Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

Ordinary Meeting of Unaunahi Māhirahira | Audit and Risk Committee

Rārangi Take | Agenda

9:30 am Rāapa, 8 Haratua 2024
9:30 am Wednesday, 8 May 2024
Ngake (16.09), Level 16, Tahiwi
113 The Terrace
Pōneke | Wellington

MEMBERSHIP

Mayor Whanau
Councillor Apanowicz
Councillor Chung
Pouiwi Kelly
Councillor Matthews
Councillor Pannett
Councillor Randle (Deputy Chair)
Bruce Robertson (Chair)
Wendy Venter

Have your say!

You can make a short presentation to the Councillors, Committee members, Subcommittee members or Community Board members at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-499-4444, emailing public.participation@wcc.govt.nz, or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

The Unaunahi Māhirahira | Audit and Risk Committee oversees the work of the Council in discharging its responsibilities in the areas of risk management, statutory reporting, internal and external audit and assurance, monitoring of compliance with laws and regulations, including health and safety.

Quorum: 4 members

TABLE OF CONTENTS
8 MAY 2024

Business **Page No.**

1. Meeting Conduct

1.1 Karakia

The Chairperson will open the hui with a karakia.

Whakataka te hau ki te uru,	Cease oh winds of the west
Whakataka te hau ki te tonga.	and of the south
Kia mākinakina ki uta,	Let the bracing breezes flow,
Kia mātaratara ki tai.	over the land and the sea.
E hī ake ana te atākura.	Let the red-tipped dawn come
He tio, he huka, he hauhū.	with a sharpened edge, a touch of frost,
Tihei Mauri Ora!	a promise of a glorious day

At the appropriate time, the following karakia will be read to close the hui.

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana, te wairua	Draw on the supreme sacredness
I te ara takatū	To clear, to free the heart, the body
Koia rā e Rongo, whakairia ake ki runga	and the spirit of mankind
Kia wātea, kia wātea	Oh Rongo, above (symbol of peace)
Āe rā, kua wātea!	Let this all be done in unity

1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the hui, where leave of absence has not previously been granted.

1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.4 Confirmation of Minutes

The minutes of the meeting held on 21 February 2024 will be put to the Unaunahi Māhirahira | Audit and Risk Committee for confirmation.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

Matters Requiring Urgent Attention as Determined by Resolution of the Unaunahi Māhirahira | Audit and Risk Committee.

The Chairperson shall state to the hui:

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent hui.

The item may be allowed onto the agenda by resolution of the Unaunahi Māhirahira | Audit and Risk Committee.

Minor Matters relating to the General Business of the Unaunahi Māhirahira | Audit and Risk Committee.

The Chairperson shall state to the hui that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent hui of the Unaunahi Māhirahira | Audit and Risk Committee for further discussion.

1.6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any hui of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral, or electronic application to address the hui setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the hui concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 499 4444 and asking to speak to Democracy Services.

2. General Business

INSURANCE UPDATE MAY 2024

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides an update on the progress that officers have made towards the main material damage renewals.
2. It also provides an update on the progress made against the insurance roadmap.

Strategic alignment with community wellbeing outcomes and priority areas

	Aligns with the following strategies and priority areas: ☐ Sustainable, natural eco city ☐ People friendly, compact, safe and accessible capital city ☐ Innovative, inclusive and creative city ☒ Dynamic and sustainable economy
Strategic alignment with priority objective areas from Long-term Plan 2021–2031	☐ Functioning, resilient and reliable three waters infrastructure ☒ Affordable, resilient and safe place to live ☐ Safe, resilient and reliable core transport infrastructure network ☐ Fit-for-purpose community, creative and cultural spaces ☐ Accelerating zero-carbon and waste-free transition ☐ Strong partnerships with mana whenua
Relevant Previous decisions	Kāwai Māhirahira | Audit and Risk Subcommittee 14 September 2022 received the Insurance roadmap report and endorsed the workplan set out in that report, instructing officers to report back to the committee on a regular basis outlining progress against the workplan. 15 February 2023 report to Unaunahi Māhirahira | Audit and Risk Committee provided an update on the 2022/23 insurance renewals process and Insurance Roadmap workstreams. 9 November 2023 meeting of the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee discussed risks associated with existing Council-owned income-generating assets and recommended consulting on diversifying the portfolio to reduce risk, including insurance risk, and better align investment with Council's strategic objectives. 29 November 2023 report to Unaunahi Māhirahira | Audit and Risk Committee provided an update on the progress against the insurance roadmap. The meeting endorsed ongoing execution of the workplan. 11 April 2024 meeting of the Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee adopted the consultation document including consultation on the diversification of the

	investment portfolio to reduce risk, including insurance risk and align Council investment with Council's strategic objectives.

Financial considerations

☐ Nil	☒ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

3. Please summarise the funding or revenue implications and what the source of the funding is. Further detail can be outlined in the subsequent section "Financial Implications".Insurance purchases are budgeted within the relevant Annual and Long Term Plans.

4. Insurance roadmap activity expenditure is managed within the relevant Annual Plan.

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

5. The work included in the insurance roadmap will increase risk understanding in both the physical and financial risk areas and inform a long-term strategy to treat these risks through traditional risk transfer, alternative risk transfer and internal risk treatments.

6. The risks related specifically to the delivery of the insurance roadmap and insurance renewal work outlined in this report are low.

Authors	Sarah Houston-Eastergaard, Treasurer Andie Thompson, Senior Insurance Advisor
Authoriser	Andrea Reeves, Chief Financial Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note the workplan updates.
3. Note the renewal updates.

Whakarāpopoto | Executive Summary

7. There are signs of softening in the insurance market, with stable 1 January 2024 re-insurance renewals and additional capital inflow. Some uncertainty remains, with large global losses in the 2023 calendar year and the effects of climate change.
8. Officers are currently negotiating the 31 May Council main material damage renewal, with a verbal update on the latest information to be provided in the public excluded session of this meeting.
9. Work on the Insurance Roadmap has been steady and work is approaching a significant milestone in the upcoming earthquake loss modelling.
10. This report to the Unaunahi Māhirahira | Audit and Risk Committee provides the update agreed to in the resolutions of the 14 September 2022 Kāwai Māhirahira Audit and Risk Subcommittee – specifically that Council officers will report back to the committee on a regular basis as a standing item.

Takenga mai | Background

11. Council holds 14 insurance policies which cover a wide range of risks that Council faces in its day-to-day operations. Of these, four policies are material damage policies which cover risks relating to physical damage. Six policies cover council's liability risks, ranging from damage we may do to third party assets to liability arising from services we provide or advice we give. The remaining four policies cover minor risks.

12. Our material damage policies are intended to cover catastrophic losses, as such, they have high deductibles. Any day-to-day losses are covered by the Insurance Reserve fund. These policies are also loss limited (a maximum pay out regardless of damage is set), this limit is set based on the expected losses to the portfolio, the availability of capacity in the market, the associated premiums, and budgetary constraints.

13. The 2024/25 renewal for the three main material damage policies is currently underway and quotes are being received. Officers will provide a verbal update in PX summarising the current market quotes and indicative results. A market update and positioning discussion is included in this paper.

14. At the September 2022 Audit and Risk Committee, officers presented the Insurance Roadmap to the committee. This paper provides an update on the progress officers have made on the workplan, under the four workstreams described in that Roadmap.

Kōrerorero | Discussion

15. The global material damage markets continue to be challenged by flood, storm and wind related perils. Once thought of as secondary, these perils are now leading global cumulative losses and more frequently exceeding $1bn losses. In 2023 primary perils (earthquake, hurricane, cyclone) accounted for 14% of global losses.

16. The El Niño weather pattern present during the latter half of 2023 is now weakening, though will continue to have an effect. This may assist in reducing hurricane activity in America, providing some respite for insurance markets.

17. For New Zealand El Niño brings stronger southerly winds during the winter, increased wind during summer and increased drought risk, while the west coast becomes wetter. New Zealand tends to experience delayed effects of the El Niño La Niña cycle due to our distance from the equator. This could lead to sustained pressure on the local insurance markets.

18. El Niño appears to be coming to an end with ocean temperatures approaching a neutral phase.

19. The 1 January 2024 global re-insurance renewals were fairly stable with additional capital entering the market. Anecdotally, this is increased capital from existing sources, rather than new capital as may be expected after a high loss year.

20. Locally, 2023 saw the largest non-earthquake events New Zealand has experienced, with losses from the Auckland anniversary floods and Cyclone Gabrielle estimated at over $4bn. These losses are a key driver for continued local renewal pressures, with indications remaining in the double digits.

21. In the London market premium rates are expected to be stable, though total premia will continue to be impacted by inflationary pressures.

22. Strong risk management practices continue to be a focus, especially for those exposed to flood or earthquake risk, and climate risks are front of mind for insurers.

Direct Market Feedback

23. Since the 29 November meeting of Unaunahi Māhirahira | Audit and Risk Committee, officers have been focused on delivering market submissions and engaging with the markets regarding the three main material damage policies.

24. In February officers met with a group of 10 underwriters from London in Wellington. They conducted tours of some of our significant buildings and projects and presentations from teams delivering work of interest to underwriters. This included presentations from our sludge management facility project team, our climate change team and our strategic asset management team, and visits to the waterfront, Te Ngākau and Tākina, where base isolators were a key attraction.

25. Feedback from the visit was extremely positive, with underwriters gaining an appreciation for the planning and data insights which inform our asset management plans and activities. Hearing directly from our climate change team about the extent of work they are completing for Council and for Wellington generated a lot of interest. As a topic at the front of every underwriter's mind, officers were able to provide some assurance that work was underway, well considered and data driven, even setting us ahead of some of our local peers.

26. Officers also conducted market submission presentations to more than 45 underwriters in March and April. These presentations included information on the Wellington City Council asset base, works to improve resilience and information on the services Wellington City Council provides to the city.

27. Feedback from these presentations was also positive, with officers being commended for putting together comprehensive and easily understandable information to assist in underwriting.

Insurance Roadmap Update

28. Officers continue to engage with the four workstreams of the insurance roadmap. As actions are completed new actions for the future years will materialise.

29. During the 2023 renewals year, initial reviews of placement strategies and decision making resulted in increased capacity across the Council portfolio (concentrated in the housing and waterfront policies).

30. A pivotal action for the workplan is the earthquake loss modelling, which is scheduled to begin in early June. This loss modelling will complete the initial information gathering and will provide a solid foundation to work from.

31. Inhouse preparations for this work are complete and will enable accurate and pixelated loss modelling, we await availability of our external providers and ability to use the unique system to complete the risk overlay to the data.

32. The results of the earthquake loss modelling will feed into purchasing decision assessments, portfolio optimisation approaches, and will inform investigations in the appropriateness of alternative risk financing solutions.

33. Officers are working with the internal Climate Change team to deliver a Climate Risk Assessment which effectively serves the purposes of both teams.

Ngā mahinga e whai ake nei | Next actions

34. Officers will provide a presentation/workshop for all council members to provide feedback and ask questions on this workplan. This is scheduled to take place on 30 April 2024. Any additional feedback from this forum can be responded to at the Unaunahi Māhirahira | Audit and Risk Committee (time permitting) or through formal channels, as appropriate.
35. Officers will present a verbal update on market quotes for the 31 May renewals.
36. During the upcoming year, officers will continue to work in line with the plan set out in the Insurance Roadmap.
37. The results of loss modelling and the climate risk assessment will be reported back to this committee, once completed, for consideration and discussion.
38. Internal relationships will continue to be developed, and partnership across Council teams will be pursued to ensure outcomes are effective Council wide.
39. Results from loss modelling and climate risk modelling will be used to inform development of an alternative risk financing framework to further address the challenges Council faces. This will include portfolio optimisation guidance.
40. The insurance reserve fund is currently the only alternative risk finance option Council has. This fund is used to cover operational losses which fall below excess and to cover material damage excesses in a major event.
41. The reserve fund is not currently sufficient to fulfil the second of these purposes.
42. The purpose and function of the insurance reserve fund will be analysed and considered as a part of the alternative risk transfer solutions framework.

Attachments

Attachment 1. Insurance Roadmap - Attachment A - Workplan ⇩ Page 14

Appendix A: Plan and Actions and suggested prioritisation

Workstream	Year 0 activities – FY 22	Year 1 activities – FY 23	Year 2 activities – FY 24
Governance	Develop and plan for Elected member workshops on risk and insurance	Undertake financial risk tolerance exercise	Monitor and revisit financial risk tolerance and risk appetite within Council and with elected members
	Review council's limits of retentions and covers	Develop risk appetite for key risk areas with elected members	
	Monitor changes to legislation and policy	Elected member workshops and risk and insurance roadmap roll out	
Internal Partnership	Enhancing relationships between legal, risk and insurance	Creation of standardised tools and guidance material to support insurance management for council	Review of BCP and alignment to critical functions and asset selection criteria
	Increased communication between all functions and departments across Council		Develop critical asset selection criteria and consolidation
	Engagement with Regulatory and Legal to ensure there are no emerging risks impacting on insurability		
Risk Modelling		Completion of project for consolidation of data	Undertake cumulative loss modelling
		Update Asset valuations	Undertake deep dive on cyber risk
		Update Asset condition assessments	Climate change modelling
		Complete earthquake risk modelling	Undertake deep dive on fraud risk
		Update Insurance property schedule	
Purchasing Decisions	Review decision-making for procurement of insurance	Develop options for inclusion of selected CCOs, and other entities, within insurance programme	Review of non-Council arranged insurance cover
	Continue to review placement strategy	Review council's limits of retentions and covers	Review and as appropriate implement Risk Financing Model structure
	Analysis of reserve fund to identify adverse trends and recurring themes	Consideration of alternative risk financing models	
	Continue to develop long term relationship with the Broker and Insurers		

ACCOUNTING POLICY: ACCOUNTING FOR INTEREST COSTS INCURRED ON ASSET CONSTRUCTION AND CAPITAL PROJECTS WORK IN PROGRESS

Kōrero taunaki | Summary of considerations

Purpose

1. This report to the Unaunahi Māhirahira | Audit and Risk Committee provides advice to the Committee on whether the Council should change its current accounting policy on the treatment of interest costs on borrowings incurred in relation to asset construction and capital projects work in progress. The current policy is to expense all borrowing costs in the period in which they are incurred.

Strategic alignment with community wellbeing outcomes and priority areas

	Aligns with the following strategies and priority areas: ☐ Sustainable, natural eco city ☐ People friendly, compact, safe and accessible capital city ☐ Innovative, inclusive and creative city ☒ Dynamic and sustainable economy
Strategic alignment with priority objective areas from Long-term Plan 2021–2031	☐ Functioning, resilient and reliable three waters infrastructure ☒ Affordable, resilient and safe place to live ☐ Safe, resilient and reliable core transport infrastructure network ☐ Fit-for-purpose community, creative and cultural spaces ☐ Accelerating zero-carbon and waste-free transition ☐ Strong partnerships with mana whenua
Relevant Previous decisions	On the 15th February 2024, the Long-Term Plan, Finance, and Performance Committee under amendment 27 resolved to: *Direct Council officers to provide advice on changing Council's accounting policy from 1July 2024 to capitalise (as opposed to expense) interest on a portion of Council's debt for consideration by the Unaunahi Māhirahira* | *Audit and Risk Subcommittee.*
Significance	The decision is **rated low significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

☐ Nil	☒ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

2. Financial considerations are discussed throughout the paper due to the nature of the subject matter being considered.

3. A worked example has also been provided to demonstrate the all-of-life financial impact resulting from a change of this accounting policy.

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

4. This paper is considered low risk, however, some unintended consequences relating to this decision are highlighted as risks should the capitalisation of interest to projects be adopted and accounting policies changed.
5. These risks are outlined throughout the paper.

Authors	Sophie Harrington, Senior Advisor Treasury & Funding Karina Young, Financial Controller Sarah Houston-Eastergaard, Treasurer Dean Norton, Manager Financial Accounting
Authoriser	Andrea Reeves, Chief Financial Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1) Receive the information.
2) Agree to maintain the status quo accounting treatment and continue to expense interest in the period in which it is incurred.

Whakarāpopoto | Executive Summary

6. The purpose of this report is for Officers to provide advice on whether the Council should change its accounting policy on the treatment of interest costs on borrowings under accounting standard PBE IPSAS 5 *Borrowing Costs*. This change would apply to the interest costs incurred during the asset construction and capital work in progress phases for the individual projects which are deemed qualifying assets.
7. The main reason for investigating a change to the accounting policy was to test whether a more beneficial outcome to our ratepayers could be achieved. This paper explores whether a change in accounting policy would achieve that outcome.
8. Overall, Officers recommend that no changes should be made to the current accounting policy. While capitalising interest would initially provide a limited benefit to ratepayers, such a change in accounting policy would result in:
   a) higher overall costs to ratepayers over the life of the qualifying asset;
   b) a move away from generally accepted accounting practice across the local government and central government sectors within New Zealand;
   c) applying a treatment that has seen significant concerns raised by Council Officers, our auditors and the Auditor-General;
   d) a significant increase in complexity and administrative effort with increased risk of financial misstatement; and
   e) potential conflict with Council's legislative requirements under s101(1) of the LGA 2002 to manage Council's 'financial dealings prudently and in a manner that promotes the current and future interests of the community', i.e. the concept of intergenerational equity.

Takenga mai | Background

9. Council's historic and current policy is to expense all borrowing costs in the period in which they are incurred. The possibility of capitalising such costs has been considered several times before and has, to date, been rejected due to the adminstrative burden and complexity of adoption of such a policy along with a trade off between the short and long term effect on ratepayers. While there would be a reduction to rates in the short term, rates would be higher in the long term and there would be increased borrowings to pay for interest so overall the policy is not considered financially prudent.

10. In determining the appropriateness of any accounting treatment, it is important to take into account not only what is allowed under accounting standards but also what is required by legislation. The Local Government Act 2002 requires local authorities to manage revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community (s101(1)).

11. Any policy change would also need to be considered by the Council's auditor who has already raised concerns that the capitalisation approach may not be appropriate for a public entity.

Kōrerorero | Discussion

External and previous advice

12. Officers recently commissioned PwC to provide advice on the application of the relevant accounting standards. This report from PwC is provided in attachment 1. The report also considers the merits of changing the accounting treatment for borrowing costs and how this would compare to the standard practice in the local government sector in New Zealand.

13. Previous advice from Officers in response to the same query from a Council sub-committee public participant in 2018, is provided in attachment 2. The points discussed in this attachment remain unchanged in today's context.

14. Both documents discuss the pros and cons of the two allowable accounting treatments. Both pieces of advice conclude that the current treatment of expensing borrowing costs as incurred remains as the most appropriate accounting treatment.

Available accounting policies

15. Council's current policy to expense and fully rates-fund all borrowing costs in the period in which they are incurred is consistent across the both the local government and central government sectors within New Zealand and is the benchmark treatment for recognising interest costs under PBE IPSAS 5.

16. There is an 'allowed alternative treatment' under PBE IPSAS 5 which permits the capitalisation of borrowing costs that are 'directly attributable to the acquisition, construction, or production of a qualifying asset.' The borrowing costs can be either on specific borrowings or general borrowings. As the Council ordinarily sources general funding to be used for the overall acquisition or construction of assets, the Council would be required to arbitrarily calculate the capitalisation rate to be applied to borrowing costs.The borrowing costs eligible for capitalisation is discussed in further detail on page 2 of the PwC report.

17. A 'qualifying asset' is defined as 'an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. Determining the criteria for what is a

'qualifying asset' would be a matter of judgment. This is discussed in further detail on page 3 of the PwC report.

18. There would be signficant judgment requred to determine what Council assets would satisfy the criteria of being a qualifying asset with attibutable funding from general borrowings. Careful consideration would need to be given as to how improvements/renewals fit into this criteria.

Overall financial impact

19. The majority of Council's capital spend would not meet the criteria for a 'qualifying asset' with specific borrowing. For the 2023/24 year the Council's capital expenditure budget is $465m excluding the Sludge Minimisation project. The proposed change in accounting policy would only apply to a small portion of these assets which could satisfy both the qualifying asset and external borrowing criteria.

20. To provide an indication on the all-of-life impact of a change in accounting policy, a worked example has been provided in attachment 3. This assumes a 2 year $100m asset build and shows that while there is a saving to the ratepayer during the first 2 years of $7m ($2.4m in year 1 and $4.6m in year 2), overall there is an increased cost of $5m over a 25 year life when compared to the current accounting policy. Hence, even at this level of investment, the initial savings to the ratepayer would be less than 1% of rates revenue per annum.

Impact of changing the accounting policy to capitalise borrowing costs

21. Should the Council capitalise borrowing costs through the allowed alternative treatment:

    a) there would be an initial reduction in operating expenditure with lower interest expenditure however this could be offset by increased future depreciation charges;

    b) the overall costs to the Council over the life of the asset would be higher than the current treatment. This is because the interest payments would have to be debt funded rather than rates funded (the current treatment). Debt funding will incurr additional interest costs. This would therefore increase the overall cost to the ratepayer over the life of the asset and the term of the associated lending as the actual borrowing costs are expensed – as demonstrated in attachment 3. Increased debt could also be seen negatively by the Council's credit rating agency at a time when we are already on negative watch;

    c) the worked example in attachment 3 also demonstrates this perverse outcome of pushing the rates burden on to future ratepayers. The proposed change in accounting policy will lead to an inflated "all of life cost" due to this debt funding of interest while the asset is in the construction phase;

    d) since interest charges and depreciation are fully rates funded, there would be a different treatment for qualifying and non-qualifying assets and this treatment does not improve inter-generational equity between ratepayers;

e) significant time and therefore expense would be incurred in ongoing administration including identifying qualifying assets, calculating the weighted average rate used to determine borrowing costs (where general/multiple borrowings are used to finance an asset build which is often the case) and ensuring errors do not occur in the future including when assets are subject to revaluation.

f) significant administrative effort would be required to comply with the requirements of accounting standard PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* in the year the policy was changed. This would be a complex and timely exercise. This is covered in more detail on page 5 of the PwC report but key points to note are:

i) In accordance with paragraph 17 of PBE IPSAS 3, Council should only opt to change an accounting policy if it results in the financial statements providing faithfully representative and more relevant information. It is unlikely a change to capitalising interest costs would satisfy this criteria; and

ii) even if the Council could meet the above criteria, when making a change in accounting policy, prior period balances should be restated retrospectively unless it is impractical to do so. As noted by PwC, the Council is likely to find it impractical to calculate borrowing costs on past qualifying assets and would therefore have to apply the ”limitations on retrospective application“ exemption and apply the change in policy prospectively. This would significantly reduce the amount of any interest that could be initially capitalised.

Impact of retaining the status quo policy (i.e. expensing interest as incurred)

22. Should the Council continue with the current treatment of expensing borrowing costs as they are incurred:

a) This would ensure consistent treatment for all capital assets and therefore generally accepted accounting practice with substantially all other Council's across New Zealand allowing for comparability among local authorities' financial statements;

b) processes would remain fair and administratively simple, where treatment is consistent across all asset types with resultant time and cost benefits;

c) asset values would not be inflated as a result of this accounting policy. While inflated asset values can be useful in the commercial sector to secure higher levels of debt financing, this does not translate to the local government sector in New Zealand. Increased asset values also leads to higher insurance and other unintended cost drivers compared to the status quo approach;and

d) no additional pressure would be applied to the debt to revenue ratio at a time where there is limited headroom in Council's measures of financial prudence.

Auditor's view

23. Following discussions with our auditors, they have indicated that while it is technically possible to change our accounting policy, this is not something they would generally see as an appropriate move for a public entity.

24. In 2009 the Auditor-General published a discussion document about financial standards in the public sector. They noted concern with the capitalisation of borrowing costs, because:

    a) capitalisation of general borrowings in the public sector is both complicated and arbitrary, and therefore unlikely to enhance the reliability of general purpose financial reports;

    b) there is no clear way to incorporate a component for borrowing costs into revaluations for most significant public sector assets, which is likely to make asset revaluations less reliable; and

    c) any benefits of capitalising borrowing costs are significantly outweighed by the compliance costs of initial capitalisation and subsequent revaluation of assets[1].

Officers' view

25. Overall, Officers recommend the Council maintain the status quo relating to this accounting policy. Although the accounting standards would permit a change in accouting policy, where in limited instances it would be possible to capitalise borrowing costs for qualifying assets, Officers do not advise this.

26. It is the Officers' view that in accordance with s101(1) of the LGA 2002 this change in accounting policy would be inconsistent with managing Council's 'financial dealings prudently and in a manner that promotes that current and future interests of the community'. The policy change results in a higher all-of-life costs due to debt-funding the capitalised interest, which effectively pushes the rates burden on to future ratepayers.

27. There will be subjectivity in determing the qualifying assets and borrowings for those assets due to our current general borrowings approach. This coupled with the complexity required to calculate the appropriate capitalisation rate on our debt funding, to ensure the borrowing cost are calculated in the manner required to meet the accouting standard, will require signifciant additional work and potentially exposes the Council to an uneccesarily heightened risk of mistatement.

28. Overall it would appear the costs of making this accouting policy change would signficantly outweigh any potential benefits.

[1] The Auditor-General's views on setting financial reporting standards for the public sector report: Paragraphs 4.84 – 4.88. https://oag.parliament.nz/2009/financial-reporting-standards/docs/financial-reporting-standards.pdf/view

Kōwhiringa | Options

29.

a) Option 1 – Maintain the status quo where Council continues to allocate and expense interest in the period that it is incurred. (Officers preferred option).

b) Option 2 – Officers directed to change the accounting policy to capitalise borrowing costs.

c) Option 3 – Officers directed to investigate further the impacts of such a change in accounting treatment.

d) Option 4 – Councillors to provide Officers with guidance on any other options.

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

30. Impacts of the change to accounting policies are discussed throughout the paper.

Engagement and Consultation

31. This paper contemplates advice on a change in accounting policies and therefore is not a significant decision to be undertaken by the Council at this time. No engagement or consultation is required on this matter.

Māori Impact Statement

32. This paper contemplates advice on a change in accounting policies and therefore has no impact on our wider stakeholders at this time.

Financial implications

33. Financial Implications have been discussed throughout the paper.

Legal considerations

34. Refer paragraph 10 which concludes a change in accounting policy would not be financial prudent.

Risks and mitigations

35. Risks of a change in accounting treatment have been discussed throughout the paper, however they amount to an increased burden on future ratepayers at the expense of current ratepayers.

Disability and accessibility impact

36. N/A

Climate Change impact and considerations

37. N/A

Communications Plan

38. N/A

Health and Safety Impact considered

39. N/A

Ngā mahinga e whai ake nei | Next actions

40. N/A

Attachments

Memorandum

To: Karina Young (Wellington City Council)
From: Lesley Mackle (PwC) / Sara Moonlight (PwC)
Date: 08 February 2024
Subject: Accounting for interest costs incurred in relation to asset construction and capital projects work in progress

Background

In order to provide services and facilities to the people of Wellington, Wellington City Council ('Council') holds a substantial portfolio of long-term fixed assets and infrastructure assets. The purchase of new assets or upgrades to existing assets that are approved through the annual plan and long-term plan processes are primarily funded by long term debt facilities, thereby spreading the cost of constructing the assets over the current and future generations that will gain benefit from them.

The current accounting policy is to expense all borrowing costs in the period in which they are incurred. The Council is considering the potential impact of changing their accounting policy to capitalising borrowing costs incurred in relation to asset construction and capital projects work in progress as part of the asset cost.

This memorandum considers the following matters:

- The capitalisation of borrowing costs incurred in relation to asset and capital project work in progress under New Zealand Equivalents to International Public Accounting Standards (‘PBE IPSAS’), specifically PBE IPSAS 5 *Borrowing costs*;
- The change in accounting policy in accordance with PBE IPSAS 3 *Accounting policies, changes in accounting estimates and errors*;
- Assessment of the relevant accounting policies of other local authorities in New Zealand;
- Accounting considerations for and against a change in accounting policy; and
- Illustrative example

PBE IPSAS 5 Borrowing costs

PBE IPSAS 5 has a benchmark treatment for the recognition of borrowing costs as an expense in the period in which they are incurred (PBE IPSAS 5.14). This is the accounting treatment for borrowing costs regardless of how the underlying borrowings are applied (PBE IPSAS 5.15).

PBE IPSAS 5 also allows for an alternative treatment, whereby borrowing costs are recognised as an expense in the period in which they are incurred except to the extent that they are capitalised (PBE IPSAS 5.17). Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset shall be capitalised as part of the cost of that asset (PBE IPSAS 5.18).

Where an entity adopts the allowed alternative treatment, that treatment should be applied consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity (PBE IPSAS 5.20).

The terms ‘borrowing costs’ and ‘qualifying assets’ are defined in PBE IPSAS 5 paragraph 5 as follows:

“Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.”

“Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.”

pwc

Borrowing costs

Paragraph 6 of PBE IPSAS 5 notes that borrowing costs could include interest expense calculated using the effective interest method; finance charges in respect of finance leases and service concession arrangements; and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

As per Note 6 of the Council's Te Pūrongo ā-Tau Annual Report 2021/2022 (Volume 2)[1], the Council's total finance expense is made up of:

1. Interest on borrowings;
2. Interest on finance leases; and
3. Re-discounting of interest on provisions.

Table 10: Finance revenue, expense and net finance cost	Council		Group	
	2022	2021	2022	2021
	$000	$000	$000	$000
Interest on borrowings	28,798	25,140	28,802	25,153
Interest on finance leases	-	-	5	6
Re-discounting of interest on provisions	498	350	498	350
Total finance expense	**29,296**	**25,490**	**29,305**	**25,509**
Less				
Interest earned	2,991	2,114	3,166	2,228
Total finance revenue	**2,991**	**2,114**	**3,166**	**2,228**
Net finance cost	**26,305**	**23,376**	**26,139**	**23,281**

Extract from page 20 of the Council's Te Pūrongo ā-Tau Annual Report 2021/2022[1]

Interest on borrowings and the interest on finance leases both meet the definition of borrowing costs as defined above.

The re-discounting of interest on provisions, which mainly relates to the landfill post closure cost provision, does not meet the PBE IPSAS 5 definition of borrowing costs. In addition, paragraph A6 of PBE IPSAS 19 Appendix A Application Guidance *Changes in Existing Decommissioning, Restoration and Similar Liabilities* specifically notes that capitalisation under PBE IPSAS 5 of finance costs recognised as a result of the periodic unwinding of the discount of such a liability is not permitted.

Borrowing costs eligible for capitalisation

Actual borrowing costs incurred can be capitalised to the extent that the borrowed funds can be directly linked to a qualifying asset. Therefore, if the funds were borrowed specifically for the purpose of obtaining a qualifying asset, the actual borrowing costs incurred on those borrowings can be capitalised to the cost of the qualifying asset (PBE IPSAS 5.23). This is referred to as specific borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate. This rate is the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period, excluding borrowing costs applicable to specific borrowings. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during that period (PBE IPSAS 5.25).

[1] The Council's Te Pūrongo ā-Tau Annual Report 2021/2022 (Volume 2)

Based on our understanding of the Council's borrowing structure, specific borrowings would typically not be applicable to the Council as funds are not borrowed for the acquisition of specific assets (with the exception of the convention centre). The Council ordinarily sources general funding to be used for the overall acquisition, construction, and/or production of assets.

As a result, borrowing costs would be capitalised in accordance with paragraph 25 of PBE IPSAS 5 and the Council would be required to calculate the capitalisation rate to be applied to borrowing costs.

Qualifying assets

PBE IPSAS 5 does not specify what is considered a "substantial period of time" in the definition of a qualifying asset. As a benchmark, an asset that normally takes more than a year to be ready for use will usually be deemed a qualifying asset. Management must exercise their judgement when determining which assets are qualifying assets, considering among other factors, how management intends to use the asset as the definition of a qualifying asset references the intended use of the asset. An asset could be purchased as ready for use but still require additional work to be ready for its intended use and therefore could meet the definition of a qualifying asset.

The Council's Te Pūrongo ā-Tau Annual Report 2021/2022 notes the following asset types as having a work in progress component. These assets could therefore potentially be considered a qualifying asset if the Council is expecting to take more than a year to get the asset ready for its intended use.

Council's potential qualifying asset types:

- Property, Plant & Equipment:
  - Land
  - Buildings
  - Civic precinct
  - Infrastructure assets (*drainage,roading, waste and water*)
  - Plant and equipment
  - Restricted assets (*buildings, parks and reserves*)
- Investment Properties
- Intangible Assets

Land and buildings can be considered together as a qualifying asset if the land cannot be used for its intended purpose while construction continues on the building. In this situation, the land would not be ready for its intended use or sale until substantially all the activities necessary to prepare both the land and building for that intended use or sale are complete.

An intangible asset could be considered a qualifying asset if it meets the definition in PBE IPSAS 5. This would be the case for an internally generated intangible asset in the development phase when it takes a "substantial period of time" to complete, such as software. For intangible assets, only costs that have been capitalised and recognised as an intangible asset can be used when applying the capitalisation rate.

pwc

Commencement, suspension, and cessation of capitalisation

Paragraphs 31 to 39 of PBE IPSAS 5 need to be appropriately considered and applied by the Council to make certain that the overall timing of the capitalisation of borrowing costs is accurate.

PBE IPSAS 5 requirement	Application
Commencement of capitalisation	
The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when: a) expenditure for the asset is being incurred; b) borrowing costs are being incurred; and c) activities that are necessary to prepare the asset for its intended use or sale are in progress. (PBE IPSAS 5.31)	It is important to note that all three conditions need to be met before borrowing costs can be capitalised. The activities mentioned are not only referring to physical construction of an asset. This could also be technical and administrative work completed before the commencement of construction such as obtaining relevant permits.
Suspension of Capitalisation	
Capitalisation of borrowing costs shall be suspended during extended periods in which active development is interrupted and expensed. (PBE IPSAS 5.34)	Similar to the above, active development does not solely refer to physical construction taking place. Capitalisation of borrowing costs is also not suspended when substantial technical and administrative work is being carried out of a temporary delay that is a necessary part of the process if getting the asset ready for its intended use or sale is experienced. A recent example of active development being interrupted for an extended period, resulting in the suspension of capitalisation, is Covid-19.
Cessation of Capitalisation	
Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. (PBE IPSAS 5.36) When the construction of a qualifying asset is completed in parts, and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare that part for its intended use or sale are completed. (PBE IPSAS 5.38)	A qualifying asset could be deemed as ready for its intended use or sale even if minor modifications and routine administrative work are still outstanding. Key distinctions that the Council should be aware of is that capitalisation is only ceased once the asset is ready for its intended use. If an asset cannot be used as intended and requires further work, capitalisation can continue. Furthermore, as soon as an asset is ready for its intended use, capitalisation ceases whether or not the asset is actually used.

