Wellington City Council and Group

Financial Statements

For the year ended 30 June 2012

Contents

Statement of Compliance and Responsibility

Compliance

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

Responsibility

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

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

Celia Wade-Brown	**Garry Poole**	**Peter Garty**
Mayor	**Chief Executive**	**Chief Financial Officer**
29 August 2012	29 August 2012	29 August 2012

Statement of Comprehensive Financial Performance

For the year ended 30 June 2012

	Note	Council Actual 2012 $000	Council Budget 2012 $000	Council Actual 2011 $000	Group [1] Actual 2012 $000	Group [1] Actual 2011 $000
INCOME						
Revenue from rates	1		230,282	222,612		222,612
Revenue from operating activities	2		167,940	162,240		182,397
Revenue from investments	3		18,417	22,513		13,452
Total Revenue		-	**416,639**	**407,365**	-	**418,461**
Other income	4		1,680	7,003		7,003
Finance income	5		511	1,688		1,978
TOTAL INCOME		-	**418,830**	**416,056**	-	**427,442**
EXPENSE						
Finance expense	5		(22,195)	(19,872)		(19,913)
Expenditure on operating activities	6		(259,139)	(289,118)		(306,920)
Depreciation and amortisation	7		(86,348)	(80,576)		(81,993)
Fair value movement on related party loans	13		-	-		-
Fair value movement on investment property revaluation	17		-	(10,473)		(10,473)
TOTAL EXPENSE		-	**(367,682)**	**(400,039)**	-	**(419,299)**
TOTAL OPERATING SURPLUS		-	**51,148**	**16,017**	-	**8,143**
Share of equity accounted surplus/(deficit) from associates	41	-		-		491
NET SURPLUS BEFORE TAXATION		-	**51,148**	**16,017**	-	**8,634**
Income tax expense	8	-	-	-		(444)
NET SURPLUS for the year		-	**51,148**	**16,017**	-	**8,190**
OTHER COMPREHENSIVE INCOME						
Revaluations:						
Fair value movement - property, plant and equipment - net	25		152,382	252,408		254,281
Impairment	25		-	(257)		(257)
Cash flow hedges:						
Fair value movement - net	26		-	(4,440)		(4,440)
Reclassification to finance income	26		-	(268)		(268)
Fair value through other comprehensive income:						
Fair value movement - financial assets - net	27		-	(332)		(332)
Share of other comprehensive income of associates:						
Reclassification to share of equity acounted surplus	26		-	-		1,429
Effect of changed shareholding - Chaffers Marina Holdings Limited	25		-	-		87
TOTAL OTHER COMPREHENSIVE INCOME		-	**152,382**	**247,111**	-	**250,500**
TOTAL COMPREHENSIVE INCOME for the year		-	**203,530**	**263,128**	-	**258,690**

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

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

Explanation of Net Surplus

The Council has recorded a net surplus for the year of $XXXm compared to a budgeted surplus of $51.148m. The underlying financial performance outlined below shows a variance for the year of $XXXm after the exclusion of fair value movements and other items that cannot be used to fund operating expenditure.

	Actual 2012 $000	Actual 2011 $000
Reported Council surplus	-	16,017
Adjusted by:		
Fair value movements		10,095
Additional net expenditure from Wellington Waterfront and Venues projects and Porirua joint ventures		1,284
Vested assets - net		(3,066)
(Gain) or loss on disposal of property, plant and equipment - net		304
Other changes		(61)
Adjusted surplus	-	24,573
Council budgeted surplus		48,989
Underlying variance	-	(24,416)

Budgeted surplus
The Council has budgeted for a surplus of $51.148m in the 2011/12 Annual Plan. The majority of this surplus represents funding received from the Crown for the housing upgrade ($XXXm). As this income is received for specific capital projects, it cannot be used to offset rates.

Significant variances to the budgeted surplus are as follows:

Fair value movements
These amounts are non-cash, and reflect changes in the fair value of our investment properties, loans to related parties and interest rate swaps (shown in Note 5: Finance income and expense). In accordance with NZ International Financial Reporting Standards these fair value movements, while being non-cash in nature, are recognised in the Statement of Comprehensive Financial Performance.

Vested assets - net
Vested assets are those assets transferred between the Council and an external party and recognised as revenue or expense accordingly. The majority of the $XXXm of net vested assets represents the fair value of infrastructural assets such as roading, drainage, water and waste assets that have been constructed by developers and transferred to the Council on completion.

Additional net expenditure from Wellington Waterfront and Venues projects and the Porirua City joint ventures
The collective financial performance (deficit) of the other entities that comprise the Council is not included in the budget and is added back to adjust the surplus.

Council underlying variance
The underlying financial performance outlined above shows an underlying variance of $XXXm 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. Items which have had a significant impact on the underlying result for the year are:

- A $XXXm increase in the Council's provision for non-weathertight homes. This includes unreported claims of $XXXm, previously disclosed as a contingent liability. The Council is actively working with the Crown to address this issue with the introduction of the Government package.

- $XXXm of higher than budgeted dividends from Wellington International Airport Limited, $XXXm extra rates and penalties, and another $XXXm of other savings such as interest costs and general expenses.

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

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

Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Council Actual 2012 $000	Council Budget 2012 $000	Council Actual 2011 $000	Group Actual 2012 $000	Group Actual 2011 $000
EQUITY - Opening balances						
Accumulated funds and retained earnings	24		5,003,091	4,801,667		4,880,368
Revaluation reserves	25		1,117,615	1,117,615		1,194,025
Hedging reserve	26		(4,465)	(4,465)		(7,120)
Fair value through other comprehensive income reserve	27		-	1,080		1,080
Restricted funds	28		17,248	17,248		19,694
TOTAL EQUITY - Opening balance		**-**	**6,133,489**	**5,933,198**	**-**	**6,088,100**
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year	24		51,148	16,017		8,190
Transfer to restricted funds	24			(537)		(1,482)
Transfer from restricted funds	24			1,700		2,793
Transfer from revaluation reserves	24			660		660
Revaluation reserves						
Fair value movement - property, plant and equipment - net	25		45,500	252,408		254,281
Impairment	25			(257)		(257)
Transfer to retained earnings	25			(660)		(660)
Effect of changed shareholding in Chaffers Marina Holding Limited	25			-		87
Hedging reserve						
Movement in hedging reserve	26			(4,708)		(3,279)
Fair value through other comprehensive income reserve						
Movement in fair value	27			(332)		(332)
Restricted funds						
Transfer to retained earnings	28			(1,700)		(2,793)
Transfer from retained earnings	28			537		1,482
Total comprehensive income		**-**	**96,648**	**263,128**	**-**	**258,690**
EQUITY - Closing balances						
Accumulated funds and retained earnings	24		5,055,739	4,819,507		4,890,529
Revaluation reserves	25		1,163,115	1,369,106		1,447,476
Hedging reserve	26		(4,465)	(9,173)		(10,399)
Fair value through other comprehensive income reserve	27		-	748		748
Restricted funds	28		17,248	16,085		18,383
TOTAL EQUITY - Closing balance		**-**	**6,231,637**	**6,196,273**	**-**	**6,346,737**

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

Statement of Financial Position

As at 30 June 2012

	Note	Council Actual 2012 $000	Council Budget 2012 $000	Council Actual 2011 $000	Group Actual 2012 $000	Group Actual 2011 $000
ASSETS						
Current assets						
Cash and cash equivalents	10		2,349	19,641		23,832
Derivative financial assets	11		-	-		-
Trade and other receivables	12		42,674	38,090		39,586
Prepayments			3,874	5,869		5,974
Inventories	14		837	1,134		2,117
Non-current assets classified as held for sale	15		-	8,099		8,099
Total current assets		-	**49,734**	**72,833**	-	**79,608**
Non-current assets						
Derivative financial assets	11		1,460	1,275		1,275
Other financial assets	13		7,070	6,694		7,703
Intangibles	16		11,144	10,608		10,763
Investment properties	17		213,127	203,742		203,742
Property, plant and equipment	18		6,395,878	6,362,494		6,393,223
Investment in subsidiaries	40		6,509	6,509		-
Investment in associates	41		19,556	19,519		145,491
Total non-current assets		-	**6,654,744**	**6,610,841**	-	**6,762,197**
TOTAL ASSETS		-	**6,704,478**	**6,683,674**	-	**6,841,805**
LIABILITIES						
Current liabilities						
Derivative financial liabilities	11		377	26		26
Trade and other payables	19		49,720	60,435		63,627
Revenue in advance	20		8,876	10,320		11,634
Borrowings	21		100,105	92,067		92,599
Employee benefit liabilities	22		6,464	5,694		7,006
Provision for other liabilities	23		10,184	11,708		11,708
Total current liabilities		-	**175,726**	**180,250**	-	**186,600**
Non-current liabilities						
Deferred tax	9		-	-		1,151
Derivative financial liabilities	11		5,923	10,062		10,062
Borrowings	21		268,901	239,370		239,370
Employee benefit liabilities	22		1,614	1,600		1,766
Provision for other liabilities	23		20,677	56,119		56,119
Total non-current liabilities		-	**297,115**	**307,151**	-	**308,468**
TOTAL LIABILITIES		-	**472,841**	**487,401**	-	**495,068**
EQUITY						
Accumulated funds and retained earnings	24		5,055,739	4,819,507		4,890,529
Revaluation reserves	25		1,163,115	1,369,106		1,447,476
Hedging reserve	26		(4,465)	(9,173)		(10,399)
Fair value through other comprehensive income reserve	27		-	748		748
Restricted funds	28		17,248	16,085		18,383
TOTAL EQUITY		-	**6,231,637**	**6,196,273**	-	**6,346,737**
TOTAL EQUITY AND LIABILITIES		-	**6,704,478**	**6,683,674**	-	**6,841,805**

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

Statement of Cash Flows

For the year ended 30 June 2012

	Note	Council Actual 2012 $000	Council Budget 2012 $000	Council Actual 2011 $000	Group Actual 2012 $000	Group Actual 2011 $000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from rates - Council			230,282	222,640		222,640
Receipts from rates - Greater Wellington Regional Council			-	42,440		42,440
Receipts from activities and other income			107,094	100,717		122,670
Receipts from grants and subsidies - operating			5,477	6,231		4,472
Receipts from grants and subsidies - capital			57,049	55,741		56,715
Receipts from investment property lease rentals			9,119	13,652		13,652
Cash paid to suppliers and employees			(232,247)	(225,259)		(254,270)
Rates paid to Greater Wellington Regional Council			-	(43,129)		(43,129)
Grants paid			(28,432)	(27,156)		(15,817)
Income tax paid			-	-		-
Net GST (paid) / received			-	(2,583)		(2,614)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**-**	**148,342**	**143,294**	**-**	**146,759**
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received			9,298	17,402		17,402
Interest received			10	496		655
Decrease in bank investments			-	-		-
Proceeds from sale of property, plant and equipment			-	1,995		1,996
Increase in bank investments			-	-		(601)
Loan advances made			-	-		-
Purchase of investment properties			-	(1,080)		(1,080)
Purchase of intangibles			(6,783)	(5,664)		(5,676)
Purchase of property, plant and equipment			(174,737)	(168,281)		(170,606)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**-**	**(172,212)**	**(155,132)**	**-**	**(157,910)**
CASH FLOWS FROM FINANCING ACTIVITIES						
New borrowings			45,021	147,113		147,113
Repayment of borrowings			-	(99,577)		(99,697)
Interest paid on borrowings			(21,151)	(18,406)		(18,447)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**23,870**	**29,130**	**-**	**28,969**
Net increase/(decrease) in cash and cash equivalents		-	-	17,292	-	17,818
Cash and cash equivalents at beginning of year			2,349	2,349		6,014
CASH AND CASH EQUIVALENTS AT END OF YEAR	**10**	**-**	**2,349**	**19,641**	**-**	**23,832**

