

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

The financial statements include the Council and Group. A Group structural diagram is included in Note 35. 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 36 and the Wellington Waterfront Project. The Group includes the Council, the subsidiaries disclosed in Note 37, and the Council's interest in the associates disclosed in Note 38.

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

BASIS OF PREPARATION

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

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

Wellington City Council has chosen to early adopt the amendments to NZ IAS 1 – *Presentation of Financial Statements*. The revised standard introduces the Statement of Comprehensive Financial Performance and has changed the format and content of the Statement of Changes in Equity. It has only a presentational impact on the financial statements.

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

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

The reporting period for these financial statements is the year ended 30 June 2009. The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

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

JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgements, 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.

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

BASIS OF CONSOLIDATION

The Group includes joint ventures, subsidiaries and associates. A Group structural diagram is included in Note 35.

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.

INCOME

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

Revenue

Rates

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

Operating Activities

Government grants

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

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 the end of the reporting period, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided.

Sale of goods

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

Investment Property Leases

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

Other Income

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

Development Contributions

Development contributions are recognised as income when the Council provides, or is able to provide, the service for which the contribution was charged. 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 income when the control of the asset is transferred to Council.

Gains

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

Finance Income

Interest

Interest income is recognised using the effective interest rate method.

Dividends

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

Donated Services

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

EXPENSES

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

Operating Activities

Grants

Expenditure is classified as a grant if it results in a transfer of resources 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 Comprehensive Financial Performance on a straight-line basis over the estimated useful life of the associated assets.

TAXATION

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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, and to unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which 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 (loans and receivables and available-for-sale financial assets) and financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are initially recognised on the trade-date at fair value plus transaction costs. Subsequent measurement of financial instruments is dependent upon the classification determined by the Council. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of ownership.

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

Financial assets

Financial assets are classified as loans and receivables or 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 due in 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 within other comprehensive income. 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 within other comprehensive income is recognised within surplus or deficit.

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 Comprehensive 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 Comprehensive 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 the end of each reporting period. Derivatives that do not qualify for hedge accounting are classified as non-hedged and fair value gains or losses recognised within surplus or deficit.

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative 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 within other comprehensive income while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive income transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit.

Where a derivative qualifies as a hedge of variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss on the derivative is recognised within surplus or deficit.

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

INVENTORIES

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

INVESTMENT PROPERTIES

Investment properties are properties which are held primarily to earn rental income, for capital growth 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 which are held within operational assets in property plant and equipment.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by an independent registered valuer. Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Financial Performance. Investment properties are not depreciated.

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 Comprehensive Financial Performance.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Infrastructure assets include the 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 transfer. The initial cost of property, plant and equipment includes the purchase consideration, or the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential is capitalised

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

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Where there is no 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 and not revalued.

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

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

Restricted Assets

Art and cultural assets (artworks, sculptures, and statues) are valued at historical cost. Zoo animals are stated at estimated replacement cost. All other restricted assets (buildings, parks and reserves and the town belt) were valued at fair value as at 30 June 2005 by independent registered valuers. Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at 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 (excluding land under roads) 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 the end of each reporting period to ensure that those values are not materially different to fair value.

Revaluations

The result of any revaluation of the Council's property, plant and equipment is recognised within other comprehensive income and 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 included in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised within surplus or deficit will be recognised firstly, within surplus or deficit up to the amount previously expensed, and then secondly recognised within other comprehensive income and 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.

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

Further information in respect of the most recent valuations for each class is provided in Note 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 within surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive income.

Disposal

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

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

Computer software has a finite life and amortisation is charged to the Statement of Comprehensive 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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Carbon credits are allocations of emission allowances granted by the Government. Cost is deemed to be equal to the fair value at the date of allocation. Any difference between the carrying value and the residual value is amortised over the useful life of the asset.

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive 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 Comprehensive 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 Comprehensive Financial Performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive 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 incidental to 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 finance charge is charged to the Statement of Comprehensive Financial Performance over the lease period and the capitalised values are amortised over the shorter of the lease term and the useful life of the leased asset.

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 31 March 2009.

Other Contractual Entitlements

Other contractual entitlements include termination benefits. Termination benefits are recognised in the Statement of Comprehensive 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 31 March 2009.

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 end of the reporting period for which Council has responsibility under the terms of the Partnership Programme.

Financial Guarantee Contracts

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

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

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

EQUITY

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

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

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

CONTINGENT ASSETS AND LIABILITIES

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

Contingent assets are disclosed if it is probable that the benefits will be realised.

STATEMENT OF CASH FLOWS

Cash and cash equivalents for the purposes of the cash flow statement comprises bank balances, cash on hand and short term deposits with a maturity of three months or less. The Statement of Cash Flows has been prepared using the direct approach subject to the netting of certain cash flows.

Cash flows in respect of investments and borrowings that have been rolled-over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all non-financial income sources of the Council and the Group and record the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets and 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 or 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 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 reclassified where appropriate. This has occurred:

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

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

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

REFERENCE	TITLE	APPLICATION DATE	REFERENCE
NZ IAS 23	<i>Borrowing Costs (revised 2007)</i>	1 January 2009	1
NZ IAS 27	<i>Consolidated and Separate Financial Statements (amended)</i>	1 January 2009	2
NZ IAS 39	<i>Amendment: Eligible Hedged Items</i>	1 July 2009	3

1. NZ IAS 23 *Borrowing Costs* (revised 2007) This replaces NZ IAS 23 *Borrowing Costs* (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The application of this standard has been delayed for Public Benefit Entities due to issues identified in application for this sector. 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.
2. The main changes to NZ IAS 27 *Consolidated and Separate Financial Statements (amended)* relate to 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.
3. Application guidance has been added to this standard to clarify whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. This is limited to specific situations where diversity in practice exists currently.

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

STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED AS THEY ARE NOT ANTICIPATED TO IMPACT ON THE COUNCIL'S FINANCIAL REPORTING

REFERENCE	TITLE	APPLICATION DATE
NZ IFRS 1	<i>First time adoption of New Zealand Equivalents to International Financial Reporting Standards (restructured)</i>	1 July 2009
NZ IFRS 4	<i>Insurance Contracts – Amendments</i>	1 January 2009
NZ IFRS 8	<i>Operating Segments</i>	1 January 2009
NZ IFRS 3	<i>Business Combinations (revised 2008)</i>	1 July 2009
NZ IAS 27	<i>Consolidated and Separate Financial Statements</i>	1 July 2009
NZ IFRS 1 and NZ IAS 27	<i>Amendments to Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2009
NZ IFRS 2	<i>Amendments to Share Based Payments</i>	1 January 2009
NZ IFRS 2	<i>Amendment: Share-based Payment – Group Cash – settled Share –based Payment</i>	1 January 2010
NZ IAS 1	<i>Amendment to Puttable Financial Instruments and Obligations arising on Liquidation</i>	1 January 2009
NZ IFRIC 15	<i>Agreements for the construction of Real Estate</i>	1 January 2009
NZ IFRIC 16	<i>Hedges of a net investment in a foreign operation</i>	1 October 2008
NZ IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
NZ IFRIC 18	<i>Transfer of Assets from Customers</i>	1 July 2009

NOTE 1 REVENUE FROM RATES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
General rates				
Base sector	51,307	45,490	51,307	45,490
Commercial, industrial and business sector	60,936	58,371	60,936	58,371
Targeted rates				
Base sector	7,675	6,152	7,675	6,152
Commercial, industrial and business sector	1,889	1,834	1,889	1,834
Sewerage	31,165	30,228	31,165	30,228
Stormwater	12,497	11,723	12,497	11,723
Water (including water by meter)	29,456	27,247	29,456	27,247
Downtown	10,165	9,150	10,165	9,150
Indoor Community Sports Centre	1,138	1,144	1,138	1,144
Marsden Village	14	12	14	12
Tawa driveways	22	22	22	22
Total revenue from rates for Wellington City Council	206,264	191,373	206,264	191,373
Total rates billed	245,679	227,630	245,679	227,630
less Greater Wellington Regional Council component	(39,415)	(36,257)	(39,415)	(36,257)
Total revenue from rates for Wellington City Council	206,264	191,373	206,264	191,373

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$10.288m (2008: \$10.483m).

Rates remissions

Revenue from rates and levies is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). The Council committed itself at the start of the year to certain remissions, which for the reporting period ended 30 June 2009 totalled \$0.167m (2008: \$0.133m).

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Total revenue from rates	206,431	191,506	206,431	191,506
less Council policy remissions				
Rural open space	92	63	92	63
Land used principally for games or sport	75	70	75	70
Special circumstances	-	-	-	-
Total remissions	167	133	167	133
Total revenue from rates (net of remissions)	206,264	191,373	206,264	191,373

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Government grants and subsidies	21,834	15,185	26,099	17,747
Fines and penalties	10,891	10,060	10,891	10,060
Rendering of services	80,158	77,604	84,578	82,077
Sale of goods	4,707	4,776	12,725	13,896
Other grants and subsidies	5,368	1,449	5,299	2,265
Total revenue from operating activities	122,958	109,074	139,592	126,045

Government grants and subsidies

For Council, the principal grants and subsidies are from:

- 1) The New Zealand Transport Agency (NZTA), formerly Land Transport NZ, who subsidise part of the Council's costs in maintaining the local roading infrastructure. The \$15.6m of subsidies from NZTA are reimbursements for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the subsidies.
- 2) Housing New Zealand, for the upgrade of the Council's social housing stock. The \$5.3m grant recognised in the current year is part of a 10 year work programme and the revenue is recognised in accordance with that agreed work programme.

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 includes the revenue from services that the Council provide. Below is a breakdown of the services delivered:

RENDERING OF SERVICES	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Animal control	899	887	899	887
Berths and boat sheds	512	508	512	508
Building consents and licensing services	10,368	10,119	10,368	10,119
Community programmes and facilities hire	959	971	959	971
Community housing	17,545	17,153	17,545	17,153
Convention and conference centre	5,749	5,570	5,749	5,570
Drainage operations and water projects	1,790	1,603	1,790	1,603
Encroachments and reserve land contributions	1,053	1,359	1,053	1,359
Green spaces	1,400	1,261	1,400	1,261
Landfills	5,979	5,989	5,979	5,989
Lease revenue from property, plant and equipment	4,087	4,488	4,087	4,488
Libraries - hireage	1,128	1,133	1,128	1,133
Parking fees and permits	15,622	14,263	15,622	14,263
Roading infrastructure projects	2,662	2,597	2,662	2,597
Services to Greater Wellington Regional Council	667	638	667	638
Subsidiaries - rendering of services recognised in the Group	-	-	4,420	4,473
Swimming pools	6,160	5,254	6,160	5,254
Trade waste	544	-	544	-
Other	3,034	3,811	3,034	3,811
Total rendering of services	80,158	77,604	84,578	82,077

NOTE 3 OTHER INCOME

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Development contributions	2,562	890	2,562	890
Gain on disposal of property, plant and equipment	751	846	751	846
Release of provisions	1,081	1,166	1,134	960
Petrol tax	1,148	1,102	1,148	1,102
Restricted funds	73	190	73	190
Vested assets	10,851	10,859	10,851	10,859
Other	1,315	1,493	1,315	1,493
Total other income	17,781	16,546	17,834	16,340

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

NOTE 4 FINANCE INCOME AND EXPENSE

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Finance income					
Amortisation of related party loans	12	204	739	204	739
Cash flow hedge movements reclassified from hedging reserve	24	268	309	268	309
Dividend from investment in associates		7,185	5,644	-	-
Dividend from investment in subsidiary		312	-	-	-
Dividend from other financial assets		73	70	73	70
Fair value hedge movements		552	-	552	-
Interest revenue on loans and receivables		99	491	481	941
Total finance income		8,693	7,253	1,578	2,059
<i>Less</i>					
Finance expense					
Fair value movements on derivatives at fair value through surplus or deficit		2,082	851	2,082	851
Fair value hedge adjustments to borrowings		552	-	552	-
Interest expense on borrowings		17,957	19,007	18,023	19,099
Interest expense on finance leases		231	-	231	-
Rediscounting of interest on provisions		1,449	1,309	1,449	1,309
Total finance expense		22,271	21,167	22,337	21,259
Net finance cost		13,578	13,914	20,759	19,200

Fair value hedge movements arising from the remeasurement of the Group's fair value hedges are offset by the fair value adjustment to borrowings so there is no net impact on the Net Surplus for the year.

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

Re-discounting of interest on provisions is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date).

For further information refer to Note 21: Provision for other liabilities.

