

Statement of Compliance with International Financial Reporting Standards

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

Summary of Significant Accounting Policies

REPORTING ENTITY

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

The financial statements include the Council and Group. A Group structural diagram is included in Note 34. 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 35 and the Wellington Waterfront Project. The Group includes the Council, the subsidiaries disclosed in Note 36, and the Council's interest in the associates disclosed in Note 37.

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

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with NZ GAAP.

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.

The reporting period for these financial statements is the year ended 30 June 2008. The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

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

JUDGMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or in the relevant note.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised when the revision affects only that period. If the revision affects both current and future periods, it is reflected in the respective period to which it relates.

Judgments 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 and the retirement gratuities provision.

BASIS OF CONSOLIDATION

The Group includes joint ventures, subsidiaries and associates. A Group structural diagram is included in Note 34.

Joint ventures

Joint ventures are contractual arrangements with other parties to undertake a jointly controlled operation. The Council has several liability in respect 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 of the jointly controlled operations 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 Council's investment in subsidiaries is carried at cost. In the Group financial statements, the Council's subsidiaries are accounted for using the purchase method, which involves the addition of corresponding assets, liabilities, revenue and expenditure 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 in which the Council has significant influence, but not control, over their operating and financial policies. In the Council financial statements, the Council's investment in associates is 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.

REVENUE

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

Rates

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

Operating Activities

Government grants

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

Fines and penalties

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

Rendering of services

Revenue from the rendering of services (e.g. building consent fees) is recognised by reference to the stage of completion of the transaction at balance date. Under this method, revenue is recognised in the accounting periods in which the services are provided.

Sale of goods

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

Investment Property Leases

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

Finance Income

Interest

Interest income is recognised using the effective interest rate method.

Dividends

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

Other Revenues and Gains

Development Contributions

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

Donated, subsidised or vested assets

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

Donated Services

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

Due to the difficulty in determining the value of these donated services with sufficient reliability, donated services are not recognised in these financial statements.

EXPENSES

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

Operating Activities

Grants

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

Finance Expense

Interest

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

Depreciation and Amortisation

Depreciation (of property, plant and equipment) and amortisation (of intangible assets) are charged to the Statement of Financial Performance on a straight-line basis over the useful life of the associated assets.

TAXATION

Income tax is charged in the Statement of Financial Performance in respect of the current year's results of council controlled trading organisations only. Income tax on the profits or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and 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 carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Financial instruments are classified into the categories outlined below based upon the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at each balance date.

Financial assets

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

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

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

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

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

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

Financial liabilities

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

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

Derivatives

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

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

INVENTORIES

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

Inventories held for resale on a commercial basis, such as swimwear, 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, less applicable variable selling expenses.

INVESTMENT PROPERTIES

Investment properties are properties which are held primarily to earn rental income, for capital appreciation or for both. These include the Council's ground leases and 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, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by an independent registered valuer. The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any gain or loss arising from a change in fair value is recognised in the Statement of Financial performance. Investment properties are not depreciated.

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

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than through continuing use.

A non-current asset is classified as held for sale where:

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

A non-current asset classified as held for sale is recognised at the lower of its carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Statement of Financial Performance. Fair value is determined by market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Infrastructure assets include the fixed utility systems comprising the roading 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 recognised within their respective asset classes as above. Vested assets are those assets where ownership and control is transferred to the Council from a third party (for example; infrastructure assets constructed by developers and transferred to the Council on completion of a sub-division).

Recognition

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

Measurement

Property, plant and equipment is recognised initially at cost, unless acquired for nil or nominal cost (e.g. vested assets), in which case the asset is recognised at fair value at the date of acquisition. The initial cost of property, plant and equipment includes the purchase consideration, or the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Borrowing costs are not capitalised. Subsequent expenditure that extends or expands the asset's service potential is capitalised.

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Fair value is determined by market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Where there is no market related evidence for an asset, fair value is determined by optimised depreciated replacement 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.

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

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

Restricted Assets

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

Infrastructure Assets

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

Infrastructure land is valued at fair value on a three-year basis.

Land under roads, which represents the corridor of land directly under and adjacent to the Council's roading network, was valued as at 30 June 2005 at the average value of surrounding adjacent land discounted by 50% to reflect its restricted nature. 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 historical cost.

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

Revaluations

The result of any revaluation of the Council's property, plant and equipment is credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Statement of Financial Performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance will be recognised firstly, in the Statement of Financial Performance up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment.

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

Further information in respect of the most recent valuations for each class is provided in Note 23.

Impairment

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

Disposal

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Depreciation

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

The estimated useful lives of the major classes of property, plant and equipment are as follows:

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

The landfill post closure asset is depreciated over the life of the landfill based on the capacity of the landfill used in that year.

Work in progress

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

INTANGIBLE ASSETS

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

Computer Software	3 to 5 years
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Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance.

LEASES

Operating leases as lessee

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

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 incident on the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Group expects to receive benefits from their use.

EMPLOYEE BENEFIT LIABILITIES

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

Holiday Leave

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

Long Service Leave and Retirement Gratuities

Long-service leave (not yet qualified for) and retirement gratuities have been calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. The present value of the estimated future cash flows has been calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index to 30 June 2008. The discount rate used represents the Council's average cost of borrowing.

Other Contractual Entitlements

Other contractual entitlements include termination benefits. Termination benefits are recognised in the Statement of Financial Performance only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy.

Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

PROVISIONS

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

Landfill Post Closure Costs

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

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

Amounts provided for landfill post closure are capitalised to the landfill asset where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

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

The present value of the estimated future cash flows has been calculated using an inflation factor and discount rates for the Council and the Spicer Valley landfill. The inflation rate used is the annual Consumer Price Index to 30 June 2008. The discount rate used represents the Council's average cost of borrowing.

ACC Partnership programme

The Council belongs to the ACC Partnership Programme and therefore accepts the management and financial responsibility of work related illnesses and accidents of employees. Under the ACC Partnership Programme the Council is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance sheet date for which Council has responsibility under the terms of the Partnership Programme.

Financial Guarantee Contracts

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

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

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

EQUITY

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

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

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

CONTINGENT ASSETS AND LIABILITIES

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

STATEMENT OF CASH FLOWS

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

Operating activities include cash received from all non-financial income sources of the Council and the Group and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and financial 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, who includes the Mayor and Councillors as directors of the governing body, the Chief Executive and all members of the Management Board.

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly, to a director during the reporting period.

Councillors, including the Mayor, 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 those Councillors in their role as Trustees or Directors of entities within the Group. Directors' remuneration does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cellphones and laptops.

BUDGET FIGURES

The Annual Plan budget figures included in these financial statements are for the Council as a separate entity. The Annual Plan figures do not include budget information relating to the subsidiaries or associates. These figures are those approved by the Council at the beginning of the current financial year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. For completeness, additional expenditure approved by the Council is included in Notes 29, 30 and 31. 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) using the following cost allocation methodology: 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 restated or reclassified where appropriate. This has occurred:

- where classifications have changed between periods,
- where comparative amounts have been restated to comply with the new standards and interpretations, and
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

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

NZ IAS 1 *Presentation of Financial Statements (revised 2007)* replaces NZ IAS 1 *Presentation of Financial Statements (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics.

It also introduces a statement of comprehensive income which will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners.

Council will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

NZ IAS 23 *Borrowing Costs (revised 2007)* replaces NZ IAS 23 *Borrowing Costs (issued 2004)* and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires the capitalisation of all borrowing costs if they are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs also need to be considered when revaluing property, plant and equipment to fair value based on depreciated replacement cost. Any necessary adjustments to depreciated replacement cost carrying values will have flow on effects to depreciation expense.

NZ IAS 27 *Consolidated and Separate Financial Statements (amended)* is effective for reporting periods beginning on or after 1 January 2009. The main changes the revised NZ IAS 27 relate to are changes in the accounting for non-controlling interest and the loss of control of a subsidiary. These include transactions with non-controlling interest while retaining control, loss of control and guidance on "linkage" and attribution of losses.

NZ IFRIC 12 *Service Concession Arrangements* is effective for reporting periods beginning on or after 1 January 2008. The amendments to NZ IFRIC 12 mainly draw a distinction between two types of service concession arrangements and allows for the possibility that both types of arrangement may exist within a single contract.

One where the operator receives a financial asset, specifically an unconditional contractual right to receive cash or another financial asset from the government in return for constructing or upgrading the public sector asset.

The other where the operator receives an intangible asset – a right to charge for use of the public sector asset that it constructs or upgrades. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the service is used.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED AS THEY ARE NOT APPLICABLE TO WELLINGTON CITY COUNCIL

NZ IFRS 3 *Business Combinations (revised 2008)* and the amended NZ IAS 27 *Consolidated and Separate Financial Statements* are effective for reporting periods beginning on or after 1 July 2009 and must be applied prospectively from that date. The main changes the revised NZ IFRS 3 and amended NZ IAS 27 will make to existing requirements or practice are:

Partial acquisitions – Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original NZ IFRS 3 requirement) or at fair value.

Step acquisitions – The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

Acquisition-related costs – Acquisition-related costs are generally recognised as expenses (rather than included in the cost of acquisition).

Contingent consideration – Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other NZ IFRSs, usually in profit or loss (rather than by adjusting the cost of acquisition).

NZ IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is effective for reporting periods beginning on or after 1 January 2008. The requirement is that a liability has to be recognised for minimum funding requirement contributions to cover an existing plan shortfall in respect of services already received if the contribution payable is not expected to be available as a refund or reduction in future contributions after it is paid into a plan.

This interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.

Note 1 Revenue from rates

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
General rates				
Base sector	45,490	42,643	45,490	42,643
Commercial, industrial and business sector	58,371	57,178	58,371	57,178
Targeted rates				
Base sector	6,152	5,657	6,152	5,657
Commercial, industrial and business sector	1,834	1,378	1,834	1,378
Sewerage	30,228	29,950	30,228	29,950
Stormwater	11,723	11,700	11,723	11,700
Water (including water by meter)	27,247	25,342	27,247	25,342
Downtown	9,150	9,283	9,150	9,283
Indoor Community Sports Centre	1,144	-	1,144	-
Marsden Village	12	12	12	12
Tawa driveways	22	21	22	21
Total rates for Wellington City Council	191,373	183,164	191,373	183,164
Total rates billed	227,630	216,550	227,630	216,550
Less Greater Wellington Regional Council component	(36,257)	(33,386)	(36,257)	(33,386)
Total rates for Wellington City Council	191,373	183,164	191,373	183,164

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$10.483m (2007: \$10.467m).

Note 1 Revenue from rates continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Total rates revenue	191,506	183,293	191,506	183,293
Net of remissions:				
Council policy remissions				
Rural open space	63	57	63	57
Land used principally for games or sport	70	72	70	72
Special circumstances	-	-	-	-
Total remissions	133	129	133	129
Total rates revenue (net of remissions)	191,373	183,164	191,373	183,164

Rates remissions

Revenue from rates 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). The Council committed itself at the start of the year to certain remissions, which for the year ended 30 June 2008 totalled \$0.133m (2007: \$0.129m).

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	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Government grants and subsidies ¹	15,185	13,356	17,747	14,599
Fines and penalties	11,806	12,997	11,807	12,997
Rendering of services	75,857	71,162	80,330	76,426
Sale of goods	4,776	5,004	13,896	13,628
Other grants and subsidies	1,449	1,388	2,265	2,893
Total revenue from operating activities	109,074	103,907	126,045	120,543

¹ Government grants and subsidies for Council are principally from Land Transport New Zealand (LTNZ), who subsidise part of the Council's costs in maintaining the local roading infrastructure. The subsidies from LTNZ are reimbursements for costs already incurred and no unfulfilled conditions or other contingencies are attached. For the Group, the principal subsidy is from Greater Wellington Regional Council to Wellington Cable Car Limited for the maintenance of the overhead wire trolley system.

Revenue from rendering of services is detailed into various Council activities in the following table:

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
RENDERING OF SERVICES				
Animal control	887	830	887	830
Berths and boat sheds	508	406	508	406
Building consents and licensing services	10,119	8,374	10,119	8,374
Chipsealing revenue and traffic development levy	785	954	785	954
Community programmes and facilities hire	971	887	971	887
Community housing	17,153	16,415	17,153	16,415
Convention and conference centre	5,570	4,864	5,570	4,864
Drainage operations and water projects	1,603	1,877	1,603	1,877
Encroachments and reserve land contributions	1,359	1,375	1,359	1,375
Green spaces	1,261	1,398	1,261	1,398
Landfills	5,989	7,419	5,989	7,419
Lease revenue from property, plant and equipment	4,488	4,144	4,488	4,144
Libraries	1,133	837	1,133	837
Parking fees and permits	12,515	12,579	12,515	12,579
Roading infrastructure projects	1,812	1,802	1,812	1,802
Services to Wellington Regional Council	638	670	638	670
Subsidiary/Group rendering of services	-	-	4,473	5,264
Swimming pools	5,254	4,222	5,254	4,222
Other	3,811	2,109	3,811	2,109
Total rendering of services	75,857	71,162	80,330	76,426

Note 3 Other revenues and gains

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Development contributions	890	997	890	997
Fair value gain on investment property valuation ¹	22,620	31,750	22,620	31,750
Gain on disposal of investment properties	-	584	-	584
Gain on disposal of property, plant and equipment	846	578	846	580
Petrol tax	1,102	1,133	1,102	1,133
Release of provisions	1,166	1,476	960	1,481
Restricted funds	190	404	190	404
Vested assets	10,859	6,169	10,859	6,164
Other	1,493	897	1,493	897
Total other revenues and gains	39,166	43,988	38,960	43,990

¹ The fair value gain on investment property valuation arises from the annual revaluation of investment properties. All changes in the fair value of investment properties must be recognised in the Statement of Financial Performance.

Note 4 Finance income and expense

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Finance income				
Dividend from available-for-sale financial assets	70	67	70	67
Dividend from investment in associates	5,644	5,643	-	-
Cash flow hedge gains transferred from equity	309	234	309	234
Interest revenue on loans and receivables	491	1,177	941	1,722
Amortisation of Wellington Regional Stadium Trust loan	739	664	739	664
Total finance income	7,253	7,785	2,059	2,687
<i>Less</i>				
Fair value adjustments on derivatives at fair value through the Statement of Financial Performance	851	-	851	-
Interest expense on borrowings	19,007	15,492	19,099	15,596
Rediscounting of interest on provisions ¹	1,309	1,359	1,309	1,359
Total finance expense	21,167	16,851	21,259	16,955
Net finance cost	13,914	9,066	19,200	14,268

¹ Re-discounting of interest is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date). Refer to Note 21 for further information.