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

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

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

Statement of Cash Flows - continued

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

Reconciliation of net surplus to net cash flows from operating activities	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Net surplus for the period		**-**	**16,017**	**-**	**8,190**
Add/(deduct) non-cash items:					
Net vested assets / expense			(3,066)		(3,066)
Bad debts written-off not previously provided for	**6**		122		123
Depreciation and amortisation	**7**		80,576		81,993
Fair value changes in investment properties	**17**		10,473		10,473
Other fair value changes			(1,277)		(1,253)
Movement in provision for impairment of doubtful debts			(62)		159
Tax expense			-		595
Non-cash movement in provisions			35,426		35,426
Total non-cash items		**-**	**122,192**	**-**	**124,450**
Add/(deduct) movement in working capital: [1]					
Trade and other receivables			4,741		(4,412)
Prepayments			(1,995)		(2,116)
Trade and other payables			5,449		6,485
Revenue in advance			1,444		1,843
Inventories			(297)		(408)
Employee benefit liabilities			(894)		(520)
Provision for other liabilities			(4,011)		(4,158)
Total working capital movement		**-**	**4,437**	**-**	**(3,286)**
Add/(deduct) investing and financing activities:					
Net loss / (gain) on disposal of property, plant and equipment			304		304
Dividends received			(17,402)		-
Interest received			(496)		(650)
Interest paid on borrowings			18,242		18,242
Share of equity accounted surplus from associates			-		(491)
Total investing and financing activities		**-**	**648**	**-**	**17,405**
Net cash flow from operating activities		**-**	**143,294**	**-**	**146,759**

1. Excluding non-cash items

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

Notes forming part of the Financial Statements

For the year ended 30 June 2012

Summary of Significant Accounting Policies

Reporting entity

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

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

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

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

Basis of preparation

Statement of compliance

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

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

Measurement base

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

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

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

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

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

Change of accounting policies

Carbon Credits

During the year the Council changed its accounting policy regarding the recognition of carbon credits. Carbon credits are now recognised at cost rather than at fair value at the date of allocation. While there is no accounting standard specifically relating to carbon credits this is the most common treatment of carbon credits within the European ETS and the Council believes it is a more appropriate method of recognising the revenue from our free allocation of credits from the Government. As a result of the large fluctuations in the price of carbon the Council believes that this change in accounting policy provides more transparency regarding the amount of cash received from the sale of these credits.

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

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

	2011/12		2011/10		Prior periods	
	Dr	Cr	Dr	Cr	Dr	Cr
Intangibles		(8)		(30)		(53)
Revenue	8		30		53	

Accounting Standards

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

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

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	*NZ IFRS 9 – Financial Instruments*	1 January 2015	1
NZ IFRS 9	*NZ IFRS 9 – Financial Instruments (2010)*	1 January 2015	1

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

1. There is a pending change to the new set of applicable accounting standards for public benefit entities with effect from 1 July 2014. The decision not to early adopt NZ IFRS 9 *Financial Instruments* to replace NZ IAS 39 *Financial Instruments: Recognition and Measurement* remains, as only one of three phases of NZ IFRS 9 have been completed and authorised for use.

Judgements and estimations

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

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

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

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

Basis of consolidation

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

Joint ventures

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

Subsidiaries

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

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

Associates

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

Income

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

Rates

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

Operating activities

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

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

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

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

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

Investment revenues

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

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

Other income

Specific accounting policies for major categories of other income are outlined below:
Donated, subsidised or vested assets
Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income when the control of the asset is transferred to the Council.

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

Finance income

Interest
Interest income is recognised using the effective interest rate method.

Donated services

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

Expenses

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

Operating activities

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

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

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

Good and Services Tax (GST)

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

Financial instruments

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

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

Financial assets

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

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

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

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

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

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

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

Financial liabilities

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

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

Derivatives

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

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative is used to hedge variability of cash flows (cash flow hedge), the effective part of any gain or loss is recognised within other comprehensive income while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive income transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit. Where a derivative is used to hedge variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss is recognised within surplus or deficit.
As per the International Swap Dealers' Association (ISDA) master agreements, all swap payments or receipts are settled net.

Inventories

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

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

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

Investment properties

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

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

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

Non-current assets classified as held for sale

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

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

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

Property, plant and equipment

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

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

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

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

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

Recognition

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

Measurement

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

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

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

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

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

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

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

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

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

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

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

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

Revaluations

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

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

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

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

Impairment

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

Disposal

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

Work in progress

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

Depreciation

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

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

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

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

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

Intangible assets

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

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

Computer software	3 to 5 years

Carbon credits are allocations of emission allowances granted by the Government. Carbon credits are recognised at cost at the date of allocation.

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

Research and Development

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

Leases

Operating leases as lessee

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

Operating leases as lessor

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

Finance leases

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

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

Employee benefit liabilities

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

Holiday leave

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

Long service leave and retirement gratuities

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

Other contractual entitlements

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

Provisions

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

Landfill post closure costs

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

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

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

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

ACC partnership programme

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

Financial guarantee contracts

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

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

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

Equity

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

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

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

Contingent assets and liabilities

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

Statement of cash flows

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

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

Related parties

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

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

Budget figures

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

Cost allocation

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

Comparatives

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

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

Note 1: Revenue from rates

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
General rates				
Base sector		63,450		63,450
Commercial, industrial and business sector		60,200		60,200
Targeted rates				
Base sector		6,714		6,714
Commercial, industrial and business sector		3,189		3,189
Sewerage		30,062		30,062
Stormwater		14,266		14,266
Water (including water by meter)		33,493		33,493
Downtown levy		11,191		11,191
Marsden Village		14		14
Tawa driveways		33		33
Total revenue from rates for Wellington City Council	**-**	**222,612**	**-**	**222,612**
Total rates billed		265,044		265,044
less Greater Wellington Regional Council component		(42,432)		(42,432)
Total revenue from rates for Wellington City Council	**-**	**222,612**	**-**	**222,612**

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

Rates remissions

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

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Total gross revenue from rates		**223,133**		**223,133**
Less				
Council policy remissions				
Rural open space		97		97
Land used principally for games or sport		66		66
Downtown levy		358		358
Total remissions	**-**	**521**	**-**	**521**
Total revenue from rates (net of remissions)	**-**	**222,612**	**-**	**222,612**

Non-rateable land

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

Note 2: Revenue from operating activities

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Grants, subsidies and reimbursements - operating		6,231		11,599
Grants, subsidies and reimbursements - capital		54,741		55,074
Development contributions		2,708		2,708
Fines and penalties		11,689		11,689
Rendering of services		81,271		87,278
Sale of goods		5,600		14,049
Total revenue from operating activities	**-**	**162,240**	**-**	**182,397**

Grants and subsidies

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

1) The New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs for maintaining the local roading infrastructure. The capital reimbursements from NZTA of $XXXm and operating reimbursements of $XXXm are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

2) Housing New Zealand, for the upgrade of the Council's social housing stock. The capital grant recognised in the current year of $XXXm is part of a 10 year work programme and the revenue is recognised in accordance with that agreed work programme. There are no unfulfilled conditions or other contingencies relating to this grant.

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

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

Rendering of services	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Animal control		993		993
Berths and boat sheds		525		525
Building consents and licensing services		9,770		9,770
Community programmes and facilities hire		1,086		1,086
Community housing		16,822		16,822
Convention and conference centre		5,886		5,886
Drainage operations and water projects		116		116
Encroachments and reserve land contributions		1,467		1,467
Green spaces		1,591		1,591
Landfill operations and recycling		8,258		8,258
Lease revenue from property, plant and equipment		4,191		4,191
Libraries - hireage		1,106		1,106
Parking fees and permits		16,400		16,400
Rendering of services recognised in subsidiaries		-		6,007
Roading infrastructure projects		1,467		1,467
Services to Greater Wellington Regional Council		721		721
Swimming pools		6,651		6,651
Trade waste		509		509
Other		3,712		3,712
Total rendering of services	**-**	**81,271**	**-**	**87,278**

Note 3: Revenue from investments

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Dividend from investment in associates			9,061		-
Dividend from investment in subsidiary			-		-
Dividend from other financial assets			-		-
Investment property lease rentals	**17**		13,452		13,452
Total revenue from investments		**-**	**22,513**	**-**	**13,452**

Note 4: Other income

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Gain on disposal of property, plant and equipment		1,009		1,009
Release of provisions		569		569
Petrol tax		1,167		1,167
Restricted funds		2		2
Vested assets		4,256		4,256
Total other income	**-**	**7,003**	**-**	**7,003**

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

The values of principal vested assets received were: land under roads $XXXm and drainage, waste and water $XXXm.

Note 5: Finance income and expense

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Finance income					
Amortisation of loans to related parties	**13**		457		457
Cash flow hedge movements reclassified from hedging reserve	**26**		268		268
Fair value hedge movements			360		360
Interest on deposits, loans and receivables			496		786
Movements on derivatives at fair value through surplus or deficit			107		107
Total finance income		**-**	**1,688**	**-**	**1,978**
Less					
Finance expense					
Fair value hedge adjustments to borrowings			360		360
Interest on borrowings			18,242		18,283
Interest on finance leases			117		117
Re-discounting of interest on provisions			1,153		1,153
Total finance expense		**-**	**19,872**	**-**	**19,913**
Net finance cost		**-**	**18,184**	**-**	**17,935**

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

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

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

Note 6: Expenditure on operating activities

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Auditor's remuneration:					
Audit services - Audit New Zealand - Financial Statements			280		280
Audit services - Audit New Zealand - Long Term Plan			6		6
Audit services - Audit New Zealand - other			7		7
Audit services - Other Auditors			5		94
Impairments					
Bad debts written off not previously provided for			122		123
Increase in provision for impairment of trade and other receivables	**12**		255		476
Impairment loss from property, plant and equipment	**18**		-		-
Inventory written-off			4		4
Governance and employment					
Councillor remuneration as directors/trustees	**42**		1,284		1,341
Directors/trustees of subsidiaries - remuneration			-		493
Other elected members' remuneration (Community Boards)	**43**		99		99
Employee benefits expense:					
- Remuneration			77,732		92,284
- Superannuation contributions (including Kiwisaver)			1,153		1,323
- Termination benefits (including severances)			570		605
Other personnel costs			3,694		4,095
Insurance					
Insurance premiums			5,185		5,421
Self insurance costs	**29**		1,323		1,323
General					
Advertising, printing and publications			2,644		9,360
Consultants and legal fees			6,461		6,647
Contractors			3,395		4,459
Direct costs			84,871		93,271
Donations for charitable purposes			8		8
Grants - general			9,091		9,463
Grants to subsidiaries	**42**		17,885		-
Grants to associates	**42**		180		180
Information and communication technology			5,145		5,739
Loss on disposal of property, plant and equipment			1,313		1,314
Operating lease - minimum lease payments			1,195		1,677
Reassessment of weathertight homes provision	**23**		33,875		33,875
Utility costs			16,732		17,477
Vested assets - expense			1,190		1,190
Other general costs			13,414		14,286
Total expenditure on operating activities		**-**	**289,118**	**-**	**306,920**