NOTE 5 EXPENDITURE ON OPERATING ACTIVITIES

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Auditor's remuneration:					
Audit services – Audit New Zealand – Financial Statements		268	275	319	326
Audit services – Audit New Zealand – ITCCP		145	-	145	-
Audit services – Audit New Zealand – other		7	7	7	7
Audit services – Other Auditors		1	-	86	61
Impairments					
Bad debts written off not previously provided for		379	514	386	522
Increase in provision for impairment of trade and other receivables	11	557	521	629	521
Governance and employment					
Councillor remuneration as directors/trustees	39	1,282	1,246	1,356	1,315
Directors/trustees of subsidiaries – remuneration		-	-	537	562
Other elected members' remuneration (Community Boards)	40	99	94	99	94
Employee benefits expense:					
– Remuneration		75,069	71,509	86,569	82,603
– Defined benefit contributions (including Kiwisaver)		606	335	652	357
– Termination benefits (including severances)		764	507	804	594
Other personnel costs		3,652	3,424	4,078	3,864
Insurance					
Insurance premiums		5,275	5,491	5,605	5,840
Self insurance costs	26	623	531	623	531
General					
Advertising, printing and publications		2,536	3,089	6,697	7,424
Consultants and legal fees		9,540	10,088	9,796	10,264
Contractors		3,477	3,463	4,777	4,313
Direct costs		84,189	83,651	93,294	92,657
Donations for charitable purposes		6	5	6	5
Grants – general		7,990	8,981	8,583	9,136
Grants to subsidiaries	39	15,686	14,880	-	-
Grants to associates	39	180	180	180	180
Information and communication technology		4,580	5,245	5,367	5,742
Loss on disposal of intangibles		-	151	-	151
Loss on disposal of property, plant and equipment		662	116	683	116
Operating lease – minimum lease payments		931	1,691	1,428	2,129
Reassessment of other provisions		3,198	1,510	3,198	1,510
Other general costs		28,986	25,286	31,240	27,532
Total expenditure on operating activities		250,688	242,790	267,144	258,356

NOTE 5 EXPENDITURE ON OPERATING ACTIVITIES CONTINUED

Auditor's remuneration

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

Governance and employment

Other elected members remuneration represents salary and allowances paid to members of the Tawa and Makara/Ohairu Community Boards.

General

Direct costs are costs directly attributable to the provision of Council services, including contracts, maintenance, management fees, materials and services. Operating lease minimum lease payments are for non-cancellable agreements for the use of assets such as buildings and specialised computer equipment.

NOTE 6 DEPRECIATION AND AMORTISATION

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Depreciation				
Buildings	11,074	10,321	11,375	10,985
Civic Centre complex	2,694	2,791	2,694	2,791
Restricted buildings	742	683	742	683
Drainage, waste and water infrastructure	29,195	23,434	29,195	23,434
Landfill post closure	135	97	135	97
Library collections	1,775	1,877	1,775	1,877
Plant and equipment	9,109	7,131	9,905	7,985
Roading infrastructure	18,071	15,913	18,071	15,913
Total depreciation	72,795	62,247	73,892	63,765
Amortisation				
Computer Software	1,535	1,368	1,669	1,505
Total amortisation	1,535	1,368	1,669	1,505
Total depreciation and amortisation	74,330	63,615	75,561	65,270

NOTE 7 INCOME TAX EXPENSE

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current tax expense				
Current year	-	-	-	-
Prior period adjustment	-	-	-	-
Total current tax expense	-	-	-	-
Deferred tax expense				
Origination and reversal of temporary differences	120	57	(5)	203
Change in unrecognised temporary differences	-	-	(14)	(29)
Recognition of previously unrecognised tax losses	(120)	(57)	19	(174)
Total deferred tax expense	-	-	-	-

RECONCILIATION OF TAX ON THE SURPLUS AND TAX EXPENSE

COUNCIL	2009 %	2009 \$000	2008 %	2008 \$000
Surplus for the period		16,057		25,515
Prima facie income tax based on domestic tax rate	30.00%	4,817	33.00%	8,420
Effect of non-deductible expenses and tax exempt income		(4,937)		(8,417)
Effect of tax losses utilised		162		22
Current years loss for which no deferred tax asset was recognised		-		-
Change in unrecognised temporary differences		-		-
Prior period adjustment		(42)		(25)
		-		-

GROUP	2009 %	2009 \$000	2008 %	2008 \$000
Surplus for the period		15,968		34,866
Prima facie income tax based on domestic tax rate	30.00%	4,791	33.00%	11,506
Effect of non-deductible expenses and tax exempt income		(4,524)		(7,620)
Effect of tax losses utilised		56		(152)
Current years loss for which no deferred tax asset was recognised		-		-
Change in unrecognised temporary differences		(14)		(29)
Prior period adjustment		(37)		(22)
Share of income tax of equity accounted associates		(272)		(3,683)
		-		-

NOTE 7 INCOME TAX EXPENSE CONTINUED

Income Tax recognised directly in equity

The amount of current and deferred tax charged or credited to equity during the year was \$Nil (2008: \$Nil)

Imputation Credits

	GROUP	
	2009 \$000	2008 \$000
Imputation credits as at 1 July 2008	15	10
New Zealand tax payments	5	8
Imputation credits attached to dividends received	-	-
Other credits	-	-
New Zealand tax refunds received	(15)	(3)
Imputation credits attached to dividends paid	-	-
Other debits	-	-
Imputation credits as at 30 June 2009	5	15

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Deductible temporary differences	-	-	133	247
Tax losses	5,217	5,618	5,217	5,618
	5,217	5,618	5,350	5,865

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 \$1.565m (2008: \$1.685m) and for the Group \$1.605m (2008: \$1.759m).

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 2009 \$0.353m (2008: \$0.169m) previously unrecognised tax losses, with a tax effect of \$0.106m (2008: \$0.056m) were recognised by the Group by way of a loss transfer arrangement.

As at 30 June 2009 the Group had an unrecognised deferred tax liability of \$Nil (2008: \$Nil)

Movement in unrecognised deferred tax assets and liabilities during the year

	TEMPORARY DIFFERENCES			
	TAXABLE \$000	DEDUCTIBLE \$000	TAX LOSSES \$000	TOTAL \$000
COUNCIL				
Balance as at 1 July 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	-	-	3	3
Balance as at 30 June 2008	-	-	1,685	1,685
Additions/(reductions) during the year	-	-	42	42
Recognised during the year	-	-	(162)	(162)
Balance as at 30 June 2009	-	-	1,565	1,565
GROUP				
Balance as at 1 July 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	13	14
Balance as at 30 June 2008	-	74	1,685	1,759
Additions/(reductions) during the year	-	(34)	42	8
Recognised during the year	-	-	(162)	(162)
Balance as at 30 June 2009	-	40	1,565	1,605

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Bank balances	3,916	779	6,460	1,875
Cash on hand	29	28	41	45
Short term deposits	-	1,500	1,465	3,384
Total cash and cash equivalents	3,945	2,307	7,966	5,304

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current assets				
Interest rate swaps – cash flow hedges	-	93	-	93
Interest rate collar – cash flow hedges	-	80	-	80
Interest rate swaps – fair value hedges	238	-	238	-
Total current assets	238	173	238	173
Non-current assets				
Interest rate swaps – cash flow hedges	4,231	1,649	4,231	1,649
Interest rate swaps – non-hedged	-	731	-	731
Interest rate swaptions – non-hedged	-	2	-	2
Interest rate swaps – fair value hedges	600	-	600	-
Total non-current assets	4,831	2,382	4,831	2,382
Total derivative financial instrument assets	5,069	2,555	5,069	2,555
Current liabilities				
Interest rate swaps – cash flow hedges	153	-	153	-
Total current liabilities	153	-	153	-
Non-current liabilities				
Interest rate swaps – cash flow hedges	3,335	-	3,335	-
Interest rate collar swaptions – cash flow hedges	848	-	848	-
Interest rate swaps – fair value hedges	287	-	287	-
Interest rate swaps – non-hedged	1,349	-	1,349	-
Total non-current liabilities	5,819	-	5,819	-
Total derivative financial instrument liabilities	5,972	-	5,972	-

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

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

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

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

NOTE 11 TRADE AND OTHER RECEIVABLES

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Trade receivables		21,576	19,445	23,363	20,717
Less provision for impairment of trade receivables		(7,703)	(7,530)	(7,748)	(7,556)
		13,873	11,915	15,615	13,161
Trade receivables from related parties	39				
– Subsidiaries		1,068	63	–	–
– Associates		3	2	3	2
		1,071	65	3	2
Net trade receivables		14,944	11,980	15,618	13,163
Accrued income		5,461	5,468	4,811	5,526
GST receivable		2,193	1,889	2,320	1,871
Rates receivable		10,117	7,970	10,117	7,970
Sundry receivables		3,009	2,094	3,535	2,371
Prepayments		6,322	4,199	6,499	4,297
Total trade and other receivables		42,046	33,600	42,900	35,198

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES				
Opening balance	7,530	7,619	7,556	7,650
Additional or increased provision made	557	521	629	521
Release of provision	(279)	(51)	(332)	(51)
Amount of provision utilised	(105)	(559)	(105)	(564)
Provision for impairment of trade and other receivables - closing balance	7,703	7,530	7,748	7,556
Represented by:				
Provision for impairment of trade receivables – fines	7,096	7,159	7,096	7,159
Provision for impairment of trade receivables – debtors	607	371	652	397
Provision for impairment of trade and other receivables - closing balance	7,703	7,530	7,748	7,556

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

	2009 RECEIVABLES			2008 RECEIVABLES		
	GROSS \$000	IMPAIRED \$000	NET \$000	GROSS \$000	IMPAIRED \$000	NET \$000
COUNCIL						
Trade and other receivables¹						
Not past due	13,283	-	13,283	17,441	(90)	17,351
Past due 0-3 months	10,083	(627)	9,456	5,619	(440)	5,179
Past due 3-6 months	6,964	(539)	6,425	2,447	(689)	1,758
Past due more than 6 months	13,097	(6,537)	6,560	11,424	(6,311)	5,113
Total trade and other receivables¹	43,427	(7,703)	35,724	36,931	(7,530)	29,401

	2009 RECEIVABLES			2008 RECEIVABLES		
	GROSS \$000	IMPAIRED \$000	NET \$000	GROSS \$000	IMPAIRED \$000	NET \$000
GROUP						
Trade and other receivables¹						
Not past due	13,213	-	13,213	18,686	(90)	18,596
Past due 0-3 months	10,375	(627)	9,748	5,763	(440)	5,323
Past due 3-6 months	7,024	(566)	6,458	2,473	(689)	1,784
Past due more than 6 months	13,537	(6,555)	6,982	11,535	(6,337)	5,198
Total trade and other receivables¹	44,149	(7,748)	36,401	38,457	(7,556)	30,901

¹ Excludes prepayments

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 12 OTHER FINANCIAL ASSETS

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Available-for-sale financial assets					
Equity investment – Civic Assurance		527	527	527	527
Loans and deposits					
Bank deposits – term		-	-	387	357
Loans to related parties – associates	39	872	773	872	773
Loans to related parties – other organisations		2,858	823	2,858	823
Total other financial assets		4,257	2,123	4,644	2,480

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.

The loans to related parties above are concessionary in nature, as the loans have been granted on interest free terms.

The movement in the loans are detailed and explained as follows:

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Loans to related parties – associates					
Wellington Regional Stadium Trust (nominal value \$15,394,893)					
Opening balance		773	6,521	773	6,521
Amortisation of fair value adjustment		99	739	99	739
Fair value movement		-	(6,487)	-	(6,487)
Closing balance	39	872	773	872	773
Loans to related parties – other organisations					
Karori Wildlife Sanctuary Trust (nominal value \$7,066,822)					
Opening balance		823	-	823	-
Amortisation of fair value adjustment		105	-	105	-
Increase in loan advanced		5,375	1,692	5,375	1,692
Fair value movement		(3,445)	(869)	(3,445)	(869)
Closing balance		2,858	823	2,858	823
Total related party loans		3,730	1,596	3,730	1,596

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

Further information on the related parties is disclosed in Note 39: Related Party disclosures.

NOTE 13 INVENTORIES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Consumables	712	810	1,246	1,434
Inventories held for re-sale	213	150	450	436
Total inventories	925	960	1,696	1,870

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Opening balance	7,368	609	7,368	729
Disposals	-	(124)	-	(244)
Transfers from property plant and equipment	324	-	324	-
Transfers to investment property	-	(485)	-	(485)
Transfers from investment property	-	7,368	-	7,368
Non-current assets classified as held for sale - closing balance	7,692	7,368	7,692	7,368

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.

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

NOTE 15 INTANGIBLES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Computer Software				
Cost – opening balance	23,684	24,163	24,773	24,921
Accumulated amortisation	(21,274)	(21,997)	(22,046)	(22,632)
Computer software opening balance	2,410	2,166	2,727	2,289
Acquired by direct purchase	739	1,568	747	1,899
Amortisation	(1,535)	(1,368)	(1,669)	(1,505)
Net disposals	-	-	(26)	-
Transfer from property, plant and equipment	-	44	-	44
Total computer software – closing balance	1,614	2,410	1,779	2,727
Cost	24,440	23,684	24,937	24,773
Accumulated amortisation	(22,826)	(21,274)	(23,158)	(22,046)
Total computer software – closing balance	1,614	2,410	1,779	2,727
Work in progress				
Computer software	2,439	1,879	2,439	1,879
Total work in progress	2,439	1,879	2,439	1,879
Carbon Credits				
Cost – opening balance	-	-	-	-
Acquired by government grant	20	-	20	-
Total carbon credits – closing balance	20	-	20	-
TOTAL INTANGIBLES	4,073	4,289	4,238	4,606

Disposals and transfers are reported net of accumulated amortisation.

