

2006/07 Annual Report

Greater Wellington Regional Council

Contents

Chairman's report

Chief Executive's report

Facts about the Wellington Region

Community outcomes

Outcomes and targets

Maori capacity

Financial overview – Council

Financial statements

Report on groups of activities

- Environment

- Transport

- Water supply

- Parks

- Land

- Safety and flood protection

- Community

Investments

Statement of compliance and responsibility

Audit report

Supplementary information

Once again, Greater Wellington has had a very busy year. We've laid the foundations for some significant pieces of work that will have a big impact on the region's environmental, economic, social and cultural future.

Public transport

After years of work, a Regional Land Transport Strategy was successfully completed. This is the future strategy for all transport in the region – roading, buses, trains, cycling and walking. A significant factor in this success was the buy-in to the strategy from the region, including city and district councils. Implementing this strategy will be a major focus for Greater Wellington and requires a considerable amount of political like-mindedness and cooperation.

Securing a public transport funding package was a major highlight. Central government agreed to supplement regional transport funds. This has allowed Greater Wellington to commit to upgrading the region's rail network, rolling stock and trolley bus fleet. We already have new carriages operating on the Wairarapa line and more are on their way for other parts of the region. The future of trolley buses in Wellington was secured with the signing of a new long-term contract. This will see complete replacement of all 60 trolley buses, starting from early 2008. Strong relationships with our transport partners have allowed us to be confident of being able to deliver a transport network that meets our region's needs.

Negotiations are close to being finalised on the supply of Electric Multiple Units from Rotem Mitsui.

Flood protection

Upgrading flood protection structural works across the region continues to be a major long-term commitment. This year we had to carry out flood damage works in the Wairarapa, resulting in some other programmes falling a little behind. However, major capital works were progressed on the Otaki and Hutt rivers, and the Kopuaranga River enhancement scheme was finalised. All planned maintenance work was completed. We really appreciate the relationships we have with people over flooding issues. The community has generally been willing to work with us to develop the best solution possible.

Wellington Regional Strategy

Another highlight of the year was the finalisation of a Wellington Regional Strategy – a sustainable growth strategy for the region. All councils pulled together to complete this strategy and its governance and funding arrangements. Everyone recognised that this region will only move forward if we all work together. Other regions have struggled to cooperate to this extent and the Wellington region can be proud of what it has achieved. Having a growth strategy like this in place gives us an advantage over other regions in the country.

One important aspect of the strategy was the setting up of a new economic development agency to cover the whole region. Previously we had a rather piecemeal approach. The region should benefit enormously having a unified body driving economic development.

Environment

One of Greater Wellington's core functions is environment management. Improving the health of our environment is a huge task and one that we cannot carry out alone. Consequently, we engage with a wide range of organisations and the community on environmental projects. We have care groups all over the region. These are people who give up their spare time to do riparian planting, wetland improvements, and sand dune and native bush restorations. More and more organisations want to do corporate planting days. Businesses are becoming increasingly aware of the impact they have on the environment and are seeking our help to work more sustainably. It's good to see the pleasure and reward that people get from doing their bit for the environment.

I too get huge personal pleasure from working with groups to restore our environment. I look forward each year to seeing our region's children at Arbor Day plantings – it's enormously satisfying to show a young child how a tree planted by one of their predecessors has grown.

Financial performance

Greater Wellington's financial result reflects a considered approach by councillors, senior management and staff. Our Chief Executive has delivered on the Council's expectations. It's particularly pleasing to see continued efficiencies being made across our operational activities, particularly as our community demands more and more services.

End of the triennium

This report is the last one for the triennium. I would like to take this opportunity to thank my fellow councillors for their hard work and commitment throughout the past three years. We've had to grapple with difficult issues and make hard decisions – but at all times councillors have kept their focus and humour. It has been both a rewarding and enjoyable year.

Ian Buchanan

Chairman

We have just completed the first year of our 2006-16 Ten-Year Plan (LTCCP) and this report shows that we have made excellent progress. A comprehensive list of Greater Wellington's achievements for the year is outlined on pages 10-13. It shows the extensive range of activities undertaken by our people – all of which shape our region.

Greater Wellington's work helps make the region a greater place to live. The impact of our programmes are all around us, be it when catching a bus or train, visiting a regional park, sailing in our harbours, drinking a glass of water, walking by a river, saving our emergency water supplies or walking in our native bush.

Creating a sustainable region

Sustainability has become a key focus for central government and for governments all over the world. Creating a sustainable region has been a core business for Greater Wellington for many years.

Climate change is now emerging as a major area of concern. Most of the sustainability matters that Greater Wellington has been advancing also address climate change issues. But we are conscious that as an organisation we need to take a greater leadership role – both within our organisation and as part of the communities in our region. This was a key theme in submissions received on our Ten-Year Plan.

This year we joined the Communities for Climate Protection programme and have achieved Milestone One. We will continue to partner with other local authorities in our region, as well as with central government and community organisations, to reduce greenhouse gas emissions and adapt to the possible impacts of climate change.

Building a culture of efficiency, productivity and responsiveness

An organisational restructuring begun in early 2006 has bedded in well and is delivering positive results in terms of organisational performance.

The major reason for the restructuring was to better align Greater Wellington's internal structures, processes and delivery standards with our business. As an organisation funded by ratepayers, we are very aware of our responsibility to ensure that the services we provide are delivered effectively, efficiently and consistently.

Another benefit of the restructuring has been the appointment of new people which, combined with a refocusing of our activities, has added renewed energy and enthusiasm for the work that we all do.

Making Greater Wellington Greater

An outcome of the restructuring was the development of an organisational development strategy with eight integrated goals. The strategy has a working title of Making Greater Wellington Greater. Its purpose can be summarised as "We will have a great organisation that leads and delivers" and "We will have a great region to live, work and play".

Making Greater Wellington Greater is strong on developing the capacity of the organisation. It focuses on leadership skills and building a unified team of dedicated people who take pride in effectively connecting with our communities to advance sustainable outcomes.

Greater Wellington is a diverse organisation in terms of the services we deliver and the people we employ across the region. Providing points of commonality in such an operating environment is not easy, and a purpose of Making Greater Wellington Greater is to integrate and align our people, and to have some unifying context for our organisational development work.

I am personally committed to delivering the objectives set out in the Making Greater Wellington Greater programme. I believe it's important that everybody employed by Greater Wellington derives some sense of purpose and enjoyment from the work that they do, and a strong and vibrant organisational culture is a key part of this. An outcome of happy Greater Wellington people should be the delivery of good results for the communities we serve, which is ultimately what we are here to deliver.

Engaging with our communities

Much of what Greater Wellington achieves is a direct result of the support, commitment and involvement of the local authorities and people in our region. Together we have worked on environmental restoration programmes, river management, environmental policies, waste management, outdoor recreation, erosion control, emergency management and biodiversity initiatives. The completion of the Wellington Regional Strategy has shown how local government and the business community can work together for the region's betterment. At Greater Wellington we are committed to building strong, meaningful relationships and partnerships that help us deliver on the outcomes our community wants. This year we have developed a Community Engagement Strategy to help our working relationships.

A team effort

None of this important work could be delivered with out the efforts of Greater Wellington's staff. We have a great team here. Their skills, knowledge, experience, commitment and enthusiasm are key ingredients in making Greater Wellington and our region greater.

It is our privilege to be in a position to make a positive difference to this region.

Dave Benham

Chief Executive Officer

Executive management team

**Divisional Manager
Environment
Nigel Corry**

**Divisional Manager
Transport Policy and Strategy
Jane Davis**

**Divisional Manager
Catchment Management
Geoff Dick**

**Chief Financial Officer
Barry Turfrey**

**Divisional Manager
Public Transport
Wayne Hastie**

**Divisional Manager
Water Supply, Parks and Forests
Murray Kennedy**

**Divisional Manager
Corporate and Strategy
Jane Bradbury**

- The region covers a land area of 813,005 hectares and a maritime area of 786,700 hectares. There are 497km of coastline
- The population of the region is 464,700 (Statistics NZ, estimated resident population, June 2006)
- Greater Wellington manages 320 kilometres of river channels and 280 kilometres of stopbanks. We are responsible for one of the largest flood protection schemes in New Zealand
- 34,127,115 million passenger journeys were made on the region's public transport system in the past year
- Greater Wellington collects, treats and delivers about 155 million litres of high quality water each day, on average, to the Wellington, Hutt, Upper Hutt and Porirua city councils
- Greater Wellington manages 50,000 hectares of regional parks and forests

Community outcomes for the Wellington region

Healthy environment

We have clean water, fresh air and healthy soils. Well-functioning and diverse ecosystems make up an environment that can support our needs. Resources are used efficiently. There is minimal waste and pollution.

Quality lifestyle

Living in the Wellington region is enjoyable and people feel safe. A variety of lifestyles can be pursued. Our art, sport, recreation and entertainment scenes are enjoyed by all community members – and attract visitors.

Sense of place

We have a deep sense of pride in the Wellington region. We value its unique characteristics – rural, urban and harbour landscapes, climate, central location and capital city.

Prosperous community

All members of our community prosper from a strong and growing economy. A thriving business sector attracts and retains a skilled and productive workforce.

Prepared community

We can cope with emergency events. Individuals and businesses are able to take responsibility for their own wellbeing. Effective emergency management systems are in place.

Connected community

Access is quick and easy – locally, nationally and internationally. Our communication networks, air and sea ports, roads and public transport systems enable us to link well with others, both within and outside the region.

Entrepreneurial and innovative region

Innovation and new endeavours are welcomed and encouraged. Ideas are exchanged across all sectors, resulting in a creative business culture. We have excellent education and research institutions, and benefit from being the seat of government.

Essential services

High-quality and secure infrastructure and services meet our everyday needs. These are developed and maintained to support the sustainable growth of the region, now and in the future.

Healthy community

Our physical and mental health is protected. Living and working environments are safe, and everyone has access to health care. Every opportunity is taken to recognise and provide for good health.

Strong and tolerant community

People are important. All members of our community are empowered to participate in decision making and contribute to society. We celebrate diversity and welcome newcomers, while recognising the special role of tangata whenua.

Community outcomes

The Wellington region has agreed 10 community outcomes, developed as part of the 2006-16 Long-term Council Community Plan process. These community outcomes describe the type of place we want the region to be.

Greater Wellington used to have 10 “Quality for Life” elements (Take 10) which were derived from our functional responsibilities. The new community outcomes are for the whole region to achieve, not just Greater Wellington. Greater Wellington is clearly not in a position to achieve all the outcomes that the community seeks. Its role in furthering outcomes will be different for each of the outcomes. For some outcomes, Greater Wellington will have a major role, for others it will only have a small role to play (or no role at all) and it will be up to other organisations or agencies to take the lead.

We will measure the progress that the regional community has made towards achieving the community outcomes every three years – after the term of our long-term council community plan has expired. This will be part of our 2008/09 Annual Report. In the interim, each year we will report on what Greater Wellington has achieved in furthering these outcomes.

Greater Wellington undertakes the following groups of activities – environment, transport, water supply, parks, safety and flood protection, land and community. Within each these groups are more specific activities. The way in which a group of activities contributes to the community outcomes is outlined in the introduction to the section on that group of activities, as is the way in which the activities within that group have affected the social, economic, environmental or cultural wellbeing of the community during the year. Progress against long-term and short-term targets is then described.

A summary of Greater Wellington’s contribution in the past year to each of the 10 outcomes is on pages 11 to 13.

Contribution to community outcomes

Outcomes

Contribution in year-ending 30 June 2007

Healthy environment

- Supported the covenanting of one wetland. A total of 32 wetlands in the region are now legally protected
- Committed to protect 189 hectares of predominantly lowland forest. 190 native forest areas are now legally protected as a result of Greater Wellington's support
- Improved the control and monitoring systems for our water supply operations, resulting in less chemicals being used for water treatment
- Improved the health of the ecosystems on Greater Wellington land
- Achieved a 19% reduction in reported pollution incidents
- Reviewed the Regional Policy Statement in consultation with a wide range of stakeholders
- Completed a draft Stormwater Plan of Action in conjunction with city and district councils
- Undertook pest control in 78 key native ecosystem sites
- Completed riparian planting and fencing programmes along 3.7km of stream banks
- Completed the annual report cards showing the state of region's key resources – namely groundwater, rainfall and river flows, harbours, estuaries and beaches, rivers and lakes, recreational water quality, soil health and air quality
- Involved more than a 100 businesses in environment and waste-management programmes through Take Charge (our business education programme), and the Get Sustainable Challenge and EnviroSmart programmes

Quality lifestyle

- Achieved a 90% satisfaction rate from the 51% of the regional population who visited at least one regional park
- Rebuilt the Orange Hut in the Akatarawa Forest with community assistance after fire damage
- Progressed the governance structure for Whitireia Park and the Wairarapa Wetlands Park
- Continued to review our park management plans

Sense of place

- Ran the Regional Outdoors Programme – with 49 events attracting 10,800 people
- Restored a historic barn in Queen Elizabeth Park
- Involved 26 schools and more than 2,800 students in Take Action, our environment education programme for schools
- Supported 31 community groups undertake environmental-restoration projects across the region through Take Care, our community environment education programme

Prosperous community

- Processed more than 600 resource consents and reviewed our Resource Management Policy
- Established, with all local authorities in the region, a Regional Economic Development Agency
- Carried out possum and ferret Tb vector control operations on 230,250 hectares of land and completed 170,800 hectares of feral animal surveys
- Planted 355 hectares of erosion-prone land using sustainable land management practices
- Completed a draft Wellington Harbour Safety Management System, together with CentrePort Ltd, and in accordance with the NZ Port and Harbour Marine Safety Code

Prepared community

- Installed a new emergency connection to Upper Hutt City's water reticulation system and began work on a second emergency supply point at Pukerua Bay
- Constructed \$3.8 million of new flood defences and completed \$4.4 million of flood protection maintenance work
- Installed new communications and information-management systems in the Wellington Civil Defence Emergency Management (CDEM) Group's emergency operations centre
- Participated in seven major civil defence exercises, two of which were "all-of-nation" exercises
- Completed the Wellington Region CDEM Group Welfare Plan and the CDEM Group Public Information and Media Management Plan
- Achieved Milestone One of the Communities for Climate Protection – NZ Programme

Connected community

- Signed a 10-year rail operating contract and a 5+5 year trolley bus contract
- Progressed the procurement of the new Electric Multiple Units
- Launched new carriages on the Wairarapa Line
- Introduced new Metlink fare zone boundaries and fares
- Achieved total passenger boardings of 34.1 million
- Reached agreement with Land Transport New Zealand over funding from the Wellington Transport Package
- Obtained extension to free loan from the Crown for rail rolling stock
- Completed the Regional Land Transport Strategy
- Completed a road-pricing study
- Developed and implemented a Travel Plan programme, which assists schools and workplaces to develop travel their own plans

Entrepreneurial and innovative region

- The Wellington Regional Strategy was confirmed, including a governance model
- Greater Wellington became the “keeper” of the Wellington Regional Strategy and established a Wellington Regional Strategy standing committee

Essential services

- Carried out investigations of options for a new water source

Healthy community

- All water supplied complied fully with the NZ Drinking Water Standards
- Received an A1 grading for the Te Marua Water Treatment Plant – the highest grade possible

Strong and tolerant community

- Completed our 2007/08 Annual Plan and amended the Council's 2006-16 Ten-Year Plan to incorporate the Wellington Regional Strategy, after consultation with the community
- Completed a representation review on the Council's electoral arrangements
- Continued to operate Ara Tahi, Greater Wellington's inter-iwi representative group. Ara Tahi met six times during the year and held four technical workshops.
- Supported an iwi, Rangitane o Wairarapa, to be effectively involved in a project to include sites of significance on a national archaeological database
- Publicly notified all meetings and made order papers for committee meetings available to Councillors, appointed members and the public in accordance with statutory requirements and the Council's standing orders
- Reviewed the Council's Local Governance Statement that sets out how the public can engage with the Council

Maori capacity

Development of Maori capacity to contribute to decision making

Greater Wellington has a longstanding and well-developed relationship with iwi in the region. Underpinning the relationship is the Charter of Understanding that iwi and Greater Wellington signed in 1993. When the charter was reviewed in July 2000, its scope was expanded to include all areas of council business.

Following that review, Greater Wellington developed a policy to strengthen the relationship between tangata whenua and Greater Wellington. The policy contains a range of initiatives that enable iwi to participate better in council functions.

In 2005, iwi and Greater Wellington independently carried out a review to identify further opportunities to improve participation by Maori in Greater Wellington's decision making.

Ara Tahī

Ara Tahī is the name given to Greater Wellington's inter-iwi representative group. Ara Tahī is used as a forum for collective discussion and to provide policy advice to the Council.

Ara Tahī met six times last year. Five of these meetings were in Wellington and one in Masterton. Ara Tahī was able to hear about and discuss many topics, including water quality, wind farms, strategic planning documents (Regional Land Transport Strategy, Regional Policy Statement, Wellington Regional Strategy) integrated catchment management and our community environment restoration activities. There were also some presentations from external agencies, eg, the Sport and Recreation Agency (SPARC). In June, at the request of Ara Tahī, the Chairperson of the Council's Passenger Transport Committee gave a presentation about the committee's work and the issues it's facing.

Ara Tahī receives a report from the Maori Liaison Officers at each meeting.

Wellington Regional Strategy Committee

A person was appointed to this new committee to represent Maori interests.

Regional Land Transport Committee

A person nominated by Ara Tahī represents cultural interests on this committee.

Environment Committee

The Chairperson of Ara Tahī is a member of the Council's Environment Committee.

Iwi capacity funding

Last year, Greater Wellington reviewed the way in which it funds iwi in order to improve our processes and achieve better consistency across the region. This funding is to enable each iwi authority to respond to non-notified consents and be available for consultation on a wide variety of issues that emerge during the year. Greater Wellington entered into contractual arrangements for capacity funding with each iwi.

Technical workshops

Four technical workshops were held, three of which were on the review of the Regional Policy Statement (RPS). The other workshop was a Hui a Ara Tahi (detailed below). One of the RPS workshops was attended by both Ara Tahi members and Greater Wellington councillors to enable us to work together on this important document.

Iwi projects

Rangitane o Wairarapa received funding assistance to support the upgrade of the New Zealand Archaeological Association's database on sites of historic significance.

Hui a Ara Tahi

Greater Wellington funded a two-day hui for Ara Tahi members on Matiu/Somes Island in April. The following issues were discussed – iwi funding, water, selection and tenure of Chair of Ara Tahi, iwi representation on Council Committees, iwi environmental indicators and raising the profile of Ara Tahi.

Maori liaison officers/Kaitakawaenga

Greater Wellington employs two specialist Maori Liaison Officers/Kaitakawaenga. These officers enable Greater Wellington to assist iwi, and to build and maintain strong and effective relationships with iwi groups. Unfortunately, one of these positions remained unfilled for the greater part of the year. However, a specialist policy analyst was employed on a temporary basis to assist with the iwi provisions for the RPS review.

Financial overview – Council

Operating results

Greater Wellington’s net operating deficit for the 2006/07 year before unrealised gains and losses was \$9.372 million compared with a budgeted surplus of \$57.873 million. Significant components of this deficit were:

- Income from grants and subsidies was down on budget by \$51.687 million due to the delay in signing the contract for the supply of new Electric Multiple Units. These payments would have been funded 90% by the Crown by way of grants
- Greater Wellington’s investment in rail rolling stock will be owned by Greater Wellington Rail Limited (GWRL). The purchase of the Wairarapa carriages by GWRL was to be funded per the budget by an increase in their share capital. However, GWRL is now funded by way of a capital grant from Greater Wellington. This has increased expenditure by \$19.8 million and resulted in the deficit before unrealised gains of \$9.372 million in Greater Wellington
- Increased costs of diesel and electricity continued to place pressure on the public transport budget

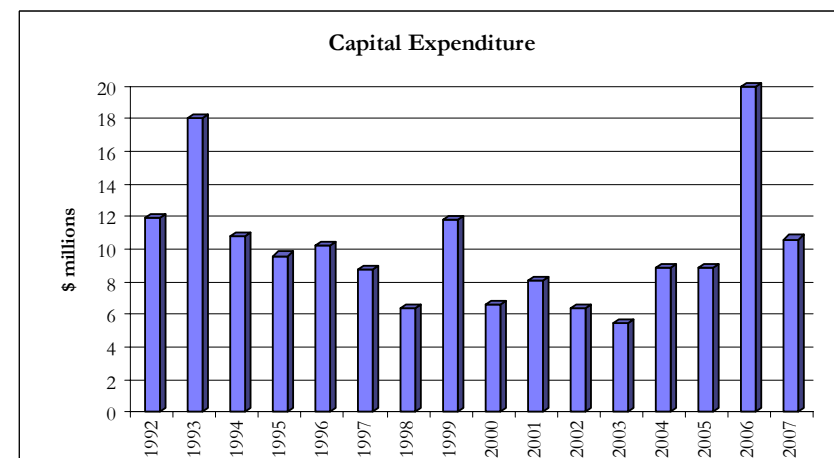
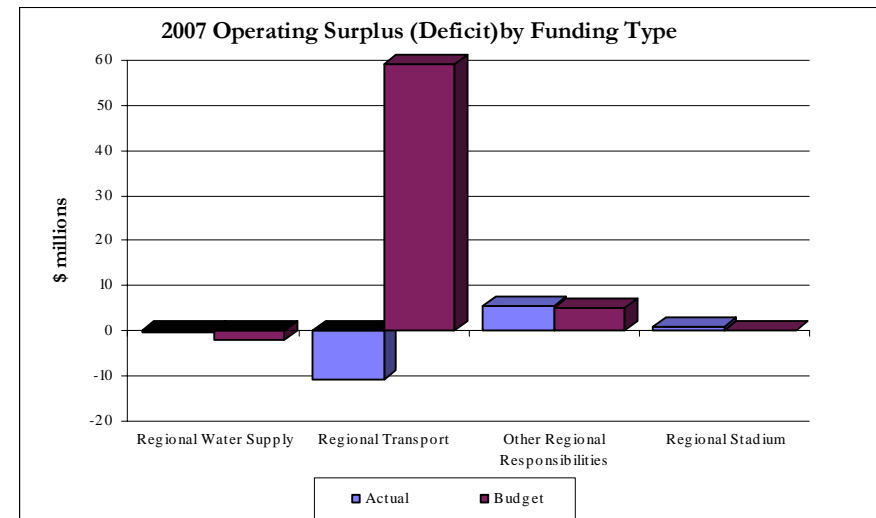
Capital expenditure

Capital expenditure for the year was \$10.748 million compared with the budget of \$20.237 million, a variance of \$9.489 million.

Capital expenditure in Water was below budget due to savings in budgeted projects and deferral of some projects. There were savings in the treatment plant, Wainuiomata Dam and strengthening the lake towers at Stuart Macaskill Lakes. The pipeline on Silverstream Bridge was deferred.

Capital expenditure in Safety and Flood Protection was below budget due to a number of projects being delayed while land issues were being resolved. This involved the following projects – Chrsytalls extended stopbank, South Waitohu and Whirinaki Crescent stopbank.

Major items of note were:



- \$4.2 million of improvements to the Water network
- \$4.2 million of flood protection improvements

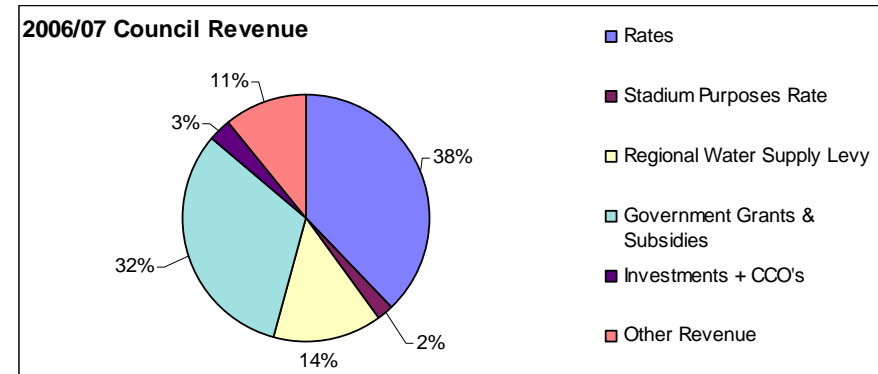
Greater Wellington was budgeted to invest \$82.9 million transport infrastructure. However, this was delayed as the contract for the supply of Electric Multiple Units was not signed by year-end. As these units will be owned by GWRL, they are not classified as capital expenditure in Greater Wellington.

Financial overview – Council (cont)

Financial performance

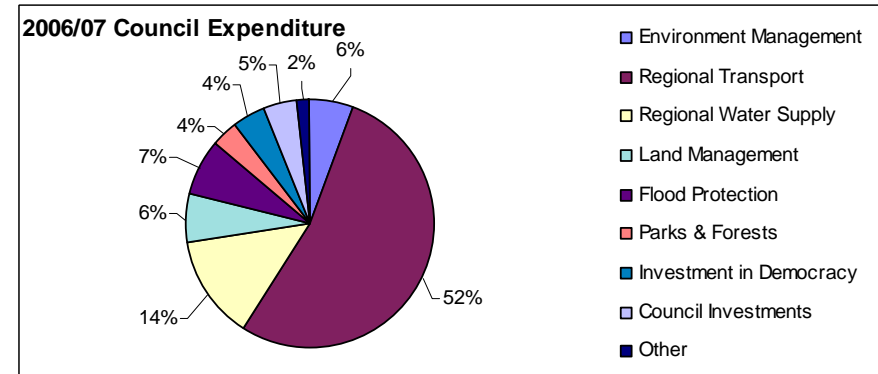
Revenue

The adjacent graph illustrates Greater Wellington’s revenue sources. Rates make up just 38% of our revenue total, with grant revenue making up the next largest share. Central government grants to assist the funding of public transport make up the majority of this.



Operating Expenditure

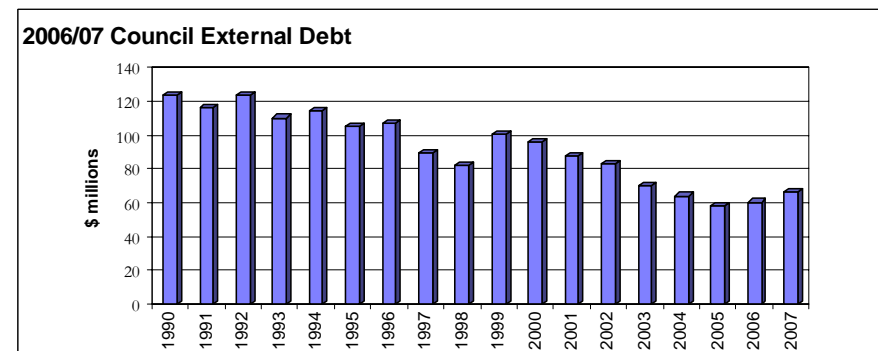
This graph shows where our operational expenditure occurs. In the coming years the proportion of both revenue and expenditure on regional transport is increasing.



Debt

Greater Wellington’s debt position increased by \$5.9 million to \$66.3 million during the year. This includes gains and losses on the debt as required by International Financial Reporting Standards (IFRS). The increase is largely due to the purchase of rail rolling stock.

Since 1990, Council debt has reduced from \$123 million to \$66 million.



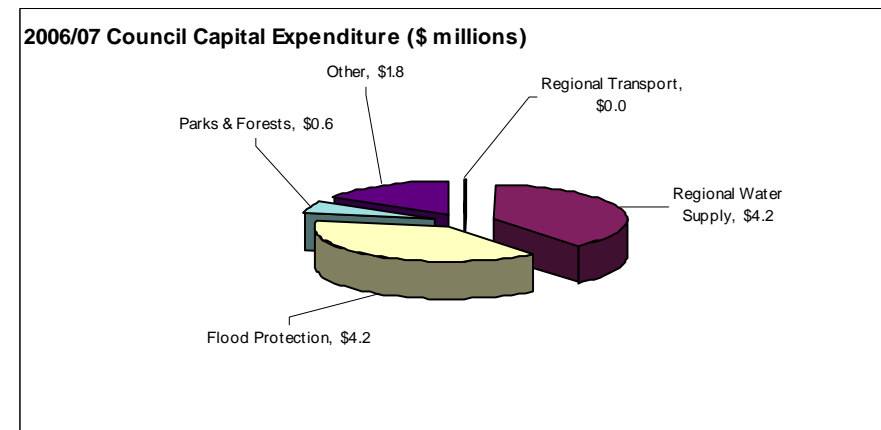
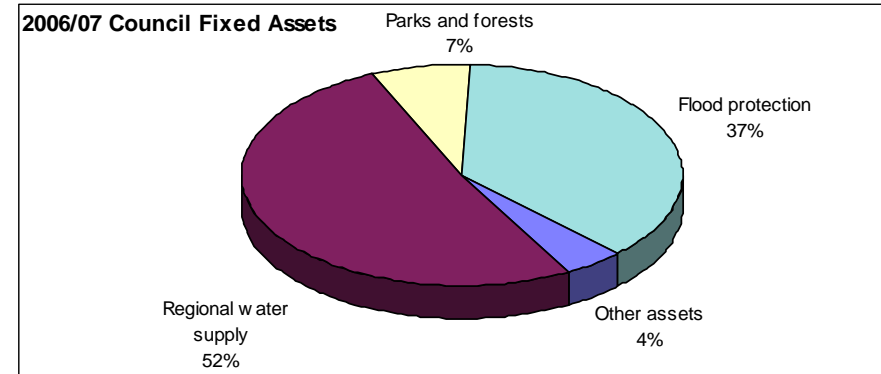
Asset management

Greater Wellington looks after many important community assets. Our asset base consists of regional water supply, regional parks and forests, flood protection and increasingly public transport.