Auditor's remuneration

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

Note 6: Expenditure on operating activities - continued

General

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

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

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

Note 7: Depreciation and amortisation

	Council		Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Depreciation				
Buildings		14,382		14,518
Civic Centre complex		2,817		2,817
Restricted buildings		1,029		1,029
Drainage, waste and water infrastructure		29,270		29,270
Landfill post closure		160		160
Library collections		2,040		2,040
Plant and equipment		10,532		11,713
Roading infrastructure		18,270		18,270
Total depreciation	**-**	**78,500**	**-**	**79,817**
Amortisation				
Computer software		2,076		2,176
Total amortisation	**-**	**2,076**	**-**	**2,176**
Total depreciation and amortisation	**-**	**80,576**	**-**	**81,993**

Note 8: Income tax expense

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Current tax expense				
Current year		-		-
Prior period adjustment		-		-
Total current tax expense	**-**	**-**	**-**	**-**
Deferred tax expense				
Origination and reversal of temporary differences		(174)		(174)
Change in unrecognised temporary differences		-		-
Recognition of previously unrecognised tax losses		174		174
Total deferred tax expense	**-**	**-**	**-**	**-**

Reconciliation of tax on the surplus and tax expense	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Surplus for the period before taxation	-	16,017	-	8,634
Prima facie income tax based on domestic tax rate - 30%		4,814		2,600
Effect of non-deductible expenses and tax exempt income		(5,144)		(4,731)
Effect of tax losses utilised		326		0
Current years loss for which no deferred tax asset was recognised		(11)		(11)
Change in unrecognised temporary differences		-		18
Prior period adjustment		15		(3)
Share of income tax of equity accounted associates		-		2,571
Total reconciliation of tax on the surplus and tax expense	**-**	**-**	**-**	**444**

Income tax recognised directly in equity

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

Imputation credits	Group 2012 $000	Group 2011 $000
Imputation credits as at 1 July		7
New Zealand tax payments		99
Imputation credits attached to dividends received		-
New Zealand tax refunds received		(23)
Imputation credits as at 30 June	**-**	**83**

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

Note 9: Deferred tax assets and liabilities

Unrecognised temporary differences and tax losses

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

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Deductible temporary differences		-		253
Tax losses		3,637		3,677
Total	**-**	**3,637**	**-**	**3,930**

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

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

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

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

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

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

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

Note 10: Cash and cash equivalents

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Cash at bank		2,115		4,914
Cash on hand		26		37
Short term deposits		17,500		18,881
Total cash and cash equivalents	**-**	**19,641**	**-**	**23,832**

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

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

Note 11: Derivative financial instruments

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Non-current assets				
Interest rate swaps - cash flow hedges		-		-
Interest rate swaps - fair value hedges		1,275		1,275
Total non-current assets	**-**	**1,275**	**-**	**1,275**
Total derivative financial instrument assets	**-**	**1,275**	**-**	**1,275**
Current liabilities				
Interest rate swaps - cash flow hedges		26		26
Interest rate swaps - non-hedged		-		-
Total current liabilities	**-**	**26**	**-**	**26**
Non-current liabilities				
Interest rate swaps - cash flow hedges		9,578		9,578
Interest rate swaps - non-hedged		484		484
Total non-current liabilities	**-**	**10,062**	**-**	**10,062**
Total derivative financial instrument liabilities	**-**	**10,088**	**-**	**10,088**

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

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

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

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

Note 12: Trade and other receivables

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Trade receivables - debtors			6,838		9,158
Provision for impairment of trade receivables -debtors			(381)		(654)
Net trade receivables - debtors		-	6,457	-	8,504
Trade receivables - fines			11,604		11,604
Provision for impairment of trade receivables -fines			(6,920)		(6,920)
Net trade receivables - fines		-	4,684	-	4,684
Trade receivables from related parties					
- Subsidiaries	**42**		1,127		-
- Associates	**42**		59		59
Total trade receivables from related parties		-	1,186	-	59
Total net trade receivables		**-**	**12,327**	**-**	**13,247**
Accrued income			6,953		6,974
GST receivable			4,860		4,920
Rates receivable			10,246		10,246
Sundry receivables			3,704		4,199
Total trade and other receivables		**-**	**38,090**	**-**	**39,586**

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

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

Provision for impairment of total trade receivables	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Opening balance		7,458		7,519
Additional or increased provision made		255		476
Release of provision		(317)		(317)
Amount of provision utilised		(95)		(104)
Provision for impairment of total trade receivables - closing balance	**-**	**7,301**	**-**	**7,574**

Note 12: Trade and other receivables - continued

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

Council	2012 Receivables			2011 Receivables		
	Gross $000	Impaired $000	Net $000	Gross $000	Impaired $000	Net $000
Trade and other receivables						
Not past due				20,451	-	20,451
Past due 0-3 months				7,817	(1,096)	6,721
Past due 3-6 months				4,568	(547)	4,021
Past due more than 6 months				12,555	(5,658)	6,897
Total trade and other receivables	**-**	**-**	**-**	**45,391**	**(7,301)**	**38,090**

Group	2012 Receivables			2011 Receivables		
	Gross $000	Impaired $000	Net $000	Gross $000	Impaired $000	Net $000
Trade and other receivables						
Not past due				21,461	-	21,461
Past due 0-3 months				8,306	(1,317)	6,989
Past due 3-6 months				4,688	(547)	4,141
Past due more than 6 months				12,705	(5,710)	6,995
Total trade and other receivables	**-**	**-**	**-**	**47,160**	**(7,574)**	**39,586**

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

Note 13: Other financial assets

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Financial assets at fair value through other comprehensive income					
Equity investment - Civic Assurance			1,275		1,275
NZ Local Government Funding Agency			-		-
Loans and deposits					
Bank deposits - term			-		1,009
Loans to related parties - associates	42		1,107		1,107
Loans to related parties - other organisations			4,312		4,312
Total other financial assets		**-**	**6,694**	**-**	**7,703**

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to New Zealand local government. The Council holds an 8.2% shareholding in this entity and has no present intention to sell this financial asset. The reduction in equity value from 2011 is a direct result of the claims incurred following the Canterbury earthquakes. A further consequence of the reduced equity base has been the decision to not pay any dividends for the next few years.

The NZ Local Government Funding Agency, which commenced in December 2011 is the new alternative debt provider majority owned by and operated for local authorities. As a shareholder and borrower the Council will benefit from lower borrowing costs and a return on its investment.

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 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Loans to related parties - associates					
Wellington Regional Stadium Trust (nominal value $15,394,893)					
Opening balance			983		983
Amortisation of fair value adjustment			124		124
Closing balance at fair value	42	**-**	**1,107**	**-**	**1,107**
Loans to related parties - other organisations					
Karori Wildlife Sanctuary Trust (nominal value $10,346,689)					
Opening balance			3,979		3,979
Amortisation of fair value adjustment			333		333
Closing balance at fair value		**-**	**4,312**	**-**	**4,312**
Total loans to related parties		**-**	**5,419**	**-**	**5,419**

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

The amortisation rate applicable to the Wellington Regional Stadium Trust is 12.710% and the rates applicable to the Karori Wildlife Sanctuary Trust range from 6.875% to 12.710%.

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

Note 14: Inventories

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Consumables		490		1,224
Inventories held for re-sale		274		523
Inventories held for distribution		370		370
Total inventories	**-**	**1,134**	**-**	**2,117**

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

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

Inventories held for distribution primarily arose from the change to the recycling collection processes and the holding of wheelie bins, green bins and recycling bags for distribution during the introduction stage at no or nominal cost. After the initial introduction there was a period where the containers were available for distribution at no charge. This period has now ended and the stock is now held for re-sale.

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

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Opening balance		9,044		9,044
Disposals		(678)		(678)
Transfers from property, plant and equipment		731		731
Transfers to property, plant and equipment		(998)		(998)
Non-current assets classified as held for sale - closing balance	**-**	**8,099**	**-**	**8,099**

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

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

Note 16: Intangibles

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Computer software				
Cost - opening balance		27,801		28,459
Accumulated amortisation		(23,934)		(24,415)
Computer software opening balance	-	3,867	-	4,044
Acquired by direct purchase		6,394		6,472
Amortisation		(2,076)		(2,176)
Total computer software - closing balance	**-**	**8,185**	**-**	**8,340**
Cost		34,128		34,865
Accumulated amortisation		(25,943)		(26,525)
Total computer software - closing balance	**-**	**8,185**	**-**	**8,340**
Work in progress				
Computer software		2,423		2,423
Total work in progress	**-**	**2,423**	**-**	**2,423**
Total intangibles	**-**	**10,608**	**-**	**10,763**

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

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

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

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

Note 17: Investment properties

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

Wellington City Council's investment properties were valued as at 30 June 2012 by William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for Darroch Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2012 by Andrew Washington (BCom, VPM, SPINZ), registered valuer and Director of Colliers International Valuers.

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

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

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

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

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

Fair value of investment properties valued by independent registered valuers	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
William Bunt - Darroch Limited		157,962		157,962
Andrew Washington - Colliers International Valuers		45,780		45,780
Total fair value of investment properties valued by independent registered valuers	**-**	**203,742**	**-**	**203,742**

Note 18: Property, plant and equipment

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance		1,941		5,032
Land - at valuation - opening balance		198,283		198,283
Total land - opening balance	-	200,224	-	203,315
Additions		2,503		2,503
Disposals		(1,648)		(1,648)
Transfer from non-current assets held for sale		285		285
Transfer to non-current assets held for sale		-		-
Total land - closing balance	**-**	**201,364**	**-**	**204,455**
Land - at cost - closing balance		3,081		6,172
Land - at valuation - closing balance		198,283		198,283
Total land - closing balance	**-**	**201,364**	**-**	**204,455**
Buildings				
Buildings - at cost - opening balance		17,350		33,441
Buildings - at valuation - opening balance		369,665		369,665
Total cost/valuation	-	387,015	-	403,106
Accumulated depreciation		(13,134)		(13,629)
Total buildings - opening balance	-	373,881	-	389,477
Additions		25,671		25,671
Depreciation expense		(14,382)		(14,518)
Disposals		(799)		(799)
Revaluation movement		-		-
Transfer between asset classes		-		(4,459)
Transfer from non-current assets held for sale		236		236
Transfer to non-current assets held for sale		-		-
Total buildings - closing balance	**-**	**384,607**	**-**	**395,608**
Buildings - at cost - closing balance		41,057		54,112
Buildings - at valuation - closing balance		369,665		369,665
Total cost/valuation	-	410,722	-	423,777
Accumulated depreciation		(26,115)		(28,169)
Total buildings - closing balance	**-**	**384,607**	**-**	**395,608**
Landfill post closure costs				
Landfill post closure - at cost - opening balance		3,354		3,354
Accumulated depreciation		(1,476)		(1,476)
Total landfill post closure costs - opening balance	-	1,878	-	1,878
Depreciation expense		(160)		(160)
Movement in post closure costs		216		216
Total landfill post closure costs - closing balance	**-**	**1,934**	**-**	**1,934**
Landfill post closure - at cost - closing balance		3,635		3,635
Accumulated depreciation		(1,701)		(1,701)
Total landfill post closure costs - closing balance	**-**	**1,934**	**-**	**1,934**

Disposals and transfers are reported net of accumulated depreciation.