Note 5 Expenditure on operating activities

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Auditor's remuneration:					
Audit services – Audit New Zealand – Financial Statements		275	237	326	293
Audit services – Audit New Zealand – IFRS		-	30	-	65
Audit services – Audit New Zealand – LTCCP		-	17	-	17
Other services – Audit New Zealand ¹		7	7	7	10
Audit services – Other Auditors		-	-	61	54
Impairment and Fair value movements					
Bad debts written off not previously provided for		514	59	522	60
Increase in provision for impairment of trade and other receivables	11	521	1,380	521	1,380
Impairment loss from property, plant and equipment	17	-	79	-	104
Fair value movement on loan to related party – associate ²		6,487	-	6,487	-
Fair value movement on loan to related party – other organisations ³		869	-	869	-
Governance and employment					
Councillor remuneration as directors/trustees	38	1,246	1,242	1,315	1,317
Directors/trustees of subsidiaries – remuneration		-	-	562	609
Employee benefits expense ⁴		72,445	67,115	83,648	79,200
Other personnel costs		3,424	2,530	3,864	2,899
Insurance					
Insurance premiums		5,491	6,213	5,840	6,671
Self insurance costs	26	531	451	531	451
General					
Consultants and legal fees		10,088	7,785	10,264	8,130
Contractors		3,463	2,187	4,313	2,333
Direct costs ⁵		83,651	85,243	96,199	98,809
Donations for charitable purposes		5	7	5	7
Grants – general		8,981	7,232	9,136	8,359
Grants to subsidiaries	38	14,880	16,703	-	-
Grants to associates	38	180	180	180	180
Loss on disposal of intangibles		151	-	151	-
Loss on disposal of property, plant and equipment		116	48	116	72
Operating lease – minimum lease payments ⁶		1,691	2,453	2,129	3,098
Reassessment of other provisions		1,510	2,551	1,510	2,551
Other general costs ⁷		33,620	33,084	37,156	36,851
Total expenditure on operating activities		250,146	236,833	265,712	253,520

¹ During the period Audit New Zealand provided assurance services to the Council relating to the Clifton Terrace Carpark managed by the Council on behalf of Transit New Zealand

² The fair value movement on loans to related parties – associate, is in relation to the \$15.4 million loan to the Wellington Regional Stadium Trust. The fair value adjustment of the loan is due to the extension of the anticipated repayment period. Over the remaining life of the loan it will be amortised back up to the full value.

³ The fair value movement on loans to related parties – other organisations, is in relation to a \$1.6m drawdown of the \$8m loan facility to the Karori Wildlife Sanctuary Trust. The fair value adjustment reflects the expected repayments and the interest free nature of the loan. Over the remaining life of the loan it will be amortised back up to the full value.

⁴ Employee benefits expense includes salaries, wages, leave and other employee earned compensation.

⁵ Direct costs are costs directly attributable to the provision of Council services, including contracts, maintenance, management fees, materials and services.

⁶ Operating leases are non-cancellable agreements for the use of assets such as computers, photo-copiers and buildings.

⁷ Other general costs are incurred in relation to support and administration of Council services. These include: electricity, software licences, cleaning, security and advertising.

Note 6 Depreciation and amortisation

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Depreciation				
Buildings	10,321	10,249	10,985	10,939
Civic Centre complex	2,791	2,856	2,791	2,856
Restricted buildings	683	690	683	690
Drainage, waste and water infrastructure	23,434	22,501	23,434	22,501
Landfill post closure	97	141	97	141
Library collections	1,877	2,015	1,877	2,015
Plant and equipment	7,131	6,589	7,985	7,317
Roading infrastructure	15,913	15,437	15,913	15,437
Total depreciation	62,247	60,478	63,765	61,896
Amortisation				
Computer Software	1,368	2,246	1,505	2,357
Total amortisation	1,368	2,246	1,505	2,357
Total depreciation and amortisation	63,615	62,724	65,270	64,253

Note 7 Income tax expense

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current tax expense				
Current year	-	-	-	-
Prior period adjustment	-	-	-	-
Total current tax expense	-	-	-	-
Deferred tax expense				
Origination and reversal of temporary differences	57	22	203	68
Change in unrecognised temporary differences	-	-	(29)	(17)
Recognition of previously unrecognised tax losses	(57)	(22)	(174)	(51)
Total deferred tax expense	-	-	-	-

RECONCILIATION OF TAX ON THE SURPLUS AND TAX EXPENSE

COUNCIL	2008 %	2008 \$000	2007 %	2007 \$000
Surplus for the period		25,515		35,722
Prima facie income tax based on domestic tax rate	33.00%	8,420	33.00%	11,788
Effect of non-deductible expenses and tax exempt income		(8,417)		(11,804)
Effect of tax losses utilised		22		41
Current years loss for which no deferred tax asset was recognised		-		-
Change in unrecognised temporary differences		-		-
Prior period adjustment		(25)		(25)
		-		-

GROUP	2008 %	2008 \$000	2007 %	2007 \$000
Surplus for the period		34,866		36,069
Prima facie income tax based on domestic tax rate	33.00%	11,506	33.00%	11,903
Effect of non-deductible expenses and tax exempt income		(7,620)		(11,352)
Effect of tax losses utilised		(152)		(19)
Current years loss for which no deferred tax asset was recognised		-		1
Change in unrecognised temporary differences		(29)		(17)
Prior period adjustment		(22)		(25)
Share of income tax of equity accounted associates		(3,683)		(491)
		-		-

Income Tax recognised directly in equity

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2007: \$Nil)

	GROUP	
	2008 \$000	2007 \$000
IMPUTATION CREDITS		
Imputation credits as at 1 July	10	4
New Zealand tax payments	8	6
Imputation credits attached to dividends received	-	-
Other credits	-	-
New Zealand tax refunds received	(3)	-
Imputation credits attached to dividends paid	-	-
Other debits	-	-
Imputation credits as at 30 June 2008	15	10

No amounts have been shown for the Council as, under section 0B1 of the Income Tax Act 2007, local authorities are not permitted to maintain an imputation credit account.

Note 8 Deferred tax assets and liabilities

Unrecognised deferred tax assets

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Deductible temporary differences	-	-	247	404
Tax losses	5,618	5,790	5,618	6,079
	5,618	5,790	5,865	6,483

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

The unrecognised deferred tax asset in respect of the above items for the Council is \$1.685m (2007: \$1.737m) and for the Group \$1.759m (2007: \$1.949m).

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 2008 \$0.169m (2007: \$0.093m) previously unrecognised tax losses, with a tax effect of \$0.056m (2007: \$0.031m) were recognised by the Group by way of a loss transfer arrangement.

As at 30 June 2008 the Group had an unrecognised deferred tax liability of \$Nil (2007: \$Nil)

Note 8 Deferred tax assets and liabilities continued

Movement in unrecognised deferred tax assets and liabilities during the year

COUNCIL	TEMPORARY DIFFERENCES		TAX	TOTAL \$000
	TAXABLE \$000	DEDUCTIBLE \$000	LOSSES \$000	
Balance as at 1 July 2006	-	-	1,933	1,933
Additions / (reductions) during the year	-	-	23	23
Recognised during the year	-	-	(45)	(45)
Reduction due to tax rate change for tax years beginning on or after 1 April 2008 ¹	-	-	(174)	(174)
Balance as at 30 June 2007	-	-	1,737	1,737
Additions / (reductions) during the year	-	-	33	33
Recognised during the year	-	-	(88)	(88)
Reduction due to tax rate change for tax years beginning on or after 1 April 2008 ¹	-	-	3	3
Balance as at 30 June 2008	-	-	1,685	1,685

GROUP	TEMPORARY DIFFERENCES		TAX	TOTAL \$000
	TAXABLE \$000	DEDUCTIBLE \$000	LOSSES \$000	
Balance as at 1 July 2006	-	150	2,057	2,207
Additions / (reductions) during the year	-	(17)	23	6
Recognised during the year	-	-	(74)	(74)
Reduction due to tax rate change for tax years beginning on or after 1 April 2008 ¹	-	(8)	(182)	(190)
Balance as at 30 June 2007	-	125	1,824	1,949
Additions / (reductions) during the year	-	(52)	29	(23)
Recognised during the year	-	-	(181)	(181)
Reduction due to tax rate change for tax years beginning on or after 1 April 2008 ¹	-	1	13	14
Balance as at 30 June 2008	-	74	1,685	1,759

¹ The Taxation (Kiwisaver and Company Tax Rate Amendments) Act 2007 containing the provisions for the reduction of the company income tax rate from 33% to 30% for tax years beginning on or after 1 April 2008 was given Royal assent on May 2007.

Note 9 Cash and cash equivalents

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Bank balances	779	10,166	1,875	12,597
Cash on hand	28	27	45	35
Short term deposits	1,500	919	3,384	3,042
Total cash and cash equivalents	2,307	11,112	5,304	15,674

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

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

Note 10 Derivative financial instruments

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current				
Interest rate swaps – cash flow hedges	93	192	93	192
Interest rate collar – cash flow hedges	80	-	80	-
Total current	173	192	173	192
Non-current				
Interest rate swaps – cash flow hedges	1,649	5,276	1,649	5,276
Interest rate swaps – non-hedged ¹	731	-	731	-
Interest rate swaptions – non-hedged ¹	2	-	2	-
Total non-current	2,382	5,276	2,382	5,276
Total derivative financial instruments	2,555	5,468	2,555	5,468

¹ The intention of holding these non-hedged derivative instruments is the same as for the cash flow hedges, namely the mitigation of interest rate risk. While not hedges for accounting purposes, they are for the purposes of treasury management.

For further information on the interest rate swaps please refer to Note 28: Financial Instruments

Note 11 Trade and other receivables

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade receivables		19,445	18,630	20,717	19,434
Less provision for impairment of trade receivables		(7,530)	(7,619)	(7,556)	(7,650)
		11,915	11,011	13,161	11,784
Trade receivables from related parties	38				
Subsidiaries		63	507	-	-
Associates		2	3	2	3
		65	510	2	3
Net trade receivables		11,980	11,521	13,163	11,787
Accrued income		5,468	4,186	5,526	4,236
GST receivable		1,889	1,971	1,871	2,105
Prepayments		4,199	3,795	4,297	3,980
Rates receivable		7,970	5,265	7,970	5,265
Sundry receivables		2,094	5,182	2,371	5,223
Total trade and other receivables		33,600	31,920	35,198	32,596

Trade receivables, rates receivables and sundry receivables are non-interest bearing and receipt is generally on 30 day terms.

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES				
Opening balance	7,619	6,321	7,650	6,357
Additional or increased provision made	521	1,380	521	1,380
Release of provision	(51)	(54)	(51)	(59)
Amount of provision utilised	(559)	(28)	(564)	(28)
Provision for impairment of trade and other receivables – closing balance	7,530	7,619	7,556	7,650
Represented by:				
Provision for impairment of trade receivables – fines	7,159	6,901	7,159	6,901
Provision for impairment of trade receivables – debtors	371	718	397	749
Provision for impairment of trade and other receivables – closing balance	7,530	7,619	7,556	7,650

Further information on the collectability of trade and other receivables is contained in Note 28: Financial Instruments.

Note 12 Other financial assets

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
CURRENT					
Loans and deposits					
Loans to related parties – subsidiaries ¹	38	-	211	-	-
Less provision for impairment of related party loan		-	(211)	-	-
Total current other financial assets		-	-	-	-
NON-CURRENT					
Loans and deposits					
Bank deposits – term		-	-	357	-
Loans to related parties – associates	38	773	6,522	773	6,522
Loans to related parties – other organisations		823	-	823	-
Available-for-sale financial assets					
Equity investment – Civic Assurance ²		527	527	527	527
Total non-current other financial assets		2,123	7,049	2,480	7,049
Total other financial assets		2,123	7,049	2,480	7,049

¹ The loan to Positively Wellington Business although provided for in 2006/07, was fully repaid in 2007/08. The provision for impairment of the loan has been released to the Statement of Financial Performance.

² 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. Council holds an 8.2% shareholding in this entity. There is no intention to dispose of this investment and as there is no active market in which to determine fair value, the above equity investment is recognised at cost.

Note 13 Inventories

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Consumables	810	936	1,434	1,370
Inventories held for re-sale	150	69	436	359
Total inventories	960	1,005	1,870	1,729

Consumables are assets in the form of 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.

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

Note 14 Non-current assets classified as held for sale

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Opening balance	609	485	729	485
Disposals	(124)	-	(244)	-
Transfers from property plant and Equipment	-	124	-	188
Transfers to investment property	(485)	-	(485)	-
Transfers from investment property	7,368	-	7,368	-
Transfers from intangibles	-	-	-	56
Non-current assets classified as held for sale – closing balance	7,368	609	7,368	729

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

Note 15 Intangibles

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Computer Software				
Cost – opening balance	24,163	23,310	24,921	23,971
Accumulated amortisation	(21,997)	(19,896)	(22,632)	(20,467)
Computer Software opening balance	2,166	3,414	2,289	3,504
Acquired by direct purchase	1,568	998	1,899	1,198
Amortisation	(1,368)	(2,246)	(1,505)	(2,357)
Net disposals ¹	-	-	-	-
Transfer to non-current assets classified as held for sale	-	-	-	(56)
Transfer from property, plant and equipment	44	-	44	-
Total computer software – closing balance	2,410	2,166	2,727	2,289
Cost	23,684	24,163	24,773	24,921
Accumulated amortisation	(21,274)	(21,997)	(22,046)	(22,632)
Total computer software – closing balance	2,410	2,166	2,727	2,289
Work in progress				
Computer software	1,879	2,398	1,879	2,398
Total work in progress	1,879	2,398	1,879	2,398
Total intangibles	4,289	4,564	4,606	4,687

¹ Disposals and transfers are reported net of accumulated amortisation.

Note 16 Investment properties

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Opening balance		204,711	174,358	204,711	174,358
Additions		75	-	75	-
Disposals		-	(1,397)	-	(1,397)
Fair value gains taken to income	3	22,620	31,750	22,620	31,750
Transfer from non-current assets classified as held for sale	14	485	-	485	-
Transfer to non-current assets classified as held for sale	14	(7,368)	-	(7,368)	-
Transfer to property plant and equipment	17	(155)	-	(155)	-
Investment properties – closing balance		220,368	204,711	220,368	204,711

Wellington City Council's investment properties were valued as at 30 June 2008 by WD Bunt (ANZIV, SNZPI), registered valuer, Director of Valuations & Advisory Services of DTZ Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2008 by Paul Butchers (BBS, SNZPI), registered valuer, Director of CB Richard Ellis Limited.

The Council's total investment properties comprise ground leases of \$161.542m (2007: \$151.317m) and land and buildings of \$58.826m (2007: \$53.394m) held for investment purposes. Ground leases are parcels of land owned by the Council in the central city or on the waterfront, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 year perpetually renewable terms. The land and buildings held for investment purposes are properties which are not held for operational purposes and are leased to external parties.