Continued management and investment in these assets is essential. Greater Wellington maintains and updates detailed asset management plans to ensure we look after these assets on behalf of the community.

This graph shows the breakdown of our assets at the end the year. In the coming years, the required investment in public transport will significantly add to the assets we manage for the Wellington region.

This graph shows where the \$10.8 million in capital expenditure was spent during the year ending 30 June 2007. As noted previously, \$82.9 million of public transport capital expenditure was delayed.



Council and Group Surplus

Calculation of Council underlying surplus:

| | Council 2007 Actual \$000 | Council 2007 Budget \$000 |
|---|--|--|
| Surplus (deficit) before unrealised items and tax | (9,372) | 57,873 |
| (Surplus) deficit arising from purchase of rail rolling stock | 9,495 | (59,689) |
| Underlying surplus (deficit) | <u>123</u> | <u>(1,816)</u> |

The main reason for Greater Wellington's deficit of \$9.372 million is due to the way GWRL is funded for the Wairarapa carriages.

Greater Wellington receives 60% of the funding for the Wairarapa carriages from Land Transport New Zealand. This amount is recorded in Greater Wellington's income statement.

The remaining 40% is funded by debt which is accounted for in Greater Wellington's balance sheet. Greater Wellington pays out 100% of the funds required by GWRL by way of grant. This expense is accounted for in Greater Wellington's income statement, effectively resulting in a "loss" of 40%. The "loss" up to 30 June 2007 amounted to \$ 9.495 million.

From a cash perspective there is no loss to Greater Wellington as 100% in cash is received and a 100% is paid out as grant expenditure.

The amount of this grant expensed to GWRL in 2007 was \$19.809 million.

On consolidation of Greater Wellington and GWRL this transaction is eliminated resulting in an additional surplus of \$19.809 million to the Group.

Reconciliation of Council deficit to Group surplus:

| | Group 2007 Actual \$000 |
|---|--|
| Council deficit before unrealised gains | (9,372) |
| Elimination of GWRL inter-company transactions for rail rolling stock | 19,809 |
| Group unrealised gains | 18,119 |
| Other group operating surplus net of eliminations | <u>9,300</u> |
| Consolidated group surplus | <u>37,856</u> |

The Group unrealised gains mainly relate to revaluation gains on CentrePort investment properties of \$11.2 million and gains from interest rate hedges of \$4.9 million which under NZ IFRS are required to be accounted for in the income statement.

INCOME STATEMENT
For the year ended 30 June 2007

| | Notes | Group | | 2007 Actual \$000 | 2006 Actual \$000 | 2007 Actual \$000 | Council 2007 Budget \$000 | 2006 Actual \$000 |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------------------|-------------------------|
| | | 2007 Actual \$000 | 2006 Actual \$000 | | | | | |
| Income | | | | | | | | |
| Rates and levies | | | | 85,790 | 81,058 | 85,790 | 84,726 | 81,058 |
| Grants and subsidies | | | | 51,090 | 37,321 | 51,090 | 102,777 | 37,321 |
| Other gains | | | | 3,240 | 3,431 | - | - | - |
| Other revenue | | | | 71,126 | 66,402 | 22,420 | 21,692 | 20,860 |
| Total income | 1 | | | 211,246 | 188,212 | 159,300 | 209,195 | 139,239 |
| Expenses | | | | | | | | |
| Employee benefits | 2 | | | 44,365 | 41,213 | 28,809 | 29,037 | 26,180 |
| Grants and subsidies | | | | 57,146 | 53,320 | 79,486 | 55,461 | 53,320 |
| Depreciation and amortisation | 3 | | | 15,393 | 14,364 | 9,476 | 9,569 | 9,321 |
| Finance costs - net | 4 | | | 13,063 | 10,404 | 4,760 | 5,674 | 4,574 |
| Other losses | 5 | | | 79 | 303 | 79 | - | 303 |
| Other operating expenses | 6 | | | 61,463 | 56,287 | 46,062 | 51,581 | 41,553 |
| Total operating expenses | | | | 191,509 | 175,891 | 168,672 | 151,322 | 135,251 |
| Surplus (deficit) for the year before unrealised items and tax | | | | 19,737 | 12,321 | (9,372) | 57,873 | 3,988 |
| Unrealised gains / (losses) | 7 | | | 18,119 | 10,683 | 4,786 | 4,405 | (483) |
| Surplus (deficit) for the year after unrealised items and before tax | | | | 37,856 | 23,004 | (4,586) | 62,278 | 3,505 |
| Tax expense | 8 | | | 4,256 | 4,728 | - | - | - |
| Surplus (deficit) for the year | | | | 33,600 | 18,276 | (4,586) | 62,278 | 3,505 |
| Attributed to: | | | | | | | | |
| Minority interest | | | | 4,428 | 3,569 | - | - | - |
| Equity holders of the parent | | | | 29,172 | 14,707 | (4,586) | 62,278 | 3,505 |
| Surplus (deficit) for the year | 31 | | | 33,600 | 18,276 | (4,586) | 62,278 | 3,505 |

The accompanying notes and accounting policies should be read in conjunction with these financial statements

**Income statement by activity
for the year ended 30 June 2007**

| | Council 2007 Actual \$000's | Council 2007 Budget \$000's | | Council 2007 Actual \$000's | Council 2007 Budget \$000's |
|--|--|--|---|--|--|
| Operating revenue | | | Operating expenditure | | |
| Environment | 10,289 | 10,094 | Environment | 10,342 | 10,329 |
| Transport | 83,978 | 136,476 | Transport | 94,661 | 77,295 |
| Water supply | 24,127 | 24,198 | Water supply | 24,490 | 26,217 |
| Land | 11,006 | 10,805 | Land | 11,361 | 10,726 |
| Safety and flood protection | 14,898 | 14,919 | Safety and flood protection | 12,949 | 12,106 |
| Parks | 6,549 | 6,306 | Parks | 6,363 | 6,590 |
| Community | 8,004 | 7,887 | Community | 7,318 | 6,062 |
| Investments | 10,395 | 9,974 | Investments | 8,044 | 9,057 |
| Other | 3,838 | 2,078 | Other | 2,142 | 2,077 |
| Total operating revenue | 173,084 | 222,737 | Total operating expenditure | 177,670 | 160,459 |
| Less: internal operating revenue | 8,998 | 9,137 | Less: internal operating expenditure | 8,998 | 9,137 |
| Total external operating revenue including unrealised gains | 164,086 | 213,600 | Total external operating expenditure | 168,672 | 151,322 |
| | | | Operating surplus/(deficit) | (4,586) | 62,278 |
| | | | Capital expenditure and transport investments | 10,748 | 100,529 |
| | | | Proceeds from assets sales | (134) | (390) |
| | | | Loan funding of capital expenditure | (18,050) | (34,476) |
| | | | Rate, levy, and subsidy-funded capital expenditure | (7,436) | 65,663 |
| | | | Other loan funding | (2,956) | (3,902) |
| | | | Debt repayment | 21,328 | 6,542 |
| | | | Other investment movements | (9,153) | 1,806 |
| | | | Operational reserve movements | 1,048 | (472) |
| | | | | (1,179) | 0 |
| | | | Non-cash items | (6,238) | (7,359) |
| | | | Net funding required | 0 | 0 |

The accompanying notes and accounting policies should be read in conjunction with these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2007

| | Notes | Group | | Council | | |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2007 Actual \$000 | 2006 Actual \$000 | 2007 Actual \$000 | 2007 Budget \$000 | 2006 Actual \$000 |
| Equity - opening balance as at 1 July | | 661,694 | 644,390 | 559,956 | 547,874 | 556,592 |
| Asset revaluation movements taken directly to equity | | 53,829 | (141) | 46,688 | 25,748 | (141) |
| Asset revaluation movements taken directly to equity minority interests | | 1,946 | - | - | - | - |
| Net income recognised directly in equity | | 55,775 | (141) | 46,688 | 25,748 | (141) |
| Net surplus/(deficit) for the year | | 33,600 | 18,276 | (4,586) | 62,278 | 3,505 |
| Total recognised income and expenses for the year | | 89,375 | 18,135 | 42,102 | 88,026 | 3,364 |
| Attributable to: | | | | | | |
| Equity holders of the parent | | 84,947 | 14,566 | 42,102 | 88,026 | 3,364 |
| Minority interest | | 4,428 | 3,569 | - | - | - |
| Total recognised income and expenses for the period | | 89,375 | 18,135 | 42,102 | 88,026 | 3,364 |
| Dividend to minority interest | | (831) | (831) | - | - | - |
| Balance as at 30 June | 19 | 750,238 | 661,694 | 602,058 | 635,900 | 559,956 |

The accompanying notes and accounting policies should be read in conjunction with these financial statements

BALANCE SHEET
as at 30 June 2007

| | Notes | Group | | Council | | |
|-------------------------------|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2007 Actual \$000 | 2006 Actual \$000 | 2007 Actual \$000 | 2007 Budget \$000 | 2006 Actual \$000 |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 9 | 47,399 | 55,324 | 47,094 | 59,686 | 55,372 |
| Trade and other receivables | 10 | 37,326 | 15,487 | 32,604 | 16,880 | 12,177 |
| Inventories | 11 | 2,663 | 2,361 | 2,142 | - | 1,946 |
| Income tax receivable | 8 | 446 | 1,271 | - | - | - |
| | | <u>87,834</u> | <u>74,443</u> | <u>81,840</u> | <u>76,566</u> | <u>69,495</u> |
| Non-current assets | | | | | | |
| Other financial assets | 12 | 4,102 | 3,813 | 3,470 | 9,832 | 3,219 |
| Property, plant and equipment | 13 | 771,800 | 658,656 | 563,907 | 553,419 | 516,226 |
| Intangible assets | 14 | 1,428 | 1,444 | 409 | - | 714 |
| Forestry investments | 15 | 14,303 | 14,892 | 14,303 | 19,389 | 14,892 |
| Investment properties | 16 | 100,829 | 101,212 | - | - | - |
| Investment in subsidiaries | 17 | - | - | 34,542 | 89,365 | 34,542 |
| Derived financial instruments | 18 | 4,874 | 1,198 | 1,908 | - | 346 |
| Deferred tax asset | 8 | 1,670 | 4,575 | - | - | - |
| | | <u>899,006</u> | <u>785,790</u> | <u>618,539</u> | <u>672,005</u> | <u>569,939</u> |
| TOTAL ASSETS | | <u>986,840</u> | <u>860,233</u> | <u>700,379</u> | <u>748,571</u> | <u>639,434</u> |

The accompanying notes and accounting policies should be read in conjunction with these financial statements

BALANCE SHEET
as at 30 June 2007 - continued

| | Notes | Group | | Council | | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 2007 Actual \$000 | 2006 Actual \$000 | 2007 Actual \$000 | 2007 Budget \$000 | 2006 Actual \$000 |
| EQUITY AND LIABILITIES | | | | | | |
| Equity attributable to equity holders of the parent | | | | | | |
| Retained earnings | | 428,638 | 407,138 | 367,578 | 430,339 | 373,071 |
| Reserves | | 277,469 | 215,967 | 234,480 | 205,561 | 186,885 |
| | | <u>706,107</u> | <u>623,105</u> | <u>602,058</u> | <u>635,900</u> | <u>559,956</u> |
| Minority interest | | 44,131 | 38,589 | | | |
| Total equity | 19 | <u>750,238</u> | <u>661,694</u> | <u>602,058</u> | <u>635,900</u> | <u>559,956</u> |
| Current liabilities | | | | | | |
| Trade and other payables | 20 | 36,373 | 25,122 | 29,421 | 19,230 | 16,760 |
| Debt | 21 | 79,935 | 45,655 | 35,934 | 2,482 | 1,655 |
| Employee benefit liabilities | 22 | 3,749 | 3,365 | 1,971 | - | 1,647 |
| Provisions | 23 | 543 | 415 | - | - | - |
| | | <u>120,600</u> | <u>74,557</u> | <u>67,326</u> | <u>21,712</u> | <u>20,062</u> |
| Non-current liabilities | | | | | | |
| Debt | 21 | 114,589 | 122,565 | 30,335 | 90,959 | 58,657 |
| Employee benefit liabilities | 22 | 1,413 | 1,417 | 660 | - | 759 |
| | | <u>116,002</u> | <u>123,982</u> | <u>30,995</u> | <u>90,959</u> | <u>59,416</u> |
| TOTAL LIABILITIES | | <u>236,602</u> | <u>198,539</u> | <u>98,321</u> | <u>112,671</u> | <u>79,478</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>986,840</u> | <u>860,233</u> | <u>700,379</u> | <u>748,571</u> | <u>639,434</u> |

Ian Buchanan
Chairman
27 September 2007

David Benham
Chief Executive
27 September 2007

Barry Turfrey
Chief Executive
27 September 2007

The accompanying notes and accounting policies should be read in conjunction with these financial statements

CASH FLOW STATEMENT
For the year ended 30 June 2007

| | Notes | Group | | 2007 Actual \$000 | Council 2007 Budget \$000 | 2006 Actual \$000 |
|--|-------|-------------------------|-------------------------|-------------------------|------------------------------------|-------------------------|
| | | 2007 Actual \$000 | 2006 Actual \$000 | | | |
| Cash flows from operating activities | | | | | | |
| Receipts from customers | | 49,084 | 46,093 | - | - | - |
| Rates revenue received | | 61,093 | 59,426 | 61,093 | 61,950 | 59,426 |
| Water supply levy received | | 22,776 | 22,776 | 22,776 | 22,776 | 22,776 |
| Government subsidies received | | 40,909 | 37,321 | 40,909 | 102,777 | 37,321 |
| Interest received | | 3,966 | 4,656 | 3,807 | 3,460 | 4,355 |
| Dividends received | | 468 | 373 | 618 | 463 | 651 |
| Fees, charges and other revenue | | 9,671 | 17,612 | 9,670 | 16,913 | 17,612 |
| Payments to suppliers and employees | | (169,393) | (149,002) | (141,674) | (133,885) | (120,545) |
| Interest paid | | (14,251) | (8,981) | (4,334) | (5,348) | (4,167) |
| Income tax paid (refund) | | (1,041) | (1,200) | - | - | - |
| Net cash flows from operating activities | 24 | 3,282 | 29,074 | (7,135) | 69,106 | 17,429 |
| Cash flows from investing activities | | | | | | |
| Sale of property, plant and equipment | | 326 | 1,186 | 282 | 390 | 411 |
| Repayment of advance from associate company | | - | 200 | - | - | - |
| Disposal of forestry investments | | 1,118 | - | 1,118 | - | - |
| Purchase of property, plant and equipment | | (39,281) | (47,325) | (10,266) | (20,237) | (19,843) |
| Purchase of intangible assets | | (797) | (691) | (85) | - | (224) |
| Acquisition of forestry investments | | - | (206) | - | - | (206) |
| Acquisition of investments | | (65) | (8,744) | - | (81,242) | - |
| Net cash flows from investing activities | | (38,699) | (55,580) | (8,951) | (101,089) | (19,862) |
| Cash flows from financing activities | | | | | | |
| Loan funding | | 55,965 | 34,929 | 35,618 | 38,053 | 11,000 |
| Debt repayment | | (27,643) | (9,465) | (27,643) | (6,070) | (9,465) |
| Repayment of inter-company current account | | - | - | (167) | - | (352) |
| Dividends paid to minority interests | | (830) | (830) | - | - | - |
| Net cash flows from financing activities | | 27,492 | 24,634 | 7,808 | 31,983 | 1,183 |
| Net increase/(decrease) in cash, cash equivalents and bank overdraft | | (7,925) | (1,872) | (8,278) | - | (1,250) |
| Cash, cash equivalents and bank overdraft at the beginning of year | | 55,324 | 57,196 | 55,372 | 59,686 | 56,622 |
| Cash, cash equivalents and bank overdrafts at the end of year | | 47,399 | 55,324 | 47,094 | 59,686 | 55,372 |

The accompanying notes and accounting policies should be read in conjunction with these financial statements

Statement of accounting policies for the year ended 30 June 2007

1. Reporting entity

The Greater Wellington Regional Council is a regional local authority governed by the Local Government Act 2002. The Group consists of Greater Wellington and its subsidiaries as disclosed below.

Financial statements for Greater Wellington (the "Parent") and consolidated financial statements (for the "Group") are presented.

For the purposes of financial reporting, Greater Wellington is designated as a public benefit entity. The subsidiary companies comprise WRC Holdings, Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited, Greater Wellington Infrastructure Limited, Regional EDA Limited and CentrePort Limited. All subsidiaries, except Regional EDA Limited, are designated as profit-oriented entities. Regional EDA Limited is designated as a public benefit entity.

2. Statement of compliance

The Group financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are the first financial statements to be prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for public benefit entities.

The comparative information for 2006 has been restated to reflect the new standards. The resulting changes arising from the transition to NZ IFRS have been adjusted directly to ratepayer's equity. Reconciliations of prior period equity and surplus to NZ IFRS are included in Note 33.

Accounting judgments and estimations

The preparation of financial statements in conformity with NZ GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 current and future periods, it is reflected in those periods.

Judgements made by management in the application of NZ GAAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 31.

**Statement of accounting policies
for the year ended 30 June 2007 - continued**

3. Accounting policies

(a) Basis of preparation

The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, forestry assets, derivative financial instruments and certain infrastructural assets that have been measured at fair value.

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

The accounting policies have been applied consistently by Group entities.

(b) Basis of consolidation

The consolidated financial statements include Greater Wellington and its subsidiaries. Subsidiaries are those entities controlled directly or indirectly by the Parent. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method. A list of subsidiaries appears in Note 17 to the financial statements.

The minority interest represents Manawatu-Wanganui Regional Council's 23.1% share of CentrePort Limited.

Greater Wellington's investment in subsidiaries is held at cost in Greater Wellington's own "parent entity" accounts.

Associates are entities in which the group has significant influence but not control over their operations. Greater Wellington's share of the assets, liabilities, revenue and expenditure are included in the financial statements of the Group on an equity accounting basis.

All significant inter-company transactions are eliminated on consolidation.

(c) Revenue recognition

Revenue is recognised when billed or earned on an accrual basis.

(i) Rates and levies

Rates and levies are a statutory annual charge and are recognised in the year the assessments are issued.

(ii) Government grants and subsidies

Greater Wellington receives government grants from Land Transport New Zealand, which subsidises part of Greater Wellington's costs in the provision of public transport subsidies to external transport operators and for capital purchases of rail rolling stock within Greater Wellington's subsidiaries and transport network upgrades owned by Ontrack. The grants and subsidies are recognised as revenue when eligibility has been established by the grantor.

Other grants and contributions from territorial local authorities are recognised in the Income Statement when eligibility has been established by the grantor.

(iii) Sale of goods

Revenue on the sale of goods is recognised when all risks are transferred to the buyer and there is no longer control or managerial involvement with the goods.

(iv) Rendering of services

Revenue from services rendered is recognised by reference to stage of completion of the service.

(v) Dividends

Revenue from dividends is recognised on an accrual basis (net of imputation credits) once the shareholder's right to receive payment is established.

(vi) Interest

Interest is accrued using the effective interest rate method. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(vii) Other revenue

Other income is also recognised on an accrual basis. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Group are recognised as revenue when control over the asset is obtained.

(d) Borrowing costs

Borrowing costs directly attributable to capital construction are capitalised as part of the costs of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(e) Property, plant and equipment

Property, plant and equipment consists of operational and infrastructure assets. Expenditure is capitalised 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.

The initial cost of property, plant and equipment includes the purchase consideration and those cost that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

Property, plant and equipment are categorised into the following classes:

- Port buildings, wharves and paving
- Operational port freehold land
- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets
- Rail rolling stock
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Capital work in progress
- Regional water supply infrastructural assets
- Regional water supply administrative buildings
- Regional water supply minor equipment
- Regional water supply motor vehicles
- Regional water supply capital work in progress

All property, plant and equipment are initially recorded at cost.

Valuations

Valuations for regional water supply, parks and forests, flood protection and transport infrastructural assets are carried out or reviewed by independent qualified valuers. They are carried out at regular intervals.

Regional Water Supply

Regional water supply wholesale water assets were revalued by Nigel Fenwick MNZPI and Rob Slater MNZPI of Knight Frank at 30 June 2004 using optimised depreciated replacement cost (ODRC) methodology.

Water Catchment land was revalued by GH Smith ANZIV, SNZPI at 30 June 2004, using the market value methodology.

Other land and buildings were revalued by Martin Veale ANZIV, SNZPI of Telfer Young at 30 June 2004, using the market value methodology.

Flood Protection

The Flood Protection infrastructure assets were revalued at 30 June 2007 using ODRC methodology in accordance with the guidelines published by the National Asset Management Steering (NAMS) Group. The valuations were carried out by a team of qualified and experienced flood protection engineers from within the Flood Protection department.

The asset valuation was reviewed by John Vessey, Principal Engineering Economist, Opus International Consultants. He concluded that the 2007 valuation of Council's flood protection assets is deemed acceptable and appropriate for financial reporting purposes.

Western flood protection land was revalued as at 30 June 2007 by Martin Veale ANZIV, SPINZ & Brian Whitaker ANZIV, SPINZ, using a derived value rate per hectare, based on sales data of Rural and Reserve land from recognised valuation sources which reflects fair value.

Baker & Associates revalued Wairarapa flood protection land as at 30 June 2007. Land valuation was completed by F T Rutherford BBS (VPM) ANZIV using comparison to market sales of comparable type land in similar locations to each parcel, which reflects fair value.

Parks and Forests

The Parks and Forests infrastructure assets were revalued at 30 June 2003 using ODRC methodology. Graham Laws, Parks and Forests Asset Management Advisor, carried out the valuations. The valuation methodology and rates were reviewed and certified by PM Ollivier BSc, BE (Civil), MIPENZ, MICE and KJ Tonks ANZIV, MPLEINZ of Tse Group Ltd.

Parks and Forests land and improvements were revalued at 30 June 2003 by GH Smith ANZIV, using the market value methodology.

Plantation Forestry bridges were revalued by Kate Zwartz, Senior Engineer for the Engineering Consultancy Group. PM Ollivier and KJ Tonks of Tse Group Ltd reviewed the valuation methodology and rates.

Plantation Forestry roads and Wairarapa Forests infrastructure assets were revalued by GH Smith ANZIV.

Greater Wellington Regional Council Group (including CentrePort Limited)

Operational port freehold land is stated at valuation determined every three years by an independent registered valuer. Colliers International valued the land at 30 June 2007 at fair value. The basis of valuation is fair value, which is determined with reference to the assets highest and best use as determined by the valuer.

Any increase in the value on revaluation is taken directly to the asset-revaluation reserve. However, if it offsets a previous decrease in value for the same asset recognised in the Income Statement, then it is recognised in the Income Statement. A decrease in the value on revaluation is recognised in the Income Statement where it exceeds the increase of that asset previously recognised in the asset-revaluation reserve.

The remaining Property, Plant and Equipment are recorded at cost, less accumulated depreciation and impairment. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All Property Plant and Equipment, except land, are depreciated.

**Statement of accounting policies
for the year ended 30 June 2007 - continued**

(f) Depreciation

Depreciation is provided on a straight-line basis on all tangible property, plant and equipment other than land and capital works in progress, at rates which will write-off assets, less their estimated residual value, over their remaining useful lives.

The useful lives of major classes of assets have been estimated as follows:

- Port, wharves and paving 10 to 50 years
- Operational port freehold land indefinite
- Operational land and buildings 10 to indefinite
- Operational plant and equipment 2 to 20 years
- Operational vehicles 3 to 10 years
- Flood protection infrastructural assets 15 to indefinite
- Transport infrastructural assets 5 to 50 years
- Rail rolling stock 15 to 35 years
- Navigational aids infrastructural assets 5 to 50 years
- Parks and forests infrastructural assets 10 to 100 years
- Regional water supply infrastructural assets 3 to 150 years
- Regional water supply administrative buildings 10 to 50 years
- Regional water supply minor equipment 3 to 15 years
- Regional water supply vehicles 5 to 10 years

Capital work in progress is not depreciated.

Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and to check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

(g) Intangible assets

Software is carried at cost, less any accumulated amortisation and impairment losses. It is amortised over the useful life of the asset as follows:

| | |
|----------|--------------|
| Software | 1 to 5 years |
|----------|--------------|

(h) Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. There are two classes of investment property:

1. Developed investment properties.
2. Land available for development.

The Regional Council Centre (RCC) is treated as an investment property within the WRC Holdings Group, and as property, plant and equipment within the Greater Wellington Group accounts. Gains or losses arising from changes in fair value of investment properties are included in the income statement in the period in which they arise.

(i) Impairment

All assets are reviewed annually to determine if there is any indication of impairment.

An impairment loss is recognised when its carrying amount exceeds its recoverable amount. Losses resulting from impairment are accounted for in the Income Statement, unless the asset is carried at a revalued amount, in which case any impairment loss is treated as a revaluation decrease.

(i) Recoverable amount

The recoverable amount of an asset is the greater of the net selling price and value in use.

(ii) Value in use

Value in use for Greater Wellington assets is calculated as being the depreciated replacement cost of the asset. For Greater Wellington's subsidiaries, it is calculated as being the estimated future cashflows which are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Forestry investments

Forestry investments are stated at fair value, less point-of-sale costs. They are independently revalued to an estimate of market valuation based on net present value. The net gain or loss arising from changes in forestry valuation is included in the Income Statement.

(k) Financial instruments

The Group classifies its financial assets and liabilities according to the purpose for which they were acquired.

Financial assets and liabilities are only offset when there is a legally enforceable right to offset them and there is an intention to settle on a net basis.

(i) Financial assets

The Group's financial assets are categorised as follows:

- ***Financial assets at fair value accounted through the Income Statement***

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on re-measurement are recognised in the Income Statement.

- ***Financial assets at fair value accounted through equity***

Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition these assets are measured at their fair value. Any gains and losses are recognised directly to equity, except for impairment losses which are recognised in the Income Statement.

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when it can be reliably estimated. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market and no intention to sell the asset, the item is measured at cost.

Fair value is equal to Greater Wellington's share of the net assets of the entity. Upon sale, the cumulative fair value gain or loss previously recognised directly in equity is recognised in the Income Statement.

- ***Loans and receivables***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised costs using the effective interest method. Gains and losses when the asset is impaired or sold are accounted for in the Income Statement.

- ***Held-to-maturity investments***

These are assets with fixed or determinable payments with fixed maturities that the Group has the intention and ability to hold to maturity. After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the Income Statement.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

(ii) Financial liabilities

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value, less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Income Statement as is any gain or loss when the liability is settled. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

(l) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to interest rate and foreign exchange risks arising from its operational, financing and investment activities. In accordance with its treasury policies, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments which do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the Income Statement.

The fair value of an interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at balance date, based on current interest rates. The fair value of forward-exchange contracts is their quoted market price at the balance date.

(m) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

(n) Inventories

Inventories are valued at the lower of cost or net realisable value on a first-in first-out basis.

The value of harvested timber is its fair value, less estimated point-of-sale costs at the date of harvest. Any change in value at the date of harvest is recognised in the Income Statement.

(o) Income tax

Income tax in the Income Statement for the year comprises current and deferred tax. Income tax is usually recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity. In this case, that amount is recognised in equity.

Deferred tax is provided using the balance sheet liability method. This provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures, except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(p) Foreign currency

In the event that the Group has any material foreign currency risk, it will be managed by derivative instruments to hedge the currency risk.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on their translation are recognised in the Income Statement.

(q) Employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date. Employee benefits include salaries, annual leave and long-service leave. Where the benefits are expected to be paid for within 12 months of balance date, the provision is the estimated amount expected to be paid by the Group. The provision for other employee benefits is stated at the present value of the future cash outflows expected to be incurred. Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Income Statement as incurred.

Greater Wellington belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer-defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined-contribution scheme.

(r) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an amount will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

(t) Leases

The Group leases office space, office equipment, vehicles, land, buildings and wharves.

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

(u) Overhead allocation and internal transactions

Greater Wellington allocates overhead from support service functions on a variety of different bases that are largely determined by usage. The treasury operation of Greater Wellington is treated as an internal banking activity. Any surplus generated is credited directly to the Income Statement.

Individual significant activity operating revenue and operating expenditure is stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in the Group's financial statements.

The "Investment in Democracy" costs have not been allocated to significant activities, except where there is a major separate community of benefit other than the whole region, ie, regional water supply and regional transport.

(v) Equity

Equity is the community's interest in the 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 Group.

The components of equity are accumulated funds and retained earnings, revaluation reserves and restricted funds.

(w) Statement of cashflows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Group invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of the Group and the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure.

(x) Budget figures

The budget figures are those approved by the Council at the beginning of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Greater Wellington for the preparation of these financial statements.