Disclosure requirements

In addition to the disclosure of the accounting policy adopted for borrowing costs, which is required whether or not the Council capitalises or expenses borrowing costs, the Council would also need to disclose the amount of borrowing costs capitalised during the period and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation, if general borrowings are used for the acquisition, construction or production of qualifying assets.

PBE IPSAS 3 Accounting policies, changes in accounting estimates and errors

Changes in accounting policies

In accordance with paragraph 17 of PBE IPSAS 3, the Council should only opt to change their accounting policy if it results in the financial statements providing faithfully representative and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.

Paragraph 24(b), read together with paragraph 27 of PBE IPSAS 3, notes that a voluntary change in accounting policy must be applied retrospectively. This means that the Council will need to adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Disclosure requirements

All the relevant disclosures as listed in paragraph 34 of PBE IPSAS 3 will need to be included in the Council's financial statements. The disclosure requirements include the nature of the voluntary change in accounting policy and the reasons why the change would result in providing faithfully representative and more relevant information. The Council would also need to disclose the amount of the adjustment for each financial statement line item affected for the current and each prior period presented as well as any adjustment relating to periods before those presented. Paragraph 34(e) of PBE IPSAS 3 highlights that if retrospective application is impracticable for a particular period, or for periods before those presented, the entity should disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Limitations on retrospective application

PBE IPSAS 3.28 – 30 states that where it is impracticable for the entity to determine either the period-specific effects or the cumulative effect of the change, the entity should apply the new accounting policy from the earliest date practicable. Paragraph 32 of PBE IPSAS 3 further states that a change in accounting policy is permitted even if it is impracticable to apply the policy prospectively for any prior period.

The Council may find it difficult or too costly to determine the amounts to be capitalised in prior periods in relation to past qualifying assets funded through general borrowings as this would include the need to calculate the capitalisation rate for each year where expenditure and borrowing costs were incurred for the acquisition, construction, or production of those assets. However, the impracticability of determining the impact of the change in accounting policy on prior periods should not deter the Council from changing the accounting policy if doing so would result in providing users of the financial statements with faithfully representative and more relevant information.

The Council should also bear in mind that the retrospective application of the new accounting policy should be based on information that provides evidence of circumstances that existed on the date(s) at which the transaction occurred and would have been available when the financial statements for that period were authorised for issue.

pwc

Assessment of the relevant accounting policies of other local authorities in New Zealand

The most recent annual reports available for six other local authorities in New Zealand, two of which are district councils, have been assessed to identify the accounting policies they have elected to adopt in relation to their borrowing costs.

Local authority	Accounting policy on borrowing costs
Auckland City Council	The group's accounting policy is to expense all borrowing costs. *Ref: Page 155 of Auckland Council Financial Statements 2022/2023 [Volume 3]* https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-annual-reports/Pages/current-annual-report.aspx
Christchurch City Council	Interest payable on borrowings is recognised as an expense in surplus or deficit as it accrues. *Ref: Note 3 on page 175 of the Annual Report 2022 – Christchurch Ōtautahi* https://ccc.govt.nz/the-council/how-the-council-works/reporting-and-monitoring/annualreport?gclid=Cj0KCQjwj5mpBhDJARIsAOVjBdqw2Kbun-sLOgh5t2kh1epWeKI-D4aEXoW2LVmLPB-JMGVeTamYqHsaAlOEEALw_wcB
Tauranga City Council	Borrowing costs are recognised as an expense in the period in which they are incurred. *Ref: Note 9 on page 255 of section 7 of the Annual Report 2021/2022* https://www.tauranga.govt.nz/council/council-documents/annual-reports/annual-report-2021-22
Dunedin City Council	Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the financial year in which they are incurred. *Ref: Note 9 on page 82 of the Dunedin City Council Annual Report 2021/22* https://www.dunedin.govt.nz/council/annual-reports
New Plymouth District Council	All borrowing costs are recognised as an expense in the period in which they are incurred and are calculated using the effective interest method. *Ref: Note 19 on page 114 of the New Plymouth District Council Annual Report 2021/22* https://www.npdc.govt.nz/council/reports-and-publications/reports/annual-reports/
Tararua District Council	Borrowing costs are recognised as an expense in the period that they are incurred. *Ref: Statement of Accounting Policies as per page 160 of the Annual Report 2021/2022 of Tararua District Council* https://www.tararuadc.govt.nz/publications/plans-and-reports/annual-report

Of the six local authorities' accounting policies assessed, only one (Dunedin) elected to apply the alternative treatment and capitalise their borrowing costs. However, it should be noted that no capitalised interest expenses for Dunedin have been disclosed in the summary of financial results

2017-2022 (page 6 of the Annual Report), and the disclosure requirements of PBE IPSAS 5 are not found in the financial statements. The financial statements are rounded to the nearest $'000.

Based on the above, the current accounting policy applied by the Council of expensing borrowing costs as incurred is consistent with other local authorities in New Zealand.

Accounting considerations

There are a number of implications that the Council should consider when assessing whether to change the accounting policy from expensing borrowing costs to capitalising these costs. These include, but are not limited to, the following:

Advantages of changing the accounting policy	Disadvantages of changing the accounting policy
The Council would incur less expenditure (in the form of interest expense) during the construction phase of qualifying assets and would be able to defer the recognition of this expenditure over the useful lives of the assets.	The Council would recognise more expenditure (in the form of depreciation) after the qualifying assets are ready for use.
The Council will be able to perform a more appropriate comparison of the cost of assets constructed and assets purchased. This could impact future economic decisions made by the Council.	There would be limited impact on the Council's financials relating to the capitalisation of borrowing costs on qualifying assets that are carried at fair value. As less than 10% of the Council's non-current assets are carried at cost, this would apply to the majority of the assets. Once an asset is fair valued for the first time, the accounting impact of the capitalisation of borrowing cost would either result in an increased fair value loss being recognised, or a reduced fair value gain being recognised.
There could be a reduction in consolidation adjustments required due to associates that capitalise their borrowing costs. Associates that prepare their financials under NZ IFRS and apply NZ IAS 23 Borrowing Costs are required to capitalise eligible borrowing costs. One of the Council's associates is a profit-oriented company that capitalises interest in accordance with NZ IAS 23.	The Council has six controlled entities, another associate and a joint venture that do not capitalise their borrowing costs. Consolidation adjustments would have to be prepared so that the accounting policy of the group is uniform
	The increase in effort and time required by the change in accounting policy could put pressure on the Council's financial team. There will be an increase in disclosure requirements, especially in the reporting period during which the change in accounting policy is made. The capitalisation of borrowing costs requires more cumbersome measurement processes (e.g. proactively calculating a capitalisation rate and updating it as additional borrowings are undertaken by the Council). This, combined with the capitalisation of borrowing costs being more complex compared to the current account policy of straightforward expensing of borrowing costs, results in an increased risk of misstatements in the financial statements.

pwc

Illustrative example

The example is not based on actual fact patterns and is provided to illustrate the impact of capitalising or expensing borrowing costs on an entity's financials.

Council A has an upcoming project relating to the construction of a community centre.

The construction period is 3 years with a budgeted cost of $10 million to be spent as follows:

- Year 1: $2 million
- Year 2: $5 million
- Year 3: $3 million

Once the asset is ready for its intended use, it is expected to have a useful life of 20 years.

The project is to be funded as follows:

- Specific borrowings of $3 million obtained at the beginning of Year 1 with an interest of 10% per annum *(for the purpose of the illustration we are assuming that the borrowings not used are not earning interest income).*
- General borrowings for the remaining costs, which amounted to:
  Year 1: $7 million
  Year 2: $10 million
  Year 3: $11 million
  Year 4: $13 million
- Average annual interest rate being 7% in Year 2 and 5% in Year 3.

Relevant significant accounting policies

All borrowing costs are expensed in the period in which they are incurred.

Borrowing costs expensed ($'000)	Year 1	Year 2	Year 3	Year 4→
Capital expenditure (Capex)	*2,000*	*5,000*	*3,000*	
Extract from Statement of Financial Position				
Loan	(10,000)	(13,000)	(14,000)	(16,000)
Specific	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*
General	*(7,000)*	*(10,000)*	*(11,000)*	*(13,000)*
PPE – WIP	2,000	7,000	10,000	0
PPE – Cost	0	0	0	10,000
Extract from Statement of Comprehensive Revenue and Expense				
Interest expense	1,200	1,650	1,700	1,500
Specific borrowings (10% of capital)	*300*	*300*	*300*	*300*
General borrowings (not calculated – assumptions)	*900*	*1,350*	*1,400*	*1,200*
Depreciation	0	0	0	500

8

Relevant significant accounting policies

Borrowing costs are expensed immediately as incurred unless they relate to the acquisition, construction or production of qualifying assets, in which case the borrowing cost is capitalised.

Borrowing costs capitalised ($'000)	**Year 1**	**Year 2**	**Year 3**	**Year 4→**
Capital expenditure (Capex)	*2,000*	*5,000*	*3,000*	
Extract from Statement of Financial Position				
Loan	(10,000)	(13,000)	(14,000)	(16,000)
Specific	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*
General	*(7,000)*	*(10,000)*	*(11,000)*	*(13,000)*
PPE – WIP	2,300	7,880	11,530	0
Capex	*2,000*	*7,000*	*10,000*	
Borrowing costs capitalised	*300*[2]	*880*[3]	*1,530*[4]	
PPE – Cost	0	0	0	11,530
Extract from Statement of Comprehensive Revenue and Expense				
Interest expense	900	1,070	1,050	1,500
Specific borrowings	*0*	*0*	*0*	*300*
General borrowings	*900*	*1,070*	*1,050*	*1,200*
Depreciation	0	0	0	576.5

Effect of capitalising borrowing costs	**Year 1**	**Year 2**	**Year 3**	**Year 4→**
Extract from Statement of Financial Position				
PPE – WIP	↑ 300 (15%)	↑ 880 (13%)	↑ 1,530 (15%)	0
PPE – Cost	0	0	0	↑ 1,530 (15%)
Extract from Statement of Comprehensive Revenue and Expense				
Interest expense	↓ 300 (25%)	↓ 580 (35%)	↓ 650 (38%)	0
Depreciation	0	0	0	↑ 76.5 (15%)

---

[2] 3,000,000 X 10% = 300,000
[3] (4,000,000 X 7% = 280,000) + (3,000,000 X 10% = 300,000) + 300,000[a] = 880,000
[4] (7,000,000 X 5% = 350,000) + (3,000,000 X 10% = 300,000) + 280,000[b] + (2 X 300,000[a]) = 1,530,000

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

16 August 2018

[redacted]

By email: [redacted]

Dear [redacted]

Thank you for your letter of 6 March 2018 addressed to Kevin Lavery, regarding intergenerational equity and the capitalisation of borrowing costs and for speaking to the Council sub-committee on the matter through public participation.

This is a subject that has come up for debate many times over the last decade and one that has caused much discussion in the public sector around New Zealand. I have deferred responding until now so we could further consider the subject as part of our annual reporting process.

As you outlined in your letter the Council's current accounting policy is to expense all borrowing costs in the period in which they are incurred. This position is consistent with New Zealand Generally Accepted Accounting Practice and with the "benchmark treatment" within IPSAS 5 *Borrowing costs.*

There is an "allowed alternative treatment" available within the standard which permits the capitalisation of borrowing costs that are "directly attributable to the acquisition, construction, or production of a qualifying asset". A qualifying asset is "an asset that takes substantial period of time to get ready for its intended use or sale."
We do not feel that this is an appropriate accounting policy for the Council for a number of reasons which I have outlined below:

1) Our borrowing is done at an overall Council level and is therefore not directly attributable to individual assets. We note that the Treasury do not capitalise borrowing costs in the New Zealand Government accounts for this reason. Their relevant accounting policy states: *"Generally, Government borrowings are not directly attributable to individual assets. Therefore, borrowing costs incurred during the period, including any that could be allocated as a cost of completing and preparing assets for their intended use are expensed rather than capitalised."*
2) If we adopted the alternative treatment it would require the capitalisation of borrowing costs for <u>all</u> qualifying assets, which given we do not individually attribute borrowing is not possible to determine. When an asset being constructed is brand new this process is easier as it is likely to be fully funded through new borrowings. However, where the expenditure is replacing an asset, as is the case with much of our social housing and infrastructure asset renewals, this is far more complex due to funding of depreciation on these assets which impacts on the borrowings related to that asset. In many cases this depreciation would have been collected over many years; and eventually over the 50-100 year life of some assets. Accordingly even if we did attempt to separately allocate debt it would be extremely administratively cumbersome, if not impossible to calculate the amount of borrowing (if any) associated with a particular asset.

Wellington City Council
101 Wakefield Street
PO Box 2199, Wellington 6140,
New Zealand
Phone +64 4 499 4444
Fax +64 4 801 3138
Wellington.govt.nz

3) Even if the amount of borrowings associated with an asset could be calculated the calculation of how much interest to capitalise would also be complex as we have many different debt instruments with different interest rates and at any point in time we could also have cash reserves which generate interest income.
4) Although discussions with our valuer have determined that it may be possible to factor in borrowing costs it would make the revaluation of PPE assets extremely complex if some of our assets included borrowing costs and some didn't as inputs into the valuation would be different.
5) We are not aware of any other local authorities, or indeed any public sector organisations, in New Zealand that are capitalising borrowing costs. If we were to capitalise our borrowing costs it would reduce comparability among local authorities' financial statements. Even if other local authorities chose to capitalise borrowing costs the definition of a "qualifying asset" is subjective as there is no guidance in the standard as to what constitutes a "substantial period of time" and the amount of borrowings to attribute to an asset could also be subjective if there multiple debt instruments involved and there are other sources of funding e.g. depreciation.

We note that in 2009, when the public sector in New Zealand was moving to NZ IFRS, the Auditor General outlined some concerns with the capitalisation of borrowing costs for the public sector noting the following:

- capitalisation of general borrowings in the public sector is both complicated and arbitrary, and therefore unlikely to enhance the reliability of general purpose financial reports;
- there is no clear way to incorporate a component for borrowing costs into revaluations of most significant public sector assets, which is likely to make asset revaluations less reliable; and
- any benefits of capitalising borrowing costs are significantly outweighed by the compliance costs of initial capitalisation and subsequent revaluation of assets.

Source: The Auditor-General's views on setting financial reporting standards for the public sector June 2009

We also note that entities within the group are permitted to have differing accounting policies as Wellington International Airport Limited (WIAL) does currently. We will continue to liaise with Audit New Zealand on this matter when consolidating WIAL into the Group numbers to ensure that there are no material adjustments that need to be made on consolidation.

In light of the points raised above, we are comfortable with our current approach and accounting treatment, as are our auditors Audit New Zealand. Accordingly we do not plan to make any changes at this time.

Please contact me if you require any further information or clarification on this matter.

Yours sincerely

Andy Matthews
Chief Financial Officer

c.c. Kevin Lavery, Chief Executive
Councillor Andy Foster, Chair Finance & Risk Management Sub-committee

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

Appendix 3 - Worked example

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Y21	Y22	Y23	Y24	Y25	Y26	Y27	Total
Option 1 - Status quo	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	**$000**
(Expense interest in the year it is incurred)																												
2-year capex project	50,000	50,000																										
Cumulative borrowings balance	50,000	100,000	96,000	92,000	88,000	84,000	80,000	76,000	72,000	68,000	64,000	60,000	56,000	52,000	48,000	44,000	40,000	36,000	32,000	28,000	24,000	20,000	16,000	12,000	8,000	4,000	-	
Rates funded depn - 25 years useful life			4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	
Interest on cumulative borrowings	2,500	5,000	4,800	4,600	4,400	4,200	4,000	3,800	3,600	3,400	3,200	3,000	2,800	2,600	2,400	2,200	2,000	1,800	1,600	1,400	1,200	1,000	800	600	400	200	-	
Total rates funding required	**2,500**	**5,000**	**8,800**	**8,600**	**8,400**	**8,200**	**8,000**	**7,800**	**7,600**	**7,400**	**7,200**	**7,000**	**6,800**	**6,600**	**6,400**	**6,200**	**6,000**	**5,800**	**5,600**	**5,400**	**5,200**	**5,000**	**4,800**	**4,600**	**4,400**	**4,200**	**4,000**	**167,500**
Option 2																												
(Capitalising interest during construction)																												
2-year capex project	50,000	50,000																										
2-year capex project (interest portion)	2,500	5,000																										
Total 2-year capex project	**52,500**	**55,000**																										
Cumulative borrowings balance	52,500	107,500	103,200	98,900	94,600	90,300	86,000	81,700	77,400	73,100	68,800	64,500	60,200	55,900	51,600	47,300	43,000	38,700	34,400	30,100	25,800	21,500	17,200	12,900	8,600	4,300	-	
Rates funded depn - 25 years useful life			4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	
Interest on cumulative borrowings	2,625	5,375	5,160	4,945	4,730	4,515	4,300	4,085	3,870	3,655	3,440	3,225	3,010	2,795	2,580	2,365	2,150	1,935	1,720	1,505	1,290	1,075	860	645	430	215	-	
Unfunded interest on borrowings	(2,500)	(5,000)																										
Total rates funding required	**125**	**375**	**9,460**	**9,245**	**9,030**	**8,815**	**8,600**	**8,385**	**8,170**	**7,955**	**7,740**	**7,525**	**7,310**	**7,095**	**6,880**	**6,665**	**6,450**	**6,235**	**6,020**	**5,805**	**5,590**	**5,375**	**5,160**	**4,945**	**4,730**	**4,515**	**4,300**	**172,500**
Cost difference to the ratepayer	2,375	4,625	(660)	(645)	(630)	(615)	(600)	(585)	(570)	(555)	(540)	(525)	(510)	(495)	(480)	(465)	(450)	(435)	(420)	(405)	(390)	(375)	(360)	(345)	(330)	(315)	(300)	**(5,000)**

Key assumptions	
Average useful life of asset	25
Interest rate	5%

Summary
While there is a saving to the ratepayer during the first 2 years of $7m ($2.4m in year 1 and $4.6m in year 2), overall there is an increased cost of $5m over a 25 year life when compared to the current accounting policy

HEALTH AND SAFETY PERFORMANCE REPORT

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee discusses the Council's health and safety performance for the period 1 January 2024 to 31 March 2024.

Strategic alignment with community wellbeing outcomes and priority areas

	Aligns with the following strategies and priority areas: ☐ Sustainable, natural eco city ☐ People friendly, compact, safe and accessible capital city ☐ Innovative, inclusive and creative city ☐ Dynamic and sustainable economy
Strategic alignment with priority objective areas from Long-term Plan 2021–2031	☐ Functioning, resilient and reliable three waters infrastructure ☐ Affordable, resilient and safe place to live ☐ Safe, resilient and reliable core transport infrastructure network ☐ Fit-for-purpose community, creative and cultural spaces ☐ Accelerating zero-carbon and waste-free transition ☐ Strong partnerships with mana whenua
Relevant Previous decisions	

Financial considerations

☒ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

Authors	Thomas Fowler, Principal Advisor Health & Safety Services Wendi Henderson, Health, Safety & Security Manager
Authoriser	Meredith Blackler, Chief People and Culture Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

Whakarāpopoto | Executive Summary

2. The Report provides information that aligns with the Officer due diligence responsibilities under the Health and Safety at Work Act 2015 (HSWA), specifically having:

   a. Knowledge of work health and safety matters

   b. An understanding of the nature of operations and the hazards and associated risks

   c. Appropriate resources and processes to eliminate or minimise risk

   d. Appropriate resources to receive and consider information

   e. Verification of the provision and use of resources and processes

   f. Processes for compliance with duties or obligations under the HSWA.

3. This report comprises qualitative commentary on activities that have occurred in the last four months, and are presented in three categories:

   g. Risks

   h. Relationships

   i. Resources.

4. The dashboard reporting (attachment 1) provides quantitative leading and lagging indicators to measure health and safety performance within Council.

5. This style of reporting is based on the Business Leader’s Health and Safety Forum: ‘Monitoring what matters in Health and Safety’ – a guide for CEOs. The Council is a member of the Business Leader’s Forum.

Takenga mai | Background

6. Not applicable.

Kōrerorero | Discussion

Risk

Enterprise Critical Risk Review

7. The Health and Safety team has been leading workshops across the entire organisation to discuss and understand critical risks, and their associated controls, present in different business units while also analysing the control efficacy and identifying opportunites for improvement.

8. All workshops for the Enterprise Critical Risk Review (ECRR) have now concluded, producing a significant amount of insight into the current state for how the Council is managing its critical risks and where there is work to be done to address inefficiencies in our controls.

9. At a high level, there were 199 workshops completed with a total of 1121 attendees. This amounted to 791 total people hours (total attendees x time spent in the workshop).

10. Through the workshops there were 2190 controls identified with an average control efficacy of 74%.
11. In total there have been 546 actions generated by workshop attendees (note, all actions were generated by the business units, not the safety team) which will address control inefficiencies identified.
12. Work is now being done to understand what controls and actions are systemic across the organisation and as such require enterprise management; and which controls and associated actions are localised to business units for addressing through their usual safety improvement plans.
13. A full analysis and report will be ready and presented in the next quarterly report.

Relationships

Engagement with Health and Safety Representatives

14. There has been some feedback from Health and Safety Representatives (reps) that more could be done to better induct new reps into the role and set them up well to undertake the associated rep duties.
15. The Health and Safety team is now collecting additional feedback and doing further research to pull together a suite of useful information and adjust its plan for when new reps are elected into the role.
16. This updated pack of information and induction actions will ensure all future representatives start with the same strong foundation and are equipped to exercise their rep duties effectively. This work is expected to complete and in place by the end of next quarter.
17. It is one of the key actions in the workplace health and safety strategy (for year two) to enhance our engagement and relationships with reps across the organisation, including empowering them to take more leadership positions when it comes to safety in the workplace. Additionally, there is a need to further build the rep community within the Council. This will form part of the Health and Safety forward programme of work in the next financial year.
18. We currently have 108 active reps in the organisation, above the standard 1/19 ratio of rep to headcount.
19. Outside of the work planned for induction and community building, there is also work to being done on checking the current training status of reps and potentially organising refreshers of that training where some time may have passed. The monitoring dashboards will be reflected to display that training completion so it can be more easily monitored from next quarter onward.

Resources

Safety Management System Review

20. This month the Health and Safety team launched the updated Safety Management System following a 12-month review and redesign. The updated collection of policies, procedures, standards, and guidance provides the organisation a single source of truth for all health and safety related information in an easy to understand and useable format.

21. The new system framework has been designed taking into consideration aspects of the SafePlus and the ISO45001 management system standards – meaning the Council is aligned with locally and internationally recognised frameworks for safety management systems.

22. Part of this updated system includes new review and auditing processes to ensure the documentation remains relevant and useable as the Council changes – as well as provide evidence of the system in practice and regular recommendations for its improvement.

23. This work is one of the core actions of the Council's Workplace Health and Safety Strategy and sets a strong foundation for the organisation to ensure its operations are being delivered to a safe standard. A required step in increasing the Council's overall safety maturity.

24. Initial feedback from business units has been unanimously positive; with some business units already querying how they can implement similar management systems in their practices.

Dashboard Analysis

Lead Indicators

25. Reporting and assessment delay both remain positively below target for this quarter, resulting in reports being processed largely within overall expected timeframes.

26. There has been a reduction in the overall number of Good Sorts nominated this quarter. Some thought is being put into how to collect and analyse this data differently, to better understand both where nominations are coming from, and where they are going to. Regardless, there will be a push from the health and safety team to continue promoting recognition of positive safety behaviour.

27. The organisation is on target for health and safety representation across the whole organisation, however there are some gaps in individual group and business unit representation that are being addressed by the business partner team. There are no systematic concerns with health and safety representation across the Council.

28. The full suite of induction courses (outside of just safety) was updated this quarter, with a new expectation that these courses would be recompleted after a period of time. This reset of completion status is reflected in the lower than usual safety induction completion numbers in this dashboard. We expect this will rise to normal levels in the next quarter.

29. Given there were no Critical Risk Safety Observations scheduled for January, and most of February, it is not surprising to see the numbers come in under target for this quarter. Looking across the financial year attendance looks to be on target, and with the remaining months in the financial year overall attendance should be on or above target. There are no concerning gaps in attendance for the overall safety observation schedule for the remaining calendar year.

30. There continues to be a healthy distribution of action types this quarter. With most actions relating to identified improvements as opposed to safety issues requiring correction. In the coming months more analysis will be made possible of action information as we transition MySafety data into the Council's data warehouse (expected to happen in the next three months).

31. Preventable events have continued to reduce over time, a positive result of increased awareness and understanding of safety in the workplace across the Council. Deeper insight on safety maturity will be gathered following the safety culture review happening in April and May.

32. As with safety observations, minimal training is organised in January leading to lower overall numbers than the previous quarter. There has also been a reduction in health and safety representative training, this is expected given the significant amount of rep training that was delivered last year to ensure our current cohort are appropriately trained. We expect to be able to present rep training status information in more detail for future reports (rep distribution across the organisation and current training status compared with ratio requirements).

Lag Indicators

33. Overall volume of incident reporting is slightly up when compared to last quarter, not surprising given the increased summer use of facilities (where most of our health and safety reports are generated).

34. As has been said in previous reports, overall staff injury numbers across different categories have either held steady or reduced. Notably the number of accepted ACC claims has reduced by over 50% this quarter compared to last – indicating a reduction in more serious harm events.

35. It's worth noting that there has been one ACC injury from over 12 months ago where the individual remains off work. While the injury itself was an accident not caused by any hazards under the control of the Council, the recovery needed has been significant. For context, the injury was a ruptured patella caused by playing basketball as part of team building. This injury has required two surgeries.

36. There are no notable changes in the types of staff injuries, or the required level of treatment. On further investigation, the injuries requiring specialist treatment all related to basic physiotherapy. Physiotherapy as a treatment type category will be added to the system as it better describes what has been previously reported as "specialist treatment" – accounting for over 90% of those reports.

Critical Risks

37. Overall volume of reports related to the Council's critical risks were down on all categories this quarter. Anecdotal feedback from staff is there is a better understanding of the critical risks, the associated controls, and what can be done to prevent health and safety events because of the Critical Risk Review workshops that have been undertaken across the organisation.

Personal confrontation

38. It is worth noting that events related to personal confrontation reported in 2023 were higher than any other calendar year in the Council's records. This is the sum of a trend that begun at the beginning of the pandemic that has not relented.

39. The trend of increased aggravated customer behaviour has been witnessed by all sectors globally. As a result, the Health and Safety team (along with Human Resources) is investigating what additional supports can be put in place to protect the wellbeing of staff who are being continuously exposed to this kind of behaviour.

40. Work is also underway with the communications team to build a campaign around raising awareness of customer behaviour and the impacts that good and bad behaviour can have on the people experiencing it. More details of this campaign will be shared as they developed.

41. It can also see through the reports, and confirmed by conversations within the business units that the severity of the personal confrontation experienced by staff is increasing. With more serious behaviour being experienced more frequently. This further emphasises the need to investigate additional supports for staff.

Ngā mahinga e whai ake nei | Next actions

42. None

Attachments

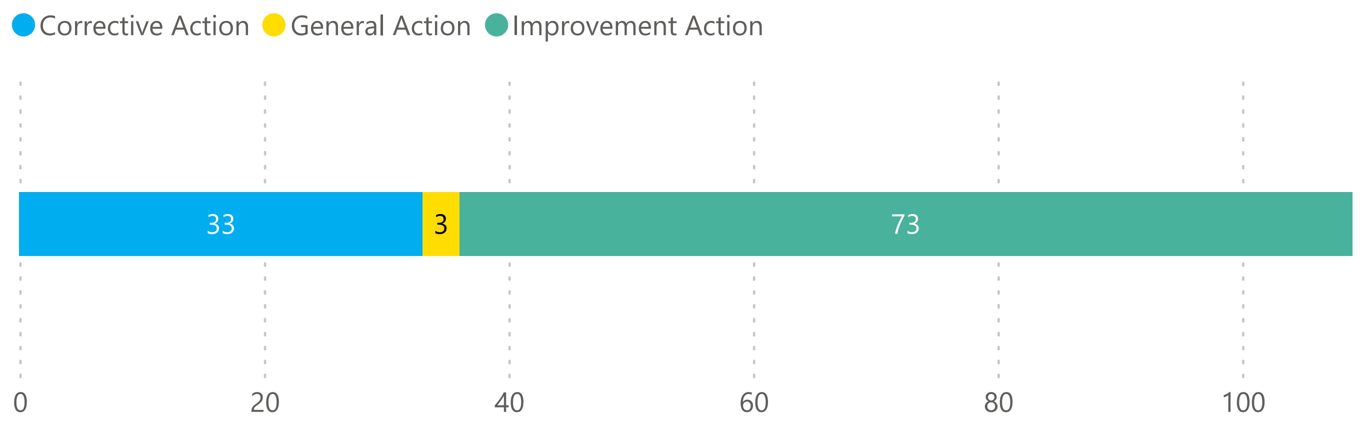
Attachment 1.	Enterprise Health and Safety Performance Dashboards Quarter 3 FY 23/24 ⇩	Page 41

Wellington City Council | Lead Indicators

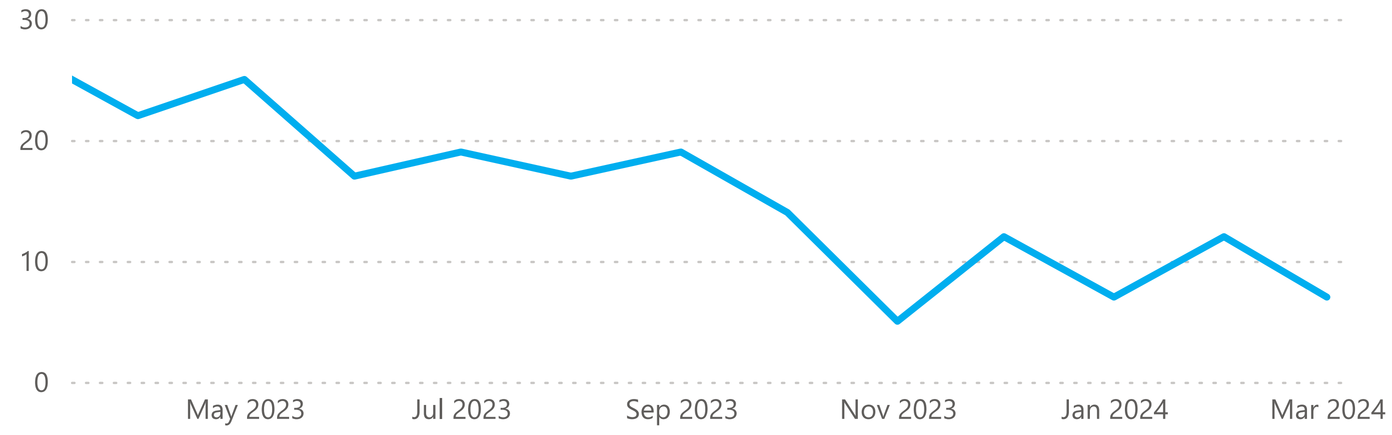
Quarter 3 | FY23/24

Avg Reporting Delay	Avg Assessment Delay	Good Sorts Nominated	Health and Safety Reps	Induction Completion	Critical Risk Observations
This Quarter	This Quarter	This Quarter	Current Active	Current Completion	This Quarter
1.85	**5.69**	**26**	**108**	**40.02%**	**ELT | Cr**
+8.08% | +0.15	+23.03% | +1.31	-13.33% | -4	+4.00% | +4	-49.98%	ELT -4 | Cr -8
Variance from Target (2)	Variance from Target (7)	Variance from Target (30)	Variance from Target (1/19)	Variance from Target (90%)	Variance from Target (4 and 8)

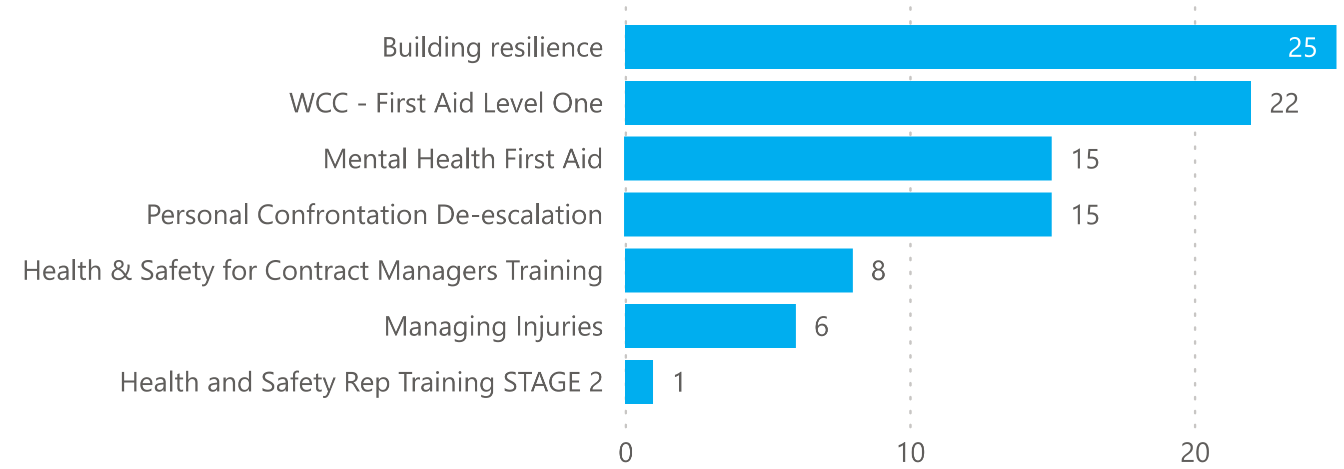
Action Type by Month (this quarter)