Note 18: Property, plant and equipment - continued

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Civic Centre complex				
Civic Centre complex - at cost - opening balance		169,157		169,157
Accumulated depreciation		(47,443)		(47,443)
Total Civic Centre complex - opening balance	-	121,714	-	121,714
Additions		1,618		1,618
Disposals		-		-
Depreciation expense		(2,817)		(2,817)
Total Civic Centre complex- closing balance	**-**	**120,515**	**-**	**120,515**
Civic Centre complex - at cost - closing balance		170,774		170,774
Accumulated depreciation		(50,259)		(50,259)
Total Civic Centre complex- closing balance	**-**	**120,515**	**-**	**120,515**
Plant and equipment				
Plant and equipment - at cost - opening balance		135,701		145,975
Accumulated depreciation		(60,112)		(64,293)
Total plant and equipment - opening balance	-	75,589	-	81,682
Additions		17,576		19,881
Depreciation expense		(10,532)		(11,713)
Disposals		(605)		(605)
Impairment losses		-		-
Transfer between asset classes		187		4,646
Total plant and equipment - closing balance	**-**	**82,215**	**-**	**93,891**
Plant and equipment - at cost		150,472		167,405
Accumulated depreciation		(68,257)		(73,514)
Total plant and equipment - closing balance	**-**	**82,215**	**-**	**93,891**
Library collections				
Library collections - at cost - opening balance		3,826		3,826
Library collections - at valuation - opening balance		13,700		13,700
Total cost/valuation	-	17,526	-	17,526
Accumulated depreciation		(3,634)		(3,634)
Total library collections - opening balance	-	13,892	-	13,892
Additions		1,629		1,629
Depreciation expense		(2,040)		(2,040)
Revaluation movement		2,234		2,234
Total library collections - closing balance	**-**	**15,715**	**-**	**15,715**
Library collections - at cost - closing balance		-	-	-
Library collections - at valuation - closing balance		15,715		15,715
Total cost/valuation	-	15,715	-	15,715
Accumulated depreciation		-		-
Total library collections - closing balance	**-**	**15,715**	**-**	**15,715**
Total operational assets	**-**	**806,350**	**-**	**832,118**

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		53,939		53,939
Drainage, waste and water - at valuation - opening balance		1,141,678		1,141,678
Total cost/valuation	-	1,195,617	-	1,195,617
Accumulated depreciation		(58,365)		(58,365)
Total drainage, water and waste - opening balance	-	1,137,252	-	1,137,252
Additions		29,037		29,037
Depreciation expense		(29,270)		(29,270)
Revaluation movement		228,365		228,365
Transfer between asset classes		(185)		(185)
Total drainage, water and waste - closing balance	**-**	**1,365,199**	**-**	**1,365,199**
Drainage, waste and water - at cost - closing balance		-		-
Drainage, waste and water - at valuation - closing balance		1,365,199		1,365,199
Total cost/valuation	-	1,365,199	-	1,365,199
Accumulated depreciation		-		-
Total drainage, water and waste - closing balance	**-**	**1,365,199**	**-**	**1,365,199**
Roading				
Roading - at cost - opening balance		69,522		69,522
Roading - at valuation - opening balance		703,648		703,648
Total cost/valuation	-	773,170	-	773,170
Accumulated depreciation		(36,050)		(36,050)
Total roading - opening balance	-	737,120	-	737,120
Additions		43,274		43,274
Depreciation expense		(18,270)		(18,270)
Revaluation movement		22,252		24,852
Transfer between asset classes		(2)		(2)
Total roading - closing balance	**-**	**784,374**	**-**	**786,974**
Roading - at cost - closing balance		-		-
Roading - at valuation - closing balance		784,374		786,974
Total cost/valuation	-	784,374	-	786,974
Accumulated depreciation		-	-	-
Total roading - closing balance	**-**	**784,374**	**-**	**786,974**
Infrastructure land				
Infrastructure land - at cost - opening balance		376		376
Infrastructure land - at valuation - opening balance		36,888		36,888
Total infrastructure land - opening balance	-	37,264	-	37,264
Addition		93		93
Revaluation movement		(443)		(443)
Transfer between asset classes		(467)		(467)
Transfer to non-current assets held for sale		-		-
Total infrastructure land - closing balance	**-**	**36,447**	**-**	**36,447**
Infrastructure land - at cost - closing balance		-		-
Infrastructure land - at valuation - closing balance		36,447		36,447
Total infrastructure land - closing balance	**-**	**36,447**	**-**	**36,447**

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Land under roads				
Land under roads - at cost - opening balance		2,943,817		2,943,817
Additions		2,034		2,034
Disposals		(646)		(646)
Transfer between asset classes		-		-
Transfer from non-current assets held for sale		115		115
Transfer to non-current assets held for sale		(681)		(681)
Land under roads - closing balance	**-**	**2,944,639**	**-**	**2,944,639**
Total infrastructure assets	**-**	**5,130,659**	**-**	**5,133,259**
Restricted assets				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		7,914		10,250
Additions		187		187
Transfer between asset classes		281		281
Art and cultural assets - closing balance	**-**	**8,382**	**-**	**10,718**
Restricted buildings				
Restricted buildings - at cost - opening balance		28,730		28,730
Accumulated depreciation		(3,639)		(3,639)
Total restricted buildings - opening balance	-	25,091	-	25,091
Additions		3,922		3,922
Depreciation expense		(1,029)		(1,029)
Disposals		(73)		(73)
Transfer between asset classes		294		294
Restricted buildings - closing balance	**-**	**28,205**	**-**	**28,205**
Restricted buildings - at cost - closing balance		32,820		32,820
Accumulated depreciation		(4,615)		(4,615)
Total restricted buildings - closing balance	**-**	**28,205**	**-**	**28,205**
Parks and reserves				
Parks and reserves - at cost - opening balance		202,774		202,774
Additions		256		256
Transfer between asset classes		(108)		(108)
Transfer from non-current assets held for sale		362		362
Transfer to non-current assets held for sale		(50)		(50)
Parks and reserves - closing balance	**-**	**203,234**	**-**	**203,234**
Town Belt - at cost		**88,103**		**88,103**
Zoo animals - at cost		**500**		**500**
Total restricted assets	**-**	**328,424**	**-**	**330,760**

Disposals and transfers are reported net of accumulated depreciation

Note 18: Property, plant and equipment - continued

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Work in progress				
- Land		11		11
- Buildings		84,294		84,294
- Civic Centre complex		538		538
- Plant and equipment		10,353		10,378
- Roading		1,163		1,163
- Art and cultural		562		562
- Restricted buildings		140		140
Total work in progress	**-**	**97,061**	**-**	**97,086**
Total property, plant and equipment	**-**	**6,362,494**	**-**	**6,393,223**

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

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Property, plant and equipment - Opening balance		6,012,779		5,994,129
Additions		128,016		130,321
Disposals		(3,771)		(3,771)
Depreciation expense		(78,500)		(79,817)
Impairment losses		-		-
Revaluation movement		252,408		255,008
Transfer from non-current assets held for sale		998		998
Transfer to non-current assets held for sale		(731)		(731)
Movement in work in progress		51,295		97,086
Property, plant and equipment - Closing balance	**0**	**6,362,494**	**0**	**6,393,223**

Revaluation of property, plant and equipment

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

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

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

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

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

Finance leases

The net carrying amount of plant and equipment assets held under finance leases is $XXXm (2011: $1.359m)

Note 18: Property, plant and equipment - continued

Service concession arrangement

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

Veolia Water is required to fund all renewals and repairs and return the plants to the Council in 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 section100 of the Local Government Act 2002, the Council does not fully rates fund the plant's depreciation expenditure.

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

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

Note 19: Trade and other payables

		Council		Group	
		2012	2011	2012	2011
	Note	$000	$000	$000	$000
Trade payables and accruals			46,991		51,131
Trade payables owing to related parties					
- Subsidiaries	42		422		-
- Associates	42		876		-
Interest payable			2,868		2,868
Sundry payables			9,278		9,628
Total trade and other payables		**-**	**60,435**	**-**	**63,627**

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

Note 20: Revenue in advance

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Building consents and licensing services		2,764		2,764
Housing upgrade project		-		-
Lease rentals		3,144		3,144
Rates and water		857		857
Indoor Community Sports Centre		940		940
Wellington Venues		679		679
Revenue in advance - subsidiaries		-		1,314
Other		1,936		1,936
Total revenue in advance	**-**	**10,320**	**-**	**11,634**

Note 21: Borrowings

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Current				
Bank facilities - short term - committed		-		-
Bank facilities - short term - uncommitted		-		-
Bank loans - term		-		532
Commercial paper		91,500		91,500
Debt securities - floating rate notes		-		-
Finance leases		567		567
Total current	**-**	**92,067**	**-**	**92,599**
Non-current				
Bank loans - term		1,377		1,377
Debt securities - fixed rate bonds		40,275		40,275
Debt securities - floating rate notes		197,000		197,000
Finance leases		718		718
Total non-current	**-**	**239,370**	**-**	**239,370**
Total borrowings	**-**	**331,437**	**-**	**331,969**

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 facilities

A total of $XXXm (2011: $155m) of committed bank facilities is available to the Council. Some $XXXm is on a short term basis of less than one year and $XXXm for longer than one year. Interest is payable in arrears at wholesale market rates. A further $5m (2011: $5m) is available as an uncommitted facility with interest payable in arrears at wholesale market rates. Of these facilities, none have been drawn at the end of the reporting period (2011: $Nil). The Group has additional short term bank facilities of $XXXm (2011: $0.300m).

Bank loans – term

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

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

Commercial paper

The Group has issued $XXXm of commercial paper with maturities of six months or less. The interest is paid on issue. The interest rates range from 2.71% to 2.82%.

Debt securities

The Group has issued $XXm (2011: $39m) of fixed rate bonds with maturities from 16 October 2012 to 13 June 2016. Interest is payable six monthly in arrears. The interest rates range from 5.25% to 7.50%. The value of fixed rate debt securities includes a fair value hedge adjustment of $XXXm (2011: $1.275m) relating to the fair value interest rate swaps associated with these bonds.

Note 21: Borrowings - continued

The Group has issued $XXXm (2011: $197m) of floating rate notes with maturities from 2 July 2012 to 31 July 2017. Interest is payable quarterly in arrears. The interest rates vary from 2.75% to 4.15% and are subject to quarterly reset dates.

