	1,054	2,567
Holiday leave	5,306	5,460	6,022	6,161
Long service leave provision	13	27	13	27
Total short-term benefits	5,947	7,770	7,089	8,755
Termination benefits				
Other contractual entitlements	517	458	517	458
Total termination benefits	517	458	517	458
Total current	6,464	8,228	7,606	9,213
Non-current				
Long-term benefits				
Long service leave provision	-	14	94	102
Retirement gratuities provision	1,614	1,630	1,660	1,675
Total long-term benefits	1,614	1,644	1,754	1,777
Total employee benefit liabilities	8,078	9,872	9,360	10,990

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

Long service leave provision	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	41	76	129	140
Additional or increased provision made	-	-	6	24
Release of provision	(2)	(3)	(2)	(3)
Rediscounting of interest	1	6	1	6
Amount utilised	(27)	(38)	(27)	(38)
Long service leave - closing balance	13	41	107	129

Background

The Council's long service leave provision is a contractual entitlement for a reducing number of employees who, after 20 years service, will be granted a one-off entitlement of additional leave. This entitlement has not been offered to new Council employees since 1991. Long service leave for the Council will be granted and the provision extinguished by 2011.

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

Estimation

The gross long service leave provision (inflation adjusted at 2.0 %) as at 30 June 2010, before discounting, is \$0.014m (2009: \$0.044m). The discount rate used is 6.5%.

Note 21: Employee benefit liabilities - continued

Retirement gratuities provision	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	1,630	1,572	1,675	1,697
Additional or increased provision made	-	11	1	16
Release of provision	(100)	-	(100)	(85)
Rediscounting of interest	110	124	110	124
Amount utilised	(26)	(77)	(26)	(77)
Retirement gratuities - closing balance	1,614	1,630	1,660	1,675

Background

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

Estimation

The gross retirement gratuities provision (inflation adjusted at 2.0%) as at 30 June 2010, before discounting, is \$2.514m (2009: \$2.798m). The discount rate used is 6.5%.

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

Other contractual entitlements	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	458	165	458	298
Additional or increased provision made	517	458	517	458
Release of provision	(48)	-	(48)	-
Amount utilised	(410)	(165)	(410)	(298)
Other contractual entitlements - closing balance	517	458	517	458

Note 22: Provision for other liabilities

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Current				
ACC Partnership programme	105	258	105	258
Landfill post closure costs	1,972	2,010	1,982	2,010
Other provisions	8,107	2,575	8,107	2,575
Total current	10,184	4,843	10,194	4,843
Non-current				
Landfill post closure costs	14,564	15,030	14,554	15,030
Other provisions	11,679	4,991	11,679	4,991
Total non-current	26,243	20,021	26,233	20,021
Total provision for other liabilities	36,427	24,864	36,427	24,864

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

ACC Partnership programme	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	258	37	258	37
Change in provision for risks incurred	(10)	258	(10)	258
Amounts utilised	(143)	(37)	(143)	(37)
Total liability for claims outstanding	105	258	105	258
Represented by:				
Present value of future payments	91	224	91	224
Risk margin	14	34	14	34
Total liability for claims outstanding	105	258	105	258

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 22: Provision for other liabilities - continued

Landfill post closure costs	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	17,040	16,914	17,040	16,914
Additional or increased provision made	-	-	-	-
Release of provision	(635)	(793)	(635)	(793)
Re-discounting of interest	1,064	1,319	1,064	1,319
Amount utilised	(933)	(400)	(933)	(400)
Landfill post closure costs - closing balance	16,536	17,040	16,536	17,040

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 a discount rate of 6.5%. The gross provision (inflation adjusted at 2.00%), before discounting, is \$27.652m as at 30 June 2010 (2009: \$31.207m). 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 1,085,313m³ (2009: 1,195,375m³) and an estimated remaining life of 9 years (2009: 10 years). These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council's provision includes a proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of 600,000m³ (2009: 541,240m³) and an estimated remaining life of 8 years (2009: 9 years).

Note 22: Provision for other liabilities - continued

Other provisions	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	7,566	5,345	7,566	5,345
Additional or increased provision made	14,195	3,198	14,195	3,198
Amount utilised	(1,975)	(977)	(1,975)	(977)
Other provisions - closing balance	19,786	7,566	19,786	7,566

Background

This provision represents the Council's estimated liability relating to the settlement of claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006 and civil proceedings. A provision has been recognised for the potential net settlement of known claims.

Estimation

The nature of the liability means there are inherent uncertainties in estimating the likely costs that will be incurred in the future. The provision has been estimated using actuarial assessments and other information on known claims. This represents the Council's projection of the amount required to settle the obligation at the estimated time of the cash outflow. Future cashflows are inflation adjusted at 2.0% and discounted using a discount rate of 6.5%. The provision is net of any third party contributions including insurance, where applicable. Since August 2009 the Council, like all territorial authorities, has been unable to obtain insurance to cover its future liability in respect of new weathertight claims and will need to meet the full cost of these claims, including legal fees and other costs.

Note 23: Accumulated funds and retained earnings

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Accumulated funds		1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings					
Opening balance		3,500,581	3,481,389	3,562,119	3,542,344
Net surplus		30,330	16,057	23,545	15,968
Transfers from revaluation reserves	24	489	590	489	590
Transfers from restricted funds	27	1,743	3,245	2,073	4,827
Transfers to restricted funds	27	(557)	(700)	(967)	(1,610)
Retained earnings - closing balance		3,532,586	3,500,581	3,587,259	3,562,119
Total accumulated funds and retained earnings		4,801,720	4,769,715	4,880,421	4,855,281

Note 24: Revaluation reserves

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Land - opening balance	142,301	96,208	142,301	96,208
Revaluation recognised in other comprehensive income	-	46,586	-	46,586
Transfer between classes	-	(493)	-	(493)
Transfer to retained earnings on disposal of assets	(3)	-	(3)	-
Land - closing balance	142,298	142,301	142,298	142,301
Buildings - opening balance	195,635	161,837	195,635	161,837
Revaluation recognised in other comprehensive income	-	33,841	-	33,841
Impairment recognised in other comprehensive income	(234)	-	(234)	-
Transfer between classes	-	493	-	493
Transfer to retained earnings on disposal of assets	(486)	(536)	(486)	(536)
Buildings - closing balance	194,915	195,635	194,915	195,635
Library collections - opening balance	4,913	4,913	4,913	4,913
Library collections - closing balance	4,913	4,913	4,913	4,913
Drainage, waste and water - opening balance	413,184	413,184	413,184	413,184
Drainage, waste and water - closing balance	413,184	413,184	413,184	413,184
Infrastructure land - opening balance	14,041	14,095	14,041	14,095
Transfer to retained earnings on disposal of assets	-	(54)	-	(54)
Infrastructure land - closing balance	14,041	14,041	14,041	14,041
Roading - opening balance	348,264	348,264	348,264	348,264
Roading - closing balance	348,264	348,264	348,264	348,264
Associates' revaluation reserves - opening balance	-	-	76,410	58,364
Revaluation recognised in other comprehensive income	-	-	-	18,046
Associates' revaluation reserves - closing balance	-	-	76,410	76,410
Total revaluation reserves	1,117,615	1,118,338	1,194,025	1,194,748
These revaluation reserves are represented by:				
Opening balance	1,118,338	1,038,501	1,194,748	1,096,865
Revaluation recognised in other comprehensive income	-	80,427	-	80,427
Revaluation recognised in other comprehensive income - associates	-	-	-	18,046
Impairment recognised in other comprehensive income	(234)	-	(234)	-
Transfer to retained earnings on disposal of assets	(489)	(590)	(489)	(590)
Total revaluation reserves - closing balance	1,117,615	1,118,338	1,194,025	1,194,748

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.