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
REVENUES AND EXPENSES				
Revenue from investment properties	13,577	13,286	13,577	13,286
Direct operating expenses of investment properties				
From investment properties that generated income	667	810	667	810
From investment properties that did not generate income	94	164	94	164
Contractual obligations for capital expenditure	-	206	-	206

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
FAIR VALUE OF INVESTMENT PROPERTIES VALUED BY INDEPENDENT REGISTERED VALUERS				
William Bunt – DTZ Limited	167,867	157,802	167,867	157,802
Paul Butcher – CB Richard Ellis	52,501	46,909	52,501	46,909
Total fair value of investment properties valued by independent registered valuers	220,368	204,711	220,368	204,711

Note 17 Property, plant and equipment

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OPERATIONAL ASSETS				
Land				
Land – at cost – opening balance	-	-	3,091	3,091
Land – at valuation – opening balance	151,285	151,334	151,285	151,334
Total land – opening balance	151,285	151,334	154,376	154,425
Additions	238	-	238	-
Transfer to non-current assets classified as held for sale	-	(49)	-	(49)
Total land – closing balance	151,523	151,285	154,614	154,376
Land – at cost – closing balance	238	-	3,329	3,091
Land – at valuation – closing balance	151,285	151,285	151,285	151,285
Total land – closing balance	151,523	151,285	154,614	154,376
Buildings				
Buildings – at cost – opening balance	6,086	-	28,578	22,252
Buildings – at valuation – opening balance	328,507	328,587	328,507	328,587
Total cost / valuation	334,593	328,587	357,085	350,839
Accumulated depreciation	(10,253)	-	(16,073)	(5,130)
Total buildings – opening balance	324,340	328,587	341,012	345,709
Additions	28,739	6,072	29,037	6,312
Disposals ¹	(165)	(37)	(165)	(37)
Transfer between asset classes	1,013	(33)	1,013	(33)
Depreciation expense	(10,321)	(10,249)	(10,985)	(10,939)
Total buildings – closing balance	343,606	324,340	359,912	341,012
Buildings – at cost – closing balance	34,749	6,086	57,095	28,578
Buildings – at valuation – closing balance	328,507	328,507	328,507	328,507
Total cost / valuation	363,256	334,593	385,602	357,085
Accumulated depreciation	(19,650)	(10,253)	(25,690)	(16,073)
Total buildings – closing balance	343,606	324,340	359,912	341,012
Landfill post closure costs				
Landfill post closure – at cost – opening balance	2,717	5,018	2,717	5,018
Accumulated depreciation	(977)	(2,634)	(977)	(2,634)
Landfill post closure costs – opening balance	1,740	2,384	1,740	2,384
Movement in post closure costs	(308)	(503)	(308)	(503)
Depreciation expense	(97)	(141)	(97)	(141)
Total landfill post closure costs – closing balance	1,335	1,740	1,335	1,740
Landfill post closure – at cost – closing balance	2,409	2,717	2,409	2,717
Accumulated depreciation	(1,074)	(977)	(1,074)	(977)
Total landfill post closure costs – closing balance	1,335	1,740	1,335	1,740

¹ Disposals and transfers are reported net of accumulated depreciation.

Note 17 Property, plant and equipment continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OPERATIONAL ASSETS CONTINUED				
Civic Centre complex				
Civic Centre complex – at cost – opening balance	159,125	158,644	159,125	158,644
Accumulated depreciation	(39,577)	(36,729)	(39,577)	(36,729)
Total Civic Centre complex – opening balance	119,548	121,915	119,548	121,915
Additions	1,771	506	1,771	506
Transfer between asset classes	-	(17)	-	(17)
Depreciation expense	(2,791)	(2,856)	(2,791)	(2,856)
Total Civic Centre complex – closing balance	118,528	119,548	118,528	119,548
Civic Centre complex – at cost – closing balance	160,896	159,125	160,896	159,125
Accumulated depreciation	(42,368)	(39,577)	(42,368)	(39,577)
Total Civic Centre complex – closing balance	118,528	119,548	118,528	119,548
Plant and equipment				
Plant and equipment – at cost – opening balance	101,686	94,826	117,389	109,199
Accumulated depreciation	(45,553)	(44,157)	(54,471)	(52,590)
Total plant and equipment – opening balance	56,133	50,669	62,918	56,609
Additions	22,172	12,797	23,130	14,482
Disposals ¹	(810)	(523)	(819)	(546)
Impairment losses	-	(79)	-	(104)
Transfer between asset classes	(8,155)	(142)	(8,155)	(142)
Transfer to intangibles	(44)	-	(44)	-
Transfer to non-current assets classified as held for sale	-	-	-	(64)
Depreciation expense	(7,131)	(6,589)	(7,985)	(7,317)
Total plant and equipment – closing balance	62,165	56,133	69,045	62,918
Plant and equipment – at cost	107,502	101,686	124,561	117,389
Accumulated depreciation	(45,337)	(45,553)	(55,516)	(54,471)
Total plant and equipment – closing balance	62,165	56,133	69,045	62,918
Library collections				
Library collections – at cost – opening balance	4,271	2,946	4,271	2,946
Library collections – at valuation – opening balance	10,784	10,784	10,784	10,784
Total cost / valuation	15,055	13,730	15,055	13,730
Accumulated depreciation	(4,021)	(2,006)	(4,021)	(2,006)
Total library collections – opening balance	11,034	11,724	11,034	11,724
Additions	1,985	1,627	1,985	1,627
Transfer between asset classes	-	(302)	-	(302)
Revaluation movement	2,558	-	2,558	-
Depreciation expense	(1,877)	(2,015)	(1,877)	(2,015)
Total library collections – closing balance	13,700	11,034	13,700	11,034

¹ Disposals and transfers are reported net of accumulated depreciation.

continued overleaf

Note 17 Property, plant and equipment continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OPERATIONAL ASSETS CONTINUED				
Library collections – at cost – closing balance	-	4,271	-	4,271
Library collections – at valuation – closing balance	13,700	10,784	13,700	10,784
Accumulated depreciation	-	(4,021)	-	(4,021)
Total library collections – closing balance	13,700	11,034	13,700	11,034
TOTAL OPERATIONAL ASSETS	690,857	664,080	717,134	690,628
INFRASTRUCTURE ASSETS				
Drainage, waste and water				
Drainage, waste and water – at cost – opening balance	63,472	38,660	63,472	38,660
Drainage, waste and water – at valuation – opening balance	951,313	951,326	951,313	951,326
Total cost/valuation	1,014,785	989,986	1,014,785	989,986
Accumulated depreciation	(45,596)	(23,106)	(45,596)	(23,106)
Total drainage, water and waste – opening balance	969,189	966,880	969,189	966,880
Additions	28,682	24,976	28,682	24,976
Transfer between asset classes	9,050	(166)	9,050	(166)
Revaluation movement	158,663	-	158,663	-
Depreciation expense	(23,434)	(22,501)	(23,434)	(22,501)
Total drainage, water and waste – closing balance	1,142,150	969,189	1,142,150	969,189
Drainage, waste and water – at cost – closing balance	-	63,472	-	63,472
Drainage, waste and water – at valuation – closing balance	1,142,150	951,313	1,142,150	951,313
Total cost/valuation	1,142,150	1,014,785	1,142,150	1,014,785
Accumulated depreciation	-	(45,596)	-	(45,596)
Total drainage, water and waste – closing balance	1,142,150	969,189	1,142,150	969,189
Roading				
Roading – at cost – opening balance	61,234	33,048	61,234	33,048
Roading – at valuation – opening balance	640,702	640,702	640,702	640,702
Total cost/valuation	701,936	673,750	701,936	673,750
Accumulated depreciation	(30,711)	(15,269)	(30,711)	(15,269)
Total roading – opening balance	671,225	658,481	671,225	658,481
Additions	28,345	27,497	28,345	27,497
Transfer between asset classes	(1,753)	684	(1,753)	684
Revaluation movement	21,744	-	21,744	-
Depreciation expense	(15,913)	(15,437)	(15,913)	(15,437)
Total roading – closing balance	703,648	671,225	703,648	671,225

Note 17 Property, plant and equipment continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
INFRASTRUCTURE ASSETS CONTINUED				
Roading – at cost – closing balance	-	61,234	-	61,234
Roading – at valuation – closing balance	703,648	640,702	703,648	640,702
Total cost / valuation	703,648	701,936	703,648	701,936
Accumulated depreciation	-	(30,711)	-	(30,711)
Total roading – closing balance	703,648	671,225	703,648	671,225
Infrastructure land				
Infrastructure land – at cost – opening balance	-	-	-	-
Infrastructure land – at valuation – opening balance	28,258	28,258	28,258	28,258
Total infrastructure land – opening balance	28,258	28,258	28,258	28,258
Revaluation movement	9,450	-	9,450	-
Total infrastructure land – closing balance	37,708	28,258	37,708	28,258
Infrastructure land – at cost – closing balance	-	-	-	-
Infrastructure land – at valuation – closing balance	37,708	28,258	37,708	28,258
Total infrastructure land – closing balance	37,708	28,258	37,708	28,258
Land under roads				
Land under roads – at cost – opening balance	2,933,808	2,931,075	2,933,808	2,931,075
Additions	1,727	2,733	1,727	2,733
Land under roads – closing balance	2,935,535	2,933,808	2,935,535	2,933,808
TOTAL INFRASTRUCTURE ASSETS	4,819,041	4,602,480	4,819,041	4,602,480
RESTRICTED ASSETS				
Art and cultural assets				
Art and cultural assets – at cost – opening balance	7,089	6,793	9,422	9,126
Additions	80	320	80	320
Transfer between asset classes	-	(24)	-	(24)
Art and cultural assets – closing balance	7,169	7,089	9,502	9,422
Restricted Buildings				
Restricted buildings – at cost – opening balance	17,823	15,250	17,823	15,250
Accumulated depreciation	(1,363)	(673)	(1,363)	(673)
Total restricted buildings – opening balance	16,460	14,577	16,460	14,577
Additions	1,843	2,573	1,843	2,573
Depreciation Expense	(683)	(690)	(683)	(690)
Restricted buildings – closing balance	17,620	16,460	17,620	16,460

continued overleaf

Note 17 Property, plant and equipment continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
RESTRICTED ASSETS CONTINUED				
Restricted Buildings – at cost – closing balance	19,666	17,823	19,666	17,823
Accumulated depreciation	(2,046)	(1,363)	(2,046)	(1,363)
Total restricted buildings – closing balance	17,620	16,460	17,620	16,460
Parks and reserves				
Parks and reserves – at cost – opening balance	200,746	199,784	200,746	199,784
Additions	1,671	1,037	1,671	1,037
Transfer to non-current assets intended for sale	-	(75)	-	(75)
Disposals	(152)	-	(152)	-
Parks and reserves – closing balance	202,265	200,746	202,265	200,746
Town Belt				
Town Belt – at cost – opening balance	88,103	88,103	88,103	88,103
Town Belt – closing balance	88,103	88,103	88,103	88,103
Zoo animals – at cost	500	500	500	500
TOTAL RESTRICTED ASSETS	315,657	312,898	317,990	315,231
Work in progress				
Land	178	202	178	202
Buildings	5,414	21,143	5,414	21,143
Civic Centre complex	1,104	1,182	1,104	1,182
Plant and equipment	12,265	9,376	12,318	9,977
Library	-	164	-	164
Roading	5,842	2,442	5,842	2,442
Art and cultural	401	406	401	406
Restricted buildings	3,667	3,950	3,667	3,950
Total work in progress	28,871	38,865	28,924	39,466
TOTAL PROPERTY, PLANT AND EQUIPMENT	5,854,426	5,618,323	5,883,089	5,647,805

Note 17 Property, plant and equipment continued

Revaluation of property, plant and equipment

The Council's land and buildings were valued as at 30 June 2006, and infrastructural land as at 30 June 2008 by WD Bunt (ANZIV, SNZPI), registered valuer, Director of Valuations & Advisory Services of DTZ Limited.

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

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

The carrying values of revalued property, plant and equipment have been reviewed at balance date to ensure that they are not significantly different to market value.

	COUNCIL	GROUP
	2008 \$000	2008 \$000
FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT VALUED BY INDEPENDENT REGISTERED VALUERS IN THE YEAR ENDING 30 JUNE 2008		
John Vessey – Opus International	1,845,798	1,845,798
William Bunt – DTZ limited	37,708	37,708

Refer to Note 23 for revaluation reserves and explanation of revaluation movements.

Note 18 Trade and other payables

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade payables		36,877	34,024	38,918	37,178
Trade payables owing to related parties	38				
Subsidiaries		853	310	-	-
Associates		415	320	415	320
Interest payable		1,700	1,916	1,700	1,919
Income received in advance		9,323	9,844	10,544	10,483
Rates received in advance		668	708	668	708
Sundry payables		8,349	7,711	9,167	8,002
Total trade and other payables		58,185	54,833	61,412	58,610

Trade payables are non-interest bearing and are normally settled on terms varying between 7 days and 20th of the month following the invoice date.

Income received in advance primarily consists of lease revenue from investment properties and building and inspection fees. The revenues are recognised as the obligations to provide the services are met.

Note 19 Borrowings

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current				
Bank loans	140	93	251	175
Debentures	95	103	95	103
Debt securities	5,000	-	5,000	-
Short term bank facilities	103,000	104,300	103,000	104,300
Total current	108,235	104,496	108,346	104,578
Non-current				
Bank loans	1,217	1,544	2,192	2,672
Debentures	102	337	102	337
Debt securities	142,000	123,000	142,000	123,000
Total non-current	143,319	124,881	144,294	126,009
Total borrowings	251,554	229,377	252,640	230,587

Bank loans

Loans for the Council relate to the wastewater treatment plant joint venture with Porirua City Council, and comprise several individual loans totalling \$1.357m (2007: \$1.637m) with maturities from 2008 to 2023. The average interest rate applicable is 8.76%

Loans for the Group include a loan for the Wellington Museums Trust of \$0.199m (2007: \$0.280m) maturing July 2010 currently at 10.73% and a loan for the St James Theatre Charitable Trust of \$0.846m (2007: \$0.930m) maturing May 2015 at 7.13%.

Debentures

These are several individual loans with maturities from August 2008 to June 2017. They have interest rates ranging from 3.50% to 5.00% and payments are structured to be made six-monthly on either a table mortgage or interest only basis.

Debt securities

The Group has issued \$147m (2007: \$123m) of floating rate notes with maturities from 30 June 2009 to 31 July 2017. Interest is payable quarterly in arrears. The interest rates vary from 8.75% to 9.05% and are subject to quarterly reset dates.

Short term bank facilities and other lines of credit

\$165m (2007: \$135m) worth of committed bank facilities are available on a short term basis of less than one year. Interest is payable in arrears at wholesale market rates.