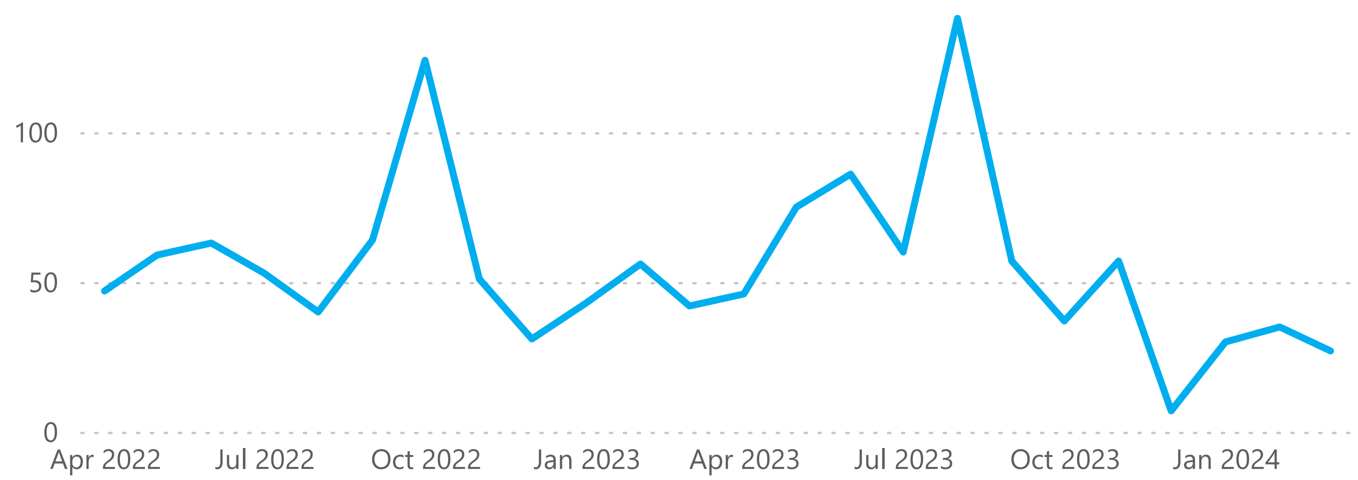
Preventable Events



Courses Completed This Quarter (excl induction and MySafety)



Course Completion Over Time (excl induction and MySafety)



Wellington City Council | Lag Indicators

Quarter 3 | FY23/24

Total Incidents
This Quarter
818
+12.98% | +94
vs Last Quarter

Preventable Incidents
This Quarter
16
-30.43% | -7
vs Last Quarter

Preventable Staff Injuries
This Quarter
1
+0.00% | +0
vs Last Quarter

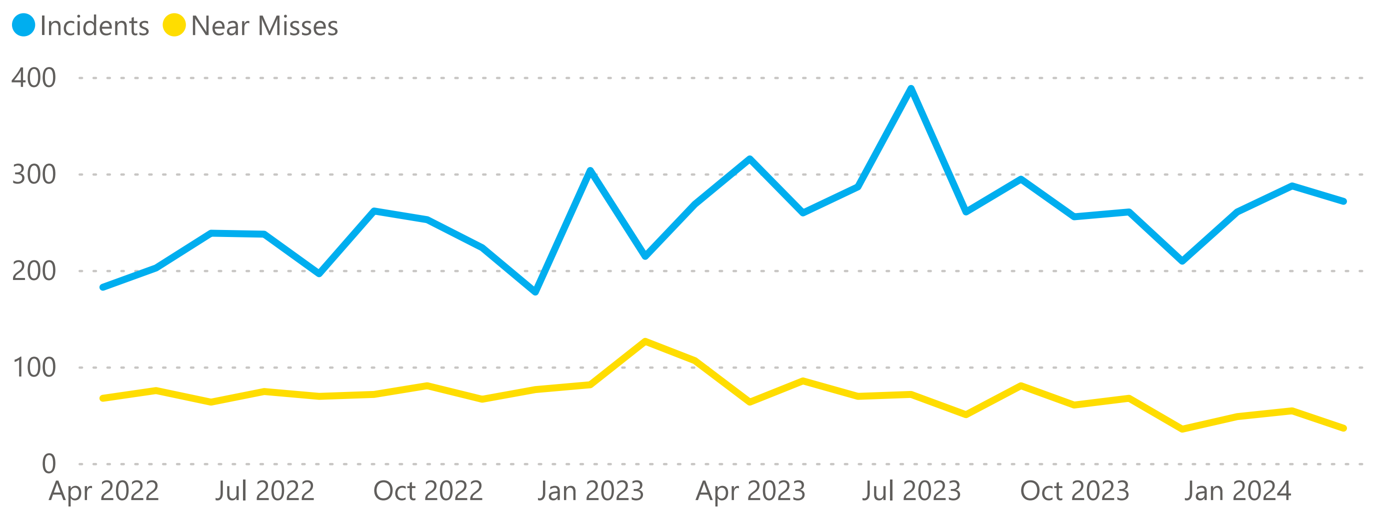
Total Staff Injuries
This Quarter
50
+0.00% | +0
vs Last Quarter

Non First Aid Staff Injuries*
This Quarter
14
-22.22% | -4
vs. Last Quarter

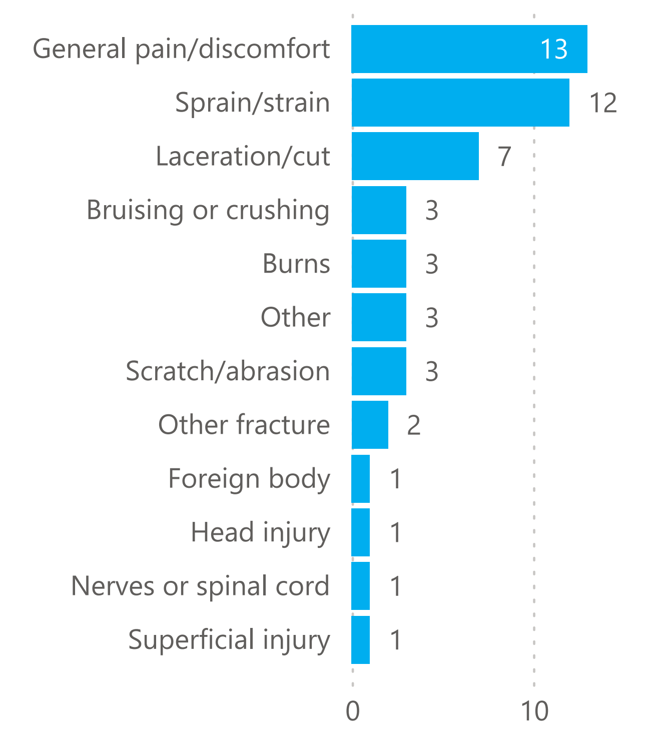
Accepted ACC Claims
This Quarter
6
-57.14% | -8
vs Last Quarter

* Non First Aid Staff Injuries are those that required hospital, medical or other specialist treatment.

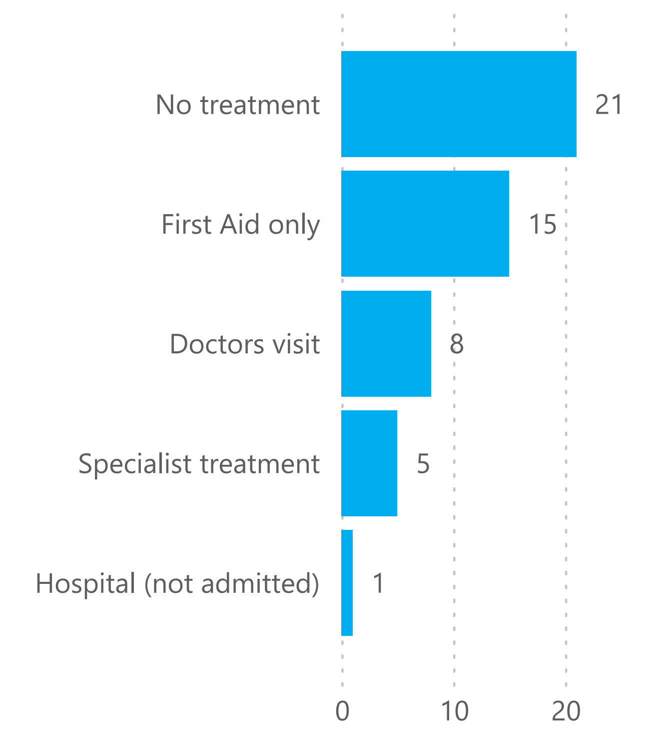
Event Trend



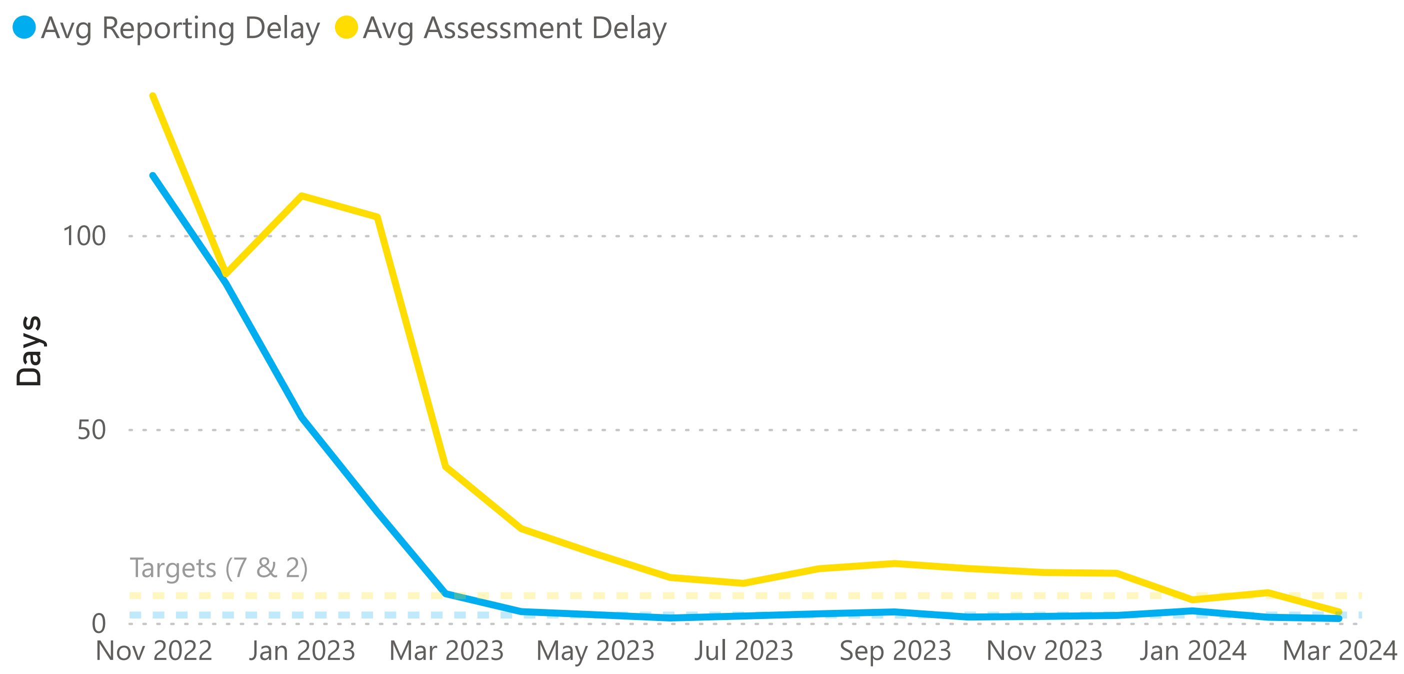
Staff Injury Types (this quarter)



Staff Injury Treatment Types (this quarter)



Average Reporting and Assessment Delays



Wellington City Council | Critical Risks

Quarter 3 | FY23/24

Personal Confrontation
This Quarter
168
-29.71% | -71
vs Last Quarter

Health and Impairment
This Quarter
34
-55.84% | -43
vs Last Quarter

Vehicles and Mobile Equip
This Quarter
15
-64.29% | -27
vs Last Quarter

Asset Failure
This Quarter
26
-51.85% | -28
vs Last Quarter

Work at Height
This Quarter
2
-33.33% | -1
vs Last Quarter

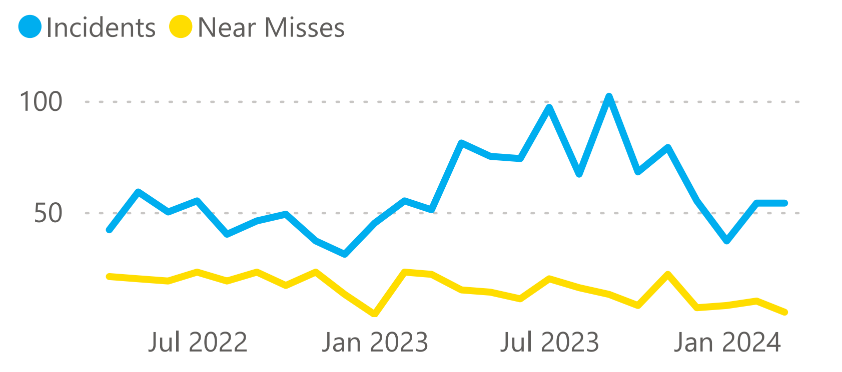
Extreme Natural Events
This Quarter
0
-100.00% | -3
vs Last Quarter

Work-related Health Hazards
This Quarter
1
-90.91% | -10
vs Last Quarter

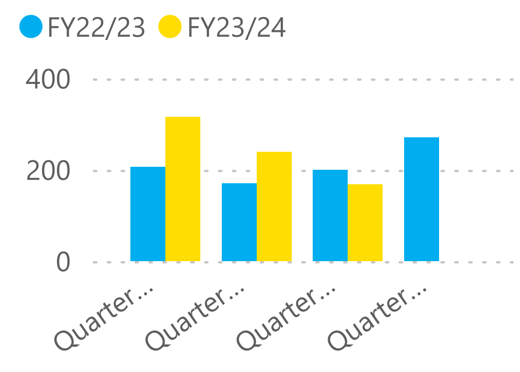
Ignition Sources
This Quarter
2
-50.00% | -2
vs Last Quarter

Work w/ or near Services
This Quarter
1
0.00% | 0
vs Last Quarter

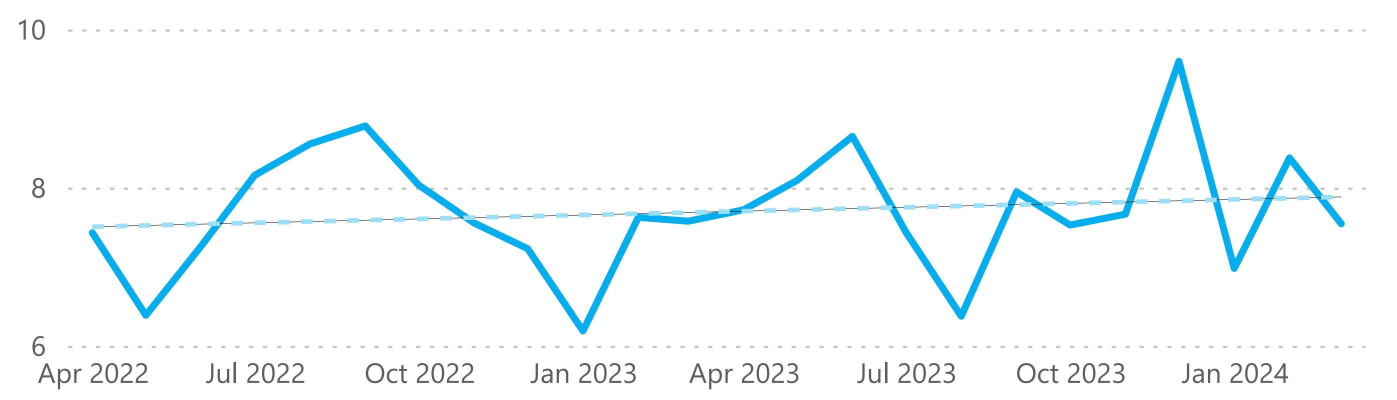
Personal Confrontation (PC) Trend



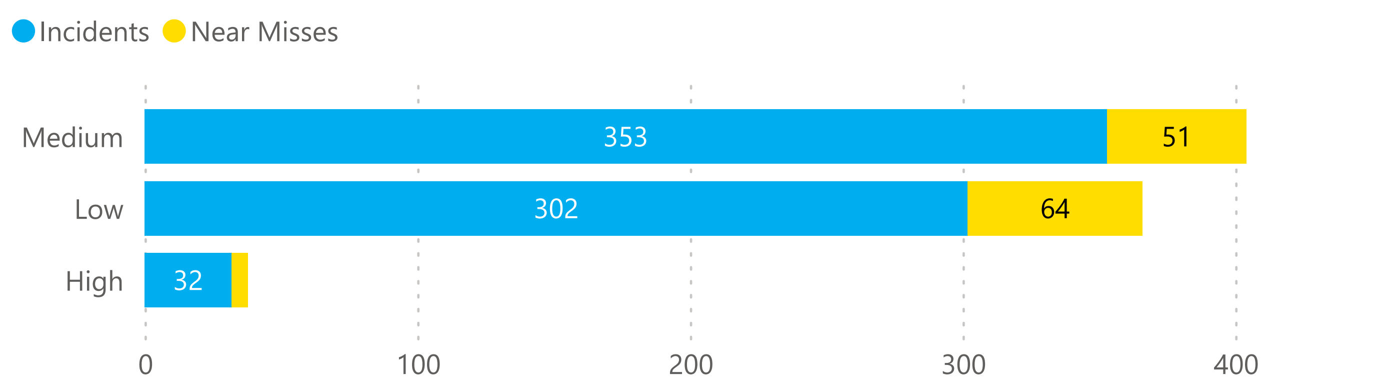
PC Quarter Comparison



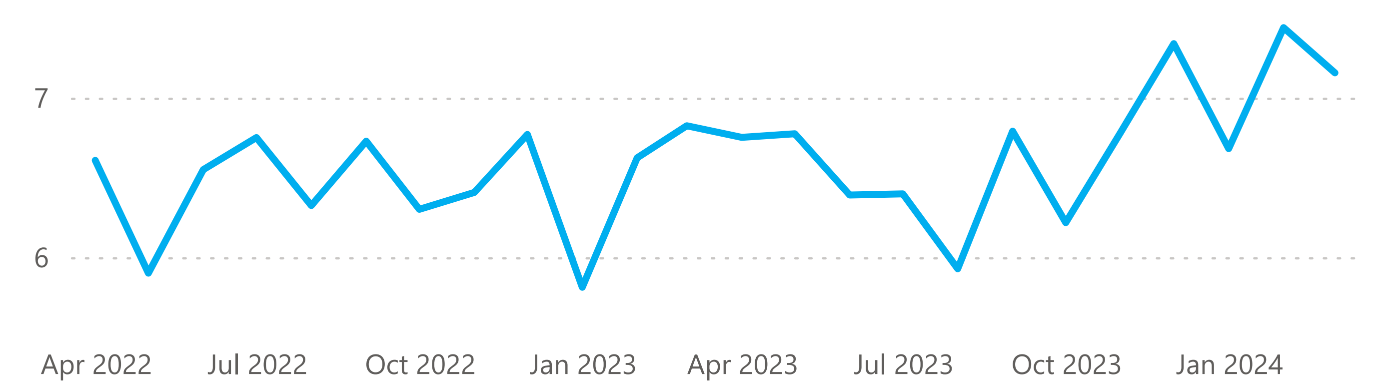
Average Risk Rating Trend for Personal Confrontation (scale 0 - 25)



Risk Rating Breakdown (this quarter)



Average Risk Rating Trend for all Reports (scale 0 - 25)



ASSURANCE AND BUSINESS INTEGRITY WORKPLAN 2024-25

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides Unaunahi Māhirahira | Audit and Risk Committee with:

- The proposed Assurance & Business Integrity Workplan 2024-25
- An update on the 2023-24 workplan
- An update on progress to resolve open audit recommendations

Strategic alignment with community wellbeing outcomes and priority areas

	Aligns with the following strategies and priority areas: ☐ Sustainable, natural eco city ☐ People friendly, compact, safe and accessible capital city ☐ Innovative, inclusive and creative city ☐ Dynamic and sustainable economy
Strategic alignment with priority objective areas from Long-term Plan 2021–2031	☐ Functioning, resilient and reliable three waters infrastructure ☐ Affordable, resilient and safe place to live ☐ Safe, resilient and reliable core transport infrastructure network ☐ Fit-for-purpose community, creative and cultural spaces ☐ Accelerating zero-carbon and waste-free transition ☐ Strong partnerships with mana whenua
Relevant Previous decisions	Outline relevant previous decisions that pertain to the decision being considered in this paper.
Significance	The decision is **rated low significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

☐ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	■ Unbudgeted $X

2. There is a potential cost associated with obtaining an External Quality Assessment (EQA) of the Internal Audit function. It is our intention to seek partnerships with other local government audit functions to minimise cost impact

Risk

■ Low	☐ Medium	☐ High	☐ Extreme

3. This paper supports effective governance of assurance activities around Council's strategic risks. New risks or risks that are outside of appetite will be reported as part of each assignment.

Author	Jon Daley, TL Assurance and Business Integrity
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information on the progress of the 2023-24 Workplan.
2. Receive the information on elected members gifts and hospitality returns.
3. Receive the information on the progress towards closure of recommendations.
4. Approve the Assurance and Business Integrity Workplan for 2024-25 and the Internal Audit Charter.
5. Agree that Assurance and Business Integrity work towards adoption of the Global Internal Audit Standards.

Whakarāpopoto | Executive Summary

4. In accordance with the Committee's terms of reference, the Assurance and Business Integrity Workplan 2024-25 is provided for approval. Our assurance work is intended to provide assurance that expected internal controls continue to be fit for purpose and will operate effectively and efficiently.

5. Delivery of the 2023-24 workplan plan is on track.

6. Management actions to resolve recommendations have been agreed and are in progress.

7. 93% of elected members have made a completed gifts and hospitality return.

Takenga mai | Background

9. The Assurance & Business Integrity Team's purpose is to enable Council to deliver results and outcomes in a way that meets the public's expectations of accountability and our responsibilities as a public sector organisation.

10. To facilitate our purpose, each year the Assurance & Business Integrity Team develops a risk-based workplan of assurance activities across its core services. The Assurance & Business Integrity Team provides three core services:

    - **Internal audit:** an objective examination of evidence so that we can provide a view of the effectiveness of governance, risk management, and control processes.
    - **Assurance advisory:** activities that improve the organisation's internal control environment. Our advisory activities focus on assuring that actions to manage risks are effective. Activities include advice, facilitation, and training & awareness programmes.
    - **Business integrity:** services that enables our goal to build a strong culture of integrity. Our integrity activities relate to protected disclosure and investigation processes, gifts declaration processes, fraud risk awareness, and ongoing monitoring of sensitive expenditure.

11. The Assurance and Business Integrity Team reports on the status of elected member declarations of gifts and hospitality periodically.

Kōrerorero | Discussion

Update on the 2023-24 Workplan

12. The status of the current year's Assurance Workplan is outlined in Attachment One. The plan is on track, with the remaining two audits soon to be started.

13. The following reports have been issued since the last report to the Committee:

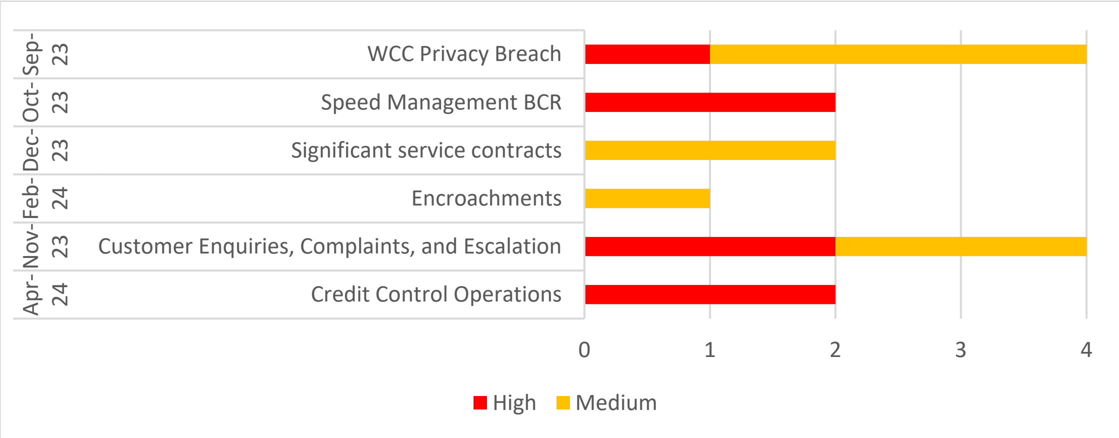
Credit Control Operations	The objective of this review was to evaluate the implementation of Credit Control Operation Processes, including accounts receivable, banking and receipting, credit control and debt recovery. The overall audit opinion was 'Improvements Required'. Controls need to be improved in order to be effective in managing key risks Management has agreed the following actions to improve internal controls: • Updating credit control processes and improving access to debtor data • Updating the Invoice & Debt Management Policy • Communicate best practice to business units
Encroachments	The objective of this review was to assess consistency in processing applications for and terminations of encroachments. It also analysed revenue options. The overall audit opinion was 'Good'. The controls are effective and key risks are managed. We found that encroachment fees charged by WCC are reasonable and are comparable to fees other councils charge.Management has agreed to three recommendations to improve efficiency of internal controls: • Updating the Road Encroachment & Sale Policy • Utilising Sharepoint for file storage • Monitoring processing times.
Haining Street Recommendations Follow-Up	The objective for this review was to validate that management actions have been complete and are effective, and that recommendations have been actioned across the wider Te Kainga programme. The overall opinion was Good. The controls are effective and key risks are managed. A copy of the report is included as Attachment three.

14. A further four reports (Grants Monitoring, Resource Consenting, Trespass and Bans, and Parks, Sports and Recreation Budgeting and Reporting) are drafted and are with management for review.

Progress of Management Actions

15. Assurance & Business Integrity monitors and reports on management's progress to address assurance recommendations from completed internal audit reviews, as well as from other independent sources of assurance, including external audit.

16. There are 15 high and medium risk actions open, of a total of 20. The following chart the number of open high and medium risk findings currently in progress. The left-hand column indicates date of publication of the report:



17. Detailed status of high and medium management actions is listed in Attachment Two. This includes actions from two reports that the Committee requested detailed follow-up at previous meetings, Haining Street and The CAS Privacy Breach.

Recommendations arising from external sources of assurance were reported to the Committee at its February 2024 meeting. A further update will be made at the August 2024 meeting.

Elected Members' Gift Declarations

18. Elected members are reminded quarterly about their obligation to disclose gifts or hospitality that has been offered to them in their capacity as an elected member, in line with the Elected Member Guidance for Receiving Gifts and Hospitality.

19. The following table shows the quarterly completion rate for elected members gifts and hospitality disclosures:

Period	% Completion rate	Return with no disclosures (Nil return)	Return with disclosures	Pending response
30 September to 31 December 2023	93%	7	8	1

Assurance and Business Integrity Workplan 2024-25

20. The Terms of Reference of the Committee require it to review and approve the internal audit coverage and annual workplan, ensuring these plans are aligned with the Council's risk profile.

21. Assurance and Business Integrity have completed a Council-wide risk assessment, and have consulted with business unit and senior managers to form a view on the principle risk areas across Council. This was presented to the Committee at a workshop on 17 April 2024.

22. The proposed Workplan is attached as Attachment Four. This outlines our work in Internal Audit, Assurance/Advisory and Integrity. This workplan ties to the programme to improve internal controls from Core to Good that was communicated to the Committee at the February 2023 meeting.

23. The Long list that was used for planning purposes is supplied as Attachment Five. This indicates what themes were arising from our planning discussions, and where applicable reasons that these were not considered in the plan. Where no colour coding has been applied, the topic is one that we will consider for future years.

24. The Internal Audit Charter outlines the authority and purpose of Internal Audit. There are no substantive changes since the Committee last approved this document in 2021. The proposed Charter is supplied as Attachment Six.

25. The committee is requested to agree the proposed workplan

Adoption of Global Internal Audit Standards

26. The Institute of Internal Auditors provides technical standards and guidance for the practice of internal audit. The Institute published the Global Internal Audit Standards in January 2024, which will become mandatory from January 2025. Early adoption of the standards has been encouraged by the Institute.

27. With the focus on improving Council's control framework, we consider it appropriate that we take steps to improve the function and conform with the Global Internal Audit Standards. Benefits of adopting the Standards are:

    - Enhancing the credibility of the function through accreditation to an internationally recognised external standard
    - An opportunity to lead the improvement of the Council's internal control framework by example
    - Assist with future recruitment
    - Enhances our framework for management of the function and delivery of audits.

28. A gap analysis has indicated that current processes conform or partially conform to 88% of the Global Standards. The main area that prevents full conformance is that Council has not completed an External Quality Assessment of the function in the last five years. For full conformance, the relationship between our function delivering Internal Audit while also being responsible for the Integrity programme would need to be carefully managed.

29. There is a cost (approx $25k) associated with the five yearly External Quality Assessment. This could be mitigated through partnering arrangements with other Councils.

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

30. This paper is about the Council's internal control systems that enable the Council to effectively deliver its business objectives.

Engagement and Consultation

31. This paper is rated as low significance. There are no requirements for consultation arising from this paper.

Māori Impact Statement

32. The proposed audit plan has been discussed with officers from Maataho Aranui to determine areas where assurance of Tūpiki Ora deliverables and/or processes can be included within the individual audit scopes.

Financial implications

33. There are no cost implications for the current financial year. There is a requirement to complete an External Quality Assessment of the audit function every five years to align with the Global Internal Audit Standards. Any costs associated would be prioritised from existing budgets. We would seek to mitigate this through partnering arrangements with other local authorities.

Legal considerations

34. There are no legal considerations associated with this paper.

Risks and mitigations

35. The Audit plan has been developed from a risk basis, starting with the strategic risks previously approved by the Committee. The effectiveness of risk mitigation measures identified during each audit will be assessed and reported back to the committee, along with the management actions for improvement (if required).

Disability and accessibility impact

36. There are no disability or accessibility impacts arising from this paper.

Climate Change impact and considerations

37. There are no climate change implications associated with this paper.

Communications Plan

38. There are no communications requirements associated with this paper.

Health and Safety Impact considered

39. There are no health and safety impacts associated with this paper.

Ngā mahinga e whai ake nei | Next actions

40. Officers will begin planning for delivery of the 2024-25 workplan.

41. Officers will continue to follow-up on open recommendations and report back in August 2024.

42. Subject to the Committee's agreement, officers will review and revise processes to align with the Global Internal Audit Standards.

Attachments

Attachment One: Overview of the Assurance and Business Integrity Workplan 2023-24

Ref	Audit	Status	Rating	Comments
2308	Marinas	Approved removal		This was proposed to audit a process change which has not yet been implemented. ARC agreed to remove this from the plan in November 2023.
2400	Internal Controls Assessment for Year Ending 30 June 2023	Completed	Core	
2401	Grants monitoring	Drafted		Draft report with the business
2402	PSR budgeting and reporting	Drafted		Draft report with the business
2403	Trespass notices	Drafted		Draft report with the business
2404	Resource consenting	Drafted		Draft with management
2405	Working with developers	Approved removal		ARC agreed to remove at the November 2023 Audit Committee as actions from the Haining Street Report were being implemented across the Housing Development portfolio. A follow up on actions was requested (see 2413 below)
2406	Climate response	Scheduled for Q4		Not yet started
2407	Encroachments	Completed	Good	Report published
2408	Commercial leases	In Progress		Resource assigned to this work was on a fixed term contract which has now ended. Fieldwork is anticipated to conclude at start of May.
2409	Significant service contracts	Completed	Not rated	Initial controls assessment determined that a full audit would be of more value when a contract framework is in place. Memo to management issued with actions.
2410	Credit control operations	Completed	Requires Improvement	Report Published
2411	Financial delegations	Scheduled for Q4		Scoping to start in May
2412	Speed Management BCR Review	Completed	Not rated	Final report by External Reviewer
2413	Haining Street Follow up	Completed	Good	Report published

Attachment Two: Status of Recommendations:

Table 1: Open Internal Audit and other Independent Assurance Recommendations

Issued	Report	Recommendation	Progress at April 2024
Sep-23	CAS Privacy Breach	See Table 3	
Oct-23	Speed Management BCR	Develop a formal framework for Cost Benefit Analysis at WCC, including clear guidance on: - who can do it - peer review expectations - thresholds for outsourcing analysis or peer review	The business has reported that the CBA framework document will be reviewed and progressed following the District Plan completion in March. Final closure is anticipated in June.
		Develop appropriate guidelines around document management and naming conventions and ensure all staff and contractors are trained in and aware of them.	A work programme has been produced. The Information Management team is currently working with Infrastructure & Delivery on this topic. The team will then progress through other units within Council. Completion of work in Infrastructure & Delivery is forecast for financial year end, with other units added to programme as capacity allows. Review status in June.
Nov-23	Customer Enquiries, Complaints & Escalation	Determine an owner for the complaints and escalation process. Develop a policy and process for complaints and enquiries Develop a process for escalation including criteria	This cross-Council initiative will require input from a broad number of teams. Planning and resource confirmation is expected to be completed as part of FY24/25 business planning with work scheduled to commence by Q2 24/25.
		Reporting of volume and completion of complaints/enquiries	This cross-Council initiative will require input from a broad number of teams. Planning and resource confirmation is expected to be completed as part of FY24/25 business planning with work scheduled to commence by Q2 24/25.