In accordance with the Council's revaluation cycle, no revaluations of property, plant and equipment were scheduled for 30 June 2010.

Note 25: Hedging reserve

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Opening balance	861	3,057	(3,255)	3,033
Cash flow hedge net movement recognised in other comprehensive income	(5,058)	(1,928)	(5,058)	(1,928)
Cash flow hedge net movement recognised in other comprehensive income - associate	-	-	-	(4,092)
Cash flow hedge movement reclassified to finance income	(268)	(268)	(268)	(268)
Cash flow hedge movement reclassified to share of equity accounted surplus of associate	-	-	1,461	-
Hedging reserve - closing balance	(4,465)	861	(7,120)	(3,255)

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

Note 26: Fair value through other comprehensive income reserve

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

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Assurance, for which there is no intention to sell. See Note 12: Other financial assets - for further information.

Note 27: Restricted funds

	Note	Council		Group	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
Special reserves and funds	28	1,433	1,434	1,433	1,434
Council created reserves and funds	28	15,204	16,018	15,204	16,018
Trusts and bequests	29	611	982	611	982
		17,248	18,434	17,248	18,434
Subsidiaries' restricted funds					
Opening balance		-	-	2,366	3,038
Additional funds received		-	-	410	910
Funds utilised		-	-	(330)	(1,582)
Subsidiaries' restricted funds - closing balance		-	-	2,446	2,366
Total restricted funds		17,248	18,434	19,694	20,800
These funds are represented by:					
Opening balance		18,434	20,979	20,800	24,017
Transfers from retained earnings		557	700	967	1,610
Transfers to retained earnings		(1,743)	(3,245)	(2,073)	(4,827)
Restricted funds - closing balance		17,248	18,434	19,694	20,800

These funds are a mixture of special purpose reserves and funds, including Council created reserves as well as trusts and bequests. More detailed information on the Council's reserves and funds is disclosed in Note 28: Special and council created reserves and funds, and Note 29: Trusts and bequests.

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

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

Note 28: Special and council created reserves and funds

Special reserves and funds	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Reserve purchase and development fund				
Opening balance	1,358	1,285	1,358	1,285
Additional funds received	22	73	22	73
Funds utilised	(12)	-	(12)	-
Reserve purchase & development fund - closing balance	1,368	1,358	1,368	1,358
Early Settlers Memorial Park reserve				
Opening balance	76	94	76	94
Funds utilised	(11)	(18)	(11)	(18)
Early Settlers Memorial Park reserve - closing balance	65	76	65	76
Total special reserves and funds - closing balance	1,433	1,434	1,433	1,434

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas within the city. The funds were utilised for the purchase of Fort Buckley in Wadestown, a site of national historical importance.

Early Settlers Memorial Park reserve

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

Council created reserves and funds	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Self insurance reserve				
Opening balance	11,775	11,898	11,775	11,898
Additional funds received	500	500	500	500
Funds utilised	(1,314)	(623)	(1,314)	(623)
Self insurance reserve - closing balance	10,961	11,775	10,961	11,775
Subdivision development reserve	4,119	4,119	4,119	4,119
Other reserves	124	124	124	124
Total Council created reserves and funds - closing balance	15,204	16,018	15,204	16,018

Self-insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the uninsured portion of insurance claims. Annual additions to the reserve of \$0.500m (2009: \$0.500m) are funded through rates as identified in the Annual Plan.

Note 29: Trusts and bequests

Council	Opening	Additional	Funds	Closing
	Balance	Funds	Utilised	Balance
	2010	2010	2010	2010
	\$000	\$000	\$000	\$000
A Graham Trust	6	1	-	7
A W Newton Bequest	236	13	(6)	243
Charles Plimmer Bequest	540	19	(391)	168
E A McMillan Estate	6	-	-	6
E Pengelly Bequest	10	-	-	10
F L Irvine Smith Memorial	5	-	-	5
Greek NZ Memorial Association	5	-	-	5
Kidsarus 2 Donation	2	-	-	2
Kirkcaldie and Stains Donation	17	-	-	17
Lewis Glover Bequest	27	-	-	27
QEII Memorial Book Fund	32	2	-	34
Schola Cantorum Trust	5	-	-	5
Stanley Banks Trust	70	-	(9)	61
Terawhiti Grant	10	-	-	10
W G Morrison Estate	11	-	-	11
Total trusts and bequests	982	35	(406)	611

Analysis of movements in trusts and bequests

- Trusts and bequests receiving additional funds during the year were those where interest has been applied in accordance with the original terms and conditions.
- Trusts and bequests funds utilised during the year were:
 - Charles Plimmer bequest – Central Park \$169,000 and Te Raekaihau Point \$222,000
 - A W Newton bequest – grants for art, adult education or athletics - \$6,000
 - Stanley Banks trust – educational grants to children of WWII service personnel - \$9,000

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

Note 30: 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial assets				
Loans and receivables				
Cash and cash equivalents	2,349	3,945	6,016	7,966
Trade and other receivables	42,674	35,724	43,577	36,401
Other financial assets	4,962	3,730	4,962	4,117
Total loans and receivables	49,985	43,399	54,555	48,484
Financial assets at fair value through other comprehensive income				
Other financial assets	1,607	527	1,607	527
Total financial assets at fair value through other comprehensive income	1,607	527	1,607	527
Hedged derivative financial instruments				
Derivatives designated as fair value hedges	915	838	915	838
Derivatives designated as cash flow hedges	545	4,231	545	4,231
Total hedged derivative financial instruments	1,460	5,069	1,460	5,069
Total financial assets	53,052	48,995	57,622	54,080
Total non-financial assets	6,272,769	6,228,098	6,428,078	6,388,964
Total assets	6,325,821	6,277,093	6,485,700	6,443,044
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	49,720	55,139	52,006	57,899
Borrowings	283,222	262,876	283,875	263,753
Total financial liabilities at amortised cost	332,942	318,015	335,881	321,652
Derivative financial instruments				
Derivatives designated as fair value hedges	-	287	-	287
Derivatives designated as cash flow hedges	5,709	4,336	5,709	4,336
Total derivative financial instruments	5,709	4,623	5,709	4,623
Financial liabilities at fair value through surplus/deficit				
Derivative financial instruments	591	1,349	504	1,349
Total financial liabilities at fair value through surplus/deficit	591	1,349	504	1,349
Total financial liabilities	339,242	323,987	342,094	327,624
Total non-financial liabilities	53,381	45,758	55,506	47,846
Total liabilities	392,623	369,745	397,600	375,470

Note 30: Financial instruments - continued**Fair value**

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

Fair value hierarchy

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

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

Level 2 - Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

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

Group	2010			2009		
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
Financial assets						
Financial assets at fair value through other comprehensive income	-	-	1,607	-	-	527
Derivative financial instruments						
- Cashflow hedges	-	545	-	-	4,231	-
- Fair value hedges	-	915	-	-	838	-
Financial liabilities						
Derivative financial instruments						
- Cashflow hedges	-	5,709	-	-	4,336	-
- Fair value hedges	-	-	-	-	287	-
- non-hedged swaps	-	591	-	-	1,349	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial assets at fair value through other comprehensive income				
- Equity investment - Civic Assurance				
Opening balance - 1 July	527	527	527	527
Gains or losses recognised in other comprehensive income	1,080	-	1,080	-
Closing balance - 30 June	1,607	527	1,607	527

Note 30: Financial instruments - continued

Financial risk management

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

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer Note 36: 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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial instruments with credit risk				
Cash and cash equivalents	2,349	3,945	6,016	7,966
Derivative financial instruments				
- Interest rate swaps - interest receivable	436	335	436	335
Trade and other receivables				
- Trade receivables	13,329	14,944	14,263	15,618
- Other receivables	29,345	20,780	29,314	20,783
Other financial assets				
- Loans to related parties - associates	983	872	983	872
- Loans to related parties - other organisations	3,979	2,858	3,979	2,858
Financial guarantees to related parties	1,016	1,216	1,016	1,216
Total financial instruments with credit risk	51,437	44,950	56,007	49,648

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

Note 30: Financial instruments - continued

Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group's strong liquidity management means that it is cost effective to maintain negative working capital. The Group maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Liability Management Policy to ensure the Group is able to access required funds.