A further \$5m (2007: \$5m) is available as uncommitted facilities with interest payable in arrears at wholesale market rates. Of these facilities, a total of \$103m has been drawn at balance date (2007: \$104.3m). The Group has additional short term bank facilities of \$0.3m (2007: \$0.3m).

Bank overdraft

An overdraft facility of \$1.5m (2007: \$1.5m) is available to Council. This facility was undrawn as at 30 June 2008 (2007: undrawn). The Group has additional overdraft facilities of \$2.07m (2007: \$2.07m)

Security

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

Note 19 Borrowings continued

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
BORROWING AND OVERDRAFT FACILITIES				
Borrowing and overdraft facilities available				
Bank overdraft	1,500	1,500	3,570	3,570
Bank loans – term	1,357	1,637	2,443	2,847
Debentures	197	440	197	440
Debt securities	147,000	123,000	147,000	123,000
Short-term bank facilities and other credit lines – committed	165,000	135,000	165,300	135,300
Short-term bank facilities and other credit lines – uncommitted	5,000	5,000	5,000	5,000
Total borrowing and overdraft facilities available	320,054	266,577	323,510	270,157
Borrowing and overdraft facilities utilised				
Bank loans – term	1,357	1,637	2,443	2,847
Debentures	197	440	197	440
Debt securities	147,000	123,000	147,000	123,000
Short-term bank facilities and other credit lines – committed	98,000	103,000	98,000	103,000
Short-term bank facilities and other credit lines – uncommitted	5,000	1,300	5,000	1,300
Total borrowing and overdraft facilities utilised	251,554	229,377	252,640	230,587
Borrowing and overdraft facilities unutilised				
Bank overdraft	1,500	1,500	3,570	3,570
Short-term bank facilities and other credit lines – committed	67,000	32,000	67,300	32,300
Short-term bank facilities and other credit lines – uncommitted	-	3,700	-	3,700
Total borrowing and overdraft facilities unutilised	68,500	37,200	70,870	39,570

Note 20 Employee benefit liabilities

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
CURRENT				
Short-term benefits				
Payroll accruals	1,841	1,295	1,957	1,466
Holiday leave	5,314	4,538	5,864	5,032
Long service leave provision	38	37	38	37
Total short-term benefits	7,193	5,870	7,859	6,535
Termination benefits				
Other contractual entitlements	165	658	298	860
Total termination benefits	165	658	298	860
Total current	7,358	6,528	8,157	7,395
NON-CURRENT				
Long-term benefits				
Long service leave provision	38	72	102	74
Retirement gratuities provision	1,572	1,408	1,697	1,463
Total long-term benefits	1,610	1,480	1,799	1,537
Total employee benefit liabilities	8,968	8,008	9,956	8,932

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
LONG SERVICE LEAVE PROVISION				
Opening balance	109	198	111	200
Additional or increased provision made	-	-	64	-
Release of provision	(9)	(85)	(9)	(85)
Rediscounting of interest	8	16	8	16
Amount utilised	(32)	(20)	(34)	(20)
Long Service leave – closing balance	76	109	140	111

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

The gross long service leave provision (inflation adjusted at 4.00%) as at 30 June 2008, before discounting, is \$0.088m (2007: \$0.130m). The discount rate used is 7.90%

Note 20 Employee benefit liabilities continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
RETIREMENT GRATUITIES PROVISION				
Opening balance	1,408	2,052	1,463	2,109
Additional or increased provision made	91	-	176	-
Release of provision	-	(658)	-	(660)
Rediscounting of interest	101	119	101	119
Amount utilised	(28)	(105)	(43)	(105)
Retirement gratuities – closing balance	1,572	1,408	1,697	1,463

The 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 new employees since 1991. Based on the age of participants the provision may not be extinguished until 2037, assuming retirement at age 65.

The gross retirement gratuities provision (inflation adjusted at 4.00%) as at 30 June 2008, before discounting, is \$3.1m (2007: \$2.7m). The discount rate used is 7.90%.

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OTHER CONTRACTUAL ENTITLEMENTS				
Opening balance	658	-	860	-
Additional or increased provision made	165	658	165	860
Release of provision	(424)	-	(424)	-
Amount utilised	(234)	-	(303)	-
Total other contractual entitlements	165	658	298	860

Note 21 Provision for other liabilities

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current				
ACC Partnership programme	37	22	37	22
Landfill post closure costs	1,664	2,241	1,664	2,241
Other provisions	1,280	2,548	797	2,685
Total current	2,981	4,811	2,498	4,948
Non-current				
Landfill post closure costs	15,250	14,477	15,250	14,477
Other provisions	4,065	1,449	4,548	1,449
Total non-current	19,315	15,926	19,798	15,926
Total provision for other liabilities	22,296	20,737	22,296	20,874

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
ACC PARTNERSHIP PROGRAMME				
Central estimates of the present value of future payments	32	19	32	19
Risk margin	5	3	5	3
Total liability	37	22	37	22
Opening balance	22	26	22	26
Additional provisions for risks incurred in current year	90	70	90	70
Release of provisions relating to reassessment of risks in previous periods	-	(10)	-	(10)
Total claim expenditure for current year	90	60	90	60
Amounts utilised	(75)	(64)	(75)	(64)
Total liability	37	22	37	22
Increase / (Decrease) in provision for claims liability	15	(4)	15	(4)

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. This provision represents an estimate of the claims outstanding at balance date together with an estimate of the claims incurred but not yet reported.

Note 21 Provision for other liabilities continued

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
LANDFILL POST CLOSURE COSTS				
Opening balance	16,718	18,046	16,718	18,046
Additional or increased provision made	-	-	-	-
Release of provision	(216)	(1,022)	(216)	(1,022)
Re-discounting of interest	1,200	1,223	1,200	1,223
Amount utilised	(788)	(1,529)	(788)	(1,529)
Landfill post closure costs – closing balance	16,914	16,718	16,914	16,718

The Council currently operates the Southern Landfill (Stage 3). The Council has responsibility for 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: leachate collection and monitoring; water quality monitoring; and for monitoring and recovery of gas.

The 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 Council is currently monitoring gas, leachate and water for closed landfills identified as potential risks.

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.

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cashflows are discounted using a discount rate of 7.90%. The gross provision (inflation adjusted at 4.00%), before discounting, is \$34.077m as at 30 June 2008 (2007: \$29.788m). This represents the Council's projection of the amount required to settle the obligation at the estimated time of the cash outflow.

Stage 3 of the Southern Landfill has an estimated remaining capacity of 1,248,021m³ (2007: 1,379,000m³) and an estimated remaining life of 11 years (2007: 12 years). These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council has a 21.5% joint venture interest in the Spicer Valley Landfill. The Council's provision includes the Council's proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of 661,240m³ (2007: 744,000m³) and an estimated remaining life of 5 years (2007: 6 years).

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OTHER PROVISIONS				
Opening balance	3,997	1,542	4,134	1,542
Additional or increased provision made	1,510	2,551	1,510	2,688
Amount utilised	(162)	(96)	(299)	(96)
Other provisions – closing balance	5,345	3,997	5,345	4,134

Other provisions are recognised for amounts provided in relation to potential costs arising from legal claims, and other obligations for future expenditure of uncertain amount or timing.

Note 22 Accumulated funds and retained earnings

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Accumulated funds		1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings					
Opening balance		3,454,652	3,420,249	3,506,697	3,471,537
Net surplus/(deficit)		25,515	35,722	34,866	36,069
Transfers to revaluation reserves	23	(173)	(1,182)	(173)	(1,182)
Transfers from restricted funds	25	2,349	1,012	2,351	1,700
Transfers to restricted funds	25	(954)	(1,149)	(1,397)	(1,427)
Retained earnings – closing balance		3,481,389	3,454,652	3,542,344	3,506,697
Total accumulated funds and retained earnings		4,750,523	4,723,786	4,835,506	4,799,859

Note 23 Revaluation reserves

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Land – opening balance	96,208	96,208	96,208	96,208
Land – closing balance	96,208	96,208	96,208	96,208
Buildings – opening balance	161,996	161,996	161,996	161,996
Revaluations movement taken directly to equity	(159)	-	(159)	-
Buildings – closing balance	161,837	161,996	161,837	161,996
Library collections – opening balance	2,355	2,355	2,355	2,355
Revaluations movement taken directly to equity	2,558	-	2,558	-
Library collections – closing balance	4,913	2,355	4,913	2,355
Drainage, waste and water – opening balance	254,521	253,339	254,521	253,339
Revaluations movement taken directly to equity	158,663	-	158,663	-
Transfer from retained earnings	-	1,182	-	1,182
Drainage, waste and water – closing balance	413,184	254,521	413,184	254,521
Infrastructure land – opening balance	4,645	4,645	4,645	4,645
Revaluations movement taken directly to equity	9,277	-	9,277	-
Transfer from retained earnings	173	-	173	-
Infrastructure land – closing balance	14,095	4,645	14,095	4,645
Roading – opening balance	326,520	326,520	326,520	326,520
Revaluations movement taken directly to equity	21,744	-	21,744	-
Roading – closing balance	348,264	326,520	348,264	326,520
Associates' revaluation reserves – opening balance	-	-	55,673	56,112
Revaluations movement taken directly to equity	-	-	2,691	(439)
Transfer from retained earnings	-	-	-	-
Associates' revaluation reserves – closing balance	-	-	58,364	55,673
Total revaluation reserves	1,038,501	846,245	1,096,865	901,918
These revaluation reserves are represented by:				
Opening balance	846,245	845,063	901,918	901,175
Revaluations movement taken directly to equity	192,083	-	194,774	(439)
Transfer from retained earnings	173	1,182	173	1,182
Total revaluation reserves – closing balance	1,038,501	846,245	1,096,865	901,918

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

Note 24 Hedging reserve

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Opening balance	5,468	2,027	5,468	2,027
Cash flow hedge movements taken directly to equity	(2,102)	3,675	(2,126)	3,675
Cash flow hedge gains transferred to Statement of Financial Performance	(309)	(234)	(309)	(234)
Hedging reserve – closing balance	3,057	5,468	3,033	5,468

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.

Note 25 Restricted funds

	NOTE	COUNCIL		GROUP	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Special reserves and funds	26	1,379	2,426	1,379	2,426
Council created reserves and funds	26	16,141	16,172	16,141	16,172
Trusts and bequests	27	3,459	3,776	3,459	3,776
Subsidiaries' restricted funds					
Opening balance		-	-	2,597	3,007
Additional funds received		-	-	441	278
Funds utilised		-	-	-	(688)
Subsidiaries' restricted funds – closing balance		-	-	3,038	2,597
Total restricted funds		20,979	22,374	24,017	24,971
These funds are represented by:					
Opening balance		22,374	22,237	24,971	25,244
Transfers from retained earnings		954	1,149	1,397	1,427
Transfers to retained earnings		(2,349)	(1,012)	(2,351)	(1,700)
Restricted funds – closing balance		20,979	22,374	24,017	24,971

These funds are a mixture of special purpose reserves and funds, including council created reserves and trusts and bequests. More detailed information on the Council reserves and funds is disclosed in Notes 26 and 27.

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

The Wellington Museums Trust has three reserves; a Capital Reserve, a Colonial Cottage Museum Collection reserve and a City and Sea Collection reserve.

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

Note 26 Special and council created reserves and funds

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
SPECIAL RESERVES AND FUNDS				
Reserve purchase and development fund				
Opening balance	2,312	2,753	2,312	2,753
Additional funds received	48	51	48	51
Funds utilised	(1,075)	(492)	(1,075)	(492)
Reserve purchase & development fund – closing balance	1,285	2,312	1,285	2,312
Early Settlers Memorial Park reserve				
Opening balance	114	134	114	134
Funds utilised	(20)	(20)	(20)	(20)
Early Settlers Memorial Park reserve – closing balance	94	114	94	114
Total special reserves and funds – closing balance	1,379	2,426	1,379	2,426

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas especially in residential subdivision development areas.

In 2007/08 funds utilised included the purchase of Khouri Avenue and the Rangiohua Block.

Early Settlers Memorial Park reserve

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

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
COUNCIL CREATED RESERVES AND FUNDS				
Self insurance reserve				
Opening balance	11,929	11,880	11,929	11,880
Additional funds received	500	500	500	500
Funds utilised	(531)	(451)	(531)	(451)
Self insurance reserve – closing balance	11,898	11,929	11,898	11,929
Subdivision development reserve	4,119	4,119	4,119	4,119
Other reserves	124	124	124	124
Total council created reserves and funds – closing balance	16,141	16,172	16,141	16,172

Self-insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the uninsured portion of insurance claims. Additions to the reserve of \$0.5m (2007: \$0.5m) are funded through rates as identified in the Annual Plan.

Note 27 Trusts and bequests

COUNCIL	OPENING	ADDITIONAL	FUNDS	CLOSING
	BALANCE	FUNDS	UTILISED	BALANCE
	2008	2008	2008	2008
	\$000	\$000	\$000	\$000
A Graham Trust	6	-	-	6
A W Newton Bequest	214	17	-	231
Charles Plimmer Bequest	1,609	248	(711)	1,146
E A McMillan Estate	6	-	-	6
E Pengelly Bequest	9	-	-	9
F L Irvine Smith Memorial	4	1	-	5
Greek NZ Memorial Association	5	-	-	5
J R Hancock Bequest	1,729	137	(4)	1,862
Kidsarus 2 Donation	2	-	-	2
Kirkcaldie and Stains Donation	17	-	-	17
Lewis Glover Bequest	27	-	-	27
QEII Memorial Book Fund	37	3	-	40
Schola Cantorum Trust	4	-	-	4
Stanley Banks Trust	86	-	(8)	78
Terawhiti Grant	10	-	-	10
W G Morrison Estate	11	-	-	11
Total trusts and bequests	3,776	406	(723)	3,459

Analysis of movements in trusts and bequests

1. Trusts and bequests receiving additional funds during the year were:

- Charles Plimmer bequest – distributions to Council from the Estate of Charles Plimmer administered by the Public Trust – \$142,500 plus interest.
Interest has been applied to trust and bequest funds in accordance with the original terms and conditions.

2. Trusts and bequests funds utilised during the year were:

- Stanley Banks trust – educational grants to children of WWII service personnel – \$8,000
- J R Hancock bequest – to purchase artworks for the Civic art collection – \$4,000
- Charles Plimmer bequest – upgrade of Scorching Bay – \$655,000
– upgrade of Central Park – \$56,000

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

Note 28 Financial instruments

Financial risk management objectives and policies

The Group's financial instruments include financial assets (cash and cash equivalents, loans and receivables, available-for-sale financial assets, investments in subsidiaries and associates), and financial liabilities (payables that arise directly from operations and borrowings) and derivative financial instruments. Interest rate swaps are used to reduce exposure to fluctuations in interest rates arising on floating rate borrowings. The main purpose of the Group's financial instruments is to raise finance for the Group's operations.