**Statement of accounting policies
for the year ended 30 June 2007 - continued**

(y) Comparative figures

The comparative information for 2006 has been restated to reflect the new standards. The resulting changes arising from the transition to NZ IFRS have been adjusted directly to ratepayer's equity. Reconciliations of prior period equity and surplus to NZ IFRS are included in Note 33.

(z) Changes in Accounting Policies

There have been no changes from the accounting policies adopted in the last audited financial statements, other than those required under NZ IFRS as detailed in Note 33.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 1

Operating income

| | Group | | 2007 Actual \$000 | Council | 2006 Actual \$000 |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 2007 Actual \$000 | 2006 Actual \$000 | | 2007 Budget \$000 | |
| General rates | 22,525 | 21,621 | 22,525 | 21,890 | 21,621 |
| Targeted rates | 40,060 | 36,286 | 40,060 | 40,060 | 36,286 |
| Rates penalties | 461 | 405 | 461 | - | 405 |
| Remission of rates penalties | (32) | (30) | (32) | - | (30) |
| Regional rates | 63,014 | 58,282 | 63,014 | 61,950 | 58,282 |
| Regional water supply levy | 22,776 | 22,776 | 22,776 | 22,776 | 22,776 |
| Total rates and levies | 85,790 | 81,058 | 85,790 | 84,726 | 81,058 |
| Government grants and subsidies | 51,090 | 37,321 | 51,090 | 102,777 | 37,321 |
| Other income: | | | | | |
| Sale of goods | 5,040 | 4,632 | 5,040 | 4,909 | 4,632 |
| Logging revenue | 5,962 | 5,325 | 5,962 | 6,298 | 5,325 |
| Subsidiaries revenue | 39,375 | 39,117 | - | - | - |
| Rendering of services | 675 | 710 | 675 | 8 | 710 |
| Animal Health Board | 4,688 | 3,991 | 4,688 | 4,295 | 3,991 |
| Rental income | 827 | 647 | 827 | 642 | 647 |
| Rents from investment properties | 10,285 | 6,876 | - | - | - |
| Management fees | - | - | 249 | 250 | 249 |
| Dividends received | - | - | 543 | 463 | 396 |
| Subvention revenue | - | - | 629 | 511 | 519 |
| Interest received | 3,966 | 4,656 | 3,807 | 4,316 | 4,355 |
| Other operating revenue | - | 37 | - | - | 36 |
| Equity accounted earnings from associates | 308 | 411 | - | - | - |
| | 71,126 | 66,402 | 22,420 | 21,692 | 20,860 |
| Other gains: | | | | | |
| Gain on sale of associate | - | 231 | - | - | - |
| Reversal of impairment of property plant and equipment | 3,240 | 3,200 | - | - | - |
| Total operating income | 211,246 | 188,212 | 159,300 | 209,195 | 139,239 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 2

Employee benefits

| | Group | | 2007 | Council | 2006 |
|---------------------------------|---------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2007 | 2006 |
| | Actual | Actual | Actual | Budget | Actual |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Employee benefits expense | 41,833 | 39,176 | 26,771 | 26,819 | 24,143 |
| Post-employment benefit expense | 1,681 | 1,207 | 1,187 | 1,382 | 1,207 |
| Councillor remuneration | 851 | 830 | 851 | 836 | 830 |
| | 44,365 | 41,213 | 28,809 | 29,037 | 26,180 |

Note 3

Depreciation and amortisation

| | Group | | 2007 | Council | 2006 |
|---|---------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Depreciation | | | | | |
| Port wharves and pavings | 2,098 | 1,971 | - | - | - |
| Land and buildings | 935 | 1,067 | 70 | 65 | 65 |
| Plant and equipment | 3,476 | 2,351 | 945 | 669 | 669 |
| Motor vehicles | 775 | 746 | 775 | 746 | 746 |
| Flood protection at valuation | 199 | 196 | 199 | 196 | 196 |
| Flood protection at cost | 474 | 454 | 474 | 454 | 454 |
| Transport facilities | 336 | 206 | 336 | 206 | 206 |
| Navigational aids | 32 | 35 | 32 | 35 | 35 |
| Parks and forests | 404 | 395 | 404 | 395 | 395 |
| Regional water supply asset depreciation | | | | | |
| Infrastructure assets | 5,874 | 6,077 | 5,874 | 6,077 | 6,077 |
| Administration buildings | 1 | 1 | 1 | 1 | 1 |
| Minor equipment | 123 | 61 | 123 | 61 | 61 |
| Motor vehicles | 161 | 120 | 161 | 120 | 120 |
| Total regional water supply depreciation | 6,159 | 6,259 | 6,159 | 6,259 | 6,259 |
| Total depreciation | 14,888 | 13,680 | 9,394 | 9,025 | 9,025 |
| Amortisation | | | | | |
| Software | 505 | 684 | 82 | 296 | 296 |
| Total amortisation | 505 | 684 | 82 | 296 | 296 |
| Total depreciation and amortisation | 15,393 | 14,364 | 9,476 | 9,321 | 9,321 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 4

Finance costs

Interest expense

Interest on bank borrowings

Net finance costs

| Group | | Council | | |
|---------------|---------------|----------------|---------------|---------------|
| 2007 | 2006 | 2007 | 2007 | 2006 |
| Actual | Actual | Actual | Budget | Actual |
| \$000 | \$000 | \$000 | \$000 | \$000 |
| 13,063 | 10,404 | 4,760 | 5,674 | 4,574 |
| 13,063 | 10,404 | 4,760 | 5,674 | 4,574 |

Note 5

Other losses

Loss on disposal of property, plant and equipment

| Group | | Council | | |
|---------------|---------------|----------------|---------------|---------------|
| 2007 | 2006 | 2007 | 2007 | 2006 |
| Actual | Actual | Actual | Budget | Actual |
| \$000 | \$000 | \$000 | \$000 | \$000 |
| 79 | 303 | 79 | - | 303 |
| 79 | 303 | 79 | - | 303 |

Note 6

Other operating expenses

Auditor's remuneration:

Fees to principal auditor for financial statement audit

Fees to principal auditor for NZ IFRS transition

Fees to principal auditor for audit of community plan

Fees to other auditor for financial statement audit

Fees to other auditor for IFRS, tax and other services

| Group | | Council | | |
|---------------|---------------|----------------|---------------|---------------|
| 2007 | 2006 | 2007 | 2007 | 2006 |
| Actual | Actual | Actual | Budget | Actual |
| \$000 | \$000 | \$000 | \$000 | \$000 |
| 161 | 120 | 133 | 121 | 110 |
| 94 | - | 55 | - | - |
| 15 | 78 | 15 | - | 78 |
| 75 | 72 | - | - | - |
| 182 | 311 | - | - | - |

Impairment:

Bad debts written off/(back)

Change in provision for impairment of trade receivables

Impairment of asset

| | | | | |
|------|-------|------|---|----|
| 224 | (59) | - | - | 27 |
| (40) | 253 | (40) | - | 4 |
| - | 1,320 | - | - | - |

Insurance:

Insurance

| | | | | |
|-------|-------|-------|-------|-------|
| 1,314 | 1,354 | 1,184 | 1,397 | 1,342 |
|-------|-------|-------|-------|-------|

General:

Asset write-offs/(written back)

Directors fees

LGNZ subscriptions

Operating lease rentals

Energy costs

Maintenance

Consultancy

Other operating expenses

| | | | | |
|---------------|---------------|---------------|---------------|---------------|
| 149 | 1,310 | 149 | - | 2 |
| 315 | 345 | - | - | - |
| 68 | 68 | 68 | 68 | 68 |
| - | 698 | 1,199 | 1,212 | 1,184 |
| 5,847 | 4,559 | 3,436 | 2,076 | 2,601 |
| 17,422 | 16,984 | 14,434 | 17,259 | 14,414 |
| 27,772 | 20,468 | 25,429 | 29,448 | 20,383 |
| 7,865 | 8,406 | - | - | 1,340 |
| 61,463 | 56,287 | 46,062 | 51,581 | 41,553 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 7

Unrealised gains / (losses)

| | Group | | 2007 Actual \$000 | Council | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2007 Actual \$000 | 2006 Actual \$000 | | 2007 Budget \$000 | 2006 Actual \$000 |
| Unrealised increase / (decrease) in forestry investment | 529 | (1,802) | 529 | 3,736 | (1,802) |
| Unrealised increase / (decrease) in value of Stadium advance | 251 | 233 | 251 | 669 | 232 |
| Unrealised increase / (decrease) in value of loans | 2,444 | 726 | 2,444 | - | 726 |
| Unrealised increase / (decrease) in investment properties (developed property) | 6,585 | 7,514 | - | - | - |
| Unrealised increase / (decrease) in investment properties (undeveloped land) | 4,634 | 2,193 | - | - | - |
| Unrealised increase / (decrease) in financial instruments | | | | | |
| Interest rate swaps | 4,760 | 392 | 1,562 | - | 361 |
| Interest rate collars | (11) | 58 | - | - | - |
| Interest rate caps | 19 | 36 | - | - | - |
| Foreign exchange contracts | (1,092) | 1,333 | - | - | - |
| | <u>3,676</u> | <u>1,819</u> | <u>1,562</u> | <u>-</u> | <u>361</u> |
| | <u>18,119</u> | <u>10,683</u> | <u>4,786</u> | <u>4,405</u> | <u>(483)</u> |

Note 8

Taxation

For Greater Wellington, the net income subject to tax consists of its assessable income net of related expenses derived from the Greater Wellington Group of companies, including the CentrePort Group, and NZLGIC. All other income currently derived by the the Council is exempt from income tax.

| | Group | | Council | |
|--|--------------|--------------|----------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| (a) Income tax recognised in profit or loss | | | | |
| Tax expense/(benefit) comprises: | | | | |
| Current tax expense/(benefit) | 1,063 | 306 | (642) | (608) |
| Adjustments recognised in the current period in relation to the current tax of prior periods | (14) | (74) | - | - |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | 2,686 | 4,260 | - | - |
| Deferred tax expense arising from the write-down, or reversal of previous write-down, of a deferred tax asset | 302 | 236 | 642 | 608 |
| Impact of tax rate change | 219 | - | - | - |
| Total tax expense/(benefit) | 4,256 | 4,728 | - | - |
| The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: | | | | |
| (Profit)/loss from operations | (37,856) | (23,004) | 4,586 | (3,505) |
| Income tax expense/(benefit) calculated at 33% | 12,492 | 7,591 | (1,513) | 1,157 |
| (Profit)/loss not subject to taxation | 1,248 | (1,550) | 1,049 | (1,550) |
| Non-deductible expenses | 4 | - | - | - |
| Non-assessable income | (9,999) | (3,824) | - | - |
| Unused tax losses and timing differences not recognised as deferred tax assets | 900 | 844 | 598 | 608 |
| Tax effect of imputation credits | (594) | (591) | (134) | (215) |
| Previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets | - | 2,488 | - | - |
| Other | 219 | - | - | - |
| | 4,270 | 4,958 | - | - |
| (Over)/under provision of income tax in previous period | (14) | (230) | - | - |
| Total tax expense/(benefit) | 4,256 | 4,728 | - | - |

The tax rate used in the above reconciliation is the company tax rate of 33% payable by New Zealand corporate entities on taxable profits under New Zealand tax law. Although for the current period there has been no change in the company tax rate when compared with the previous reporting period, from 1 July 2008 the company will be subject to tax at the recently enacted rate of 30%.

Note 8

Taxation - continued

(b) Subvention payments

The financial statements accrue a subvention payment from PHL for the utilisation \$628,634 of losses of Council tax. A subvention payment of \$492,033 was made by Pringle House Limited to the Council in relation to the amount accrued in the 2006 year.

(c) Income tax recognised directly in equity

| | Group | | Council | |
|---|--------------|--------------|----------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$000 | \$000 | \$000 | \$000 |
| The following current and deferred amounts were charged /(credited) directly to equity during the period: | | | | |
| Current tax: | - | - | - | - |
| Deferred tax: | | | | |
| Adjustments to opening retained earnings associated with changes in accounting policies for financial instruments | - | - | - | - |
| Other - change in deferred tax recognised | - | 6,579 | - | - |
| | - | 6,579 | - | - |

(d) Current tax assets and liabilities

Current tax assets:

| | | | | |
|-----------------------|------------|--------------|----------|----------|
| Subvention receivable | - | 32 | - | - |
| Tax refund receivable | 446 | 1,271 | - | - |
| Other | - | - | - | - |
| | 446 | 1,303 | - | - |

Current tax payables:

| | | | | |
|-------------------------------------|----------|----------|----------|----------|
| Income tax payable attributable to: | | | | |
| Parent entity | - | - | - | - |
| Other | - | - | - | - |
| | - | - | - | - |

(e) Deferred tax balances

Deferred tax assets comprise:

| | | | | |
|-----------------------|--------------|--------------|----------|----------|
| Tax losses | - | - | - | - |
| Temporary differences | 6,537 | 5,508 | - | - |
| | 6,537 | 5,508 | - | - |

Deferred tax liabilities comprise:

| | | | | |
|-----------------------|--------------|------------|----------|----------|
| Temporary differences | 4,867 | 933 | - | - |
| | 4,867 | 933 | - | - |

Note 8

Taxation - continued

Taxable and deductible temporary differences arising from the following:

| | Opening balance \$000 | Charged to income \$000 | Group Charged to equity \$000 | Change in tax rate \$000 | Closing balance \$000 |
|-------------------------------|--------------------------------------|--|--|---|--------------------------------------|
| Investment properties | (3,010) | (1,107) | - | 375 | (3,742) |
| Property, plant and equipment | 6,686 | (725) | - | (488) | 5,473 |
| Trade and other payables | 1,108 | (6) | - | (100) | 1,002 |
| Other financial liabilities | (281) | (844) | - | - | (1,125) |
| Other | 72 | (4) | - | (6) | 62 |
| Total | 4,575 | (2,686) | - | (219) | 1,670 |

| | Opening balance \$000 | Charged to income \$000 | Group Charged to equity \$000 | Change in tax rate \$000 | Closing balance \$000 |
|-------------------------------|--------------------------------------|--|--|---|--------------------------------------|
| 2006 | | | | | |
| Investment properties | (544) | (2,466) | - | - | (3,010) |
| Property, plant and equipment | 8,254 | (1,568) | - | - | 6,686 |
| Trade and other payables | 987 | 121 | - | - | 1,108 |
| Other financial liabilities | 200 | (481) | - | - | (281) |
| Other | - | 72 | - | - | 72 |
| Total | 8,897 | (4,322) | - | - | 4,575 |

| | Opening balance \$000 | Charged to income \$000 | Council Charged to equity \$000 | Change in tax rate \$000 | Closing balance \$000 |
|-------------------------------|--------------------------------------|--|--|---|--------------------------------------|
| 2007 | | | | | |
| Property, plant and equipment | - | - | - | - | - |
| Trade and other payables | - | - | - | - | - |
| Other financial liabilities | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total | - | - | - | - | - |

| | Opening balance \$000 | Charged to income \$000 | Council Charged to equity \$000 | Change in tax rate \$000 | Closing balance \$000 |
|-------------------------------|--------------------------------------|--|--|---|--------------------------------------|
| 2006 | | | | | |
| Property, plant and equipment | - | - | - | - | - |
| Trade and other payables | - | - | - | - | - |
| Other financial liabilities | - | - | - | - | - |
| Other | - | - | - | - | - |
| Total | - | - | - | - | - |

Note 8
Taxation - continued

Unrecognised deferred tax balances

| | Group | | Council | |
|---|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| The following deferred tax assets have not been brought to account as assets: | | | | |
| Tax losses | 2,894 | 1,994 | 2,200 | 1,602 |
| Temporary differences | - | - | - | - |
| | 2,894 | 1,994 | 2,200 | 1,602 |

Tax losses not recognised

The Council has tax losses of \$6.667 million (2006 \$4.854 million) available to be carried forward and to be offset against taxable income in the future that have not been recognised. The tax effect of these losses at 33% is \$2.200 million (2006 \$1.602 million). The tax effect of these losses at 30% is \$2.000 million.

WRC Holdings Limited has unrecognised tax losses of \$0.766 million (2006 \$0.590 million) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 33% is \$0.253 million (2006 \$0.195 million). The tax effect of these losses at 30% is \$0.230 million.

Port Investments Limited has unrecognised tax losses of \$1.337 million (2006 \$0.599 million) available to be carried forward and to be offset against taxable income in the future. The tax effect of these losses at 33% is \$0.441 million (2006 \$0.198 million). The tax effect of these losses at 30% is \$0.401 million.

The ability to carry forward tax losses is contingent upon continuing to meet the requirements of the Income Tax Act 2004.

(f) Imputation credit account balances

| | Group | | Council | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of the period | 9,067 | 8,469 | - | - |
| Attached to dividends received | 102 | 155 | - | - |
| Taxation paid | 473 | 923 | - | - |
| Attached to dividends paid | (195) | (480) | - | - |
| Balance at end of the period | 9,447 | 9,067 | - | - |

Imputation credits available directly and indirectly to shareholders of the parent company, through:

| | | |
|----------------|--------------|--------------|
| Parent company | - | - |
| Subsidiaries | 9,447 | 9,067 |
| | 9,447 | 9,067 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 9 Cash and cash equivalents

| | Group | | Council | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Cash | 1,339 | 161 | 1,034 | 159 |
| Bank Deposits | 33,000 | 44,000 | 33,000 | 44,000 |
| Water Supply Contingency Investment | 10,976 | 9,472 | 10,976 | 9,472 |
| Major Flood Recovery Fund | 2,084 | 1,741 | 2,084 | 1,741 |
| Bank Overdraft | - | (50) | - | - |
| | <u>47,399</u> | <u>55,324</u> | <u>47,094</u> | <u>55,372</u> |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying terms of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is the stated values.

At 30 June 2007, Greater Wellington had available \$50,260,000 (2006: \$31,390,000) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.

The \$33 million proceeds from the sale of CentrePort Limited shares and convertible notes from Greater Wellington to Port Investments Limited have been invested in bank deposits. As at 30 June 2007 these investments have an interest rate of 8.10% (2006 7.90%) and are due to mature on 15 August 2007. They are available for day to day cash management.

As at 30 June 2007 the weighted average interest rate on the water supply contingency investment is 8.34% (2006 7.21%) and is recorded at fair value.

As at 30 June 2007 the weighted average interest rate on the major flood recovery fund is 8.34% (2006 7.21%) and is recorded at fair value.

Note 10 Trade and other receivables

| | Group | | Council | |
|--|----------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Rates outstanding | 7,732 | 5,255 | 7,732 | 5,255 |
| Trade customers | 10,132 | 7,776 | 4,487 | 3,784 |
| Accrued revenue | 19,370 | 2,521 | 19,370 | 2,521 |
| Subvention receivable | - | - | 629 | 519 |
| Dividends receivable | - | - | 543 | 395 |
| Interest receivable | 465 | 565 | 465 | 565 |
| Prepayments | 637 | 339 | 259 | 107 |
| | <u>38,336</u> | <u>16,456</u> | <u>33,485</u> | <u>13,146</u> |
| Less provision for impairment of receivables | <u>(1,010)</u> | <u>(969)</u> | <u>(881)</u> | <u>(969)</u> |
| | <u>37,326</u> | <u>15,487</u> | <u>32,604</u> | <u>12,177</u> |

Trade customers are non-interest bearing and are generally on 30-90 days' terms

Provision of Doubtful debts

| | Group | | Council | |
|------------------------|----------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Opening balance | (969) | (991) | (969) | (991) |
| Movement | (41) | 22 | 88 | 22 |
| Closing balance | <u>(1,010)</u> | <u>(969)</u> | <u>(881)</u> | <u>(969)</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 11 Inventories

| | Group | | Council | |
|------------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Harbours | 5 | 2 | 5 | 2 |
| Depots | 125 | 116 | 125 | 116 |
| Water supply | 1,590 | 1,452 | 1,590 | 1,452 |
| Wairarapa | 422 | 376 | 422 | 376 |
| Port maintenance | 521 | 415 | - | - |
| | <u>2,663</u> | <u>2,361</u> | <u>2,142</u> | <u>1,946</u> |

In 2007, inventories recognised as cost of sales amounted to \$0 (2006: \$0).

Note 12 Other financial assets

| | Group | | Council | |
|---|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Stadium advance | 3,390 | 3,139 | 3,390 | 3,139 |
| Local Government Insurance Corporation Limited Shares | 80 | 80 | 80 | 80 |
| Other Investments | 632 | 594 | - | - |
| | <u>4,102</u> | <u>3,813</u> | <u>3,470</u> | <u>3,219</u> |

Greater Wellington holds 21,000 fully paid up shares in Airtel Ltd which were acquired at no cost in 2001 as a result of the Wairarapa Radio Telephone Users Association's decision to form a limited liability company and issue shares to users. Greater Wellington was a previously a member of the Association. These shares cannot be sold until 2007.

Greater Wellington advanced \$25 million to the Wellington Regional Stadium Trust in August 1998. The advance is on an interest free basis with limited rights of recourse recognising the "quasi equity" nature of the advance. At 30 June 2007 Greater Wellington expects that the advance, will be fully repaid. The obligations of Greater Wellington to fund the Trust are defined under a Funding Deed dated 30 January 1998. Under the terms of this deed, any interest charged on the limited-recourse loan is accrued and added to the loan. It is not repayable until after all other debts of the Trust are extinguished. Refer to Note 33 (g) for more details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 13 - Property, plant and equipment

In thousands of NZ Dollars

| | Cost / revaluation 1 July 2006 | Accumulated depreciation and impairment 1 July 2006 | Carrying amount 1 July 2006 | Additions | Disposals | Revaluations | Reversal of impairment losses | Other Transfer | Cost / revaluation 30 June 2007 | Accumulated depreciation and impairment 30 June 2007 | Carrying amount 30 June 2007 |
|---|--------------------------------------|---|-----------------------------------|---------------|----------------|---------------|-------------------------------------|-------------------|---------------------------------------|--|------------------------------------|
| Council Operational assets | | | | | | | | | | | |
| Land & buildings | 9,479 | (1,093) | 8,386 | 65 | (1) | - | - | 28 | 9,571 | (1,162) | 8,409 |
| Plant & equipment | 8,093 | (6,081) | 2,012 | 671 | (285) | - | - | 16 | 8,495 | (6,508) | 1,987 |
| Motor vehicles | 5,247 | (3,087) | 2,160 | 700 | (555) | - | - | 57 | 5,449 | (3,411) | 2,038 |
| | 22,819 | (10,261) | 12,558 | 1,436 | (841) | - | - | 101 | 23,515 | (11,081) | 12,434 |
| Council Infrastructural assets | | | | | | | | | | | |
| Flood protection at valuation | 156,507 | (768) | 155,739 | - | (187) | 46,688 | - | 2,949 | 205,957 | (2) | 205,955 |
| Flood protection at cost | 6,938 | (4,052) | 2,886 | - | - | - | - | 637 | 7,575 | (4,530) | 3,045 |
| Transport facilities | 11,958 | (4,337) | 7,621 | - | - | - | - | 96 | 12,054 | (4,673) | 7,381 |
| Navigational aids | 1,737 | (1,072) | 665 | 4 | (16) | - | - | - | 1,725 | (1,088) | 637 |
| Parks & forests | 40,366 | (1,178) | 39,188 | 551 | (45) | - | - | 200 | 41,072 | (1,571) | 39,501 |
| Capital work in progress | 4,645 | - | 4,645 | 2,831 | - | - | - | (3,342) | 4,134 | - | 4,134 |
| | 222,151 | (11,407) | 210,744 | 3,386 | (248) | 46,688 | - | 540 | 272,517 | (11,864) | 260,653 |
| Regional water supply assets | | | | | | | | | | | |
| Infrastructure assets | 302,700 | (12,330) | 290,370 | - | - | - | - | 3,490 | 306,190 | (18,138) | 288,052 |
| Administration buildings | 465 | (2) | 463 | - | - | - | - | - | 465 | (3) | 462 |
| Minor equipment | 1,062 | (561) | 501 | 48 | (341) | - | - | 8 | 777 | (430) | 347 |
| Motor vehicles | 1,109 | (690) | 419 | 340 | (155) | - | - | 19 | 1,313 | (698) | 615 |
| Capital work in progress | 1,171 | - | 1,171 | 3,868 | - | - | - | (3,695) | 1,344 | - | 1,344 |
| Total regional water supply | 306,507 | (13,583) | 292,924 | 4,256 | (496) | - | - | (178) | 310,089 | (19,269) | 290,820 |
| Total council property plant and equipment | 551,477 | (35,251) | 516,226 | 9,078 | (1,585) | 46,688 | - | 463 | 606,121 | (42,214) | 563,907 |
| Subsidiary Assets | | | | | | | | | | | |
| Land & buildings | 35,914 | (6,661) | 29,253 | 17,902 | (105) | - | 3,240 | 397 | 57,348 | (7,341) | 50,007 |
| Plant & equipment | 43,023 | (14,223) | 28,800 | 4,186 | (841) | - | - | - | 46,368 | (15,936) | 30,432 |
| Rail Rolling Stock | - | - | - | 19,809 | - | - | - | - | 19,809 | - | 19,809 |
| Port wharves & paving | 49,439 | (21,791) | 27,648 | 3,378 | (82) | - | - | - | 52,735 | (23,854) | 28,881 |
| Port freehold land | 56,729 | - | 56,729 | 2,420 | - | 9,087 | - | 10,528 | 78,764 | - | 78,764 |
| Total subsidiary Assets | 185,105 | (42,675) | 142,430 | 47,695 | (1,028) | 9,087 | 3,240 | 10,925 | 255,024 | (47,131) | 207,893 |
| Total group property plant and equipment | 736,582 | (77,926) | 658,656 | 56,773 | (2,613) | 55,775 | 3,240 | 11,388 | 861,145 | (89,345) | 771,800 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 13 - Property, plant and equipment - continued

In thousands of NZ Dollars

| | Cost / revaluation 1 July 2005 | Accumulated depreciation and impairment 1 July 2005 | Carrying amount 1 July 2005 | Additions | Disposals | Revaluations | Reversal of impairment losses | Other | Cost / revaluation 30 June 2006 | Accumulated depreciation and impairment 30 June 2006 | Carrying amount 30 June 2006 |
|---|--------------------------------------|---|-----------------------------------|---------------|----------------|----------------|-------------------------------------|-----------------|---------------------------------------|--|------------------------------------|
| Council Operational assets | | | | | | | | | | | |
| Land & buildings | 4,633 | (1,029) | 3,604 | 4,846 | - | - | - | - | 9,479 | (1,093) | 8,386 |
| Plant & equipment | 7,682 | (5,859) | 1,823 | 459 | (446) | - | - | 398 | 8,093 | (6,081) | 2,012 |
| Motor vehicles | 5,070 | (2,876) | 2,194 | 789 | (612) | - | - | - | 5,247 | (3,087) | 2,160 |
| | 17,385 | (9,764) | 7,621 | 6,094 | (1,058) | - | - | 398 | 22,819 | (10,261) | 12,558 |
| Council Infrastructural assets | | | | | | | | | | | |
| Flood protection at valuation | 153,848 | (583) | 153,265 | 5 | (3) | (127) | - | 2,784 | 156,507 | (768) | 155,739 |
| Flood protection at cost | 6,640 | (3,597) | 3,043 | - | - | - | - | 298 | 6,938 | (4,052) | 2,886 |
| Transport facilities | 11,958 | (4,131) | 7,827 | - | - | - | - | - | 11,958 | (4,337) | 7,621 |
| Navigational aids | 1,737 | (1,037) | 700 | - | - | - | - | - | 1,737 | (1,072) | 665 |
| Parks & forests | 39,386 | (786) | 38,600 | 760 | (15) | - | - | 235 | 40,366 | (1,178) | 39,188 |
| Capital work in progress | 1,157 | - | 1,157 | 7,290 | - | - | - | (3,802) | 4,645 | - | 4,645 |
| | 214,726 | (10,134) | 204,592 | 8,055 | (18) | (127) | - | (485) | 222,151 | (11,407) | 210,744 |
| Regional water supply assets | | | | | | | | | | | |
| Infrastructure assets | 295,576 | (6,315) | 289,261 | 5,533 | (538) | (14) | - | 2,143 | 302,700 | (12,330) | 290,370 |
| Administration buildings | 446 | (1) | 445 | - | - | - | - | 19 | 465 | (2) | 463 |
| Minor equipment | 1,029 | (538) | 491 | 45 | (41) | - | - | 29 | 1,062 | (561) | 501 |
| Motor vehicles | 1,032 | (750) | 282 | 269 | (191) | - | - | (1) | 1,109 | (690) | 419 |
| Capital work in progress | 2,577 | - | 2,577 | 756 | - | - | - | (2,162) | 1,171 | - | 1,171 |
| Total regional water supply | 300,660 | (7,604) | 293,056 | 6,603 | (770) | (14) | - | 28 | 306,507 | (13,583) | 292,924 |
| Total council property plant and equipment | 532,771 | (27,502) | 505,269 | 20,752 | (1,846) | (141) | - | (59) | 551,477 | (35,251) | 516,226 |
| Subsidiary Assets | | | | | | | | | | | |
| Land & buildings | 48,309 | (6,241) | 42,068 | 4,146 | (2,434) | - | 3,200 | (17,307) | 35,914 | (6,661) | 29,253 |
| Plant & equipment | 26,110 | (13,681) | 12,429 | 20,018 | (1,975) | (1,130) | - | - | 43,023 | (14,223) | 28,800 |
| Port wharves & paving | 40,125 | (19,623) | 20,502 | 9,904 | (590) | - | - | - | 49,439 | (21,791) | 27,648 |
| Port freehold land | 61,944 | - | 61,944 | - | - | (5,215) | - | - | 56,729 | - | 56,729 |
| Total subsidiary Assets | 176,488 | (39,545) | 136,943 | 34,068 | (4,999) | (6,345) | 3,200 | (17,307) | 185,105 | (42,675) | 142,430 |
| Total group property plant and equipment | 709,259 | (67,047) | 642,212 | 54,820 | (6,845) | (6,486) | 3,200 | (17,366) | 736,582 | (77,926) | 658,656 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 14 Intangible assets

In thousands of NZ Dollars

| | Group Software | Council Software |
|---|---------------------------|-----------------------------|
| Carrying amount | | |
| Balance at 1 July 2006 | 1,444 | 714 |
| Additions | 797 | 85 |
| Disposals | (211) | (211) |
| Increase (decrease) due to revaluation | - | - |
| Impairment losses recognised in Income Statement during period | - | - |
| Impairment losses reversed in Income Statement during period | - | - |
| Amortisation recognised during period | (505) | (82) |
| Other changes | (97) | (97) |
| <i>Net carrying amount at 30 June 2007</i> | <u>1,428</u> | <u>409</u> |
| | | |
| Balance at 1 July 2005 | 1,437 | 759 |
| Additions | 510 | 43 |
| Increase (decrease) due to revaluation | - | - |
| Impairment losses recognised in the income statement during period | - | - |
| Impairment losses reversed in in the income statement during period | - | - |
| Amortisation recognised during period | (657) | (269) |
| Other changes | 154 | 181 |
| <i>Net carrying amount at 30 June 2006</i> | <u>1,444</u> | <u>714</u> |
| | | |
| Balance at 30 June 2007 | | |
| Gross carrying amount | 5,905 | 2,218 |
| Accumulated amortisation and impairment | (4,477) | (1,809) |
| <i>Net carrying amount at 30 June 2007</i> | <u>1,428</u> | <u>409</u> |
| | | |
| Balance at 30 June 2006 | | |
| Gross carrying amount | 5,565 | 2,133 |
| Accumulated amortisation and impairment | (4,121) | (1,419) |
| <i>Net carrying amount at 30 June 2006</i> | <u>1,444</u> | <u>714</u> |

Note 15 Forestry investments

| | Group | | Council | |
|---|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Balance at 1 July | 14,892 | 17,849 | 14,892 | 17,849 |
| Forestry sold | (1,118) | (1,155) | (1,118) | (1,155) |
| Change in fair value less estimated point of sale costs | 529 | (1,802) | 529 | (1,802) |
| Balance at 30 June | <u>14,303</u> | <u>14,892</u> | <u>14,303</u> | <u>14,892</u> |

Plantation forestry activity including planting, silviculture and harvesting is undertaken on 5,700 hectares of predominantly pinus radiata plantings. Approximately 85,000 tonnes are harvested annually.