Contractual maturity

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

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Contractual cashflows of financial liabilities excluding derivatives				
0-12 months	158,857	148,419	161,143	151,400
1-2 years	8,034	70,682	8,034	70,807
2-5 years	126,294	61,478	126,294	61,867
More than 5 years	73,785	63,350	73,785	63,492
Total contractual cashflow of financial liabilities excluding derivatives	366,970	343,929	369,256	347,566
Represented by:				
Carrying amount as per the Statement of Financial Position	332,942	318,015	335,881	321,652
Future interest payable	34,028	25,914	33,375	25,914
Total contractual cashflow of financial liabilities excluding derivatives	366,970	343,929	369,256	347,566

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	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Contractual cashflows of derivative financial liabilities				
0-12 months	2,620	2,902	2,620	2,902
1-2 years	1,495	3,063	1,495	3,063
2-5 years	4,686	5,062	4,686	5,062
More than 5 years	1,889	2,811	1,889	2,811
Total contractual cashflow of derivative financial liabilities	10,690	13,838	10,690	13,838
Represented by:				
Future interest payable	10,690	13,838	10,690	13,838
Total contractual cashflow of derivative financial liabilities	10,690	13,838	10,690	13,838

In addition to cash received in 2010/11 the Council currently has \$77m in unused facilities available to settle obligations as well as \$44.8m of cash and cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

Note 30: Financial instruments - continued

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

Period	Minimum	Maximum	Actual
0 to 3 years	20%	60%	56%
3-5 years	20%	60%	24%
More than 5 years	15%	60%	20%

Market risk

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

Cash flow and fair value interest rate risk

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

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

Minimum fixed rate	Maximum fixed rate	Actual % of fixed debt prior interest rate swaps	Actual % of fixed debt after interest rate swaps
50%	95%	13%	81%

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

	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents	2,349	3,945	6,016	7,966
Bank loans	(841)	(1,023)	(1,494)	(1,900)
Short term bank facilities	(34,500)	(64,000)	(34,500)	(64,000)
Debt securities	(212,000)	(142,000)	(212,000)	(142,000)
Total financial instruments subject to interest rate volatility before effect of interest rate swaps	(244,992)	(203,078)	(241,978)	(199,934)
Effect of interest rate swaps in reducing interest rate				
Effect of fair value hedge	(34,000)	(54,000)	(34,000)	(54,000)
Effect of Cash flow interest rate swaps - hedged	227,000	172,000	227,000	172,000
Effect of Cash flow interest rate swaps - non-hedged	30,000	30,000	30,000	30,000
Total effect of interest rate swaps in reducing interest rate volatility	223,000	148,000	223,000	148,000
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	(21,992)	(55,078)	(18,978)	(51,934)

Note 30: Financial instruments - continued

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements; instead the fair value of these interest rate swaps is recognised. This represents the difference between the current floating interest rate and the fixed swap interest rate. At 30 June 2010 the fair value of the interest rate swaps was -\$4.804m (2009: -\$0.903m). This liability will reduce to zero as the swaps reach the end of their lives and therefore does not represent a liability that the Council will be required to pay cash to settle.

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

Weighted effective interest rates	Council		Group	
	2010 %	2009 %	2010 %	2009 %
Investments				
Cash and cash equivalents	3.00	2.75	2.54	1.84
Bank deposits - term	-	-	5.10	5.50
Loans to related parties	0.00	0.00	0.00	0.00
Borrowings				
Short term bank facilities	3.84	3.68	3.84	3.68
Bank loans	7.00	4.07	7.04	5.35
Debt securities	3.85	4.25	3.85	4.25
Derivative financial instruments - hedged	5.18	3.07	5.18	3.07
Derivative financial instruments - non-hedged	6.72	6.72	6.72	6.72
Finance leases	13.75	13.02	13.75	13.02

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

Note 30: Financial instruments - continued**Sensitivity analysis**

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

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

Council		2010 \$000			
		+1%	-1%	+1%	-1%
		Effect on Surplus or Deficit		Effect on Other Comprehensive Income	
Interest rate risk	Note				
Financial assets					
Cash and cash equivalents - Council	a	23	(23)	-	-
Bank deposits - term		-	-	-	-
Derivatives - Interest rate swaps - hedged	b	-	-	2,390	(2,572)
Derivatives - Interest rate swaps - non-hedged		-	-	-	-
Financial liabilities					
Bank loans	c	(8)	8	-	-
Short term bank facilities	d	(145)	145	-	-
Debt securities	e	(390)	390	-	-
Derivatives - Interest rate swaps - hedged	b	-	-	6,642	(7,091)
Derivatives - Interest rate swaps - non-hedged		236	(245)	-	-
Total sensitivity to interest rate risk		(284)	275	9,032	(9,663)

a. Cash and cash equivalents

Council funds are in a number of different accounts with interest payable on the aggregation of all accounts. A movement in interest rates of plus or minus 1% has an effect on interest income of \$0.023m.

b. Derivatives - interest rate swaps

Derivatives include interest rate swaps with a fair value totalling -\$4.804m. A movement in interest rates of plus 1% has an effect on increasing the unrealised value of the hedged interest rate swaps by \$9.032m. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the hedged interest rate swaps by \$9.663m. A movement in interest rates of plus 1% has an effect on reducing finance costs related to non-hedged derivatives by \$0.236m. A movement in interest rates of minus 1% has an effect of increasing finance costs related to non-hedged derivatives by \$0.245m.

c. Bank loans

Bank loans total \$0.842m. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.010m.

d. Short term bank facilities

Short term bank facilities are at floating rates and total \$34.5m. The full exposure to changes in interest rates has been reduced because the Council has \$20m of the debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.145m.

e. Debt securities

Debt securities are at floating rates and total \$247m. The full exposure to changes in interest rates has been reduced because the Council has \$207m of the debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.390m.

Note 30: Financial instruments - continued

Equity management

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

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

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

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

Note 31: Analysis of operating surplus by strategy

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

Operating Income and Expenditure

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

The variance in Urban development is due to additional expenditure for Wellington Waterfront Project.

The variance in Transport is due to the recognition of unbudgeted vested asset income for roading assets.

The variance in Economic development is due to the recognition of unbudgeted vested asset income relating to the transfer of Carter Observatory assets into the Council.

The variance in Environment is due to the recognition of unbudgeted vested asset income for water, stormwater and sewerage pipes and fittings.