As part of its normal operations, the Group is exposed to credit risk, interest rate risk and liquidity 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:

Fair Value

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms length transaction. The fair values of all financial instruments equate to the carrying amount recognised in the Statement of Financial Position.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. 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 off-balance sheet guarantees to community groups (refer Note 33).

The Group's maximum exposure to credit risk at balance date is:

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Financial assets				
Cash and cash equivalents	2,307	11,112	5,304	15,674
Derivative financial instruments				
Interest rate swaps – amounts receivable	2,555	5,468	2,555	5,468
Trade and other receivables				
Trade receivables	11,980	11,521	13,163	11,787
Loans to related parties – associates	773	6,522	773	6,522
Loans to related parties – other organisations	823	-	823	-
Other receivables	17,421	16,604	17,738	16,829
Total financial assets	35,859	51,227	40,356	56,280

Note 28 Financial instruments continued

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

	2008		2007	
	GROSS RECEIVABLE \$000	IMPAIRMENT \$000	GROSS RECEIVABLE \$000	IMPAIRMENT \$000
COUNCIL				
Trade, loans and other receivables				
Not past due	19,037	(90)	23,981	(92)
Past due 0-3 months	5,619	(440)	5,807	(337)
Past due 3-6 months	2,447	(689)	2,262	(1,101)
Past due more than 6 months	11,424	(6,311)	10,216	(6,089)
Total trade, loans and other receivables	38,527	(7,530)	42,266	(7,619)
GROUP				
Trade, loans and other receivables				
Not past due	20,282	(90)	24,260	(92)
Past due 0-3 months	5,763	(440)	5,935	(341)
Past due 3-6 months	2,473	(689)	2,263	(1,101)
Past due more than 6 months	11,535	(6,337)	10,330	(6,116)
Total trade, loans and other receivables	40,053	(7,556)	42,788	(7,650)

The concentration of receivables past due more than 6 months primarily relates to fines receivable. Due to their nature, the collection pattern for fines receivable is longer than that for trade.

Note 28 Financial instruments continued

Liquidity risk

Liquidity risk is the risk arising from unmatched cash flows and maturities. To provide flexibility in the management of the Group's liquidity, the Group has committed short term bank advance facilities available (for details refer to Note 19: Borrowings).

The Group's strong liquidity management means that it is cost effective to maintain negative working capital. On a cash flow basis, the Council maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Treasury Management Policy and Guidelines.

The following table 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 comprise the nominal amount and interest payment.

	2008					
	STATEMENT OF FINANCIAL POSITION \$000	TOTAL CONTRACTUAL CASH FLOWS \$000	0-12 MONTHS \$000	1-2 YEARS \$000	2-5 YEARS \$000	MORE THAN 5 YEARS \$000
COUNCIL						
Trade and other payables	48,194	48,194	48,194	-	-	-
Bank loans	1,357	1,950	257	156	704	833
Debentures	197	221	103	28	39	51
Debt securities	147,000	210,835	18,049	12,604	106,060	74,122
Short term bank facilities	103,000	104,069	104,069	-	-	-
Total financial liabilities settled on a gross basis	299,748	365,269	170,672	12,788	106,803	75,006

	2007					
	STATEMENT OF FINANCIAL POSITION \$000	TOTAL CONTRACTUAL CASH FLOWS \$000	0-12 MONTHS \$000	1-2 YEARS \$000	2-5 YEARS \$000	MORE THAN 5 YEARS \$000
COUNCIL						
Trade and other payables	44,281	44,281	44,281	-	-	-
Bank loans	1,637	2,199	207	299	835	858
Debentures	440	499	119	109	180	91
Debt securities	123,000	164,287	10,046	9,804	82,994	61,443
Short term bank facilities	104,300	105,058	105,058	-	-	-
Total financial liabilities settled on a gross basis	273,658	316,324	159,711	10,212	84,009	62,392

Note 28 Financial instruments continued

GROUP	2008					
	STATEMENT OF FINANCIAL POSITION	TOTAL CONTRACTUAL CASH FLOWS	0-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	\$000	\$000	\$000	\$000	\$000	\$000
Trade and other payables	50,200	50,200	50,200	-	-	-
Bank loans	2,443	3,468	455	362	904	1,747
Debentures	197	221	103	28	39	51
Debt securities	147,000	210,835	18,049	12,604	106,060	74,122
Short term bank facilities	103,000	104,069	104,069	-	-	-
Total financial liabilities settled on a gross basis	302,840	368,793	172,876	12,994	107,003	75,920

GROUP	2007					
	STATEMENT OF FINANCIAL POSITION	TOTAL CONTRACTUAL CASH FLOWS	0-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	\$000	\$000	\$000	\$000	\$000	\$000
Trade and other payables	47,419	47,419	47,419	-	-	-
Bank loans	2,847	3,856	374	468	1,161	1,853
Debentures	440	499	119	109	180	91
Debt securities	123,000	164,287	10,046	9,804	82,994	61,443
Short term bank facilities	104,300	105,058	105,058	-	-	-
Total financial liabilities settled on a gross basis	278,006	321,119	163,016	10,381	84,335	63,387

Note 28 Financial instruments continued

Market Risk

The group enters into derivative arrangements in the ordinary course of business to manage interest rate risks. A Finance and Treasury Committee, headed by senior management personnel, provides oversight for risk management and derivative activities and ensures any activities are in line with the Treasury Management Policy which is formally approved by Council as part of the Council's Long Term Council Community Plan (LTCCP).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk from its interest-earning financial assets and interest-bearing liabilities. The Group is risk averse and seeks to minimise exposure arising from its treasury activities. It does not undertake unnecessary investment or borrowing activity, nor is any speculation permitted in the activity it undertakes.

The Group manages its interest rate risk by maintaining the ratio of borrowing between fixed and floating interest rates and by maintaining pre-set portions of its borrowings in a range of maturity profiles. The effective interest rates and contractual repricing or maturity periods (whichever is earlier) of financial instruments are as follows:

	COUNCIL		GROUP	
	2008 %	2007 %	2008 %	2007 %
WEIGHTED EFFECTIVE INTEREST RATES				
Cash and Cash Equivalents	8.50	7.70	6.89	7.05
Bank deposits – term	-	-	8.75	7.92
Loans to related parties ¹	0.00	0.00	0.00	0.00
Short term bank facilities	8.80	7.67	8.80	7.67
Bank loans	8.67	7.00	8.34	7.36
Debentures	4.24	3.71	4.24	3.71
Debt securities	8.87	7.06	8.87	7.06
Derivative financial instruments – hedged	6.85	6.40	6.85	6.40
Derivative financial instruments – non-hedged	7.35	-	7.35	-

¹ The loans to related parties, namely being the loan to the Wellington Regional Stadium Trust, and the partial drawdown of the loan to the Karori Wildlife Sanctuary Trust, are both on interest free terms.

Note 28 Financial instruments continued

COUNCIL	2008				
	TOTAL \$000	0-12 MONTHS \$000	1-2 YEARS \$000	2-5 YEARS \$000	5+ YEARS \$000
Fixed rate instruments					
Loans to related parties – associates	773	-	-	-	773
Loans to related parties – other organisations	823	-	-	198	625
Debentures	(197)	(95)	(24)	(29)	(49)
Total fixed rate instruments	1,399	(95)	(24)	169	1,349
Variable rate instruments and related derivatives					
Cash and cash equivalents	2,307	2,307	-	-	-
Bank loans	(1,357)	(140)	(50)	(400)	(767)
Short term bank facilities	(103,000)	(103,000)	-	-	-
Debt securities	(147,000)	(147,000)	-	-	-
Effect of derivative financial instruments – hedged	-	52,000	(10,000)	(27,000)	(15,000)
Effect of derivative financial instruments – non-hedged	-	81,000	(15,000)	(58,000)	(8,000)
Total variable rate instruments and related derivatives	(249,050)	(114,833)	(25,050)	(85,400)	(23,767)
Total	(247,651)	(114,928)	(25,074)	(85,231)	(22,418)

COUNCIL	2007				
	TOTAL \$000	0-12 MONTHS \$000	1-2 YEARS \$000	2-5 YEARS \$000	5+ YEARS \$000
Fixed rate instruments					
Loans to related parties – associates	6,522	-	-	-	6,522
Debentures	(440)	(103)	(96)	(153)	(88)
Total fixed rate instruments	6,082	(103)	(96)	(153)	6,434
Variable rate instruments and related derivatives					
Cash and cash equivalents	11,112	11,112	-	-	-
Bank loans	(1,637)	(93)	(191)	(551)	(802)
Short term bank facilities	(104,300)	(104,300)	-	-	-
Debt securities	(123,000)	(123,000)	-	-	-
Effect of interest rate swaps – hedged	-	112,000	(40,000)	(37,000)	(35,000)
Total variable rate instruments and related derivatives	(217,825)	(104,281)	(40,191)	(37,551)	(35,802)
Total	(211,743)	(104,384)	(40,287)	(37,704)	(29,368)

Note 28 Financial instruments continued

GROUP	2008				
	TOTAL \$000	0-12 MONTHS \$000	1-2 YEARS \$000	2-5 YEARS \$000	5+ YEARS \$000
Fixed rate instruments					
Loans to related parties – associates	773	-	-	-	773
Loans to related parties – other organisations	823	-	-	198	625
Debentures	(197)	(95)	(24)	(29)	(49)
Total fixed rate instruments	1,399	(95)	(24)	169	1,349
Variable rate instruments and related derivatives					
Cash and cash equivalents	5,304	5,304	-	-	-
Bank deposits – term	357	-	357	-	-
Bank loans	(2,443)	(1,097)	(179)	(400)	(767)
Short term bank facilities	(103,000)	(103,000)	-	-	-
Debt securities	(147,000)	(147,000)	-	-	-
Effect of derivative financial instruments – hedged	-	52,000	(10,000)	(27,000)	(15,000)
Effect of derivative financial instruments – non-hedged	-	81,000	(15,000)	(58,000)	(8,000)
Total variable rate instruments and related derivatives	(246,782)	(112,793)	(24,822)	(85,400)	(23,767)
Total	(245,383)	(112,888)	(24,846)	(85,231)	(22,418)

GROUP	2007				
	TOTAL \$000	0-12 MONTHS \$000	1-2 YEARS \$000	2-5 YEARS \$000	5+ YEARS \$000
Fixed rate instruments					
Loans to related parties – associates	6,522	-	-	-	6,522
Debentures	(440)	(103)	(96)	(153)	(88)
Total fixed rate instruments	6,082	(103)	(96)	(153)	6,434
Variable rate instruments and related derivatives					
Cash and cash equivalents	15,674	15,674	-	-	-
Bank loans	(2,847)	(175)	(281)	(659)	(1,732)
Short term bank facilities	(104,300)	(104,300)	-	-	-
Debt securities	(123,000)	(123,000)	-	-	-
Effect of derivative financial instruments – hedged	-	112,000	(40,000)	(37,000)	(35,000)
Total variable rate instruments and related derivatives	(214,473)	(99,801)	(40,281)	(37,659)	(36,732)
Total	(208,391)	(99,904)	(40,377)	(37,812)	(30,298)

Note 28 Financial instruments continued

Hedging

The Group has a policy of ensuring that between 50% and 95% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps denominated in New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next 8 years following the maturity of the related loans and have fixed swap rates ranging from 5.95% to 6.69%. At 30 June 2008, the Group had interest rate swaps with a notional contract amount of \$107m (2007: \$107m). The Group classifies interest rate swaps that qualify for hedge accounting as cash flow hedges.

In addition, the Group has an interest rate collar with a cap of 7.24% and a floor of 6.20%. The notional contract amount of the interest rate collar is \$15m (2007: \$15m). The Group also classifies the interest rate collar as a cash flow hedge as it qualifies for hedge accounting.

The Group acquired interest rate swaps and swaptions during the year that did not qualify for hedge accounting. The notional contract value of these was \$36m (2007: nil). The movement in the fair value of these interest rate swaps and swaptions which do not meet the criteria for hedge accounting is taken directly to the Statement of Financial Performance. The interest rate range for the interest rate swaps is 6.31% to 6.92% and for the swaptions is 8.50% to 8.60%.

The net fair value of the swaps, collars and swaptions at 30 June 2008 was \$2.555m (2007: \$5.468m) comprising assets of \$2.555m (2007: \$5.468m) and liabilities of \$nil (2007: \$nil).

Equity Management

The Group's equity includes accumulated funds and retained earnings, revaluation reserves, a hedging 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 in place asset management plans 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 LTCCP and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Note 28 Financial instruments continued

Sensitivity Analysis

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on the surplus.

At 30 June 2008 it is estimated that a general decrease of one percentage point in interest rates would increase the group's surplus before income tax by approximately \$0.3m. Interest rate swaps have been included in this calculation.

The tables below illustrate the potential surplus and deficit impact for reasonably possible movements, with all other variables held constant, based on Council's and the Group's financial instrument exposures at balance date.

COUNCIL / GROUP	NOTE	2008 \$000		2007 \$000	
		+100BPS DEFICIT	-100BPS SURPLUS	+100BPS SURPLUS	-100BPS DEFICIT
INTEREST RATE RISK					
Financial Assets					
Cash and cash equivalents – Council	a	23	(23)	111	(111)
Cash and cash equivalents – Group	a	53	(53)	156	(156)
Derivatives – Interest rate swaps	b	2,268	(2,247)	4,853	(4,808)
Financial Liabilities					
Bank Loans	c	(136)	136	(164)	164
Short term bank facilities	d	(1,030)	1,030	(1,043)	1,043
Debt securities	e	(1,470)	1,470	(1,230)	1,230
Total Sensitivity to interest rate risk		(292)	313	2,683	(2,638)

a. Cash and cash equivalents

Council – Cash and cash equivalents includes \$1.500m on short term deposit (2007: \$0.919m). The balance of Council funds is in different accounts with interest payable on the aggregation of all accounts. A movement in interest rates of plus or minus 1% has an effect on interest income of \$0.023m (2007: \$0.111m).

Group – A movement in interest rates of plus or minus 1% has an effect on interest income of \$0.053m (2007: \$0.156m).

b. Derivatives – Interest rate swaps

Derivatives include Interest rate swaps with a fair value totalling \$2.555m (2007: \$5.468m). The fair value is the benefit from the life to maturity of swaps, and not the amount payable within the year. A movement in interest rates of plus 1% has an effect on increasing the unrealised value of the interest rate swaps of \$2.268m. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the interest rate swaps by \$2.247m.

c. Bank loans

Bank loans total \$1.357m (2007: \$1.637m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.136m (2007: \$0.164m).

d. Short term bank facilities

Short term bank facilities are at floating rates and total \$103m (2007: \$104m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$1.030m (2007: \$1.043m).

e. Debt securities

Debt securities are at floating rates and total \$147m (2007: \$123m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$1.470m (2007: \$1.230m).