		Update the Personal Confrontation health and safety risk profile Review physical controls at Arapaki	This action is on hold pending the outcome of the 2024 LTP discussions and adoption in June 2024.
Dec-23	Significant Services Contracts	Define the threshold for significance	Action due 30 June 2024
		Establish a framework for the management of significant service contracts	Action due 30 June 2024
		Research options and present to ELT on approaches to managing Council's S17A obligations for review of service delivery	Action due 30 September 2024
Feb-24	Encroachments	Establish a KPI for processing time.	A KPI has been determined and included in performance plans. Reporting is planned to commence in May 2024. Final closure anticipated in June.
Apr-24	Credit Control Operations	Investigate bringing all credit control operations into TechOne Debtor Statements have not been used by functional teams	System update was completed on 11 March 2024. Remainder of the action due by 30 September 2024.
		Provide training to communicate best practice to business units Document the different ways of working	Action due 30 June 2024

Table 2: Status of Actions arising from the CAS Privacy Breach report

Issue	Recommendation	Progress at March 2024
Large Dataset Policy	WCC should establish a policy to cover the handling of large datasets. Presently, there is nothing in place across WCC. WCC is an increasingly data rich organisation. Interviewees noted the increasing amount of data at WCC being ingested and used, and that this trend will continue into the future, during which time infrastructure and roading projects are a major focus. No project plan was completed before the CAS Spreadsheet was created. No methodology was recorded, no privacy impact assessment was completed, and there remains no clear record of *why* the Spreadsheet was created. This exacerbated the issues in this case by raising purpose (IPP 1) issues. A successful project plan could have reduced or averted harm, by identifying the required data, and resulted in appropriate levels of data hygiene being met.	Information and Data Asset Management Policy has been developed and will be further refined in relation to data sharing agreements A centralized platform for managing data sharing agreements is in progress. A catalogue of data sharing agreements in force has been collated and will be analyzed. Target closure for end of financial year.
LGOIMA Process	The Official Information Team should review the LGOIMA process. The Official Information team have no formal governance tools, and so have to rely on relationships. This is an ongoing issue. WCC should appoint a senior leader to champion or sponsor the review, and to support the team to build their influence and council maturity while trying to make	Official Information operating model changes are in flight. This includes assessment of risk, including large datasets. Further changes proposed include: Changing delegated authority for information requests to Tier 3 managers for the relevant business unit.

	business units prioritise engaging with LGOIMAs in a timely fashion.	
Privacy Programme	WCC needs to consider how to appropriately resource its privacy function appropriately. One option WCC could consider hiring a Principal Privacy Advisor and an additional Advisor. WCC should review its position with respect of information sharing agreements. In this instance there was systematic non-compliance with the *CAS Organisation* Agreement.	Principal Privacy Advisor appointed December 2023. A fixed term Senior Privacy Advisor position ends May 2024. Items underway include: Identifying baseline maturity, including risks and controls. A privacy breach training module has been implemented, updated privacy training module now live and both have been made mandatory for new starters. This will form part of a set of 'core compliance modules' that will be mandatory for all staff to complete biannually. Further actions include: • Privacy breaches and incidents Pokapu page created. • Revision of the Privacy Impact Assessment process. • Further education and awareness activities inflight.
Follow-Up	Instigate a follow-up and check-in process for these recommendations with Audit & Risk Committee	This paper. Further updates will be provided as part of usual actions tracking

Te Aho Marutau | Assurance & Business Integrity

Haining Street development follow up review

Workplan 2023-24: Draft Report issued 3 April 2024 Final report issued 10 April 2024

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

What we found

The Housing Development team have proactively addressed all the issues raised in the Haining Street final report dated November 2023. All recommendations and associated actions have been closed. The team have had some significant changes since the last review, including a restructure, which resulted in the establishment of additional specialised roles.

We found that:

- All recommendations raised in the Haining Street review dated November 2023 had been adequately addressed.
- The Housing Development team proactively closed all recommendations.
- The actions had been applied to the wider Te Kāinga programme and in some instances to Council-wide processes.
- The programme now has processes in place to adequately manage associated risks and emerging issues.

This follow-up review does not make any additional recommendations. However, as the programme is in the early stages of embedding some of the new processes and structure, the Assurance and Business Integrity team will provide independent support on request to ensure they have been adequately embedded.

A summary of the eleven recommendations and the actions taken to address are documented in appendix 1. The overall rating is Good. The internal controls are well designed to manage the programme risks, however due the early stage of implementation, we have not been able to complete full operational testing of the controls.

Audit Assessment Rating:	
Good	The controls are effective and key risks are managed. Some improvement would be beneficial to improve efficiency or effectiveness of internal controls.
The rating description in standardised and therefore not directly attributable to the area of review. See Appendix 2 for further details about the Audit Assessment Rating.	

Context for this review

This report presents the results of our follow-up review of the Haining Street development. The objective of our review was to assess if the recommendations raised in the initial Haining Street report have been effectively implemented across the Te Kāinga programme and the risks in the programme are being adequately managed. This review was requested at the November 2023 Audit and Risk committee and added to the assurance workplan 2023-24.

Haining Street is a development within the Te Kāinga programme offering affordable rental tenure for a target group of households. Due to several reasons, the Council tried to exit the agreement however the developer served the Council with litigation in February 2023.

A review was requested by management and the final report was issued in November 2023. The review identified that the process and controls to manage the Haining Street development required improvement and made eleven recommendations to address the control weaknesses.

Key risks identified for this review are:

• Inadequate and incomplete resolution of issues. All recommendations have been adequately addressed.

Report distribution list:

For noting:	Paul McCorry, Manager Housing Development
For oversight:	Liam Hodgetts, Chief Planning Officer
For information:	Executive Leadership Team Rich Leverington, Manager Risk and Assurance

Appendix 1 – Issues tracking

The below table summarises the issues identified in the November 2023 report, the recommendations made, and the actions taken to resolve. All documentation supporting the action completion have been reviewed, analysed and feedback provided where relevant.

Issue identified	Recommendation	Action completed to resolve
1. The capacity and capability requirements of the programme and any specialist support needs to be determined.		
The in-house capability, capacity and oversight resulted in terms being negotiated that did not benefit Council.	1) We recommend reviewing the capability and capacity requirements for the programme. This should consider: a. Skills matrix to determine if adequate in-house capability. b. Specialist external skills that need to be procured. c. Estimate of capacity required as resource on the project.	The Housing Development team underwent a capability assessment and a future fit exercise. As a result of this, the business unit was restructured to ensure the correct capabilities were in the right roles. This also resulted in the establishment of new positions to address the gaps. The Assurance team have recommended that the Manager Housing Development continues to monitor this in line with the Ara Poutama performance, career and development process.
	2) We recommend establishing a delegations framework at the start of each project and that this is appropriately communicated. Officers should be clear that they do not have the authority to bind Council. The framework should also give clear guidance for when external expertise is required.	A Te Kāinga Operating Framework 2024 has been developed. A new heads of terms document has been developed explicitly stating the non-binding nature and explaining that it does not create any legal contract between the parties.
Internal capacity led to delays converting the Term Sheet to an ATL	3) We recommend Internal SLAs are developed between centralised services such as Legal to ensure timely responses for significant projects. This should be on a priority of work and risk basis.	Service Levels were agreed and documented between the Housing Development team and Legal. The SLAs continue to be monitored and updated as required.
2. Establish a programme governance framework and utilise established internal processes to strengthen the management		
The procurement processes or the Investment Delivery Framework (IDF) had not been followed.	4) We recommend using the established internal processes in place ensuring that: a: Procurement procedures are followed including adherence to the unsolicited bid process for any future unsolicited bid approaches. b: the Investment Delivery Framework (IDF) and supporting tools be used.	A Te Kāinga Operating Framework 2024 has been developed. The Housing Development team are working with the Commercial Partnerships team to move to a proactive procurement model.

There is no programme governance in place.	5) We recommend a governance framework is established to review key decisions and review the programme at key checkpoint stages.	A Te Kāinga governance group has been established which has oversight of all Te Kāinga programme of work.
3. Documentation supporting the programme needs to be strengthened and held in a central place, including recording key decisions made.		
There is inadequate and incomplete documentation supporting the programme.	6) We recommend that the programme establishes a suite of documents in line with the IDF that should be in place for each development. This should also include: a) a process to ensure documentation is completed and held centrally on file. b) a record of key decisions, who was involved in the decision making, analysis and rationale. c) A record to ensure issues are clearly recorded and tracked to resolution	A Te Kāinga Operating Framework 2024 has been developed. A Te Kāinga governance group has been established which has oversight of all Te Kāinga programme of work. Key decisions made by the group are recorded in the meeting minutes.
There was no management plan in place for escalated issues.	7) We recommend that an issues management process with clear roles and responsibilities, timeframes and adequate oversight is developed. This should also include escalation to the relevant tier manager based on impact and priority.	A Planning and Environment Managers' fortnightly report has been introduced which covers issues, highlights and risks. Extracts from this report are incorporated into the update report to the Chief Executive. The Governance Group review risks and issues associated with the Te Kāinga programme at each meeting.
The term sheet is potentially binding and needs to be revised.	8) We recommend that the template Term Sheet is reviewed to address the concerns raised in the PwC report dated 6 March 2023.	All legal documentation has been reviewed by an external legal firm Bell Gully and a suite of documents created specific to the Te Kāinga programme. This includes: • New heads of terms document explicitly stating the non-binding nature and explaining that this document does not create any legal contract between the parties, • An Agreement to Lease document authored with Bell Gully • Deed of Lease document authored with Bell Gully

4. The Chief Executive and Councillors need to be informed of key risks and provided with robust analysis to support their decisions.		
Political involvement and influence on officers.	9) We recommend those working on the programme and other investment delivery programmes are inducted to the Managing Psychological safety procedure.	The team have all received additional training including the Managing Psychological safety procedure. The team have also been advised of the channels available if additional support is required. We have recommended to refresh this annually and include in the onboarding of all new team members.
Decisions made based on inadequate or incorrect advice.	10) We recommend that key risks are included on the CE sign off form to ensure that the information is adequate for the CE to make an informed decision.	The CE memo cover sheet has been updated and now requires sign off from relevant Chief and CFO. The new process is in place across all of Council.
Committee papers need to clearly document the risks associated with decisions.	11) We recommend that all papers to Council clearly identify the risk associated with the decisions made. Where possible, this should provide a $ value for financial risks, and where this aligns with the agreed risk appetite framework.	The InfoCouncil template was updated in Nov 2023 and now includes a statement on risk, refers to the Council Risk Appetite and requests additional commentary for any high or extreme rated risks. The update is in place across all of Council.

Appendix 2 - Review Objective and Audit Approach

Review Objective

The objective of our review is to assess if the recommendations raised in the initial Haining Street report have been effectively implemented across the Te Kāinga programme and the risks in the programme are being adequately managed.

Work performed

Our approach for conducting the audit included:

- Review documents supporting the closure of the recommendations made in the November 2023 report
- Interviews with key staff involved
- Observation of Governance Group meeting

Key people interviewed

- Paul McCorry, Manager Housing Development

Key documents reviewed

- Te Kāinga Operating Framework 2024
- Housing Development team restructure documentation
- Te Kāinga Governance group documentation
- SLA documentation
- Chief Executive memo
- Risk register

Audit fieldwork period

Fieldwork related work for this audit was completed in March 2024.

Audit assessment rating

Our report includes an overall rating about how well risks are managed and the effectiveness of controls for processes we assessed.

Our assessment is based on the following:

Assessment Rating	Description
Excellent	The controls are well designed and are operating effectively to manage risks. No cost beneficial scope for improvements has been identified.
Good	The controls are effective and key risks are managed. Some improvement would be beneficial to improve efficiency or effectiveness of internal controls.
Improvements Recommended	The controls are mostly effective to manage key risks. Attention is required to strengthen the control environment and/or improve process efficiency.
Improvements Required	The controls are not effective in managing key risks. Attention is required to manage current risks.

Attachment 4: Assurance & Business Integrity Workplan 2024-25

Type	Ref	Assurance activity	**Planned scope of work for 2024-25** (to be refined at engagement planning stage)	Planned quarter
Internal audit engagements	1.	**Internal controls assessment**	Organisation internal controls assessment based on internal audit work completed during the financial year and assessment of a sample of selected sites or functions using the COSO framework – five elements of internal controls: control environment, risk management, control activities, information and communication of controls, management assurance and monitoring	Q1
	2.	**IANZ Preparation**	Review of Building Consenting operations to prepare for the triennial IANZ accreditation audit. Follow-up from 2022-23.	Q2
	3.	**Asset Condition Process**	To verify effectiveness of asset inspection and evaluation processes.	Q4
	4.	**Contract Management**	A review of how Council manages contractors post award; including onboarding processes, identification and implementation of key performance indicators, escalation and application of contractual penalties, and definition of deliverables.	Q3
	5.	**Council Owned EQPB**	To review progress of the plan for Council owned and operated Earthquake Prone Buildings.	Q2
	6.	**Project Governance & Reporting**	Review of project reporting processes for cost and programme, including timescales for production of reports and review and approval. Includes governance structures and resourcing of project teams.	Q1
	7.	**Business Continuity**	Review of the Business Continuity Policy, including relationship management with WREMO, identification of key stakeholders/systems and maximum tolerable disruption	Q3
	8.	**Alcohol Licensing**	Follow-up from previous review in 2021, including the impact of legislative change and possible impact on accommodation requirements.	Q4
	9.	**Placeholder**	Placeholder for reactive work.	
Assurance advisory activities	1.	**Advisory engagements**	• Participate in selected initiatives and working groups and provide assurance advice as required. Activity areas include the following: ◆ Strategic risk reporting ◆ Credit Control ◆ Source-to-Pay contracts management ◆ OneCouncil Security User and Role Group ◆ Teamwork remediation Payroll and HRIS Strategy working group ◆ Protective security requirement ◆ Risk champions network ◆ Purchasing Officer and P-Card Forum ◆ DCs Credit Control	Q1-Q4
	2.	**Internal policy governance**	• Support Internal Policy Governance Framework as part of an initiative under 'Core to Good' programme • Support the Internal Policy Working Group	Q1-Q4
	3.	**Follow up on independent recommendations**	• Follow up on open internal audit findings • Follow up on findings from other independent reviews, statutory and regulatory audits, including: – Audit New Zealand annual external audit – IIANZ Building Consent Accreditation – NZTA technical and procedures audits – Independent assessment of levels of engagement between WCC and WWL	Q1-Q4
	4.	**Legislative compliance**	• Facilitate the completion of management compliance attestation and to assess the results to provide assurance as to whether systems are in place to effectively manage legislative compliance	Q1
	5.	**Process Improvement**	• Work to improve the team's processes and to align with the Global Internal Audit Standards.	Q1-Q4
Business integrity activities	1.	**Protected disclosures**	• Receive protected disclosures and take or recommend appropriate actions • Maintain protected disclosures policy, procedures and reporting channels	Q1-Q4
	2.	**Gifts received**	• Update the gift registry • Review gifts received declarations • policy and procedures	Q1
	3.	**Conflict of interest declarations**	• Review conflict of interest policy and procedures • Work with relevant business areas to establish organisation-wide view of interest declarations	Q2
	4.	**Fraud risk awareness**	• Deliver actions to raise fraud risk awareness including Fraud Awareness week • Work with relevant business areas to update our understanding of integrity risks • Targeted response for protected disclosure and investigation as required	Q1-Q4
	5.	**Continuous Auditing Activities**	• Provide regular assurance over integrity controls including sensitive expenditure, gifts declaration, and conflicts of interest through data matching, analysis and transaction testing	Q1-Q4

Executive Summary

Reserve Audits for 2024-25

Property Management *- A review of management arrangements for Council owned/operated commercial buildings, including where sublet/occupied by multiple tenants.*

Traffic Management Services *– Review of current procurement and contracts for traffic management, including value for money. Includes elements of tree management.*

About the Assurance & Business Integrity Team

We support the Council to be successful by improving risk management and building transparency and integrity. We do this through providing independent, objective assurance and advice on governance, risk management, and internal control processes.

We provide three services:

- **Internal Audit**: An objective examination of evidence so that we can provide a view of the effectiveness of governance, risk management, and control processes. Internal audit engagements help provide assurance that risks are managed.
    - All internal audit engagements will include an agreed and documented scope of work. Internal audit engagements are performed consistent with professional standards for internal auditing and will include a final report of our assessment.
- **Assurance/Advisory Services**: Activities we do that help improve the organisation's internal control environment. They include a range of activities such as participation in working groups, facilitation, and training. The scope of work and results of advisory activities are documented to the extent appropriate to the nature of the advisory work.
- **Integrity Services** are activities we do that enables delivery in a way that keeps our people and our organisation safe. Our business integrity activities are focused on lifting maturity of systems and processes.

  Activities include:

  - Integrity related policies review
  - Fraud awareness week
  - Enterprise level fraud risk assessments
  - Investigations into integrity complaints and incidents as required

We provide assurance over strategic risks by assuring that risk treatments are adequate and on track. We do this through assurance advisory q ctivities which include assuring the strategic risk monitoring and reporting process by the Risk Management Team, working with the Enterprise Project Management Office to assure delivery of significant projects, and following up high-risks findings.

We provide assurance over operational risks through internal audit engagements of core services, business integrity activities and assurance advisory to lift maturity of internal controls such as policy governance framework and legislative compliance.

Assurance Map: Key assurance activities across the Council

Assurance Areas	Summary of key activities	Assurance Line One & Two Key sources of Management Assurance	Assurance Line Three			Assurance Line Four (External Assurance)
			Previous Internal Audit and Other Independent Assurance Reviews	Proposed Workplan for 2024-25	Possible activities for out years	
Customer & Community	City Housing • Tenancy operations and facilities management Creative Capital • Aho Tini Programme delivery • City events and City Art collection • Toi Poneke Ars centre operations Parks, Sports and Recreation • Pools and recreation centres management • Mowing, horticulture and arboriculture operations • Community sports and club partnerships • Open spaces, town belt and reserves management • Biodiversity and biosecurity operations • Cemetery operations Parking Services • Parking operations and resolutions • On-street support and services Community Services • Community safety & resilience • City Partnerships and Funding Libraries & Community Spaces	• Deed of Grant monitoring & reporting • Tenants Satisfaction Survey • Training and Competency Framework • Management reporting to Grants Subcommittee • Quality management systems standards, policies and procedures & checks • Outcome Indicators and Performance Measures • KPI operational audits • Health and safety assessments • Enforcement management system	• Trespass Notices (2024-25) • Grants Monitoring (2024-25) • PSR Budgeting (2024-25) • Customer Complaints and Escalation (2023-24) • Creative Spaces (2022-23) • Cemetery operations (2022-23) • Whakahui Tenancy Management System (2022-23) • Cash handling and reconciliation (2021-22) • Membership and booking system (2021-22) • Tenancy Management System – Phase 1 (2021-22) • Grants (2019-20) • PSR operations (2018-19) • Parking (2016-17) • Playgrounds (2016-17) • Swimming Pools (2016-17) • Burials and Cremations (2015-16) • Art and Cultural Activities (2015-16) • Housing (2015-16)	• **Contract Management**: From award, including onboarding processes, key performance indicators (inc. link to strategic objectives & societal outcomes), escalation, application of contractual penalties/service credits and change clauses. . • **Business Continuity:** Review of the Business Continuity Policy, including relationship management with WREMO, identification of key stakeholders/systems and maximum tolerable disruption • **Project Reporting & Governance** Review of project reporting processes, including timescale, review and approval, as well as initiation and design approvals. Also includes governance structures and resourcing.		• Telarc NZ annual audit on the ISO:9001 Quality Management System Accreditation (burials and cremation) • Greater Wellington Regional Council (relating to the management of pests and animals) • Worksafe Hazardous Substance Audit • MBIE Tenancy Compliance Audit • HUD Deed of Grant compliance
Planning & Environment	City Consenting and Compliance • Building and plumbing inspections and consents • Resource consent and compliance • Land information • Public health and alcohol management City Design • Urban regeneration strategy and projects • Streets for people and Bike Network Masterplan • Transitional programme delivery • Public space design and delivery Strategic Planning • District plan delivery • City insights and GIS • Culture and Heritage Strategy and Build Heritage Incentive Fund Climate Change Response • Deliver Te Atakura - First to Zero programme • Transport behaviour change initiatives • Climate action and Climate and Sustainability Fund	• Quality Management Systems & Assessments • Consultation and engagements • Approvals and authorisations • Licencing Marking Programme • Regulatory audits and inspections programmes • Officer Qualification system • Competency Assessments • Professional development & training • Investment delivery framework • Project assurance	• Climate Response (2023-24) • Speed Management BCR (2023) • Resource Consenting (2023-24) • Follow up review on Building Consent Authorities accreditation readiness assessment (2022-23) • Follow up on findings from statutory and regulatory audits (advisory) (2022-23) • Alcohol licencing and compliance monitoring (2021-22) • BCA Readiness Assessment (2020-21) • Building Consents (2017-18) • Transport and Place planning (2019-2020) • Public Spaces & Centre Development (Bond St) (2015-16) • Alcohol Licencing (2015-16) • Public Health (Dogs) (2015-16) •	• **IANZ Preparation Audit:** Review of Building Consenting operations to prepare for triennial IANZ accreditation audit • **Council Operated Earthquake Prone Buildings**: To review progress of the plan for council operated EQPB • **Alcohol Licencing** Follow-up Review from 2021, including legislative change and impact on accommodation requirements.		• Building consent authority accreditation by IANZ (every 2 years) and technical reviews by MBIE • MPI accreditation (food safety – to assess competency to verify National Programmes) • Independent review of RMA Delegations 2020

	Housing Development • Te Kainga programme City Development • Precinct and development management • Business engagement					
Infrastructure & Delivery	Transport & Infrastructure • Transport infrastructure planning • National Land Transport Programme implementation • Roading Transport assets management • Kiwi Point Quarry operations Resilience • Business Continuity, Emergency Management and Earthquake-Prone Buildings • Landfill operations and waste management, minimisation, and landfill strategies • City Engineer and Three Waters Property • Energy Management • Property management, leasing, sales and acquisitions • Facilities Maintenance Strategic Asset Management Enterprise Project Management Office • Investment Delivery Framework	• Professional memberships, development & training • Alignment to relevant national standards e.g. infrastructure & service provision, conditions of contract for build and civil engineering • Independent road safety audits • Compliance activities including Traffic Management Plan approval and reinstatement audits • Recycling audit & litter enforcement • Resident's Monitoring Survey • Project, Programme and Portfolio management maturity assessment	• Encroachments (2023-24) • Commercial Leases (2023-24) • Customer enquiries, complaints, and escalation (2022-23) • Facilities management (2022-23) • PMO Establishment (2021-22) • Evans Bay Cycleway Parade Cycleway – contract & issues management (2021-22) • Business continuity processes (2020-21) • Town Hall Project Health Check (2020-21) • Asset Management Maturity Assessment (2021) • CE review of levels of engagement between the Wellington City Council and Wellington Water Limited (2020) • Tip Shop – staff purchases (2019-2020) • Property Management (2019-20) • FM contract control design review (2019-2020) • Landfill operations (2018-19) • Transport operations (2018-19) • Procurement – Project Town Hall (2017-18)	• **Contract Management**: From award, including onboarding processes, key performance indicators (inc. link to strategic objectives & societal outcomes), escalation, application of contractual penalties/service credits and change clauses. • **Business Continuity:** Review of the Business Continuity Policy, including relationship management with WREMO, identification of key stakeholders/systems and maximum tolerable • **Project Reporting & Governance**: Review of project reporting processes, including timescale, review and approval, as well as initiation and design approvals. Also includes governance structures and resourcing. • **Asset Condition Process**: To verify effectiveness of asset inspection and evaluation processes. Includes mean time to failure of critical assets.	• **Sub-surface asset data:** Advisory work over system controls and processes of prototype (available mid-2024) • **Property Management:** Review of management arrangements for Council owner/operated commercial buildings, including where sublet/occupied by multiple tenants • **Traffic Management:** Review of current procurement and contracts for traffic management, including value for money & tree management.	• NZTA technical & procedural audits every 2-3 years • Greater Wellington Regional Council consenting checks • Targeted Investment Reviews (Te Matapihi, sludge, LGWM)
Smart Council	Technology Services • Service desk, deskside and application support, • Infrastructure service Customer Experience • Service design and project management • Contact centre and service centre operations Data and Insights • Information Management Support, Corporate GIS & Business Intelligence, City Archives, and Land, Customer & Property information Architecture and Digital Innovation • Systems development, Digital Innovation & Solutions Architecture	• Customer feedback surveys • IT Architecture review • Disaster recovery review • Compliance against PCI Security Council Standards	• Information data strategy (advisory) (2022-23) • Cyber and Information Security (2021-22) • Service Centre cash handling (2021-22) • IT Infrastructure (2014-15)	• **Business Continuity:** Review of the Business Continuity Policy, including relationship management with WREMO, identification of key stakeholders/systems and maximum tolerable • **Project Reporting & Governance**: Review of project reporting processes, including timescale, review and approval, as well as initiation and design approvals. Also includes governance structures and resourcing.		• Audit New Zealand review of IT general controls
People & Culture	HR Services • Talent acquisition • Payroll, remuneration, analysis, and reporting • Organisation change management Culture & Capability • Organisation culture • Learning and development Safety, Security & Wellbeing	• Korero Mai Engagement Survey • Code of conduct acknowledgement • Holiday Act compliance review • HRIS dashboard • Approvals and authorisations	• Recruitment process (2022-23) • Protective Security Requirements maturity assessment (advisory) (2022-23) • Holiday Act Compliance (advisory) (2022-23) • Holiday pay peer review (2021-22) • Actions Plans for Nasty Nine (2020-21) • Independent H&S Audit 2021	• **Business Continuity:** Review of the Business Continuity Policy, including relationship management with WREMO, identification of key stakeholders/systems and maximum tolerable • Business Continuity		• ACC Audit for Accredited Employers Programme • WorksafeNZ reviews

	• Injury and incident prevention & investigations • Wellness programme • Security	• Protective Security Requirements Assessment • Safety Observations	• H&S Assurance Framework (Advisory) (2018-19) • Payroll (2017-18)			
Finance & Business	Financial Policy & Planning • Financial strategies and policies • Financial advice for strategic business activities Treasurer • Funding, investments and organisational balance sheet management • Financial risk management & insurance Financial Operations • Rates, Payment services & Credit Control Finance Business Partnering • Business reporting, budgeting & forecasting and financial analysis & advice Commercial Partnership • Commercial procurement, contracts and planning Financial Controller • Financial internal control environment • Financial systems strategy and management • External financial reporting	• Management annual letter of responsibility and accountability • Financial dashboard • Approvals and authorisations • Quality checks, reconciliation, and reporting processes • Payments monitoring and reporting • P-card compliance monitoring • Conflict of interest declarations • Management reporting to the Finance & Performance Committee	• Financial Delegations (2023-24) • Sensitive Expenditure (Integrity, 2023-24) • Credit Control Operations (2023-24) • Significant Service Contracts (Memo, 2023-24) • TechOne Financial System Upgrade and finance process improvements (advisory) (2022-23) • Continuous monitoring activities: gifts declaration, conflicts of interest, sensitive expenditure (integrity) (2022-23) • Reconciliations (part of Cash Handling audit - 2021-22) • WOW Funding Request (2021-22) • Continuous Monitoring Activities: gifts declaration, conflicts of interest, sensitive expenditure (2020-21) • Purchase – to – pay (2020-21) • Procurement and contracts management (2018-19) • Sensitive Expenditure (2018-19, 2017-18, 2016-17) • Balance sheet reconciliation (2016-17) • Accounts Receivable (2015-16) • Business Reporting (2015-16) • Credit Control Operations (2023-24)	• **Contract Management**: From award, including onboarding processes, key performance indicators (inc. link to strategic objectives & societal outcomes), escalation, application of contractual penalties/service credits and change clauses.		• Audit New Zealand annual audit of financial statements and service performance information • Audit New Zealand audit of the Long-Term Plan and Consultation Document
Mataaho Aronui	Māori partnerships • Strategic advice Monitoring, Reporting & evaluation • Relationship facilitation • Reo and tikanga services • Project Delivery Māori strategy • Policy & Guidance	• Workflow management • Quality Assurance on translation • Reporting processes & dashboard • 'How are we doing' survey • Quarterly governance meeting between Mayor & iwi partners • Project Management Framework • Forward Programme Review		• Mataaho Aronui have been consulted on the plan and have identified audits where their objectives could be reviewed within the scope. We will consult further once audits move into a planning stage.		
Strategy & Governance	Risk & Assurance • Official information and privacy requests, Internal Audit, Integrity services, Risk management Communications & Engagement • External communication and engagement, Internal communications and Media services, Creative and brand services Governance • Elected Members Support, Democracy Services, Mayor's Office, Corporate Library Strategy, Policy & Research • Strategy, policy, research and evaluation	• Risk Management Maturity Assessment • Professional memberships, development & training • Quality checks, reconciliation, and reporting processes • Research and evaluation quality methodology • Standing order guidelines • Annual legislative compliance attestation • CCO governance & reporting	• Trespass Process (2023-24) • Organisational internal controls assessment (audit) (2022-23) • Internal policy governance framework (advisory) (2022-23) • Legislative compliance annual attestation (advisory) (2022-23) • Gifts received (integrity) (2022-23) • Protected disclosures monitoring & investigations (integrity) (2022-23) • Privacy management 2021-22) • CAS Privacy Breach (2023) • Project Assurance – Elections and Transition Readiness Assessment (2018-19)			• Ombudsman determinations • Office of the Privacy Commissioner investigations • Review of Legal operating model (2022) • NZIER annual review – quality of Council papers

	• Annual Plan Annual and Quarterly Reports • International Relations Legal Services Economic Wellbeing and CCOs • CCO governance, economic wellbeing & funding		• Organisational Policies (2016-17) • Complaints Resolution (2015-16) • Consultation & Engagement and consultation (2015-16) • Elections 2016 Assurance Review (2016-17) •			• 2021 Ross Tanner Comms and Engagement Review

Attachment 5 – Long List

Customer & Community	Council Wide	Finance	Infrastructure & Delivery	People & Culture	Planning & Environment	Strategy & Governance
IT Asset Inventory	**Project Governance**	Rates	Moa Point Project	Leavers Process	**IANZ Prep**	Legal Operating Model
Parking Operations	**Contract Management**	Treasury	**Asset Condition Process**	Secondees	Animal Control	Risk Management
Marinas	Contract Management of external advisors		Town Hall	Reward & Recognition	Dog Licensing	Event Management
IT General Controls	Change Management		Takina Operations	Safety Strategy	**Alcohol Licensing**	Communications
	Contracting Strategy		Subsurface Asset Data	HR Delegations		Council Controlled Organisations
	Council Earthquake Prone Buildings		Property Management			
	Business Continuity		LGWM Legacy Projects			
	Annual Controls Assessment					

External Assurance	
Inappropriate timing	
Merged into wider scope	
Insufficient risk basis	

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Te Aho Marutau | Internal Audit

Our Charter – Our purpose, how we operate and what we do

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Why

The Assurance & Business Integrity team, which is part of the Assurance, Risk & Official Information Business Unit, is responsible for delivering internal audit services for the Council. Our purpose:

- We support the Council to be successful by improving risk management and building transparency and integrity. We do this through providing independent, objective assurance and advice on governance, risk management, and internal control processes.
- We give confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

How

Kia kotahi rā | Working better together

- We work together across the organisation to be a high performing organisation. Our work contributes to strengthening the four focus areas – Accountable Leaders, Connected Council, The Way We Work and Living Our Values.

Living our values

- He tangata, he tangata, he tangata: We put people at the heart of what we do by listening to our customers and understanding the outcomes they are working toward
- Whakapai ake: Our work will have a focus on continually improving our internal control and assurance system so that we can efficiently and effectively deliver our organisational outcomes
- Mahi ngātahi: We work closely with our colleagues to get the best results for the organisation
- Mana tiaki: We consider the impact of what we do on our places and encourage others to do the same through our work

Act with integrity

- We will uphold the principles of objectivity, integrity, confidentiality and competence.
- We will maintain an unbiased attitude and make balanced evidence-based assessments.
- The Executive Leadership Team actively supports the need for the Internal Audit function and for internal auditors to perform their role objectively and with impartiality.

What

The scope of Internal Audit work includes, but is not limited, to:

- Documenting the Council's Assurance Framework
- Development and delivery of a risk-based audit plan to evaluate and improve the effectiveness of governance, risk management, and control processes
- Develop and carry out an integrity work plan to build a strong culture of integrity and to ensure our people feel safe to speak-up
- Work with the Project Management Office to provide assurance oversight to programmes and projects
- Provide advice on the engagement of other independent assurance providers across the Council, including the scope of work and its delivery
- Work with the Council's Appointed Auditors to coordinate respective work programmes and to support shared outcomes
- Monitor management's completion of actions from independent assurance reviews
- Develop and maintain the Council's protected disclosure policy, receive protected disclosures and have oversight of any investigations under the Protected Disclosures Act 2000
- Investigate allegations of frauds and other suspected financial misappropriations or avoidable losses
- Provide internal audit and advisory services to Council Controlled Organisations at the request of the Chief Executive of Wellington City Council.

To achieve this, the Executive Leadership Team authorises us to:

- Define the Council's framework and approach for assurance
- Carry out internal audit work that covers all facets of the Council's business
- Determine the scope of matters to be audited and to set audit objectives
- Have access to appropriate resources to carry out our purpose
- Have access to all organisational records, personnel, and property, needed to carry out our work
- Report to the Audit and Risk Committee on all aspects of our function following due process.