The variance in Social and recreation is due to the unspent portion of the Crown Housing Grant from 2008/09 being utilised for capital expenditure in the current year end and recognised as revenue.

The variance in Governance is due to cost savings, primarily in labour costs, professional fees and contractual costs relating to revenue collection as well as cost efficiencies resulting from work that was expected to be performed by external consultants being completed by Council staff.

The variance in Council had arisen as a result of downwards movements in the fair value of investment properties, a significant increase in the provision for Weathertight homes as well as a reduction in capital funding compared to budget for NZTA capital subsidy funding.

Other major operating income and expenditure budget variances are explained within Note 32: Major budget variations.

Note 31: Analysis of operating surplus by strategy - continued

Council	Actual	Budget	Actual	Budget	Actual	Budget	Variance
	Income		Expenditure		Net		
	2009	2009	2009	2009	2009	2009	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Strategy							
Urban development	11,858	9,906	33,959	24,516	(22,101)	(14,610)	(7,491)
Transport	34,610	28,718	46,034	47,780	(11,424)	(19,062)	7,638
Economic development	5,809	5,201	22,250	21,945	(16,441)	(16,744)	303
Environment	19,349	11,742	120,726	118,452	(101,377)	(106,710)	5,333
Cultural well-being	1,028	1,075	13,963	13,768	(12,935)	(12,693)	(242)
Social and recreation	37,094	42,479	83,888	83,495	(46,794)	(41,016)	(5,778)
Governance	415	319	13,420	13,102	(13,005)	(12,783)	(222)
Total strategy	110,163	99,440	334,240	323,058	(224,077)	(223,618)	(459)
Council	259,403	248,544	19,269	5,007	240,134	243,537	(3,403)
Total strategy and Council	369,566	347,984	353,509	328,065	16,057	19,919	(3,862)

Note 32: Major Budget Variations

Statement of Comprehensive Financial Performance	Council 2010 \$000
Council actual net surplus	30,330
Less:	
Fair value movements:	
Cash flow hedge movement reclassified from hedging reserve	(268)
Fair value hedge movements	(364)
Fair value hedge adjustments to borrowings	364
Derivatives at fair value through surplus or (deficit)	(759)
Loans to related parties	2,410
Loan amortisation	(263)
Investment property revaluation	5,405
Total fair value movements	6,525
Additional net expenditure from Wellington Waterfront Project and Porirua Joint Ventures	2,334
External funding for capital expenditure:	
Plimmer Trust capital funding requirement deferred	722
Increase in development contributions revenue	(650)
Timing of the Housing New Zealand capital grant	(1,827)
Decrease in New Zealand Transport Agency subsidies - capital	3,350
Additional external funding towards capital projects	(1,502)
Total changes to external funding for capital expenditure	93
Vested assets	(15,194)
Additional expenditure not funded under section 100 of LGA	
New Zealand Transport Agency funded transport projects	5
Clearwater sewerage treatment plant	1,846
Living Earth	(172)
Total additional expenditure not funded under section 100 of LGA	1,679
Increased surplus from City Housing	(141)
Underlying Council actual net surplus	25,626
less Council budget net surplus	24,128
Underlying net surplus	1,498
Unbudgeted revenue/expenditure:	
Restatement of provisions	(14,195)
Insurance costs (net of recoveries) funded through self insurance reserve	(1,314)
Gain on disposal of property, plant and equipment	207
Loss on disposal of assets	(743)
Total unbudgeted revenue/expenditure	(16,045)
Significant variations from budget	
Dividends in excess of budget (including Wellington International Airport Limited)	10,329
Decrease in interest expense	4,008
Decrease in general expenses	2,005
Decrease in personnel expenses	552
Other net variances ¹	649
Total significant variations from budget	17,543
Total factors contributing to underlying variance	1,498

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

Note 32: Major Budget Variations - continued

Statement of Changes in Equity

Total equity is \$39.270m above budget and is primarily due to the following:

- \$43.016m higher than expected revaluation increases for land and building assets in 2008/09.
- -\$2.196m of unbudgeted fair value movements in the hedging reserve in 2008/09.
- An unbudgeted fair value movement of -\$5.058m taken to the hedging reserve during the 20009/10.
- -\$3.045m of higher than budgeted utilisation of restricted funds in 2008/09
- The recognition of a second Wellington International Airport Limited dividend of \$8.341m that was unbudgeted.

Statement of Financial Position

Significant movements are as follows:

- Total non-current liabilities are \$23.182m below budgeted. This primarily relates to lower than expected borrowings.

Statement of Cash Flows

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

Note 33: Analysis of capital expenditure by strategy

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

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

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 35: Commitments.

Note 33: Analysis of capital expenditure by strategy - continued

Council	Original Annual Plan Budget 2009 \$000	Budget Carried Forward 2009 \$000	Total Capex Budget 2009 \$000	Budget to Carry Forward 2009 \$000	Available Capex Budget 2009 \$000	Actual Capex 2009 \$000	Variance Net 2009 \$000
Strategy							
Urban development	8,478	2,816	11,294	(8,158)	3,136	2,413	723
Transport	29,189	4,777	33,966	(2,266)	31,700	32,594	(894)
Economic development	2,539	27	2,566	(1,322)	1,244	1,244	-
Environment	30,400	3,445	33,845	(5,716)	28,129	30,167	(2,038)
Cultural well-being	3,010	836	3,846	(68)	3,778	4,437	(659)
Social and recreation	34,098	1,611	35,709	(14,365)	21,344	16,493	4,851
Governance	-	22	22	-	22	24	(2)
Total strategy	107,714	13,534	121,248	(31,895)	89,353	87,372	1,981
Council	9,964	6,991	16,955	(8,227)	8,728	8,538	190
Total capital expenditure	117,678	20,525	138,203	(40,122)	98,081	95,910	2,171
Excluding additional expenditure funded from external sources							
Zoo funding							1,582
Ports/Ferry Access - Centreport funding							932
Riddiford Road - NZTA funding							460
Chews Lane Precinct - expenditure recovery							80
Other - less than \$50,000							84
Less timing of Housing NZ grant							(4,500)
Total adjusted net variance							809

Significant acquisitions and replacements of assets

In accordance with the provisions of Section 15(f) Part 3 Schedule 10 of the Local Government Act 2002, information in respect of significant acquisitions and replacements of assets is reported within the Statements of Service Performance.