Carbon Credits

As part of the Emissions Trading Scheme the Council received carbon credits from the Central Government for the first time this year in recognition of the carbon absorbed by a portion of our green belt. The Council received 784 credits for the 2008 calendar year. These are currently being held pending finalisation of the Emissions Trading Scheme in New Zealand. At 30 June 2009 there are no associated liabilities relating to these credits.

NOTE 16 INVESTMENT PROPERTIES

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Opening balance		220,368	204,711	220,368	204,711
Additions by acquisition		13	-	13	-
Additions by subsequent expenditure		11	75	11	75
Fair value movements taken to income/(expense)		(2,775)	22,620	(2,775)	22,620
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		217,617	220,368	217,617	220,368

Wellington City Council's investment properties were valued as at 30 June 2009 by WD Bunt (ANZIV, SNZPI), Registered Valuer, and Director of Valuations & Advisory Services of DTZ Limited. Wellington Waterfront Project's investment properties were valued as at 30 June 2009 by Paul Butchers (BBS, FNZPI), Registered Valuer, and Director of CB Richard Ellis Limited.

The Council's total investment properties comprise ground leases of \$163.245m (2008: \$161.542m) and land and buildings of \$54.372m (2008: \$58.826m) held for investment purposes.

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

REVENUES AND EXPENSES	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Revenue from investment properties	13,870	13,577	13,870	13,577
Direct operating expenses of investment properties				
- From investment properties that generated income	880	667	880	667
- From investment properties that did not generate income	-	94	-	94
Contractual obligations for capital expenditure	118	-	118	-

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

FAIR VALUE OF INVESTMENT PROPERTIES VALUED BY INDEPENDENT REGISTERED VALUERS	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
William Bunt - DTZ Limited	168,275	167,867	168,275	167,867
Paul Butchers - CB Richard Ellis Limited	49,342	52,501	49,342	52,501
Total fair value of investment properties valued by independent registered valuers	217,617	220,368	217,617	220,368

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
OPERATIONAL ASSETS				
Land				
Land – at cost – opening balance	238	-	3,329	3,091
Land – at valuation – opening balance	151,285	151,285	151,285	151,285
Total land – opening balance	151,523	151,285	154,614	154,376
Additions	1,064	238	1,064	238
Disposals	(6)	-	(6)	-
Transfer between asset classes	(299)	-	(299)	-
Revaluation movement	46,586	-	46,586	-
Total land – closing balance	198,868	151,523	201,959	154,614
Land – at cost – closing balance	-	238	3,091	3,329
Land – at valuation – closing balance	198,868	151,285	198,868	151,285
Total land – closing balance	198,868	151,523	201,959	154,614
Buildings				
Buildings – at cost – opening balance	34,749	6,086	57,095	28,578
Buildings – at valuation – opening 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 – opening balance	343,606	324,340	359,912	341,012
Additions	4,951	28,739	5,021	29,037
Depreciation expense	(11,074)	(10,321)	(11,375)	(10,985)
Disposals	(1,332)	(165)	(1,332)	(165)
Revaluation movement	33,841	-	33,841	-
Transfer between asset classes	970	1,013	970	1,013
Total buildings – closing balance	370,962	343,606	387,037	359,912
Buildings – at cost – closing balance	-	34,749	16,075	57,095
Buildings – at valuation – closing balance	370,962	328,507	370,962	328,507
Total cost/valuation	370,962	363,256	387,037	385,602
Accumulated depreciation	-	(19,650)	-	(25,690)
Total buildings – closing balance	370,962	343,606	387,037	359,912
Landfill post closure costs				
Landfill post closure – at cost – opening balance	2,409	2,717	2,409	2,717
Accumulated depreciation	(1,074)	(977)	(1,074)	(977)
Landfill post closure costs – opening balance	1,335	1,740	1,335	1,740
Depreciation expense	(135)	(97)	(135)	(97)
Movement in post closure costs	508	(308)	508	(308)
Total landfill post closure costs – closing balance	1,708	1,335	1,708	1,335

Disposals and transfers are reported net of accumulated depreciation

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Landfill post closure – at cost – closing balance	2,917	2,409	2,917	2,409
Accumulated depreciation	(1,209)	(1,074)	(1,209)	(1,074)
Total landfill post closure costs – closing balance	1,708	1,335	1,708	1,335
Civic Centre complex				
Civic Centre complex – at cost – opening balance	160,896	159,125	160,896	159,125
Accumulated depreciation	(42,368)	(39,577)	(42,368)	(39,577)
Total Civic Centre complex – opening balance	118,528	119,548	118,528	119,548
Additions	871	1,771	871	1,771
Depreciation expense	(2,694)	(2,791)	(2,694)	(2,791)
Total Civic Centre complex – closing balance	116,705	118,528	116,705	118,528
Civic Centre complex – at cost – closing balance	161,766	160,896	161,766	160,896
Accumulated depreciation	(45,061)	(42,368)	(45,061)	(42,368)
Total Civic Centre complex – closing balance	116,705	118,528	116,705	118,528
Plant and equipment				
Plant and equipment – at cost – opening balance	107,502	101,686	124,561	117,389
Accumulated depreciation	(45,337)	(45,553)	(55,516)	(54,471)
Total plant and equipment – opening balance	62,165	56,133	69,045	62,918
Additions	15,646	22,172	16,092	23,130
Depreciation expense	(9,109)	(7,131)	(9,905)	(7,985)
Disposals	(289)	(810)	(423)	(819)
Transfer between asset classes	(970)	(8,155)	(970)	(8,155)
Transfer to intangibles	-	(44)	-	(44)
Total plant and equipment – closing balance	67,443	62,165	73,839	69,045
Plant and equipment – at cost	121,073	107,502	138,474	124,561
Accumulated depreciation	(53,630)	(45,337)	(64,635)	(55,516)
Total plant and equipment – closing balance	67,443	62,165	73,839	69,045
Library collections				
Library collections – at cost – opening balance	-	4,271	-	4,271
Library collections – at valuation – opening balance	13,700	10,784	13,700	10,784
Total cost/valuation	13,700	15,055	13,700	15,055
Accumulated depreciation	-	(4,021)	-	(4,021)
Total library collections – opening balance	13,700	11,034	13,700	11,034
Additions	1,695	1,985	1,695	1,985
Depreciation expense	(1,775)	(1,877)	(1,775)	(1,877)
Revaluation movement	-	2,558	-	2,558
Total library collections – closing balance	13,620	13,700	13,620	13,700

Disposals and transfers are reported net of accumulated depreciation

NOTE 17 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Library collections – at cost – closing balance	1,695	-	1,695	-
Library collections – at valuation – closing balance	13,700	13,700	13,700	13,700
Total cost/valuation	15,395	13,700	15,395	13,700
Accumulated depreciation	(1,775)	-	(1,775)	-
Total library collections – closing balance	13,620	13,700	13,620	13,700
TOTAL OPERATIONAL ASSETS	769,306	690,857	794,868	717,134
INFRASTRUCTURE ASSETS				
Drainage, waste and water				
Drainage, waste and water – at cost – opening balance	-	63,472	-	63,472
Drainage, waste and water – at valuation – opening 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 – opening balance	1,142,150	969,189	1,142,150	969,189
Additions	28,693	28,682	28,693	28,682
Depreciation expense	(29,195)	(23,434)	(29,195)	(23,434)
Revaluation movement	-	158,663	-	158,663
Transfer between asset classes	-	9,050	-	9,050
Total drainage, water and waste – closing balance	1,141,648	1,142,150	1,141,648	1,142,150
Drainage, waste and water – at cost – closing balance	29,157	-	29,157	-
Drainage, waste and water – at valuation – closing balance	1,141,686	1,142,150	1,141,686	1,142,150
Total cost/valuation	1,170,843	1,142,150	1,170,843	1,142,150
Accumulated depreciation	(29,195)	-	(29,195)	-
Total drainage, water and waste – closing balance	1,141,648	1,142,150	1,141,648	1,142,150
Roading				
Roading – at cost – opening balance	-	61,234	-	61,234
Roading – at valuation – opening 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 – opening balance	703,648	671,225	703,648	671,225
Additions	38,499	28,345	38,499	28,345
Depreciation expense	(18,071)	(15,913)	(18,071)	(15,913)
Revaluation movement	-	21,744	-	21,744
Transfer between asset classes	-	(1,753)	-	(1,753)
Total roading – closing balance	724,076	703,648	724,076	703,648
Roading – at cost – closing balance	38,499	-	38,499	-
Roading – at valuation – closing balance	703,648	703,648	703,648	703,648

Disposals and transfers are reported net of accumulated depreciation

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Total cost/valuation	742,147	703,648	742,147	703,648
Accumulated depreciation	(18,071)	-	(18,071)	-
Total roading - closing balance	724,076	703,648	724,076	703,648
Infrastructure land				
Infrastructure land - at cost - opening balance	-	-	-	-
Infrastructure land - at valuation - opening balance	37,708	28,258	37,708	28,258
Total infrastructure land - opening balance	37,708	28,258	37,708	28,258
Disposals	(3)	-	(3)	-
Revaluation movement	-	9,450	-	9,450
Transfer between asset classes	379	-	379	-
Total infrastructure land - closing balance	38,084	37,708	38,084	37,708
Infrastructure land - at cost - closing balance	376	-	376	-
Infrastructure land - at valuation - closing balance	37,708	37,708	37,708	37,708
Total infrastructure land - closing balance	38,084	37,708	38,084	37,708
Land under roads				
Land under roads - at cost - opening balance	2,935,535	2,933,808	2,935,535	2,933,808
Additions	3,113	1,727	3,113	1,727
Disposals	(105)	-	(105)	-
Transfer to non-current assets held for sale	(165)	-	(165)	-
Land under roads - closing balance	2,938,378	2,935,535	2,938,378	2,935,535
TOTAL INFRASTRUCTURE ASSETS	4,842,186	4,819,041	4,842,186	4,819,041
RESTRICTED ASSETS				
Art and cultural assets				
Art and cultural assets - at cost - opening balance	7,169	7,089	9,502	9,422
Additions	81	80	81	80
Art and cultural assets - closing balance	7,250	7,169	9,583	9,502
Restricted buildings				
Restricted buildings - at cost - opening balance	19,666	17,823	19,666	17,823
Accumulated depreciation	(2,046)	(1,363)	(2,046)	(1,363)
Total restricted buildings - opening balance	17,620	16,460	17,620	16,460
Additions	2,650	1,843	2,650	1,843
Depreciation expense	(742)	(683)	(742)	(683)
Restricted buildings - closing balance	19,528	17,620	19,528	17,620
Restricted buildings - at cost - closing balance	22,316	19,666	22,316	19,666
Accumulated depreciation	(2,788)	(2,046)	(2,788)	(2,046)
Total restricted buildings - closing balance	19,528	17,620	19,528	17,620

Disposals and transfers are reported net of accumulated depreciation

NOTE 17 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Parks and reserves				
Parks and reserves – at cost – opening balance	202,265	200,746	202,265	200,746
Additions	1,048	1,671	1,048	1,671
Disposals	(221)	(152)	(221)	(152)
Transfer between asset classes	(80)	-	(80)	-
Transfer to non-current assets held for sale	(159)	-	(159)	-
Parks and reserves – closing balance	202,853	202,265	202,853	202,265
Town Belt – at cost	88,103	88,103	88,103	88,103
Zoo animals – at cost	500	500	500	500
TOTAL RESTRICTED ASSETS	318,234	315,657	320,567	317,990
Work in progress				
- Land	70	178	70	178
- Buildings	12,101	5,414	12,112	5,414
- Civic Centre complex	5,988	1,104	5,988	1,104
- Plant and equipment	8,676	12,265	8,752	12,318
- Roading	3,534	5,842	3,534	5,842
- Art and cultural	578	401	578	401
- Restricted buildings	4,819	3,667	4,819	3,667
Total work in progress	35,766	28,871	35,853	28,924
TOTAL PROPERTY, PLANT AND EQUIPMENT	5,965,492	5,854,426	5,993,474	5,883,089

Revaluation of property, plant and equipment

The Council's land and buildings were valued as at 30 June 2009, and infrastructural land as at 30 June 2008 by WD Bunt (ANZIV, SNZPI), Registered Valuer and Director of Valuations and 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 not included in the 2008/09 cycle have been reviewed at the end of the reporting period to ensure that they are not significantly different to market value.

	COUNCIL	GROUP
	2009 \$000	2009 \$000
FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT VALUED INDEPENDENT REGISTERED VALUERS IN THE YEAR ENDING 30 JUNE 2009 BY		
William Bunt – DTZ limited	462,102	462,102
Paul Butchers – CB Richard Ellis	107,729	107,729

Further information on revaluation reserves and movements is contained in Note 23: Revaluation reserves.