Aho means a cord or string and to shine. Marutau means to be on safe ground and protected.
***Te Aho Marutau** represents the guiding cord to keep us all safe, shining the light to seek the way ahead together.*

Submitted for approval:
Audit and Risk Subcommittee, 8 May 2024

STRATEGIC RISKS AND FIT FOR PURPOSE REVIEW OF RISK MANAGEMENT FRAMEWORK

Kōrero taunaki | Summary of considerations

Purpose

1. This report summarises the discussion and next steps arising from the 17 April Governance of risk workshop. The report also notes that strategic risk discussions have taken place as part of Long-term Plan deliberations.

Strategic alignment with community wellbeing outcomes and priority areas

	Aligns with the following strategies and priority areas: ☐ Sustainable, natural eco city ☐ People friendly, compact, safe and accessible capital city ☐ Innovative, inclusive and creative city ☐ Dynamic and sustainable economy
Strategic alignment with priority objective areas from Long-term Plan 2021–2031	☒ Functioning, resilient and reliable three waters infrastructure ☒ Affordable, resilient and safe place to live ☒ Safe, resilient and reliable core transport infrastructure network ☒ Fit-for-purpose community, creative and cultural spaces ☒ Accelerating zero-carbon and waste-free transition ☒ Strong partnerships with mana whenua
Relevant Previous decisions	The Committee approved Council's risk framework in 2021. At the meeting in February, 2024 the Committee discussed the need to review the framework to ensure that it remains fit for purpose and the risks align with the Long Term Plan 2024-2034. Risk appetite statements were agreed by this Committee in August 2023.

Financial considerations

☒ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

2. Ensuring there is an effective system of risk management is central to the governance role of Council and Unaunahi Māhirahira | Audit & Risk Committtee.

Author	Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note that a further risk workshop will be held in August 2024 after the adoption of the LTP. The purpose will be to agree a set of key risks to align with the Long-term Plan 2024-2034 and reflect any changes to Council's risk management framework.

Whakarāpopoto | Executive Summary

3. This paper proposes changes to Council's risk management framework. This includes simplifying the approach, updating the documentation for strategic risks, applying different terminology, and developing new content that aligns with the LTP 2024-34.
4. The Unaunahi Māhirahira | Audit and Risk Committee is responsible for monitoring the risk management framework including Council's strategic risks". Strategic risks are reported and discussed at other Council Committees.

Takenga mai | Background

5. Council's risk management framework has operated in its current form since 2021. The framework includes regular reporting on an agreed set of strategic and emerging risks, risk appetite statements, individual business unit risk registers, guidance and templates for officers to record and manage operaitonal risk, supported by a network of risk champions. Risk maturity, measured against an agreed government framework, has improved over this time.
6. A risk management workshop for Councillors was held on 17 April 2024 to share perspectives and explore different approaches with respect to risk management, and the need for governance and executive commitment. A copy of the workshop slides is at Attachment 1.
7. The workshop demonstrated an alternative way to present risk information. This includes new terminology such as "uncertainty" in place of "risk", reviewing the definition of inherent risk, as well as a simplified visual representation as to how "uncertainties" link to Council's outcomes and vision.
8. At the workshop a request was made for more regular visibility of the full set of Council's strategic risks. The dashboard of strategic risks was last reported to this Committee in August 2023, however addressing strategic risks has been a key feature of the Long Term Plan develoment over the last 18 months.

Kōrerorero | Discussion

9. A key outcome of any change to Council's risk management framework is to make it more accessible to elected members and the organisation. This will enable balanced conversations with officers, leading to better informed decisions.
10. It would be premature to populate new strategic risk profiles now, given that Council's strategic priorities will not be set until the Long-term Plan is approved in June 2024.

11. A second risk workshop will be held in August 2024. This will build on the increasingly mature approach to risk management across Council and will review alignment with best practice. This will include reviewing our current definition of inherent risk, and the use of maximum credible scenarios (as opposed to most likely scenario) for assessing risk.

12. The Strategic Risk dashboard at Attachment 2 includes the Tūpiki Ora and Tākai Here strategic risk. This is now reported as a stand-alone risk, separated out from the Inadequate Partnership Practice risk. Consequently, the inherent risk rating for Partnership Practice has reduced from High to Medium.

13. With Council's adoption of the District Plan, as well as an agreed and audited LTP consultation document, this has provided more certainty for planners. As such the inherent risk rating of the Strategic Planning risk has reduced from Extreme to High

14. The role of the Unaunahi Māhirahira | Audit and Risk Committee is to "monitor the implementation of the risk management programme of work, the risk management framework including Council's strategic risks". Strategic risks are reported to other Council Committees.

15. In November 2023, the Long-term Plan Finance and Performance Committee reviewed level of service recommendations along with an assessment of the impacts and risks in relation to each activity group of Council. The Long-term Plan consultation document sets out the finance and infrastructure challenges and risks facing the Council and the options for responding to them.

Ngā mahinga e whai ake nei | Next actions

16. Subject to Council's approval of the Long-term plan 2024-34, the officers will identify which of the current strategic risks are also relevant to the next LTP. They will then map across those risks in to the revised templates that were presented to the April workshop to test their applicability.

17. In August 2024, a second workshop will be convened to present the new set of strategic risks and to consider any gaps. The workshop will also propose any changes to Council's risk appetite statements for consideration.

18. Subect to approval of the changes to the Risk Mangement Framework, the Risk team will report back to the Unaunahi Māhirahira | Audit and Risk Committee on any significant changes to the set of strategic risks, as well as monitor for any emerging risks following the August workshop.

Attachments

Governance of risk

Managing uncertainty effectively

Wellington City Council

Pre-reading paper ahead of the Workshop with the Council / Audit & Risk Committee (17 April 2024)

Purpose of today

We all bring different backgrounds, expectations and experiences to the table.

Risk Management is an area that can look complex, with common usage words taking on specific meaning and with many approaches, international standards, frameworks, methodologies and jargon.

Today we will discuss:

1. What is risk and what does 'good' risk management look like?
2. How other Councils approach risk management and WCC's risk journey to date
3. Open discussion with suggestions for how WCC might apply these ideas in practice

Why?
Ensuring there is an effective system of risk management is central to the governance role of Council and the Audit & Risk Committee.

The purpose of the workshop is to enable open discussion, sharing ideas, perspectives and expectations with respect to risk management

What is ‘risk’ and what does good risk management look like

Managing uncertainty related to your vision and commitments

Language is everything

Clear simple language drives understanding and buy-in.

However, the language of risk management is jargon heavy and often confusing.

The formal definition of **risk** is simply …

‘***the effect of uncertainty on objectives***’

(as defined by the relevant international standard on risk management ISO31000).

Uncertainty is a fact of life and is inherently neither good or bad.

It’s consequences can be good or bad, depending on how effectively it is anticipated, understood and managed

Effective risk management requires clarity as to:

- What matters the most to us? (**vision, commitments** and **objectives**)
- What do we need to manage to achieve this? (our **operations**, **service delivery** and **risk**/**uncertainty** relating to this)

The **upside** of risk/uncertainty:

- What could go right? (**opportunities**)
- What has gone right? (**success**)

The **downside** of riskuncertainty:

- What could go wrong? (**threats** or **hazards**)
- What has gone wrong? (**issues** or **problems**)

To enable good **decision making**, with transparency as to:

- What can we live with and what can we not live with? (**appetite**)
- How are we managing this now (**control** or **treatment** or **mitigation**)
- What will we do about this? (**decision** and **action**)
- Who will be responsible for this? (**accountability**)
- How are we going? (**performance**)

4

Redefining risk as uncertainty

‘Risk’ is inherently neither good of bad; it merely reflects uncertainty about the future.

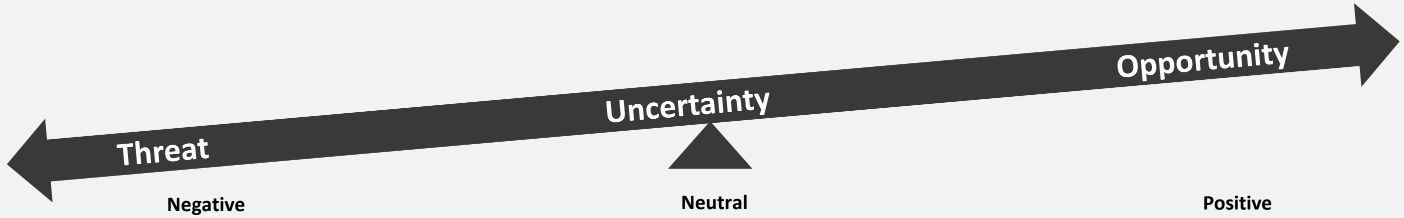
Traditional approaches to risk management tend to solely focus on the negative / threat aspect of uncertainty.

Considering the whole spectrum on risk/uncertainty enables better balanced risk-informed decision making.

Effective risk management is embedded into management (not distinct), empowering people to make the good decisions based on a clear and consistent understanding of:

1. The vision and priorities for WCC
2. Uncertainty leading to opportunities and threats related to this vision and priorities
3. How uncertainty/risk is managed
4. What level of uncertainty/risk we can live with and what we need to do something differently about

From “*Risk Management”* to core business



Negative	Neutral	Positive
Minimising **downside**	Managing **volatility** – potentially good or bad	Maximising the **upside**
Dealing with **problems**	Dealing with the **unknown**	Dealing with **success**
Controls ensure **things don’t go wrong**	Controls ensure **volatility is minimised**	Controls ensure **things go right**

Human nature to **avoid**	Human nature to **seek out**
Feels like compliance	**Feels like core business**

Priorities *What matters to us?* + **Risk profile** *What uncertainty do we face?* + **Risk appetite** *What can we live with? (and what can’t we live with?)*

Risk informed decision making
What, therefore, will we do about this?

5

Common problems and what makes a difference

	What I typically see elsewhere…	*What characterises 'effective'*
Language	• **Negative**, focused on what can go wrong • **Jargon** filled and based on rigid technical standards and frameworks	• **Positive**, focused on what needs to go right • **Plain language** and based on common sense
Mindset	• Often seen as a **compliance** management and documentation/reporting process • Emphasis on the '**problem**', i.e.. the risk, issue or uncertainty faced • **Risks** are something to be avoided • Risks are to be **reported**	• Seen as a core part of how we do things around here – part of the culture and core ways of working - risk management is just good **management** • Emphasis on the '**solution**', i.e. the how we manage this (control), or if a gap what we need to do (the decision to be made) • **Uncertainty** is something to be understood and managed, with opportunities captured where available • Risks, and the underlying uncertainty, to be discussed and to drive **decision making**
Timing	• **Static**, periodic updates to management and the Board • **Separate** from core day to day activities and decision making	• **Dynamic**, used and updated as part of real time decision making • **Integrated** within core operational activities and the work of the day
Accountability	• The job of a **Risk Manager**	• The **role of everyone (particularly Executive and Council)** within WCC to coordinate, ensure consistency and a joined up view of risk
Volume	• **Bottom up** process to identify many risks • Little distinction between risks, sub-risks and categories of like-risks • Lots of 'noise', difficulty seeing the wood for the trees	• **Top down** approach to identify a small number of meaningful things • Ability to distinguish the 'signal' from the 'noise' • Clear simple tiering of risks, focus on the top 15-24 directly linked to your mandate, immediacy and success criteria • Tiering enabled distinction between core risks and related sub-risks
Reporting	• Subjective view of probability and impact, most risks rated high or very high • 5x5 matrix reporting of top 10 to 15 risks • Disconnect between risk and risk appetite	• Short visual summary of major areas of uncertainty, linked directly linked to success criteria and decision making • Uncertainty described in terms of relative concern or confidence • Clear summary of risks that sit outside of agreed risk appetite (acceptable level of uncertainty)

6

Integrating risk into purpose, operations and decision making

Risk doesn't sit on its own.

Effective risk management provides a coherent and transparent link between what you intend to do and what needs to be managed effectively to deliver on this.

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Wellington City Council

From risk management to core service delivery

Planning	Vision	What is our purpose and our vision? Why do we exist? What is our north star?	Role	Opportunity	Accountability documents such as the LTP, Strategic Plan, Annual Plan and supporting business **plans** (*direction and commitments*)
Planning	Expectations	What is expected of us and by whom? What outcomes are we here to achieve?	Obligation	Opportunity	
Planning	Commitments	What have we committed to? What are our priorities and objectives	Obligation	Opportunity	
	Risk/Uncertainty	What do we need to keep our eye on? What needs to go right? What could go wrong?	Threat	Opportunity	*Leadership* and *decision* making
Delivery	Activity	How do we manage this? What do we do to deliver to our mandate and expectations? How do we operate?	Control, treatment, mitigation	Initiative	Your **operating model** (*delivery*)
Delivery	Feedback	How are we going? What's working and what's not?	Assurance, compliance	Performance	
Delivery	Change	What do we want to do differently?	Improvement	Adaption	

'Risk' Management ➡ ***'Success and Uncertainty' Management***

7

Uncertainty (risk) and time

Uncertainty increases over time

So what?

1. The longer your planning horizon, the less you can **predict the future**
2. The less you can predict the future, the more you need to be able to **anticipate uncertainty** and **adapt for change**
3. Anticipating uncertainty and adapting to change is essentially **risk management**

Therefore

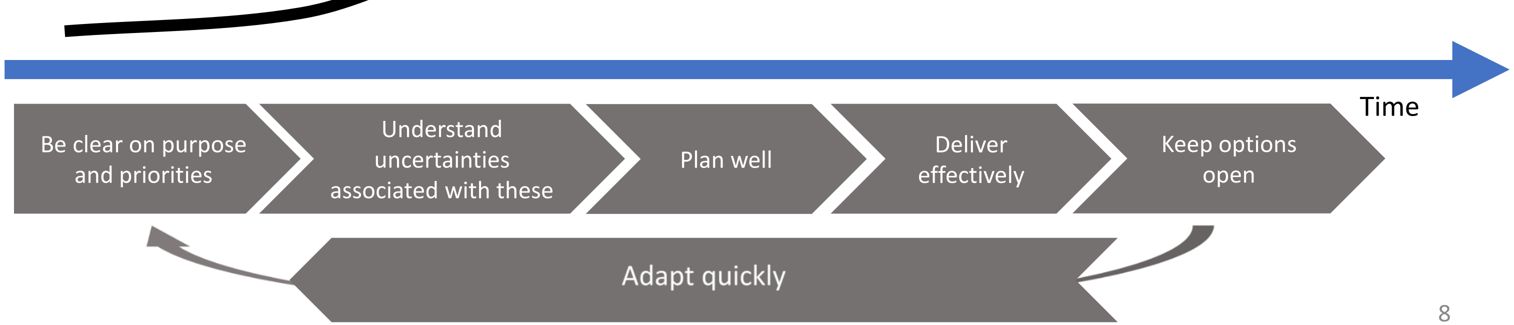
Effective risk management looks like:

1. Making **informed decisions** based on what you know (evidence)
2. **Finding out more** about what you don't know (uncertainty)
3. **Keeping your options open** to take advantage of an uncertain future (adaptability)

Uncertainty

(threat and opportunity)

Particularly relevant in the context of a city council making long term commitments, anticipating the complex, changing and diverse needs of the community over multiple generations



8

Risk across local authorities

How other Council's approach risk management, and WCC's risk journey to date

Perspective from the Office of the Auditor General

Not all councils have a risk management framework

Councils had appropriate policies and processes in place

Councils should have someone responsible for leading risk management

Culture is critical to integrating risk management

Need to distinguish risk aware versus risk averse

Improve elected member confidence in risk management

Need to tailor risk management to the needs of the council

Councils need to focus on achieving consistent risk management practices

Councils need to improve the integration of risk management into council activities

Staff and elected members need more support and training

Recognise Audit and Risk Committees' important role in risk assurance

Within WCC

Less mature [scale of four shades] More mature

The above points reflect the key findings from the Office of the Auditor-Generals report – *Our observations on local government risk management practices*, published in October 2021.

Shading of each finding reflects the relative level of maturity at WCC with respect to each of these findings.

10

Characteristics of risk management within other Councils / Territorial Authorities

Language

- Traditional language around risk, issue, control, treatment, mitigation, audit, compliance
- Little focus on the central area of uncertainty

Focus

- Very biased to the negative – i.e. the downside of risk
- Blurred distinction between risk, threat, issue

Risk identification

- Detailed risk registers, several dozen to several hundred individual risks
- Often multiple risk registers, topic specific – e.g. for strategic risk, health & safety risk, cyber risk, project risk, asset risk, operational risk, organisational risk
- Some have risk registers for individual departments / operational areas
- Individual project risk registers for individual projects
- Risks identified through a mix of bottom-up (by topic or operational area) and top down (particularly at the strategic risk level) approaches
- Little distinction between levels of risk – i.e. whether a risk is risk its own right, a general category of related risks, or a sub-risk of a wider risk

Long term plan

- Some identification of risk as part of the LTP process, generally at a Group of Activity level
- Disconnect between risks identified in the LTP and supporting risk registers

Risk framework

- Detailed documents describing the Policy and Framework, aligned with ISO31000
- In several cases documents quite dated and not reflecting subsequent organisational changes
- Little awareness or use by staff (outside the risk team)

Risk analysis and evaluation

- Consideration of inherent and residual risk
- Some limited consideration of target risk levels
- mathematical likelihood and impact scoring basis on multi-category risk assessment matrices, generally a rating from 5 to 25
- Limited description of the controls or direct link of the risk to the business processes/activities that address these risks
- Inconsistent analysis of where risks sit with respect to an agreed risk appetite
- Limited use of risk metrics or key risk indicators

Risk reporting

- Mostly quarterly point-in-time risk reporting to the Executive
- Governance reporting on risk generally to the Risk & Audit Committee rather than full Council
- Reporting generally limited to the Top 10 risks, plotted on a 5x5 matrix and with a sentence or two of supporting narrative
- Some use of dashboard reporting
- Separate reporting of Top 10 risks vs topic specific risks such as Health & Safety or Cyber risk
- Risk reports for 'noting' and discussion, not decision making
- Risk reporting often separate and disjointed from monthly or quarterly organization performance reporting

Risk responsibilities

- Mostly dedicated Risk Managers or Head of Risk and Assurance, generally at a tier 3 level
- Some use of Risk Champions across the organization (dotted line reporting to the Head of Risk)
- Ultimate accountability usually with the GM Corporate Services
- Growing use of Independent Chairs for Audit and Risk Committees
- Risk owners sometimes assigned for individual risks (typically at tier 3 or 4 business manager level)

Operating model

- Often a lack of clearly defined 'operating model' describing how the organization operates (aside from the organization structure) from a people, process, technology perspective
- Articulation of key business processes not always in place
- Business processes not consistently described/documented, except where subject to quality management/ISO9001
- Difficult to identify risks across the operating model and controls that address these risks

Risk and decision making

- Agendas clearly describe the business of Executive and Council meetings
- Papers support key decisions
- Some papers explicitly identify risks relevant to these decisions, but not always
- 'Risk' typically a separate agenda item, for 'noting', disconnected from the rest of the agenda

Risk appetite

- Defined in subjective terms, as a point on a spectrum between adverse to open (or similar language)
- Specific appetite points for specific categories of risk (e.g. reputational, financial, legal, health & safety etc.)
- Little distinction between attitude, appetite, capacity, limits and tolerance
- Some limited use of quantitative risk tolerance boundaries
- Generally a disconnect from the stated risk appetite and 1) point in time performance and 2) decision making

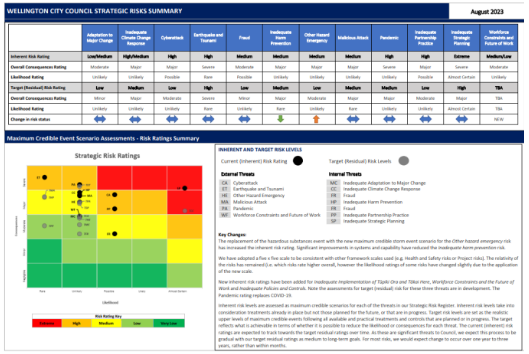
Lines of defence

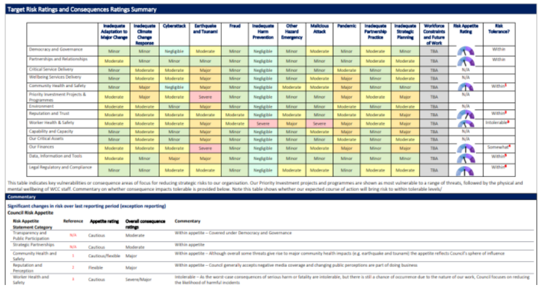
- Inconsistent use of a 'three-lines' or similar model to link risk to link operational management to risk management and assurance
- Risk and assurance functions are often combined

11

Key features and focus to date

- Overall a moderate level of maturity within risk management (last maturity assessment in September 2022)
- 12 strategic risks identified across 14 categories with supporting two-page detailed risk profiles, based on maximum credible threat
- Monthly risk reporting to ELT and five times per year to the Audit & Risk Committee
- Individual business unit risk registers and individual programmes/projects
- Eight qualitative risk appetite statements agreed with Councillors
- Strategic risks collectively owned by ELT, no individual risk owners defined
- Separate risk management approach for Health, Safety and Wellbeing risks
- A network of Risk Champions across the business (around 15 in total)
- No dedicated risk resource since November 2023





12

What this might mean for WCC

A suggested simple way forward to bring this to life

Your role as Councillors – open discussion

A Councillors, you have three specific roles with respect to risk management:

Role	Questions to consider
Ensuring there is an effective ***system of risk management*** in place	• Do you have visibility as to what the system of risk management looks like at WCC? • How do you measure / monitor the effectiveness of this system?
Ensuring there is a clear definition of the ***risk appetite*** for WCC	It is not possible to eliminate all risk. • How do you use risk to make prioritization and trade-off choices? • How have you described the line between what you can live with and what you cannot (with respect to acceptable levels of uncertainty/risk)? • How do you know whether you are within or outside of your stated risk appetite?
Ensuring critical risks are ***managed effectively***	• What risk information do you expect to see? • How do you use this risk information as part of Council decision making?

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

What to look for from a Governance perspective

Governance and executive commitment
That the risk management approach is visibly endorsed and driven by the Council and executive – i.e.., lead from the top

Clear accountability
That there are specific roles and accountabilities associated with the work required – at ELT and Tier 3

Common language
That simple and common terms and language are used so that everyone is clear on how risk management works and what is required of them

Decision making
That there is a direct link such that risk/uncertainty (threats and opportunities) is explicitly considered as part of decision making

Integration with planning
That uncertainty, threats, opportunities and the management of these, are explicitly addressed as part of the planning and prioritization process, balanced to an agreed risk appetite (i.e what we can live with and what we need to act on)

Integration with operations
That risk/uncertainty and how this is managed (controls/mitigations/treatments) are embedded into day-to-day operations so that risk management becomes just management

Operating cadence
That the pace of risk management activities and reporting is aligned with, and built into core planning, management, governance and decision making cycles

Performance and monitoring
That management reporting, monitoring and oversight mechanisms show an integrated picture of commitment, activity, performance, risk and assurance – i.e.., performance reporting integrates risk reporting

15

A system of risk management - consider the people dimension

The stuff of people	**Why**	Many risk management approaches do not adequately address the ***Why*** – i.e enabling people to understand: - What this means for them and why they should care - How this is a core part of what they need to understand and manage as part of their job

The stuff of risk practitioners

What

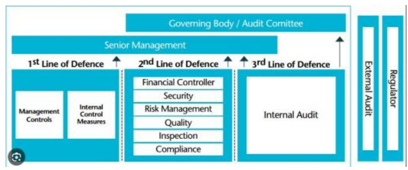
How

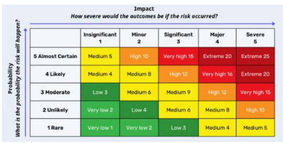
Who

When

Where most effort is usually focused
- Risk Standards
- Risk Policies
- Risk management frameworks
- Risk management processes
- Risk accountabilities
- Risk scoring criteria
- Risk appetite statements
- Risk registers
- Risk reporting
- Risk software

Ways of working





Lessons learned

1. **Theory works well in theory but not always in practice**
   Tailor as appropriate to match the culture and leadership style of the Council, rather that a one-size-fits all ISO31000 standard implementation of 'best practice'.

2. **Language is everything**
   Frame it in a way that is positive, action oriented and empowering. '*Risk, issue, control, compliance*' is seen as negative, '*success*, *opportunity, management and performance*' is positive, yet these are the essentially the same thing.

3. **Simple beats sophisticated**
   Don't overly complicate things. Iterate, mature and enhance over time to match the needs and maturity of WCC and your ways of working.

4. **People and engagement trumps process and documentation**
   Genuine engagement is the hardest part, especially with people. Build in into your culture and the DNA of how you work so that thinking about uncertainty (risk/opportunity) is just part of how we work around here.

5. **If it doesn't feed into decision making, it's not making a difference**
   A pretty 5x5 risk matrix and nice words on paper doesn't change anything. Nor does a risk report solely for 'noting'. The discussion and *action* is the most important part.

6. **Make it part of the day to day, not a point in time exercise.**
   Every decision has pros and cons, things known and unknown. Bring out the uncertainty (both risk and opportunity, pros and cons) in all of this and your core operational and day to day activities.

17

© Efficus Limited
Applied common sense

Phone: 021 380 889
Email: David Nalder at dwnalder@gmail.com

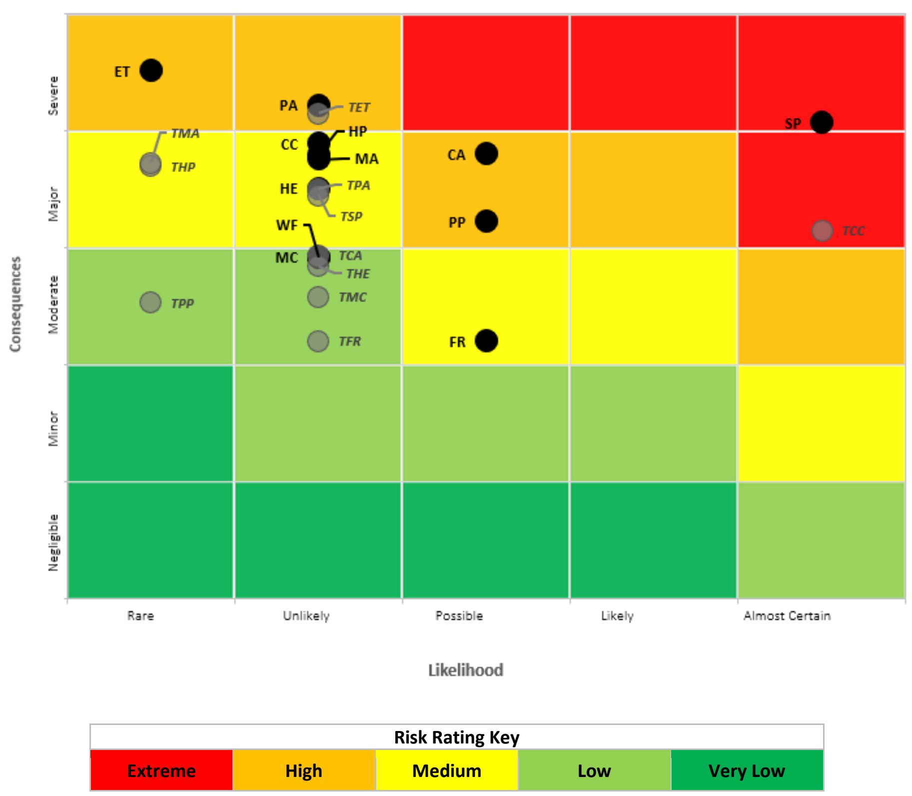
WELLINGTON CITY COUNCIL STRATEGIC RISKS SUMMARY

May 2024

Maximum Credible Event Scenario Assessments - Risk Ratings Summary

	Adaptation to Major Change	Inadequate Climate Change Response	Cyberattack	Earthquake and Tsunami	Fraud	Inadequate Harm Prevention	Other Hazard Emergency	Malicious Attack	Pandemic	Inadequate Partnership Practice	Inadequate Strategic Planning	Workforce Constraints and Future of Work	Tūpiki Ora and Tākai Here
Inherent Risk Rating	Low/Medium	High/Medium	High	High	Medium	Medium	Medium	Medium	High	Medium	High	Medium/Low	High
Overall Consequences Rating	Moderate	Major	Major	Severe	Moderate	Major	Major	Major	Severe	Major	Major	Moderate	Major
Likelihood Rating	Unlikely	Unlikely	Possible	Rare	Possible	Unlikely	Unlikely	Unlikely	Unlikely	Possible	Possible	Unlikely	Possible
Target (Residual) Risk Rating	Low	Medium	Low	High	Low	Medium	Low	Medium	Medium	Low	High	TBA	Low
Overall Consequences Rating	Minor	Major	Moderate	Severe	Minor	Major	Moderate	Major	Major	Moderate	Major	TBA	Moderate
Likelihood Rating	Unlikely	Unlikely	Unlikely	Rare	Unlikely	Rare	Unlikely	Rare	Unlikely	Unlikely	Almost Certain	TBA	Unlikely
Change in risk status	↔	↔	↔	↔	↔	↔	↔	↔	↔	↓	↓	NEW	NEW

Strategic Risk Ratings



INHERENT AND TARGET RISK LEVELS

Current (Inherent) Risk Rating ●   Target (Residual) Risk Levels ●

External Threats

CA	Cyberattack
ET	Earthquake and Tsunami
HE	Other Hazard Emergency
MA	Malicious Attack
PA	Pandemic
WF	Workforce Constraints and Future of Work

Internal Threats

MC	Inadequate Adaptation to Major Change
CC	Inadequate Climate Change Response
FR	Fraud
HP	Inadequate Harm Prevention
TO	Tūpiki Ora & Tākai Here
PP	Inadequate Partnership Practice
SP	Inadequate Strategic Planning

Key Changes:

The Tūpiki Ora and Tākai Here strategic risk, is now reported as a stand-alone risk, separated out from the Inadequate Partnership Practice risk. Consequently, the inherent risk rating for Partnership Practice has reduced from High to Medium.

With the adoption of the District Plan, as well as an agreed and audited LTP consultation document, the inherent risk rating of the Strategic Planning risk has reduced from Extreme to High.

Inherent risk levels are assessed as maximum credible scenarios for each of the threats in our Strategic Risk Register. Inherent risk levels take into consideration treatments already in place but not those planned for the future, or that are in progress. Target risk levels are set as the realistic upper levels of maximum credible events following all available and practical treatments and controls that are planned or in progress. The target reflects what is achievable in terms of whether it is possible to reduce the likelihood or consequences for each threat. The current (inherent) risk ratings are expected to track towards the target residual ratings over time. As these are significant threats to Council, we expect this process to be gradual with our target residual ratings as medium to long-term goals. For most risks, we would expect change to occur over one year to three years, rather than within months.

The strategic risks will be reviewed in August 2024 for alignment with the approved LTP Finance and Infrastructure strategies.

To ensure best practice risk management we will also review our definition of inherent risk as well as the use of Maximum Credible Scenarios for assessing risk.

Target Risk Ratings and Consequences Ratings Summary

	Inadequate Adaptation to Major Change	Inadequate Climate Change Response	Cyberattack	Earthquake and Tsunami	Fraud	Inadequate Harm Prevention	Other Hazard Emergency	Malicious Attack	Pandemic	Inadequate Partnership Practice	Inadequate Strategic Planning	Workforce Constraints and Future of Work	Tūpiki Ora and Takai Here	Risk Appetite Rating	Risk Tolerance?
Democracy and Governance	Minor	Minor	Negligible	Moderate	Minor	Negligible	Minor	Moderate	Minor	Moderate	Minor	Minor	Moderate		Within
Partnerships and Relationships	Moderate	Minor	Minor	Minor	Minor	Negligible	Minor	Minor	Minor	Moderate	Moderate	Minor	Severe		Within
Critical Service Delivery	Minor	Moderate	Moderate	Major	Minor	Negligible	Minor	Minor	Moderate	Minor	Moderate	Minor	Minor	N/A	
Wellbeing Services Delivery	Minor	Moderate	Moderate	Major	Minor	Negligible	Minor	Moderate	Major	Minor	Moderate	Minor	Severe	N/A	
Community Health and Safety	Minor	Major	Negligible	Major	Minor	Negligible	Moderate	Moderate	Major	Minor	Minor	Moderate	Moderate		Within[1]
Priority Investment Projects & Programmes	Moderate	Major	Moderate	Severe	Minor	Negligible	Minor	Minor	Major	Moderate	Major	Minor	Moderate	N/A	
Environment	Moderate	Moderate	Minor	Major	Minor	Negligible	Minor	Minor	Moderate	Minor	Moderate	Minor	Minor	N/A	
Reputation and Trust	Moderate	Moderate	Moderate	Moderate	Moderate	Negligible	Moderate	Minor	Moderate	Moderate	Major	Minor	Major		Within[2]
Worker Health & Safety	Moderate	Moderate	Moderate	Major	Moderate	Severe	Major	Severe	Major	Moderate	Major	Moderate	Minor		Intolerable[3]
Capability and Capacity	Minor	Moderate	Minor	Major	Minor	Negligible	Minor	Moderate	Major	Minor	Major	Major	Moderate	N/A	
Our Critical Assets	Minor	Moderate	Minor	Major	Minor	Negligible	Minor	Minor	Moderate	Minor	Moderate	Minor	Minor	N/A	
Our Finances	Moderate	Moderate	Moderate	Severe	Minor	Negligible	Minor	Moderate	Major	Minor	Major	Moderate	Minor		Somewhat[4]
Data, Information and Tools	Moderate	Minor	Major	Major	Minor	Negligible	Minor	Minor	Minor	Minor	Minor	Moderate	Minor		Within[5]
Legal Regulatory and Compliance	Minor	Minor	Moderate	Moderate	Minor	Negligible	Moderate	Moderate	Minor	Moderate	Moderate	Moderate	Minor		Within[6]

This table indicates key vulnerabilities or consequence areas of focus for reducing strategic risks to our organisation. Our Priority Investment projects and programmes are shown as most vulnerable to a range of threats, followed by the physical and mental wellbeing of WCC staff. Commentary on whether consequence impacts tolerable is provided below. Note this table shows whether our expected course of action will bring risk to within tolerable levels/

Commentary

Significant changes in risk over last reporting period (exception reporting)

Council Risk Appetite

Risk Appetite Statement Category	Reference	Appetite rating	Overall consequence ratings	Commentary
Transparency and Public Participation	N/A	Cautious	Moderate	Within appetite – Covered under Democracy and Governance
Strategic Partnerships	N/A	Cautious	Moderate	Within appetite
Community Health and Safety	1	Cautious/flexible	Major	Within appetite – Although overall some threats give rise to major community health impacts (e.g. earthquake and tsunami) the appetite reflects Council's sphere of influence
Reputation and Perception	2	Flexible	Major	Within appetite – Council generally accepts negative media coverage and changing public perceptions are part of doing business
Worker Health and Safety	3	Cautious	Severe/Major	Intolerable – As the worst-case consequences of serious harm or fatality are intolerable, but there is still a chance of occurrence due to the nature of our work, Council focuses on reducing the likelihood of harmful incidents
Operational Budget	4	Cautious/flexible	Major	Somewhat – Current risk assessment combine all financial impacts (capital and operational budgets). Council has a more flexible appetite for operational budget variations
Private and Sensitive Data	5	Cautious	Major	Within – Noting current threats in general do not show significant impacts in this consequence category. Controls are key for reducing this risk. The new risk profile for *Inadequate polices and controls* (under development) will provide more detail and the ratings may change whether we are within appetite
Legislative Compliance	6	Cautious/flexible	moderate	Within appetite but noting this will be updated following the release of the new *Inadequate Polices and Controls* threat (risk profile in development)- some Acts are of greater significance – e.g., if Council cannot improve current controls, compliance with Privacy Act cannot be assured

Emerging Risks or items of note

There are no novel or emerging risks to note.