Note 34: Capital expenditure performance**Capital expenditure projects**

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

Note 34: Capital expenditure performance - continued

	Actual Expenditure ¹ 2010 \$000	Proposed Budget Carry Forward ² 2010 \$000	Total Forecast Expenditure 2010 \$000	Budget ³ 2010 \$000	Notes
Urban development					
Wellington Waterfront Development	4,400	2,911	7,311	8,447	
Earthquake risk mitigation	1,949	1,089	3,038	3,103	
Central City - Golden Mile, squares and parks	1,547	1,220	2,767	4,787	
Other	565	1,534	2,099	2,608	
Total Urban development	8,461	6,754	15,215	18,945	
Transport					
Roading and vehicle network	19,128	1,022	20,150	20,313	
Footpath renewals	3,320	-	3,320	3,345	
Road safety	2,740	325	3,065	2,987	
Traffic and street sign renewals	1,668	-	1,668	1,670	
Bus priority planning	1,562	3,038	4,600	4,634	
Other	2,324	100	2,424	2,823	
Total Transport	30,742	4,485	35,227	35,772	
Economic development					
Cable Car precinct	2,203	-	2,203	1,894	4
Other	553	14	567	566	
Total Economic development	2,756	14	2,770	2,460	
Environment					
Water network	9,916	859	10,775	11,163	
Sewage collection and disposal	7,530	1,650	9,180	9,022	
Stormwater management	3,652	1,340	4,992	4,989	
Zoo upgrades	2,696	16	2,712	2,574	5
Botanic Gardens	1,093	-	1,093	1,047	
Other	2,976	956	3,932	4,041	
Total Environment	27,863	4,821	32,684	32,836	
Cultural Wellbeing					
Art Gallery	1,629	-	1,629	1,100	6
Other	61	68	129	131	
Total Cultural wellbeing	1,690	68	1,758	1,231	
Social and recreation					
Housing upgrade and renewals	16,776	753	17,529	17,626	
Indoor Community Sport Centre	9,465	2,192	11,657	11,657	
Swimming pools	2,793	-	2,793	2,793	
Libraries	2,243	-	2,243	2,244	
Sportsfields (including synthetic turf)	2,181	-	2,181	2,004	
Other	2,212	1,138	3,350	3,357	
Total Social and recreation	35,670	4,083	39,753	39,681	
Council					
Organisational projects including IT	10,970	6,578	17,548	20,875	
Total Council	10,970	6,578	17,548	20,875	
Total capital expenditure projects	118,152	26,803	144,955	151,800	

1. Actual capital expenditure consists of all expenditure in 2009/10 including expenditure against budget carry forwards.

2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.

3. Budgets comprise 2009/10 Annual Plan budgets including amounts carried forward into 2009/10 from previous financial periods.

4. The additional expenditure was funded by unbudgeted external funding of \$309k from the Carter Observatory Trust for additional capital works.

5. The additional expenditure was funded by unbudgeted external funding of \$330k received from the Zoo Trust for additional capital works.

6. Council approved overspend for cost escalations.

Note 35: Commitments

Capital commitments	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Approved and contracted - property, plant and equipment	88,913	77,070	88,913	77,070
Approved and contracted - investment properties	138	118	138	118
Approved and contracted - share of associates	-	-	4,290	11,886
Total capital commitments	89,051	77,188	93,341	89,074

The capital commitments above often span more than one financial year and includes the capital expenditure carried forward from Note 33: Analysis of capital expenditure by strategy, which forms only part of the total commitments shown.

Operating leases – Group as lessee

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

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

The amount of minimum payments for non-cancellable operating leases is recognised as an expense in Note 5: Expenditure on operating activities.

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

Non-cancellable operating lease commitments as lessee	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Plant and equipment				
Not later than one year	69	74	134	173
Later than one year and not later than five years	70	61	144	157
Later than five years	-	7	-	7
Land and buildings				
Not later than one year	1,644	1,581	1,875	1,836
Later than one year and not later than five years	4,227	4,510	4,636	5,272
Later than five years	3,674	4,185	3,674	4,248
Total non-cancellable operating lease commitments as lessee	9,684	10,418	10,463	11,693

Note 35: Commitments - continued**Operating leases – Group as lessor**

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

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

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

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

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

Non-cancellable operating lease commitments as lessor	Council		Group	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Investment properties				
Not later than one year	10,683	12,128	10,683	12,128
Later than one year and not later than five years	32,481	29,990	32,481	29,990
Later than five years	83,418	74,726	83,418	74,726
Land and buildings				
Not later than one year	1,347	2,873	3,158	1,301
Later than one year and not later than five years	2,585	2,334	2,782	1,705
Later than five years	7,512	5,978	7,512	5,978
Total non-cancellable operating lease commitments as lessor	138,026	128,029	140,034	125,828

Note 36: Contingencies

Contingent liabilities	Council		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Financial guarantees to community groups	1,016	1,216	1,016	1,216
Share of associates' contingent liabilities	-	-	-	-
Share of joint ventures' contingent liabilities	-	-	-	-
Other legal proceedings	780	1,300	780	1,300
Total contingent liabilities	1,796	2,516	1,796	2,516

The financial guarantees to community groups above are analysed below:

Outstanding debt subject to Council guarantees	Council		Group	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Karori Wildlife Sanctuary Trust	1,008	1,108	1,008	1,108
Wellington Museums Trust	8	108	8	108
Total outstanding debt subject to Council guarantees	1,016	1,216	1,016	1,216

Karori Wildlife Sanctuary Trust

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

Wellington Museums Trust

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

The above financial guarantees have not been recognised as liabilities as the Council and Group consider it is not probable at 30 June 2010 that any expenditure will be incurred to settle them.

Other legal proceedings

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

The maximum exposure to Council is anticipated to be less than \$0.780m

Unquantified contingent liabilities

The Council and Group have a potential liability for the settlement of future claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006 and civil proceedings for weathertightness. A provision has been recognised for accounting purposes for potential settlement of known claims and is shown in Note 22: Provision for other liabilities. Since August 2009 the Council, like all territorial authorities, has been unable to obtain insurance to cover its future liability in respect of new weathertight claims and will need to meet the full cost of these claims, including legal fees and other costs.

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

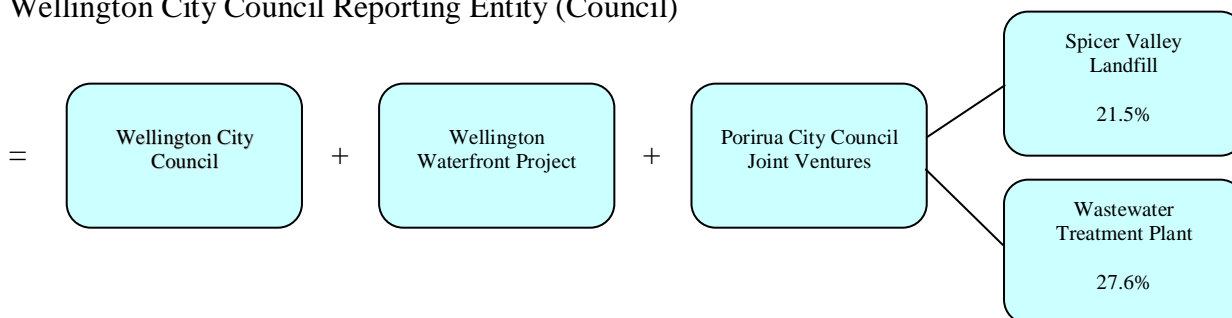
The Council agreed in principle to participate in the Government's Financial Assistance Package for Leaky Buildings and work with them, and other affected territorial authorities, on the detail of the package to enable a final decision on our participation to be made in 2010/11. The package aims to help people get their leaky homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair costs and affected homeowners funding the remaining 50% backed by a government loan guarantee.