Note 29 Analysis of financial performance by strategy

This analysis by strategy is a summary of the "what it cost" information within the Statements of Service Performance. Refer to pages 1 to 76 for more detailed information in respect of Council strategies and activities.

OPERATING REVENUE AND EXPENDITURE

	ACTUAL REVENUE	BUDGET REVENUE	ACTUAL EXPENDITURE	BUDGET EXPENDITURE	ACTUAL NET	BUDGET NET	VARIANCE NET
	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000
COUNCIL							
Strategy							
Urban development	26,160	9,395	28,786	22,439	(2,626)	(13,044)	10,418
Transport	33,075	27,654	44,295	43,580	(11,220)	(15,926)	4,706
Economic development	6,108	5,151	21,691	20,520	(15,583)	(15,369)	(214)
Environment	19,515	12,623	114,044	114,299	(94,529)	(101,676)	7,147
Cultural well-being	1,258	1,099	13,972	13,244	(12,714)	(12,145)	(569)
Social and recreation	32,917	31,935	82,878	81,361	(49,961)	(49,426)	(535)
Governance	1,088	1,028	14,391	13,780	(13,303)	(12,752)	(551)
Total strategy	120,121	88,885	320,057	309,223	(199,936)	(220,338)	20,402
Council	240,322	227,277	14,871	2,979	225,451	224,298	1,153
Total analysis by strategy	360,443	316,162	334,928	312,202	25,515	3,960	21,555

Major operating revenue and expenditure budget variances are explained within Note 30.

	ACTUAL REVENUE	BUDGET REVENUE	ACTUAL EXPENDITURE	BUDGET EXPENDITURE	ACTUAL NET	BUDGET NET	VARIANCE NET
	2007 \$000	2007 \$000	2007 \$000	2007 \$000	2008 \$000	2007 \$000	2007 \$000
COUNCIL							
Strategy							
Urban development	18,921	8,431	28,426	23,321	(9,505)	(14,890)	5,385
Transport	35,049	28,565	52,646	48,693	(17,597)	(20,128)	2,531
Economic development	5,312	5,014	22,479	22,158	(17,167)	(17,144)	(23)
Environment	17,535	17,733	104,948	107,103	(87,413)	(89,370)	1,957
Cultural well-being	996	1,033	12,086	12,192	(11,090)	(11,159)	69
Social and recreation	29,502	28,817	82,091	79,201	(52,589)	(50,384)	(2,205)
Governance	906	839	12,952	14,015	(12,046)	(13,176)	1,130
Total strategy	108,221	90,432	315,628	306,683	(207,407)	(216,251)	8,844
Council	243,909	214,771	780	(3,258)	243,129	218,029	25,100
Total analysis by strategy	352,130	305,203	316,408	303,425	35,722	1,778	33,944

Note 29 Analysis of financial performance by strategy continued

CAPITAL EXPENDITURE

	ACTUAL CAPEX	BUDGET CAPEX	VARIANCE NET	BUDGET TO CARRY FORWARD	ACTUAL CAPEX	BUDGET CAPEX	VARIANCE NET	BUDGET TO CARRY FORWARD
COUNCIL	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2007 \$000	2007 \$000	2007 \$000	2007 \$000
Strategy								
Urban Development	16,381	16,880	499	2,816	12,330	9,013	(3,317)	5,000
Transport	27,208	26,773	(435)	4,777	23,571	23,361	(210)	2,448
Economic Development	3,047	2,994	(53)	135	1,251	649	(602)	207
Environment	31,037	31,148	111	4,745	28,564	31,595	3,031	4,504
Cultural Well-being	465	475	10	836	159	159	-	1,266
Social and Recreation	14,330	14,074	(256)	7,463	21,885	18,772	(3,113)	3,673
Governance	58	58	-	22	101	126	25	-
Total strategy	92,526	92,402	(124)	20,795	87,861	83,675	(4,186)	17,098
Council	7,021	7,360	339	6,990	7,587	7,934	347	4,172
Additional budget ¹	-	1,045	1,045	-	-	8,425	8,425	-
Total analysis by strategy	99,547	100,807	1,260	27,785	95,448	100,034	4,586	21,270
less non-council funding	(1,267)	-	1,267	-	(913)	-	913	-
Total adjusted Capital Expenditure	98,280	100,807	2,527	27,785	94,534	100,034	5,500	21,270

¹ In 2007/08 council approved additional capital expenditure of \$1.045m for the purchase of Khouri Avenue and the Rangiohua Block.

In 2006/07 \$8.425m was rephased from 2007/08 to 2006/07 to reflect changes in project timing.

Major capital expenditure budget variances are explained within Note 31.

Note 30 Major budget variations

	COUNCIL 2008 \$000
STATEMENT OF FINANCIAL PERFORMANCE	
Council actual net surplus	25,515
Fair value adjustments	
Fair value gain on revaluation of investment properties	22,620
Cash flow hedge gain transferred from equity	309
Interest rate swap movements	(851)
Fair value adjustment on loans	(7,356)
Total fair value adjustments	14,722
Underlying Council actual net surplus	10,793
Council budget net surplus	3,960
Favourable Variance – Actual v Budgeted Net Surplus	6,833
EXPLANATION OF UNDERLYING VARIANCE	
Vested assets (non-cash in nature)	10,859
Gain on disposal of property, plant and equipment	846
Unbudgeted external funding towards capital projects	1,214
Bequests, special and reserve funds revenue received	190
Loss on disposal of assets	(267)
Insurance costs (net of recoveries) funded through self insurance reserve	(531)
Restatement of Provisions	(2,838)
Additional net expenditure from Wellington Waterfront Project and Porirua Joint Ventures	(2,204)
Additional dividend from Wellington International Airport Limited	964
Reduction in rates revenue	(636)
Reduction in Development Contributions revenue	(385)
Plimmer Trust capital funding requirement deferred	(450)
Other net variances ¹	71
TOTAL FACTORS CONTRIBUTING TO THE UNDERLYING FAVOURABLE VARIANCE	6,833

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

STATEMENT OF CHANGES IN EQUITY

Total equity is \$73.79m above that budgeted due to the following:

- The actual net surplus being \$21.56m above budget
- Timing differences in relation to the opening balance (as the 2007/08 Annual Plan was finalised before the 2006/07 Annual Report). This relates primarily to investment property revaluations of \$31.75m
- The increase of revaluations on property plant and equipment being \$14.64m above budget.

STATEMENT OF FINANCIAL POSITION

Significant movements are as follows:

- Total non-current assets are \$29.67m above budgeted. This relates primarily to the net asset revaluation movements for 2006/07 and 2007/08.
- Total non-current liabilities are \$39.59m below budgeted. This primarily relates to lower than expected borrowings.

STATEMENT OF CASH FLOWS

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

Note 31 Capital expenditure project performance

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

CAPITAL EXPENDITURE	COUNCIL 2008 \$000
Capital expenditure budget for 2007/08	99,291
Capital expenditure budget for carried forward from 2006/07	21,270
Capital expenditure budget for carried forward from 2005/06	6,986
Plus 2007/08 Council approved additional budget ¹	1,045
Total capital expenditure budget after amendments	128,592
Less actual capital expenditure incurred in 2007/08 ²	99,547
Capital expenditure carried forward to 2008/09	20,525
Capital expenditure carried forward to 2009/10	400
Capital expenditure carried forward to 2010/11	6,860
Forecast capital expenditure	127,332
Less additional capital expenditure funded from external sources:	
J R Hancock Bequest	4
Chews Lane Precinct	325
GWRC – Bus Lane Improvements	150
Prime Property Group – Minor Safety Works	25
NZ Community Trust – 10 New Dragon Boats	100
Liberty Swing – Playgrounds	16
Memorial Seats	33
Ministry of Tourism Grant – Owhiro Bay Interpretation	68
Mt Victoria Upgrade	85
Memorial Seats/Plaques	12
Veteran Affairs Funding – Returned Services Work	49
Newlands Community Centre Grant	300
Johnsonville Grant	100
	1,267
Adjusted actual capital expenditure for 2007/08	126,065
Capital expenditure savings against total approved budget (after amendments)	2,527

¹ This additional approved budget relates to the Rangiohua Block and Khouri Avenue.

² Actual capital expenditure consists of all expenditure in 2007/08; including expenditure against 2006/07 carry forwards and any additional Council approved expenditure.

Note 31 Capital expenditure project performance continued

Capital expenditure project budgets carried forward

Capital expenditure projects in the following Strategy areas approved for 2008/09 or later as indicated below:

STRATEGY	CARRY FORWARD TO			2008 \$000	2007 \$000
	2009 \$000	2010 \$000	2011 \$000		
Urban development	2,816	-	-	2,816	5,000
Transport	4,777	-	-	4,777	2,448
Economic development	135	-	-	135	207
Environment	3,445	400	900	4,745	4,504
Cultural well-being	836	-	-	836	1,266
Social and recreation	1,503	-	5,960	7,463	3,673
Governance	22	-	-	22	-
Total strategy	13,535	400	6,860	20,795	17,098
Council	6,990	-	-	6,990	4,172
Total capex project budgets carried forward	20,525	400	6,860	27,785	21,270

Amounts committed for future expenditure at balance date from within these capital expenditure budget carry forwards have been included within capital commitments in Note 32.

Significant acquisitions and replacements of assets

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

Note 31 Capital expenditure project performance continued

Capital Expenditure Projects

The following analysis shows the actual expenditure on capital expenditure projects against that budgeted. Projects are classified according to the Strategic area. Detailed commentaries on each Strategic area, activity and the outcomes that they contribute towards are contained in the Strategic area section of the Statement of Service Performance. Only those projects with budgets over \$0.5m, as reported in the Annual Plan, have been included in the table below.

WELLINGTON CITY COUNCIL						
	PROJECT	ACTIVITY	ACTUAL	PROPOSED BUDGET	TOTAL FORECAST	BUDGET ³
			EXPENDITURE ¹	CARRY FORWARD ²	EXPENDITURE	2008
			2008	2008	2008	2008
			\$000	\$000	\$000	\$000
Urban Development						
Northern Growth Management Framework implementation	CX447_CF	1.1.1	943	193	1,136	1,136
Wellington Waterfront development	CX131	1.5.1	5,825	-	5,825	6,600
Wellington Waterfront development	CX131_CF	1.5.1	4,425	-	4,425	4,425
Central city golden mile	CX406	1.5.2	1,110	611	1,721	1,721
Central city golden mile	CX406_CF	1.5.2	1,180	-	1,180	1,180
Central city squares and parks	CX409	1.5.2	11	1,489	1,500	1,500
Central city squares and parks	CX409_CF	1.5.2	869	-	869	840
Chest Hospital	CX452_CF	1.5.3	400	110	510	510
Transport						
Port and ferry access upgrade	CX493	2.2.2	31	687	718	718
Wall, bridge and tunnel renewals	CX086	2.4.1	2,523	77	2,600	2,600
Thin asphalt road surface renewals	CX088	2.4.1	1,231	-	1,231	1,268
Reseals renewals	CX089	2.4.1	1,742	-	1,742	1,837
Preseal preparation renewals	CX090	2.4.1	2,115	-	2,115	2,069
Shape and camber corrections	CX092	2.4.1	3,183	-	3,183	3,135
Road corridor sea wall renewal	CX098	2.4.1	588	-	588	586
Tunnels and bridges improvements AP	CX165	2.4.1	608	967	1,575	1,575
Kerb and Channel Renewal AP	CX253	2.4.1	1,910	-	1,910	1,865
Vehicle network new roads	CX311	2.4.1	815	1,134	1,949	1,949
Vehicle network new roads	CX311_CF	2.4.1	1,643	-	1,643	1,643
Wall and embankment improvements	CX350	2.4.1	472	70	542	575
Bus Priority Planning ⁴	CX492	2.4.3	200	950	1,150	1,000
Pedestrian network footpath renewals	CX094	2.4.4	3,315	-	3,315	3,251
Footpath extensions	CX099	2.4.4	492	-	492	500
Traffic and street signs renewals	CX095	2.4.5	1,440	-	1,440	1,405
Area based road safety initiatives	CX445	2.5.1	445	555	1,000	1,000
Economic Development						
Events centre upgrades	CX481_CF	3.1.2	2,163	-	2,163	2,125

¹ Actual capital expenditure consists of all expenditure in 2007/08 including expenditure against 2006/07 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 2007/08 Annual Plan budgets plus budgets carried forward into 2007/08 from the previous financial period.

⁴ External funding of \$0.15m received from GWRC for additional bus lane improvements.

Note 31 Capital expenditure project performance continued

WELLINGTON CITY COUNCIL						
	PROJECT	ACTIVITY	ACTUAL	PROPOSED BUDGET	TOTAL FORECAST	BUDGET ⁷
			EXPENDITURE ¹	CARRY FORWARD ²	EXPENDITURE	2008
			2008	2008	2008	2008
			\$000	\$000	\$000	\$000
Environment						
Coastal upgrades ⁴	CX290	4.2.2	615	-	615	501
Coastal upgrades	CX290_CF	4.2.2	1,070	-	1,070	987
Town belts and reserves upgrades ⁵	CX437	4.2.3	626	299	925	841
Southern landfill improvemnt AP	CX084	4.5.4	1,346	452	1,798	1,807
Water reticulation renewals	CX126	4.5.5	5,520	170	5,690	5,813
Water reservoir/pump station renewals	CX127	4.5.5	43	1,335	1,378	1,715
Water reticulation upgrades	CX326	4.5.5	593	512	1,105	1,726
Water pump station/reservoir upgrades	CX336	4.5.5	1,502	672	2,174	2,226
Water pump station/reservoir upgrades	CX336_CF	4.5.5	1,042	-	1,042	1,042
Water network maintenance renewals	CX430	4.5.5	1,067	-	1,067	1,232
Stormwater network renewals	CX151	4.6.2	3,228	-	3,228	3,160
Sewage pollution elimination – pump station upgrades	CX333	4.6.3	367	187	554	554
Sewage pollution elimination – sewerage network renewals	CX334	4.6.3	7,291	-	7,291	7,363
Zoo upgrades	CX340	4.8.1	1,492	429	1,921	1,921
Cultural Wellbeing						
Art Gallery	CX500_CF	5.4.1	386	812	1,198	1,198
Social and Recreation						
Renew – Housing AP	CX371	6.1.1	1,993	39	2,032	2,032
Aquatic Facility Upgrades AP	CX055	6.4.1	836	-	836	850
Aquatic Facility Upgrades AP	CX055_CF	6.4.1	690	-	690	690
Aquatic Facility Renewals AP	CX056	6.4.1	740	48	788	788
Hydrotherapy services	CX485	6.4.1	948	-	948	948
Sportsfields Renewals and Upgrades AP	CX345	6.4.2	667	-	667	657
Newtown Park Redevelopment	CX489	6.4.2	430	122	552	552
Newtown Park Redevelopment	CX489_CF	6.4.2	544	-	544	544
Indoor Community Sport Centre	CX499	6.4.3	1,624	5,960	7,584	7,585
Newlands Community Facility ⁶	CX457_CF	6.4.6	1,164	829	1,993	1,693
Upgrade Library materials AP	CX077	6.4.8	1,794	-	1,794	1,777
Public Convenience Upgrades	CX366	6.5.2	346	346	692	692
Public Convenience Upgrades ⁷	CX366_CF	6.5.2	583	-	583	551
Total capital expenditure projects > \$500,000			78,226	19,055	97,281	98,458
Total capital expenditure projects < \$500,000			21,321	8,730	30,051	29,089
Total capital expenditure projects			99,547	27,785	127,332	127,547

¹ Actual capital expenditure consists of all expenditure in 2007/08 including expenditure against 2006/07 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 2007/08 Annual Plan budgets plus budgets carried forward into 2007/08 from the previous financial period.