Plantation forests are independently valued annually to estimate of market valuation based on net present value using a pre tax discount rate of 9.0%. The valuation is based on the existing tree crop only and does not include cash flows associated with future replanting. No allowance is made for inflation, and no real price increases are assumed. A land in land out formula is applied to exclude the value of land, bridges, roads and fences.

Loans have been taken out which are contractually bound to be repaid from the proceeds of harvest in relation to these forestry assets via a registered interest under section 5 of the Forestry Encouragement Act 1962.

Greater Wellington is exposed to financial risks arising from changes in timber prices. Greater Wellington is a long term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices. Greater Wellington reviews its outlook for timber prices regularly in considering the need for active financial risk management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 17 Investment in subsidiaries

Greater Wellington Regional Council has the following subsidiary relationships:

| | Relationship | Equity held (2007) | Equity held (2006) | Parent |
|---|---------------------|---------------------------|---------------------------|-------------------------|
| WRC Holdings | Subsidiary | 100% | 100% | Greater Wellington |
| Pringle House Limited | Subsidiary | 100% | 100% | WRC Holdings |
| Port Investment Limited | Subsidiary | 100% | 100% | WRC Holdings |
| CentrePort Limited | Subsidiary | 76.9% | 76.9% | Port Investment Limited |
| Greater Wellington Rail Limited | Subsidiary | 100% | Did not exist | WRC Holdings |
| Greater Wellington Infrastructure Limited | Subsidiary | 100% | Did not exist | WRC Holdings |
| Greater Wellington Transport Limited | Subsidiary | 100% | Did not exist | WRC Holdings |
| Regional EDA Limited | Subsidiary | 100% | Did not exist | Greater Wellington |

All the companies mentioned above were incorporated in New Zealand and have a balance date of 30 June.

All significant intra-group transactions have been eliminated on consolidation. Please see note 27 on related party transactions for details.

WRC Holdings Limited shares
Regional EDA Limited shares

| Council | |
|----------------|---------------|
| 2007 | 2006 |
| Actual | Actual |
| \$000 | \$000 |
| 34,542 | 34,542 |
| - | - |
| 34,542 | 34,542 |

Greater Wellington holds 100% of the shares in WRC Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 18 Derivative financial instruments

| | Group | | Council | |
|--|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Current | | | | |
| Interest rate swaps - cash flow hedges | - | - | - | - |
| Total current | - | - | - | - |
| Non-current | | | | |
| Interest rate swaps - cash flow hedges | 4,874 | 1,198 | 1,908 | 346 |
| Total non-current | 4,874 | 1,198 | 1,908 | 346 |
| Total | 4,874 | 1,198 | 1,908 | 346 |

For further information on the interest rate swaps please refer to note 26 financial instruments

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 19 Equity

Reconciliation of movement in retained earnings and reserves

| | Group | | Council | |
|---|----------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Asset revaluation reserve | | | | |
| Balance at beginning of year | 208,922 | 212,221 | 179,840 | 179,981 |
| Revaluation gains/(losses) | 53,100 | - | 46,688 | - |
| Transfer of revaluation reserve to retained earnings on disposal of property, plant and equipment | (141) | (141) | (141) | (141) |
| Transfer from operational port land | 7,495 | | | |
| Transfer to retained earnings | - | (3,158) | - | - |
| Balance at end of year | <u>269,376</u> | <u>208,922</u> | <u>226,387</u> | <u>179,840</u> |
| Operational reserves | | | | |
| Balance at beginning of year | 7,045 | 10,210 | 7,045 | 10,210 |
| Interest earned | 2,871 | 378 | 2,871 | 378 |
| Transfer to retained earnings | (2,243) | (6,014) | (2,243) | (6,014) |
| Transfer from retained earnings | 420 | 2,471 | 420 | 2,471 |
| Balance at end of year | <u>8,093</u> | <u>7,045</u> | <u>8,093</u> | <u>7,045</u> |
| Total Reserves | | | | |
| | <u>277,469</u> | <u>215,967</u> | <u>234,480</u> | <u>186,885</u> |
| Retained earnings | | | | |
| Balance at beginning of year | 407,138 | 386,108 | 373,071 | 366,401 |
| Net surplus for the year | 29,172 | 14,707 | (4,586) | 3,505 |
| Discount on acquisition | 730 | - | - | - |
| Transferred from operational reserves | 2,243 | 6,014 | 2,243 | 6,014 |
| Transferred to operational reserves | (420) | (2,471) | (420) | (2,471) |
| Interest earned on operational reserves | (2,871) | (378) | (2,871) | (378) |
| Transfer from asset revaluation reserve | 141 | 3,158 | 141 | - |
| Transfer from Operational Port land | (7,495) | - | - | - |
| Balance at end of year | <u>428,638</u> | <u>407,138</u> | <u>367,578</u> | <u>373,071</u> |
| Minority interest | | | | |
| Balance at beginning of year | 38,589 | 35,851 | | |
| Dividends paid | (831) | (831) | | |
| Asset revaluation gains taken directly to equity | 1,945 | - | | |
| Net surplus for the year | 4,428 | 3,569 | | |
| Balance at end of year | <u>44,131</u> | <u>38,589</u> | | |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 20 Trade and other payables

| | Group | | Council | |
|--|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Trade payables | 35,750 | 23,620 | 17,175 | 13,446 |
| Amounts due to related parties | - | - | 1,442 | 1,812 |
| Income received in advance | 445 | 841 | 445 | 661 |
| Amounts due to Greater Wellington Rail Limited | - | - | 10,181 | - |
| Accrued interest payable | 178 | 661 | 178 | 841 |
| Trade and other payables | 36,373 | 25,122 | 29,421 | 16,760 |

Note 21 Debt

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 26

| | Group | | Council | |
|------------------------------------|----------------|----------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Current liabilities | | | | |
| Commercial paper | 29,369 | - | 29,369 | - |
| Committed lines | 48,000 | 44,000 | 4,000 | 1,655 |
| Forestry Encouragement loans | 2,566 | 1,655 | 2,565 | - |
| | 79,935 | 45,655 | 35,934 | 1,655 |
| Non-current liabilities | | | | |
| Committed lines | 90,014 | 95,868 | 5,760 | 31,960 |
| Forestry Encouragement loans | 3,803 | 6,772 | 3,803 | 6,772 |
| Crown loan | 1,787 | - | 1,787 | - |
| Stadium loan | 18,985 | 19,925 | 18,985 | 19,925 |
| | 114,589 | 122,565 | 30,335 | 58,657 |
| Total financial Liabilities | 194,524 | 168,220 | 66,269 | 60,312 |

Terms and conditions

Greater Wellington has an overdraft facility of \$1 million with the National Bank (not drawn at year end) which is unsecured. The current interest rate on the facility is 10.46% (2006 10.35%).

As at 30 June 2007, Greater Wellington's external debt has a weighted average interest rate (after the effect of derivatives) of 7.13% (2006 7.35%) and is recorded at fair value. Further detailed analysis of Greater Wellington external debt is provided on page 151.

CentrePort Limited has a bank loan facility of \$85 million which is unsecured with a renewal date in 2007. The interest rate charged on the facility as at 30 June 2007 ranged from 7.695% to 8.605% p.a. (2006: 5.68% to 7.725% p.a.). No collateral was required on lending but CentrePort has a negative pledge and there are restrictions on the quantum of borrowings made. Subsequent to balance date CentrePort executed a revised facility agreement of \$170 million with Westpac Banking Corporation with renewal dates in 2008, 2009 and 2010.

WRC Holdings Limited has a bank loan facility of \$44 million (drawn to \$44 million) which is secured by a debenture over uncalled capital in the company. The interest rate charged on the facility as at 30 June 2007 was 8.07% (2006 8.00%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 22 Employee benefits

| | Group | | Council | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Annual leave | 4,502 | 3,875 | 1,971 | 1,647 |
| Long service leave | 463 | 475 | 463 | 475 |
| Retirement gratuities | 162 | 384 | 162 | 234 |
| Lieu leave | 35 | 48 | 35 | 50 |
| Total employee benefit liabilities | <u>5,162</u> | <u>4,782</u> | <u>2,631</u> | <u>2,406</u> |
| Comprising: | | | | |
| Current | 3,749 | 3,365 | 1,971 | 1,647 |
| Non-current | 1,413 | 1,417 | 660 | 759 |
| Total employee benefit liabilities | <u>5,162</u> | <u>4,782</u> | <u>2,631</u> | <u>2,406</u> |

Note 23 Provisions

| | Group | | Council | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Carrying amount at 1 July | 415 | 415 | - | - |
| Additions including increases | 1,353 | 415 | - | - |
| Provisions used during the year | (415) | (415) | - | - |
| Provisions reversed during the year | (810) | - | - | - |
| Carrying amount at 30 June | <u>543</u> | <u>415</u> | <u>-</u> | <u>-</u> |
| Current provisions | 543 | 415 | - | - |
| Non current provisions | - | - | - | - |
| | <u>543</u> | <u>415</u> | <u>-</u> | <u>-</u> |

Provision for dividend

An amount is provided for a dividend payment at the end of the year. A dividend has been declared but not yet paid.

**Note 24 Reconciliation of operating surplus with cash flow from operating activities
For the year ended 30 June 2007**

| | Group | | Council | |
|---|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Operating surplus | 33,600 | 18,276 | (4,586) | 3,505 |
| Add/(less) non-cash items | | | | |
| Depreciation and amortisation | 15,393 | 14,364 | 9,476 | 9,321 |
| Impairment of property, plant and equipment | (3,240) | (1,880) | - | - |
| Sale of fixed assets | 108 | 300 | 79 | 300 |
| (Gain) on sale of Medical Waste | - | (133) | - | - |
| Assets written off/(written back) | 149 | 1,310 | 149 | 2 |
| Equity accounted earnings from associate companies | (38) | (136) | - | - |
| Change in value of future tax benefit | 2,907 | 4,322 | - | - |
| Changes in fair value of forestry investments | (529) | 2,957 | (529) | 2,957 |
| Changes in fair value of investment property | (11,219) | (9,707) | - | - |
| Changes in fair value of derived financial instruments | (3,675) | (1,819) | (1,561) | (361) |
| Changes in fair value of stadium advance | (251) | (232) | (251) | (232) |
| Changes in fair value of stadium loan | (2,444) | (725) | (2,444) | (725) |
| Bad debts | 224 | (112) | - | (27) |
| Movement in provision for impairment of doubtful debts | 52 | 249 | 40 | - |
| Add/(less) movements in working capital | | | | |
| Accounts receivable | (32,022) | 3,159 | (20,465) | 2,854 |
| Inventory | (301) | (239) | (196) | (147) |
| Tax refund due | 826 | (827) | - | - |
| Accounts payable | 21,974 | 3,734 | 13,063 | 219 |
| Employee provisions | 381 | 98 | 225 | (9) |
| WRC Holdings Group current account | - | 352 | (370) | 78 |
| Add/(less) items classified as investing or financing activities | | | | |
| Accounts payable related to fixed assets | (19,039) | (4,292) | (358) | (713) |
| WRC activities relating to financing | - | (352) | 167 | - |
| Forestry encouragement loan interest compounded | 426 | 407 | 426 | 407 |
| Net cash flow from operating activities | 3,282 | 29,074 | (7,135) | 17,429 |

Note 25 Contingencies
Contingent Liabilities

| | Group | | Council | |
|--|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Legal proceedings & obligations | 871 | 364 | 871 | 364 |
| Uncalled capital in WRC Holdings Limited | - | - | 50,000 | 75,000 |
| | <u>871</u> | <u>364</u> | <u>50,871</u> | <u>75,364</u> |

Greater Wellington has responsibility for 13 contaminated sites in the region. None are considered high risk and any clean-up costs are considered to be negligible. There may also be other contaminated sites which Greater Wellington is unaware of.

Note 26 Financial instruments

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group had exposure to currency risk on asset purchases denominated in foreign currencies during the period but not at balance date.

Greater Wellington manages currency risk by ensuring that where possible asset purchases are denominated in New Zealand dollars. CentrePort Limited enters into forward exchange contracts to hedge foreign currency risk on major asset purchases.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial instruments which expose the Group to credit risk are principally bank balances, receivables and investments. The Group monitors credit risk on an ongoing basis.

Bank balances and short-term investments are held with New Zealand registered banks in accordance with Greater Wellington's Treasury Management Policy. No collateral is held by Greater Wellington in respect of bank balances or investments. CentrePort Limited performs credit evaluations on all customers requiring credit and generally does not require collateral.

Concentration of Credit Risk

Greater Wellington derives the majority of its income from rates, the regional water supply levy and transport subsidies. Regional water supply levies are collected from the four Wellington metropolitan cities and rates are collected for Greater Wellington by the territorial authorities in the region on an agency basis. Funding for public transport is received from Land Transport New Zealand.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet financial commitments as they fall due.

Greater Wellington minimises liquidity risk principally by maintaining liquid financial investments, undrawn committed lines and overdraft facilities with its relationship banks, in accordance with the Treasury Management Policy. CentrePort Limited reduces its exposure to liquidity risk through a bank overdraft and a New Zealand dollar commercial bill facility.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 26 *Financial instruments continued*

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has exposure to interest rate movements as a result of its investments, external debt and cash balances.

To minimise the risk on external debt, management monitors the levels of interest rates on an ongoing basis and uses forward rate and swap agreements and interest rate collars (options) to manage interest rate exposures for future periods. At 30 June 2007 the Group had entered into the following interest rate swaps and interest rate collar agreements:

| | Group | | Council | |
|---------------------------------------|-------------------|-----------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Interest rate swap agreements: | | | | |
| Less than one year | 5,000 | (2,000) | 5,000 | (5,000) |
| One to two years | 34,000 | 7,500 | 29,000 | 5,000 |
| Two to five years | 40,000 | 22,500 | 20,000 | 20,000 |
| Greater than five years | 75,000 | 35,000 | 25,000 | 15,000 |
| Interest rate collars: | | | | |
| | Commencing | Maturity | Cap | Floor |
| \$7.5 million | 25/07/2007 | 25/04/2009 | 7.60% | 7.15% |
| \$5 million | 25/01/2005 | 25/07/2007 | 7.10% | |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 27 Related parties

Identity of related parties

The Group has related party relationships with its subsidiaries (see note 17), with its Councillors, directors and executive management team.

Greater Wellington owns 100% of the shares in WRC Holdings Limited and indirectly, 76.9% of the shares of CentrePort Limited. Councillors Shields, McDavitt, Buchanan and Long WRC Holdings Limited, Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited and Greater Wellington Infrastructure Councillor F Long owns 50% of the Sign Factory.

Greater Wellington owns 100% of the shares in Regional EDA Limited. The Directors of Regional EDA Limited are B Albiston, M Bain, V Beck, G Coughlan, J Lumsden, M McCaw, and L Pham. M McCaw has been paid \$33,443 for consulting services, J Lumsden, M McCaw and J Ogden (resigned 30 June) have been paid \$3,000 respectively for directors fees.

Councillor F Wilde is Chair of Wellington Waterfront Limited and is married to the Chief Executive of Landcorp Farming Limited.

All transactions with related parties have been carried out on normal commercial terms. Significant transactions during the year ended 30 June 2007 included:

Transactions with related parties

| | Council | |
|---|----------------|---------------|
| | 2007 | 2006 |
| | Actual | Actual |
| | \$000 | \$000 |
| CentrePort Wellington Group | | |
| Income from Use of navigational facilities and consents charges | 752 | 707 |
| Expense for rental and services | (49) | (49) |
| Wellington Waterfront Ltd licence purchases from CentrePort | (6) | - |
| Wellington Waterfront Ltd licence fees to CentrePort | 138 | 153 |
| WRC Holdings Group (Excluding CentrePort) | | |
| Income from management services provided | 249 | 249 |
| Income from subvention payment | 629 | 519 |
| Income from dividends | 313 | 395 |
| Expense for rent of the Regional Council Centre | (1,199) | (1,184) |
| Expense for interest on inter company current account | (146) | (162) |
| Sign Factory | | |
| Expense for services | - | (13) |
| NZ Local Government Insurance Corporation Limited | | |
| Income from dividends | - | - |
| Wellington Waterfront Ltd | | |
| Resource consent fees | (3) | (22) |
| Other income | - | (2) |
| Land Corp Farming Limited | | |
| Purchase of Waitangirua Farm | - | (5,600) |

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2006: \$0).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 27 Related parties continued

Key management personnel

Key management personnel include the Councillors, the Chief Executive and members of the Executive Management Team (EMT) - for details of EMT see the Chief Executive's report.

During the year key management personnel, as part of normal customer relationships, were involved in minor transactions with Greater Wellington such as payment of rates.

| | Council 2007 Actual \$000 |
|------------------------------|--|
| Short-term employee benefits | 2,303 |
| Post-employee benefits | 176 |
| Other long-term benefits | - |
| Termination benefits | - |
| | <u>2,479</u> |

Note 28 Remuneration

Chief Executive Remuneration

For the year ending 30 June 2007 the Chief Executive of the Greater Wellington Regional Council, appointed under section 42(1) of the Local Government Act 2002, received total remuneration of \$324,948 (2006 \$262,341). The Chief Executive was appointed on 5 September 2005.

| | Council | |
|--------------------------------|----------------|---------------|
| | 2007 | 2006 |
| | Actual | Actual |
| | \$ | \$ |
| Councillor Remuneration | | |
| Councillor J Aitken | 55,547 | 54,681 |
| Councillor S Baber | 48,513 | 49,526 |
| Chairperson I Buchanan | 142,801 | 138,619 |
| Councillor G Evans | 64,948 | 69,679 |
| Councillor P Glensor | 49,676 | 44,051 |
| Councillor S Greig | 44,744 | 44,051 |
| Councillor R Kirton | 66,107 | 65,074 |
| Councillor C Laidlaw | 74,694 | 66,364 |
| Councillor R Long | 66,647 | 65,599 |
| Councillor T McDavitt | 70,005 | 69,630 |
| Councillor M Sheilds | 46,202 | 44,587 |
| Councillor C Turver | 76,189 | 73,747 |
| Councillor F Wilde | 44,744 | 44,051 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2007

Note 29 Capital commitments and operating leases
Capital commitments

| | Group | | Council | |
|---|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Capital expenditure contracted for at balance date but not yet incurred | 83,265 | 5,191 | 2,541 | 1,011 |

Operating lease commitments - lessee

Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

| | Group | | Council | |
|--|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Within one year | 1,640 | 1,207 | 2,409 | 1,920 |
| After one year but no more than five years | 1,574 | 1,779 | 4,730 | 4,412 |
| More than five years | 172 | 218 | 172 | 1 |
| | <u>3,386</u> | <u>3,204</u> | <u>7,311</u> | <u>6,333</u> |

Operating lease commitments are for vehicles, computer equipment, forklift trucks and office equipment as well as rental for space in the Regional Council Centre. This rental is paid to a subsidiary Pringle House Limited. These leases have an average life of between 1 and 10 years with some renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

During the year \$1,199,000 was recognised as an expense in the Income Statement (2006 \$1,184,000). Contingent rent was not paid (2006: \$0).

Transport operating lease commitments - lessee

Future minimum lease payments under non-cancellable operating transport leases as at 30 June are as follows:

| | Group | | Council | |
|--|----------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Within one year | 42,429 | 27,681 | 42,429 | 27,681 |
| After one year but no more than five years | 112,205 | 50,475 | 112,205 | 50,475 |
| More than five years | 80,541 | 35,828 | 80,541 | 35,828 |
| | <u>235,175</u> | <u>113,984</u> | <u>235,175</u> | <u>113,984</u> |

Operating lease commitments - lessor

The Group leases its investment properties under operating leases. The lease terms have non-cancellable terms from 1-4 years. The future aggregated minimum lease payments to be collected under non-cancellable operating leases are as follows:

| | Group | | Council | |
|--|---------------|---------------|----------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| | Actual | Actual | Actual | Actual |
| | \$000 | \$000 | \$000 | \$000 |
| Within one year | 223 | 217 | - | - |
| After one year but no more than five years | 201 | 270 | - | - |
| | <u>424</u> | <u>487</u> | <u>-</u> | <u>-</u> |

No contingent rents have been recognised in the income statement during the period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 30 Severance payments

There were 9 employees (2006 4) who received severance payments of \$236,947 (2006 \$202,232). Employee one received \$8,500, employee two received \$42,375, employee three \$44,346, employee four \$74,461, employee five \$14,671, employee six \$14,920, employee seven \$11,838, employee eight \$13,380 and employee nine \$12,453.

These disclosures have been made in accordance with clause 19, Schedule 10 of the Local Government Act 2002.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 31

Major variances between actual and budget

| | Note | Council 2007 Actual \$000 | Council 2007 Budget \$000 | Variance \$000 |
|--|------|------------------------------------|------------------------------------|-------------------|
| Income Statement | | | | |
| Revenue | | | | |
| Government grants and subsidies | a | 51,090 | 102,777 | (51,687) |
| Expenditure | | | | |
| Grants and subsidies | b | 79,480 | 55,461 | 24,019 |
| Balance Sheet | | | | |
| Cash and cash equivalents | c | 47,094 | 59,686 | (12,592) |
| Trade and other receivables | d | 31,671 | 16,880 | 14,791 |
| Other financial assets | e | 3,470 | 9,832 | (6,362) |
| Forestry investments | f | 14,303 | 19,289 | (4,986) |
| Investment in subsidiaries | g | 34,542 | 89,365 | (54,823) |
| Trade and other payables | d | 29,452 | 19,230 | 10,222 |
| Debt | | | | |
| Current debt | h | 35,934 | 2,482 | 33,452 |
| Term debt | | 30,335 | 90,956 | (60,621) |
| Total debt | | 66,269 | 93,438 | (27,169) |
| Cashflow Statement | | | | |
| Government grants and subsidies received | a | 40,909 | 102,777 | (61,868) |
| Capital expenditure | i | 10,266 | 20,237 | (9,971) |
| Acquisition of investments | g | - | 81,242 | (81,242) |
| Net increase in debt | j | 7,975 | 31,983 | (24,008) |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 31 continued

Explanations

Note a - Government grants

The budget assumed the contract for the supply of new Electric Multiple Units (EMUs) would be signed by June 2007 and that initial payments would be made under the contract. These payments would have been funded 90% by the Government by way of grants. The contract for the supply of the new EMUs was not signed by 30 June 2007 and no payments for their supply has been made, therefore no grants from the Government were received.

Note b - Grants and subsidies

Greater Wellington's investment in rail rolling stock will be owned by Greater Wellington Rail Limited (GWRL), a wholly owned subsidiary. The purchase of the Wairarapa carriages and the new EMUs by GWRL was to be funded by an increase in GWRL's share share capital funded by Greater Wellington and not as an expense through the income statement. However, GWRL is now funded by way of a capital grant from Greater Wellington. The amount of this grant at 30 June 2007 was \$19.8 million.

Note c - Cash and cash equivalents

During the year Greater Wellington utilised \$11 million of its cash deposits to repay debt. This was not budgeted for.

Note d - Trade and other receivables/Trade and other payables

Both trade receivables and payables are higher than budgeted. This is due to the timing of year end payments mainly for public transport and amounts due from the Government.

Note e - Other financial assets

The \$25 million advance to Westpac Stadium was written down to fair value as required by the new accounting standards. The written down value was lower than budgeted due to changed assumptions, particularly in the timing of repayments.

Note f - Forestry investments

The 2005/06 budget was finalised and approved prior to the completion of the forestry valuation as at 30 June 2006. The valuation resulted in a write down of the forestry assets which were not budgeted for.

Note g - Investment in subsidiaries

The large variance in investments is due in part to the change in accounting treatment for rail rolling stock. Under the budget these were to be funded by an increase in share capital. They are currently accounted for as capital grants which has no impact on investments. Partly offsetting this unfavourable variance is the increase in the value of Greater Wellington's investment in WRC Holdings Limited, as this investment is now accounted for at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 31 continued

Note h - Current and term debt

Debt is significantly lower than budgeted due to:

- Capital expenditure in 2006/07 was lower than expected.
- The delay in finalising the contract for the new EMUs reduced the borrowing requirements of Greater Wellington.
- Delays in the completion of the Wairarapa carriages also decreased the borrowing required.

Note i - Purchase of property plant and equipment

A number of flood protection projects were delayed as land issues were resolved. In addition, some water and public transport projects were deferred.

Note j - Net decrease in debt

The reduction in capital expenditure and the delay in signing the Electric Multiple Units reduced the amount of debt required.

Council and Group Surplus

Calculation of Council underlying surplus:

| | Council 2007 Actual \$000 | Council 2007 Budget \$000 |
|---|--|--|
| Surplus (deficit) before unrealised items and tax | (9,372) | 57,873 |
| (Surplus) deficit arising from purchase of rail rolling stock | 9,495 | (59,689) |
| Underlying surplus (deficit) | <u>123</u> | <u>(1,816)</u> |

The main reason for Greater Wellington's deficit of \$9.372 million is due to the way GWRL is funded for the Wairarapa carriages.

Greater Wellington receives 60% of the funding for the Wairarapa carriages from Land Transport New Zealand. This amount is recorded in Greater Wellington's income statement.

The remaining 40% is funded by debt which is accounted for in Greater Wellington's balance sheet. Greater Wellington pays out 100% of the funds required by GWRL by way of grant. This expense is accounted for in Greater Wellington's income statement, effectively resulting in a "loss" of 40%. The "loss" up to 30 June 2007 amounted to \$ 9.495 million.

From a cash perspective there is no loss to Greater Wellington as 100% in cash is received and a 100% is paid out as grant expenditure.

The amount of this grant expensed to GWRL in 2007 was \$19.809 million.

On consolidation of Greater Wellington and GWRL this transaction is eliminated resulting in an additional surplus of \$19.809 million to the Group.

For the year ended 30 June 2007

Note 31 continued

Reconciliation of Council deficit to Group surplus:

| | Group 2007 Actual \$000 |
|---|--|
| Council deficit before unrealised gains | (9,372) |
| Elimination of GWRL inter-company transactions for rail rolling stock | 19,809 |
| Group unrealised gains | 18,119 |
| Other group operating surplus net of eliminations | <u>9,300</u> |
| Consolidated group surplus | 37,856 |

The Group unrealised gains mainly relate to revaluation gains on CentrePort investment properties of \$11.2 million and gains from interest rate hedges of \$4.9 million which under NZ IFRS are required to be accounted for in the income statement.