Note 36: Contingencies - continued

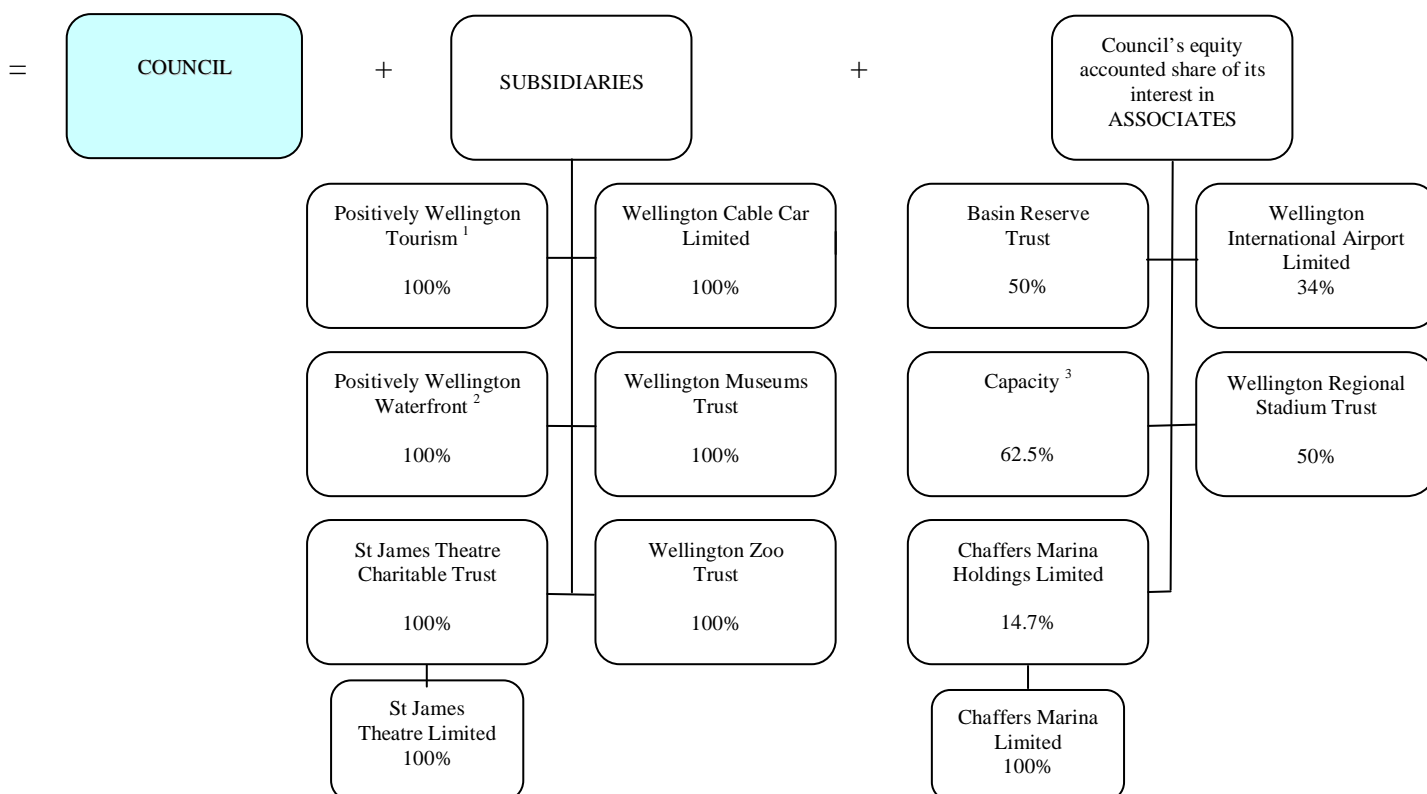
There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant. The possibility of any outflow in settlement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

Note 37: Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



1. The legal name of the subsidiary is the Partnership Wellington Trust Inc.
2. The legal name of the subsidiary is Wellington Waterfront Limited.
3. The legal name of the associate is Capacity Infrastructure Services Limited (formerly Wellington Water Management Limited).

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

Note 38: Joint ventures

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2010	Interest 2009	Nature of business
Wastewater treatment plant – Porirua City Council	27.6%	27.6%	Owens and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs.
Spicer Valley Landfill – Porirua City Council	21.5%	21.5%	Owens and operates a sanitary landfill that provides services to Wellington City's northern suburbs.

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

Share of Net Assets	2010 \$000	2009 \$000
Assets		
Current		
Inventory	6	3
Trade and other receivables	1,538	2,039
Non-current		
Property, plant and equipment	15,350	14,667
Share of total assets	16,894	16,709
Liabilities		
Current		
Borrowings	77	30
Non-current		
Borrowings	764	993
Provisions for other liabilities	878	432
Share of total liabilities	1,719	1,455
Share of net assets	15,175	15,254

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	2010 \$000	2009 \$000
Operating revenue	293	536
Operating expenditure	372	526
Share of net surplus or (deficit)	(79)	10
Share of current year revaluation movement	-	-

The Council's and Group's share of the joint ventures' capital commitments is \$Nil (2009: \$Nil) and contingent liabilities is \$Nil (2009: \$Nil).

Note 39: Investment in Subsidiaries

The following entities are subsidiaries of Council:

Subsidiary	Interest 2010	Interest 2009	Nature of business
Positively Wellington Tourism (Partnership Wellington Trust Inc.)	100%	100%	Creates economic and social benefit by marketing the city with the private sector as a visitor destination.
Positively Wellington Waterfront (Wellington Waterfront Limited)	100%	100%	Manages the Wellington Waterfront Project.
St James Theatre Charitable Trust	100%	100%	Owns and operates the St James Theatre and Opera House to promote them as artistic venues and to promote the performing arts.
- St James Theatre Limited	100%	100%	Performing arts venue.
Wellington Cable Car Limited	100%	100%	Owns and manages the trolley bus overhead wiring system and the cable car.
Wellington Museums Trust	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Colonial Cottage Museum, the Museum of Wellington City and Sea and the Carter Observatory (from 1 June 2010).
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	2010 \$000	2009 \$000
St James Theatre Charitable Trust	2,700	2,700
Wellington Cable Car Limited	3,809	3,809
Total investment in subsidiaries	6,509	6,509

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

Information on inter-company transactions is included in the Note 41: Related party disclosures.

Carter Observatory

Following the repeal of the 1938 Carter Observatory Act on 31 May 2010, the assets formerly under Crown ownership transferred to Wellington City Council with effect from 1 June 2010. From that date the operations of the Observatory have been included within the financial statements of the Wellington Museums Trust.

Prior to 1 June 2010 the Council had influence over the governance, funding and operations of the Carter Observatory Board and has previously reported on the transactions between the two entities as if it were a related party. Details of these transactions are included in Note 41: Related Party disclosures.

Note 40: Investment in Associates

The Council has a significant interest in the following associates:

Associate	Interest 2010	Interest 2009	Nature of business
Basin Reserve Trust	50%	50%	Manage, operate and maintain the Basin Reserve
Capacity (Wellington Water Management Limited)	62.5%	62.5%	Jointly manage water services for Wellington and Lower Hutt cities.
Chaffers Marina Holdings Limited	14.7%	14.7%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	100%	100%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Regional Stadium Trust	50%	50%	Owns and manages the Westpac Stadium.