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	
	2012 $000	2011 $000	2012 $000	2011 $000
Borrowing and overdraft facilities available				
Bank facilities - short term - committed		95,000		95,300
Bank facilities - long term - committed		60,000		60,000
Bank facilities - short term - uncommitted		5,000		5,000
Bank loans - term		1,377		1,909
Bank overdraft		1,500		2,550
Commercial paper		91,500		91,500
Debt securities - fixed rate bonds		40,275		40,275
Debt securities - floating rate notes		197,000		197,000
Finance leases		1,285		1,285
Total borrowing and overdraft facilities available	**-**	**492,937**	**-**	**494,819**
Borrowing and overdraft facilities utilised				
Bank facilities - short term - committed		-		-
Bank facilities - short term - uncommitted		-		-
Bank loans - term		1,377		1,909
Commercial paper		91,500		91,500
Debt securities - fixed rate bonds		40,275		40,275
Debt securities - floating rate notes		197,000		197,000
Finance leases		1,285		1,285
Total borrowing and overdraft facilities utilised	**-**	**331,437**	**-**	**331,969**
Borrowing and overdraft facilities unutilised				
Bank facilities - short term - committed		95,000		95,300
Bank facilities - long term - committed		60,000		60,000
Bank facilities - short term - uncommitted		5,000		5,000
Bank overdraft		1,500		2,550
Total borrowing and overdraft facilities unutilised	**-**	**161,500**	**-**	**162,850**

Bank overdraft

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

Security

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

Note 21: Borrowings - continued

Finance lease liabilities

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

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

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

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

The finance lease liabilities are analysed as follows:

Analysis of finance lease liabilities	Council		Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Future minimum lease payments				
Not later than one year		662	-	662
Later than one year and not later than five years		813	-	813
Later than five years		-	-	-
Total future minimum lease payments	**-**	**1,475**	**-**	**1,475**
Future finance charges		(190)	-	(190)
Present value of future minimum lease payments	**-**	**1,285**	**-**	**1,285**
Present value of future minimum lease payments				
Not later than one year		567	-	567
Later than one year and not later than five years		718	-	718
Later than five years		-	-	-
Total present value of future minimum lease payments	**-**	**1,285**	**-**	**1,285**

Note 22: Employee benefit liabilities

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Current				
Short-term benefits				
Payroll accruals		159		498
Holiday leave		5,162		6,135
Long service leave provision		-		-
Total short-term benefits	**-**	**5,321**	**-**	**6,633**
Termination benefits				
Other contractual entitlements		373		373
Total termination benefits	**-**	**373**	**-**	**373**
Total current	**-**	**5,694**	**-**	**7,006**
Non-current				
Long-term benefits				
Long service leave provision		-		118
Retirement gratuities provision		1,600		1,648
Total long-term benefits	**-**	**1,600**	**-**	**1,766**
Total employee benefit liabilities	**-**	**7,294**	**-**	**8,772**

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

Long service leave provision	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Opening balance		13		107
Additional or increased provision made		-		24
Release of provision		(4)		(4)
Rediscounting of interest		-		-
Amount utilised		(9)		(9)
Long service leave - closing balance	**-**	**-**	**-**	**118**

Background

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

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

Note 22: Employee benefit liabilities - continued

Retirement gratuities provision	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Opening balance		1,614		1,660
Additional or increased provision made		10		12
Release of provision		(16)		(16)
Rediscounting of interest		110		110
Amount utilised		(118)		(118)
Retirement gratuities - closing balance	**-**	**1,600**	**-**	**1,648**

Background

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

Estimation

The gross retirement gratuities provision (inflation adjusted at 2.30%) as at 30 June 2012, before discounting, is $XXXm (2011: $2.399m). The discount rate used is 6.75%.

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

Other contractual entitlements	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Opening balance		517		517
Additional or increased provision made		273		273
Release of provision		(99)		(99)
Amount utilised		(318)		(318)
Other contractual entitlements - closing balance	**-**	**373**	**-**	**373**

Note 23: Provision for other liabilities

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Current				
ACC Partnership programme		133		133
Landfill post closure costs		2,833		2,833
Weathertight homes		8,742		8,742
Total current	**-**	**11,708**	**-**	**11,708**
Non-current				
Landfill post closure costs		13,997		13,997
Weathertight homes		42,122		42,122
Total non-current	**-**	**56,119**	**-**	**56,119**
Total provision for other liabilities	**-**	**67,827**	**-**	**67,827**

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

ACC Partnership programme	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Opening balance		105		105
Change in provision for risks incurred		133		133
Amounts utilised		(105)		(105)
Total liability for claims outstanding	**-**	**133**	**-**	**133**
Represented by:				
Present value of future payments		116		116
Risk margin		17		17
Total liability for claims outstanding	**-**	**133**	**-**	**133**

Background

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

Estimation

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

Note 23: Provision for other liabilities - continued

Landfill post closure costs	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Opening balance		16,536		16,536
Additional or increased provision made		398		398
Release of provision		(133)		(133)
Re-discounting of interest		1,043		1,043
Amount utilised		(1,014)		(1,014)
Landfill post closure costs - closing balance	**-**	**16,830**	**-**	**16,830**

Background

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

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

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

Post closure responsibilities include:

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

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

Estimations

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cashflows are discounted using the rate of 6.75%. The gross provision (inflation adjusted at 2.90%), before discounting, is $XXXm as at 30 June 2012 (2011: $28.838m). 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 XXXm^3 (2011: 888,692m^3) and is expected to close in 2018. These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council's provision includes a proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of XXX m^3 (2011: 670,000m^3) and an estimated remaining life out to the end of 2020.

Note 23: Provision for other liabilities - continued

Weathertight homes	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Opening balance		19,786		19,786
Additional or increased provision made		33,875		33,875
Amount utilised		(2,797)		(2,797)
Weathertight homes - closing balance	**-**	**50,864**	**-**	**50,864**

Background

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

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

Estimation

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council's expected future costs to settle these claims and is reviewed on a case by case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the Council's best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cashflows are inflation adjusted and discounted using an applicable discount rate. The provision is net of any third-party contributions including insurance, where applicable. Since August 2009 the Council, like all territorial authorities, has been unable to obtain insurance to cover its future liability in respect of new weathertight claims and will need to meet the full cost of these claims, including legal fees and other costs.

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

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

Amount claimed

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

Settlement amount

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

Amount expected to be paid by the Council

Represents the amount expected to be paid by the Council out of any awarded settlement amount and is based on the actual amounts for claims already settled. This figure has been increasing over the last few years as it is becoming more common for the other parties involved in a claim to be either in liquidation or bankrupt, or have limited funds and be unable to contribute to settlement. The Council is being seen more often as the "last man standing" and, with joint and several liability, is having to meet up to 100% of an award because no other party is in the financial position to contribute their share.

Note 23: Provision for other liabilities - continued

Timing of claim payments

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

Government Financial Assistance Package

The provision for 2011 includes certain actuarial assumptions around the Government's Financial Assistance Package (FAP), which was given Royal assent on 22 July 2011, because as at the end of the reporting period this legislation was virtually certain to be enacted. Although this package came into effect after the end of the reporting period it has been factored into the provision calculation.

Percentage of homeowners who will make a successful claim

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

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

Council and Group	**2012 $000**	
Assumption	**+10%**	**-10%**
	Effect on Surplus or Deficit	
Amount claimed		
Settlement level award		
Council contibution to settlement		
Timing of claim payments		
Participation in FAP scheme		
Percentage of homeowners who will make a successful claim		

Council and Group	**2012 $000**	
Assumption	**+2%**	**-2%**
	Effect on	
Discount rate		

Note 24: Accumulated funds and retained earnings

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Accumulated funds			**1,269,134**		**1,293,162**
Retained earnings					
Opening balance			3,532,533		3,587,206
Net surplus			16,017		8,190
Transfers from revaluation reserves	**25**		660		660
Transfers from restricted funds	**28**		1,700		2,793
Transfers to restricted funds	**28**		(537)		(1,482)
Retained earnings - closing balance		**-**	**3,550,373**	**-**	**3,597,367**
Total accumulated funds and retained earnings		**-**	**4,819,507**	**-**	**4,890,529**

Note 25: Revaluation reserves

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

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.

Land and buildings
Increases in the value of land and buildings assets have arisen through ……..

Note 26: Hedging reserve

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Opening balance		(4,465)		(7,120)
Cash flow hedge net movement recognised in other comprehensive income		(4,440)		(4,440)
Cash flow hedge movement reclassified to finance income		(268)		(268)
Cash flow hedge movement reclassified to share of equity accounted surplus of associate		-		1,429
Hedging reserve - closing balance	**-**	**(9,173)**	**-**	**(10,399)**

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

Note 27: Fair value through other comprehensive income reserve

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Opening balance		1,080		1,080
Fair value adjustment taken to other comprehensive income		(332)		(332)
Fair value through other comprehensive income - closing balance	**-**	**748**	**-**	**748**

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

Note 28: Restricted funds

	Note	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Special reserves and funds	**29**		1,243		1,243
Council created reserves and funds	**29**		14,381		14,381
Trusts and bequests	**30**		461		461
		-	**16,085**	**-**	**16,085**
Subsidiaries' restricted funds					
Opening balance					2,446
Additional funds received					945
Funds utilised					(1,093)
Subsidiaries' restricted funds - closing balance				**-**	**2,298**
Total restricted funds		**-**	**16,085**	**-**	**18,383**
These funds are represented by:					
Opening balance			17,248		19,694
Transfers from retained earnings			537		1,482
Transfers to retained earnings			(1,700)		(2,793)
Restricted funds - closing balance		**-**	**16,085**	**-**	**18,383**

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

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

- The Wellington Museums Trust has three reserves; a Capital Reserve, a Colonial Cottage Museum Collection reserve and a City and Sea Collection reserve. The two collection reserves are for the purpose of future museum acquisitions.

- The Wellington Zoo Trust has a number of trust and bequests made, which are held as restricted funds until utilised.