NOTE 17 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Finance leases

The net carrying amount of plant and equipment assets held under finance leases is \$1.26m (2008: Nil)

Service Concession Arrangement

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

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

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

United Water International's monthly management fee is determined in accordance with annually adjusted tariffs.

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

NOTE 18 TRADE AND OTHER PAYABLES

		COUNCIL		GROUP	
	NOTE	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Trade payables		44,925	36,877	47,092	38,918
Trade payables owing to related parties					
– Subsidiaries	39	480	853	–	–
– Associates	39	422	415	422	415
Interest payable		2,649	1,700	2,649	1,700
Sundry payables		6,663	8,349	7,736	9,167
Income received in advance		10,201	9,323	11,171	10,544
Rates received in advance		821	668	821	668
Total trade and other payables		66,161	58,185	69,891	61,412

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 when the services are provided.

NOTE 19 BORROWINGS

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
Bank loans – term	30	140	251	251
Debentures	-	95	-	95
Debt securities – fixed rate bonds	20,000	-	20,000	-
Debt securities – floating rate notes	-	5,000	-	5,000
Short-term bank facilities – committed	59,000	103,000	59,000	103,000
Short-term bank facilities – uncommitted	5,000	-	5,000	-
Finance leases	460	-	460	-
Total current	84,490	108,235	84,711	108,346
Non-current				
Bank loans	993	1,217	1,649	2,192
Debentures	-	102	-	102
Debt securities – fixed rate bonds	34,552	-	34,552	-
Debt securities – floating rate notes	142,000	142,000	142,000	142,000
Finance leases	841	-	841	-
Total non-current	178,386	143,319	179,042	144,294
Total borrowings	262,876	251,554	263,753	252,640

The Council's borrowing strategy is to make sure there is long term access to funds. A number of bank facilities have been refinanced to longer term bonds during the current year instead of short term bank borrowing.

Bank loans

Loans for the Council relate to the wastewater treatment plant joint venture with Porirua City Council, and comprise several individual loans totalling \$1.023m (2008:\$1.357m) with maturities from 2010 to 2023. The average effective interest rate applicable is 4.07%

Loans for the Group include a loan for the Wellington Museums Trust of \$0.108m (2008: \$0.199m) maturing July 2010 currently at 5.21% and a loan for the St James Theatre Charitable Trust of \$0.748m (2008: \$0.846m) maturing May 2015 at 7.13%.

Debentures

Due to interest rates that were no longer advantageous the outstanding \$0.055m of debentures were repaid in full, without penalty, prior to 30 June 2009.

Debt securities

The Group has issued \$142m (2008: \$147m) of floating rate notes with maturities from 1 October 2010 to 31 July 2017. Interest is payable quarterly in arrears. The interest rates vary from 2.87% to 3.42% and are subject to quarterly reset dates.

During the year the Group has issued \$54m (2008: Nil) of fixed rate bonds with maturities from 16 October 2009 to 31 March 2014. Interest is payable six monthly in arrears. The interest rates range from 7.13% to 7.54%.

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

Security

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

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
BORROWING AND OVERDRAFT FACILITIES				
Borrowing and overdraft facilities available				
Bank overdraft	1,500	1,500	2,550	3,570
Bank loans – term	1,023	1,357	1,900	2,443
Debentures	-	197	-	197
Debt securities – fixed rate bonds	54,552	-	54,552	-
Debt securities – floating rate notes	142,000	147,000	142,000	147,000
Short-term bank facilities – committed	155,000	165,000	155,300	165,300
Short-term bank facilities – uncommitted	10,000	5,000	10,000	5,000
Finance leases	1,301	-	1,301	-
Total borrowing and overdraft facilities available	365,376	320,054	367,603	323,510
Borrowing and overdraft facilities utilised				
Bank loans – term	1,023	1,357	1,900	2,443
Debentures	-	197	-	197
Debt securities – fixed rate bonds	54,552	-	54,552	-
Debt securities – floating rate notes	142,000	147,000	142,000	147,000
Short-term bank facilities – committed	59,000	98,000	59,000	98,000
Short-term bank facilities – uncommitted	5,000	5,000	5,000	5,000
Finance leases	1,301	-	1,301	-
Total borrowing and overdraft facilities utilised	262,876	251,554	263,753	252,640
Borrowing and overdraft facilities unutilised				
Bank overdraft	1,500	1,500	2,550	3,570
Short-term bank facilities – committed	96,000	67,000	96,300	67,300
Short-term bank facilities – uncommitted	5,000	-	5,000	-
Total borrowing and overdraft facilities unutilised	102,500	68,500	103,850	70,870

Short term bank facilities

\$155m (2008: \$165m) 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 \$10m (2008: \$5m) is available as uncommitted facilities with interest payable in arrears at wholesale market rates. Of these facilities, a total of \$64m has been drawn at the end of the reporting period (2008: \$103m). The Group has additional short term bank facilities of \$0.3m (2008 \$0.3m)

Bank overdraft

An overdraft facility of \$1.5m (2008: \$1.5m) is available to Council. This facility was undrawn as at 30 June 2009 (2008: undrawn). The Group has additional overdraft facilities of \$1.05m (2008: \$2.07m).

NOTE 19 BORROWINGS CONTINUED

Finance lease liabilities

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

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

The Group does have the option to purchase the asset at the end of the lease term.

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

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

The finance lease liabilities are analysed as follows:

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
ANALYSIS OF FINANCE LEASE LIABILITIES				
Future minimum lease payments				
Not later than one year	596	-	596	-
Later than one year and not later than five years	942	-	942	-
Later than five years	-	-	-	-
Total future minimum lease payments	1,538	-	1,538	-
Future finance charges	(237)	-	(237)	-
Present value of future minimum lease payments	1,301	-	1,301	-
Present value of future minimum lease payments				
Not later than one year	460	-	460	-
Later than one year and not later than five years	841	-	841	-
Later than five years	-	-	-	-
Total present value of future minimum lease payments	1,301	-	1,301	-

NOTE 20 EMPLOYEE BENEFIT LIABILITIES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CURRENT				
Short-term benefits				
Payroll accruals	2,283	1,841	2,567	1,957
Holiday leave	5,460	5,314	6,161	5,864
Long service leave provision	27	38	27	38
Total short-term benefits	7,770	7,193	8,755	7,859
Termination benefits				
Other contractual entitlements	458	165	458	298
Total termination benefits	458	165	458	298
Total current	8,228	7,358	9,213	8,157
NON-CURRENT				
Long-term benefits				
Long service leave provision	14	38	102	102
Retirement gratuities provision	1,630	1,572	1,675	1,697
Total long-term benefits	1,644	1,610	1,777	1,799
Total employee benefit liabilities	9,872	8,968	10,990	9,956

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
LONG SERVICE LEAVE PROVISION				
Opening balance	76	109	140	111
Additional or increased provision made	-	-	24	64
Release of provision	(3)	(9)	(3)	(9)
Rediscounting of interest	6	8	6	8
Amount utilised	(38)	(32)	(38)	(34)
Long service leave - closing balance	41	76	129	140

Background

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

Estimation

The gross long service leave provision (inflation adjusted at 3.00 %) as at 30 June 2009, before discounting, is \$0.044m (2008: \$0.088m). The discount rate used is 6.75%.

NOTE 20 EMPLOYEE BENEFIT LIABILITIES CONTINUED

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
RETIREMENT GRATUITIES PROVISION				
Opening balance	1,572	1,408	1,697	1,463
Additional or increased provision made	11	91	16	176
Release of provision	-	-	(85)	-
Rediscounting of interest	124	101	124	101
Amount utilised	(77)	(28)	(77)	(43)
Retirement gratuities - closing balance	1,630	1,572	1,675	1,697

Background

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

Estimation

The gross retirement gratuities provision (inflation adjusted at 3.00%) as at 30 June 2009, before discounting, is \$2.8m (2008: \$3.1m). The discount rate used is 6.75%.

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
OTHER CONTRACTUAL ENTITLEMENTS				
Opening balance	165	658	298	860
Additional or increased provision made	458	165	458	165
Release of provision	-	(424)	-	(424)
Amount utilised	(165)	(234)	(165)	(303)
Total other contractual entitlements	458	165	591	298

NOTE 21 PROVISION FOR OTHER LIABILITIES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Current				
ACC Partnership programme	258	37	258	37
Landfill post closure costs	2,010	1,664	2,010	1,664
Other provisions	2,575	1,280	2,575	1,280
Total current	4,843	2,981	4,843	2,981
Non-current				
Landfill post closure costs	15,030	15,250	15,030	15,250
Other provisions	4,991	4,065	4,991	4,065
Total non-current	20,021	19,315	20,021	19,315
TOTAL PROVISION FOR OTHER LIABILITIES	24,864	22,296	24,864	22,296

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
ACC PARTNERSHIP PROGRAMME				
Opening balance	37	22	37	22
Additional provisions for risks incurred in current year	258	90	258	90
Amounts utilised	(37)	(75)	(37)	(75)
TOTAL LIABILITY FOR CLAIMS OUTSTANDING	258	37	258	37
Represented by:				
Present value of future payments	224	32	224	32
Risk margin	34	5	34	5
TOTAL LIABILITY FOR CLAIMS OUTSTANDING	258	37	258	37

Background

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

Estimation

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

NOTE 21 PROVISION FOR OTHER LIABILITIES CONTINUED

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
LANDFILL POST CLOSURE COSTS				
Opening balance	16,914	16,718	16,914	16,718
Additional or increased provision made	-	-	-	-
Release of provision	(793)	(216)	(793)	(216)
Re-discounting of interest	1,319	1,200	1,319	1,200
Amount utilised	(400)	(788)	(400)	(788)
Landfill post closure costs – closing balance	17,040	16,914	17,040	16,914

Background

The Council currently operates the Southern Landfill (Stage 3) and has a 21.5% joint venture interest in the Spicer Valley Landfill. 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.

Estimations

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cashflows are discounted using a discount rate of 6.75%. The gross provision (inflation adjusted at 3.00%), before discounting, is \$31.207m as at 30 June 2009 (2008: \$34.077). 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 1,195,375m³ (2008: 1,248,021m³) and an estimated remaining life of 10 years (2008: 11 years). These estimates have been made by the Council's engineers based on expected future and historical volume information.

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 541,240m³ (2008: 661,240m³) and an estimated remaining life of 9 years (2008: 5 years). The increase in life of the landfill is due to a change in policy whereby Spicer Valley Landfill will no longer accept clean fill. This will significantly reduce the volume deposited into the landfill each year.

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
OTHER PROVISIONS				
Opening balance	5,345	3,997	5,345	4,134
Additional or increased provision made	3,198	1,510	3,198	1,510
Amount utilised	(977)	(162)	(977)	(299)
Other provisions – closing balance	7,566	5,345	7,566	5,345

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	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Accumulated funds		1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings					
Opening balance		3,481,389	3,454,652	3,542,344	3,506,697
Net surplus		16,057	25,515	15,968	34,866
Transfers to revaluation reserves	23	-	(173)	-	(173)
Transfers from revaluation reserves	23	590	-	590	-
Transfers from restricted funds	25	3,245	2,349	4,827	2,351
Transfers to restricted funds	25	(700)	(954)	(1,610)	(1,397)
Retained earnings - closing balance		3,500,581	3,481,389	3,562,119	3,542,344
Total accumulated funds and retained earnings		4,769,715	4,750,523	4,855,281	4,835,506

NOTE 23 REVALUATION RESERVES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Land - opening balance	96,208	96,208	96,208	96,208
Revaluation recognised in Other Comprehensive income	46,586	-	46,586	-
Transfer between classes	(493)	-	(493)	-
Land - closing balance	142,301	96,208	142,301	96,208
Buildings - opening balance	161,837	161,996	161,837	161,996
Revaluation recognised in Other Comprehensive income	33,841	(159)	33,841	(159)
Transfer between classes	493	-	493	-
Transfer to retained earnings on disposal of assets	(536)	-	(536)	-
Buildings - closing balance	195,635	161,837	195,635	161,837
Library collections - opening balance	4,913	2,355	4,913	2,355
Revaluation recognised in Other Comprehensive income	-	2,558	-	2,558
Library collections - closing balance	4,913	4,913	4,913	4,913
Drainage, waste and water - opening balance	413,184	254,521	413,184	254,521
Revaluation recognised in Other Comprehensive income	-	158,663	-	158,663
Drainage, waste and water - closing balance	413,184	413,184	413,184	413,184
Infrastructure land - opening balance	14,095	4,645	14,095	4,645
Revaluation recognised in Other Comprehensive income	-	9,277	-	9,277
Transfer to retained earnings on disposal of assets	(54)	-	(54)	-
Transfer from retained earnings	-	173	-	173
Infrastructure land - closing balance	14,041	14,095	14,041	14,095
Roading - opening balance	348,264	326,520	348,264	326,520
Revaluation recognised in Other Comprehensive income	-	21,744	-	21,744
Roading - closing balance	348,264	348,264	348,264	348,264
Associates' revaluation reserves - opening balance	-	-	58,364	55,673
Revaluation recognised in Other Comprehensive income	-	-	18,046	2,691
Associates' revaluation reserves - closing balance	-	-	76,410	58,364
TOTAL REVALUATION RESERVES	1,118,338	1,038,501	1,194,748	1,096,865
These revaluation reserves are represented by:				
Opening balance	1,038,501	846,245	1,096,865	901,918
Revaluation recognised in Other Comprehensive income	80,427	192,083	98,473	194,774
Transfer to retained earnings on disposal of assets	(590)	-	(590)	-
Transfer from retained earnings	-	173	-	173
TOTAL REVALUATION RESERVES - CLOSING BALANCE	1,118,338	1,038,501	1,194,748	1,096,865

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. Land and buildings have risen in value overall since the last valuation in 2006 despite a fall in the global housing and property market in the past six to nine months. The significant increase in values from 2006 to the peak in 2007 (in both residential and commercial) has been offset to some extent by the recent market adjustment.