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

Basin Reserve Trust

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

Capacity

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

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

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

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2010 Council held a 16.9% interest in Chaffers Marina Holdings Limited (2009: 16.9%). Of this 2.2% (2009: 2.2%) was subject to sale and purchase agreements where share ownership passes from the Council when the terms of each agreement are fulfilled. Amounts owing under these sale and purchase agreements have been recognised as receivables. The Council's interest in Chaffers Marina Holdings Limited of 14.7% (2009: 14.7%) has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

Note 40: Investment in Associates - continued**Wellington International Airport Limited**

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

Wellington Regional Stadium Trust

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

Summary of Financial Position and Performance of Associates

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

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

Associates	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2009	2009	2009	2009
	\$000	\$000	\$000	\$000
Basin Reserve Trust	965	44	314	21
Capacity	843	643	4,069	20
Chaffers Marina Holdings Limited	809	9	137	(75)
Wellington International Airport Limited	229,310	131,985	35,298	7,121
Wellington Regional Stadium Trust	51,856	19,535	8,294	1,005

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	
	2010	2009
	\$000	\$000
Capacity	376	376
Chaffers Marina Holdings Limited	1,405	1,317
Wellington International Airport Limited	17,775	17,775
Total investment in associates	19,556	19,468

Note 40: 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	
	2010 \$000	2009 \$000
Basin Reserve Trust		
Opening balance	921	900
Equity accounted earnings of associate	(144)	21
Closing balance - investment in Basin Reserve Trust	777	921
Capacity		
Opening balance	200	180
Equity accounted earnings of associate	10	20
Closing balance - investment in Capacity	210	200
Chaffers Marina Holdings Limited		
Opening balance	932	1,007
Equity accounted earnings of associate	91	(75)
Closing balance - investment in Chaffers Marina Holdings Limited	1,023	932
Wellington International Airport Limited		
Opening balance	124,212	110,322
Dividends	(15,409)	(7,185)
Equity accounted earnings of associate	7,141	7,121
Share of net revaluation of property, plant and equipment - movement	-	18,046
Share of hedging reserve - movement	1,461	(4,092)
Closing balance - investment in Wellington International Airport Limited	117,405	124,212
Wellington Regional Stadium Trust		
Opening balance	31,483	30,478
Equity accounted earnings of associate	1,685	1,005
Closing balance - investment in Wellington Regional Stadium Trust	33,168	31,483
Total investment in associates	152,583	157,748

Note 40: Investment in Associates - continued

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

Share of associates' surplus	Group	
	2010 \$000	2009 \$000
Basin Reserve Trust		
Share of net surplus/(deficit) before tax	(144)	21
Tax (expense)/credit	-	-
Share of associate's surplus/(deficit) - Basin Reserve Trust	(144)	21
Capacity		
Share of net surplus before tax	10	20
Tax (expense)/credit	-	-
Share of associate's surplus - Capacity	10	20
Chaffers Marina Holdings Limited		
Share of net surplus/(deficit) before tax	91	(75)
Tax (expense)/credit	-	-
Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited	91	(75)
Wellington International Airport Limited		
Share of net surplus before tax	6,948	7,275
Tax (expense)/credit	193	(154)
Share of associate's surplus - Wellington International Airport Limited	7,141	7,121
Wellington Regional Stadium Trust		
Share of net surplus before tax	1,685	1,005
Tax (expense)/credit	-	-
Share of associate's surplus - Wellington Regional Stadium Trust	1,685	1,005
Total share of associates' surplus/(deficit)	8,783	8,092

Note 41: Related party disclosures

Identity of related parties

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

Key management personnel	Council	
	2010 \$	2009 \$
Chief Executive and Management Board		
Short-term employee benefits	2,582,359	2,158,818
Post employment benefits	13,756	5,190
Termination benefits	58,110	35,000
Council Members (Directors)		
Short-term employee benefits	1,470,204	1,468,879
Total key management personnel benefits	4,124,429	3,667,887

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 2010 was \$393,547 (2009: \$387,256).

Under the terms of his contract, the Chief Executive of the Council chooses how he wishes to take his package (salary only or a combination of salary and benefits). Effective from 1 March 2010, the breakdown of the Chief Executive's remuneration package is:

Remuneration of the Chief Executive	Council	
	2010 \$	2009 \$
Short-term employee benefits		
Salary	380,582	361,606
Motor vehicle (including FBT)	22,650	22,650
Carpark	3,000	3,000
Total remuneration of the Chief Executive	406,232	387,256

Note 41 : Related party disclosures - continued**Directors' remuneration**

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

The following people held office as, either or both, elected members of the Council's governing body, and trustees or directors of entities comprising the Group during the reporting period. The total remuneration paid to the Mayor and Councillors during the year from 1 July 2009 to 30 June 2010 was \$1,470,204 (2009: \$1,468,879) and is disaggregated and classified as follows:

Council Member	Monetary Remuneration			Non Monetary Remuneration	Total Council Remuneration 2010	Director/ Trustee Fees	Total Remuneration 2010
	Salary	Resource Consent Hearing Fees	Taxable Allowances				
	\$	\$	\$	\$	\$	\$	\$
Ahipene-Mercer, Ray	86,456	1,513	600	3,000	91,569	19,200	110,769
Best, Ngaire	86,456	1,254	618	3,000	91,328	-	91,328
Cook, Stephanie	73,325	-	600	3,000	76,925	13,000	89,925
Coughlan, Jo	67,114	1,292	-	3,000	71,406	13,000	84,406
Foster, Andy	86,456	3,158	700	3,000	93,314	15,000	108,314
Gill, Leonie	83,325	2,261	50	3,000	88,636	-	88,636
Goulden, Rob	67,114	1,581	544	3,000	72,239	-	72,239
McKinnon, Ian	106,720	978	700	3,000	111,398	-	111,398
Morrison, John	86,456	-	1,430	3,000	90,886	15,000	105,886
Pannett, Iona	73,325	476	-	3,000	76,801	-	76,801
Pepperell, Bryan	67,114	391	600	3,000	71,105	-	71,105
Prendergast, Kerry	153,660	-	-	3,000	156,660	37,500	194,160
Ritchie, Helene	67,114	391	600	3,000	71,105	-	71,105
Wade-Brown, Celia	86,456	-	-	3,000	89,456	13,000	102,456
Wain, Hayley	73,325	1,751	600	3,000	78,676	13,000	91,676
Totals	1,264,416	15,046	7,042	45,000	1,331,504	138,700	1,470,204
					Total monetary remuneration	138,700	1,425,204
					45,000		45,000
					Total non- monetary remuneration		

Salary

With the enactment of the Local Government Act 2002, the Remuneration Authority is now responsible for setting the remuneration levels for elected members. The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2009/10 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Resource consent hearings payments

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those Councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of \$85 per hour for the Chair and \$68 per hour for other members of the Hearings Committee.

Note 41 : Related party disclosures - continued

Taxable allowances – mileage and internet

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

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

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

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

Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration in relation to car parking space provided. The Councillors have shared office and working space available for use, and access to phones and computers. A vehicle supplied to Mayor Kerry Prendergast is additional to, but excluded from, her remuneration package as it is provided for use on Council business only. Professional Indemnity and Trustee Liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

Director/Trustee Fees

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

Council Member	Position	Director / Trustee Fees		Organisation
		Subsidiaries \$	Associates \$	
Ahipene-Mercer, Ray	Director	19,200	-	Positively Wellington Waterfront
Cook, Stephanie	Trustee	13,000	-	St. James Theatre Charitable Trust
Coughlan, Jo	Trustee	13,000	-	Positively Wellington Tourism
Foster, Andy	Director	-	15,000	Capacity
Morrison, John	Trustee	-	15,000	Wellington Regional Stadium Trust
Prendergast, Kerry	Director	-	37,500	Wellington International Airport Limited
Wade-Brown, Celia	Trustee	13,000	-	Wellington Zoo Trust
Wain, Hayley	Trustee	13,000	-	Wellington Museums Trust
Total director and trustee fees		71,200	67,500	

Material related party transactions – key management personnel

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

During the year the Council also:

- Received a funding grant of \$200,000 from the Adam Foundation for the City Gallery Development project. The Council's Chief Executive Officer, Garry Poole, is a Trustee of the Foundation.
- Paid Cricket Wellington Incorporated \$20,900 for hospitality costs, promotional costs and production costs for the book "the first 50 tests". The Council's Chief Financial Officer, Peter Garty, is a Director of the company.
- Paid the Wellington Rugby Union \$221,400 for ground signage at Wellington Rugby games and events funding. The Council's Chief Executive Officer, Garry Poole, is the Deputy Chair of the Union.
- Paid Local Government New Zealand \$167,376 for subscriptions, contributions and conferences. The Mayor is the Vice-President of Local Government New Zealand.