Note 29: Special and council created reserves and funds

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

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

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 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Self insurance reserve				
Opening balance		10,961		10,961
Additional funds received		500		500
Funds utilised		(1,323)		(1,323)
Self insurance reserve - closing balance	**-**	**10,138**	**-**	**10,138**
Subdivision development reserve		**4,119**		**4,119**
Other reserves		**124**		**124**
Total Council created reserves and funds - closing balance	**-**	**14,381**	**-**	**14,381**

Self-insurance reserve

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

Note 30: Trusts and bequests

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

Analysis of movements in trusts and bequests

Additional Funds

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

Funds utilised

Trusts and bequests funds utilised during the year were:

- Charles Plimmer bequest – $XXX

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

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

Note 31: Financial Instruments

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

	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Financial assets				
Loans and receivables				
Cash and cash equivalents		19,641		23,832
Trade and other receivables		38,090		39,586
Other financial assets		5,419		5,419
Total loans and receivables	**-**	**63,150**	**-**	**68,837**
Financial assets at fair value through other comprehensive income				
Other financial assets		1,275		1,275
Total financial assets at fair value through other comprehensive income	**-**	**1,275**	**-**	**1,275**
Hedged derivative financial instruments				
Derivatives designated as cash flow hedges		-		1,275
Derivatives designated as fair value hedges		-		-
Total hedged derivative financial instruments	**-**	**-**	**-**	**1,275**
Total financial assets	**-**	**64,425**		**71,387**
Total non-financial assets		6,619,249		6,770,418
Total assets		**6,683,674**		**6,841,805**
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables		60,435		63,627
Borrowings		331,437		331,969
Total financial liabilities at amortised cost	**-**	**391,872**	**-**	**395,596**
Derivative financial instruments				
Derivatives designated as cash flow hedges		9,604		9,604
Total derivative financial instruments	**-**	**9,604**	**-**	**9,604**
Financial liabilities at fair value through surplus/deficit				
Derivative financial instruments		484		484
Total financial liabilities at fair value through surplus/deficit	**-**	**484**	**-**	**484**
Total financial liabilities	**-**	**401,960**	**-**	**405,684**
Total non-financial liabilities		85,441		89,384
Total liabilities		**487,401**		**495,068**

Note 31: Financial instruments - continued

Fair value

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

Fair value hierarchy

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

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

Council and Group	2012			2011		
	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				-	-	1,275
Derivative financial instruments						
- Cash flow hedges				-	-	-
- Fair value hedges				-	1,275	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges				-	9,604	-
- non-hedged swaps				-	484	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Financial assets at fair value through other comprehensive income				
- Equity investment - Civic Assurance				
Opening balance - 1 July		1,607		1,607
Gains or losses recognised in other comprehensive income		(332)		(332)
Closing balance - 30 June	**-**	**1,275**	**-**	**1,275**

Note 31: Financial instruments - continued

Financial risk management

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

Credit risk

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

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

	Council		Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Financial instruments with credit risk				
Cash and cash equivalents		19,641		23,832
Derivative financial instruments				
- Interest rate swaps - interest receivable		433		433
Trade and other receivables				
- Trade receivables		12,327		13,247
- Other receivables		25,763		26,339
Other financial assets				
- Loans to related parties - associates		1,107		1,107
- Loans to related parties - other organisations		4,312		4,312
Financial guarantees to related parties		900		900
Total financial instruments with credit risk	**-**	**64,483**	**-**	**70,170**

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

Note 31: Financial instruments - continued

Credit quality of financial assets

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

Counterparties with credit ratings	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Cash at bank				
AA		2,115		4,914
Short term deposits				
AA		17,500		18,881
Derivative financial assets				
AA		1,275		1,275

Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group'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 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		162,378		166,134
1-2 years		36,178		36,178
2-5 years		171,355		171,355
More than 5 years		57,235		57,235
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**427,146**	**-**	**430,902**
Represented by:				
Carrying amount as per the Statement of Financial Position		391,872		395,596
Future interest payable		35,274		35,306
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**427,146**	**-**	**430,902**

Note 31: Financial instruments - continued

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

	Council		Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Contractual cash flows of derivative financial liabilities				
0-12 months		2,248		2,248
1-2 years		2,020		2,020
2-5 years		6,392		6,392
More than 5 years		584		584
Total contractual cashflow of derivative financial liabilities	**-**	**11,244**	**-**	**11,244**
Represented by:				
Future interest payable		11,244		11,244
Total contractual cash flows of derivative financial liabilities	**-**	**11,244**	**-**	**11,244**

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

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

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

Market risk

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

Cash flow and fair value interest rate risk

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

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

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

Note 31: Financial instruments - continued

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

	Council		Group	
	2012	2011	2012	2011
	$000	$000	$000	$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents		19,641		23,832
Bank loans		(1,377)		(1,909)
Bank facilities - short term		-		-
Commercial paper		(91,500)		(91,500)
Debt securities		(197,000)		(197,000)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**-**	**(270,236)**	**-**	**(266,577)**
Effect of interest rate swaps in reducing interest rate				
Effect of fair value hedge		(34,000)		(34,000)
Effect of Cash flow interest rate swaps - hedged		270,000		270,000
Effect of Cash flow interest rate swaps - non-hedged		10,000		10,000
Total effect of interest rate swaps in reducing interest rate volatility	**-**	**246,000**	**-**	**246,000**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**-**	**(24,236)**	**-**	**(20,577)**

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

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

Weighted effective interest rates	Council		Group	
	2012	2011	2012	2011
	%	%	%	%
Investments				
Cash and cash equivalents		3.40		1.41
Bank deposits - term		-		1.33
Loans to related parties		-		-
Borrowings				
Bank facilities - short term		-		-
Bank loans		7.00		7.00
Commercial paper		2.76		2.76
Debt securities		4.02		4.02
Derivative financial instruments - hedged		5.04		5.04
Derivative financial instruments - non-hedged		6.31		6.31
Finance leases		11.63		11.63

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

Note 31: Financial instruments - continued

Sensitivity analysis

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

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

Council		2012 $000			
		+1%	-1%	+1%	-1%
		Effect on Surplus or Deficit		Effect on Other Comprehensive Income	
Interest rate risk	**Note**	**Higher/(Lower)**		**Higher/(Lower)**	
Financial assets					
Cash and cash equivalents - Council	a				
Derivatives - Interest rate swaps - hedged	b				
Financial liabilities					
Bank loans	c				
Commercial paper	d				
Debt securities	e				
Derivatives - Interest rate swaps - hedged	b				
Derivatives - Interest rate swaps - non-hedged	b				
Total sensitivity to interest rate risk		-	-	-	-

a. Cash and cash equivalents

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

b. Derivatives - interest rate swaps

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

c. Bank loans

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

d. Commercial paper

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

e. Debt securities

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

Note 31: Financial instruments - continued

Equity management

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

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

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

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

Note 32: Analysis of operating surplus by 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	Income		Expenditure		Net		Net
	Actual 2012 $000	Budget 2012 $000	Actual 2012 $000	Budget 2012 $000	Actual 2012 $000	Budget 2012 $000	Variance 2012 $000
Strategy							
Urban development							
Transport							
Economic development							
Environment							
Cultural wellbeing							
Social and recreation							
Governance							
Total strategy	-	-	-	-	-	-	-
Council							
Total strategy and Council	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The variance in Urban Development is due to ………………….

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

The variance in Economic Development is due to …………………..

The variance in Environment is due to …………………..

The variance in Social and Recreation is due to ……………………….

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

The variance in Council is due to ………………………..

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

Note 32: Analysis of operating surplus by strategy

Council	Income		Expenditure		Net		Net
	Actual 2011 $000	Budget 2011 $000	Actual 2011 $000	Budget 2011 $000	Actual 2011 $000	Budget 2011 $000	Variance 2011 $000
Strategy							
Urban development	12,386	10,404	31,845	25,694	(19,459)	(15,290)	(4,169)
Transport	33,173	32,130	48,587	50,240	(15,414)	(18,110)	2,696
Economic development	6,214	6,263	24,763	26,116	(18,549)	(19,853)	1,304
Environment	17,653	12,783	125,991	125,477	(108,338)	(112,694)	4,356
Cultural wellbeing	943	1,057	14,375	14,921	(13,432)	(13,864)	432
Social and recreation	71,484	70,246	88,106	89,665	(16,622)	(19,419)	2,797
Governance	672	552	14,769	15,419	(14,097)	(14,867)	770
Total strategy	142,525	133,435	348,436	347,532	(205,911)	(214,097)	8,186
Council	273,561	266,850	51,603	3,764	221,958	263,086	(41,128)
Total strategy and Council	**416,086**	**400,285**	**400,039**	**351,296**	**16,047**	**48,989**	**(32,942)**

Note 33: Major budget variations

Statement of Comprehensive Financial Performance	Council 2012 $000	Council 2011 $000
Council actual net surplus	**-**	**16,017**
Less:		
Fair value movements:		
Cash flow hedge movement reclassified from hedging reserve		(268)
Fair value hedge movements		(360)
Fair value hedge adjustments to borrowings		360
Derivatives at fair value through surplus or (deficit)		(107)
Loan amortisation		(3)
Investment property revaluation		10,473
Total fair value movements	**-**	**10,095**
Additional net expenditure from Wellington Waterfront and Venues Projects and Porirua Joint Ventures		**1,284**
Changes to external funding for capital expenditure:		
Restricted funds income		63
Decrease in development contributions revenue		4,357
Timing of the Housing New Zealand capital grant		(2,652)
Increase in New Zealand Transport Agency reimbursement - capital		(229)
Additional external funding towards capital projects		(1,814)
Total changes to external funding for capital expenditure	**-**	**(275)**
Vested assets - income		**(4,256)**
Vested assets - expenditure		**1,190**
Gain on disposal of property, plant and equipment		**(1,009)**
Loss on disposal of property, plant and equipment		**1,313**
Additional expenditure not funded under section 100 of LGA		
New Zealand Transport Agency funded transport projects		(36)
Living Earth		(6)
Total additional expenditure not funded under section 100 of LGA	**-**	**(42)**
Ring-fenced surpluses and deficits		
City Housing - deficit		**991**
Waste Activity - surplus		**(735)**
Underlying Council actual net surplus	**-**	**24,573**
less Council budget net surplus		**48,989**
Underlying variance	**-**	**(24,416)**
Unbudgeted revenue/expenditure:		
Restatement of provisions		(33,875)
Insurance costs (net of recoveries) funded through self insurance reserve		(1,323)
Total unbudgeted revenue/expenditure	**-**	**(35,198)**
Significant variations from budget		
Dividends in excess of budget (including Wellington International Airport Limited)		3,811
Increase in rates revenue and rates penalties		1,039
Decrease in interest expense		2,147
Decrease in other general expenses		2,107
Other net variances [1]		1,708
Total significant variations from budget	**-**	**10,812**
Total factors contributing to underlying variance	**-**	**(24,386)**

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

Note 33: Major budget variations - continued

Statement of Changes in Equity

Significant variations from budget are as follows:

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

-

Statement of Financial Position

Significant variations from budget are as follows:

- Current assets are ………………….
- Non-current assets are …………………
- Current liabilities are ………………..
- Non-current liabilities are …………………

Statement of Cash Flows

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

Note 34: Analysis of capital expenditure by strategy

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

Council	Annual Plan Budget 2012 $000	Budget Brought Forward from 2011 $000	Total Capex Budget 2012 $000	Budget to Carry Forward to 2013 $000	Available Capex Budget 2012 $000	Actual Capex 2012 $000	Variance Net 2012 $000
Strategy							
Urban development	6,688	3,197	9,885				-
Transport	38,781	7,553	46,334				-
Economic development	2,201	332	2,533				-
Environment	30,610	2,348	32,958				-
Cultural wellbeing	43	232	275				-
Social and recreation	58,967	9,287	68,254				-
Governance	-	31	31				-
Total strategy	**137,290**	**22,980**	**160,270**	**-**	**-**	**-**	**-**
Council	16,230	3,839	20,069				-
Total capital expenditure	**153,520**	**26,819**	**180,339**	**-**	**-**	**-**	**-**
Excluding additional expenditure funded from external sources							
Total adjusted net variance							**-**