2023/24 ANNUAL REPORT PLAN AND PRO FORMA FINANCIAL STATEMENTS

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee asks that the committee agree to the broad approach to the Council's 2023/24 Annual Report and Summary Annual Report structure.
2. The committee is also asked to review the proforma financial statements for the year-ending 30 June 2024 and provide feedback on the proposed format and disclosures.

Strategic alignment with community wellbeing outcomes and priority areas

	Aligns with the following strategies and priority areas: ☒ Sustainable, natural eco city ☒ People friendly, compact, safe and accessible capital city ☒ Innovative, inclusive and creative city ☒ Dynamic and sustainable economy
Strategic alignment with priority objective areas from Long-term Plan 2021–2031	☒ Functioning, resilient and reliable three waters infrastructure ☒ Affordable, resilient and safe place to live ☒ Safe, resilient and reliable core transport infrastructure network ☒ Fit-for-purpose community, creative and cultural spaces ☒ Accelerating zero-carbon and waste-free transition ☒ Strong partnerships with mana whenua
Relevant Previous decisions	

Financial considerations

☒ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

3. There are no budgetary considerations arising from this paper

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

4. The key risks resulting from this paper are the ability to meet statutory deadlines and adhere with legislation and accounting principles. This paper outlines the key approaches we are using to mitigate these risks.

Authors	Elizabeth Steel, Chief Advisor Strategy and Governance Karina Young, Financial Controller
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer Andrea Reeves, Chief Financial Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note the Annual Report timetable and sign off process for the 2023/24 Annual report.
3. Note the Draft Audit Plan for the year ending 30 June 2024.
4. Note the approach and overarching structure for the 2023/24 Annual Report (and Summary Annual Report) is similar to the 2022/23 Annual Report, including:
    a. The key themes and final performance story for actual full year results; and
    b. The key messages for the summary story for the year.
5. Provide feedback on the proforma 2023/24 financial statements.

Whakarāpopoto | Executive Summary

6. The aim is to efficiently deliver a concise, readable, and compliant Annual Report that serves as the Council's accountability document aligned with our annual plan and strategic framework of the 2021-31 Long Term Plan.
7. The overall goal of the Annual Report is to make it easy for the audience to understand how the Council has performed for the year in non-technical terms. The Summary Report will give an overview of the year and also contain summarised financial information. As with the full Annual Report, the Summary also includes the Independent Auditor's report.
8. The Annual Report will be published across two volumes with a common look and feel i.e., Volume 1 overview and performance in our strategic activity areas, and Volume 2 statutory financial statements.
9. The proforma financial statements are a template for the financial statements for the year-ended 30 June 2024. They have been drafted by the Council's Financial Accounting team.
10. Progress is on track from both the delivery and audit arrangements of the 2023/24 Annual report to be adopted on 31 October 2024. The Audit report from Audit New Zealand (Audit NZ) will be received and finalised no later than 21 October 2024.

Takenga mai | Background

11. Section 98 of the Local Government Act (LGA) 2002 requires the Council to prepare and adopt an Annual Report containing specified disclosures within four months after the end of the financial year. Section 111 of the LGA 2002 requires Council to comply with generally accepted accounting practice (GAAP) in preparing the Annual Report.
12. Council officers propose to prepare the 2023/24 Annual Report for adoption at the Council meeting on 31 October 2024. In order to achieve this timeframe, the draft volume one proformas and an update on the progress of the financial statements will be considered by the Audit and Risk Committee in August 2024. This will be followed by two workshops with the Committee.
13. The first workshop focuses on the Council's service performance and summary sections ("summary of our year" and "our performance in detail") of the Annual Report.

14. The second workshop will focus on the financial statements, underlying assumptions and judgements made.

15. The Unaunahi Māhirahira | Audit and Risk Committee will meet again on 22 October 2024 to consider the final audited Annual Report.

16. At the Long Term Plan Finance and Performance Committee (LTPFPC) meeting in October, officers will recommend the Committee approves the report to be received by Council for adoption of the Annual Plan on 31 of October 2024.

Kōrerorero | Discussion

Annual Report sign off process

17. The audit timeline has been worked on by officers alongside Audit NZ to deliver an audited annual report with a published audit opinion by 21 October. This is outlined in attachment one.

18. The Audit plan timings agreed with Audit NZ recognises that Wellington City Council is one of Audit NZ's priority Councils.

19. There are a number of key milestone dates for this committee as part of the sign off process. Below is an outline of what the committee can expect at each of these points.

    - August 14 Audit and Risk Committee. The committee will be presented with proforma Volume 1, highlighting structure, key themes and messages along with outline of how our approach to moving the presentation of the funding impact statement to Volume 1 will be shown.
    - September workshops (dates tbc). The intention of these workshops is to receive feedback from the committee on both volumes of the report.
    - 22 October Audit and Risk Committee. The committee can expect to receive the final audited Annual Report along with an Audit report (written opinion provided on 21 October).

20. Following the October Audit and Risk Committee the report will be consiered by the LTPFPC on 29 October where the Annual Report will need to be recommended to Council to adopt on 31 October.

21. The Annual Report and Summary Annual Report will be made publically available within one month of the adoption of the Annual Report.

22. Achieving the deadlines requires a strong working relationship with Audit NZ. We have been proactively working with Audit NZ to meet the deadlines. The actions agreed include;

- early release of the Audit NZ dashboard so both Council and Audit NZ are aware of the requirements early. The agreement is for this to occur in early July if not before. Audit NZ have noted that they have increased resourcing to accommodate this
- Audit NZ have requested that they move as much work as possible to the interim audit, scheduled in May, relieving pressure at the final audit
- In agreement with Audit NZ, the timetable for non-finanical audit has been brought forward to enable the financial statement audit to occur later in the process when the data has been finalised. Both the Financial Accounting and Reporting teams have confirmed this is more beneficial from a resourcing and infomation availability perspective.

Annual Report and Summary structure and approach

23. The Annual Report will comprise of five sections (plus appendices): Our City, Summary of our year, Our performance in detail, Governance and management and Financial Statements.

24. The Summary Annual Report comprises of an introduction, an overview, highlights of the year of our financial and non-financial performance, an overview of the financial result (with reference to the Financial Statements in the full Annual Report), and independent auditors report.

25. The visual and layout elements of both the full Annual Report and the Summary will support a concise overall performance story and a structure that is intuitive and easily navigated by a variety of audiences. We will continue to use Te reo headings and translations of the Mayor and Chief Executive's Statements.

26. An Annual Report must include an audited funding impact statements. One statement is prepared for the whole of the Council's activities and individual statements are prepared for each strategic activity. In previous years these were presented in volume two alongside the financial statements.

27. Officers are giving an early indication that we are proposing a change to volume one in that the funding impact statement will be presented in place of the current cost of service statements within each strategic activity section. We will provide more detail at the August audit and risk committee meeting as part of the volume one proforma update.

28. For this financial year, there are currently no plans to include any new climate related disclosures in the Annual Report. However the Council will continue to consider the impacts of climate-related risks on the financial statements. Climate-related risks can affect the assumptions and estimates (eg useful lives of assets) that underpins accounting treatment and financial statement disclosures.

29. After considering Committee feedback on previous years report's officers have moved to a more project managed and co-ordinated approach to deliver the 2023/24 Annual Report. This is also in recognition of the high workload on the teams currently working to deliver the Long-term Plan.

30. This apporach will help the development of the performance story both for the overall Council results and within each strategic activity area to be told with consistency and in a wholesome manner between levels of service and financial results.

31. Officers are working to proactivly complete administrative contents of the report early such as ELT and Elected Member profiles and other such content in order to ensure resources are available at the conclusion of the process to focus on the provision of audited material.

Overview of the proforma financial statements

32. The proforma financial statements (attachment 2) are a template for the financial statements for the year-ended 30 June 2024. They have been drafted by the Council's Financial Accounting team.

33. The proforma financial statements have been prepared where possible using plain English explanations. However, given the complexity of Council operations and the requirements of accounting standards, they will include some technical explanations that only experienced readers of financial statements will easily understand.

34. The proforma financial statements follow the same format and principles of the previous year's Annual Report. The proforma's have been thoroughly reviewed by the Financial Accounting and Treasury teams and updates with editorial changes made with simplicity and transparency in mind. We have removed duplicat accounting policy disclosures by referencing to the related Note.

35. Amounts refered to in the written commentry will now be presented to one decimal place (e.g. $125.4m). Previously this was recorded to three decimal places (e.g. $125.436m). This change is intended to enhance readabilty and the presentation is consistent with other comparative Councils. There is no change proposed for the tables, these will contine to be reported in the thousands ($000's).

36. The sections highlighted in yellow are disclosures relating to the previous financial year. These sections are yet to be updated but have been kept in the proformas as a placeholder to provide the Committee with an indication of the type of information that will be disclosed.

37. There are no new accounting standards identified that are required to be adopted, or elected to be early adopted, for this finanical reporting period that have a material impact on the Council's financial statements.

38. The proforma financial statements have been prepared on the basis that there are no changes to accounting policies from the prior period. Please note there is a separate paper prepared for the Unaunahi Māhirahira | Audit and Risk Committee regarding a proposed change in accounting policy on accounting for interest costs incurred on borrowings during the asset construction and capital projects works in progress.

39. The proforma financial statements have not been reviewed by Audit NZ. This will be completed as part of the final audit process. Their feedback will be incorporated into the draft financial statements and any material changes will be explained at the Annual Report workshop to be scheduled in September 2024.

Revaluation progress update

40. The financial statements for the year ended 30 June 2024 will include a full revaluation for the investment properties portfolio and water infrastructure assets (drainage, water and waste). We anticipate all final revaluation reports will be issued in late June 2024.

41. CBRE are undertaking the revaluation on the Council's investment properties. The first draft of the investment properties (ground leases and waterfront properties) revaluation is expected to be received in May 2024 for the Financial Accounting team's detailed review.

42. WSP are undertaking the revaluation on the Council's water infrastructure assets. The water infrastructure assets were last revalued as at 30 June 2022 by WSP. Infrastructure assets are revalued every three years, unless there is an indication of a material movement in fair value which would require the need for an out-of-cycle revaluation. Our interim assessment indicated a material movement in fair value and therefore the need to undertake a full revaluation in year two of the three-year cycle. The first draft of the water infrastructure assets revaluation is expected to be received at the end of May 2024 for the Financial Accounting team's detailed review.

43. Roading infrastructure assets were last revalued as at 30 June 2022 by WSP. Council's interim fair value assessment indicated that the predicted change in fair value is not material to require a full revaluation. Consistent with the prior year, WSP have been engaged to provide an external fair value assessment as at 30 June 2024 to provide comfort that there has not been a material change in fair value.

44. If WSP's fair value assessment does indicate a material change in fair value, then we would use WSP's desktop exercise valuation to record an interim uplift in fair value.

45. Operational land and buildings were last revalued as at 30 June 2023 by CBRE. Council's internally prepared interim fair value assessment has indicated there has been no material change in fair value. Council will engage CBRE to review our final internal assessment to provide comfort over our findings and recommendation that a revaluation is not required.

Ngā mahinga e whai ake nei | Next actions

- Council officers will continue to work closely with Audit NZ over the coming months particuarly in the delivery of the interim audit.
- At the next Audit and Risk Committee in August, officers will present the volume one proformas and provide an update on progress on the Annual Report, including financial statements, process and any emerging issues.
- The Council's Financial Accounting team will incorporate any feedback on the proformas into the draft financial statements.

Attachments

Audit New Zealand
Mana Arotake Aotearoa

Audit plan

Wellington City Council

For the year ending 30 June 2024

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Audit plan

I am pleased to present our audit plan for the audit of Wellington City Council (the City Council) for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Karen Young
Appointed Auditor
Draft – 13 February 2024

1

Audit risks and issues

Focus areas

Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
Qualified performance measures	
In the previous two years we issued a qualified opinion on the statements of service provision on the following performance measures: • **Waste reduction and energy conservation** *WCC Group GHG emissions (tCo2-e) decreasing (LTP Year 1 to 10) target – "achieve 2050 target"* In measuring the GHG emissions associated with certain goods and services purchased by the City Council, including capital goods, the City Council has relied on spend based emissions factors based on 2015 data. There is insufficient evidence to show that these factors are relevant for use in measuring the City Council's GHG emissions for the years ended 30 June 2023, and we were unable to obtain sufficient alternative evidence to conclude that the reported performance is materially correct. For this reason, the reported results for the performance measure was qualified. Our opinion on this performance measure was also qualified in 2022 on the basis that that City Council had relied on spend based emissions factors based on 2007 data in that year.	**Waste reduction and energy conservation** We will: • obtain an understanding of any changes to the City Council's approach to measuring the Council's GHG emissions; • obtain an understanding whether updated factors were used and what they were based on; and • perform planned audit work including sample testing and getting relevant confirmations from external providers. **Meeting customer expectations – Water supply, Wastewater and Stormwater** We will: • continue discussions with the City Council about how this matter has progressed and its plans to resolve the issues identified in the past; • based in the above, test the number and classification of complaints at the City Council; • review the reconciliation between the number and classification of complaints at the City Council and that received by Wellington Water; and

Audit risk/issue	Our audit response
• **Meeting customer expectations – Water supply, Wastewater and Stormwater** ○ *Water: Number of complaints about the drinking water's clarity, taste, odour, pressure or low, continuity of supply, and supplier responsiveness.* ○ *Wastewater: The total number of complaints received by the territorial authority about any of the following: sewage odour, sewerage system faults, sewerage system blockages, and the territorial authority's response to issues with its sewerage system.* ○ *Stormwater: The number of complaints received by a territorial authority about the performance of its stormwater system.* The City Council was unable to provide a complete record of all complaints received as some complaints were made directly to Wellington Water and were unable to reconcile its information with that held by Wellington Water.	• we will continue engagement with the Wellington Water auditor to seek assurance over the performance information which the City Council will rely on for its performance reporting. • If the issues identified in the past are not addressed and improvements made, our audit opinion may continue to be qualified for these measures.
Valuation of investment property	
The City Council revalues its investment property annually. The relevant accounting standard is *PBE IPSAS 16 Investment Property.* The fair value of investment properties needs to reflect the market conditions as at reporting date. Given the volatility in the property market there is potential for large valuation movements year on year, which need to be accounted for. Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a significant misstatement in the value of investment property.	We will: • review the valuation report and hold discussions with the City Council and the valuer to confirm our understanding; • review the valuation report to assess whether the requirements of PBE IPAS 16 (including the appropriateness of the valuation basis) have been met; • evaluate the qualifications, competence and expertise of the external valuer; • review the valuation method and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the data and key assumptions used; and • review the accounting entries and associated disclosures in the annual report against relevant accounting standards.

Audit risk/issue	Our audit response
Revaluation of property, plant and equipment (revaluation year)	
The City Council's policy is to revalue its three water assets every three years. The last revaluation was completed two years ago (as at30 June 2022). In between revaluations, the City Council determines whether there is likely to be a significant difference between the asset's fair value and the carrying value that would trigger the need for a full revaluation. Based on this determination, there are indications of material changes to the fair value of three water assets. Consequently, the City Council has decided to bring forward its three waters revaluation to 30 June 2024.	For three water assets we will: • assess the valuation process, including the competence and experience of the person completing the valuation; • review the valuation report to assess whether the requirements of PBE IPAS 17 *Property, Plant and Equipment* (including the appropriateness of the valuation basis) have been met; • ensure the method of valuing the infrastructure assets and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the data and key assumptions used; • ensure the information on the condition of assets for the three waters have been taken into consideration; and • use an independent valuer to review the main assumptions, judgements, procedures used to value the assets, and the reasonableness of revalued amount of the assets; and • assess the presentation and disclosure of information related to the valuation in the financial statements.
Fair value assessment of property, plant and equipment (non-revaluation year)	

Audit risk/issue	Our audit response
The City Council revalues its infrastructure assets (three waters assets and roading assets) on a three year rolling cycle. Infrastructural assets were last revalued at 30 June 2022 and operational land and buildings were last revalued at 30 June 2023. For those assets that are not due to be revalued, accounting standards require the City Council to perform a comprehensive analysis to determine whether there is a significant difference between the fair value and the carrying value that would trigger the need for the City Council to revalue (a fair value assessment). Accounting standards also require the City Council to complete an assessment of whether there are potentially any indications of impairment (an impairment assessment), and whether an adjustment is needed to the value of any assets as a result of this. Management should perform a fair value assessment as at 30 June 2024 by (where relevant) taking into account market values of assets applying relevant cost indices taking into account the cost pressures and significant constraints that exist within New Zealand and Wellington's construction industry and the limited availability of resources in the sector (including various trades and project managers).	We will review the robustness of the City Council's assessment of whether the asset class's fair value has significantly moved compared with its carrying value. This will include considering the appropriateness of the City Council's methodology and key assumptions and judgements, and give consideration to and assess the appropriateness of the indices used. Additionally, for infrastructural fair value assessments, management needs to: • factor in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing construction projects; this should be factored into the analysis; • consult with the valuers who performed the valuation in 2022 and fair value assessment in 2023 - they will have construction cost data available which will further improve the City Council's assessment; and • take into account the condition and any condition assessments completed on the three water assets and impact on remaining useful lives. As movement assessments have a level of rigor and complexity to ensure that an assessment complies with the relevant accounting standards. A level of professional judgement is required. The City Council should take this into consideration and engage an external valuer to assist with making the material movement assessment or peer review the City Council's assessment.
Accounting for impairment and capitalisation of work in progress	
Assets held at cost are required to be assessed for indicators of impairment on an annual basis, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project. The City Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that	We will follow up with the City Council and its processes for assessing impairment of assets held at cost and all significant WIP balances and capitalisation of work-in-progress. We will also test the impairment assessments.

5

Audit risk/issue	Our audit response
depreciation expense on these assets is recognised and accounted for appropriately. The City Council will need to complete an assessment of impairment of assets (as above) and all significant WIP balances.	
Collecting rates on behalf of another council	
In August 2023, Greater Wellington Regional Council (GWRC) announced a rates collection error which occurred for four years since 2019/20. This relates to GWRC rates collected on its behalf by the City Council. While GWRC correctly struck the rates and the City Council collected the correct amount in total, an error in the application of a differential has meant that different categories of ratepayers have either overpaid or underpaid their rates when compared to the rates resolution. We expect councils to have controls in place to ensure that the correct rates are collected from the correct parties/categories and that these controls extend to cover situations where one council is collecting rates on behalf of another.	We will discuss with the City Council and its processes for ensuring that the correct rates are collected from the correct parties/categories.
Holidays Act 2003 compliance	
During 2019/20, the City Council completed a review of payroll processes, which identified instances of non-compliance with the Holidays Act 2003 (the Act). In 2023, we confirmed that the City Council is still in the process of determining the amount for the Holiday Act Provision: The remediation calculation model has been built and is undergoing user acceptance testing. A reliable estimate of the liability is not yet available. The Holiday Act provision cannot be quantified and the issue has been disclosed as a non-quantifiable contingent liability. We will specifically consider whether further and reliable information is available to allow the City Council to reliably measure a provision.	We will: • meet with the project team to obtain an update on the progress of the project; • review the information and calculations available; and • review appropriateness of the accounting and disclosure based on above understanding and information.

Audit risk/issue	Our audit response
Water services	
On 12 February 2024, the Government provided an update on progress and outlined the plan for the next 12-18 months to implement Local Water Done Well. The Government will pass a bill that will repeal the previous Government's water services legislation by 23 February 2024. Further legislation to implement Local Water Done Well will progress in a two-stage approach. The first bill, which will establish the framework and transitional arrangements for the new water services system, will be passed by the middle of 2024. A second bill to provide for the long-term replacement regime will be introduced in December 2024. The City Council should ensure that there is sufficient disclosure about the impacts of the water services legislation (to the extent the impact is known) within the financial statements.	Because the impact could be significant, but is uncertain, an emphasis of matter paragraph in the audit report for this year end is likely.
Accounting for items from major litigation activity	
The City faces a number of on-going legal issues and court cases. The City Council will need to consider the accounting and disclosure implications of these legal issues and cases when preparing the financial statements. Determining whether there is a contingent liability requiring disclosure in the financial statements generally requires judgement given the specific circumstances and facts of the legal matter. We will specifically consider whether further information is available to allow the City Council to reliably measure a provision.	Our audit response to this risk includes: • understanding the City Council's approach to monitoring the litigation activity and how it makes decisions as to whether a contingent liability (and/or asset) or provision should be disclosed, including the City Council's involvement in this; • obtaining confirmation from the City Council's external legal advisers as to the legal matters they have assisted the City Council with during the financial year their assessment of the likely outcome; • determining any likely financial impact of this outcome; and • discussing the status of the litigation with the City Council's internal legal counsel and external legal advisors.

7

Audit risk/issue	Our audit response
Mixed group (for-profit and public benefit entity) issues – refer also to the section on Group audits in this Audit Plan	
We have assessed Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit. WIAL is a for-profit entity and the City Council group is a public benefit entity. Different accounting standards apply to public benefit entities and for-profit entities resulting in differences in the treatment of certain transactions and events. There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.	The City Council will have to consider whether there are any consolidation adjustments that will be necessary to adjust WIAL figures to comply with PBE IPSAS.
Accounting implications of arrangements with government, non-government organisations and private sector	
To deliver on the City Council's 2021-31 Long Term Plan the City Council indicated that they may enter into arrangements with government, non-government organisations and private sector.	We will: • obtain an update on these projects and arrangements from the City Council, gain an understanding of these arrangements and discuss with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements; • review any accounting, tax, legal or other technical advice received by the City Council for these arrangements; and • determine whether the tax and accounting treatment and disclosures were appropriate and in line relevant accounting standards.
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit response to this risk includes: • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; • and evaluating any unusual or one off transactions, including those with related

Audit risk/issue	Our audit response
Auditing standards require us to treat this as a risk on every audit.	parties.
Procurement	
A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought. The City Council's major projects involve significant procurement decisions and the City Council needs to ensure that lower value procurements (including contract variations) are subject to robust procurement practices. Procurement planning should be considered alongside the Procurement Strategy and Broader Outcomes Framework, and procurement undertaken in line with the Procurement Policy. Non-compliance with the City Council's policies and guidance and good practice results in poor procurement decisions and outcomes (including waste and unmanaged probity risks).	We will: • discuss and review any updates to the control environment around procurement; • consider how the City Council is addressing emerging risks and issues; and • update our understanding of significant procurements undertaken during the year to determine an appropriate level of audit focus and if appropriate, review the application and effectiveness of procurement practices in place for a sample of procurements. Any new areas of focus will be discussed at the time with the City Council.
Contract management	
The City Council has many significant contracting or funding arrangements in place for the delivery of goods and services. The contract management policies and procedures that underpin the Council's significant contract management activities are key aspects of the Council's control environment. It is important that the City Council has effective contract management arrangements in place and follows good contract management practice. This should ensure that both the City Council and suppliers are able to meet their respective contractual obligations and that the contracts deliver the intended outcomes.	We will: • discuss and review any updates to the control environment around contract management; and • update our understanding of significant contracts entered into during the year to determine an appropriate level of audit focus and if appropriate, review the application and effectiveness of contract management practices in place for a sample of contracts.
Project, programme and portfolio management	
The City Council has a number of significant projects and programmes underway at various stages, from strategic assessment through to completion. It is important that the City Council has appropriate governance and management arrangements in place to effectively manage significant projects and programmes and realise the expected benefits.	We will: • update our understanding of key projects and programmes and follow up on progress made against our previous recommendations. Our work will involve understanding the City Council's systems, processes and controls in place to ensure

Audit risk/issue	Our audit response
Similarly, the City Council also needs to ensure that good practice project management practices are applied to small and medium size projects, appropriate to their risk and complexity. Project and programme management practices should be considered in light of our reported findings and recommendations to date in this area.	projects and programmes are appropriately managed; • and update our understanding of how the City Council is lifting its project, programme and portfolio management maturity, including implementing the Project Management Office's (PMO) phased model.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council (as the governing body), with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, does the Council have the results of management's investigation been reported to ? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit

The Wellington City Council group comprises of the City Council and the following entities:

- Karori Sanctuary Trust
- Wellington Museums Trust
- Wellington Cable Car
- Wellington Waterfront Limited
- Wellington Economic Development Agency Limited
- Wellington Zoo Trust
- Creative HQ Limited
- Chaffers Marina Holdings Limited (including its subsidiary, Chaffers Marina Limited)
- Wellington International Airport Limited
- Wellington Water Limited
- Te Toi Mahana

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component (other than the City Council which is set out in the earlier sections of the Audit Plan).

Significant component	Work to be performed
Wellington International Airport Limited (WIAL)	This component will be audited by a different Appointed Auditor from another Audit Service Provider, KPMG. WIAL is a for-profit entity. There are no new for-profit standards in the current year. Group instructions will be issued to the component auditor that will specify information we require. We will review the results of KPMG's audit and consider if any of their findings impacts our audit of the group.

Significant component	Work to be performed
	We will obtain WIAL's audited financial statements and confirm the audited results have been appropriately consolidated into the City Council's group financial statements.

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

Our audit process

Initial planning	Initial planning activities include verifying compliance with independence requirements and building the audit team.
Understand your business and environment	We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the City Council, your business, and the environment you operate in.
Assess audit risk	We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.
Evaluate internal controls	We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.
Finalise the audit approach	We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.
Gather audit evidence	During the final audit we audit the balances, disclosures, and other information included in the City Council's financial statements and performance information.
Conclude and report	We will issue our audit report on the financial statements and performance information. We will also report to the Council any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly, and we will work with management to bring forward the timing of audit procedures.

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures to earlier in the year. This will be focused on:

- year-to-date transactions for revenue, operating expenditure and payroll;
- valuation of investment properties;
- rating questionnaire and audit tests;
- revaluation of three water assets;
- fair value assessment of property, plant and equipment;
- impairment assessments for property, plant and equipment.

Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The City Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the City Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall group materiality** for the financial statements at $1,102m (2023: $1,049m) based on budgeted property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall group materiality to the fair value of property, plant and equipment.

For this audit we have set a lower, **specific group materiality** of $23.5m (2023: $21.8m) for all items not related to the fair value of property, plant and equipment.

We have set **overall parent materiality** for the financial statements at $1,225m (2023: $1,023m) based on budgeted total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the fair value of property, plant and equipment. We have set a lower, **specific materiality** of $24.5m (2023: $21.3m) for all items not related to the fair value of property, plant and equipment.

	2024	2023
Overall group materiality	1,102,910,000	$1,049,210,000
Specific group materiality	$23,575,000	$21,800,000
Group clearly trivial threshold	$1,225,000	$1,023,000
Overall parent materiality	1,102,900,000	$1,022,980,000
Specific parent materiality	$24,500,000	$21,300,000
Parent clearly trivial threshold	$1,225,000	$1,065,000

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

> **Misstatements**
>
> Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

We will report all uncorrected misstatements to the other than those that are **clearly trivial**. We consider misstatements of less than $1.2m (2023: $1m) to be clearly trivial for the **group** financial statements and misstatements of less $1.2m (2023: $1m) to be clearly trivial for the **parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the on the reasons why the corrections will not be made.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the City Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the City Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Ref. in Annual Plan	Material measure	Materiality % of the reported result
2.2	**Waste reduction and energy conservation** WCC Group GHG emissions (tCo2-e) decreasing.	8%
2.3	**Water – *Clean and safe*** Compliance with Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 bacterial compliance criteria and Part 5 protozoal compliance criteria) *(Mandatory measure).*	0%
	Water – *Meeting customer expectations* Number of complaints about the drinking water's clarity, taste, odour, pressure or low, continuity of supply, and supplier responsiveness, expressed per 1000 connections *(Mandatory measure).*	5%
	Water – *Efficiency and sustainability* Percentage of real water loss from networked reticulation system (*Mandatory measure).*	5%
	Water – Continuity of supply and resolution of faults Median response time for resolution for urgent call outs (*Mandatory measure).*	5%
2.4	**Wastewater – *Compliance and sustainability*** Dry weather wastewater overflows, expressed per 1000 connections (*Mandatory measure).*	5%
	Wastewater – *Compliance and sustainability* (*Mandatory measure)* Compliance with the resource consents for discharge from the sewerage system, measured by the number of: • abatement notices; • infringement notices; • enforcement orders; and • convictions received by the territorial authority in relation to those resource consents.	0%

18

Ref. in Annual Plan	Material measure	Materiality % of the reported result
	Wastewater – *Meeting customer expectations* The total number of complaints received by the territorial authority about any of the following: • sewage odour; • sewerage system faults; • sewerage system blockages; • the territorial authority's response to issues with its sewerage system; expressed per 1000 connections to the territorial authority's sewerage system *(Mandatory measure).*	5%
	Wastewater – *Continuity of service and resolution of faults* Median response time for wastewater overflows (*Mandatory measure)* (resolution time).	5%
2.5	**Stormwater – *Continuity of service and resolution of faults*** (*Mandatory measure)* Compliance with the resource consents for discharge from the stormwater system, measured by the number of: • abatement notices; • infringement notices; • enforcement orders; and • convictions.	0%
	Stormwater – *Meeting customer expectations* Number of complaints about stormwater system performance per 1000 connections (*Mandatory measure).*	5%
7.1	**Outcome measure - *Economic*** Residents' perceptions that the transport system allows ease of access to the City.	8%
	Road safety The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	8%
	Road condition The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8%

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the City Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the City Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the City Council

We will meet with management and the City Council's audit committee throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are "no surprises".

Reports to the City Council

We will provide a draft of all reports to management for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to the City Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team

Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Karen Young	Appointed Auditor
Ingrid Harris	Second Director
Chris Webby	Engagement Quality Review Director
Leticia Chettiar	Audit Manager
Mhlengi Dubazane	Audit Manager
Janet Gan	Supervisor
Dieter Rohm	Director, Information Systems Audit and Assurance
Robyn Dearlove	Manager, Information Systems Audit and Assurance
Martin Richardson	Director, Audit Services/Specialist Audit and Assurance Services
Lam Nguyen	Manager, Specialist Audit and Assurance Services
Jason Biggins	Tax Director

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable

Based on our discussions with the City Council, we have confirmed that our timetable is:

Matter	Date in 2024	Audit NZ	City Council
• Risk assessment and planning	Up to May	✓	✓
• Interim and pre-final audit	20 – 31 May	✓	✓
• Final audit	12 August – 27 September	✓	✓
• Wrap up and reporting	1 - 5 October	✓	
Financial statements			
• Draft financial statements available	26 August		✓
• Provide feedback on financial statements	27 September	✓	
• Final financial statements agreed between us available	5 October		✓
Performance information			
• Draft statement of service provision available	12 August		✓
• Provide feedback on statement of performance provision information	27 September	✓	
• Final statement of performance provision agreed between us available	5 October		✓
Annual report			
• Full annual report available for audit (draft)	22 September		✓
• Feedback on annual report	5 October	✓	
• Final annual report (inclusive of all changes agreed between us) available	9 October		✓
• Verbal clearance on annual report	17 October	✓	
• Audit opinion provided in draft	18 October	✓	
• Representation letter issued to Council for signing by Mayor and Chief Executive	18 October	✓	
• Audit opinion issued	21 October	✓	

23

Matter	Date in 2024	Audit NZ	City Council
Reporting to the Council			
• Paper on the status of the audit and any significant issues arising from the interim/pre-final audit management report	8 July	✓	
• Final management report to the Council issued in draft for management's comments	31 October	✓	
Audit and Risk Committee meeting			
• Audit Plan 2023	14 February	✓	
• Memo on audit progress, and any significant matters the Committee should be made aware of	For each such Committee meeting	✓	✓
• Finalised management report inclusive of management comments	20 November	✓	✓
Summary annual report			
• Summary annual report available	To be agreed	✓	✓
• Feedback on Summary annual report		✓	
• Final Summary annual report (inclusive of all changes agreed between us) available			✓
• Verbal clearance on Summary annual report		✓	
• Audit opinion provided in draft		✓	
• Representation letter issued to Council for signing by Mayor and Chief Executive		✓	
• Audit opinion issued on Summary annual report		✓	

AuditDashboard

In previous years, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfill requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

Expectations

For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

Health and safety

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.parliament.nz
PO Box 99
Wellington 6140
Phone: 04 496 3099

Proforma

2023/24

Annual Report

Financial Statements for Council and Group

Ihirangi | Contents

Statement of Compliance and Responsibility

Reporting entity

Wellington City Council (the Council) is a territorial local authority established under the Local Government Act 2002 (LGA 2002) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA 2002 and the Local Government (Rating) Act 2002.