⁴ External funding of \$68k received for additional interpretation work at Owhiro Bay.

⁵ External funding received through donations of \$85k for additional work on Mt Vic upgrade.

⁶ External funding of \$300k for additional work on Newlands Community centre.

⁷ External funding of \$49k received from Veteran Affairs for additional returned services work.

Significant variances are explained by activity in the appropriate Strategy section within the Statements of Service Performance.

Note 32 Commitments

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
CAPITAL COMMITMENTS				
Approved and contracted – property, plant and equipment	71,079	31,435	71,256	31,448
Approved and contracted – share of associates	-	-	4,079	4,018
Total capital commitments	71,079	31,435	75,335	35,466

The capital commitments above often span more than one financial year and includes the capital expenditure carried forward from Note 31, which forms only part of the total commitments shown.

The Group has entered into commercial leases on certain items of plant, equipment, land and buildings. The future expenditure committed by these leases is analysed as follows:

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS – AS LESSEE				
Plant and equipment				
Not later than one year	686	1,088	1,042	1,302
Later than one year and not later than five years	1,327	616	2,078	954
Later than five years	8	-	66	-
Land and buildings				
Not later than one year	923	820	1,042	882
Later than one year and not later than five years	1,567	1,645	1,705	1,677
Later than five years	4,799	971	4,799	971
Total non-cancellable operating lease commitments – as lessee	9,310	5,140	10,732	5,786

The Group has also entered into commercial property leases of its investment property portfolio and other land and buildings. The committed revenues expected from these lease portfolios are analysed as follows:

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS – AS LESSOR				
Land and buildings				
Not later than one year	2,154	2,087	581	615
Later than one year and not later than five years	4,017	3,498	1,585	1,717
Later than five years	547	777	547	777
Investment properties				
Not later than one year	13,614	9,385	13,614	9,384
Later than one year and not later than five years	32,467	25,423	32,467	25,423
Later than five years	62,790	40,969	62,790	40,969
Total non-cancellable operating lease commitments – as lessor	115,589	82,139	111,584	78,885

Note 33 Contingencies

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
CONTINGENT LIABILITIES				
Financial guarantees to community groups	1,406	1,588	1,406	1,588
Share of associates' contingent liabilities	-	-	56	-
Share of joint ventures' contingent liabilities	-	-	-	-
Other legal proceedings	1,584	3,244	1,584	4,382
Total contingent liabilities	2,990	4,832	3,046	5,970

Financial guarantees to community groups are analysed below:

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
OUTSTANDING DEBT SUBJECT TO COUNCIL GUARANTEES				
Karori Wildlife Sanctuary Trust	1,208	1,308	1,208	1,308
Wellington Museums Trust	198	280	198	280
Total outstanding debt subject to Council guarantees	1,406	1,588	1,406	1,588

Karori Wildlife Sanctuary Trust

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

Wellington Museums Trust

The Council has provided a guarantee over a bank term loan facility to a maximum limit of \$0.75m plus one years interest on the principal amount and enforcement costs.

The above financial guarantees have not been recognised as liabilities as the Council and Group consider it is not probable at 30 June 2008 that any expenditure will be incurred to settle them.

OTHER LEGAL PROCEEDINGS

Other legal proceedings are claims against the Council and Group as a result of past events which remain uncertain at balance date. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid.

Other legal proceedings include a number of claims which are currently being contested, for which the majority is covered by insurance. The actual exposure to Council, after insurance, is anticipated to be less than \$1.584m.

In the prior year the Group had a contingent liability for Wellington Waterfront Limited. During the current year Wellington Waterfront Limited won two summary judgments in the High Court against Construction Service Company (Wellington) Limited (In Receivership) (CSC) in relation to work on Waitangi Park and has removed the contingent liability (2007: \$1.138 million).

There are a number of other claims which are currently being contested for varying amounts which make up the remainder of the balance and are currently in dispute. A major portion of the Council's exposure for these claims is an insured risk.

Note 33 Contingencies continued

UNQUANTIFIED CONTINGENT LIABILITIES

The Council and Group may have a potential liability for settlement of claims arising in relation to the Weathertight Homes Resolution Services (WHRS) Act 2006. A provision has been recognised for accounting purposes for potential settlement of known claims. The Council and Group also might have an unquantified net contingent liability in relation to potential future claims which are not yet advised nor recognised as a potential 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.

	COUNCIL		GROUP	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
CONTINGENT ASSETS				
Other legal proceedings	-	-	-	889
Total contingent assets	1,406	1,588	1,406	1,588

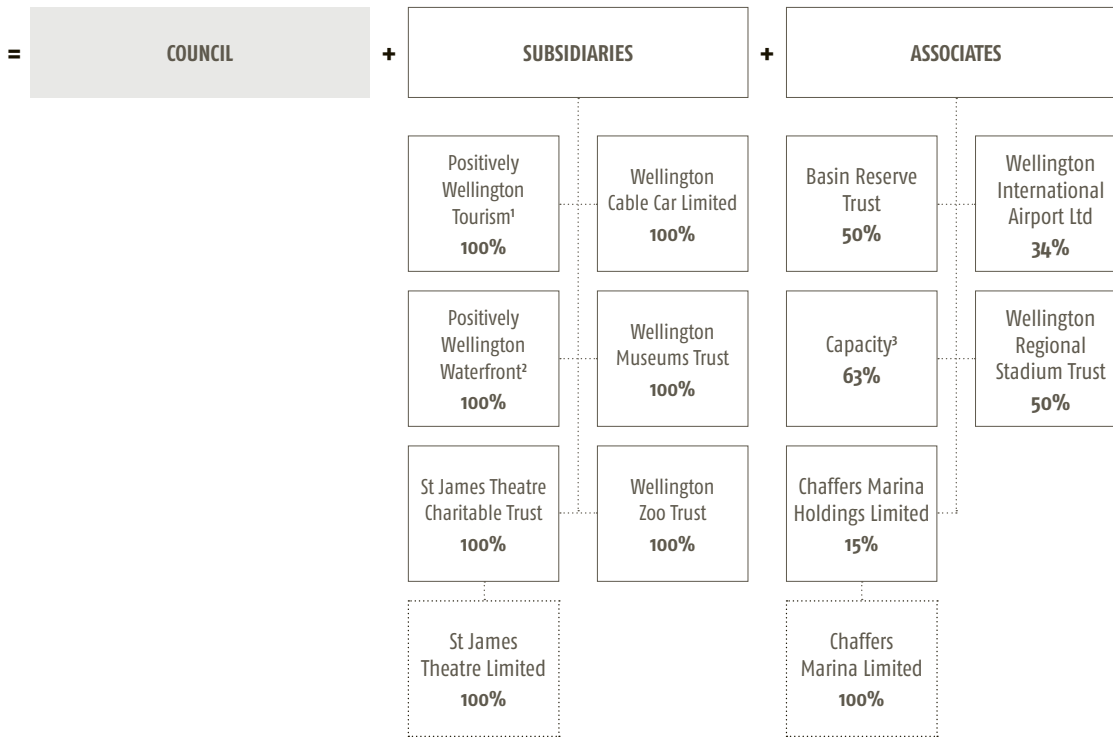
At 30 June 2007 there was a contingent asset of \$0.889m plus interest and costs arising from a summary judgement against Contractors Bonding Limited. The contingent asset was paid in full during 2007/08.

Note 34 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 Wellington Water Management Limited.

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

Note 35 Joint ventures

The Council has significant interests in the following joint ventures:

JOINT VENTURE	INTEREST 2008	INTEREST 2007	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 joint ventures have a balance date of 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.

	COUNCIL 2008 \$000	COUNCIL 2007 \$000
SHARE OF NET ASSETS		
Assets		
Trade and other receivables	2,518	2,314
Inventory	23	-
Property, plant and equipment	14,504	9,330
Share of total assets	17,045	11,644
Liabilities		
Borrowings	1,357	1,637
Payables and accruals	125	-
Provisions for other liabilities	319	381
Share of total liabilities	1,801	2,018
Share of net assets	15,244	9,626

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.

	COUNCIL 2008 \$000	COUNCIL 2007 \$000
SHARE OF NET SURPLUS AND REVALUATION MOVEMENTS		
Operating revenue	702	1,142
Operating expenditure	446	243
Share of net surplus	256	899
Share of current year revaluation movement	5,362	-

The Council's and Group's share of the joint ventures' capital commitments is \$Nil (2007: Nil) and contingent liabilities is \$Nil (2007: Nil).

Note 36 Investment in Subsidiaries

The following entities are subsidiaries of Council:

SUBSIDIARY	INTEREST 2008	INTEREST 2007	NATURE OF BUSINESS
Positively Wellington Tourism (Partnership Wellington Trust Inc.)	100%	100%	Creates economic and social benefit by marketing the city with the private sector as a visitor destination.
Positively Wellington Waterfront (Wellington Waterfront Limited)	100%	100%	Manages the Wellington Waterfront Project.
St James Theatre Charitable Trust	100%	100%	Owns and operates the St James Theatre and Opera House to promote them as artistic venues and to promote the performing arts.
– St James Theatre Limited	100%	100%	Performing arts venue.
Wellington Cable Car Limited	100%	100%	Owns and manages the trolley bus overhead wiring system and the cable car.
Wellington Museums Trust	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Colonial Cottage Museum and the Museum of Wellington City and Sea.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.
Positively Wellington Business (Wellington Regional Economic Development Trust)	Nil	100%	Promoted economic development in the greater Wellington region until 30 June 2007. Refer to explanation below.

Positively Wellington Business (Wellington Regional Economic Development Trust)

As a new regional agency (Grow Wellington – a fully owned subsidiary of the Greater Wellington Regional Council) has been established to implement the economic development initiatives in the Wellington Regional Strategy, Positively Wellington Business ceased operating and began a disestablishment process from 30 June 2007. For accounting purposes, Positively Wellington Business was not a going concern at 30 June 2007 and the financial statements were, therefore, prepared on a disestablishment basis for the year ending 30 June 2007. In the year ended 30 June 2008 the company was wound up; during the year the only transaction with Council was the repayment of an outstanding loan.

All subsidiaries have balance dates of 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 177).

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

	COUNCIL 2008 \$000	COUNCIL 2007 \$000
INVESTMENT IN SUBSIDIARIES		
St James Theatre Charitable Trust	2,700	2,700
Wellington Cable Car Limited	3,809	3,809
Total investment in subsidiaries	6,509	6,509

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

Information on inter-company transactions is included in the Related Parties disclosures – Note 38.

Note 37 Investment in Associates

Council has a significant interest in the following associates:

ASSOCIATE	INTEREST 2008	INTEREST 2007	NATURE OF BUSINESS
Basin Reserve Trust	50%	50%	Manage, operate and maintain the Basin Reserve
Capacity (Wellington Water Management Limited)	63%	63%	Jointly manage water services for Wellington and Lower Hutt cities.
Chaffers Marina Holdings Limited	14.7%	14.7%	Holding company for Chaffers Marina Limited.
– Chaffers Marina Limited	100%	100%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Regional Stadium Trust	50%	50%	Owns and manages the Westpac Stadium.

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

Basin Reserve Trust

The Basin Reserve Trust was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. 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 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 Wellington Water Management Limited, was jointly created with Hutt City Council on 9 July 2003 and has a balance date of 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 63%.

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have balance dates of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2008 Council held a 16.9% interest in Chaffers Marina Holdings Limited (2007: 16.9%). Of this 2.2% (2007: 2.2%) was subject to sale and purchase agreements where share ownership passes from Council when the terms of each agreement are fulfilled. Amounts owing under these sale and purchase agreements have been recognised as receivables. Council's interest in Chaffers Marina Holdings Limited of 14.7% (2007: 14.7%) has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

Note 37 Investment in Associates continued

Wellington International Airport Limited

Wellington International Airport Limited has a balance date of 31 March. The ultimate majority owner, Infratil Limited, has determined a different reporting date 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 balance date of 30 June. Wellington City Council has significant influence over the Wellington Regional Stadium Trust through the appointment of Trustees and receives benefits from the complementary activities of the Trust. On this basis the Trust is an associate of the Council in accordance with NZ IAS 28: *Investments in Associates*. It is therefore appropriate to recognise the interest that Wellington City ratepayers have in the Trust within the Council's financial statements. As each Council has equal power to appoint Trustees, Wellington City Council's ownership interest in the Trust has been accounted for at 50%.

Summary of Financial Position and Performance of Associates

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

ASSOCIATES	ASSETS	LIABILITIES	REVENUES	SURPLUS/(DEFICIT)
	2008	2008	2008	2008
	\$000	\$000	\$000	\$000
Basin Reserve Trust	1,011	110	651	349
Capacity	684	505	3,389	(56)
Chaffers Marina Holdings Limited	812	23	107	8
Wellington International Airport Limited	210,452	100,130	30,266	5,632
Wellington Regional Stadium Trust	52,168	21,138	8,277	9,160

ASSOCIATES	ASSETS	LIABILITIES	REVENUES	SURPLUS/(DEFICIT)
	2007	2007	2007	2007
	\$000	\$000	\$000	\$000
Basin Reserve Trust	571	20	607	424
Capacity	629	391	3,137	(2)
Chaffers Marina Holdings Limited	793	12	89	(28)
Wellington International Airport Limited	203,409	95,742	27,997	6,626
Wellington Regional Stadium Trust	53,370	32,053	7,894	107

Note 37 Investment in Associates continued

Investment in associates

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

	COUNCIL	
	2008 \$000	2007 \$000
INVESTMENT IN ASSOCIATES		
Capacity	376	376
Chaffers Marina Holdings Limited	1,407	1,407
Wellington International Airport Limited	17,775	17,775
Total investment in associates	19,558	19,558

The investment in associates in the Council financial statements represents the cost of the investment to the Council.