Note 32 Events occurring after balance date

There were no significant events after balance date.

Note 33 Adoption of International Financial Reporting Standards

The Group changed its accounting policies on 1 July 2006 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with *NZ IFRS-1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*, with 1 July 2005 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected Greater Wellington and the Group's income statement, and balance sheet is set out in the following table and the notes that accompany the tables. There are no material differences in the statement of cash flows presented under IFRS than the statement of cash flow presented under previous NZ GAAP.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

Note 33

Explanation of transition to IFRS - reconciliation of operating surplus for 2005/06

In thousands of NZ Dollars

| | Note | Previous GAAP | GROUP Effect of transition to IFRSs | IFRSs | Note | Previous GAAP | COUNCIL Effect of transition to IFRSs | IFRSs |
|--|-------------|------------------|--|---------|------|------------------|--|---------|
| Rates and levies | | 81,058 | - | 81,058 | | 81,058 | - | 81,058 |
| Grants and subsidies | | 37,321 | - | 37,321 | | 37,321 | - | 37,321 |
| Other gains/(losses) | j,o | - | 3,431 | 3,431 | | - | - | - |
| Other revenue | o | 66,663 | (261) | 66,402 | | 20,860 | - | 20,860 |
| Total income | | 185,042 | 3,170 | 188,212 | | 139,239 | - | 139,239 |
| Personnel cost | | 41,213 | - | 41,213 | | 26,180 | - | 26,180 |
| Grants and subsidies | | 53,320 | - | 53,320 | | 53,320 | - | 53,320 |
| Interest | o | 10,404 | (10,404) | - | | 4,574 | (4,574) | - |
| Depreciation and amortisation | | 14,364 | - | 14,364 | | 9,321 | - | 9,321 |
| Finance costs - net | o | - | 10,404 | 10,404 | | - | 4,574 | 4,574 |
| Share of profit of associate | | - | - | - | | - | - | - |
| Other (gains)/losses | o | - | 303 | 303 | | - | 303 | 303 |
| Other operating expenses | e,f,o | 56,975 | (688) | 56,287 | | 39,964 | 1,589 | 41,553 |
| Total operating expenditure | | 176,276 | (385) | 175,891 | | 133,359 | 1,892 | 135,251 |
| Surplus/(deficit) before tax | | 8,766 | 3,555 | 12,321 | | 5,880 | (1,892) | 3,988 |
| Income tax expense | d | 1,149 | 3,579 | 4,728 | | - | - | - |
| Surplus (deficit) after tax | | 7,617 | (24) | 7,593 | | 5,880 | (1,892) | 3,988 |
| Unrealised increase / (decrease) in the value of investments | e,f,g,h,I,m | 10,825 | (142) | 10,683 | | - | (483) | (483) |
| Surplus (deficit) for the year | | 18,442 | (166) | 18,276 | | 5,880 | (2,375) | 3,505 |
| Attributable to: | | | | | | | | |
| Minority interest | | 3,539 | 30 | 3,569 | | - | - | - |
| Greater Wellington Regional Council | | 14,903 | (196) | 14,707 | | 5,880 | (2,375) | 3,505 |
| | | 18,442 | (166) | 18,276 | | 5,880 | (2,375) | 3,505 |

Note 33 - Explanation of transition to IFRS
Reconciliation of equity 2004/05 and 2005/06

In thousands of NZ dollars

| New Classification | Note | Group 2005 Accounts | | | Group 2006 Accounts | | |
|---------------------------------|---------|---------------------|---------------------|----------------|---------------------|---------------------|----------------|
| | | Previous GAAP | transition to IFRSs | IFRSs | Previous GAAP | transition to IFRSs | IFRSs |
| | | 30-Jun-05 | 30-Jun-05 | 30-Jun-05 | 30-Jun-06 | 30-Jun-06 | 30-Jun-06 |
| Cash | | 3,279 | - | 3,279 | 161 | - | 161 |
| Cash Investment | a | - | 44,000 | 44,000 | - | 44,000 | 44,000 |
| Sinking Fund investment | b | - | 380 | 380 | - | - | - |
| Water contingency reserve | c | - | 8,109 | 8,109 | - | 9,472 | 9,472 |
| Flood protection reserve | c | - | 1,428 | 1,428 | - | 1,741 | 1,741 |
| Cash and Cash Equivalents | a,b,c | 3,279 | 53,917 | 57,196 | 161 | 55,213 | 55,374 |
| Trade and other receivables | | 18,410 | - | 18,410 | 15,486 | 1 | 15,487 |
| Inventories | | 2,124 | - | 2,124 | 2,361 | - | 2,361 |
| Investments | a,b | 44,380 | (44,380) | - | 44,000 | (44,000) | - |
| Income tax receivable | | 477 | - | 477 | 1,271 | - | 1,271 |
| Total current assets | | 68,670 | 9,537 | 78,207 | 63,279 | 11,214 | 74,493 |
| Deferred tax asset | d | 2,320 | 6,577 | 8,897 | 677 | 3,898 | 4,575 |
| Other financial assets | c,e,f,g | 52,348 | (48,061) | 4,287 | 51,779 | (47,966) | 3,813 |
| Investment in subsidiary | e | - | - | - | - | - | - |
| Forestry investments | f | - | 17,849 | 17,849 | - | 14,892 | 14,892 |
| Investment property | h | 59,753 | 1,532 | 61,285 | 98,522 | 2,690 | 101,212 |
| Derived financial instruments | i | - | - | - | - | 1,198 | 1,198 |
| Property, plant & equipment | j,k | 643,495 | (1,283) | 642,212 | 659,921 | (1,265) | 658,656 |
| Intangible assets | k | - | 1,437 | 1,437 | - | 1,444 | 1,444 |
| Total non current assets | | 757,916 | (21,949) | 735,967 | 810,899 | (25,109) | 785,790 |
| Total assets | | 826,586 | (12,412) | 814,174 | 874,178 | (13,895) | 860,283 |
| Bank overdraft | | - | - | - | 50 | - | 50 |
| Trade and other payables | | 21,016 | - | 21,016 | 25,122 | - | 25,122 |
| Employee benefit liabilities | l | 3,696 | 150 | 3,846 | 3,874 | 150 | 4,024 |
| Other current liabilities | | - | - | - | - | - | - |
| Provisions | | 416 | - | 416 | 415 | - | 415 |
| Loans and borrowings | | 1,092 | - | 1,092 | 45,655 | - | 45,655 |
| Current liabilities | | 26,220 | 150 | 26,370 | 75,116 | 150 | 75,266 |
| Loans and borrowings | m | 140,885 | 1,099 | 141,984 | 122,192 | 373 | 122,565 |
| Provisions | | 839 | - | 839 | 758 | - | 758 |
| Derived financial instruments | i | - | 591 | 591 | - | - | - |
| Non current liabilities | | 141,724 | 1,690 | 143,414 | 122,950 | 373 | 123,323 |
| Total liabilities | | 167,944 | 1,840 | 169,784 | 198,066 | 523 | 198,589 |
| Retained earnings | | 274,032 | 112,075 | 386,107 | 292,101 | 115,037 | 407,138 |
| Other reserves | n | 350,412 | (350,412) | (0) | 347,106 | (347,106) | - |
| Specific reserves | n | - | 10,210 | 10,210 | - | 7,045 | 7,045 |
| Minority interests | | 34,198 | 1,654 | 35,852 | 36,905 | 1,684 | 38,589 |
| Revaluation reserves | j, n | - | 212,221 | 212,221 | - | 208,922 | 208,922 |
| Total equity | | 658,642 | (14,252) | 644,390 | 676,112 | (14,418) | 661,694 |

Note 33 - Explanation of transition to IFRS
Reconciliation of equity 2004/05 and 2005/06

In thousands of NZ dollars

| New Classification | Note | Council 2005 Accounts | | | Council 2006 Accounts | | |
|---------------------------------|---------|-----------------------|---------------------|----------------|-----------------------|---------------------|----------------|
| | | Previous GAAP | transition to IFRSs | IFRSs | Previous GAAP | transition to IFRSs | IFRSs |
| | | 30-Jun-05 | 30-Jun-05 | 30-Jun-05 | 30-Jun-06 | 30-Jun-06 | 30-Jun-06 |
| Cash | | 2,705 | - | 2,705 | 159 | - | 159 |
| Cash Investment | a | - | 44,000 | 44,000 | - | 44,000 | 44,000 |
| Sinking Fund investment | b | - | 380 | 380 | - | - | - |
| Water contingency reserve | c | - | 8,109 | 8,109 | - | 9,472 | 9,472 |
| Flood protection reserve | c | - | 1,428 | 1,428 | - | 1,741 | 1,741 |
| Cash and Cash Equivalents | a,b,c | 2,705 | 53,917 | 56,622 | 159 | 55,213 | 55,372 |
| Trade and other receivables | | 15,079 | - | 15,079 | 12,177 | - | 12,177 |
| Inventories | | 1,799 | - | 1,799 | 1,946 | - | 1,946 |
| Investments | a,b | 44,380 | (44,380) | - | 44,000 | (44,000) | - |
| Income tax receivable | | - | - | - | - | - | - |
| Total current assets | | 63,963 | 9,537 | 73,500 | 58,282 | 11,213 | 69,495 |
| Deferred tax asset | d | - | - | - | - | - | - |
| Other financial assets | c,e,f,g | 60,121 | (57,134) | 2,987 | 62,534 | (59,315) | 3,219 |
| Investment in subsidiary | e | - | 34,541 | 34,541 | - | 34,542 | 34,542 |
| Forestry investments | f | - | 17,849 | 17,849 | - | 14,892 | 14,892 |
| Investment property | h | - | - | - | - | - | - |
| Derived financial instruments | i | - | - | - | - | 346 | 346 |
| Property, plant & equipment | j,k | 506,055 | (786) | 505,269 | 516,940 | (714) | 516,226 |
| Intangible assets | k | - | 786 | 786 | - | 714 | 714 |
| Total non current assets | | 566,176 | (4,744) | 561,432 | 579,474 | (9,535) | 569,939 |
| Total assets | | 630,139 | 4,793 | 634,932 | 637,756 | 1,678 | 639,434 |
| Bank overdraft | | - | - | - | - | - | - |
| Trade and other payables | | 14,729 | - | 14,729 | 14,948 | - | 14,948 |
| Employee benefit liabilities | l | 1,575 | - | 1,575 | 1,647 | - | 1,647 |
| Other current liabilities | | 2,086 | - | 2,086 | 1,812 | - | 1,812 |
| Provisions | | - | - | - | - | - | - |
| Loans and borrowings | | 1,092 | - | 1,092 | 1,655 | - | 1,655 |
| Current liabilities | | 19,482 | 0 | 19,482 | 20,062 | 0 | 20,062 |
| Loans and borrowings | m | 56,905 | 1,099 | 58,004 | 58,284 | 373 | 58,657 |
| Provisions | | 839 | - | 839 | 758 | 1 | 759 |
| Derived financial instruments | i | - | 15 | 15 | - | - | - |
| Non current liabilities | | 57,744 | 1,114 | 58,858 | 59,042 | 374 | 59,416 |
| Total liabilities | | 77,226 | 1,114 | 78,340 | 79,104 | 374 | 79,478 |
| Retained earnings | | 232,459 | 133,942 | 366,401 | 241,504 | 131,567 | 373,071 |
| Other reserves | n | 320,454 | (320,454) | (0) | 317,148 | (317,148) | - |
| Specific reserves | n | - | 10,210 | 10,210 | - | 7,045 | 7,045 |
| Minority interests | | - | - | - | - | - | - |
| Revaluation reserves | j, n | - | 179,981 | 179,981 | - | 179,840 | 179,840 |
| Total equity | | 552,913 | 3,679 | 556,592 | 558,652 | 1,304 | 559,956 |

Note 33 Explanation of transition to IFRSs
Notes to the reconciliation of equity

As a result of adopting NZ IFRS there have been changes to Greater Wellington's accounting policies. Changes that have had a significant effect on the prospective financial information are:

| | |
|--------|---|
| Note a | Term deposits have been re-classified from current investments to cash and cash equivalents in accordance with NZ IAS 1. Presentation of Financial Statements; refer to note (9). The value of this investment was \$44 million in 2006 and 2005. There has been no change in the value due to the transition to IFRS. |
| Note b | Sinking fund investments have been re-classified from current investments to cash and cash equivalents in accordance with NZ IAS 1. Presentation of Financial Statements; refer to note (9). The value of this investment was \$0.38 million in 2005. There has been no change in the value due to the transition to IFRS. |
| Note c | Water and flood contingency reserves have been re-classified from non-current investments to cash and cash equivalents in accordance with NZ IAS 1 Presentation of Financial Statements; refer to note (9). The value of these reserves were \$11,213 million in 2006 and \$9.537 million in 2005. There has been no change in the value due to the transition to IFRS. |
| Note d | <p>Under superseded policies, the Group adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.</p> <p>Under NZ IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.</p> |
| Note e | Equity investments are recognised and measured in accordance with NZ IAS 27 and 28, as set out in accounting policy (3(b)). They are held at cost and tested for impairment annually. Previously they were held at the lower of cost and net asset backing. As a result of this the investments in subsidiaries in the Council accounts have been increased to the \$34.5 million being the cost of the investment in WRC Holdings Limited, recognizing that the value of CentrePort Limited, which was funded by loan, is greater than the cost of this investment. |
| Note f | Forestry assets have been re-classified from financial investment to forestry investment. They and are now recorded on the balance sheet at fair value in accordance with NZ IAS 41, as set out in accounting policy (3 (j)). Previously they were held at cost with the fair value disclosed in the notes. This change in policy has resulted in a write-up of the opening book value of forestry investments by \$1.418 million which was taken directly to retained earnings. Under previous polices sericulture expenditure was capitalized, this is now expensed. |
| Note g | Other financial assets are accounted for at amortised cost using the effective interest rate method in accordance with IAS 39. Previously they were shown at the lower of cost or net realisable value (where there was a market). This change in policy has resulted in a write-down in the opening book value of the advance to Wellington Regional Stadium Trust by \$21.861 million in 2006 and \$22.093 million in 2005. The 2005 amount was taken directly to retained earnings and the movement between 2005 and 2006 is taken through the 2006 income statement. There has been no change in the value of other items in this category. As the repayment of the stadium advance gets nearer, a higher projected value is recorded. |

| | |
|--------|--|
| Note h | Investment properties are now measured at fair value not net current value under NZ IFRS. Disposal costs as measured using net current value are added back under NZ IFRS. This change also impacted the deferred tax calculations as noted in note d. |
| Note i | Derivative financial instruments are now recognised at fair value in accordance with NZ IAS 39, as set out in accounting policy (3(1)) and note 18. This change in policy has resulted in a group financial liability of \$0.591 million in 2005 which was taken directly to retained earnings. The change in value to a group financial asset of \$1.198 million in 2006 is taken through the 2006 income statement. |
| Note j | Property, plant and equipment are now accounted for in accordance with NZ IAS 16, as set out in accounting policy (3(e)). For the Water infrastructural assets a previous revalued amount has been deemed their cost. To reflect the correct revaluation reserve balance, a transfer of \$138 million was made to retained earnings. With the exception of transferring out of Intangible assets (see note j) there was no other change in the total value of the fixed asset balances. The increase in the value of the Regional Council Centre is recognized in the income statement as a reversal of an earlier impairment in value in the group accounts. |
| Note k | Software has been re-classified from property, plant and equipment to intangible assets in accordance with NZ IAS 38, as set out in policy (3(g)). The value of the group intangible assets is \$4.330 million in 2006 and \$4.480 million in 2005. There has been no change in the value due to the transition to IFRS. |
| Note l | The Group currently provides sick leave to all its employees in accordance with the Holidays Act 2003. Generally every employee is entitled to certain number of days of sick leave per year and if not fully utilised in that year, the unutilised leave is able to be accumulated for use in subsequent years. Under NZ IFRS, the Group has provided for sick leave earned that is expected to be taken in future years. The group total increased the liability by \$0.150 million in 2005 which was taken directly to retained earnings in accordance with NZ IFRS 1. |
| Note m | Reserves are now disclosed separately as required by NZ IAS 1 Presentation of financial statements. In the past these were disclosed showing a total balance for reserves. Apart from the changes detailed above there have been no other changes to the balance of reserves. |
| Note n | Long term financial liabilities are accounted for at amortised cost using the effective interest rate method in accordance with IAS 39. Long term loans have increased by \$1.099 million in 2005 and \$0.373 million in 2006. The 2005 amount was taken directly to retained earnings and the movement between 2005 and 2006 is taken through the 2006 income statement. |
| Note o | A number of Income statement items have been disclosed differently under IFRS, these totals have not changed |

Environment
Transport
Water supply
Parks
Land
Safety and flood protection
Community

Investments
Statement of compliance and responsibility
Audit report

For each activity the actual achievement is compared to the planned performance indicators as set out in the 2006/07 Annual Plan.

A funding-impact statement is also included, showing the operating surplus or deficit and capital expenditure for the year, as well as how that expenditure was funded.

Any remaining funding surplus after reserve transfers is used to repay debt in accordance with Greater Wellington's policy.

Greater Wellington’s Environment management group of activities contributes to the following community outcomes – *healthy environment, sense of place* and *healthy community*. The specific activities obviously enhance the region’s environmental well being but they also benefit, to varying degrees, the community’s social, economic and cultural wellbeing.

We develop and implement resource management policies and plans, manage resource consents and respond to pollution incidents. This year we began a review of the Regional Policy Statement (RPS), processed more than 600 resource consents and responded to 1,107 pollution incidents. We also focus on researching key environmental issues, and measuring the quality and quantity of our natural resource, such as river flows and air quality. This year we produced our annual report cards on the state of the region’s key resources and carried out a number of specific investigations, such as a survey of the Wairarapa coast. We also run three environment education programmes – Take Care, Take Action and Take Charge – which involve the community, schools and businesses respectively. This year we worked with 31 care groups, more than 2,000 school children and a number of businesses on environmental projects.

In addition, we manage the region’s harbours for navigational safety and manage environmental incidents in the harbours, such as oil spills. We have also prepared a draft Safety Management System for Wellington Harbour to help us and CentrePort Ltd to manage it effectively, contributing to the economic, social, environmental and wellbeing of the community.

How we contribute to community outcomes

Healthy environment

Develop and implement the RPS and regional plans.

Sense of place

Process and monitor resource consents.

Healthy community

Investigate and clean-up pollution incidents.

Research key environmental issues and threats.

Measure the quality and quantity of our natural resources, eg, river flows, air quality, soil health.

Report to the public on the state of the environment.

Help children, businesses and the community to look after and restore the environment.

Environment Targets

Activity: Manage resources

Levels of service:

1. Develop and implement the Regional Policy Statement (RPS) and regional plans

LONG-TERM targets by 30 June 2016

60 wetlands on private land will be legally protected.

104 landowners have joined the Wetland Incentives Programme since the programme started. Subsidised fencing and weed control remain the most popular ways to use the incentives offered. Currently, there are 32 wetlands on private land legally protected. In 2006/07 one was approved for covenant with Greater Wellington's financial support.

400 native forest areas on private land will be protected.

190 native forest areas are currently legally protected, including 11 areas approved for covenants with Greater Wellington's financial support in 2006/07.

The water-quality index will show that the water quality in our key streams and rivers is being maintained or enhanced.

State-of-the-environment (SOE) monitoring in relation to water quality continues, with the next full SOE report scheduled for 2011. This year's annual report confirmed that our best water quality flows in streams and rivers in areas where there is little human influence, while the worse water quality is found in waterways in urban and agricultural areas.

Coastal water quality will meet the standard for which it is being managed as specified in the Regional Coastal Plan (eg, contact recreation) and measured through our coastal water-quality monitoring programme.

Ongoing recreational water-quality monitoring continues and is reported on Greater Wellington's website during the bathing season, and by way of an annual report which is presented to the Environment Committee and widely circulated.

There will be no recorded instances when air pollution reaches the "alert" level of the national air-quality guidelines or 66% or greater of the national air-quality standards.

For the year ended 30 June 2007, the alert level for fine particulate matter (PM10) was reached in the following locations:

- Lower Hutt – once
- Upper Hutt – once
- Wainuiomata – twice
- Wairarapa – 14 times

The National Environmental Standard of 50 µg/m³ was exceeded once in the Wainuiomata air shed and twice in the Wairarapa air shed. In the Wairarapa, that second event was publicly notified as required under the standard.

SHORT-TERM targets by 30 June 2007

A draft Regional Policy Statement (RPS) will be released for public

The review of the RPS is a major project. Councillor workshops were held throughout April and May to clarify provisions, and there was extensive

comment in February 2007, within a budget of \$210,000.

consultation with city and district councils, and the community. However, in response to requests for further consultation from stakeholders, particularly city and district councils, we did not release a draft RPS in February 2007 as planned.

Actual costs were \$393,000.

The following programmes and plans will be implemented, and a progress report will be approved by the Council, within a budget of \$667,000:

- Wetland Action Plan
- Queen Elizabeth II Trust private land protection programme
- Freshwater ecosystems programme
- Kaiwharawhara Stream Plan
- Waiwhetu Stream Action Plan
- Pauatahanui Inlet Action Plan
- Coastal and marine ecosystem programme

Wetland Action Plan

Newly found wetlands are being added to the wetland inventory as they are discovered.

A review of the Wetland Action Plan has commenced. All landowners that have been part of the Wetland Incentives Programme have been surveyed and a review of the active management of wetlands on Greater Wellington-managed land was completed.

QEII National Trust private land protection programme

Commitments made during the year amounted to \$68,000 for covenant projects which, when finalised, will protect 189.62 hectares of predominantly lowland forest.

Freshwater Ecosystems Programme

Two native fish passes were completed in the Kaiwharawhara Stream catchment. We are now working with care groups on fish passes in Owhiro Stream and Hull's Creek.

Kaiwharawhara Stream Plan

Work with care groups and the Wellington City Council in the Kaiwharawhara catchment continued. The success of the Kaiwharawhara catchment is being examined to see how to usefully apply the lessons learned to similar streams in the region.

Waiwhetu Stream Action Plan

Discussions between the Minister for the Environment and Greater Wellington continue regarding the level of central government contribution towards the estimated \$6 million cost of cleaning up the contaminated sediments from the lower reaches of the stream.

Pauatahanui Inlet Action Plan

A "vegetation frameworks" project being carried out with private landowners has progressed well. Whole-farm planning exercises are underway with three major landowners, with the aim of improving stream quality by reducing soil erosion and establishing planted riparian buffers. A grant of \$60,000 from the national Biodiversity Condition Fund was secured for catchment enhancement works on one of the larger properties. In addition, a number of landowners with smaller properties have also

joined the project.

Coastal and marine ecosystem programme

Greater Wellington received submissions on the draft Coastal and Marine Action Plan and a final plan will be completed in the 2007/08 financial year. We also completed a survey on the ecological health of the Wairarapa coast.

Actual costs were \$440,000.

An air-quality monitoring station will be set up within a budget of \$120,000.

An air-quality monitoring station was installed in the Karori air shed and commenced operating in late June. Actual costs were \$122,000.

A stormwater action plan will be finalised and implementation will begin in association with our city and district councils, within a budget of \$85,000.

A draft stormwater action plan was prepared, in conjunction with the city and district councils. Actual costs were \$43,000.

Levels of service:

2. Process and monitor resource consents

Targets

Actual

LONG-TERM targets by 30 June 2016

100% of resource consents will be processed within statutory timeframes (20 working days for non-notified consents).

We continue to process consents within statutory timeframes.

100% of resource consents will be monitored for compliance with resource consent conditions.

Compliance schedules prepared each year ensure that the vast majority of consents are monitored for compliance. Those consents not monitored are deemed to represent a low environmental risk.

Customer satisfaction surveys will show that more than 60% of recent applicants and existing consent holders rate their level of satisfaction with our resource consents processing service as excellent or very good.

Our next customer satisfaction survey is scheduled for the 2007/08 financial year.

SHORT-TERM targets by 30 June 2007

100% of resource consents will be processed within statutory timeframes (20 working days for non-notified consents) within a budget of \$629,000.

99% of the 620 consents processed were within statutory timeframes. Actual costs were \$658,000.

100% of resource consents will be monitored for compliance with resource consent conditions, within a budget of \$364,000.

72.1% of all consents were monitored (973 of 1351 consents). Those consents that were not monitored were deemed to have a low environmental risk. Specific compliance issues were reported to the Council throughout the year.

Actual costs were \$218,000.

At least two workshops will be conducted for customers on how they can obtain best value from the resource consent process, within a budget of \$91,000.

Two sets of workshops (four in all) were held in May and June 2007 for territorial authority staff, earthworks contractors and environmental consultants as part of our Muddy Waters programme on stormwater and sediment control. The workshops also covered the impacts on small streams of development issue.

Actual costs were \$175,000.

Levels of service:

3. Research key environmental issues and threats

Targets

Actual

LONG-TERM target by 30 June 2016

Environmental problems will be investigated as soon as possible after they are identified so appropriate remedial action can be taken.

Targeted investigations of significant resource issues are undertaken in response to pollution incidents or matters identified in our environmental monitoring programmes (eg, algal bloom). By their nature, these investigations are unspecified but they require a response.

We also monitor and investigate contaminated sites on an ongoing basis.

SHORT-TERM targets by 30 June 2007

Targeted investigations will be completed within a budget of \$287,000. A progress report will be approved by the Council.

A number of investigations were reported in the year, such as the suitability of bathing sites, contamination in shellfish flesh and blue-green algal blooms. Actual costs were \$144,000. Reports are regularly provided to the Council.

The Selected Land Use Register will be maintained and public enquiries will be responded to within a week and within a budget of \$79,000.

The Selected Land Use Register is up to date and enquiries were responded to as required. Actual costs were \$51,000.

Levels of service:

4. Investigate and clean-up pollution incidents

Targets

Actual

LONG-TERM targets by 30 June 2016

The number of reported pollution incidents will decrease on an annual basis.

This year the number of reported incidents decreased by 19%.

Reported pollution incidents will be responded to in timeframes that are in accordance with the severity of the incident.

All reports of pollution incidents are recorded. Response times are determined by the severity of incident according to a "traffic light" alert system.

SHORT-TERM targets by 30 June 2007

An annual report card that provides a summary of pollution-control activities will be approved by the Council.

An annual pollution-control report card was presented to the Environment Committee on 21 November 2007 and distributed widely.

All reported pollution-response incidents will be categorised and responded to in accordance with the following timeframes within a budget of \$229,000:

- Log only, no action required
- Red (serious adverse environmental effect requiring immediate attention) – 60 minutes
- Yellow (serious environmental effect where no benefit will be gained by an immediate response) – 24 hours
- Blue (minor environmental effect not requiring immediate response) – seven days

The number of incidents reported this year was 1,107. This is a 19% decrease on the 2005/06 year figure of 1,362. All incidents, at a cost comparable to the previous year, were responded to and where appropriate followed up.

Regular reports were presented to the Council throughout the year. Actual costs were \$386,000.

Activity: Monitor the state of the environment

Levels of service:

1. Measure the quality and quantity of our natural resources, eg, river flows, air quality, soil health

LONG-TERM targets by 30 June 2016

The following environmental data will be provided to the public on a regular basis – bathing-water quality, river levels, rainfall, groundwater levels, tide levels, air quality, lake levels and meteorological information.

Real-time environmental data is continually updated on Greater Wellington’s website. The website also provides summary information.

Timely warnings will be given of threats to the environment and human life.

Warnings of high rainfall events and rising river levels are given to flood managers, emergency managers, territorial authorities and potentially affected land owners.

SHORT-TERM targets by 30 June 2007

Greater Wellington’s flood managers will be notified within 30 minutes when any river or rainfall trigger levels are reached, within a budget of \$130,000.

All flood warnings were issued within the required time. Actual costs were \$88,000.

Greater Wellington’s water and consents managers will be notified within one working day of low groundwater levels in the Waiwhetu aquifer, within a budget of \$90,000.

Water levels in the Waiwhetu aquifer were monitored and did not reach alert levels during the period. Actual costs were \$75,000.

Water samples will be taken weekly throughout the bathing season (1 November to 31 March) and tested for the presence of bacteria. A traffic light warning framework will be implemented as follows and within a budget of \$87,000:

Water samples were taken on a weekly basis during the bathing season and published on Greater Wellington’s website. Actual costs were \$74,000.

- Green – low or no public health risk
- Amber – alert mode requiring follow-up monitoring
- Red – action required and beach closed

An annual report summarising the year’s results was presented to the Environment Committee in June 2007. An associated publication *On the Beaches 2006-2007* was sent to the region’s territorial authorities and regional public health offices, and posted on Greater Wellington’s website.

Real-time environmental data will be available on Greater Wellington’s website.

Real-time data resulting from our environmental monitoring was made available on Greater Wellington’s website.

Levels of service:

2. Report to the public on the state of the environment

LONG-TERM target by 30 June 2016

The community will have access to reliable and relevant information about the state of the environment through regular reports and Greater Wellington's website. Annual report cards on our key resources will be published annually and a comprehensive state-of-the-environment report will be published every six years.

The results of our environmental monitoring programmes are collated and analysed to provide information about the state of the environment that's easily understood and accessible to the general public. Information is made available to the community through the website, news releases and publications – or on request. Annual report cards on our key resources are produced. Our next comprehensive state-of-the-environment report is scheduled for 2011.