NOTE 24 HEDGING RESERVE

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Opening balance	3,057	5,468	3,033	5,468
Cash flow hedge net movement recognised in Other Comprehensive income	(1,928)	(2,102)	(6,020)	(2,126)
Cash flow hedge movement reclassified to finance income	(268)	(309)	(268)	(309)
Hedging reserve - closing balance	861	3,057	(3,255)	3,033

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

NOTE 25 RESTRICTED FUNDS

	NOTE	COUNCIL		GROUP	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Special reserves and funds	26	1,434	1,379	1,434	1,379
Council created reserves and funds	26	16,018	16,141	16,018	16,141
Trusts and bequests	27	982	3,459	982	3,459
		18,434	20,979	18,434	20,979
Subsidiaries' restricted funds					
Opening balance		-	-	3,038	2,597
Additional funds received		-	-	910	441
Funds utilised		-	-	(1,582)	-
Subsidiaries' restricted funds – closing balance		-	-	2,366	3,038
TOTAL RESTRICTED FUNDS		18,434	20,979	20,800	24,017
These funds are represented by:					
Opening balance		20,979	22,374	24,017	24,971
Transfers from retained earnings		700	954	1,610	1,397
Transfers to retained earnings		(3,245)	(2,349)	(4,827)	(2,351)
TOTAL RESTRICTED FUNDS – CLOSING BALANCE		18,434	20,979	20,800	24,017

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	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
SPECIAL RESERVES AND FUNDS				
Reserve purchase and development fund				
Opening balance	1,285	2,312	1,285	2,312
Additional funds received	73	48	73	48
Funds utilised	-	(1,075)	-	(1,075)
Reserve purchase & development fund - closing balance	1,358	1,285	1,358	1,285
Early Settlers Memorial Park reserve				
Opening balance	94	114	94	114
Funds utilised	(18)	(20)	(18)	(20)
Early Settlers Memorial Park reserve - closing balance	76	94	76	94
Total special reserves and funds - closing balance	1,434	1,379	1,434	1,379

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas within the city.

Early Settlers Memorial Park reserve

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
COUNCIL CREATED RESERVES AND FUNDS				
Self insurance reserve				
Opening balance	11,898	11,929	11,898	11,929
Additional funds received	500	500	500	500
Funds utilised	(623)	(531)	(623)	(531)
Self insurance reserve - closing balance	11,775	11,898	11,775	11,898
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	16,018	16,141	16,018	16,141

Self-insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the uninsured portion of insurance claims. Annual additions to the reserve of \$0.500m (2008: \$0.500m) are funded through rates as identified in the Annual Plan.

NOTE 27 TRUSTS AND BEQUESTS

COUNCIL	OPENING BALANCE	ADDITIONAL FUNDS	FUNDS UTILISED	CLOSING BALANCE
	2009 \$000	2009 \$000	2009 \$000	2009 \$000
A Graham Trust	6	-	-	6
A W Newton Bequest	231	14	(9)	236
Charles Plimmer Bequest	1,146	51	(657)	540
E A McMillan Estate	6	-	-	6
E Pengelly Bequest	9	1	-	10
F L Irvine Smith Memorial Trust Fund	5	-	-	5
Greek NZ Memorial Association	5	-	-	5
J R Hancock Bequest	1,862	58	(1,920)	-
Kidsarus 2 Donation	2	-	-	2
Kirkcaldie and Stains Donation	17	-	-	17
Lewis Glover Bequest	27	-	-	27
QEII Memorial Book Fund	40	2	(10)	32
Schola Cantorum Trust	4	1	-	5
Stanley Banks Trust	78	-	(8)	70
Terawhiti Grant	10	-	-	10
W G Morrison Estate	11	-	-	11
Total trusts and bequests	3,459	127	(2,604)	982

Analysis of movements in trusts and bequests

- Trusts and bequests receiving additional funds during the year were those where interest has been applied in accordance with the original terms and conditions.
- Trusts and bequests funds utilised during the year were:
 - J R Hancock bequest – City Art Gallery extension – \$1.920m
 - Charles Plimmer bequest – upgrade of Central Park – \$0.657m
 - QEII Memorial Book Fund – purchase of Commonwealth migrant language books – \$0.010m
 - A W Newton bequest – grants for art, adult education or athletics – \$0.009m
 - Stanley Banks trust – educational grants to children of WWII service personnel – \$0.008m.

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

NOTE 28 FINANCIAL INSTRUMENTS

The followings tables provide an analysis of the Council's financial assets and financial liabilities by reporting category:

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	3,945	2,307	7,966	5,304
Trade and other receivables ¹	35,724	29,401	36,401	30,901
Other financial assets	3,730	1,596	4,117	1,953
Total loans and receivables	43,399	33,304	48,484	38,158
Available for sale				
Other financial assets	527	527	527	527
Total available for Sale	527	527	527	527
Hedged derivative financial instruments				
Derivatives designated as fair value hedges	838	-	838	-
Derivatives designated as cash flow hedges	4,231	1,822	4,231	1,822
Total hedged derivative financial instruments	5,069	1,822	5,069	1,822
Financial assets at fair value through surplus/deficit				
Derivative financial instruments	-	733	-	733
Total financial assets at fair value through surplus/deficit	-	733	-	733
Total Financial Assets	48,995	36,386	54,080	41,240
Total non-financial assets	6,228,098	6,117,677	6,388,964	6,264,485
TOTAL ASSETS	6,277,093	6,154,063	6,443,044	6,305,725
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
Trade and other payables ²	55,139	48,194	57,899	50,200
Borrowings	262,876	251,554	263,753	252,640
Total financial liabilities at amortised cost	318,015	299,748	321,652	302,840
Derivative financial instruments				
Derivatives designated as fair value hedges	287	-	287	-
Derivatives designated as cash flow hedges	4,336	-	4,336	-
Total derivative financial instruments	4,623	-	4,623	-
Financial liabilities at fair value through surplus/deficit				
Derivative financial instruments	1,349	-	1,349	-
Total financial liabilities at fair value through surplus/deficit	1,349	-	1,349	-
Total Financial Liabilities	323,987	299,748	327,624	302,840
Total non-financial liabilities	45,758	41,255	47,846	43,464
TOTAL LIABILITIES	369,745	341,003	375,470	346,304

¹ Excludes prepayments

² Excludes revenues in advance

NOTE 28 FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL RISK MANAGEMENT

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

Fair Value

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. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer Note 34). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Financial instruments with credit risk				
Cash and cash equivalents	3,945	2,307	7,966	5,304
Derivative financial instruments				
– Interest rate swaps – interest receivable	335	343	335	343
Trade and other receivables				
– Trade receivables	14,944	11,980	15,618	13,163
– Other receivables ¹	20,780	17,421	20,783	17,738
Other financial assets				
– Loans to related parties – associates	872	773	872	773
– Loans to related parties – other organisations	2,858	823	2,858	823
Financial guarantees to related parties	1,216	1,406	1,216	1,406
Total financial instruments with credit risk	44,950	35,053	49,648	39,550

¹ Excludes prepayments

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. During the year the Council billed \$330.5 million for rates and for providing goods and services. Of this we expect to collect more than 99.7% of the amount billed.

LIQUIDITY RISK

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

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Contractual liabilities by maturity				
0-12 months	151,321	173,386	154,302	172,876
1-2 years	73,745	9,198	73,870	12,994
2-5 years	66,540	99,623	66,929	107,003
More than 5 years	66,161	71,155	66,303	75,920
Total contractual liabilities by maturity	357,767	353,362	361,404	368,793
Represented by:				
Statement of Financial Position	318,015	299,748	321,652	302,840
Future interest commitments	39,752	53,614	39,752	65,953
Total contractual liabilities	357,767	353,362	361,404	368,793

In addition to revenues generated in 2009/10 the Council currently has \$102.5m in unused facilities available to settle obligations as well as \$46.9 million of cash and cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

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

PERIOD	MINIMUM	MAXIMUM	ACTUAL
0-2 years	20%	60%	57%
2-5 years	20%	60%	20%
More than 5 years	15%	60%	23%

MARKET RISK

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

Cash flow and fair value interest rate risk

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

Interest rate swaps

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

MINIMUM FIXED RATE	MAXIMUM FIXED RATE	ACTUAL % OF FIXED DEBT PRIOR INTEREST RATE SWAPS	ACTUAL % OF FIXED DEBT AFTER INTEREST RATE SWAPS
50%	95%	21%	71%

NOTE 28 FINANCIAL INSTRUMENTS CONTINUED

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Floating rate instruments and related derivatives subject to interest rate volatility				
Cash and cash equivalents	3,945	2,307	7,966	5,304
Bank loans	(1,023)	(1,357)	(1,900)	(2,443)
Short term bank facilities	(64,000)	(103,000)	(64,000)	(103,000)
Debt securities	(142,000)	(147,000)	(142,000)	(147,000)
Effect of fair value hedge	(54,000)	-	(54,000)	-
Effect of Cash flow interest rate swaps - hedged	172,000	52,000	172,000	52,000
Effect of Cash flow interest rate swaps - non-hedged	30,000	81,000	30,000	81,000
Total floating rate instruments and related derivatives subject to interest rate volatility	(55,078)	(116,050)	(51,934)	(114,139)

Prior to the inclusion of the interest rate swaps there is \$207 million of net borrowings exposed to changes in interest rates. The use of interest rate swaps has the effect of reducing this exposure to \$59 million.

These interest rate swaps have a nominal value which represents the value of the debt that they covering (included above). This amount is not recorded in the financial statements because it does not represent an amount payable by the Council. Instead the underlying fair value of these interest rate swaps is recorded. This represents the difference between the current floating interest rate and the fixed swap interest rate. At 30 June 2009 the fair value of the interest rate swaps was -\$0.903m (2008: \$2.555m). This liability will reduce to zero as the swaps reach the end of their life and therefore does not represent a liability that the Council will be required to pay cash to settle.

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

	COUNCIL		GROUP	
	2009 %	2008 %	2009 %	2008 %
WEIGHTED EFFECTIVE INTEREST RATES				
Investments				
Cash and cash equivalents	2.75	8.50	1.84	6.89
Bank deposits - term	-	-	5.50	8.75
Loans to related parties	0.00	0.00	0.00	0.00
Borrowings				
Short term bank facilities	3.68	8.80	3.68	8.80
Bank loans	4.07	8.67	5.35	8.34
Debt securities	4.25	8.87	4.25	8.87
Derivative financial instruments - hedged	3.07	6.85	3.07	6.85
Derivative financial instruments - non-hedged	6.72	7.35	6.72	7.35
Finance leases	13.02	-	13.02	-

Loans to related parties, 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.

Sensitivity Analysis

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

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

COUNCIL	NOTE	2009	2009	2009	2009
		\$000 +1%	\$000 -1%	\$000 +1%	\$000 -1%
		EFFECT ON SURPLUS OR DEFICIT		EFFECT ON OTHER COMPREHENSIVE INCOM	
INTEREST RATE RISK					
Financial Assets					
Cash and cash equivalents – Council	a	39	(39)	-	-
Bank deposits – term		-	-	-	-
Derivatives – Interest rate swaps – hedged	b	-	-	5,631	(6,105)
Derivatives – Interest rate swaps – non-hedged		-	-	-	-
Financial Liabilities					
Bank loans	c	(10)	10	-	-
Short term bank facilities	d	(140)	140	-	-
Debt securities	e	(746)	746	-	-
Derivatives – Interest rate swaps – hedged	b	-	-	1,934	(4,104)
Derivatives – Interest rate swaps – non-hedged	b	520	(537)	-	-
Total Sensitivity to interest rate risk		(337)	320	7,565	(10,209)

a. Cash and cash equivalents

Council funds are in a number of different accounts with interest payable on the aggregation of all accounts. A movement in interest rates of plus or minus 1% has an effect on interest income of \$0.039m (2008: \$0.023m).

b. Derivatives – Interest rate swaps

Derivatives include interest rate swaps with fair value totalling -\$0.903m (2008: \$2.555m). A movement in interest rates of plus 1% has an effect on increasing the unrealised value of the hedged interest rate swaps by \$7.565m. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the hedged interest rate swaps by \$10.209m.