Note 41 : Related party disclosures - continued

During the year the Group also:

- Received a levy of \$7,000 in Positively Wellington Tourism from Hotel Wellington Limited for marketing. The Mayor and her husband are 22% shareholders of the company.
- Paid \$108,240 from the Basin Reserve Trust to Cricket Wellington Incorporated. This amount is made up of management and secretarial services, event set up, entertainment costs, casual labour and production costs for the book "the first 50 tests". The Council's Chief Financial Officer, Peter Garty, is a Director of the company.

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

Material related party transactions – other organisations

Council has influence in the governance, funding and operations of the Karori Wildlife Sanctuary Trust (trading as Zealandia) and the Carter Observatory Board (until 31 May 2010), that are not part of the Group, to the extent that it is considered appropriate to disclose the nature of the transactions as being between related parties.

Karori Wildlife Sanctuary Trust

Council appoints three of the seven trustees including the Chair. Operational funding of \$1.160m was made during the year to 30 June 2010. Of the initial and supplementary loan approvals totalling \$10.380m, further and final drawdowns of \$3.280m were made up to 30 June 2010. The loan is on interest free terms. Further information on the loan is included in Note 12: Other financial assets.

Carter Observatory Board

The one Council appointed board member is Councillor Jo Coughlan. During 2007/08, the Council took over the management of the Carter Observatory from the Crown-appointed board, under the terms of a Management Agreement. Under the agreement the Council was responsible for managing the day to day affairs of the Observatory, while the Board remained responsible for reporting to its Minister on a quarterly basis and furnishing an Annual Report. The Council appointed a new director for the Carter Observatory to drive the redevelopment project and prepare the Observatory for the successful re-opening on 27 March 2010. The Council provided operational funding of \$0.300m in the reporting period.

On the passing of the Carter Observatory Act repeal Bill on 31 May 2010, the Board was disestablished and the Council became responsible for the day to day affairs of the Observatory. The assets formerly under Crown ownership transferred to the Council with effect from 1 June 2010. From that date the operations of the Observatory have been included within the financial statements of the Wellington Museums Trust.

Councillor Coughlan is also appointed as a trustee of the separate Carter Observatory Trust, established to drive fundraising efforts. The Trust owns no assets other than funds raised for the purpose of supporting the Observatory and is not responsible for the governance or management of the Observatory. The Trust is not considered to be a related party.

Intra group transactions and balances

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

Intra group transactions and balances - Joint ventures	2010 \$000	2009 \$000
Revenue received by Council from the joint venture		
Distribution from landfill operations	410	410
Expenditure incurred by Council to fund the operation and management of:		
Porirua - waste water treatment plant	1,532	1,149

Note 41 : 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	2010 \$000	2009 \$000
Dividend received from:		
Wellington Cable Car Limited	130	311
Revenue for services provided by Council to:		
Positively Wellington Tourism	116	134
Positively Wellington Waterfront	3	2
St James Theatre Charitable Trust	55	-
Wellington Cable Car Limited	57	56
Wellington Museums Trust	1,946	1,564
Wellington Zoo Trust	457	1,665
	2,634	3,421
Expenditure incurred by Council to fund operations and management of:		
Positively Wellington Tourism	5,440	4,940
Positively Wellington Waterfront	1,200	1,650
St James Theatre Charitable Trust	154	177
Wellington Museums Trust	6,835	6,211
Wellington Zoo Trust	2,709	2,708
	16,338	15,686
Expenditure for services provided to Council by:		
Positively Wellington Tourism	169	101
St James Theatre Charitable Trust	44	3
Wellington Cable Car Limited	239	253
Wellington Museums Trust	48	47
Wellington Zoo Trust	936	1,426
	1,436	1,830
Current receivables owing to Council from:		
Positively Wellington Tourism	1	2
Positively Wellington Waterfront	1	-
St James Theatre Charitable Trust	4	-
Wellington Cable Car Limited	5	1
Wellington Museums Trust	36	22
Wellington Zoo Trust	381	1,043
	428	1,068
Current payables owed by Council to:		
Positively Wellington Waterfront	338	-
Wellington Cable Car Limited	-	176
Wellington Museums Trust	17	138
Wellington Zoo Trust	420	166
	775	480

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 41 : 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	2010 \$000	2009 \$000
Dividend received from:		
Wellington International Airport Limited	15,409	7,185
Revenue for services provided by Council to:		
Basin Reserve Trust	44	-
Capacity	41	52
Wellington International Airport Limited	220	35
Wellington Regional Stadium Trust	213	10
	518	97
Expenditure incurred by Council to fund the operation and management of:		
Basin Reserve Trust	180	180
Expenditure for services provided to Council from:		
Basin Reserve Trust	1	-
Capacity	7,845	4,274
Wellington International Airport Limited	64	99
Wellington Regional Stadium Trust	352	296
	8,262	4,669
Current receivables owing to Council from:		
Basin Reserve Trust	4	-
Capacity	3	3
Wellington Regional Stadium Trust	8	-
	15	3
Current payables owed by Council to:		
Capacity	507	412
Wellington International Airport Limited	-	10
	507	422
Limited-recourse funding loan and advance		
Wellington Regional Stadium Trust - nominal value - \$15,394,893	983	872

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 42: Community Board remuneration

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

Community Board Member	Salary	Resource Consent Hearing Fees	Taxable Allowances	Total 2010
	\$	\$	\$	\$
TAWA COMMUNITY BOARD				
Tredger, Robert (Chair)	20,160	-	630	20,790
Darroch, David	8,060	-	-	8,060
Hansen, Graeme	8,060	782	-	8,842
Reading, Chris	8,060	-	-	8,060
Sharman, Dennis	8,060	-	-	8,060
Sparrow, Malcolm (elected replacement for Graeme Sutton)	4,483	-	-	4,483
Sutton, Graeme (Deceased)	1,546	-	-	1,546
MAKARA-OHARIU COMMUNITY BOARD				
Paul, Ruth (Chair)	12,900	-	-	12,900
Bruce, Gavin	5,040	-	-	5,040
Grace, Christine	5,040	-	-	5,040
Hume, John	5,040	-	-	5,040
Jorgenson, Ralph	5,040	-	-	5,040
Shepherd, Craig	5,040	-	-	5,040
Totals	96,529	782	630	97,941

A technology allowance, which is available to the chair of each board, can be taken as either a taxable allowance or as an actual expense reimbursement. Only the taxable allowance option is included in the above table.

Note 43: 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 2010 the Council made severance payments to 25 employees (2009: 15) totalling \$328,458 (2009: \$160,371).

The individual value of each of these severance payments is: \$28,934; \$3,564; \$7,408; \$58,110; \$4,000; \$3,500; \$23,143; \$69,647; \$2,000; \$3,465; \$15,301; \$16,349; \$500; \$3,000; \$35,000; \$2,871; \$10,000; \$10,583; \$3,500; \$8,000; \$4,430; \$1,253; \$6,900; \$3,500; \$3,500.

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