SHORT-TERM targets by 30 June 2007

An annual report card containing summary information for the following resources will be approved by Council within a budget of \$1,704,000:

- Hydrology
- Groundwater
- Freshwater quality
- Coastal water quality
- Recreational water quality
- Air quality
- Soil quality

The annual report cards were produced in November 2006 and distributed to interested people. They were also placed on Greater Wellington's website. There was a report card for each of the following areas – groundwater rainfall and river flows, harbours, estuaries and beaches, river and lake health, recreational water quality, soil health and air quality.

Activity: Environment Education

Levels of service:

1. Help children, businesses and the community to look after and restore the environment

Targets

LONG-TERM targets by 30 June 2016

Through the Take Care community environmental education programme, five new care groups will be established each year and assisted to care for degraded local ecosystems, and existing care groups will be maintained. On average, 2,000 students per year will participate in the Take Action environment education programme. 20 small-to-medium-sized businesses per year will be provided with advice on how to take practical action to avoid, remedy or mitigate any adverse effects on the environment.

Actual

An additional five care groups are established each year. At year-end we had 31 groups operating. More than 50 groups across the region have been assisted by Greater Wellington since the programme's inception. On average since 2002/03, more than 2100 students have participated each year in the environment education programme. The number of businesses seeking advice about how to be more sustainable is increasing significantly. Greater Wellington has been promoting its environmental business education programmes and businesses are showing greater environmental awareness, probably because of climate change. Our Take Charge programme targets either a particular business type or land area, and involves at least 20 businesses a year.

SHORT-TERM targets by 30 June 2007

Through the Take Care community environmental education programme, five new care groups will be established and assisted to care for degraded local ecosystems, and existing care groups will be maintained, within a budget of \$265,000.

20 schools will participate in the Take Action environment education programme, within a budget of \$231,000.

31 care groups were supported by Greater Wellington under the Take Care programme, five of which were new groups or groups that were approved for renewed funding. These new groups are spread across the region.

Actual costs were \$198,000.

23 schools and approximately 2,800 students completed the programme. This year, priority was given to schools in Lower Hutt, Porirua and the Wairarapa.

Actual costs were \$251,000.

20 small-to-medium-sized businesses will be provided with advice on how to take practical action to avoid, remedy or mitigate any adverse effects on the environment, within a budget of \$215,000.

57 businesses participated in the Wellington office tower recycling trial between January and June. It is estimated that more than 27 tonnes of recyclable material was diverted from landfill as a result of the trial. Negotiations are underway to provide recycling in these buildings on a permanent basis.

The Readings Cinemas complex recycling and organic waste scheme commenced, diverting around 550kg of waste per day.

A further 46 businesses participated in the Get Sustainable Challenge and EnviroSmart programmes.

Actual costs were \$104,000.

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|
| Funding statement | | |
| General rate | 8,800 | 8,800 |
| Targeted rate | 0 | 0 |
| Government subsidies | 60 | 10 |
| Interest and dividends | 20 | 20 |
| Other operating revenue | 1,409 | 1,264 |
| Operating revenue | 10,289 | 10,094 |
| Direct operating expenditure | 10,044 | 10,086 |
| Finance costs | 3 | 12 |
| Depreciation | 295 | 231 |
| Operating expenditure | 10,342 | 10,329 |
| Operating surplus/(deficit) | (53) | (235) |
| Less: | | |
| Capital expenditure | 465 | 481 |
| Proceeds from asset sales | (14) | (27) |
| Loan funding | (283) | (320) |
| Rates funded capital expenditure | 168 | 134 |
| Debt repayment | 28 | 24 |
| Investment additions | 0 | 0 |
| Operational reserve movement | (79) | (162) |
| Working capital movements | (54) | 0 |
| Non-cash items | (295) | (231) |
| Net funding required | 179 | 0 |

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|--------------------------------------|---|---|
| Operating revenue | | |
| Managing resources | 4,846 | 5,084 |
| Monitor the state of the environment | 4,448 | 4,047 |
| Environmental education | 995 | 963 |
| Total operating revenue | 10,289 | 10,094 |

| | | |
|--------------------------------------|---------------|---------------|
| Operating expenditure | | |
| Managing resources | 5,128 | 5,241 |
| Monitor the state of the environment | 4,083 | 4,097 |
| Environmental education | 1,131 | 991 |
| Total operating expenditure | 10,342 | 10,329 |

| | | |
|------------------------------------|------------|------------|
| Capital expenditure | | |
| Environmental monitoring equipment | 92 | 320 |
| Capital project expenditure | 92 | 320 |
| Land and buildings | 0 | 0 |
| Plant and equipment | 265 | 80 |
| Vehicles | 108 | 81 |
| Total capital expenditure | 465 | 481 |

Transport

Greater Wellington’s transport group of activities contribute to a number of community outcomes, namely – *prosperous community, connected community, essential services, healthy environment, healthy community and quality lifestyle*. The specific activities continue to have a significant positive impact on wellbeing in general, particularly economic, environmental and social. Economic wellbeing is enhanced through the contribution made to getting people to work on the public transport system. It is also enhanced through the transport planning role, which includes facilitating freight movement, as well as movement by all types of vehicles for work purposes.

Environmental wellbeing is enhanced through contracting public transport services. This results in fewer vehicles on the roads, particularly at congested times, and leads to lower environmental impacts. Greater Wellington also encourages cycling and walking, which are more environmentally friendly modes that have positive spin-offs in fitness terms.

Many public transport journeys are made for social reasons. The support we offer for special transport programmes for people with disabilities also leads to improved social wellbeing.

How we contribute to community outcomes

Prosperous community

Fund rail, bus and local harbour-ferry passenger services.

Connected community

Provide passenger service information through a call centre, website and paper timetables.

Essential services

Provide and maintain urban passenger trains, “Park and Ride” facilities, train stations, bus-rail interchanges, bus lanes and bus shelters.

Develop an affordable Regional Land Transport Strategy and monitor its implementation.

Healthy environment

Encourage people to use public transport.

Healthy community

Quality lifestyle

Part-fund taxi services for people with disabilities.

Transport

Targets

Activity: Plan and monitor the transport network

Levels of service:

Develop an affordable Regional Land Transport Strategy and monitor its implementation

LONG-TERM targets by 30 June 2016

Average congestion on selected roads will remain below 20-seconds delay per kilometre travelled despite traffic growth (currently 20-seconds delay per kilometre).

At least 80% of all trips up to 1km and 60% of all trips between 1km and 2km will be walked or cycled (74% and 19% respectively in 2004).

Journey-to-work trips using public passenger transport will increase by 20%.

Less than 442 million litres of petrol and diesel per annum will be used for transport purposes (currently 459 million litres).

Information for the year ended 30 June 2007 has not been released by Transit NZ

A survey carried out between February and April 2006 showed that 74% of trips up to 1km and 27% of trips between 1km and 2km were made by walking or cycling.

Progress towards this target will be measured when 2011 census data is available. On census day 2006, 17% of journey-to-work trips were made by public transport and progress will be measured against this baseline.

Fuel sales in the year to 31 December 2006 were 450 million litres.

SHORT-TERM targets by 30 June 2007

An annual report on the Regional Land Transport Strategy will be approved by the Council within a budget of \$73,000.

Greater Wellington will commence a travel-planning programme within a budget of \$1,025,000 (budget was revised to \$585,000).

The 2005/06 Annual Monitoring Report was published in September 2006 at a cost of \$60,000.

Processes, guidelines, templates and tools were developed to deliver a standardised regionally managed travel plan programme. The programme includes a monitoring methodology to measure mode shifts and changes in vehicle kilometres travelled as a result of the implementation of travel plans.

Six Wellington workplaces and five schools throughout the region commenced travel plans through Greater Wellington's programme.

Working together with the Sustainability Trust and Hutt City Council, with funding from the Ministry for the Environment's Sustainable Management Fund, we developed a pilot community-based initiative focused on reducing vehicle kilometres travelled for short trips.

The total cost of the travel planning programme was \$393,000.

Greater Wellington will progress the review of the Regional Land Transport

The strategy review was substantially completed on 27 June 2007 when

Strategy within a budget of \$230,000.

the Regional Land Transport Committee recommended it for adoption by the Council. Expenditure was \$183,000, well under budget due primarily to the in-house processing of submissions.

Greater Wellington will commence an upgrade of the Wellington Transport Strategic Model within a budget of \$360,000.

Consultants were engaged to upgrade the model to a 2006 base. By 30 June, the project was approximately 85% complete at a cost of \$329,000.

Activity: Provide the infrastructure for public transport

Levels of service:

Provide and maintain urban passenger trains, Park and Ride facilities, stations, bus-rail interchanges, bus lanes, and bus shelters

Targets

LONG-TERM target by 30 June 2016

Average congestion on selected roads will remain below 20-seconds delay per kilometre travelled despite traffic growth (currently 20-seconds delay per kilometre).

Actual

Information for the year ended 30 June 2007 has not been released by Transit NZ

SHORT-TERM targets by 30 June 2007

All current and future public transport user facilities will be maintained in accordance with Greater Wellington's guidelines and asset management plans, within a budget of \$9,357,000. This includes maintaining public transport user facilities and providing bus lanes and bus-priority systems, as well as installing 2250 Metlink standard bus stop signs and 21 Metlink CBD display units.

All public transport user facilities were maintained in accordance with Greater Wellington's guidelines and draft asset-management plans. During 2006/07 \$4,793,000 was spent maintaining and upgrading 2,740 bus stops, 804 shelters, 58 train stations, and associated Park and Ride facilities.

Improvements to the region's public transport infrastructure during 2006/07 include 13 new bus shelters across the region (including a new shelter at Days Bay Wharf), 61 extra carparking spaces at Paraparaumu train station, four new Metlink CBD display units, installation of new Metlink standard bus stop signs and the commencement of the upgrade programme for the Wairarapa train stations.

There were delays and deferral of some public transport infrastructure improvement projects. These included:

- Delay to the start of the upgrade programme for the Wairarapa train stations. This resulted in an under-spend of \$2,065,000 (though this work was largely completed by August 2007)
- Deferral of \$1,000,000 of expenditure on bus priority measures and bus lanes. Greater Wellington is working with the Wellington City Council to implement measures in 2007/08
- Deferral of \$500,000 of expenditure on integrated ticketing. A study is underway to determine future options for integrated ticketing in the region

Activity: Fund and promote public transport services

Levels of service:

Fund rail, bus and local harbour-ferry passenger services

LONG-TERM targets by 30 June 2016

Average congestion on selected roads will remain below 20-seconds delay per kilometre travelled despite traffic growth (currently 20-seconds delay per km).

Information for the year ended 30 June 2007 has not been released by Transit NZ.

At least 80% of all trips up to 1km and 60% of all trips between 1km and 2km will be walked or cycled (74% and 19% respectively in 2004).

A survey carried out between February and April 2006 showed that 74% of trips up to 1km and 27% of trips between 1km and 2km were made by walking or cycling.

Journey to work trips using public passenger transport will increase by 20%.

Progress towards this target will be measured when 2011 census data is available. On census day 2006, 17% of journey to work trips were made by public transport and progress will be measured against this baseline.

Less than 442 million litres of petrol and diesel per annum will be used for transport purposes (currently 459 million litres).

Fuel sales in the year to 31 December 2006 were 458 million litres.

SHORT-TERM targets by 30 June 2007

More than 95% of calls to the Metlink Service Centre will be answered and customers provided with the necessary travel information within a budget of \$576,000.

95.9% of all calls to the Metlink Service Centre were answered and customers were provided with the necessary travel information at a cost of \$718,000. Additional costs were incurred due to a 28% increase in call volume over the previous year.

Journey-to-work trips using public transport will increase by 4%.

Journey-to-work trips by public transport decreased by 4.4% in 2006/07. This decrease follows an exceptional increase of 11.6% in 2005/06.

All rail, bus and harbour-ferry service contracts will meet the requirements of Land Transport New Zealand (as required by the Land Transport Management Act 2003).

All rail, bus and harbour-ferry service contracts meet the requirements of Land Transport New Zealand (as required by the Land Transport Management Act 2003).

Additional improvements to the region's public transport services network during 2006/07 include eight extra peak trips in Wellington city; 10 extra peak trips in Wellington's northern suburbs; rescheduling of Wellington

school services following the introduction of a new contract, signing of a new trolley bus contract, which will see the introduction of 61 new trolley buses over the next two years; extended coverage of service monitoring (including high bus-traffic points within the region and also rail services) to ensure all contracts are monitored at least once a quarter.

The total cost of contracted services, including concessionary fare reimbursements and school services, was \$54,355,000.

The review was undertaken at a cost of \$72,000. A report was presented to the Passenger Transport Committee on 26 June 2007.

The Wairarapa review was completed and new services commenced on 30 July 2007. A number of minor reviews of services commenced in Wellington and Porirua. The total cost of these reviews was \$70,000.

Greater Wellington will undertake an integrated ticketing review within a budget of \$100,000.

Greater Wellington will complete the review of Porirua, Tawa and Wairarapa services within a budget of \$125,000.

Levels of service:

Part-fund taxi services for people with disabilities

Targets

LONG-TERM target by 30 June 2016

Greater Wellington will fund subsidised taxi travel for people with disabilities, distributed in consultation with disability agencies so that community facilities can be easily accessed.

Actual

Greater Wellington continues to fund subsidised taxi travel for people with disabilities as set out in the 2006-16 Ten-Year Plan (Long Term Council Community Plan).

SHORT-TERM targets by 30 June 2007

The Total Mobility scheme will be administered to the satisfaction of Land Transport New Zealand within a budget of \$2,811,000.

Total Mobility scheme procedures were carried out in accordance with Land Transport New Zealand guidelines. Cost for the year was \$1,800,000. The reduced expenditure resulted from holding off potential scheme improvements while a review of the scheme was completed by Land Transport New Zealand and the Ministry of Transport.

Five van hoists were funded through the scheme in 2006/07, of which two were new hoists and three were replacing old hoists. The scheme now has a fleet of 29 van hoists operating across the region.

Usage of the scheme increased from 2005/06 by 5.4%.

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|
| Funding statement | | |
| General rate | 0 | 0 |
| Targeted rate | 32,819 | 32,819 |
| Government subsidies | 50,833 | 103,296 |
| Interest and dividends | 63 | 122 |
| Other operating revenue | 263 | 239 |
| Operating revenue | 83,978 | 136,476 |
| | | |
| Direct operating expenditure | 93,943 | 76,205 |
| Finance costs | 228 | 679 |
| Depreciation | 490 | 411 |
| Operating expenditure | 94,661 | 77,295 |
| Operating surplus/(deficit) | (10,683) | 59,181 |
| | | |
| Less: | | |
| Capital expenditure | 15 | 2,605 |
| Passenger transport investment | 0 | 80,292 |
| Proceeds from asset sales | (6) | (12) |
| Loan funding | (10,137) | (23,181) |
| Rates and subsidy-funded capital expenditure | (10,128) | 59,704 |
| | | |
| Debt repayment | 590 | 867 |
| Investment additions | 0 | 0 |
| Operational reserve movement | 599 | (979) |
| Working capital movements | 2,459 | 0 |
| Non-cash items | (688) | (411) |
| Net funding required | (3,515) | 0 |

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|
| Operating revenue | | |
| Plan and monitor the transport network | 3,100 | 4,494 |
| Provide the infrastructure for public transport | 19,361 | 70,536 |
| Fund and promote public transport services | 59,029 | 57,883 |
| Fund total mobility | 2,488 | 3,563 |
| Total operating revenue | 83,978 | 136,476 |
| | | |
| Operating expenditure | | |
| Plan and monitor the transport network | 2,818 | 4,722 |
| Provide the infrastructure for public transport | 29,802 | 11,416 |
| Fund and promote public transport services | 59,740 | 57,787 |
| Fund total mobility | 2,301 | 3,370 |
| Total operating expenditure | 94,661 | 77,295 |
| | | |
| Capital expenditure | | |
| Rail | 0 | 81,092 |
| Other | 0 | 1,560 |
| Capital project expenditure | 0 | 82,652 |
| Land and buildings | 0 | 0 |
| Plant and equipment | 15 | 187 |
| Vehicles | 0 | 58 |
| Total capital expenditure | 15 | 82,897 |

Note 1: The lower government subsidies are due to the delay in signing the contract for the supply of the new Electric Multiple Units. This has also impacted on capital expenditure and transport investment.

Note 2: Greater Wellington Rail Ltd (GWRL) will own Greater Wellington's investment in rail rolling stock. The budget assumed this would be funded by way of share capital. However, GWRL is now funded by a capital grant, which increases direct operating expenditure and decreases the amount spent on passenger transport investment. The amount for 2006/07 was \$19.809 million.

Greater Wellington collects, treats and delivers water to the cities of Lower Hutt, Porirua, Upper Hutt and Wellington. It contributes to the following community outcomes – *essential services*, *healthy community*, *healthy environment* and *prepared community*.

The continued supply of quality water is essential for the economic and social wellbeing of our community.

This year we continued to manage our water catchments and deliver high-quality water to the four cities. We expect to receive confirmation from the Public Health Service that the water complied with the Drinking-Water Standards for New Zealand. To ensure that we can meet present and future demands for water, we began investigating options for a new water source. We also ran a water-conservation programme during the summer.

The supply of water after an emergency event will be critical to the community's ability to recover. As part of a long-term programme to make our systems more robust and secure, this year we added a new emergency connection to Upper Hutt City's reticulation system.

How we contribute to community outcomes

Essential services

Healthy community

Healthy environment

Prepared community

Collect water from the Hutt, Wainuiomata and Orongorongo catchments, and the Waiwhetu aquifer for public drinking-water supply.

Treat water so it meets the Ministry of Health's standards for drinking water.

Deliver water to the cities of Lower Hutt, Upper Hutt, Porirua and Wellington.

Assess the demand for water (now and in the future) and plan how such demands will be met, including developing future sources.

Encourage people to use water wisely.

Manage catchments so that treatment plants receive good water quality.

Maintain our pipes and plants, and build resilience in the system so water can continue to be supplied after an emergency – or restored as quickly as possible.

Work with city councils to plan how water will be delivered to the community following an emergency event that disrupts supply.

Water supply

Targets

Activity: Collect, treat and deliver water

Levels of service:

1. Collect water from the Hutt, Wainuiomata and Orongorongo catchments, and the Waiwhetu aquifer for public drinking-water supply
2. Manage catchments so treatment plants receive good-quality water
3. Treat water so that it meets the Ministry of Health's standards for drinking water
4. Deliver water to the cities of Lower Hutt, Upper Hutt, Porirua and Wellington

LONG-TERM target by 30 June 2016

The quality of water supplied will continually meet the Ministry of Health's Drinking-Water Standards. The related water supply infrastructure will be maintained and improved to meet the standards specified in the Regional Water Supply Asset Management Plan.

The Hutt Valley District Health Board has advised full compliance with the Drinking-Water Standards for 2006/07 but this has not yet been officially confirmed. Greater Wellington Water manages water supply assets in accordance with an asset management plan which was prepared to national standards.

SHORT-TERM target by 30 June 2007

Water will be supplied to the four cities within a total operating expenditure, excluding depreciation, of \$22,432,000. Specifically:

- The collection, treatment and delivery of water will be managed to ensure the quality of water supplied continually complies with the Ministry of Health's relevant Drinking-Water Standards for New Zealand. Water testing will be carried out by an International Accreditation New Zealand-registered laboratory at sampling points defined by the Quality Assurance Section of Greater Wellington Water, not less than five days out of every seven. Expenditure will not exceed the budget of \$716,000.
- The gradings of the water treatment plants at 1 July 2006 will be maintained, except for the plants that will be graded during the year.
- Vegetation management and pest control measures will be carried out in Greater Wellington Water's water supply catchments, in accordance with the Forestry Management Plan and within a budget of \$170,000, so that the treatment plants receive good-quality water.
- Customers will be provided with a business report by 30 November 2006, which will include the following information:
 - Financial results for the preceding financial year ended 30 June

56,048 million litres of water was collected, treated and supplied to the four cities during 2006/07 in compliance with the Drinking-Water Standards and to meet the quality of water required by the community. Expenditure of \$21,584,000 was incurred to achieve this.

Expenditure for water testing to show compliance with the Drinking-Water Standards totalled \$716,000.

The Te Marua Water Treatment Plant received an A1 grading this year and Waterloo maintained a B grading (the highest grading available for a non-chlorinated supply). The Wainuiomata Water Treatment Plant maintained its A1 grading. Gear Island has yet to be graded under the new 2003 grading rules.

Vegetation management and pest control measures were carried out by staff and contractors in the catchment. Actual cost of the work was \$156,000. Untreated water showed no abnormal levels of cryptosporidium, giardia or ecoli.

An annual business report was published by 30 November containing the required information. It was distributed to customers and other interested parties.

- Actual quality compared with targeted performance
- A list of incidents where supply has been interrupted, together with the time taken to respond and repair
- A report on compliance with resource consent requirements
- Status of ongoing service level agreements

Levels of service:

1. Assess the demand for water (now and in the future) and plan how such demands will be met, including developing future sources
2. Encourage people to use water wisely

Targets

Actual

LONG-TERM target by 30 June 2016

Water supply will be adequate to meet present and future demands in accordance with current supply policy (currently a 1-in-50-year drought standard).

Investigation of options for a new water source was completed. It's expected the community and customers will be consulted in 2008 on a range of water supply options, including a demand side response.

Water consumption will be reduced by the amount agreed with our four city customers and specified in the Wellington Water Management Plan.

A draft water management plan was prepared in conjunction with our city customers and will be finalised in 2007/08.

SHORT-TERM target by 30 June 2007

A report will be prepared on options for a new significant water source within a budget of \$1,084,000.

Investigations into a new significant water source were completed at a cost of \$1,155,000, covering technical investigations, planning and consultation, environmental issues and distribution systems. An overview summary is now being finalised for input into the water supply strategy.

The Wellington Water Management Plan will be implemented in association with our city council customers.

The draft Wellington Water Management Plan was prepared with our city customers and it was agreed that further market research would be undertaken before the plan is finalised. This will be carried out in the first half of 2007/08 and the plan will be completed in the same year.

A water-conservation programme will be implemented within a budget of \$72,000.

The summer water-conservation programme was implemented at a cost of \$50,000. The reduced expenditure resulted from a shorter-than-planned programme due to poor early-summer weather.

Activity: Plan for emergencies

Levels of service:

1. Maintain our pipes and plants, and build resilience in the system so water can continue to be supplied after an emergency – or restored as quickly as possible

Targets

Actual

LONG-TERM target by 30 June 2016

Water will be available on a daily basis to meet the 1-in-50-year return period drought situation. The related water supply infrastructure will be maintained and improved to meet the standards specified in the Regional Water Supply Asset Management Plan.

Projections using a computer-based sustainable yield model show that at current growth rates, Greater Wellington's water supply infrastructure has less than a 1-in-50-year shortfall probability until about 2007. A 1-in-50-year shortfall probability was adopted after consultation with our customers. This is lower than that of Auckland's 1-in-200-year standard, though the Auckland system is more reliant on storage and hence more susceptible to long-term droughts.

Plans will be in place to enable water to be supplied to the community following a major natural disaster.

Greater Wellington Water has an 'n-1' policy for security of water supply. This means that even if one of the three main water treatment plants was out of commission, there would still be sufficient water available to meet the basic needs of the community under most circumstances. New cross connections between the customers' reticulation system and the wholesale water pipelines will be installed over time. Greater Wellington is working with the Wellington City Council on developing a major new reservoir.

SHORT-TERM target by 30 June 2007

The Stuart Macaskill Lake towers at Te Marua will be strengthened to meet the latest seismic design standards at a cost not exceeding \$100,000.

This project did not proceed. During the preliminary design phase, concrete cores were taken from the existing tower and the concrete strength was found to be much higher than the design strength. The design check using the new strength showed that the towers would perform adequately in a major earthquake. Total project costs of \$40,605 were expensed at year end.

At least one customer emergency connection will be installed at a cost not exceeding \$50,000.

The emergency connection to the Upper Hutt water-reticulation system was completed at a cost of \$48,563 in the financial year.

Investigations for an emergency pumping station at Whitehead Road, Wellington city, will be started, at a cost not exceeding \$20,000

Investigations for an emergency pumping station were commenced and the siting and capacity requirements have been confirmed for expenditure of \$9,807.

Water supply

Financial summary

| | Council 2007 Actual \$000's | Council 2007 Budget \$000's |
|---|--|--|
| FUNDING STATEMENT | | |
| General rate | 0 | 0 |
| Targeted rate | 0 | 0 |
| Water supply levy | 22,776 | 22,776 |
| Government subsidies | 0 | 0 |
| Interest and dividends | 618 | 722 |
| Other operating revenue | 733 | 700 |
| Operating revenue | 24,127 | 24,198 |
| Direct operating expenditure | 14,954 | 16,045 |
| Finance costs | 3,220 | 3,401 |
| Depreciation | 6,316 | 6,771 |
| Operating expenditure | 24,490 | 26,217 |
| Operating surplus/(deficit) | (363) | (2,019) |
| Less: | | |
| Capital expenditure | 4,257 | 6,759 |
| Proceeds from asset sales | (94) | (135) |
| Loan funding | (3,975) | (6,230) |
| Rates funded capital expenditure | 188 | 394 |
| Debt repayment | 4,262 | 2,886 |
| Investment additions | 1,503 | 1,472 |
| Operational reserve movement | 0 | 0 |
| Working capital movements | 0 | 0 |
| Non-cash items | (6,316) | (6,771) |
| Net funding required | 0 | 0 |

| | Council 2007 Actual \$000's | Council 2007 Budget \$000's |
|------------------------------------|--|--|
| OPERATING REVENUE | | |
| Collect, treat and deliver water | 24,127 | 24,198 |
| Total operating revenue | 24,127 | 24,198 |
| OPERATING EXPENDITURE | | |
| Collect, treat and deliver water | 24,490 | 26,217 |
| Total operating expenditure | 24,490 | 26,217 |
| CAPITAL EXPENDITURE | | |
| Water sources | 829 | 1,180 |
| Water treatment plants | 954 | 1,990 |
| Pipelines | 432 | 1,400 |
| Pump stations | 884 | 530 |
| Reservoirs | 0 | 100 |
| Monitoring and control | 335 | 580 |
| Seismic protection | 86 | 200 |
| Other | 349 | 250 |
| Capital project expenditure | 3,869 | 6,230 |
| Land and buildings | 0 | 0 |
| Plant and equipment | 48 | 161 |
| Vehicles | 340 | 368 |
| Total capital expenditure | 4,257 | 6,759 |

Capital expenditure is below budget due to savings in budgeted projects and deferral of some projects. There were savings in the treatment plant, Wainuiomata Dam, and strengthening the lake towers at Stuart Macaskill Lakes. The pipeline on Silverstream Bridge was deferred.

This group of activities contributes to four community outcomes – *quality lifestyle, sense of place, healthy community and healthy environment.*

Greater Wellington’s diverse parks, forests and recreational areas have significant social benefits as they provide a wide range of outdoor recreational opportunities. Half of the regional population visited at least one regional park last year and 90% said they were satisfied with the experience.

Our parks and forest areas also contribute to the environmental wellbeing of the community. We carry out intensive plant and animal pest control programmes, along with a range of restoration activities, many of which involve the community. Our monitoring has shown that the ecosystem health on Greater Wellington land is improving, with an increasing abundance of seedlings and native fauna. A high-quality environment is essential for our water supply catchment areas.

We continue to invest in facilities for our visitors. This year we restored a historic barn, improved tracks, rebuilt a tramping hut and replaced fencing. Greater Wellington also awarded development rights for a wind farm at Puketiro.

Our ranger services continued to work with the community on education and restoration projects, and to provide security for visitors.

How we contribute to community outcomes

Quality lifestyle

Manage Queen Elizabeth Park, Battle Hill Farm Forest Park, Belmont Regional Park, Kaitoke Regional Park and East Harbour Regional Park.

Sense of place

Healthy community

Healthy environment

Manage the Hutt River trail and recreation areas in the Akatarawa and Pukaratahi Forests, and in the Hutt, Wainuiomata and Orongorongo catchments.

Prepare management plans to guide use and development.

Develop and maintain assets, eg, tracks, plantings, shelters and other facilities.

Care for and monitor ecosystem health.

Provide a ranger service to help the public enjoy our parks, recreation areas and trails.

Run a summer programme of community events.

Involve local communities in the management of these areas.

Parks

Targets

Activity: Manage regional parks and recreation areas

Levels of service:

1. Manage Queen Elizabeth Park, Battle Hill Farm Forest Park, Belmont Regional Park, Kaitoke Regional Park and East Harbour Regional Park
2. Manage the Hutt River Trail and recreation areas in the Akatarawa and Pakuratahi Forests, and in the Hutt, Wainuiomata and Orongorongo catchments
3. Prepare management plans to guide use and development
4. Develop and maintain assets, eg, tracks, plantings, shelters and other facilities

LONG-TERM target by 30 June 2016

The regional parks and forest areas will attract 750,000 visitors per annum and the customer satisfaction level will exceed 80%. A balance will be achieved between visitor numbers and the carrying capacity of these recreation areas.

During the period, four regional parks (Battle Hill, Belmont, Kaitoke and Queen Elizabeth parks) and the two forests attracted an estimated 513,000 visits. 90% of visitors stated that they were either quite (23%) or very (67%) satisfied with their most recent park experience.