A movement in interest rates of plus 1% has an effect on reducing finance costs related to non-hedged derivatives by \$0.520m. A movement in interest rates of minus 1% has an effect of increasing finance costs related to non-hedged derivatives by \$0.537m.

c. Bank loans

Bank loans total \$1.023m (2008: \$1.357m). A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.010m (2008: \$0.136m).

d. Short term bank facilities

Short term bank facilities are at floating rates and total \$64m (2008: \$103m). The full exposure to changes in interest rates has been reduced because the Council has \$50m of the debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.140m (2008: \$1.030m).

e. Debt securities

Debt securities are at floating rates and total \$197m (2008: \$147m). The full exposure to changes in interest rates has been reduced because the Council has \$152m of the debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$0.746m (2008: \$1.470m).

NOTE 28 FINANCIAL INSTRUMENTS CONTINUED

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 asset management plans in place for major classes of assets detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

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

NOTE 29 ANALYSIS OF OPERATING SURPLUS BY STRATEGY

This analysis by strategy is a summary of the "what it cost" information within the Statements of Service Performance. Refer to pages 1 to 82 for more detailed information including variance explanations in respect of Council strategies and activities.

Operating Income and Expenditure

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

The variance in Urban Development is due to the additional net expenditure from Wellington Waterfront Project.

The variance in Social and Recreation relates to the grant from Housing New Zealand being lower in year one which was agreed through the deed of grant. There is an offsetting variance within capital expenditure.

Other major operating income and expenditure budget variances are explained within Note 30: Major budget variations.

	ACTUAL INCOME	BUDGET INCOME	ACTUAL EXPENDITURE	BUDGET EXPENDITURE	ACTUAL NET	BUDGET NET	VARIANCE NET
COUNCIL	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000
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 strategy and Council	360,443	316,162	334,928	312,202	25,515	3,960	21,555

NOTE 30 MAJOR BUDGET VARIATIONS

STATEMENT OF COMPREHENSIVE FINANCIAL PERFORMANCE

	COUNCIL
	2009 \$000
Council actual net surplus	16,057
<i>Less:</i>	
Fair value movements:	
Investment property revaluation	(2,775)
Cash flow hedge movement reclassified from hedging reserve	268
Fair value hedge movements	552
Fair value hedge adjustments to borrowings	(552)
Derivatives at fair value through surplus or (deficit)	(2,082)
Related party loans	(3,445)
Total fair value movements	(8,034)
Additional net expenditure from Wellington Waterfront Project and Porirua Joint Ventures	(4,547)
Changes to external funding for capital expenditure:	
Housing NZ grant lower in year 1 as agreed through deed of grant and balance of grant recognised as revenue in advance, offsetting variance within the capital programme.	(6,677)
Plimmer Trust capital funding requirement deferred	(470)
Increase in development contributions revenue	205
Increase in New Zealand Transport Agency subsidies – capex	1,035
Additional external funding towards capital projects	2,678
Total changes to external funding for capital expenditure	(3,229)
Vested assets	10,851
Underlying Council actual net surplus	21,016
Council budget net surplus	19,919
FAVOURABLE VARIANCE – ACTUAL V BUDGETED NET SURPLUS	1,097
Unbudgeted revenue/(expenditure):	
Restatement of provisions	(2,117)
Insurance costs (net of recoveries) funded through self insurance reserve	(623)
Gain on disposal of property, plant and equipment	751
Loss on disposal of assets	(663)
Total unbudgeted revenue/(expenditure)	(2,652)
Significant variations from budget:	
Dividends in excess of budget (including Wellington International Airport Limited)	2,820
Increase in rates revenue and rates penalties	2,075
Increase in New Zealand Transport Agency subsidies – opex	568
Increase in depreciation arising from revaluation of infrastructural assets	(2,125)
Other net variances ¹	411
Total significant variations from budget	3,749
TOTAL FACTORS CONTRIBUTING TO UNDERLYING VARIANCE	1,097

¹ Other net variances relate to other savings on programmes, projects and organisational costs

NOTE 30 MAJOR BUDGET VARIATIONS CONTINUED

STATEMENT OF CHANGES IN EQUITY

Total equity is \$89.6m above that budgeted is primarily due to the following:

- The actual net surplus being \$3.862m below budget
- Opening Equity being higher than budgeted due to the increase of revaluations on Infrastructure assets of \$14.6m in 2007/08
- The increase of revaluations on property plant and equipment in 2008/09 being \$80.5m above budget.

STATEMENT OF FINANCIAL POSITION

Significant movements are as follows:

- Total non-current assets are \$26.6m above budgeted. This relates primarily to the net asset revaluation movements for 2007/08 and 2008/09.
- Total non-current liabilities are \$44.5m 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 ANALYSIS OF CAPITAL EXPENDITURE BY STRATEGY

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

	ACTUAL CAPEX	BUDGET CAPEX	VARIANCE NET	BUDGET TO CARRY FORWARD	ACTUAL CAPEX	BUDGET CAPEX	VARIANCE NET	BUDGET TO CARRY FORWARD
COUNCIL	2009 \$000	2009 \$000	2009 \$000	2009 \$000	2008 \$000	2008 \$000	2008 \$000	2008 \$000
Strategy								
Urban development	2,413	3,136	723	8,158	16,381	16,880	499	2,816
Transport	32,594	31,700	(894)	2,266	27,208	26,773	(435)	4,777
Economic development	1,244	1,244	-	1,322	3,047	2,994	(53)	135
Environment	30,167	28,129	(2,038)	5,716	31,037	31,148	111	4,745
Cultural wellbeing	4,437	3,778	(659)	68	465	475	10	836
Social and recreation	16,493	21,344	4,851	14,365	14,330	14,074	(256)	7,463
Governance	24	22	(2)	-	58	58	-	22
Total strategy	87,372	89,353	1,981	31,895	92,526	92,402	(124)	20,795
Council	8,538	8,728	190	8,227	7,021	7,360	339	6,990
Additional budget	-	-	-	-	-	1,045	1,045	-
Total capital expenditure	95,910	98,081	2,171	40,122	99,547	100,807	1,260	27,785
less unbudgeted external funding	(3,138)	-	3,138	-	(1,267)	-	1,267	-
less timing of Housing NZ grant	-	(4,500)	(4,500)	-	-	-	-	-
Total adjusted capital expenditure	92,772	93,581	809	40,122	98,280	100,807	2,527	27,785

Capital expenditure project budgets carried forward

Capital expenditure projects in the following Strategy areas are approved for 2009/10 or later as indicated below:

	CARRY FORWARD TO				CARRY FORWARD TO			
COUNCIL	2010 \$000	2011 \$000	2012 \$000	2009 \$000	2009 \$000	2010 \$000	2011 \$000	2008 \$000
Strategy								
Urban development	5,158	-	3,000	8,158	2,816	-	-	2,816
Transport	2,266	-	-	2,266	4,777	-	-	4,777
Economic development	1,322	-	-	1,322	135	-	-	135
Environment	2,648	1,100	1,968	5,716	3,445	400	900	4,745
Cultural wellbeing	68	-	-	68	836	-	-	836
Social and recreation	14,365	-	-	14,365	1,503	-	5,960	7,463
Governance	-	-	-	-	22	-	-	22
Total strategy	25,827	1,100	4,968	31,895	13,535	400	6,860	20,795
Council	8,227	-	-	8,227	6,990	-	-	6,990
Total capital expenditure project budgets carried forward	34,054	1,100	4,968	40,122	20,525	400	6,860	27,785

Amounts committed for future expenditure at end of the reporting period from within these capital expenditure budget carry forwards have been included within Note 33: Commitments

NOTE 32 CAPITAL EXPENDITURE PERFORMANCE

This note reports capital expenditure against the approved budget contained within the Annual Plan 2008/09. This note reflects Wellington City Council capital expenditure only.

	COUNCIL	
	2009 \$000	2009 \$000
CAPITAL EXPENDITURE		
Capital expenditure budget for 2008/09		117,678
Capital expenditure budget for carried forward from 2007/08		20,525
Total capital expenditure budget		138,203
less timing of Housing NZ grant as agreed through Deed of Grant		(4,500)
Total adjusted capital expenditure budget		133,703
<i>Less:</i>		
Actual capital expenditure incurred in 2008/09	95,910	
Capital expenditure carried forward to 2009/10	34,054	
Capital expenditure carried forward to 2010/11	1,100	
Capital expenditure carried forward to 2011/12	4,968	
Forecast capital expenditure		136,032
Less additional capital expenditure funded from external sources:		
Zoo Funding	1,582	
Ports/Ferry Access – Centreport Funding	932	
Riddiford Road – NZTA Funding	460	
Chews Lane Precinct – recovery of expenditure	80	
Veteran Affairs Funding – Returned Services Work	27	
Coastal Interpretation Funding	19	
Norwood Trust funding for signage in Botanic Gardens	11	
QEII Memorial Book Fund	10	
Memorial Seats	9	
Public Trust Donation for cemetaries	8	3,138
Adjusted actual capital expenditure for 2008/09		132,894
CAPITAL EXPENDITURE SAVINGS AGAINST TOTAL APPROVED BUDGET (AFTER AMENDMENTS)		809

Actual capital expenditure consists of all expenditure in 2008/09; including expenditure against 2007/08 budget carry forwards and any additional Council approved expenditure.

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 32 CAPITAL EXPENDITURE 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 \$500,000, as reported in the Annual Plan, have been included in the table below.

		WELLINGTON CITY COUNCIL					
	PROJECT	ACTIVITY	ACTUAL EXPENDITURE ¹	PROPOSED BUDGET CARRY FORWARD ²	TOTAL FORECAST EXPENDITURE	BUDGET ³	NOTES
			2009 \$000	2009 \$000	2009 \$000	2009 \$000	
Urban Development							
	Wellington Waterfront development	CX131	500	4,738	5,238	5,971	
	Central City - Golden Mile	CX406_CF	592	-	592	611	
	Central City - Squares and Parks	CX409	160	1,439	1,599	1,615	
	Central City - Squares and Parks	CX409_CF	2	1,487	1,489	1,489	
Transport							
	Parking asset renewals	CX102	751	-	751	733	
	Port and ferry access	CX493	1,704	-	1,704	728	4
	Port and ferry access upgrade	CX493_CF	687	-	687	687	
	Wall, bridge and tunnel renewals	CX086	2,769	-	2,769	2,714	
	Thin asphalt road surface renewals	CX088	1,299	-	1,299	1,313	
	Reseals renewals	CX089	1,890	-	1,890	1,878	
	Preseal preparation renewals	CX090	2,044	-	2,044	2,058	
	Shape and camber correction	CX092	3,202	-	3,202	3,195	
	Road corridor new walls	CX098	1,207	-	1,207	1,214	
	Tunnel and bridge improvements	CX165_CF	967	-	967	967	
	Kerb and channel renewals	CX253	1,850	-	1,850	1,860	
	Vehicle network - New roads	CX311_CF	599	535	1,134	1,134	
	Wall and embankment improvements	CX350	316	285	601	601	
	Roading capacity projects	CX377	2,099	-	2,099	1,504	5
	Bus priority plan	CX492_CF	229	721	950	950	
	Pedestrian network footpath renewals	CX094	3,223	-	3,223	3,330	
	Traffic and street sign renewals	CX095	1,123	-	1,123	1,489	
	Safety street lighting renewals	CX096	574	-	574	597	
	Minor safety projects	CX171	532	-	532	531	
	Safer roads project	CX445	528	404	932	960	
	Safer roads project	CX445_CF	583	-	583	555	
Economic Development							
	Cable car precinct	CX496	6	1,294	1,300	1,300	
	Renewals - Wellington Convention Centre	CX275	1,211	28	1,239	1,239	

¹ Actual capital expenditure consists of all expenditure in 2008/09 including expenditure against 2007/08 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 2008/09 Annual Plan budgets plus budgets carried forward into 2008/09 from the previous financial period.

⁴ Unbudgeted external funding of \$0.932m received from Centreport for additional capital works to the Port and Ferry Access.