The primary purpose of the Council and Group is to provide goods or services for community or social benefits rather than making a financial return. As a defined public entity under the Public Audit Act 2001, the Council is audited by the Office of the Auditor General and is classed as a Public Sector Public Benefit Entity (PBE) for financial reporting purposes.

The reported Council figures include the results and operations of Wellington City Council and the Council's interests as disclosed in *Note 36: Joint operations* (page X).

The reported Group figures include the Council, its controlled entities as disclosed in *Note 20: Investments in controlled entities* (page X) and the Council's equity accounted interest in the associates and joint venture as disclosed in *Note 21: Investments in associates and joint venture* (page X). A diagram of the Council and Group is included on page X.

Compliance

The Council and management of Wellington City Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in Schedule 10 of the LGA 2002, including the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) have been complied with. Reporting obligations in relation to the Local Government (Financial Reporting and Prudence) Regulations 2014 have been met.

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE Accounting Standards) for a Tier 1 entity and were authorised for issue by the Council on XX October 2024.

Responsibility

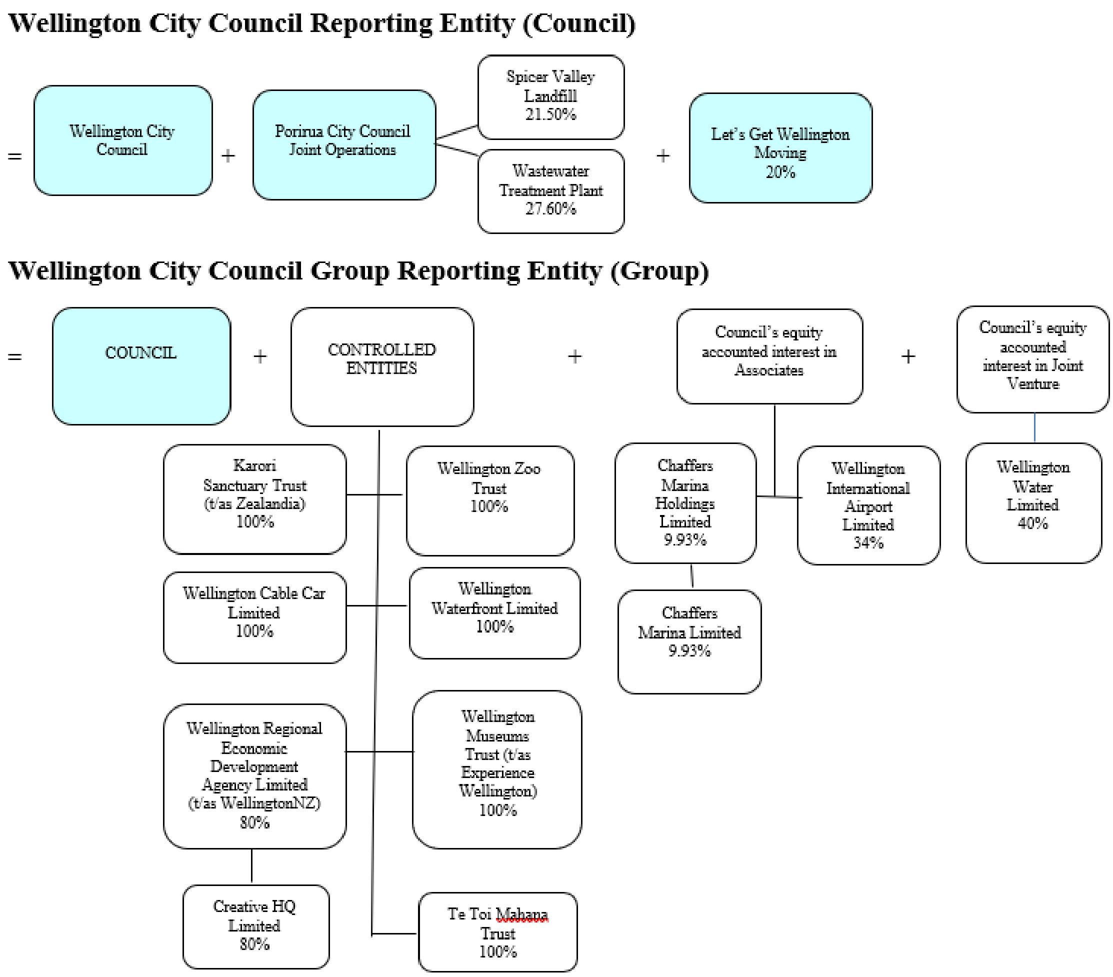
The Council and management accept responsibility for the preparation of the annual financial statements and judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability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

In the opinion of the Council and management, the Annual Report for the year ended 30 June 2024 fairly reflects the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Tory Whanau **Mayor**	**Barbara McKerrow** **Chief Executive**	**Andrea Reeves** **Chief Financial Officer**
_______________ XX October 2024	_______________ XX October 2024	_______________ XX October 2024

Council and Group structure

Figure 1: Reporting entity structures



These charts represent the Council and Group financial reporting structure.

Te Toi Mahana was established as a Charitable Trust by the Council in February 2023. It became a registered Community Housing Provider with the Community Housing Regulatory Authority in July 2023. For the purposes of financial reporting, it meets the definition of a controlled entity pursuant to PBE IPSAS 35 *Consolidated Financial Statements* and therefore requires consolidation into the Group. However, Te Toi Mahana is not a Council-controlled organisation under the LGA 2002.

All entities included within the Group are domiciled and operate in the Wellington region, New Zealand. The interest in Let's Get Wellington Moving (LGWM) represents Council's overall interest in this joint operation until the arrangement ceased on 31 March 2024.

The percentages quoted represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group. Refer to Notes 20, 21 and 36 (page X, X and X) for more information.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Council and its Group.

Joint arrangements

Joint arrangements are arrangements where two or more parties have joint control. The accounting treatment can vary according to the structure of the arrangement. There are two types of joint arrangements, either a joint operation or a joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In the Council's financial statements, the investments in joint ventures are carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, revenue, expenses and cash flow of a joint venture is included on an equity accounting basis as a single line.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For a joint operation the Council reflects its share of any surplus or deficit.

The Council's proportionate interest in the assets, liabilities, revenue, expenses and cash flows of joint operations is included in the financial statements of the Council and Group on a line-by-line basis.

Controlled entities

Controlled entities are entities that are controlled by the Council. Control over an entity is determined when the Council has exposure, or rights, to variable benefits (either financial or non-financial) from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by the Council.

In the Council financial statements, the investments in controlled entities are carried at cost. In the Group financial statements, controlled entities are accounted for using the purchase method where assets, liabilities, revenue and expenditure are added on a line-by-line basis. Where a non-controlling interest is held by another party in a Council-controlled entity, the controlled entity is consolidated as if it was fully controlled and the share of any surplus or deficit attributable to the non-controlling interest is disclosed within the Statement of Comprehensive Revenue and Expense.

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

Associates

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

Council-controlled organisations

The Council has established several Council-controlled organisations (CCO) and Council-controlled trading organisations (CCTO) to help it achieve its goals for Wellington. These organisations were set up to independently manage Council facilities or deliver specific services and developments on behalf of Wellington residents. The performance of each CCO is reported on in Volume 1 of the Annual Report in Section 4: Our performance in detail page X to X. The Council has made appointments to other organisations, which make them Council organisations (as defined in the LGA 2002), but they are not Council-controlled or part of the Group for financial reporting purposes.

Basis of reporting

This section contains the significant accounting policies of the Council and Group that relate to the financial statements as a whole. Significant accounting policies relating to specific account balances are included in the related note disclosures.

Basis of preparation

Measurement base

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

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

Amounts expected to be recovered or settled more than one year after the end of the reporting period are recognised at their present value. The present value of the estimated future cash flows is calculated using applicable inflation factors and a discount rate.

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

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

Exchange and non-exchange transactions

Revenue from exchange transactions

Revenue from exchange transactions arises where the Council provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm's-length transaction (primarily in the form of cash in exchange).

Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. Revenue from non-exchange transactions arises when the Council receives value from another party without giving approximately equal value directly in exchange for the value received.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Approximately equal value

Approximately equal value is considered to reflect a fair or market value, which is normally considered as an arm's-length commercial transaction between a willing buyer and willing seller. Some goods or services that the Council provides (for example, the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by the Council operate on a full user pays (for example, parking services), cost recovery or breakeven basis and these are exchange transactions unless they are provided at less than active and open market prices.

Most of the services that the Council provides, for a fee, are subsidised by rates (for example, the cost to swim in a Council pool) and therefore do not constitute an approximately equal exchange. Accordingly, most of Council's revenue is categorised as non-exchange.

Foreign currency balances and transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZD using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Change of accounting policies

There have been no changes to accounting policies during the financial year.

Changes to PBE accounting standards

Standards issued but not yet effective, and not early adopted

- Disclosure of Fees for Audit Firm's Services (Amendments to *PBE IPSAS I – Presentation of financial reports)*

The amendments require an entity to describe the services provided by its audit or review firm and to disclose the fees incurred by the entity for those services. The mandatory adoption date is for accounting periods beginning on or after 1 January 2024. There will be no financial effect on the financial statements as the requirement is only for greater disclosure of incurred expenses.

There are no other standards that have been issued but not yet effective that are expected to have a significant impact on these financial statements.

Judgements and estimations

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

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

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

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

Goods and Services Tax (GST)

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

Budget figures

The 2023/24 Annual Plan (AP) budget figures included in these financial statements are for the Council as a separate entity. The AP figures do not include budget information relating to controlled entities, associates or joint ventures. These figures are those approved by the Council at the beginning of each financial year following a period of consultation with the public as part of the LTP or AP process. These figures do not include any additional expenditure subsequently approved by the Council outside the LTP or AP process. The AP figures have been prepared in accordance with GAAP and are consistent with the accounting policies adopted by the Council in the preparation of these financial statements.

Comparatives

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

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

Statement of Comprehensive Revenue and Expense

Table X: Statement of Comprehensive Revenue and Expense for the year ended 30 June 2024		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Revenue						
Rates	1		481,110	424,990		424,990
Revenue from operating activities						
Development contributions	2		3,500	4,739		4,739
Grants, subsidies and reimbursements	2		184,634	38,463		47,533
Other operating activities	2		174,811	168,419		185,061
Investments revenue	3		22,427	33,040		12,640
Vested assets and other revenue	4		2,063	21,360		21,372
Fair value movements - gains	5		13,883	68		171
Finance revenue	6		13	8,041		8,869
Total revenue		**-**	**882,441**	**699,120**	**-**	**705,375**
Expense						
Fair value movements - losses	5		-	(13,607)		(13,607)
Finance expense	6		(60,972)	(52,085)		(52,097)
Expenditure on operating activities	7		(560,161)	(511,336)		(535,864)
Depreciation and amortisation expense	8		(196,468)	(196,318)		(197,032)
Total expense		**-**	**(817,601)**	**(773,346)**	**-**	**(798,600)**
Operating surplus/(deficit)		**-**	**64,840**	**(74,226)**	**-**	**(93,225)**
Share of equity accounted surplus/(deficit) from associates and joint venture	9	-	-	-		7,627
Net surplus/(deficit) before taxation		-	64,840	(74,226)	-	(85,598)
Income tax credit/(expense)	10		-	20		(304)
Net surplus/(deficit) for the year		**-**	**64,840**	**(74,206)**	**-**	**(85,902)**
Net surplus/(deficit) attributable to:						
Wellington City Council and Group		-	64,840	(74,206)	-	(85,811)
Non-controlling interest		-	-	-		(91)
		-	**64,840**	**(74,206)**	**-**	**(85,902)**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Table X: Statement of Comprehensive Revenue and Expense - continued		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Refer	$000	$000	$000	$000	$000
Net surplus/(deficit) for the year		**-**	**64,840**	**(74,206)**	**-**	**(85,902)**
Other comprehensive revenue and expense [1]						
Items that will be reclassified to surplus/(deficit)						
Cash flow hedges:						
Fair value movement - net	**SCIE [2]**		-	15,556		15,556
Share of other comprehensive revenue and expense of associates and joint venture:						
Fair value movement - net	**SCIE**		-	-		1,588
Fair value through other comprehensive revenue and expense:						
Fair value movement - net	**SCIE**		-	34		(205)
Items that will not be reclassified to surplus/(deficit)						
Revaluations:						
Fair value movement - property, plant and equipment - net	**SCIE**		-	(59,615)		(59,615)
Share of other comprehensive revenue and expense of associates and joint venture:						
Fair value movement - property, plant and equipment - net	**SCIE**		-	-		33,015
Total other comprehensive revenue and expense		**-**	**-**	**(44,025)**	**-**	**(9,661)**
Total comprehensive revenue and expense for the year		**-**	**64,840**	**(118,231)**	**-**	**(95,563)**
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	64,840	(118,231)	-	(95,472)
Non-controlling interest		-	-	-		(91)
		-	**64,840**	**(118,231)**	**-**	**(95,563)**

1. Other comprehensive revenue and expense is non-cash in nature and only reflects changes in equity.
2. Statement of Changes in Equity – see page X

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Statement of Comprehensive Revenue and Expense - Major budget variations

Budget figures are for Council only and not the Group.

Significant variations from budgeted revenues and expenses are as follows:

Revenues were [*insert amount and direction*] than budgeted. The major variances included:

- .

Expenses were [*insert amount and direction*] than budgeted. The major variances included:

- .

Net finance expense was [*insert amount and direction*] than budgeted reflecting [*insert reason*].

Other comprehensive revenue and expense was [*insert amount and direction*] than budgeted. The major variances included:

- .

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

Note 1: Rates revenue

Table X: Rates revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
General rates		267,087	-	267,087
Targeted rates		138,633	-	138,633
Metered water supply		17,441	-	17,441
Penalties and adjustments		1,829	-	1,829
Total rates revenue	-	**424,990**	-	**424,990**

The total amount of rates charged on Council-owned properties that have not been eliminated from revenue and expenditure is [insert amount] (2023: $17.2m). For the Group, rates of [insert amount] (2023: $17.3m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held at the end of the year immediately prior to the new rating year.

Table X: Rates revenue billing basis	As at 30 June 2023	As at 30 June 2022
Number of rating units		81,155
Total capital value of rating units		$123,408.7m
Total land value of rating units		$78,971.0m

Rates remissions

Revenue from rates is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting year ended 30 June 2024 totalled $[insert amount] (2023: $2.2m).

Non-rateable land

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

Relevant significant accounting policies

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full at the date when rate assessment notices are sent to the ratepayers. Rates are a tax as they are payable under the Local Government (Rating) Act 2002 and therefore meet the definition of non-exchange.

Water rates by meter are regulated in the same way as other rates and are taxes that use a specific charging mechanism to collect the rate. However, as the rates charged are primarily based on a per unit of consumption basis, water rates by meter are considered to be more in the nature of an exchange transaction. Revenue from water rates by meter is recognised on an accrual basis based on usage.

Note 2: Revenue from operating activities

Table X: Revenue from operating activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Development contributions		**4,739**		**4,739**
Grants, subsidies and reimbursements				
Operating		9,244		17,020
Capital		29,219		30,513
Total grants, subsidies and reimbursements	**-**	**38,463**	**-**	**47,533**
Other operating activities				
Fines and penalties		6,532		6,532
Rendering of services		154,505		165,309
Sale of goods		7,382		13,220
Total other operating activities	**-**	**168,419**	**-**	**185,061**
Total revenue from operating activities	**-**	**211,621**	**-**	**237,333**

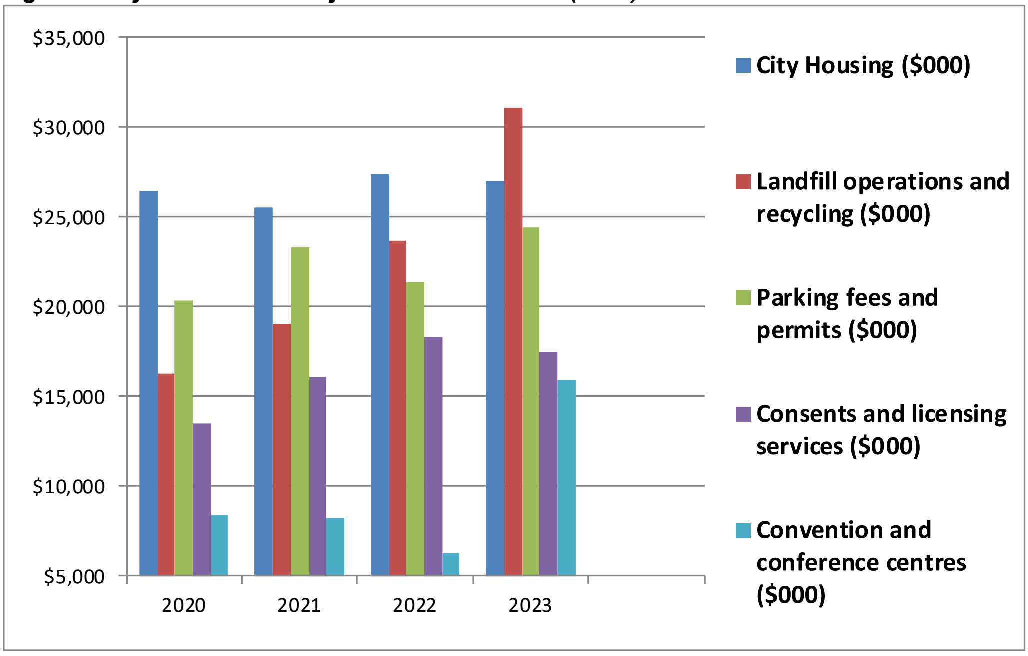
For the Council, the principal grants and reimbursements are from NZ Transport Agency Waka Kotahi ("NZTA"), which reimburses part of the Council's costs for maintaining the local roading and cycling infrastructure. The capital reimbursements recognised from NZTA of $[insert amount] (2023: $26.3m) and operating reimbursements of $[insert amount] (2023: $7.0m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

For revenue from other operating activities of the Council, the five major contributors were:

- City housing - $[insert amount] (2023: $27.0m)
- Landfill operations and recycling - $[insert amount] (2023: $31.1m) – including unbudgeted revenue from the joint operation with Porirua City Council $[insert amount] (2023: $2.6m).
- Parking fees and permits - $[insert amount] (2023: $24.4m)
- Consents and licensing services - $[insert amount] (2023: $17.5m)
- Convention and conference centres – $[insert amount] (2023: $15.9m)

See *Figure 2* for a five-year trend analysis of these major revenue streams.

Figure 2: 5-year trend for major revenue streams ($000)



Five-year trend analysis commentary

City Housing

[to be updated]

For further information – refer to Section 4: Our performance in detail - strategy area 5.2 – Community support (Volume 1, page X).

Landfill Operations and Recycling

[to be updated]

For further information – refer to Section 4: Our performance in detail - strategy area 2.2 – Waste reduction and energy conservation (Volume 1, page X).

Parking fees and permits

[to be updated]

For further information – refer to Section 4: Our performance in detail - strategy area 7.2 – Parking (Volume 1, page X).

Consents and Licensing Services

[to be updated]

For further information – refer to Section 4: Our performance in detail - strategy area 6.2 – Building and development control (Volume 1, page X).

Convention and Conference centres

[to be updated]

For further information – refer to Section 4: Our performance in detail – strategy area 3.1 – City promotions and business support (Volume 1, page X).

Relevant significant accounting policies

Revenue from operating activities is generally measured at the fair value of consideration received or receivable.

The Council undertakes various activities as part of its normal operations which generates revenue, but generally at below-market prices or at fees and user charges subsidised by rates. The following categories (except where noted) are classified as transfers, which are non-exchange transactions other than taxes.

See *Note 13: Receivables and recoverables* (page X), for an explanation of exchange and non-exchange transactions, transfers and taxes.

Development contributions

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

Grants, subsidies and reimbursements

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

Fines and penalties

Revenue from fines and penalties (for example, traffic and parking infringements) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed. The fair value of parking related fines is recorded as the amounts due, less an allowance for expected credit losses (ECL).

Rendering of services

Revenue from the rendering of services (for example, building consent fees) is recognised by reference to the stage of completion of the transaction, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided. Some services are provided at a market rate or on a full cost recovery basis (for example, parking fees) and these are classified as exchange revenue.

Sale of goods

The sale of goods is classified as exchange revenue. Sale of goods is recognised when products are sold to the customer and all risks and rewards of ownership have transferred to the customer.

Note 3: Investment revenue

Table X: Investment revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Dividend from associates		20,400		-
Dividend from equity investments		91		91
Investment property revenues		12,549		12,549
Total investment revenue	**-**	**33,040**	**-**	**12,640**

Dividends from associates

This relates to dividends from the Council's 34 percent shareholding in Wellington International Airport Limited. The Council continues to review its current level of investment to ensure the overall investment portfolio is managed strategically and in a financially and economically prudent manner. The current investment provides a future dividend stream that adds diversity to normal rates revenue.

For further information refer to *Note 21: Investment in associates and joint venture* (page X).

Investment property revenues

The revenues from investment properties are primarily from ground leases around the central city and on the waterfront. The Council periodically reviews its continued ownership of investment properties by assessing the benefits against other arrangements that could deliver similar benefits. Any assessment is based on both the strategic benefit of the investment/ownership and in terms of the most financially viable method of achieving the delivery of Council services.

For further information refer to *Note 18: Investment properties* (page X).

Relevant significant accounting policies

Dividends

Dividends from associates and equity investments are recognised when the Council's right to receive payment has been established.

Investment property lease rentals

Lease rentals (net of any incentives given) are recognised on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset are diminished.

Note 4: Vested assets and other revenue

Table X: Vested assets and other revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Vested assets		13,995		13,995
Other revenue		7,365		7,377
Total vested assets and other revenue	**-**	**21,360**	**-**	**21,372**

Vested assets are principally infrastructural assets such as roading, drainage, water and waste assets that have been constructed by developers. As part of the consents process, ownership of these assets is transferred to the Council, and on completion they become part of the city's network. Although vested assets are non-cash in nature and represent a future obligation to the Council, as the Council will have the ongoing costs associated with maintaining the assets, they are recognised as revenue in accordance with the applicable accounting standard.

Vested assets consisted mainly of:

- Roading - $[insert amount] (2023: $9.2m) – Includes LGWM vested asset revenue of $[insert amount] (2023: $7.3m) representing NZTA's contribution to Wellington City Council's portion of the capital delivery programme.
- Drainage, water and waste - $[insert amount] (2023: $2.5m).
- Land - $[insert amount] (2023: $1.2m).
- Carbon credits - $[insert amount] (2023: $1.1m).

Other revenue consisted mainly of:

- Gains on disposal of assets - $[insert amount] (2023: $3.2m)
- Recovered capital expenditure $[insert amount] (2023: $3.1m)
- Fuel tax - $[insert amount] (2023: $0.9m)

Relevant significant accounting policies

Donated, subsidised or vested assets

Where a physical asset is acquired for nil or nominal consideration, with no conditions attached, the fair value of the asset received, as determined by active market prices, is recognised as non-exchange revenue when the control of the asset is transferred to the Council.

Gains

Gains include additional earnings (for example, sale proceeds in excess of the book value) on the disposal of property, plant and equipment.

Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (for example, beach cleaning and Otari-Wilton's Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements. More information on the network of volunteers can be found on page X of Volume 1.

Note 5: Fair value movements

Table X: Fair value movements	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Investment property revaluation increase		-		-
Amortisation of loans to related parties		68		68
Fair value adjustment to loan		-		103
Total fair value movements - gains	**-**	**68**	**-**	**171**
Less				
Investment property revaluation decrease		13,341		13,341
Fair value adjustment to loan		-		-
LGFA - borrower note movement		266		266
Total fair value movements - losses	**-**	**13,607**	**-**	**13,607**
Total net fair value movements	**-**	**(13,539)**	**-**	**(13,436)**

Investment properties, which are revalued annually, are held primarily to earn lease revenue and/or for capital growth. These properties include the Council's ground leases and certain land and buildings, including the Wellington Waterfront investment properties. For more information refer to *Note 18: Investment properties* (page X).

Relevant significant accounting policies

Investment properties

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

Note 6: Finance revenue and expense

Table X: Finance revenue, expense and net finance cost	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Interest on borrowings		51,433		51,445
Interest on finance leases		-		-
Re-discounting of interest on provisions		652		652
Net foreign exchange losses		-		-
Total finance expense	**-**	**52,085**	**-**	**52,097**
Less				
Interest earned		8,041		8,869
Net foreign exchange gains		-		-
Total finance revenue	**-**	**8,041**	**-**	**8,869**
Net finance cost	**-**	**44,044**	**-**	**43,228**

The Council's policy is to have a portion of borrowings on fixed interest rates to avoid total exposure to volatility in its interest expense as interest rates change. To achieve this, it uses interest rate swaps (which effectively changes floating rate debt to fixed rate debt) along with fixed rate debt. Returns on investment deposits are also exposed to market movements in interest rates.

Relevant significant accounting policies

Interest on borrowings

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

Re-discounting of interest

Re-discounting of interest on provisions is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date). For further information refer to *Note 25: Employee benefit liabilities and provisions* (page X) and *Note 26: Provision for other liabilities* (page X).

Interest earned

Interest earned is recognised using the effective interest rate method. All interest revenue is recognised in the period in which it is earned.

Note 7: Expenditure on operating activities

Table X: Expenditure on operating activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Governance and employment				
Elected member remuneration		2,009		2,009
Independent directors/trustees fees for controlled entities		-		743
Employee benefits expense:				
- Remuneration		132,897		165,685
- Superannuation contributions (including KiwiSaver)		4,012		4,819
Other personnel costs		4,609		5,977
Impairments				
Bad debts		180		180
Increase in provision for impairment of receivables and recoverables		2,616		2,616
Impairment of property, plant and equipment		377		377
Insurance				
Insurance premiums		21,205		22,107
Insurance reserve costs - net		1,068		1,068
General costs				
Administration costs		7,204		20,264
Auditor's remuneration		592		946
Contractors		7,440		9,221
Contracts, services and materials		185,439		182,782
Grants		47,596		16,559
Information and communication technology		18,112		19,763
Loss on disposal of intangibles		25		25
Loss on disposal of property, plant and equipment		352		944
Operating lease - minimum lease payments		15,703		17,031
Professional costs		18,755		20,481
Reassessment of weathertight provision		1,208		1,208
Utility costs		39,937		41,059
Total expenditure on operating activities	**-**	**511,336**	**-**	**535,864**

Governance and employment

Governance costs relate to the remuneration made to all elected members, comprising the Mayor, Councillors and Community Board members and also to directors/trustees appointed to boards of controlled entities.

Employment costs relate to the remuneration paid directly to employees, other employee benefits such as KiwiSaver and other associated costs such as recruitment and training.

During the year $[insert amount] (2023: $0.6m) of termination benefits were incurred by the Council and $[insert amount] (2023: $0.6m) for the Group. Termination benefits include all payments relating to the end of employment other than unpaid salary and leave entitlements. Termination benefits include contractual payments (for example, redundancy, in lieu of notice) and non-contractual payments (for example, severance), but exclude retirement payments already provided for.

For further information refer to *Note 38: Remuneration and staffing* (page X).

General costs

Auditor's remuneration

Table X: Auditor's remuneration:	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Audit New Zealand - Financial Statements		514		514
Audit New Zealand - Long-tem Plan amendment		-		-
Audit New Zealand - Wellington Waterfront Project		46		46
Audit New Zealand - Other assurances		20		20
Audit New Zealand - Other services		12		12
Other Auditors - Financial Statements		-		354
	-	**592**	**-**	**946**

During the year ending 30 June 2024, Audit New Zealand provided other assurances and services to the Council as included in Table X above:

- Other assurances - assurance on the Council's debenture trust deed compliance and the Clifton Terrace Carpark managed by the Council on behalf of NZTA (2023: Council's debenture trust deed compliance and the Clifton Terrace Carpark managed by the Council on behalf of NZTA).

- Other services – xxxxxxxxx (2023: probity assurance over the tender process for Takina facilities maintenance).

Contracts, services and materials

Contracts, services and materials reflect the direct costs attributable to the rendering of Council services, including contracts, maintenance, management fees, materials and services.

Grants

Grants include the operating grants to the Council's controlled entities (refer to *Note 37: Related party disclosures*, for a breakdown (page X)). Other major grants include the funding to the Museum of New Zealand Te Papa Tongarewa $[insert amount] (2023: $2.3m).

Operating lease – minimum lease payments

Operating lease minimum lease payments reflect costs for non-cancellable agreements for the use of office or other spaces in buildings.

Utility costs

Utility costs are those relating to the use of electricity, gas, and water. It also includes the payment of all rates and water meter charges of $[insert amount] (2023: $19.8m) on Council-owned properties.

Relevant significant accounting policies

Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (for example, cash or physical assets) to another entity or individual in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council.

Grants and sponsorships are distinct from donations, which are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

Cost allocation

The Council has derived the cost of service for each significant activity (as reported within the Statements of Service Performance, for further information – refer to Section 4: Our performance in detail (Volume 1, pages X to X).

Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These indirect costs are allocated as overheads across all activities.

Research and Development

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

Note 8: Depreciation and amortisation

Table X: Depreciation and amortisation	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Depreciation				
Buildings		32,558		32,683
Civic Precinct		1,429		1,429
Drainage, water and waste infrastructure		87,914		87,914
Landfill post-closure		(3)		(3)
Library collections		2,278		2,278
Plant and equipment		18,733		19,307
Restricted buildings		2,052		2,052
Roading infrastructure		44,903		44,903
Total depreciation	**-**	**189,864**	**-**	**190,563**
Amortisation				
Computer software		**6,454**		**6,469**
Total depreciation and amortisation	**-**	**196,318**	**-**	**197,032**

Depreciation and amortisation expenses are charged each year to reflect the estimated cost of using assets over their lives. Amortisation relates to ‘intangible’ assets such as software (as distinct from physical assets, which are covered by the term depreciation).

Relevant significant accounting policies

Depreciation

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

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised (See Table X).

Table X: Estimated useful lives of property, plant and equipment assets	**2024 Estimated useful life (years)**
Asset Category	
Operational assets	
Land	unlimited
Buildings:	
Structure	2 - 100
Roof	3 - 40
Interior	3 - 45
Services	2 - 40
Civic Precinct	5 - 66
Plant and equipment	5 - 100
Library collection	3 - 10
Infrastructure assets	
Land (including land under roads)	unlimited
Roading infrastructure:	
Road pavement	10 - 46
Retaining / sea walls	5 - 198
Kerb and channel	5 - 36
Structures - other sea defences	100 - 250
Tunnels - structure and services	55 - 250
Bridges	5 - 104
Drainage, water and waste infrastructure:	
Pipes	30 - 52
Reservoirs	30 - 140
Pump stations	48 - 91
Fittings	31 - 56
Restricted assets (excluding buildings)	unlimited

A small number of assets will have lives that extend past the range indicated above.

The variation in the estimated useful lives for infrastructure assets is due to these assets being managed and depreciated by individual component rather than as a whole asset.

Table X: Estimated useful lives of intangible assets	2024
	Estimated useful life (years)
Asset Category	
Computer software	2 - 11

Note 9: Share of associates' and joint venture's surplus or deficit

Table X: Share of associates' and joint venture's surplus or deficit	Group	
	2024	2023
	$000	$000
Associates		
Chaffers Marina Holdings Limited		(20)
Wellington International Airport Limited		8,583
Joint venture		
Wellington Water Limited		(936)
Total share of associates' and joint venture's surplus or deficit	**-**	**7,627**

Further information on the cost and value of the above investments is found in *Note 21: Investments in associates and joint venture* (page X).

Relevant significant accounting policies

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In the Council financial statements, the investments in joint ventures are carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, revenue and expenditure of joint ventures is included on an equity accounting basis as a single line in the relevant primary statement.

Note 10: Income tax

Table X: Income Tax	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current tax expense/(credit)				
Current year	-	-		32
Prior period adjustment	-	-		26
Total current tax expense/(credit)	**-**	**-**	**-**	**58**
Deferred tax expense/(credit)				
Origination and reversal of temporary differences		(20)		434
Change in unrecognised temporary differences	-	-	-	-
Recognition of previously unrecognised tax losses	-	-	-	-
Prior period adjustment	-	-		(188)
Total deferred tax expense/(credit)	**-**	**(20)**	**-**	**246**
Total income tax expense / (credit)	**-**	**(20)**	**-**	**304**

Table X: Reconciliation of tax on the surplus/(deficit) and tax expense/(credit)	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Surplus/(deficit) for the period before taxation	-	(74,226)	-	(85,598)
Prima facie income tax based on domestic tax rate - 28%	-	(20,783)	-	(23,967)
Effect of non-deductible expenses and tax exempt income		20,757		26,538
Effect of tax losses utilised		-		-
Current years loss for which no deferred tax asset was recognised		6		-
Previously unrecognised tax losses now utilised		-		-
Prior period adjustment		-		(163)
Overseas witholding tax - non-reclaimable		-		32
Share of income tax of equity accounted associates		-		(2,136)
Total income tax expense / (credit)	**-**	**(20)**	**-**	**304**

Relevant significant accounting policies

The Council, as a local authority is only liable for income tax on the surplus or deficit for the year derived from any Council-controlled trading organisations. Other members of the Group are subject to normal taxation unless they have tax exempt status as charitable trusts.

Income tax expense includes components relating to both current tax and deferred tax.