There will be no loss of regionally significant landscapes, ecosystems and heritage features from park and forest areas.

The ongoing review of our park and forest management plans continues to emphasise the importance of landscapes, ecosystems and landscape values on Greater Wellington land. Systems to monitor ecosystem health and ongoing pest control programmes are showing that Greater Wellington is being successful in raising the ecological health of its land.

The assets in our parks and forest areas will be maintained and developed according to approved plans.

Regular systems for monitoring, inspecting and maintaining assets are in place to ensure assets comply with acceptable standards. Condition assessments of assets show that asset condition remains consistently high.

SHORT-TERM target by 30 June 2007

Environmental assets and settings within the regional parks and forests will be managed in accordance with the Parks and Forests Environmental Asset Management Plan service levels, within a budget of \$1,066,000. A report on compliance with the standards in the Environmental Asset Management Plan will be approved by the Council.

This year's monitoring of ecosystem health on Greater Wellington land is showing increases in indigenous seedling abundance and native fauna. Tree health was improved, the forest canopy is in good condition and there has been no significant loss in biodiversity on Greater Wellington land. Pest control was undertaken to appropriate standards. Our monitoring practices have been audited by Landcare Research and assessed to be completed to a high standard. Actual expenditure incurred was \$860,000. The Council approved a report.

Recreation and heritage assets and facilities in the regional parks and forests will be managed in accordance with the Parks and Forests Infrastructural Asset Management Plan service levels and within a budget of \$1,331,000. A report on compliance with the Infrastructural Asset Management Plan service levels will be approved by the Council.

This year's monitoring of asset condition indicates that heritage assets and facilities in the regional parks and forests are being maintained to acceptable service levels at a cost of \$1,283,000 for the year. The Council approved a report.

The annual capital works programme will be undertaken to appropriate architectural and engineering standards, and within the Parks and Forests Infrastructural Asset Management Plan service levels, within a budget of

This year the capital works programme restored a historic barn and replaced toilets at Queen Elizabeth Park, rebuilt the Orange Hut in the Akatarawa Forest that was devastated by fire, and replaced 7km of fencing in the parks. Capital development of Whitireia Park is on hold until the

\$608,000. A progress report will be approved by the Council.

Greater Wellington will investigate the possibility of assisting renewable energy production (eg, solar, wind, hydro) on its own lands within a budget of \$60,000.

Attachment 1 to Report 07.675
Page 112 of 154
transfer of the park is confirmed. Many of these projects were completed with the help of volunteers. Actual expenditure incurred was \$401,000. The Council approved a report.

Development rights for a wind farm at Puketiro were awarded to RES NZ Ltd. Tenders were received just before year-end for development of a wind farm at Stoney Creek in the Wairarapa. Total net project costs for the year were \$50,000.

Activity: Promote community use

Levels of service:

1. Provide a ranger service to help the public enjoy our parks, recreation areas and trails
2. Run a summer programme of community events
3. Involve local communities in the management of these areas

Targets

Actual

LONG-TERM target by 30 June 2016

The regional parks and forest areas will attract 750,000 visitors per annum and the customer satisfaction level will exceed 80%. A balance will be achieved between visitor numbers and the carrying capacity of these recreation areas.

There were an estimated 513,000 visits to four regional parks and two forest areas during the year. 51% of the regional population have visited at least one regional park in the past 12 months. This equates to 229,500 visitors normally resident here. 90% of visitors expressed themselves "satisfied" with their experience (67% were "very satisfied").

SHORT-TERM target by 30 June 2007

The marketing plan for the regional parks and forests will be implemented within a budget of \$170,000, and will include the planning, promotion and implementation of a regional outdoor programme. A progress report will be approved by the Council.

The marketing plan was implemented within budget, with actual expenditure of \$155,000 incurred.

Ranger services will be provided that facilitate public access, educate and inform visitors and users, liaise with community and stakeholder groups, and ensure compliance with the Council policies, within a budget of \$917,000.

Ranger staff provided security and educational services in the parks. Community groups worked with rangers on a number of planting and restoration projects. Rangers worked with park users to ensure they had a safe and enjoyable outdoor experience. Actual expenditure of \$760,000 was incurred for the year.

The annual community enhancement projects will be completed within budget of \$120,000. A progress report will be approved by the Council.

Actual expenditure of \$109,000 was incurred for the year for enhancement projects. A progress report will go to the Council for approval in August 2008.

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s | | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|--|---|---|
| Funding Statement | | | Operating revenue | | |
| General rate | 5,522 | 5,522 | Manage regional parks and recreation areas | 5,992 | 5,099 |
| Targeted rate | 0 | 0 | Promote community use | 557 | 1,207 |
| Government subsidies | 0 | 0 | Total operating revenue | 6,549 | 6,306 |
| Interest and dividends | 0 | 0 | | | |
| Other operating revenue | 1,027 | 784 | Operating expenditure | | |
| Operating revenue | 6,549 | 6,306 | Manage regional parks and recreation areas | 5,763 | 5,383 |
| | | | Promote community use | 600 | 1,207 |
| Direct operating expenditure | 5,591 | 5,857 | Total operating expenditure | 6,363 | 6,590 |
| Finance costs | 236 | 239 | | | |
| Depreciation | 536 | 494 | Capital expenditure | | |
| Operating expenditure | 6,363 | 6,590 | Queen Elizabeth Park enhancements | 279 | 240 |
| Operating surplus/(deficit) | 186 | (284) | East Harbour Park enhancements | 0 | 50 |
| | | | Whitireia Park enhancements | 0 | 200 |
| Less: | | | Akatarawa Recreation Area enhancements | 16 | 50 |
| Capital expenditure | 567 | 757 | Asset-management plan upgrades | 106 | 68 |
| Proceeds from asset sales | (53) | (37) | Capital project expenditure | 401 | 608 |
| Loan funding | (397) | (608) | Land and buildings | 0 | 0 |
| Rates funded capital expenditure | 117 | 112 | Plant and equipment | 31 | 44 |
| | | | Vehicles | 135 | 105 |
| Debt repayment | 262 | 258 | Total capital expenditure | 567 | 757 |
| Investment additions | 0 | 0 | | | |
| Operational reserve movement | 196 | (160) | | | |
| Working capital movements | 348 | 0 | | | |
| Non-cash items | (519) | (494) | | | |
| Net funding required | (218) | 0 | | | |

Greater Wellington's Land group of activities includes our biosecurity and soil conservation operations. This work makes a major contribution to the economic wellbeing of the region through its impact on the agricultural sector, and also to the community's environmental and social wellbeing. Land management contributes to the following community outcomes – *prosperous community* and *healthy environment*.

The control of bovine tuberculosis (bovine Tb) vectors protects the viability of the region's cattle, deer and dairy farming, thereby enhancing farming productivity and the health of our ecosystems. Just over 80% of our region is now under intensive possum-control programmes and we have already exceeded our target to reduce the number of bovine Tb-infected cattle and deer herds. This year we also continued our pest control in priority key native ecosystem sites and expanded our joint venture pest control operations with local councils.

We promote sustainable land management practices to protect soils so they retain their productivity. The Wairarapa area suffered major flooding and erosion in 2006/07, and it was evident that, where Greater Wellington had planted land to a good standard, there was considerably less damage from erosion.

How we contribute to community outcomes

Prosperous community

Develop pest management strategies.

Healthy environment

Eradicate or reduce significant pests (eg, possums, manchurian wildrice, moth plant and rooks).

Reduce the numbers of wildlife that transmit bovine Tb to farmed cattle and deer (under contract to the Animal Health Board).

Investigate and manage the use of land.

Assist farmers and the community to protect and enhance the land.

Provide advice on land-management issues.

Land

Targets

Activity: Manage pest plants and animals

Levels of service:

1. Develop pest-management strategies
2. Eradicate or reduce significant pests (eg, possums, manchurian wildrice, moth plant and rooks)

Targets

Actual

LONG-TERM target by 30 June 2016

Improve the health of the region's ecosystems and economy by implementing pest plant and animal-management strategies. These will be carried out on 10 wetlands, four coastal escarpments, two dune ecosystems sites and 40 native forest areas.

The 2006/07 Regional Pest Management Strategy Operational Plan was successfully implemented. Particular attention was applied to eradication and containment of pests that threaten our environment and regional economy. The Key Native Ecosystem programme continued with more than 78 priority sites receiving pest control. Our joint venture pest control programmes with local councils continued to expand, with 50 sites receiving pest control. Pest management was undertaken in 10 wetlands, four coastal escarpments, one dune ecosystem and 63 native forest areas.

SHORT-TERM target by 30 June 2007

Work programmes identified in the fifth year of the Regional Pest Management Strategy 2002-22 will be implemented in accordance with the approved operational plan, within a budget of \$2,072,000. A progress report will be approved by the Council.

Implementation was completed at a cost of \$1,985,000. An annual report on achievements under the Regional Pest Management Strategy for the 2006/07 year will be presented to the Rural Services and Wairarapa Committee for approval in November 2007.

Activity: Control bovine tuberculosis in wildlife

Levels of service:

1. Reduce the numbers of wildlife that transmit bovine tuberculosis (bovine Tb) to farmed cattle and deer (under contract to the Animal Health Board)

Targets

Actual

LONG-TERM target by 30 June 2016

Our farming productivity and ecosystems will be enhanced by having 80% of the region under intensive possum-control programmes, and by reducing the percentage of infected bovine Tb cattle and deer herds to 0.2% (six infected herds).

At 30 June 2007, 80.8% of the region was under intensive possum control programmes, and there were 10 infected bovine Tb cattle and deer herds. This is a good result as the target in the Regional Tb Operational Plan for 2007 was 15 infected herds. Of particular significance was the decline of bovine Tb reactors from 33 in 2006 to 16 in 2007.

SHORT-TERM target by 30 June 2007

Bovine Tb vector control operations will be planned and implemented over 321,800 hectares in accordance with the Wellington Bovine Tb Strategic Plan, within a budget of \$4,652,000. Progress will be reported monthly to the Animal Health Board, as well as in a year-end report.

The 2006/07 vector-control programme was reviewed with the Animal Health Board in the second quarter. This resulted in a number of amendments, including vector control of more than 258,545 hectares. Ferret and possum surveys over 26,142 hectares and feral pig surveys over 144,661 hectares were also agreed.

Vector-control operations were successfully completed to Animal Health Board standards on 230,259 hectares. This included the large SE Wairarapa Stage 3 operation involving the Haurangi Forest Park and surrounding farmland that had been re-budgeted from the 2005/06 year. All feral animal surveys were completed. The total cost of \$5,102,000 included vector management and operational/trend-monitoring expenditure.

Levels of service:

1. Investigate and monitor the use of land
2. Assist farmers and the community to protect and enhance the land
3. Provide advice on land-management issues

LONG-TERM target by 30 June 2016

The promotion of sustainable land management activities will result in:

- An additional 4,500 hectares of erosion-prone land planted using sustainable management practices
- Communities being protected from major damage or harm caused by flooding and erosion
- Maintenance of the overall health of our soils
- Maintenance of the water quality in our key rivers and streams

- Stabilisation of erosion-prone land is progressing. We planted an additional 355 hectares of soil-conservation trees during the year using sustainable management practices
- Annual programmes focusing on erosion and flood mitigation have been completed for six community catchment-control schemes. Two of the schemes have had programmes approved for a further five years
- Baseline monitoring of soil health is complete. Repeat monitoring is continuing to determine any change in the state of the region's soils. To date, there is no significant change in the region's soil health
- There has been no significant change in water quality in our key streams and rivers. Key rivers and streams are monitored as part of Greater Wellington's state-of-the-environment monitoring. Any changes in water quality in these water bodies will take some time to occur

SHORT-TERM target by 30 June 2007

Approved soil-conservation programmes incorporating 300 hectares of pole planting (22,000 poles), 150 hectares of conservation woodlots and 4km of shelterbelt will be completed to the Council's performance standards, within a budget of \$550,000. A progress report will be approved by the Council.

Approved programmes will be completed under six catchment control schemes to the satisfaction of each Scheme Advisory Committee to the Council's performance standards, within a budget of \$88,000. A progress report will be approved by the Council.

Stage 2 of the soil-quality monitoring programme will be started. Established sites will be revisited to establish whether there has been any change over time, within a budget of \$30,000. A progress report will be approved by the Council.

Five kilometres of riparian management, focusing on increased biodiversity along stream banks, will be implemented within a budget of \$190,000.

Approved soil-conservation programmes were completed on 152 properties, incorporating 330 hectares of pole planting (23,000 poles), 25 hectares of conservation woodlots and 3.5km of shelterbelts. Programmes were completed to the Council's performance standard at a cost of \$516,000. A progress report is going to the Wairarapa and Rural Services Committee in September 2007.

Approved programmes have been completed for each of the six schemes to established standards and in accordance with advisory committee resolutions. These programmes were completed at a cost of \$96,000, which included \$14,200 of flood damage repair. A progress report is going to the Wairarapa and Rural Services Committee in September 2007.

A further 25 sites were revisited within Stage 2 of the soil-quality monitoring programme. The total cost of this work was \$25,000. A progress report has not been prepared but will go to the Council during 2007/08.

Riparian management, focusing on increased biodiversity, was completed as follows – 2km of new riparian planting and 1.7km of maintenance planting, all at a total cost of \$174,500.

Land

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|
| Funding statement | | |
| General rate | 3,939 | 3,939 |
| Targeted rate | 194 | 194 |
| Government subsidies | 0 | 0 |
| Interest and dividends | 55 | 59 |
| Other operating revenue | 6,818 | 6,613 |
| Operating revenue | 11,006 | 10,805 |
| Direct operating expenditure | 11,301 | 10,762 |
| Finance costs | 0 | 0 |
| Depreciation | 60 | (36) |
| Operating expenditure | 11,361 | 10,726 |
| Operating surplus/(deficit) | (355) | 79 |
| Less: | | |
| Capital expenditure | 113 | 108 |
| Proceeds from asset sales | (13) | (23) |
| Loan funding | 0 | 0 |
| Rates funded capital expenditure | 100 | 85 |
| Debt repayment | 0 | 0 |
| Investment additions | 0 | 0 |
| Operational reserve movement | (231) | (42) |
| Working capital movements | 307 | 0 |
| Non-cash items | (60) | 36 |
| Net funding required | (471) | 0 |

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---------------------------------------|---|---|
| Operating revenue | | |
| Promoting sustainable land management | 2,187 | 2,413 |
| Control bovine Tb wildlife vectors | 5,286 | 4,873 |
| Manage pest plants and animals | 3,533 | 3,519 |
| Total operating revenue | 11,006 | 10,805 |
| Operating expenditure | | |
| Promoting sustainable land management | 2,276 | 2,394 |
| Control bovine Tb wildlife vectors | 5,552 | 4,934 |
| Manage pest plants and animals | 3,533 | 3,398 |
| Total operating expenditure | 11,361 | 10,726 |
| Capital expenditure | | |
| Land and buildings | 0 | 0 |
| Plant and equipment | 0 | 0 |
| Vehicles | 113 | 108 |
| Total capital expenditure | 113 | 108 |

How we contribute to community outcomes

The safety and flood protection group of activities contributes to the following community outcomes – *quality lifestyle, prepared community, healthy community, healthy environment and sense of place.*

Greater Wellington’s flood protection activity assists the community to protect itself from the consequences of flooding. It does so by investigating flood hazards, preparing floodplain management plans, building and maintaining flood protection works, as well as extracting gravel and operating flood-warning systems. As part of this work, we look after our river environments, thereby contributing to the environmental, as well as economic, social and cultural, wellbeing of the community. This year we had to carry out flood damage works in the Wairarapa. However, all planned maintenance work was completed and a number of capital projects were progressed, eg, Crystals extended stopbank in Otaki, Whirinaki Crescent stopbank in Upper Hutt and the Kopuaranga river enhancement.

Greater Wellington runs the Emergency Management Office and Emergency Operation’s Centre (EOC) of the Wellington Region Civil Defence Emergency Management Group, a consortia of local authorities in the region. We run the Group’s EOC. Being prepared and able to respond to emergency events contributes to the economic, social, cultural and environmental wellbeing of the community. This year we significantly upgraded the communications and information management systems in the Group’s EOC and participated in seven major exercises.

Another major function of Greater Wellington is managing the region’s harbours and coastal waters for navigation and safety purposes. This year, in accordance with the New Zealand Port and Harbour Marine Safety Code, we produced a draft “Safety Management System” for Wellington Harbour. Covering issues such as navigational safety and risk-control measures, this document will guide much of our work in harbour management and contribute to the region’s social and economic wellbeing.

Quality lifestyle

Plan to reduce the impacts of floods.

Build and maintain agreed flood protection works, for example, stopbanks.

Provide a consultancy service for land drainage schemes.

Prepared community

Plan for emergency events.

Tell people about the risks they face and how these can be managed.

Operate the Wellington Civil Defence Emergency Management Group Emergency Operations Centre.

Operate a flood warning system.

Healthy community

Provide navigation aids in our harbours and a communications service for Wellington Harbour.

Educate people about water safety and enforce maritime safety rules.

Healthy environment

Enhance the environment along flood corridors.

Sense of place

Clean up oil spills in our harbours and coastal waters.

Safety and flood protection

Targets

Activity: Flood protection

Levels of service:

1. Plan to reduce the impacts of floods
2. Operate a flood-warning system
3. Build and maintain agreed flood protection works, eg, stopbanks
4. Enhance the environment along flood corridors
5. Provide a consultancy service for land-drainage schemes

LONG-TERM target by 30 June 2016

There will be no loss of life or significant damage resulting from a flood event. Significant damage is defined as:

- Damage caused by water from flooding rivers or streams (not stormwater systems) entering at least five houses or commercial/industrial premises
- Flooding that leads to damage to key infrastructure that causes significant disruption to a community for one week or more, or widespread flood damage of farmland that has a significant impact on the neighbouring community

The most significant floods in the region were in the Wairarapa where a 40-year return period event affected the Ruamahanga River. This was the highest and longest duration event since the Lower Wairarapa Valley Development Scheme was built. Given the scale of the event, the damage was minimal and the scheme worked as intended. There were very high lake levels which caused damage to private stopbanks and pastures, some disruption to the local community and damage to flood protection assets. A prompt response to the flood event was made and the flood damages were essentially completed by June 2007.

SHORT-TERM targets by 30 June 2007

The Waiwhetu Stream flood plan investigation will be completed within a budget of \$161,000. A progress report will be approved by the Council.

The Waiwhetu Stream flood plan investigation was not able to be completed by June 2007. The project has grown considerably since initial scoping with the need to consider the disposal of contaminated sediments, as well as the flood protection issues. The bulk of the technical investigations were completed by year-end. Documentation of the outcomes and completing the floodplain management plan will continue into the 2007/08 financial year. Greater Wellington's costs were \$169,000, which was \$8,000 over budget. The Hutt City Council contributed \$35,500 to give a total cost of \$204,000. The Waiwhetu Stream Advisory Committee receives regular progress reports and any resolutions were subsequently adopted by the Council.

The Waingawa River Scheme Review will be completed, along with other investigations, within a budget of \$346,000. A progress report will be approved by the Council.

Progress on the Waingawa River Scheme Review was delayed because of the Lower Wairarapa Valley Development Scheme's rating scheme review and the Kopuaranga River Enhancement Project. The investigations were unable to be completed in this financial year. However, the key components of a river survey, gravel analysis and hydraulic modelling were completed. The Kopuaranga investigation was completed and a river scheme adopted by the community. Total cost was \$441,000. The Council received regular progress reports.

The upgrade of the Alicetown stopbank, Hutt River, will be completed in accordance with accepted engineering standards within a budget of \$155,000.

The upgrade of the Alicetown stopbank was completed in accordance with accepted engineering standards, at a total cost of \$159,000. The Hutt City Council contributed \$158,500 for stormwater outlets.

The Lower Wairarapa Valley Development Scheme stopbank

The stopbank improvements for the Lower Wairarapa Valley Development Scheme

improvements will be completed within a budget of \$585,000.

Maintenance operations in the western part of the region will be completed in accordance with established standards, statutory requirements and the Western Rivers Asset Management Plan, all within a budget of \$2,256,000. A progress report will be approved by the Council.

The construction of the Whirinaki Crescent stopbank, Hutt River, will be completed in accordance with accepted engineering standards within a project budget of \$838,500.

Maintenance operations for the 10 Wairarapa river schemes will be completed to established standards and to the satisfaction of the scheme advisory committees within a budget of \$1,635,000.

were deferred to 2007/08 because resources were required to complete flood damage repairs resulting from the July and August 2006 storms. The Rural Services and Wairarapa Committee approved the deferment of this work at its meeting on 19 September 2006.

Maintenance operations in the western part of the region were completed in accordance with established standards, statutory requirements and the Western Rivers Asset Management Plan, within a total cost of \$1,821,000. In addition, \$188,000 of new flood protection assets were constructed during the year on the Hutt, Waikanae and Otaki rivers. An annual asset maintenance report will be submitted to the Council in September 2007.

The Whirinaki Crescent stopbank project was delayed because the land acquisition took longer than anticipated to complete. In May 2007, the Landcare Committee approved a revised programme and total budget of \$917,000 to complete the works in two stages by June 2008. Stage 1 works have commenced and tenders have been called for Stage 2 works. The total cost for 2006/07 was \$163,000.

The maintenance programmes were completed for the 10 Wairarapa river schemes to the established standards and satisfaction of the scheme advisory committees at a budget of \$1,970,000. An additional \$563,000 of new flood protection measures were constructed for the schemes. Works completed included \$898,000 of approved flood damage repairs following the July 2006 floods.

Activity: Emergency management

Levels of service:

1. Plan for emergency events
2. Tell people about the risks they face and how these can be managed
3. Operate the Wellington Civil Defence Emergency Management Group Emergency Operations Centre

Targets

LONG-TERM targets by 30 June 2016

The Wellington Region Civil Defence Emergency Management (CDEM) Group's plan is implemented to the satisfaction of the CDEM Group. As a result, the community and emergency management agencies will:

- Be aware of the risks they face
- Take action to manage the risks they face (80% of households in the region will have emergency food and emergency water supplies (currently 65% and 69% respectively))
- Know their roles and responsibilities
- Be able to respond to and recover from emergency events effectively

Actual

The Wellington Region CDEM Group met four times in 2006/07. A report on progress with the work programmes in the group's plan was reported to each meeting. Updates were also provided on the group's public education initiatives, which included a campaign for Public Disaster Week (October 2006), an earthquake-related extravaganza at Te Papa over Labour Weekend and an *Are You Prepared* booklet.

To date, our annual survey of the regional community has provided us with robust measures to evaluate the effectiveness of our CDEM activity. It has shown that people are increasingly prepared for emergency events – though there is still a long way to go.

SHORT-TERM targets by 30 June 2007

67% of households will have emergency food and 71% will have emergency water supplies, within a budget of \$48,000.

A CDEM Recovery Plan will be completed to the satisfaction of the Civil Defence Emergency Management Group.

A report on progress with the implementation of the Wellington Region CDEM Plan will be approved by the CDEM Group.

A survey carried out in May/June 2007 showed that 72% of households have emergency food and 71% have emergency water supplies. The cost of the survey was shared by all the local authorities in the region. Greater Wellington's share was \$6,800.

This is now scheduled for completion by June 2008. Two unbudgeted major planning exercises, led by central government, were undertaken during the year. Given the importance of the Recovery Plan, it was decided to defer its completion until more resources became available.

The CDEM Group received and approved a report on progress with the implementation of the Wellington Region CDEM Plan at each of the four meetings of the group held during the year.

Activity: Harbour management

Levels of service:

1. Provide navigation aids in our harbours and a communications service for Wellington Harbour
2. Educate people about water safety and enforce maritime safety rules
3. Clean up oil spills in our harbours and coastal waters

LONG-TERM targets by 30 June 2016

The Port and Harbour Safety Management System will be achieved to the satisfaction of the Council.

A draft Port and Harbour Safety Management System has been completed and it is hoped the final version will be adopted in 2007/08.

No significant accidents will occur in our harbours and coastal waters.

There were no significant accidents in 2006/07 and our harbour ranger service continues to monitor recreational activity in the harbour. Our communications station at Beacon Hill continues to operate a 24/7 communications service for both recreational and commercial users.

Adverse effects from oil spills in harbour and coastal waters will be minimised.

All reported incidents of spills are followed up. We have oil-spill response equipment on call and all relevant organisations (eg, Maritime New Zealand, New Zealand Fire Service) are trained and ready to respond to oil spill emergencies. Several Greater Wellington staff are trained in oil-spill response each year.

SHORT-TERM targets by 30 June 2007

Implementation of the Port and Harbour Safety Management System will be carried out within a budget of \$400,000.

The Port and Harbour Safety Management System documents and formalises our practices to manage navigational safety effectively. It also integrates CentrePort's operations and policies with our own in a working partnership, primarily focusing on harbour safety. Preliminary work has also been completed on an upgrade to our Communications Station at Beacon Hill. Actual costs were \$46,000.

The Beacon Hill Harbour Communications Station will provide a 24-hour, 365-day service, which is in accordance with Council-agreed operating standards, within a budget of \$326,000.

The Beacon Hill Harbour Communications Station provided a 24-hour, 365-day communication service in accordance with Greater Wellington's specified standards. During the year, additional resources were allocated to running the station. This fulfilled some of our commitment to reduce risks identified in the recent risk assessment of Wellington Harbour. Actual costs were \$430,000.

Reports of oil spills in harbour waters will be checked within 30 minutes and clean-up action for actual oil spills commenced within one hour of being reported in harbour waters, and within three hours of being reported in regional coastal waters, all within a budget of \$13,000. A formal log will be kept and incidents followed up whenever possible.

There were 24 reports of oil spills and all were checked within 30 minutes. Only one incident required some clean-up work. Actual costs were \$7,000.

Within a budget of \$102,000, safety in our harbours and coastal waters will

The Wellington Regional Navigation and Safety Bylaws were updated

be maintained by:

- Administering the Wellington Regional Navigation and Safety Bylaws
- Educating recreational boaters and harbour users about safety issues
- Monitoring behaviour for safety purposes through our harbour ranger service
- Investigating all reports of unsafe behaviour. A formal record will be kept

during the year. The reserved area for jet-skis at Lyall Bay was removed. Additional packs of the booklet *Safe Boating* have been distributed and a number of safety briefings given. There were no significant events reported during the year involving recreational boaters and harbour users. However, some 66 complaints of unsafe boatie behaviour were responded to and investigated. A formal log was kept. Actual costs were \$128,000.

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s | | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|------------------------------------|---|---|
| Funding statement | | | Operating revenue | | |
| General rate | 7,904 | 7,904 | Flood protection | 12,620 | 12,661 |
| Targeted rate | 4,371 | 4,371 | Emergency management | 713 | 683 |
| Government subsidies | 91 | 121 | Harbour management | 1,565 | 1,575 |
| Interest and dividends | 366 | 359 | Total operating revenue | 14,898 | 14,919 |
| Other operating revenue | 2,166 | 2,164 | | | |
| Operating revenue | 14,898 | 14,919 | Operating expenditure | | |
| | | | Flood protection | 10,204 | 9,808 |
| Direct operating expenditure | 9,973 | 9,030 | Emergency management | 736 | 692 |
| Finance costs | 1,947 | 2,116 | Harbour management | 2,009 | 1,606 |
| Depreciation | 1,029 | 960 | Total operating expenditure | 12,949 | 12,106 |
| Operating expenditure | 12,949 | 12,106 | | | |
| Operating surplus/(deficit) | 1,949 | 2,813 | Capital expenditure | | |
| | | | Harbours improvements | 0 | 400 |
| Less: | | | Hutt floodplain management plan | 9 | 50 |
| Capital expenditure | 4,202 | 6,827 | Hutt River improvements | 2,329 | 3,355 |
| Proceeds from asset sales | 73 | (77) | Waikanae River improvements | 222 | 230 |
| Loan funding | (3,057) | (6,043) | Otaki River improvements | 259 | 1,481 |
| Rates funded capital expenditure | 1,218 | 707 | Wairarapa Scheme improvements | 713 | 885 |
| | | | Other flood protection | 303 | 161 |
| Debt repayment | 1,894 | 1,933 | Capital project expenditure | 3,835 | 6,562 |
| Investment additions | 343 | 335 | Land and buildings | 47 | 20 |
| Operational reserve movement | (108) | 798 | Plant and equipment | 238 | 100 |
| Working capital movements | 231 | 0 | Vehicles | 82 | 145 |
| Non-cash items | (1,031) | (960) | Total capital expenditure | 4,202 | 6,827 |
| Net funding required | (598) | 0 | | | |

Capital expenditure was below budget due to a number of projects being delayed while land issues were being resolved. This involved the following projects – Chrystalls extended stopbank, South Waitohu and Whirinaki Crescent stopbanks.

How we contribute to community outcomes

The community group of activities includes our democratic processes, the involvement of Maori in our work, and our contribution to the Wellington Regional Strategy and Westpac Stadium. This group of activities contributes principally to the following community outcomes – *strong and tolerant community*, and *entrepreneurial and innovative region*.

This year, all our information, consultation and decision-making processes complied with our legislative requirements, meaning that our community was empowered to participate in the Council’s decision-making. Getting our democratic processes right is fundamental to the social wellbeing of our community.