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

Budget to carry forward

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

Significant acquisitions and replacements of assets

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

Note 34: Analysis of capital expenditure by strategy - continued

Council	Original Annual Plan Budget 2011 $000	Budget Brought Forward from 2010 $000	Total Capex Budget 2011 $000	Budget to Carry Forward to 2012 $000	Available Capex Budget 2011 $000	Actual Capex 2011 $000	Variance Net 2011 $000
Strategy							
Urban development	5,659	6,754	12,413	(3,197)	9,216	7,991	1,225
Transport	43,333	4,485	47,818	(7,553)	40,265	40,975	(710)
Economic development	603	14	617	(332)	285	261	24
Environment	28,182	4,821	33,003	(2,348)	30,655	30,822	(167)
Cultural wellbeing	449	68	517	(232)	285	355	(70)
Social and recreation	81,233	4,083	85,316	(9,287)	76,029	83,752	(7,723)
Governance	104	-	104	(31)	73	8	65
Total strategy	**159,563**	**20,225**	**179,788**	**(22,980)**	**156,808**	**164,164**	**(7,356)**
Council	12,650	6,578	19,228	(3,839)	15,389	13,231	2,158
Total capital expenditure	**172,213**	**26,803**	**199,016**	**(26,819)**	**172,197**	**177,395**	**(5,198)**

Excluding additional expenditure funded from external sources	
Budget brought forward for artifical pitches	2,625
Housing grant - accrued income	2,373
Zoo Trust - Contribution	603
Wakefield Artificial sportsfield	772
Increase in New Zealand Transport Agency reimbursement	229
Transfer to reserves purchase and development fund	157
Waka Settlement	150
Stormwater development - Moturoa Street	120
Other - less than $50,000	169
Total adjusted net variance	**2,000**

Note 35: Capital expenditure performance

Capital expenditure projects

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

	Actual Expenditure [1] 2012 $000	Proposed Budget Carry Forward [2] 2012 $000	Total Forecast Expenditure 2012 $000	Budget [3] 2012 $000	Notes
Urban development					
Total Urban development					
Transport					
Total Transport					
Economic development					
Total Economic development					
Environment					
Total Environment					
Cultural Wellbeing					
Total Cultural wellbeing					
Social and recreation					
Total Social and recreation					
Governance					
Total Governance					
Council					
Total Council					
Total capital expenditure projects	-	-	-	-	

1. Actual capital expenditure consists of all expenditure 2011/12 including expenditure against 2010/11 budget carry forwards.
2. Proposed budget carry forwards represent the portion of the project budget to be carried forward to future financial years.
3. Budgets comprise 2011/12 Annual Plan budgets brought forward into 2011/12 from the previous financial period.

Note 36: Commitments

Capital commitments	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Approved and contracted - property, plant and equipment		91,841		93,491
Approved and contracted - investment properties		230		230
Approved and contracted - intangibles		302		302
Approved and contracted - share of associates		-		1,650
Total capital commitments	**-**	**92,373**	**-**	**95,673**

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

Operating leases – Group as lessee

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

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

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

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

Non-cancellable operating lease commitments as lessee	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Plant and equipment				
Not later than one year		127		128
Later than one year and not later than five years		151		151
Later than five years		-		-
Land and buildings				
Not later than one year		1,710		1,986
Later than one year and not later than five years		3,908		4,641
Later than five years		4,011		4,202
Total non-cancellable operating lease commitments as lessee	**-**	**9,907**	**-**	**11,108**

Note 36: Commitments - continued

Operating leases – Group as lessor

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

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

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

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

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

Non-cancellable operating lease commitments as lessor	Council		Group	
	2012 $000	2011 $000	2012 $000	2011 $000
Investment properties				
Not later than one year		9,689		9,689
Later than one year and not later than five years		31,460		31,460
Later than five years		78,938		78,938
Land and buildings				
Not later than one year		2,588		2,390
Later than one year and not later than five years		5,010		4,991
Later than five years		10,125		10,125
Total non-cancellable operating lease commitments as lessor	**-**	**137,810**	**-**	**137,593**

Commitments to related parties

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

The Council has commitments to its subsidiaries and associates only to the extent of the expenditure approved in the Long Term Plan for the period ending 30 June 2013.

Note 37: Contingencies

Contingent liabilities	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Financial guarantees to community groups		900		900
Uncalled capital - LGFA		-		-
Other legal proceedings		340		340
Share of associates' contingent liabilities		-		-
Share of joint ventures' contingent liabilities		-		-
Total contingent liabilities	**-**	**1,240**	**-**	**1,240**

The financial guarantees to community groups above are analysed below:

Outstanding debt subject to Council guarantees	Council 2012 $000	Council 2011 $000	Group 2012 $000	Group 2011 $000
Karori Wildlife Sanctuary Trust		900		900
Total outstanding debt subject to Council guarantees	**-**	**900**	**-**	**900**

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

NZ Local Government Funding Agency Limited (LGFA)
As a shareholder in the LGFA the Council has invested two million dollars in paid up capital and is possibly liable for a further capital call of two million dollars. Each of the local authority shareholders of the LGFA is a party to a deed of guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and the guarantee obligations of other participating local authorities to the LGFA, in the event of default. In such event, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor's rates income. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge. The Council believes the risk of a further call on capital or of the guarantee being called on and any financial loss arising from the guarantee is remote.

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

The maximum exposure to Council is anticipated to be less than $XXXm.

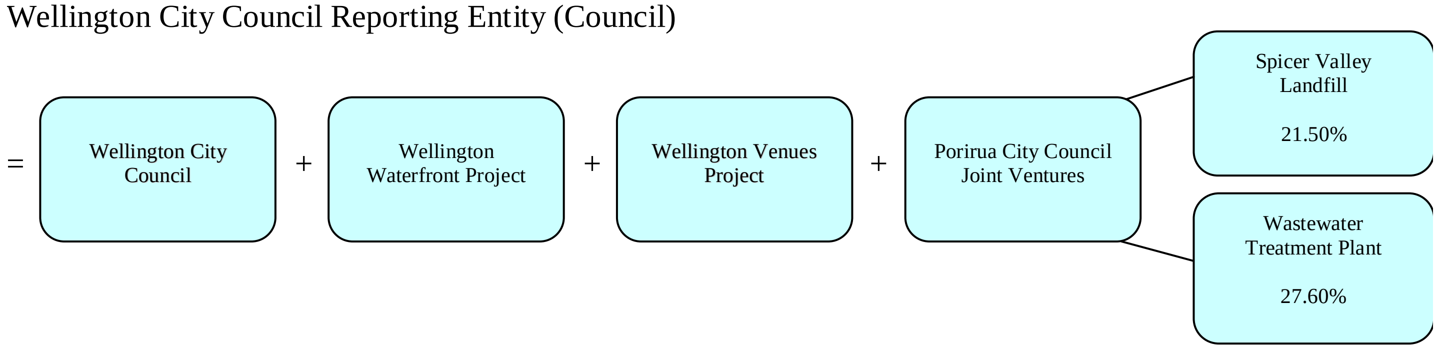
Unquantified contingent liabilities
The Government's Financial Assistance Package for Leaky Buildings was given Royal assent on 22 July 2011. The package aims to help people get their leaky homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair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

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

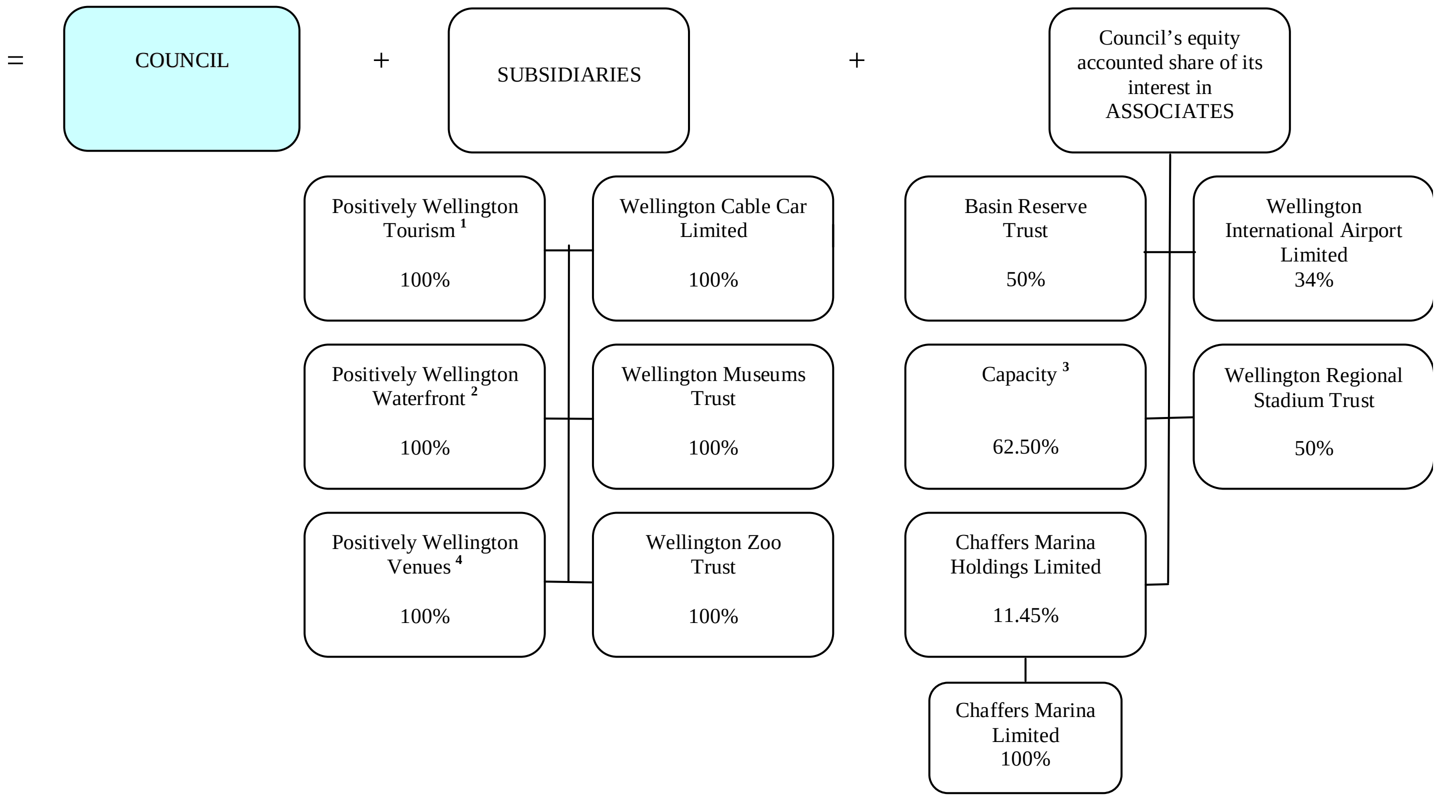
Contingent assets
The Council and Group have no contingent assets as at 30 June 2012 (2011: $Nil).

Note 38: Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



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.
4. The legal name of the subsidiary is Wellington Venues Limited.