⁵ Unbudgeted external funding of \$0.460m received from NZTA

WELLINGTON CITY COUNCIL								
			ACTUAL EXPENDITURE ¹	PROPOSED BUDGET CARRY FORWARD ²	TOTAL FORECAST EXPENDITURE	BUDGET ³		
	PROJECT	ACTIVITY	2009 \$000	2009 \$000	2009 \$000	2009 \$000	NOTES	
Environment								
	Park structures – Upgrade renewals	CX284	4.1.1	336	341	677	677	
	Renewals – Botanic Garden	CX348	4.2.1	447	-	447	544	
	Town Belt and reserves upgrades	CX437	4.2.3	605	181	786	786	
	Southern Landfill improvement	CX084	4.5.4	507	252	759	759	
	Southern Landfill improvement	CX084_CF	4.5.4	296	166	462	564	
	Water reticulation – Renewals	CX126	4.5.5	5,737	-	5,737	5,599	
	Water reservoir pump station renewals	CX127	4.5.5	371	3,068	3,439	3,439	
	Water reticulation upgrades	CX326	4.5.5	619	-	619	618	
	Water reticulation upgrades	CX326_CF	4.5.5	512	-	512	512	
	Water pump stations – Reservoir – Upgrade	CX336_CF	4.5.5	672	-	672	672	
	Renew water network maintenance	CX430	4.5.5	1,320	-	1,320	1,309	
	Stormwater network – Renewals	CX151	4.6.2	3,216	-	3,216	3,106	
	Sewer Network – Renewals	CX334	4.6.3	7,867	-	7,867	7,694	
	Sewer Network – Upgrades	CX381	4.6.3	24	1,147	1,171	1,171	
	Zoo Upgrades	CX340	4.8.1	3,867	-	3,867	2,094	6
Cultural Wellbeing								
	Art Gallery	CX500	5.4.1	3,558	-	3,558	2,900	7
	Art Gallery	CX500_CF	5.4.1	812	-	812	812	
Social and Recreation								
	Upgrade – Housing	CX370	6.1.1	4,716	2,170	6,886	11,599	8
	Renew – Housing	CX371	6.1.1	2,193	293	2,486	2,486	
	Aquatic facility renewals	CX056	6.4.1	495	807	1,302	1,302	
	Sportsfields – Renewals – Upgrades	CX345	6.4.2	1,205	-	1,205	1,221	
	Indoor Community Sports Centre	CX499	6.4.3	2,023	9,965	11,988	11,988	
	Playgrounds – Renewals – Upgrades	CX181	6.4.4	448	71	519	519	
	Newlands community facilities	CX457	6.4.6	539	-	539	600	
	Newlands community facilities	CX457_CF	6.4.6	827	-	827	829	
	Upgrade library materials	CX077	6.4.8	1,649	-	1,649	1,600	
	Public convenience upgrades	CX366	6.5.2	481	-	481	533	
Total capital expenditure projects > \$500,000				75,989	29,392	105,381	107,156	
Total capital expenditure projects < \$500,000				19,921	10,730	30,651	31,047	
TOTAL CAPITAL EXPENDITURE PROJECTS				95,910	40,122	136,032	138,203	

¹ Actual capital expenditure consists of all expenditure in 2008/09 including expenditure against 2007/08 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 2008/09 Annual Plan budgets plus budgets carried forward into 2008/09 from the previous financial period.

⁶ Unbudgeted external funding of \$1,582m received from the Zoo trust for additional capital works.

⁷ Council approved overspend for cost escalations, offset by savings identified within other projects.

⁸ Final capital programme in year 1 of the Housing Upgrade programme was agreed (through the Deed of Grant with the Crown) at \$4.5m lower than that originally forecast in the annual plan.

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

NOTE 33 COMMITMENTS

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CAPITAL COMMITMENTS				
Approved and contracted – property, plant and equipment	77,070	71,079	77,070	71,256
Approved and contracted – share of associates	-	-	11,886	4,079
Total capital commitments	77,070	71,079	88,956	75,335

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.

Operating leases – Group as lessee

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

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

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

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS – AS LESSEE				
Plant and equipment				
Not later than one year	74	686	173	1,042
Later than one year and not later than five years	61	1,327	157	2,078
Later than five years	7	8	7	66
Land and buildings				
Not later than one year	1,581	923	1,836	1,042
Later than one year and not later than five years	4,510	1,567	5,272	1,705
Later than five years	4,185	4,799	4,248	4,799
Total non-cancellable operating lease commitments – as lessee	10,418	9,310	11,693	10,732

Operating leases – Group as lessor

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

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

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

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

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

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS – AS LESSOR				
Investment properties				
Not later than one year	12,128	13,614	12,128	13,614
Later than one year and not later than five years	29,990	32,467	29,990	32,467
Later than five years	74,726	62,790	74,726	62,790
Land and buildings				
Not later than one year	2,873	2,154	1,301	581
Later than one year and not later than five years	2,334	4,017	1,705	1,585
Later than five years	5,978	547	5,978	547
Total non-cancellable operating lease commitments – as lessor	128,029	115,589	125,828	111,584

NOTE 34 CONTINGENCIES

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CONTINGENT LIABILITIES				
Financial guarantees to community groups	1,216	1,406	1,216	1,406
Share of associates' contingent liabilities	-	-	-	56
Share of joint ventures' contingent liabilities	-	-	-	-
Other legal proceedings	1,300	1,584	1,300	1,584
Total contingent liabilities	2,516	2,990	2,516	3,046

The financial guarantees to community groups above are analysed below:

	COUNCIL		GROUP	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
OUTSTANDING DEBT SUBJECT TO COUNCIL GUARANTEES				
Karori Wildlife Sanctuary Trust	1,108	1,208	1,108	1,208
Wellington Museums Trust	108	198	108	198
Total outstanding debt subject to Council guarantees	1,216	1,406	1,216	1,406

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 year's 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 2009 that any expenditure will be incurred to settle them.

Other legal proceedings

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

The maximum exposure to Council is anticipated to be less than \$1.300m.

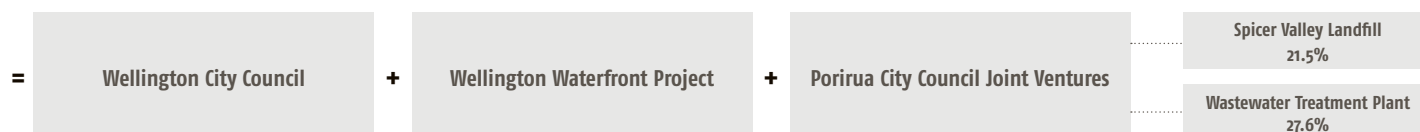
Unquantified contingent liabilities

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.

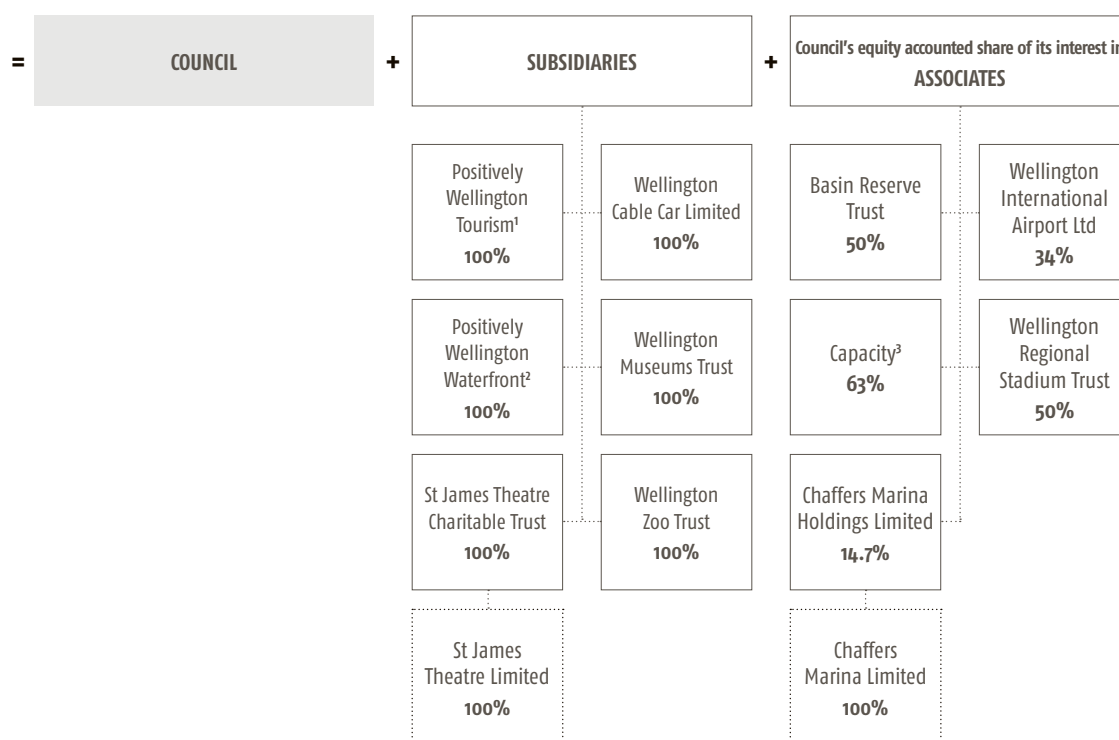
There are various other claims that the Council and Group are currently contesting which have not been quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which the Council and Group have a responsibility to the claimant. The possibility of any outflow in settlement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

NOTE 35 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 36 JOINT VENTURES

The Council has significant interests in the following joint ventures:

JOINT VENTURE	INTEREST 2009	INTEREST 2008	NATURE OF BUSINESS
Wastewater treatment plant – Porirua City Council	27.6%	27.6%	Owns and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs.
Spicer Valley Landfill – Porirua City Council	21.5%	21.5%	Owns and operates a sanitary landfill that provides services to Wellington City's northern suburbs.

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

	2009 \$000	2008 \$000
SHARE OF NET ASSETS		
ASSETS		
Current		
Inventory	3	23
Trade and other receivables	2,039	2,518
Non Current		
Property, plant and equipment	14,667	14,504
Share of total assets	16,709	17,045
LIABILITIES		
Current		
Borrowings	30	140
Payables and accruals	-	125
Non Current		
Borrowings	993	1,217
Provisions for other liabilities	432	319
Share of total liabilities	1,455	1,801
Share of net assets	15,254	15,244

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.

	2009 \$000	2008 \$000
SHARE OF NET SURPLUS AND REVALUATION MOVEMENTS		
Operating revenue	536	702
Operating expenditure	526	446
Share of net surplus	10	256
Share of current year revaluation movement	-	5,362

The Council's and Group's share of the joint ventures' capital commitments is \$Nil (2008: Nil) and contingent liabilities is \$Nil (2008: Nil).

NOTE 37 INVESTMENT IN SUBSIDIARIES

The following entities are subsidiaries of Council:

SUBSIDIARY	INTEREST 2009	INTEREST 2008	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.

The balance date for all subsidiaries is 30 June. Full copies of their financial statements can be obtained directly from their offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the Report on Council Controlled Organisations (page 189).

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

INVESTMENT IN SUBSIDIARIES	2009 \$000	2008 \$000
St James Theatre Charitable Trust	2,700	2,700
Wellington Cable Car Limited	3,809	3,809
Total investment in subsidiaries	6,509	6,509

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

Information on inter-company transactions is included in the Note 39: Related Party disclosures.

NOTE 38 INVESTMENT IN ASSOCIATES

Council has a significant interest in the following associates:

ASSOCIATE	INTEREST 2009	INTEREST 2008	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 and has a balance date of 30 June. The Trust was jointly created with Cricket Wellington Incorporated (CWI). Wellington City Council and CWI each appoint two of the four trustees. Wellington City Council has significant influence over the Trust through the appointment of trustees, and receives benefits from the complementary activities of the Trust. On this basis the Trust is 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 a balance date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2009 Council held a 16.9% interest in Chaffers Marina Holdings Limited (2008: 16.9%). Of this 2.2% (2008: 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% (2008: 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.

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 end of reporting period to Council which is legislatively required to use 30 June. The Council owns 34% of the company, with the remaining 66% owned by NZ Airports Limited (which is wholly owned by Infratil Limited).

Wellington Regional Stadium Trust

Wellington Regional Stadium Trust was jointly created with Greater Wellington Regional Council and has a 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)
	2009 \$000	2009 \$000	2009 \$000	2009 \$000
Basin Reserve Trust	965	44	314	21
Capacity	843	643	4,069	20
Chaffers Marina Holdings Limited	809	9	137	(75)
Wellington International Airport Limited	229,310	131,985	35,298	7,121
Wellington Regional Stadium Trust	51,856	19,535	8,294	1,005

ASSOCIATES	ASSETS	LIABILITIES	REVENUES	SURPLUS/(DEFICIT)
	2008 \$000	2008 \$000	2008 \$000	2008 \$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

Investment in associates

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

INVESTMENT IN ASSOCIATES	COUNCIL	
	2009 \$000	2008 \$000
Capacity	376	376
Chaffers Marina Holdings Limited	1,317	1,407
Wellington International Airport Limited	17,775	17,775
Total investment in associates	19,468	19,558

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

NOTE 38 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	
	2009 \$000	2008 \$000
INVESTMENT IN ASSOCIATES		
Basin Reserve Trust		
Opening balance	900	551
Equity accounted earnings of associate	21	349
Closing Balance – Investment in Basin Reserve Trust	921	900
Capacity		
Opening balance	180	236
Equity accounted earnings of associate	20	(56)
Closing Balance – Investment in Capacity	200	180
Chaffers Marina Holdings Limited		
Opening balance	1,007	999
Equity accounted earnings of associate	(75)	8
Closing Balance – Investment in Chaffers Marina Holdings Limited	932	1,007
Wellington International Airport Limited		
Opening balance	110,322	107,667
Dividends	(7,185)	(5,644)
Equity accounted earnings of associate	7,121	5,632
Share of revaluation of property, plant and equipment	18,046	2,691
Share of hedging reserve	(4,092)	(24)
Closing Balance – Investment in Wellington International Airport Limited	124,212	110,322
Wellington Regional Stadium Trust		
Opening balance	30,478	21,318
Equity accounted earnings of associate	1,005	9,160
Closing Balance – Investment in Wellington Regional Stadium Trust	31,483	30,478
Total investment in associates	157,748	142,887

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	
	2009 \$000	2008 \$000
SHARE OF ASSOCIATES' SURPLUS		
Basin Reserve Trust		
Share of net surplus before tax	21	349
Tax (expense)/credit	-	-
Share of associate's surplus – Basin Reserve Trust	21	349
Capacity		
Share of net surplus/(deficit) before tax	20	(53)
Tax (expense)/credit	-	(3)
Share of associate's deficit – Capacity	20	(56)
Chaffers Marina Holdings Limited		
Share of net deficit before tax	(75)	8
Tax (expense)/credit	-	-
Share of associate's deficit – Chaffers Marina Holdings Limited	(75)	8
Wellington International Airport Limited		
Share of net surplus before tax	7,275	6,022
Tax (expense)/credit	(154)	(390)
Share of associate's surplus – Wellington International Airport Limited	7,121	5,632
Wellington Regional Stadium Trust		
Share of net surplus before tax	1,005	9,160
Tax (expense)/credit	-	-
Share of associate's surplus – Wellington Regional Stadium Trust	1,005	9,160
Total share of associates' surplus	8,092	15,093

Wellington Regional Stadium Trust

The majority of the Wellington Regional Stadium surplus in 2007/08 was 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 was extended resulting in a fair value gain for the Stadium and an offsetting loss for the Council.