The involvement of Maori in our work is vital to the cultural and social wellbeing of our region. Greater Wellington has a strong and effective relationship with tangata whenua and this year the Council has provided iwi with greater opportunities to be involved in its decision making. It has also reviewed its funding arrangements for iwi to ensure better consistency across the region.

The economic wellbeing of our community will be well served by the Wellington Regional Strategy (WRS) – a sustainable economic growth strategy that was developed by all the local authorities in the region, in conjunction with central government and the region’s business, education, research and voluntary sector interests. Its aim is to make greater Wellington “internationally competitive”. This year, Greater Wellington took on the role of keeper of the strategy and established a standing committee with responsibility for its implementation and future development. It also agreed to establish a regional economic development agency to deliver the economic growth initiatives in the WRS.

The Westpac Stadium, to which Greater Wellington contributes financially, is a high-quality multipurpose sporting and cultural venue that continues to have a positive impact on the economic, cultural and social wellbeing of the Wellington region.

Strong and tolerant community

Provide opportunities for the public to participate in decision making, eg, in meetings or through planning and budgeting processes.

Run elections and pay Councillors.

Arrange and service Council meetings.

Work with iwi (collectively through Ara Tahi) and also individually.

Assist iwi to undertake special projects and to work with Greater Wellington.

Entrepreneurial and innovative region

Work with city and district councils to develop and implement a Wellington Regional Strategy.

Fund the publication of economic data for the region.

Service a \$25 million loan to the Stadium Trust.

Community

Targets

Activity: Run a democratic process

Levels of service:

1. Provide opportunities for the public to participate in decision making, eg, in meetings or through planning and budgeting processes
2. Run elections and pay Councillors
3. Arrange and service Council meetings

LONG-TERM target by 30 June 2016

The community will be informed about, and be given an opportunity to participate in, all of Council's significant decision-making and issues which may have an impact on rates.

The Council undertook its consultation on the Proposed 2007/08 Annual Plan and the Proposed Amendment to the Council's 2006-16 Ten-Year Plan (LTCCP) in accordance with the special consultative procedure of the Local Government Act 2002. Seventy-eight submissions were received, and 22 submitters appeared at the hearing of submissions.

All statutory requirements for meetings, including public notice and public availability of order papers, will be met.

Meeting arrangements, including public notification, were made in accordance with the requirements of the Local Government Information and Meetings Act 1987, and the Council's standing orders. All order papers were sent to members at least two clear working days before the day of each meeting, and were publicly available at least two working days before each meeting.

SHORT-TERM target by 30 June 2007

All statutory decision-making processes will be completed in accordance with requirements.

Council decision-making was undertaken in accordance with statutory requirements and the Council's standing orders.

Community input will be sought before any significant decision which may impact on rates.

Consultations on the Council's Proposed 2007/08 Annual Plan and the Proposed Amendment to the Council's 2006-16 Ten-Year Plan were undertaken in accordance with the special consultative procedure of the Local Government Act 2002.

Public notice of meetings will be given in accordance with the Local Government Official Information and Meetings Act 1987.

Public notice of meetings was given in accordance with the requirements of the Local Government Official Information and Meetings Act 1987, and the Council's standing orders.

Order papers for meetings will be available for public inspection at least two working days before the meeting.

Order papers were made available for public inspection at least two working days before the meeting, consistent with the requirements of the Local Government Official Information and Meetings Act 1987 and the Council's standing orders.

Activity: Involve Maori in work

Levels of service: 1

1. Work with iwi, collectively (through Ara Tahi) and also individually
2. Assist iwi to undertake special projects and to work with the Council

Targets

LONG-TERM target by 30 June 2016

Greater Wellington and iwi of the region will continue to have a mutually beneficial relationship.

Actual

Greater Wellington has continued to maintain and improve its relationships with the region's iwi. Ara Tahi, Greater Wellington's inter-iwi representative group, is operating well. A number of workshops and training fora have been held to increase the knowledge and understanding of councillors, staff and iwi. For example, Councillors held a workshop with the Office of Treaty Settlements to discuss Waitangi Tribunal settlements in our region. Ara Tahi nominated one person who was appointed to represent cultural interests on the Regional Land Transport Committee and the chairperson of Ara Tahi is an appointed member of the Environment Committee.

SHORT-TERM target by 30 June 2007

Ara Tahi will meet six times, within budget.

Ara Tahi met six times, five times in Wellington and once in Masterton, providing policy advice to the Council. Four iwi technical workshops were held during the year, three of which were on the review of the Regional Policy Statement. The other was a Hui a Ara Tahi where iwi representatives discussed their strategic involvement in Greater Wellington-related matters. Actual costs were \$44,800 against a budget of \$43,000.

Iwi will be assisted to undertake projects under relevant contracts within budget.

Greater Wellington supports iwi to undertake projects that have mutual benefits and also assists iwi to become more involved in managing our natural resources. This year, Rangitane o Wairarapa was resourced to enable effective iwi and hapu involvement in the upgrade of the New Zealand Archaeological Association's database. Iwi involvement in this process led to a near 100% capture of sites in the South Wairarapa coastal area. Upgrades of this nature typically have a strike rate of 40% to 50%. Actual costs were \$5,500 within a budget of \$80,000.

Levels of service:

1. Work with city and district councils to develop and implement a Wellington Regional Strategy (WRS)
2. Fund the publication of economic data for the region

Targets

Actual

LONG-TERM target by June 2016

Greater Wellington will continue to develop and implement the Wellington WRS in partnership with territorial authorities in the region.

During the year, Greater Wellington took on the role of keeper of the WRS. Both the Greater Wellington Governance proposal and the draft WRS were taken through a special consultative procedure. The outcome of the consultation was a decision to confirm the governance model that included Greater Wellington establishing a Wellington Regional Strategy Committee with membership from the region's local authorities, along with five non-government members. Also agreed was the establishment of a regional economic development agency to deliver the economic development initiatives in the strategy. The WRS itself was confirmed with modifications.

SHORT-TERM target by 30 June 2007

Greater Wellington will continue to provide staff resources for the WRS.

Greater Wellington provided staff resources to support the Wellington Regional Strategy Committee, working collaboratively with the territorial authorities in the region.

Greater Wellington will facilitate iwi involvement in the WRS.

Ara Tahi, Greater Wellington's inter-iwi representative group, facilitated iwi involvement in the WRS.

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s | | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|---|---|---|---|---|---|
| Funding statement | | | Operating revenue | | |
| General rate | 2,719 | 2,719 | Run a democratic process | 4,000 | 3,899 |
| Targeted rate | 2,676 | 2,676 | Involve Maori in our work | 490 | 490 |
| Government subsidies | 0 | 0 | Participate in the Wellington Regional | | |
| Interest and dividends | 11 | 11 | Strategy forum | 588 | 100 |
| Other operating revenue | 2,598 | 2,481 | Contribution to the Regional Stadium | 2,926 | 3,398 |
| Operating revenue | 8,004 | 7,887 | Total operating revenue | 8,004 | 7,887 |
| Direct operating expenditure | 5,251 | 4,407 | Operating expenditure | | |
| Finance costs | 2,050 | 1,636 | Run a democratic process | 3,914 | 3,782 |
| Depreciation | 17 | 19 | Involve Maori in our work | 490 | 490 |
| Operating expenditure | 7,318 | 6,062 | Participate in the Wellington Regional | | |
| Operating surplus/(deficit) | 687 | 1,825 | Strategy forum | 809 | 100 |
| Less: | | | Contribution to the Regional Stadium | 2,105 | 1,690 |
| Capital expenditure | 5 | 45 | Total operating expenditure | 7,318 | 6,062 |
| Proceeds from asset sales | 0 | 0 | Capital expenditure | | |
| Loan funding | (164) | 0 | Land and buildings | 0 | 0 |
| Rates funded capital expenditure | (159) | 45 | Plant and equipment | 5 | 45 |
| Debt repayment | 731 | 986 | Vehicles | 0 | 0 |
| Investment additions | 0 | 0 | Total capital expenditure | 5 | 45 |
| Operational reserve movement | 91 | 91 | | | |
| Working capital movements | (43) | 0 | | | |
| Non-cash items | 235 | 703 | | | |
| Net funding required | (168) | 0 | | | |

Operating revenue and expenditure are higher than budget as a result of Greater Wellington undertaking the Wellington Regional Strategy on behalf of the territorial authorities.

Investments

Investment overview

Greater Wellington has a significant portfolio of investments comprising:

- Liquid financial deposits
- Administrative properties (eg, depots)
- Forestry and business units
- Advance to the Wellington Regional Stadium Trust
- An internal treasury management function
- Equity investments in the WRC Holdings Group (including CentrePort)

Greater Wellington's philosophy in managing investments is to optimise returns in the long-term, while balancing risk-and-return considerations. It recognises that as a responsible public authority, any investment it holds should be held for the community's long-term benefit, with any risk being appropriately managed. It also recognises that lower risk generally means lower returns.

From a risk management point of view, Greater Wellington is aware that its investment returns to the rate line are exposed to the success or otherwise of its two main investments – the WRC Holdings Group (including CentrePort) and its liquid financial deposits. At an appropriate time in the future, Greater Wellington believes it could continue to reduce its risk exposure by reducing its investment holdings and using the proceeds to repay debt. The timing of these divestments will be in

accordance with Greater Wellington's objective to optimise the overall return to ratepayers.

Liquid financial deposits

Greater Wellington holds \$33 million in cash deposits as a result of selling its interest in CentrePort to one of its wholly owned subsidiaries, Port Investments Ltd. The rationale for holding these deposits is regularly reviewed, taking into account:

- General provisions of Greater Wellington's Treasury Management Policy, including attitude to risk and creditworthy counterparties
- Specific provisions of Greater Wellington's Treasury Management Policy to hold sufficient deposits or have committed funds available as part of its self-insurance of infrastructural assets
- The after-tax rate of return from alternative uses of these funds (eg, reducing debt)
- The requirement to hedge the \$44 million debt within the WRC Holdings Group

Administrative properties

Greater Wellington's interests in the Upper Hutt depot and the Masterton office building are grouped to form an investment category, administrative properties.

Forestry and business units

Greater Wellington and its predecessor organisations have been involved in forestry for many years, primarily for soil conservation and water quality purposes. Greater Wellington currently holds 6,000 hectares of plantation and soil conservation reserve forests of which approximately 4,000 hectares are in the western or metropolitan part of the region, with the remaining 2,000 hectares in the Wairarapa.

The overall investment policy with regard to forestry is to maximise long-term returns while meeting soil conservation, water quality and recreational needs. This policy assumes that harvesting will be on a sustainable yield basis and will be maintained without any demand on regional rates. In fact, both the plantation and reserve forest business units are required to budget for an internal dividend irrespective of the projected operating result for the year.

The internal dividend reflects the intergenerational equity issues inherent in the forestry investment and recognises the cost of ratepayer equity. The level of planned internal dividend contribution to the rate line from forestry is currently \$225,000 per year. This dividend will continue to be reviewed annually.

Of Greater Wellington's other business units, Akura Conservation Centre and the Wairarapa Workshop are also required to return an internal dividend in the same way as plantation forestry and reserve forests. The internal dividend rate is based on the net assets employed by each of these businesses. The level of internal dividend will continue to be reviewed annually.

BioWorks, Greater Wellington's biosecurity business unit, is not currently required to return an internal dividend.

Advance to Wellington Regional Stadium Trust

Greater Wellington advanced \$25 million to the Wellington Regional Stadium Trust in August 1998. The advance is currently on an interest-free basis, with limited rights of recourse recognising the "quasi equity" nature of the advance. Under the International Financial Reporting Standards this advance has been written down to \$3.9 million as at 30 June 2007.

Greater Wellington's internal treasury function

Greater Wellington's treasury management activity is carried out centrally to maximise ability to negotiate with financial institutions. As a result of past surpluses, sales of property and capital returns from the port company, the treasury function produces an internal surplus by on-lending those funds to activities that require debt finance. This allows the true cost of debt funding to be reflected in the appropriate areas. This surplus is then used to offset regional rates.

Equity investments in the WRC Holdings Group

Greater Wellington has established the following equity investments in the WRC Holdings Group:

WRC Holdings Ltd and Port Investments Ltd are in essence investment holding companies. The main operating companies in the group are CentrePort Ltd and Pringle House Ltd. Greater Wellington Transport Ltd, Greater Wellington Infrastructure Ltd and Greater Wellington Rail Ltd will own Greater Wellington interests in public transport infrastructure, such as rail rolling stock, stations and trolley-bus wires.

Each year WRC Holdings Ltd provides to Greater Wellington, as 100% shareholder, a Statement of Intent for the WRC Holdings Group.

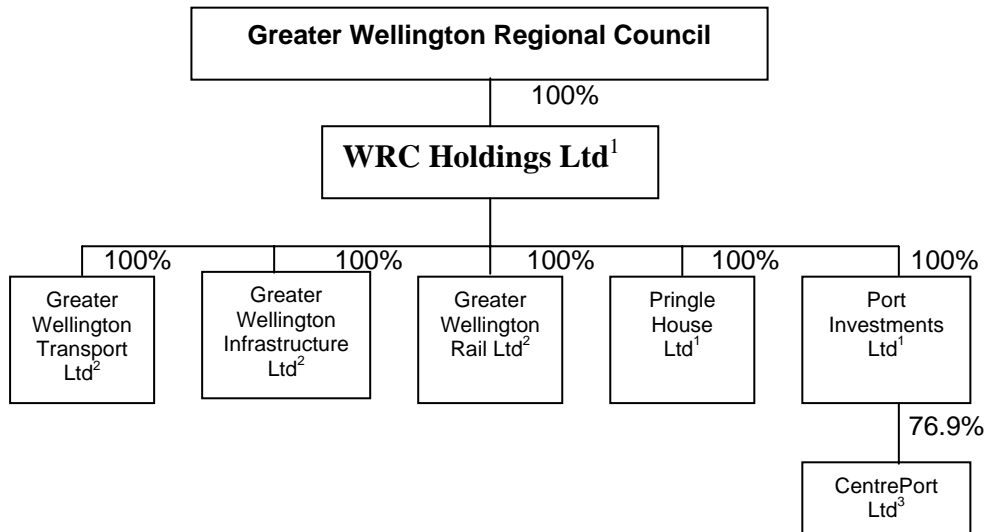
The WRC Holdings Group structure was originally set up for a number of reasons that remain applicable, including:

- Appropriate separation of management and governance
- Imposing commercial discipline on the group's activities to produce an appropriate return by ensuring appropriate debt/equity funding and requiring a commercial rate of return
- Separation of Greater Wellington's investment and commercial assets from its public good assets

The WRC Holdings Group is Greater Wellington's prime investment vehicle, and the main mechanism by which it will own and manage any additional equity investments should they be acquired in the future.

Periodically, Greater Wellington reviews the structure to determine if it's still an appropriate vehicle for holding its investments.

In addition, Greater Wellington has minor equity interests in Civic Assurance and Airtel Ltd. These investments are owned directly by Greater Wellington rather than via the WRC Holdings Group.



- (1) Council Controlled Trading Organisation in accordance with the Local Government Act 2002
- (2) Council Controlled Trading Organisation in accordance with the Local Government Act 2002. These companies were incorporated on 3 August 2006
- (3) Commercial Port Company pursuant to the Port Companies Act 1988 and not a Council Controlled Organisation in accordance with the Local Government Act 2002

Investments

WRC Holdings Group

Objectives of the group

The primary objectives of the group as set out in the 2006/07 Statement of Intent (SOI) were to:

- Operate as a successful, sustainable and responsible business
- Own and operate Greater Wellington's headquarters at 142 Wakefield Street, Wellington (known as the Regional Council Centre) on a cost-effective basis
- Own Greater Wellington's interest in CentrePort Ltd to maximise the commercial value of CentrePort to the shareholders and protect their investment, while maintaining CentrePort's strategic value to the economy of the region
- Effectively manage any other investments held by the group to maximise the commercial value to shareholders and protect their investments

The financial objectives of the group shall be to:

- Provide a commercial return to shareholders
- Adopt policies that prudently manage risk and protect the investment of shareholders

The environmental objectives of the group shall be to:

- Operate in an environmentally responsible and sustainable manner
- Minimise the impact of any of the group's activities on the environment
- Raise awareness of environmental issues within the group
- Encourage CentrePort and Pringle House to be more energy-efficient and make greater use of renewable energy

The social objectives of the group are to:

- Be a leading organisation and superior employer
- Provide a safe and healthy workplace
- Participate in cultural and community activities within the regions in which the group operates
- Help sustain the economy of the region

The WRC Holdings Group met all its objectives as set out in the 2006/07 SOI and Greater Wellington's 2006–2016 Long-Term Council Community Plan (LCCP).

The nature and scope of activities undertaken by WRC Holdings are consistent with those set out in the 2006/07 SOI and Greater Wellington's LTCCP.

Directors

Ian Buchanan (Chairman)
Margaret Shields
Terry McDavitt

Rick Long
Anne Blackburn
Peter Blades

Investments

WRC Holdings Group

Financial performance targets

| | Actual 2007 | Target 2007 |
|---|------------------------|------------------------|
| Net profit before tax | \$8.9m | \$4.9m |
| Net profit after tax | \$19.2m | \$3.2m |
| Return on total assets | 6.1% | 4.6% |
| Return on shareholder equity (excludes any increase in the value of investment property) | 4.3% | 0.9% |
| Return on shareholder equity (includes any increase in the value of investment property) | 13.7% | |
| Dividends | \$0.1m | \$0.5m |

Net profit before tax

The group posted a net profit before tax, before any increases in the value of investment property and land, and changes in the fair value of financial instruments, of \$8.9 million compared to the budget of \$4.9 million for the year.

Net profit after tax (before deduction of minority interest)

The net profit after tax measure includes a \$14.5 million (2006 \$12.9 million) increase in the net current value of the group's investment properties and land.

Return on total assets

This target is calculated as earnings before interest and tax (EBIT) and expressed as a percentage of average total assets. The asset base has

increased following annual asset valuations, thereby increasing the base used to calculate the ratio.

Return on shareholder equity

Return on shareholder equity is calculated as net profit after tax (after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest). The measure is shown both before and after any increase in the value of investment properties. Average parent shareholder equity has also increased due to the revaluation of assets.

Dividends paid (or payable to the parent shareholder)

Dividend payments decreased due to increases in interest rates.

Investments

WRC Holdings Group

Activity: Environmental performance targets

Targets

CentrePort Ltd (CPL) to comply with AS/NZS 14000: Environmental Management Standards.

CPL to promote the introduction into the district and regional coastal plans of the principles of NZS 6809:1999 Acoustics – Port Noise Management and Land Use Planning.

CPL will hold a minimum of three environmental consultative committee meetings comprising CPL and affected stakeholders.

The group to comply with all conditions under resource consents and permits held, and full adherence to the requirements of environmental law generally.

Maintain an environmental issues register of environmental complaints for monitoring and actioning purposes. The register to be reported to CPL's Health, Safety and Environment Committee.

Actual

CPL has established environmental management systems that incorporate separate formal environmental management and emergency management plans in accordance with AS/NZS ISO 14001:2004. The Health, Safety and Environment Board Committee reviews CPL's environment performance regularly.

CPL continues to work with the respective local bodies to ensure that the District and Regional Plans include the principles of the port noise-management standard. CPL's Port Noise Management Plan has been submitted to the respective planning authorities (WCC and GWRC) to ensure that these are included in the public consultation process.

CPL holds regular Environmental Consultative Committee meetings with representatives of the wider community interest groups, though only one meeting was held during 2006/07 due to insufficient issues to warrant additional meetings.

All consents and permits have been complied with and a renewal of the Burnham Wharf Noise consent was granted during the year.

Achieved.

Investments

WRC Holdings Group

Activity: Social performance targets

Targets

CPL to maintain tertiary level of compliance with the ACC Workplace Safety Management Practices Programme and comply with the AS/NZS 4801: Occupational Health and Safety Management Systems.

CPL to maintain compliance with the International Ship and Port Security (ISPS) Code, which promotes security against terrorism within the port environment.

CPL to undertake risk assessments and implement any mitigating procedures relating to the Port and Harbour Safety code, which promotes safety and excellence in marine operations.

Undertake a level of sponsorship appropriate to CPL.

Meet regularly with representative community groups of CPL.

To hold more port tours for community groups.

Actual

CPL conducts biannual ACC audits, with the next scheduled in November 2007. CentrePort currently holds a tertiary level of compliance.

Achieved. Audited in 2006 and passed.

In line with the findings of the Port and Harbour Safety Code Navigational Risk Assessment, CPL is continuing to work through an action plan that prioritises mitigating strategies for risks identified in the assessment. The building of a new tug was commissioned in 2007 to address the tug power risk identified in the assessment.

CPL engages in a wide range of community sponsorships, ranging from business groups to specific community projects and endeavours. Spending in 2006/07 amounted to \$115,000.

CPL participates in a number of community working groups, such as the Environmental Consultative Committee, transport advisory bodies and chambers of commerce.

The International Ship and Port Security (ISPS) Code makes the provisions of port tours difficult. Notwithstanding, a small number of tours for stakeholders and community groups have been conducted over the past 12 months.

Investments

WRC Holdings Group

Activity: General performance targets

Targets

The group will, in consultation with shareholders, continue to develop performance targets in environmental and social areas.

Actual

Shareholders received the SOI and were satisfied with the current performance targets.

Investments

CentrePort

Company objectives

The company's primary objectives as set out in the 2006/07 Statement of Corporate Intent (SCI) shall be to:

- Operate as a successful, sustainable and responsible business
- Be customer focused and provide superior service
- Be the industry leader in transport-logistics solutions

The financial objectives of the company shall be to:

- Provide a commercial return to shareholders
- Adopt policies that prudently manage risk and protect shareholder investment

The environmental objectives of the company shall be to:

- Operate in an environmentally responsible and sustainable manner
- Raise awareness of environmental issues within the company

The social objectives of the company shall be to:

- Be a learning organisation and superior employer.
- Provide a safe and healthy workplace
- Participate in cultural and community activities within the regions in which the company operates

Directors

NJ Gould (Chairperson)

DJ Benham

EM Johnson

WA Larsen

JG Jefferies

RM Peterson

R Janes

Investments

CentrePort Financial performance targets

The following table lists performance against targets set in CentrePort 2006/07 Statement of Corporate Intent (SCI). Comparison against targets is provided, excluding and including revaluation gains on investment properties and financial instruments (as the SCI did not anticipate changes in asset values).

| | 2006/07 Actual excluding valuation changes³ | 2006/07 Actual including valuation changes³ | 2006/07 SCI Target |
|--|---|---|-------------------------------|
| Net profit before tax, excluding revaluation gains | \$12.4m | \$23.6m | \$7.6m |
| Net profit after tax | \$8.0 | \$19.2m | \$5.6m |
| Return on total assets ¹ | | | |
| - Port | 6.3% | 7.5% | 5.7% |
| - Investment properties | 5.4% | 14.7% | 4.7% |
| - Overall | 6.6% | 10.7% | 5.2% |
| Return on shareholders' funds ² | 4.6% | 10.7% | 3.5% |
| Dividend | \$3.6m | \$3.6m | \$3.6m |
| Dividend % of net profit after tax | 45% | 19% | 64% |

⁽¹⁾ Net profit before interest and tax as a percentage of average total assets

⁽²⁾ Net profit after tax as a percentage of average shareholders' funds

⁽³⁾ Valuation changes include a revaluation of investment property and land available for development of \$11.2m

Investments

Financial summary

| | Council 2007 Actual \$000s | Council 2007 Budget \$000s |
|--|---|---|
| Income statement | | |
| Operating revenue | 18,093 | 17,672 |
| Operating expenditure | 11,010 | 11,538 |
| Earnings before interest | 7,083 | 6,134 |
| Interest | (2,966) | (2,481) |
| Operating surplus/(deficit) | 10,049 | 8,615 |
| Less: | | |
| Contribution to general rates | 7,698 | 7,698 |
| Earnings retained | 2,351 | 917 |
| Operating surplus of individual investments | | |
| Liquid financial deposits | 2,737 | 3,410 |
| WRC Holdings | 571 | 758 |
| Treasury management | 8,290 | 3,635 |
| Forestry | (1,195) | 708 |
| Business units and property | (354) | 104 |
| Operating surplus | 10,049 | 8,615 |

Compliance

The Council and Greater Wellington Regional Council's management confirm that all the statutory requirements of the Local Government Act 2002 in relation to the Annual Report have been complied with.

Responsibility

The Council and Greater Wellington Regional Council's management accept responsibility for the preparation of the annual financial statements and judgements used in them.

The Council and Greater Wellington Regional Council's management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Greater Wellington Regional Council's management, the annual financial statements for the year ended 30 June 2007 fairly reflect the financial position and operations of the Greater Wellington Regional Council.

Ian Buchanan
Chairman
27 September 2007

David Benham
Chief Executive
27 September 2007

Barry Turfrey
Chief Financial Officer
27 September 2007

Supplementary information

| | |
|---|------------|
| Council debt | 151 |
| Council and management structure | 152 |
| Your regional councillors | 153 |

Council debt

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s | \$000s |
| Forestry – Western region | 4,107 | 4,282 | 4,454 | 4,942 | 5,839 | 7,216 | 8,469 | 8,975 | 10,172 | 11,065 | 11,864 | 12,321 | 13,000 | 13,331 | 13,366 |
| Forestry – Wairarapa | 1,611 | 1,583 | 1,409 | 1,838 | 2,515 | 3,286 | 4,112 | 4,580 | 5,496 | 6,529 | 7,818 | 8,790 | 9,286 | 9,833 | 10,629 |
| Flood Protection – Western region | 15,300 | 19,653 | 22,052 | 22,727 | 23,248 | 23,122 | 23,437 | 25,084 | 25,346 | 24,501 | 23,356 | 23,135 | 22,172 | 25,496 | 26,477 |
| Flood Protection – Wairarapa | 904 | 1,404 | 1,309 | 1,216 | 1,121 | 1,232 | 1,432 | 1,292 | 1,141 | 894 | 601 | 550 | 683 | 607 | 661 |
| Environment | | | | | | | | | | | | | | | 233 |
| Transport | 5,998 | 5,860 | 5,717 | 5,563 | 5,416 | 5,242 | 5,047 | 4,826 | 4,582 | 4,317 | 4,025 | 3,701 | 3,348 | 2,967 | 12,514 |
| Parks and Forests | 579 | 565 | 622 | 763 | 861 | 999 | 1,127 | 933 | 1,296 | 1,546 | 1,617 | 1,711 | 1,695 | 3,124 | 3,264 |
| Corporate: | | | | | | | | | | | | | | | |
| Regional Council Centre | 23,410 | 22,406 | 21,721 | 21,206 | 10,433 | 9,518 | 8,508 | 7,385 | 6,156 | 4,649 | 3,223 | 2,999 | 2,756 | 2,491 | 2,206 |
| Other buildings | 1,175 | 853 | 838 | 1,041 | 1,018 | 1,001 | 982 | 959 | 935 | 908 | 878 | 685 | 985 | 946 | 927 |
| Information Systems | 980 | 1,037 | 875 | 394 | 232 | 0 | 1,470 | 1,144 | 893 | 1,297 | 884 | 402 | 741 | 524 | 425 |
| Regional Stadium | 0 | 0 | 0 | 0 | 0 | 0 | 24,500 | 23,974 | 23,378 | 22,729 | 22,029 | 21,272 | 20,444 | 19,925 | 18,985 |
| Regional water supply | 72,457 | 69,849 | 68,419 | 69,633 | 70,743 | 67,121 | 63,679 | 59,930 | 56,190 | 51,680 | 48,106 | 45,759 | 43,648 | 44,983 | 44,743 |
| Total activities debt | 126,521 | 127,492 | 127,416 | 129,323 | 121,426 | 118,737 | 142,763 | 139,082 | 135,585 | 130,115 | 124,401 | 121,325 | 118,758 | 124,227 | 134,430 |
| Treasury internal funding | (16,333) | (12,909) | (22,324) | (22,549) | (31,808) | (36,739) | (42,093) | (43,352) | (48,174) | (47,409) | (54,254) | (57,341) | (60,761) | (63,915) | (68,161) |
| Council external debt | 110,188 | 114,583 | 105,092 | 106,774 | 89,618 | 81,998 | 100,670 | 95,730 | 87,411 | 82,706 | 70,147 | 63,984 | 57,997 | 60,312 | 66,269 |

Council and management structure

[SAME AS LAST YEAR]

[SAME AS LAST YEAR]

Wellington

Greater Wellington
142 Wakefield Street
PO Box 11646
Manners Street
Wellington 6142

T 04 384 5708
F 04 385 6960
info@gw.govt.nz
www.gw.govt.nz

Metlink travel information

T 04 801 7000, 0800 801 700

Wairarapa

Greater Wellington
34 Chapel Street
PO Box 41
Masterton 5840

T 06 378 2484
F 06 378 2146
info@gw.govt.nz
www.gw.govt.nz

Directory

Auditors

Audit New Zealand on behalf of the Auditor-General

Bankers

National Bank of New Zealand

Treasury advisers

Bancorp New Zealand Limited

Solicitors

Oakley Morgan

Simpson Grierson

Chapman Tripp Sheffield Young

Gawith and Co.

Phillips Fox

McBride Davenport James

Andrew Beatson