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

Note 39: Joint ventures

The Council has significant interests in the following joint ventures:

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

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

Share of Net Assets	2012 $000	2011 $000
Assets		
Current		
Inventory		1
Trade and other receivables		1,340
Non-current		
Property, plant and equipment		17,803
Share of total assets	**-**	**19,144**
Liabilities		
Current		
Borrowings		-
Non-current		
Borrowings		1,377
Provisions for other liabilities		979
Share of total liabilities	**-**	**2,356**
Share of net assets	**-**	**16,788**

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

Share of Net Surplus and Revaluation Movements	2012 $000	2011 $000
Operating revenue		690
Operating expenditure		(605)
Share of net surplus or (deficit)	**-**	**85**
Share of current year revaluation movement		**1,528**

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

Note 40: Investment in Subsidiaries

The following entities are subsidiaries of Council:

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

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

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

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

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

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

Note 41: Investment in Associates

The Council has a significant interest in the following associates:

Associate	Interest 2012	Interest 2011	Nature of business
Basin Reserve Trust	50%	50%	Manages, operates and maintains the Basin Reserve
Capacity (Capacity Infrastructure Services Limited)	62.5%	62.5%	Jointly manages water services for Wellington and Lower Hutt cities.
Chaffers Marina Holdings Limited	11.45%	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 2012 Council held an XX% interest in Chaffers Marina Holdings Limited (2011: 11.45%) which has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

Note 41: Investment in Associates - continued

Wellington International Airport Limited

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

Wellington Regional Stadium Trust

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

Summary of Financial Position and Performance of Associates

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

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

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

Investment in associates

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

Investment in associates	Council 2012 $000	Council 2011 $000
Capacity		376
Chaffers Marina Holdings Limited		1,368
Wellington International Airport Limited		17,775
Total investment in associates	**-**	**19,519**

Note 41: Investment in Associates - continued

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

Investment in associates	Group 2012 $000	Group 2011 $000
Basin Reserve Trust		
Opening balance		777
Equity accounted earnings of associate		(134)
Closing balance - investment in Basin Reserve Trust	**-**	**643**
Capacity		
Opening balance		210
Equity accounted earnings of associate		(37)
Closing balance - investment in Capacity	**-**	**173**
Chaffers Marina Holdings Limited		
Opening balance		1,023
Change in shares during the year		(37)
Change in equity due to changed shareholding		86
Equity accounted earnings of associate		(35)
Closing balance - investment in Chaffers Marina Holdings Limited	**-**	**1,037**
Wellington International Airport Limited		
Opening balance		117,405
Dividends		(9,061)
Equity accounted earnings of associate		(931)
Share of hedging reserve - movement		1,429
Closing balance - investment in Wellington International Airport Limited	**-**	**108,842**
Wellington Regional Stadium Trust		
Opening balance		33,168
Equity accounted earnings of associate		1,628
Closing balance - investment in Wellington Regional Stadium Trust	**-**	**34,796**
Total investment in associates	**-**	**145,491**

Note 41: Investment in Associates - continued

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

Share of associates' surplus/(deficit)	Group 2012 $000	Group 2011 $000
Basin Reserve Trust		
Share of net surplus/(deficit) before tax		(134)
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Basin Reserve Trust	**-**	**(134)**
Capacity		
Share of net surplus before tax		(37)
Tax (expense)/credit		-
Share of associate's surplus - Capacity	**-**	**(37)**
Chaffers Marina Holdings Limited		
Share of net surplus/(deficit) before tax		(35)
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited	**-**	**(35)**
Wellington International Airport Limited		
Share of net surplus before tax		5,306
Tax (expense)/credit		(6,237)
Share of associate's surplus - Wellington International Airport Limited	**-**	**(931)**
Wellington Regional Stadium Trust		
Share of net surplus before tax		1,628
Tax (expense)/credit		-
Share of associate's surplus - Wellington Regional Stadium Trust	**-**	**1,628**
Total share of associates' surplus/(deficit)	**-**	**491**

Note 42 : Related party disclosures

Identity of related parties

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

Key management personnel	Council 2012 $	Council 2011 $
Chief Executive and Management Board		
Short-term employee benefits		2,636,432
Post employment benefits		19,171
Termination benefits		-
Council Members (Directors)		
Short-term employee benefits		1,458,106
Total key management personnel benefits	**-**	**4,113,709**

Chief Executive's remuneration

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

Under the terms of his contract, the Chief Executive of the Council chooses how he wishes to take his package (salary only or a combination of salary and benefits). A salary review for the Chief Executive was not completed until September 2011, but was back-dated to 3 March 2011. As a result the cost incurred during the 2011/12 year was higher than his salary package as shown below:

Remuneration of the Chief Executive	Council 2012 $	Council 2011 $
Short-term employee benefits		
Salary		380,582
Motor vehicle (including FBT)		22,650
Carpark		3,000
Total remuneration of the Chief Executive	**-**	**406,232**

Note 42: Related party disclosures - continued

Councillors' remuneration

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

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

Council Member	Monetary Remuneration			Non Monetary Remuneration	Total Council Remuneration 2012	Director/ Trustee Fees	Total Remuneration 2012
	Salary	Resource Consent Hearing Fees	Allowances				
	$	$	$	$	$	$	$
Ahipene-Mercer, Ray					-		-
Best, Ngaire					-		-
Cook, Stephanie					-		-
Coughlan, Jo					-		-
Eagle, Paul					-		-
Foster, Andy					-		-
Gill, Leonie					-		-
Lester, Justin					-		-
McKinnon, Ian					-		-
Marsh, Simon					-		-
Morrison, John					-		-
Pannett, Iona					-		-
Pepperell, Bryan					-		-
Ritchie, Helene					-		-
Wade-Brown, Celia					-		-
Totals	-	-	-	-	-	-	-
				Total monetary remuneration	-	-	-
				Total non- monetary remuneration	-	-	-

Salary

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

Resource consent hearings payments

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

Note 42: Related party disclosures - continued

Taxable and non-taxable allowances – mileage, broadband services and mobile phones

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

Until 15 October 2010 Councillors were entitled to receive either a taxable allowance for broadband services or seek reimbursement of the actual expense. The maximum claimable amount was $50 per month and the reimbursements were not subject to tax.

Councillors were also able, until 15 October 2010, to seek actual reimbursement up to a maximum $85 per month on their mobile phones. These reimbursements were not subject to tax.

The rules around the payment of allowances changed in October 2010 and, from 16 October 2010, Councillors were able to choose either of the following two options:

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

Both the allowance and reimbursement options are non-taxable. Only the allowances paid to elected members have been included as remuneration in the schedule above.

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

Non-monetary

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

Note 42: Related party disclosures - continued

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

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:

- Paid the.................
- Paid $XXX to ………………

During the year the Group also:

- Paid $XXX from the ………………

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

The Council and Group have the following balances due to or from related parties at 30 June 2012:

- The Council has $XXX due from……………….
- The Group has $XXX due from the……………...

There are no commitments to key management personnel.

Material related party transactions – other organisations

- NZ Local Government Funding Agency Limited (LGFA)

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

Note 42: Related party disclosures - continued

- Karori Wildlife Sanctuary Trust (Zealandia)

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

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

Intra group transactions and balances

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

Intra group transactions and balances - Joint ventures	2012 $000	2011 $000
Revenue received by the Council from the joint venture		
Distribution from landfill operations		-
Expenditure incurred by the Council to fund the operation and management of:		
Porirua - waste water treatment plant		**1,528**

Note 42: Related party disclosures - continued

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

Intra group transactions and balances - Subsidiaries	2012 $000	2011 $000
Dividend received from:		
Wellington Cable Car Limited		-
Revenue for services provided by the Council to:		
Positively Wellington Tourism		127
Positively Wellington Waterfront		2
St James Theatre Charitable Trust		61
Wellington Cable Car Limited		60
Wellington Museums Trust		2,837
Wellington Zoo Trust		1,199
	-	**4,286**
Expenditure incurred by the Council to fund operations and management of:		
Positively Wellington Tourism		5,940
Positively Wellington Waterfront		1,200
St James Theatre Charitable Trust		372
Wellington Museums Trust		7,574
Wellington Zoo Trust		2,799
	-	**17,885**
Expenditure for services provided to the Council by:		
Positively Wellington Tourism		176
St James Theatre Charitable Trust		23
Wellington Cable Car Limited		1,627
Wellington Museums Trust		51
Wellington Venues Limited		1,312
Wellington Zoo Trust		1,627
	-	**4,816**
Current receivables owing to the Council from:		
Positively Wellington Tourism		-
Positively Wellington Waterfront		-
St James Theatre Charitable Trust		14
Wellington Cable Car Limited		-
Wellington Museums Trust		701
Wellington Zoo Trust		412
	-	**1,127**
Current payables owed by the Council to:		
Positively Wellington Tourism		3
Positively Wellington Waterfront		-
St James Theatre Charitable Trust		158
Wellington Cable Car Limited		1
Wellington Museums Trust		-
Wellington Venues Limited		202
Wellington Zoo Trust		58
	-	**422**

Current receivables and payables

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

Note 42: Related party disclosures - continued

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

Intra group transactions and balances - Associates	2012 $000	2011 $000
Dividend received from:		
Wellington International Airport Limited		**9,061**
Revenue for services provided by the Council to:		
Basin Reserve Trust		149
Capacity		41
Wellington International Airport Limited		3
Wellington Regional Stadium Trust		211
	-	**404**
Expenditure incurred by the Council to fund the operation and management of:		
Basin Reserve Trust		**180**
Expenditure for services provided to the Council from:		
Basin Reserve Trust		16
Capacity		8,381
Wellington International Airport Limited		78
Wellington Regional Stadium Trust		163
	-	**8,638**
Current receivables owing to the Council from:		
Basin Reserve Trust		44
Capacity		7
Wellington International Airport Limited		1
Wellington Regional Stadium Trust		7
	-	**59**
Current payables owed by the Council to:		
Capacity		**876**
Limited-recourse funding loan and advance		
Wellington Regional Stadium Trust - nominal value - $15,394,893		**1,107**

Current receivables and payables:

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

Limited-recourse funding loan and advance

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

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

Note 43: Community Board remuneration

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

Community Board Member	Salary $	Resource Consent Hearing Fees $	Allowances $	Total 2012 $
TAWA COMMUNITY BOARD				
Sparrow, Malcolm (Chair)				-
Hansen, Graeme (deputy Chair)				-
Lucas, Margaret				-
Reading, Chris				-
Sutton, Alistair				-
Tredger, Robert				-
MAKARA-OHARIU COMMUNITY BOARD				
Grace, Christine (Chair)				-
Bruce, Gavin (deputy Chair)				-
Liddell, Judy				-
Rudd, Wayne				-
Scotts, Margie				-
Todd, Hamish				-
Totals	**-**	**-**	**-**	**-**

A technology allowance of $45 per month is available to the chair of both the Tawa and Makara/Ohariu Community Boards. Until 15 October 2010 this payment could be taken as either a taxable allowance or as an actual expense reimbursement (up to a maximum of $45 per month). From 16 October 2010 both the allowance and the reimbursement options are now non-taxable. Only payments received for the allowance option are included in the above table.

Note 44: Severances

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

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

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

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

Note 45: Events after the end of the reporting period