NOTE 39 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.

KEY MANAGEMENT PERSONNEL	2009 \$	2008 \$
Chief Executive and Management Board		
Short-term employee benefits	2,158,818	2,594,227
Post employment benefits	5,190	4,056
Termination benefits	35,000	127,602
Council Members (Directors)		
Short-term employee benefits	1,468,879	1,424,695
Total key management personnel benefits	3,667,887	4,150,580

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 reporting period ended 30 June 2009 was \$387,256 (2008: \$374,068).

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 2009, the breakdown of the Chief Executive's remuneration package is:

REMUNERATION OF THE CHIEF EXECUTIVE	COUNCIL	
	2009 \$	2008 \$
Short-term employee benefits		
Salary	361,606	360,918
Motor vehicle (including FBT)	22,650	23,338
Carpark	3,000	3,000
Total remuneration of the Chief Executive	387,256	387,256

The total of the Chief Executive's remuneration package remained unchanged from 2007/08 as the Chief Executive and other members of the Management Board elected not to receive any increases despite entitlement to an annual review of their remuneration.

Directors' Remuneration

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

The following people held office as, either or both, elected members of the Council's governing body, and trustees or directors of entities comprising the Group during the reporting period. The total remuneration paid to the Mayor and Councillors during the year from 1 July 2008 to 30 June 2009 was \$1,468,879 (2008: \$1,424,695) and is disaggregated and classified as follows:

COUNCIL MEMBER	MONETARY REMUNERATION			NON MONETARY REMUNERATION	TOTAL COUNCIL REMUNERATION	DIRECTOR/ TRUSTEE FEES	TOTAL REMUNERATION
	SALARY \$	RESOURCE CONSENT HEARING FEES \$	TAXABLE ALLOWANCES \$	\$	2009 \$	\$	2009 \$
Ahipene-Mercer, Ray	86,456	-	817	3,000	90,273	22,100	112,373
Best, Ngaire	86,456	1,972	1,575	3,000	93,003	-	93,003
Cook, Stephanie	73,225	-	373	3,000	76,598	13,000	89,598
Coughlan, Jo	67,114	816	328	3,000	71,258	13,000	84,258
Foster, Andy	86,456	1,743	406	3,000	91,604	15,000	106,604
Gill, Leonie	83,325	1,460	434	3,000	88,220	-	88,220
Goulden, Rob	67,114	2,567	298	3,000	72,979	-	72,979
McKinnon, Ian	106,720	1,870	-	3,000	111,590	-	111,590
Morrison, John	86,456	-	409	3,000	89,865	15,000	104,865
Pannett, Iona	73,325	1,037	-	3,000	77,362	-	77,362
Pepperell, Bryan	67,114	1,224	381	3,000	71,719	-	71,719
Prendergast, Kerry	148,167	-	-	3,000	151,167	37,500	188,667
Ritchie, Helene	67,114	-	100	3,000	70,214	-	70,214
Wade-Brown, Celia	86,456	2,159	116	3,000	91,731	13,000	104,731
Wain, Hayley	73,325	2,550	821	3,000	79,696	13,000	92,696
Totals	1,258,823	17,398	6,058	45,000	1,327,279	141,600	1,468,879
					Total monetary remuneration	1,282,279	141,600
					Total non-monetary remuneration	45,000	45,000

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 2008/09 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Resource consent hearings payments

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

NOTE 39 RELATED PARTY DISCLOSURES CONTINUED

Taxable allowances – mileage and internet

Councillors are 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 allowance is taxable and therefore included as monetary remuneration. From December 2008, Councillors voluntarily decided to forgo receiving this allowance.

Councillors are able to choose to receive either a taxable allowance for broadband services or seek reimbursement of the actual expense. The maximum claimable amount is \$50 per month. Only the taxable allowance option is included as monetary remuneration. The allowance has only been taxed since 1 April 2009 so the disclosure is not for a full 12 month period.

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

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

Non-monetary

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

Director/Trustee Fees

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

COUNCIL MEMBER	POSITION	DIRECTOR/TRUSTEE FEES		ORGANISATION
		SUBSIDIARIES \$	ASSOCIATES \$	
Ahipene-Mercer, Ray ¹	Director	22,100	-	Positively Wellington Waterfront
Cook, Stephanie	Trustee	13,000	-	St. James Theatre Charitable Trust
Coughlan, Jo	Trustee	13,000	-	Positively Wellington Tourism
Foster, Andy	Director	-	15,000	Capacity
Morrison, John	Trustee	-	15,000	Wellington Regional Stadium Trust
Prendergast, Kerry	Director	-	37,500	Wellington International Airport Limited
Wade-Brown, Celia	Trustee	13,000	-	Wellington Zoo Trust
Wain, Hayley	Trustee	13,000	-	Wellington Museums Trust
Total director and trustee fees		74,100	67,500	

¹ Effective from 1 January 2009, Council agreed to a reduction in the fee paid to Directors of Wellington Waterfront Limited in recognition of the changed operating environment. The reduction was from \$25,000 down to \$19,200 per annum. Councillor Ahipene-Mercer received six months remuneration at each rate.

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:

- paid a sports development grant of \$2,000 to Wellington Hockey Association. The Council's Chief Operating Officer, Karen Wallace, is the Deputy Chair of the Association.
- paid the Wellington Rugby Union \$61,200 for ground signage at Wellington Rugby games. The Council's Chief Executive Officer, Garry Poole is the Deputy Chair of the Union.
- received a funding grant for the City Gallery Development project of \$50,000 from the Adam Foundation. The Council's Chief Executive Officer, Garry Poole is a Trustee of the Foundation.

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

Material related party transactions – other organisations

Council has influence in the governance, funding and operations of 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 Board.

Karori Wildlife Sanctuary Trust

Council appoints three of the seven trustees including the Chair. Councillor Foster was an appointed trustee until 31 May 2009. Operational funding of \$0.353m was made during the year to 30 June 2009 and of the originally approved \$8m loan a further \$5.375m was drawn down at 30 June 2009. Supplementary increases to the loan of \$2.380m were also approved in the period but no drawdown has been made against this as at year end. The loan is on interest free terms. Further information on the loan is included in Note 12.

Carter Observatory Board

The one Council appointed Board member is Councillor Jo Coughlan. During 2007/08, Council took over the management of the Carter Observatory from the Crown-appointed Board, under the terms of a Management Agreement. The agreement means that the Council is responsible for managing the day to day affairs of the observatory, while the Board remains responsible for reporting to its Minister on a quarterly basis and furnishing an annual report. Councillor Coughlan is also appointed to the Carter Observatory Trust, established to drive fundraising efforts. The Trust owns no assets other than funds raised for the purpose of supporting Carter, and is not responsible for the governance or management of the Observatory.

The Council appointed a new Director of Carter Observatory to drive the redevelopment project and prepare the Observatory for a scheduled re-opening in early 2010. It is anticipated that governance of the Observatory will move from the Carter Observatory Board to another entity, to be determined by the Council in consultation with key stakeholders, once the repeal of the 1938 Carter Observatory Act is accomplished. The Crown has indicated that this is likely to be achieved by the end of 2009. Council provided operational funding of \$0.300m in the reporting period

Intra group transactions and balances

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

INTRA GROUP TRANSACTIONS AND BALANCES – JOINT VENTURES

Revenue received by Council from the Joint venture

Distribution from Landfill operations

Expenditure incurred by Council to fund the operation and management of:

Porirua – Waste water treatment plant

	2009 \$	2008 \$
	410	410
	1,149	1,242

NOTE 39 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	2009 \$000	2008 \$000
Dividend received from:		
Wellington Cable Car Limited	311	-
Revenue for services provided by Council to:		
Positively Wellington Tourism	134	212
Positively Wellington Waterfront	2	2
Wellington Cable Car Limited	56	58
Wellington Museums Trust	1,564	1,634
Wellington Zoo Trust	1,665	498
	3,421	2,404
Repayment of loan		
Positively Wellington Business	-	211
Expenditure incurred by Council to fund operations and management of:		
Positively Wellington Tourism	4,940	4,316
Positively Wellington Waterfront	1,650	1,650
St James Theatre Charitable Trust	177	154
Wellington Museums Trust	6,211	6,072
Wellington Zoo Trust	2,708	2,688
	15,686	14,880
Expenditure for services provided to Council by:		
Positively Wellington Tourism	101	51
St James Theatre Charitable Trust	3	-
Wellington Cable Car Limited	253	220
Wellington Museums Trust	47	14
Wellington Zoo Trust	1,426	93
	1,830	378
Current receivables owing to Council from:		
Positively Wellington Tourism	2	-
Wellington Cable Car Limited	1	5
Wellington Museums Trust	22	42
Wellington Zoo Trust	1,043	16
	1,068	63
Current payables owed by Council to:		
Positively Wellington Waterfront	-	464
Wellington Cable Car Limited	176	167
Wellington Museums Trust	138	79
Wellington Zoo Trust	166	143
	480	853

Repayment of Loan:

The loan was repaid by Positively Wellington Business in full in June 2008 as part of the wind up of the Trust.

Current receivables and payables:

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

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

INTRA GROUP TRANSACTIONS AND BALANCES – ASSOCIATES	2009 \$000	2008 \$000
Dividend received from:		
Wellington International Airport Limited	7,185	5,644
Revenue for services provided by Council to:		
Basin Reserve Trust	-	2
Capacity	52	132
Wellington International Airport Limited	35	43
Wellington Regional Stadium Trust	10	124
	97	301
Expenditure incurred by Council to fund the operation and management of:		
Basin Reserve Trust	180	180
Expenditure for services provided to Council from:		
Basin Reserve Trust	-	6
Capacity	4,274	4,065
Wellington International Airport Limited	99	53
Wellington Regional Stadium Trust	296	273
	4,669	4,397
Current receivables owing to Council from:		
Capacity	3	2
Current payables owed by Council to:		
Capacity	412	415
Wellington Regional Stadium Trust	10	-
	422	415
Limited-recourse funding loan and advance		
Wellington Regional Stadium Trust – nominal value – \$15,394,893	872	773

Current receivables and payables:

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

Limited-recourse funding loan and advance

The \$15m loan is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished.

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

NOTE 40 COMMUNITY BOARD REMUNERATION

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

COMMUNITY BOARD MEMBER	SALARY \$	TAXABLE ALLOWANCES \$	TOTAL 2009 \$
Tawa Community Board			
Robert Tredger (Chair)	20,160	19	20,179
Dennis Sharman	8,060	-	8,060
Graeme Hansen	8,060	88	8,148
Chris Reading	8,060	-	8,060
Graeme Sutton	8,060	-	8,060
David Darroch	8,060	-	8,060
Makara-Ohairu Community Board			
Ruth Paul (Chair)	12,900	-	12,900
Craig Shepherd	5,040	23	5,063
Ralph Jorgensen	5,040	23	5,063
Christine Grace	5,040	-	5,040
Gavin Bruce	5,040	46	5,086
John Hume	5,040	46	5,086
Totals	98,560	245	98,805

The taxable allowances relate to mileage claimed up until February 2009 only, as the boards have voluntarily elected to forgo this allowance in order to cut costs.

NOTE 41 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 2009 the Council made severance payments to 15 employees (2008: 14) totalling \$160,371 (2008: \$107,524).

The individual value of each of these severance payments is: \$906; \$2,000; \$2,819; \$5,000; \$5,178; \$10,784; \$29,012; \$35,000; \$11,488; \$10,000; \$5,000; \$35,000; \$3,667; \$2,517; \$2,000.

NOTE 42 EVENTS AFTER THE END OF THE REPORTING PERIOD

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