Note 37 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:

	GROUP	
	2008 \$000	2007 \$000
INVESTMENT IN ASSOCIATES		
Basin Reserve Trust		
Opening balance	551	127
Equity accounted earnings of associate	349	424
Closing Balance – Investment in Basin Reserve Trust	900	551
Capacity		
Opening balance	236	238
Equity accounted earnings of associate	(56)	(2)
Closing Balance – Investment in Capacity	180	236
Chaffers Marina Holdings Limited		
Opening balance	999	1,027
Equity accounted earnings of associate	8	(28)
Closing Balance – Investment in Chaffers Marina Holdings Limited	1,007	999
Wellington International Airport Limited		
Opening balance	107,667	107,123
Dividends	(5,644)	(5,643)
Equity accounted earnings of associate	5,632	6,626
Share of revaluation of property, plant and equipment	2,691	(439)
Share of hedging reserve	(24)	-
Closing Balance – Investment in Wellington International Airport Limited	110,322	107,667
Wellington Regional Stadium Trust		
Opening balance	21,318	21,211
Equity accounted earnings of associate	9,160	107
Closing Balance – Investment in Wellington Regional Stadium Trust	30,478	21,318
Total investment in associates	142,887	130,771

Note 37 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:

	GROUP	
	2008 \$000	2007 \$000
SHARE OF ASSOCIATES' SURPLUS		
Basin Reserve Trust		
Share of net surplus before tax	349	424
Tax (expense)/credit	-	-
Share of associate's surplus – Basin Reserve Trust	349	424
Capacity		
Share of net surplus/(deficit) before tax	(53)	1
Tax (expense)/credit	(3)	(3)
Share of associate's deficit – Capacity	(56)	(2)
Chaffers Marina Holdings Limited		
Share of net deficit before tax	8	(28)
Tax (expense)/credit	-	-
Share of associate's deficit – Chaffers Marina Holdings Limited	8	(28)
Wellington International Airport Limited		
Share of net surplus before tax	6,022	7,256
Tax (expense)/credit	(390)	(630)
Share of associate's surplus – Wellington International Airport Limited	5,632	6,626
Wellington Regional Stadium Trust		
Share of net surplus before tax ¹	9,160	107
Tax (expense)/credit	-	-
Share of associate's surplus – Wellington Regional Stadium Trust	9,160	107
Total share of associates' surplus	15,093	7,127

¹ The majority of the Wellington Regional Stadium surplus is from fair value gains on loans from Wellington City Council and Greater Wellington Regional Council. The loans are interest free and the expected repayment period has been extended resulting in a fair value gain for the Stadium and an offsetting loss for Council.

Note 38 Related party disclosures

Identity of related parties

In this section, 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.

	COUNCIL	
	2008 \$	2007 \$
KEY MANAGEMENT PERSONNEL		
Short-term employee benefits	4,018,922	4,661,585
Post employment benefits	4,056	8,212
Termination benefits	127,602	-
Total key management personnel benefits	4,150,580	4,669,797

Note 38 Related party disclosures continued

Directors' Remuneration

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

The following people held office as, either or both, elected members of the Council's governing body, and trustees or directors of entities comprising the Group during the reporting period. The aggregate remuneration paid to the Councillors and the Mayor during the year from 1 July 2007 to 30 June 2008 totalled \$1,424,695 (2007: \$1,431,059) and is disaggregated and classified as follows:

COUNCIL MEMBER	MONETARY REMUNERATION			NON MONETARY REMUNERATION	COUNCIL REMUNERATION	DIRECTOR/ TRUSTEE FEES	TOTAL REMUNERATION		
	SALARY \$	RESOURCE CONSENT HEARING FEES \$	MILEAGE \$	\$	2008 \$	\$	2008 \$	2007 \$	
Present Council									
Ahipene-Mercer, Ray	83,852	690	1,175	3,000	88,717	25,000	113,717	113,978	
Best, Ngaire	58,339	690	1,349	2,000	62,378	-	62,378	-	
Cook, Stephanie	83,852	-	313	3,000	87,165	-	87,165	85,281	
Coughlan, Jo	45,984	-	296	2,000	48,280	7,333	55,613	-	
Foster, Andy	83,852	233	1,558	3,000	88,643	10,834	99,477	98,437	
Gill, Leonie	79,939	1,224	554	3,000	84,717	-	84,717	82,879	
Goulden, Rob	65,610	-	564	3,000	69,174	-	69,174	67,412	
McKinnon, Ian	90,600	-	-	3,000	93,600	11,500	105,100	84,243	
Morrison, John	83,852	-	600	3,000	87,452	9,500	96,952	96,249	
Pannett, Iona	45,984	-	-	2,000	47,984	-	47,984	-	
Pepperell, Bryan	65,610	-	243	3,000	68,853	3,333	72,186	78,171	
Prendergast, Kerry	146,178	-	-	3,000	149,178	37,500	186,678	182,071	
Ritchie, Helene	65,610	-	-	3,000	68,610	3,333	71,943	76,480	
Wade-Brown, Celia	83,852	629	111	3,000	87,592	11,957	99,549	95,751	
Wain, Hayley	71,474	-	546	3,000	75,020	8,167	83,187	74,000	
Prior Council									
Armstrong, Robert	29,439	-	482	1,000	30,921	3,000	33,921	114,217	
Ruben, Jack	19,626	-	197	1,000	20,823	-	20,823	67,000	
Shaw, Alick	30,420	-	211	1,000	31,631	2,500	34,131	114,890	
Totals	1,234,073	3,466	8,199	45,000	1,290,738	133,957	1,424,695	1,431,059	
					Total monetary remuneration	1,237,539	133,957	1,371,496	1,386,059
					Total non-monetary remuneration	45,000	45,000	45,000	

Note 38 Related party disclosures continued

Salary

With the enactment of the Local Government Act 2002, the Remuneration Authority is now responsible for setting the remuneration levels for elected members. The Council 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 2007/08 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Non-salary: Resource consent hearings payments and Councillor mileage claims

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those Councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of \$85 per hour for the Chair and \$68 per hour for other members of the Committee. The level of fees received by Councillors who have sat on resource consent hearings for the 2007/08 financial year is included under the heading Monetary Remuneration.

Councillors are also able to claim an allowance for mileage. This allowance is also set by the Remuneration Authority and is paid to Councillors when using their personal vehicle to travel from their normal place of residence to official Council meetings, noting that Councillors' homes vary considerably in distance from the Civic Centre. The mileage allowance paid to individual Councillors is also included under the heading Monetary Remuneration.

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 cellphones and computers. A vehicle supplied to Mayor Kerry Prendergast is additional to her remuneration package and is provided for use on Council business only. Professional Indemnity and Trustee Liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

Director/Trustee Fees

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

ELECTED MEMBER	POSITION	DIRECTOR/TRUSTEE FEES		ORGANISATION
		SUBSIDIARIES \$	ASSOCIATES \$	
Present Council				
Ahipene-Mercer, Ray	Director	25,000	-	Positively Wellington Waterfront
Coughlan, Jo	Trustee ¹	7,333	-	Positively Wellington Tourism
Foster, Andy	Trustee ²	1,667	-	Positively Wellington Tourism
	Director ¹	-	9,167	Capacity
McKinnon, Ian	Trustee	11,500	-	St. James Theatre Charitable Trust
Morrison, John	Trustee ¹	-	9,500	Wellington Regional Stadium Trust
Pepperell, Bryan	Director ⁴	-	3,333	Capacity
Prendergast, Kerry	Director	-	37,500	Wellington International Airport Limited
Ritchie, Helene	Trustee ⁴	3,333	-	Wellington Museums Trust
Wade-Brown, Celia	Trustee	11,957	-	Wellington Zoo Trust
Wain, Hayley	Trustee ¹	8,167	-	Wellington Museums Trust
Prior Council				
Armstrong, Robert	Trustee ³	-	3,000	Wellington Regional Stadium Trust
Shaw, Alick	Director ³	-	2,500	Capacity
Total director and trustee fees		68,957	65,000	

¹ November 2007 – 30 June 2008

² July 2007 – August 2007

³ July 2007 – September 2007

⁴ July 2007 – October 2007

Note 38 Related party disclosures continued

Material related party transactions – key 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). In addition, during the year the Council:

– purchased services of \$2,787 from Comfort Hotel Wellington, a company in which the Mayor's spouse is a 50% shareholder.

Except for these transactions no key management personnel have entered into related party transactions with the Group.

Material related party transactions – other organisations

Council has influence in the governance, funding and operations of two entities that are not part of the group, to the extent that it is considered appropriate to disclose the nature of the transactions as being between related parties. These entities are the Karori Wildlife Sanctuary Trust and the Carter Observatory Trust.

Karori Wildlife Sanctuary Trust – Council appoints two of the 12 trustees including a Councillor. Operational funding of \$1.396m was made during the year to 30 June 2008 and of the \$8m loan \$1.692m was drawn down at 30 June 2008. The loan is on interest free terms.

Carter Observatory Trust – Council appoints one Board member, a Councillor. During the year, Council took over the management of the Observatory under the terms of a Management Agreement. The Council appointed a new Director of Carter Observatory to assist in the anticipated transition of the governance of the Observatory from the Carter Board to the Council-owned Wellington Museum's Trust, pending the repeal of the 1938 Carter Act. Council provided funding of \$0.353m.

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 due for the year ended 30 June 2008 was \$374,068 (2007: \$355,326).

Under the terms of his contract, the Chief Executive of the Council chooses how he wishes to take his package (salary only or a combination of salary and benefits). Effective from 3 March 2008, the breakdown of the Chief Executive's remuneration package is:

	COUNCIL	
	2008 \$	2007 \$
REMUNERATION OF THE CHIEF EXECUTIVE		
Short-term employee benefits		
Salary	360,918	339,862
Motor vehicle	23,338	23,338
Carpark	3,000	3,000
Total remuneration of the Chief Executive	387,256	366,200

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:

	COUNCIL	
	2008 \$000	2007 \$000
INTRA GROUP TRANSACTIONS AND BALANCES – JOINT VENTURES		
Revenue received by Council from the Joint Venture		
Distribution from Landfill operations	410	–
Expenditure incurred by Council to fund the operation and management of:		
Porirua – Waste water treatment plant	1,242	1,321

Note 38 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	2008 \$000	2007 \$000
Revenue for services provided by Council to:		
Positively Wellington Business	-	59
Positively Wellington Tourism	212	101
Positively Wellington Waterfront	2	1
Wellington Cable Car Limited	58	57
Wellington Museums Trust	1,634	1,645
Wellington Zoo Trust	498	430
	2,404	2,293
Repayment of loan		
Positively Wellington Business ¹	211	-
Expenditure incurred by Council to fund operations and management of:		
Positively Wellington Business	-	2,010
Positively Wellington Tourism	4,316	4,316
Positively Wellington Waterfront	1,650	1,900
St James Theatre Charitable Trust	154	154
Wellington Museums Trust	6,072	5,635
Wellington Zoo Trust	2,688	2,688
	14,880	16,703
Expenditure for services provided to Council by:		
Positively Wellington Business	-	14
Positively Wellington Tourism	51	100
Wellington Cable Car Limited	220	33
Wellington Museums Trust	14	23
Wellington Zoo Trust	93	734
	378	904
Current receivables owing to Council from:²		
Positively Wellington Business	-	8
Positively Wellington Tourism	-	2
Wellington Cable Car Limited	5	2
Wellington Museums Trust	42	-
Wellington Zoo Trust	16	495
	63	507
Current payables owed by Council to:²		
Positively Wellington Waterfront	464	-
Wellington Cable Car Limited	167	-
Wellington Museums Trust	79	177
Wellington Zoo Trust	143	133
	853	310
Current loan from Council to:		
Positively Wellington Business ¹	-	211
Provision for impairment of related party loan	-	(211)
	-	-

¹ The loan was repaid in full in June 2008 as part of the wind up of the Trust. ² The receivables and payables balances are to be settled with the relevant entities on normal trading terms and conditions.

Note 38 Related party disclosures continued

	2008 \$000	2007 \$000
INTRA GROUP TRANSACTIONS AND BALANCES – ASSOCIATES		
Interest received from:		
Wellington International Airport Limited	-	738
Dividend received from:		
Wellington International Airport Limited	5,644	5,643
Revenue for services provided by Council to:		
Basin Reserve Trust	2	-
Capacity	132	69
Wellington International Airport Limited	43	96
Wellington Regional Stadium Trust	124	12
	301	177
Expenditure incurred by Council to fund the operation and management of:		
Basin Reserve Trust	180	180
Expenditure for services provided to Council from:	378	904
Basin Reserve Trust	6	-
Capacity	4,065	3,710
Wellington International Airport Limited	53	85
Wellington Regional Stadium Trust	273	89
Current receivables owing to Council from:¹	4,397	3,884
Capacity	2	1
Wellington Regional Stadium Trust	-	2
Current payables owed by Council to:¹	2	3
Capacity	415	320
Limited-recourse funding loan²		
Wellington Regional Stadium Trust – nominal value – \$15,000,000	765	6,354
Advance³		
Wellington Regional Stadium Trust – nominal value – \$394,893	8	168

¹ The receivables and payables balances are to be settled with the relevant entities on normal trading terms and conditions.

² The limited-recourse funding loan is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished. The fair value of the loan at 30 June 2008 is \$764,796. The fair value of the loan has decreased due to the expected repayment period being extended.

³ This amount represents interest on the membership underwrite at a rate of the 90 day Bank Bill Bid Rate plus 75 basis points reset monthly. On maturity of the underwrite, this interest was converted to an advance repayable after all other advances made by the Council and Greater Wellington Regional Council. The fair value of the advance at 30 June 2008 is \$8,579. The fair value of the advance has decreased due to the expected repayment period being extended.

Note 39 Severances

Severance Payments

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 Council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions.

For the year ending 30 June 2008 the Council made severance payments to 14 employees (2007: 9) totalling \$107,524 (2007: \$132,005).

The individual value of each of these severance payments is: \$3,500; \$1,570; \$4,924; \$2,012; \$34,790; \$4,574; \$6,841; \$2,831; \$2,500; \$3,600; \$22,720; \$13,093; \$3,069; \$1,500.

Note 40 Events after balance date

There are no events after the balance date that affect the financial statements prepared on pages 79-83 or the notes to the financial statements.

The Deed of Grant between the Wellington City Council, the Crown and Housing New Zealand Corporation that governs the funding of the Housing Upgrade Project was signed on 26th August 2008. The Deed of Grant governs how the \$220 million funding from the Crown will be provided over a 10 year period. A work programme for the next 20 years has been agreed and Council has committed to remain in social housing until 2037. The overarching objective of the project is to upgrade the housing stock to be safe, secure and of a good standard for modern living.