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

Statement of Financial Position

Table X: Statement of Financial Position		Council			Group	
as at 30 June 2024		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Assets						
Current assets						
Cash and cash equivalents	11		40,330	68,529		87,707
Derivative financial assets	12		-	196		196
Receivables and recoverables	13		87,324	77,185		79,726
Prepayments	14		22,426	8,011		8,333
Other financial assets	15		205,716	42,744		46,815
Inventories			944	1,013		1,813
Non-current assets classified as held for sale	16		-	696		696
Total current assets		-	**356,741**	**198,374**	-	**225,286**
Non-current assets						
Derivative financial assets	12		58,191	72,984		72,984
Other financial assets	15		29,297	33,834		37,980
Intangibles	17		50,832	40,589		41,129
Investment properties	18		308,427	300,002		300,002
Property, plant and equipment	19		11,029,147	10,395,259		10,410,612
Investment in controlled entities	20		5,998	5,071		-
Investment in associates and joint venture	21		19,474	19,383		279,947
Total non-current assets		-	**11,501,366**	**10,867,122**	-	**11,142,654**
Total assets		-	**11,858,107**	**11,065,496**	-	**11,367,940**
Liabilities						
Current liabilities						
Derivative financial liabilities	12		260	-		-
Exchange transactions and transfers payable	22		112,631	113,309		117,018
Taxes payable	22		-	11,707		12,047
Deferred revenue	23		20,855	17,048		28,328
Borrowings	24		204,816	205,500		205,500
Employee benefit liabilities and provisions	25		13,364	8,929		11,114
Provision for other liabilities	26		3,756	6,007		6,007
Total current liabilities		-	**355,682**	**362,500**	-	**380,014**
Non-current liabilities						
Derivative financial liabilities	12		523	-		-
Exchange transactions and transfers payable	22		-	231		231
Borrowings	24		1,591,343	1,044,986		1,046,483
Employee benefit liabilities and provisions	25		1,186	676		723
Provision for other liabilities	26		27,802	35,358		35,358
Deferred tax	27		-	-		838
Total non-current liabilities		-	**1,620,854**	**1,081,251**	-	**1,083,633**
Total liabilities		-	**1,976,536**	**1,443,751**	-	**1,463,647**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Table X: Statement of Financial Position		Council			Group	
as at 30 June 2024		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Equity						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,890,556	3,828,987		3,826,006
Revaluation reserves	**28**		4,637,773	4,424,407		4,677,956
Hedging reserve	**29**		57,624	73,180		75,316
Fair value through other comprehensive revenue and expense reserve	**30**		6,854	6,888		7,778
Non-controlling interest			-	-		718
Restricted funds	**31**		19,630	19,149		23,357
Total equity		-	**9,881,571**	**9,621,745**	-	**9,904,293**
Total equity and liabilities		-	**11,858,107**	**11,065,496**	-	**11,367,940**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Statement of Financial Position - Major budget variations

Budget figures are for Council only and not the Group.

Significant variations from budget are as follows:

Current assets were $[insert amount and direction] than budgeted. The major variances included:

- .

Non-current assets were $[insert amount and direction] than budgeted. The major variances included:

- .

Total liabilities were $[insert amount and direction] than budgeted. The major variances included:

- .

Note 11: Cash and cash equivalents

Table X: Cash and cash equivalents	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash at bank		48,514		66,618
Cash at bank (EUR)		-		-
Cash on hand		15		30
Short-term bank deposits of up to 3 months at acquisition		20,000		21,059
Total cash and cash equivalents	**-**	**68,529**	**-**	**87,707**

Bank balances that are interest bearing earn interest based on current Official Cash Rates (OCR).

The Council holds short-term bank deposits as part of its overall liquidity risk management programme. This programme enables the Council to maintain its required liquidity buffer and to pre-fund upcoming debt maturities. The combination of the liquidity support and short-term bank deposits reduces the Council's cost of funds.

Relevant significant accounting policies

Cash and cash equivalents include cash at bank, cash on hand, and short-term bank deposits of up to 3 months at acquisition.

Foreign currency cash and cash equivalents are translated into NZD using the spot rates at balance date.

Although cash and cash equivalents at balance date are subject to the expected credit loss requirements of PBE IPSAS 41 – Financial Instruments, no loss allowance has been recognised because the estimated allowance is trivial.

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Note 12: Derivative financial instruments

Table X: Derivative financial instruments	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Assets				
Current assets				
Interest rate swaps - cash flow hedges		196	-	196
Total current assets	**-**	**196**	**-**	**196**
Non-current assets				
Interest rate swaps - cash flow hedges		72,984	-	72,984
Total non-current assets	**-**	**72,984**	**-**	**72,984**
Total derivative financial instrument assets	**-**	**73,180**	**-**	**73,180**
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges	-	-	-	-
Total current liabilities	**-**	**-**	**-**	**-**
Non-current liabilities				
Interest rate swaps - cash flow hedges	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**
Total derivative financial instrument liabilities	**-**	**-**	**-**	**-**

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

Interest rate swaps (cash flow hedges) are used to fix interest rates on floating rate debt (floating rate notes or commercial paper). The swaps are held until maturity and have no cash impact or effect on the rates requirements. The timing of the maturities of the active swaps, their nominal values and their weighted average fixed interest rates are shown in *Table XX*.

Table X: Nominal value and weighted average fixed rate of live interest rate swaps	Council				Group			
	2024		2023		2024		2023	
	$000	%	$000	%	$000	%	$000	%
Interest rate swaps - cash flow hedges								
Not later than one year			47,000	4.24%			47,000	4.24%
Later than one year and not later than five years			172,500	3.88%			172,500	3.88%
Later than five years			336,500	2.69%			336,500	2.69%
Total interest rate swaps - cash flow hedges	**-**	**-**	**556,000**	**3.19%**	**-**	**-**	**556,000**	**3.19%**

The Council and Group also has forward start swaps with a total nominal value of $[insert amount] (2023: $183.0m) maturing later than five years. The weighted average fixed rate of all interest rate swaps (including forward starts) is [*insert X percent*] (2023: 3.07 percent).

The Council and Group currently have no fair value hedges.

For further information on the Council's interest rate swaps please refer to *Note 29: Hedging reserve* (page X) and *Note 33: Financial instruments* (page X).

Relevant significant accounting policies

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its Liability Management Policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

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

Cash flow hedges

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swaps match the terms of the fixed rate loan (i.e. Notional amount, maturity, payment and reset dates). At inception of the hedge relationship the Council and Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The documentation includes its risk management objective and strategy for undertaking its hedged transactions.

Derivatives in hedge relationships are designated based on a hedge ratio up to 1:1. The Council and Group does not hedge 100 percent of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. To test the hedge effectiveness, the Council and Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

Hedge ineffectiveness

Hedge ineffectiveness in a hedge relationship can arise from:

- Differences in the timing of cash flows of the hedged items and hedging instruments.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Note 13: Receivables and recoverables

Table X: Receivables and recoverables	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current		77,185		79,726
Non-current	-	-	-	-
Total receivables and recoverables - net	**-**	**77,185**	**-**	**79,726**
Trade receivables and recoverables - debtors - net		19,335		20,593
Trade recoverables - fines - net		4,020		4,020
Accrued revenue		22,627		22,628
Sundry receivables		1,157		2,278
GST recoverable		5,787		5,948
Rates recoverable		24,259		24,259
Total receivables and recoverables - net	**-**	**77,185**	**-**	**79,726**

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

Table X: Receivables and recoverables from related parties	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Receivables and recoverables from related parties				
- Controlled entities		2,913	-	-
- Associates and jointly controlled entity		-	-	168
Total receivables and recoverables from related parties	**-**	**2,913**	**-**	**168**

Table X: Movements in the allowance for expected credit losses	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Balance under *PBE IPSAS 29*		6,731		6,732
ECL adjustment due to adoption of *PBE IPSAS 41*		94		94
Opening balances for credit losses	-	6,825	-	6,826
Additional provisions made during the year		2,616		2,618
Provisions reversed during the year		(67)		(67)
Receivables written off during the year		(151)		(151)
Closing balance at 30 June	**-**	**9,223**	**-**	**9,226**

Relevant significant accounting policies

Receivables from exchange transactions

Receivables from exchange transactions arise when the Council is owed value by another entity or individual for goods or services provided directly by the Council and will receive approximately equal value in a willing arm's-length transaction (primarily in the form of cash in exchange). Examples of exchange transactions include parking services and metered water rates.

Recoverables from non-exchange transactions

Recoverables from non-exchange transactions arise when the Council is owed value from another party without giving approximately equal value directly in exchange for the value received. Most of the goods or services the Council provides are subsidised by rates revenue and therefore the exchange is unequal. Examples of non-exchange transactions include social housing rentals, parking fines and recreational centre activities. Non-exchange transactions are comprised of either taxes or transfers. Transfers also include grants that do not have specific conditions attached which require return of the grant for non-performance.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Expected credit losses

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified ECL model of recognising lifetime ECL for short-term receivables. Lifetime ECL result from all possible default events over the expected life of a receivable. The Council and Group use a provision matrix based on historical credit loss information upon initial recognition of a receivable, using reasonable assumptions and any available customer information.

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Rates receivable

The Council does not provide for ECL on rates receivable, except for abandoned properties where the debt is greater than 10 years past due and the likelihood of recovery is assessed to be remote. For all other rates receivables, Council has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances.

Other receivables

In measuring ECL, all receivables have been grouped based on shared risk characteristics and the days overdue. The ECL rates for other receivables are based on the payment profile of revenue on credit over the prior three years at balance date. A provision matrix is then established based on historical, current and forward-looking information specific to each class of debtors and the macroeconomic environment affecting the ability of customers to settle their debt.

The allowance for ECL on total receivables and recoverables based on Council and the Group's credit loss matrix is shown in Table *XX*.

Table X: Debt aging profile and expected credit loss matrix	**2024**				**2023**			
	Gross	**Expected Credit Loss Rate**	**Lifetime ECL**	**Net**	**Gross**	**Expected Credit Loss Rate**	**Lifetime ECL**	**Net**
	$000	**%**	**$000**	**$000**	**$000**	**%**	**$000**	**$000**
Council								
Receivables and recoverables								
Not past due					45,990	0.26%	(120)	45,870
Past due 0-3 months					10,683	1.34%	(143)	10,540
Past due 3-6 months					8,953	3.03%	(271)	8,682
Past due more than 6 months					20,782	41.81%	(8,689)	12,093
Total receivables and recoverables	**-**		**-**	**-**	**86,408**		**(9,223)**	**77,185**
Group								
Receivables and recoverables								
Not past due					48,242	0.25%	(123)	48,119
Past due 0-3 months					10,886	1.31%	(143)	10,743
Past due 3-6 months					8,998	3.01%	(271)	8,727
Past due more than 6 months					20,826	41.72%	(8,689)	12,137
Total receivables and recoverables	**-**		**-**	**-**	**88,952**		**(9,226)**	**79,726**

The net receivables and recoverables past due for more than six months includes fines, which after initial det recovery attempts, are passed to the Courts to further pursue. Due to their nature, the collection pattern for such fines is longer than for trade debtors.

Note 14: Prepayments

Table X: Prepayments	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Insurance		1,304		1,303
Information and communications technology		2,560		2,560
Waterfront operations		949		949
Property pre-sale costs		929		929
Finance		663		663
Takina		340		340
Other		1,266		1,589
Total prepayments	**-**	**8,011**	**-**	**8,333**

The Council's significant material damage insurance policies normally renew at the end of May each year. The payment for the 2023/24 insurance period did not occur until July 2023. Hence, the prepayment for insurance is considerably lower in the period ending 30 June 2023 compared to the previous period.

Note 15: Other financial assets

Table X: Other financial assets	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Represented by:				
Current		42,744		46,815
Non-current		33,834		37,980
Total other financial assets	**-**	**76,578**	**-**	**84,795**
Comprised of:				
Equity investments:				
Civic Financial Services Limited		476		476
Local Government Funding Agency (LGFA)		8,756		8,756
Creative HQ shareholdings - available-for-sale		-		1,696
Endowment fund - Wellington Museums Trust		-		291
Gifted investment - Karori Sanctuary Trust		-		131
Debt securities investments				
LGFA - borrower notes		25,190		25,190
Deposits and loans				
Bank term deposits - greater than 3 months		40,000		46,098
Loans to related parties		2,156		2,156
Loans to external organisations		-		1
Total other financial assets	**-**	**76,578**	**-**	**84,795**

Equity investments

Civic Financial Services Limited is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.7 percent (2023: 4.7 percent) shareholding in this entity and has no present intention to sell. The fair value of the investment is determined by reference to the net equity amount from their most recent Annual Report.

The LGFA is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8.3 percent (2023: 8.3 percent) shareholding of the paid-up capital and as a shareholder will benefit from a return on its investment and as a borrower from lower borrowing costs. Refer to *Note 37: Related party disclosures*, for more information (page X). The fair value of the investment is determined by reference to the net equity amount from their most recent unaudited fourth quarter report.

Creative HQ, a controlled entity of Wellington Regional Economic Development Agency Limited (WREDA), has small shareholdings in various incubator and accelerator programme companies. These shares are held until the companies mature or cease operations.

Debt securities investments

Borrower notes

As part of the borrowing arrangements through the LGFA, the Council is required to leave 2.5 percent of any debt drawdown with the LGFA, as an investment, in the form of a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest to the Council once the related borrowing is repaid or no longer owed to the LGFA. The maturity profile of these notes matches the related debt maturity profile (1 February 2024 to 15 October 2033).

The fair value of borrower notes is determined by reference to the relevant interest rate curve.

Deposits and loans

Bank term deposits

Bank term deposits with maturities greater than three months are categorised as investments. These longer-term deposits largely relate to pre-funding for future debt repayments and generally mature in less than 12 months.

The carrying amount of term deposits approximates their fair value and no ECL has been recognised due to the continued low credit risk associated with these deposits, being held in NZ registered banks with A or better long-term investment grade credit ratings.

Loans to related parties

The loans to related parties are concessionary in nature since the loans have been granted on interest free terms for all or part of the life of the loan. The movements in the loans are shown in *Table X.*

Table XX: Loans	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Loans to related parties				
Wellington Regional Stadium Trust				
(Build and membership underwrite - $15,394,893)				
Opening balance		50	-	50
Amortisation of fair value adjustment		6	-	6
Closing balance at fair value	**-**	**56**	**-**	**56**
Wellington Regional Stadium Trust				
(COVID-19 support - $2,100,000)				
Opening balance		2,038	-	2,038
Amortisation of fair value adjustment		62	-	62
Closing balance at fair value	**-**	**2,100**	**-**	**2,100**
Loans to other external organisations				
Opening balance		-	-	1
New loan		-	-	-
Loan repayments received		-	-	-
Closing balance at fair value	**-**	**-**	**-**	**1**
Total loans	**-**	**2,156**	**-**	**2,157**

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

Wellington Regional Stadium Trust (WRST)

The Council holds a $15.0m limited recourse loan to WRST, which is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished.

On maturity of the initial WRST membership underwrite, the unpaid interest was converted to a $0.4m advance repayable after all other advances made by the Council and GWRC. The current expected repayment of the loan and the advance back to the Council, as advised by WRST, is in 2070.

The amortisation rate applicable to the WRST loan is 12.71 percent.

Agreed in 2019/20, a new joint loan facility of $4.2m shared between the Council and GWRC was further drawn down by WRST from the Council ($1.2m) during 2021/22. The loan facility was to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. The Council's share of the unsecured loan is $2.1m with a fixed interest rate of 3 percent and was interest free for the first two years commencing from the date of the first drawdown in December 2020. The first six-monthly accrued interest payment was received in June 2023, with the loan due to be fully repaid by the end of the 2030/31 reporting period.

The Council does not hold any collateral for any of its loan assets.

Relevant significant accounting policies

Initial recognition

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost.
- fair value through other comprehensive revenue and expense (FVTOCRE); or
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in the surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. However, the Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Instruments in this category include term deposits and loans to related parties.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in the surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Expected credit loss allowance (ECL)

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and Group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

Note 16: Non-current assets classified as held for sale

Table X: Non-current assets classified as held for sale	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Buildings	-	-	-	-
Land		696		696
Total non-current assets classified as held for sale	**-**	**696**	**-**	**696**

Relevant significant accounting policies

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction, rather than through continuing use.

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification are included within the surplus or deficit.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

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

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.
- a plan to sell the asset is in place and an active programme to locate a buyer has been initiated.
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value.

- the sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence the Group remains committed to sell the asset; and
- actions required to complete the sale indicate it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Note 17: Intangibles

Table X: Intangibles	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Computer software				
Cost - opening balance		73,015		73,575
Accumulated amortisation		(55,420)		(55,953)
Carrying amount - opening balance	-	17,595	-	17,622
Acquired by direct purchase		7,916		8,452
Amortisation		(6,454)		(6,478)
Impairment		-		-
Net disposals		(25)		(25)
Total computer software - closing balance	**-**	**19,032**	**-**	**19,572**
Cost		80,110		80,959
Accumulated amortisation and Impairment		(61,078)		(61,387)
Total computer software - closing balance	**-**	**19,032**	**-**	**19,572**
Work in progress				
Computer software		8,373		8,373
Total work in progress	**-**	**8,373**	**-**	**8,373**
Carbon credits				
Cost - opening balance		12,971		12,971
Additions		1,118		1,118
Net disposals		(905)		(905)
Total carbon credits - closing balance	**-**	**13,184**	**-**	**13,184**
Total intangibles	**-**	**40,589**	**-**	**41,129**

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

As part of the Emissions Trading Scheme (ETS) the Council receives carbon credit units from the Crown in recognition of the carbon absorbed by a portion of the Council's green belt.

The Council may also purchase units to cover the expected liabilities associated with landfill operation as required. The Council surrenders units to extinguish these liabilities.

At 30 June 2024 the total expected liability relating to landfill carbon emissions for the first six months of the 2024 calendar year is $[insert amount] (2023: $0.6m).

More information on carbon credits can be found in Section 4: Our performance in detail, under activity 2.2: Waste reduction and energy conservation (Volume 1, page X).

The movement in units held by the Council are shown in *Table* X.

Table X: Carbon credits	Council		Group	
	2024	2023	2024	2023
	Units	Units	Units	Units
Opening balance		539,385	-	539,385
Additions - Allocated from the Crown		13,171	-	13,171
Additions - Purchases		-	-	-
Disposals - Surrendered to the Crown		(29,125)	-	(29,125)
Total carbon credits	**-**	**523,431**	**-**	**523,431**

Carbon emission units

The price of carbon as at 30 June 2024 was $xx per New Zealand Unit (NZU) (2023: $76.13). One NZU is equivalent to one (1) tonne of carbon dioxide equivalent (tCO2-e).

Relevant significant accounting policies

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

Computer software

Acquired computer software is measured on initial recognition at the costs to acquire and bring to use and subsequently less any amortisation and impairment losses.

Typically, the estimated useful life of these assets is between 2 to 11 years.

Carbon Credits

Carbon credits comprise either allocations of emission allowances granted by the Crown related to forestry assets or units purchased in the market to cover liabilities associated with landfill operations. Carbon credits allocated as a non-exchange transaction are initially recognised at fair value, which then becomes the deemed cost. Carbon credits that are purchased are recognised at cost.

Note 18: Investment properties

Table X: Investment properties	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Ground leases, other land and buildings				
Opening balance		299,712		299,712
Additions by acquisition		13,123		13,123
Fair value revaluation movements taken to surplus/(deficit)		(13,341)		(13,341)
Transfer between asset classes		-		-
Total ground leases, other land and buildings	**-**	**299,494**	**-**	**299,494**
Work in progress				
Other land and buidings		508		508
Total work in progress	**-**	**508**	**-**	**508**
Total investment properties	**-**	**300,002**	**-**	**300,002**

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2024 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation and Advisory Services for CBRE Limited.

Table X: Investment property by type	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Ground leases		263,097	-	263,097
Other land and buildings (including WIP)		36,905	-	36,905
Total investment properties	**-**	**300,002**	**-**	**300,002**

Investment properties are properties which are held primarily to earn lease revenue and/or for capital growth. These properties include the Council's ground leases and certain land and buildings.

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

Investment properties exclude those properties held for strategic purposes or to provide a social service. This includes properties which generate cash inflows where the lease revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment.

Relevant significant accounting policies

The basis of valuation varies depending on the nature of the lease. For sites that are subject to a terminating lease the approach is to assess the value of the lease revenue over the remaining term of the lease and add the residual value of the land at lease expiry.

For sites subject to perpetually renewable leases, values have been assessed utilising the discounted cash flow methodology and arriving at a net present value of all future anticipated gross lease payments.

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

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

Certain ground leases on the waterfront and within the central city have, for accounting purposes, been treated as sold assets due to the very long-term nature of the lease and peppercorn rentals.

At a future point in time, prior to the asset being returned to the Council ownership, the Council will begin to incrementally re-recognise the value of the asset. The amortisation of the estimated future value will reflect the prevalent economic situation and will be more relevant in terms of both the estimated value and materiality.

Note 19: Property, plant and equipment

Table X: Summary of property, plant and equipment	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Property, plant and equipment - opening balance		10,278,248		10,292,099
Additions		380,657		382,671
Disposals		(1,180)		(1,209)
Depreciation expense		(189,863)		(190,563)
Impairment losses		(1,145)		(1,145)
Revaluation movement		(58,845)		(58,845)
Transfer between asset classes		-		-
Net transfer from non-current assets held for sale		12,669		12,669
Movement of work in progress		(25,282)		(25,065)
Total property, plant and equipment	**-**	**10,395,259**	**-**	**10,410,612**

Relevant significant accounting policies

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

Operational assets include land, buildings, landfill post-closure asset, Civic Precinct, library collection, plant and equipment.

Restricted assets include art and cultural assets, restricted buildings, parks and reserves, and the Town Belt. These assets provide a benefit or service to the community and in most cases cannot be disposed of because of legal or other restrictions (for example, land declared as a reserve under the Reserves Act

1977). The use of the asset may also be restricted such as the donated Basin Reserve land which must be retained for the purposes of providing a cricket and recreation ground with no permitted thoroughfare.

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

Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council and Group recognises these assets within these financial statements to the extent their value can be reliably measured.

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

Recognition

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

Measurement

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

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

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

Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement with an efficient modern equivalent making allowance for obsolesce or surplus capacity. The remaining life of the asset is estimated, and straight-line depreciation applied to bring the replacement cost to a fair value.

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

Library Collections

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

Operational Land and Buildings

Operational land and buildings are valued at fair value on a regular basis or, whenever the carrying amount differs materially to fair value, by independent registered valuers. Where the information is available, land and buildings are valued based on market evidence. Most of the Council's land and buildings are of a 'non-tradeable' or specialist nature and the value is based on the fair value of the land plus the optimised depreciated replacement cost of the buildings.

For earthquake prone buildings that are expected to be strengthened, the estimated cost to strengthen the building has been deducted from the optimised depreciated replacement cost.

Non-specialised properties that comprise the City Housing portfolio have been valued on a market-based approach with the associated land value being established through analysis of sales and market evidence.

Restricted assets

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

Infrastructure assets

Infrastructure assets (the roading network, drainage, water and waste reticulation networks including service concession arrangement assets (wastewater treatment plants)) are valued at optimised depreciated replacement cost on a regular basis or, whenever the carrying amount differs materially to fair value, by an independent registered valuer. Infrastructure valuations are based on the physical attributes of the assets, their condition and their remaining lives based on the Council's best information reflected in its asset management plans. The costs are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued on a regular basis or, whenever the carrying amount differs materially to fair value, by an independent registered valuer.

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

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

Other Assets

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

Impairment

The Council's assets are defined as cash generating if the primary purpose of the asset is to provide a commercial return. Non-cash generating assets are assets other than cash generating assets. Property, plant and equipment assets, measured at fair value, are not required to be reviewed and tested for impairment.

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

The carrying amounts of non-cash generating property, plant and equipment assets, and intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable service amount is materially less than its carrying amount it will be reported at its recoverable service amount and an impairment loss will be recognised.

The recoverable service amount is the higher of an item's fair value less costs to sell and value in use. A non-cash generating asset's value in use is the present value of the asset's remaining service potential. Losses resulting from impairment are reported within the surplus or deficit unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

Disposal

Gains and losses on disposals are determined by comparing the proceeds from sale with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Work in progress

Work in progress represents the cost of capital expenditure projects that are not yet capable for use in the manner intended by management. The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and is then subject to depreciation/amortisation.

The movements according to the individual classes of assets are as shown in *Table* X

Table X: Property, plant and equipment by category and class of asset	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance		3,202		3,202
Land - at valuation - opening balance		362,306		362,306
Total land - opening balance	-	365,508	-	365,508
Additions		-		-
Disposals		-		-
Impairment		(430)		(430)
Revaluation movement		(15,819)		(15,819)
Revaluation adjustment		-		-
Transfer between asset classes		(7,821)		(7,821)
Movements of non-current assets held for sale		6,342		6,342
Total land - closing balance	**-**	**347,780**	**-**	**347,780**
Land - at cost - closing balance		3,202		3,202
Land - at valuation - closing balance		344,578		344,578
Total land - closing balance	**-**	**347,780**	**-**	**347,780**
Buildings				
Buildings - at cost - opening balance		136,410		136,410
Buildings - at valuation - opening balance		1,006,704		1,015,328
Total cost/valuation	-	1,143,114	-	1,151,738
Accumulated depreciation and impairment		(363,996)		(368,938)
Total buildings - opening balance	-	779,118	-	782,800
Additions		225,154		225,207
Depreciation expense		(32,557)		(32,683)
Disposals		-		-
Impairment		(715)		(715)
Revaluation movement		(16,641)		(16,641)
Transfer between asset classes		15,288		15,288
Movements of non-current assets held for sale		5,889		5,889
Total buildings - closing balance	**-**	**975,536**	**-**	**979,145**
Buildings - at cost - closing balance		361,450		361,449
Buildings - at valuation - closing balance		1,089,401		1,098,025
Total cost/valuation	-	1,450,851	-	1,459,474
Accumulated depreciation and impairment		(475,315)		(480,329)
Total buildings - closing balance	**-**	**975,536**	**-**	**979,145**

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Landfill post-closure costs [1]				
Landfill post-closure - at cost - opening balance		3,851		3,851
Accumulated depreciation		(3,643)		(3,643)
Total landfill post-closure costs - opening balance	-	208	-	208
Depreciation expense		3		3
Movement in post-closure costs		(1,734)		(1,734)
Total landfill post-closure costs - closing balance	**-**	**(1,523)**	**-**	**(1,523)**
Landfill post-closure - at cost - closing balance		2,097		2,097
Accumulated depreciation		(3,620)		(3,620)
Total landfill post-closure costs - closing balance	**-**	**(1,523)**	**-**	**(1,523)**
Civic Precinct				
Civic Precinct - at cost - opening balance		183,635		183,635
Accumulated depreciation and impairment		(133,378)		(133,378)
Total Civic Precinct - opening balance	-	50,257	-	50,257
Additions		2,719		2,719
Depreciation expense		(1,429)		(1,429)
Disposals		(62)		(62)
Total Civic Precinct- closing balance	**-**	**51,485**	**-**	**51,485**
Civic Precinct - at cost - closing balance		197,809		197,809
Accumulated depreciation and impairment		(146,324)		(146,324)
Total Civic Precinct- closing balance	**-**	**51,485**	**-**	**51,485**
Plant and equipment				
Plant and equipment - at cost - opening balance		311,883		332,129
Accumulated depreciation and impairment		(179,739)		(192,978)
Total plant and equipment - opening balance	-	132,144	-	139,151
Additions		20,454		22,414
Depreciation expense		(18,733)		(19,307)
Disposals		(527)		(556)
Transfer between asset classes		(13,967)		(13,967)
Total plant and equipment - closing balance	**-**	**119,371**	**-**	**127,735**
Plant and equipment - at cost		281,942		298,879
Accumulated depreciation and impairment		(162,571)		(171,144)
Total plant and equipment - closing balance	**-**	**119,371**	**-**	**127,735**

1. The Council’s share of the joint venture with Porirua City Council relating to the Spicer Valley landfill is included in this asset class.

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Library collections				
Library collections - at cost - opening balance		1,718		1,718
Library collections - at valuation - opening balance		16,711		16,711
Total cost/valuation	-	18,429	-	18,429
Accumulated depreciation	-	(3,919)	-	(3,919)
Total library collections - opening balance	-	14,510	-	14,510
Additions		33		33
Depreciation expense		(2,278)		(2,278)
Revaluation movement		1,680		1,680
Total library collections - closing balance	**-**	**13,945**	**-**	**13,945**
Library collections - at cost - closing balance		33		33
Library collections - at valuation - closing balance		13,912		13,912
Total cost/valuation	-	13,945	-	13,945
Accumulated depreciation	-	-	-	
Total library collections - closing balance	**-**	**13,945**	**-**	**13,945**
Total operational assets	**-**	**1,506,594**	**-**	**1,518,567**
Infrastructure assets				
Drainage, water and waste				
Drainage, water and waste - at cost - opening balance		109,934		109,934
Drainage, water and waste - at valuation - opening balance		7,531,028		7,531,028
Total cost/valuation	-	7,640,962	-	7,640,962
Accumulated depreciation		(4,143,089)		(4,143,089)
Total drainage, water and waste - opening balance	-	3,497,873	-	3,497,873
Additions		81,180		81,180
Depreciation expense		(87,914)		(87,914)
Revaluation movement		(11,630)		(11,630)
Transfer between asset classes		(2,061)		(2,061)
Total drainage, water and waste - closing balance	**-**	**3,477,448**	**-**	**3,477,448**
Drainage, water and waste - at cost - closing balance		79,564		79,564
Drainage, water and waste - at valuation - closing balance		7,634,605		7,634,605
Total cost/valuation	-	7,714,169	-	7,714,169
Accumulated depreciation		(4,236,721)		(4,236,721)
Total drainage, water and waste - closing balance	**-**	**3,477,448**	**-**	**3,477,448**

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Roading				
Roading - at cost - opening balance		38,203		38,203
Roading - at valuation - opening balance		2,470,888		2,470,888
Total cost/valuation	-	2,509,091	-	2,509,091
Accumulated depreciation		(908,212)		(908,212)
Total roading - opening balance	-	1,600,879	-	1,600,879
Additions		43,424		43,424
Depreciation expense		(44,903)		(44,903)
Revaluation movement		-		-
Revaluation adjustment		(16,435)		(16,435)
Transfer between asset classes		711		711
Total roading - closing balance	**-**	**1,583,676**	**-**	**1,583,676**
Roading - at cost - closing balance		43,424		43,424
Roading - at valuation - closing balance		2,474,101		2,474,101
Total cost/valuation	-	2,517,525	-	2,517,525
Accumulated depreciation		(933,849)		(933,849)
Total roading - closing balance	**-**	**1,583,676**	**-**	**1,583,676**
Infrastructure land				
Infrastructure land - at cost - opening balance		4,635		4,635
Infrastructure land - at valuation - opening balance		56,012		56,012
Total infrastructure land - opening balance	-	60,647	-	60,647
Additions		40		40
Impairment		-		-
Revaluation movement		-		-
Transfer between asset classes		-		-
Movements of non-current assets held for sale		595		595
Total infrastructure land - closing balance	**-**	**61,282**	**-**	**61,282**
Infrastructure land - at cost - closing balance		60,687		60,687
Infrastructure land - at valuation - closing balance		595		595
Total infrastructure land - closing balance	**-**	**61,282**	**-**	**61,282**
Land under roads				
Land under roads - at cost - opening balance		2,958,135		2,958,135
Additions		185		185
Disposals		(545)		(545)
Transfer between asset classes		47		47
Movements of non-current assets held for sale		(157)		(157)
Land under roads - closing balance	**-**	**2,957,665**	**-**	**2,957,665**
Total infrastructure assets	**-**	**8,080,071**	**-**	**8,080,071**

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Restricted assets [2]				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,893		11,232
Additions		8		8
Transfer between asset classes		-		-
Art and cultural assets - closing balance	**-**	**8,901**	**-**	**11,240**
Buildings on restricted land				
Buildings on restricted land - at cost - opening balance		51,164		51,164
Accumulated depreciation and impairment		(20,170)		(20,170)
Total buildings on restricted land - opening balance	-	30,994	-	30,994
Additions		6,720		6,720
Depreciation expense		(2,052)		(2,052)
Impairment		-		-
Total buildings on restricted land - closing balance	**-**	**35,662**	**-**	**35,662**
Buildings on restricted land - at cost - closing balance		57,857		57,857
Accumulated depreciation and impairment		(22,195)		(22,195)
Total buildings on restricted land - closing balance	**-**	**35,662**	**-**	**35,662**
Parks and reserves				
Parks and reserves - at cost - opening balance		209,648		209,648
Additions		2,475		2,475
Disposals		(46)		(46)
Transfer between asset classes		7,803		7,803
Movements of non-current assets held for sale		-		-
Parks and reserves - closing balance	**-**	**219,880**	**-**	**219,880**
Town Belt				
Town Belt - at cost - opening balance		96,353		96,353
Transfer between asset classes		-		-
Town Belt - at cost - closing balance	**-**	**96,353**	**-**	**96,353**
Total restricted assets	**-**	**360,796**	**-**	**363,135**

2. For restricted assets, valuation at cost means they are not subject to revaluation. Please refer to the relevant significant accounting policies above for a more detailed explanation.

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Work in progress				
Land		5,773		5,773
Buildings		194,809		195,849
Civic Precinct		2,015		2,015
Plant and equipment		135,985		135,985
Library collection		2,411		2,411
Drainage, water and waste		20,302		20,302
Roading		85,928		85,928
Other		575		576
Total work in progress	-	**447,798**	-	**448,839**
Total property, plant and equipment	-	**10,395,259**	-	**10,410,612**

Revaluation of property, plant and equipment

Assets are valued at regular intervals by an independent registered valuer or whenever the carrying amount differs materially to fair value. In the years which an asset class is not revalued, an assessment is made as to whether there has been any material change in the value of that asset class.

Operational land and buildings

The operational land and building assets were valued with effect from 30 June 2023 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collection

Library collections were valued as at 30 June 2023 by the Council's library staff. The revaluation was carried out in accordance with guidelines outlined in Valuation Guidance for Cultural and Heritage Assets published by the Treasury Accounting Team, November 2002.

Infrastructure assets

Drainage, water and waste

The Drainage, water and waste Infrastructure assets were revalued with effect from 30 June 2024 by John Vessey (MIPENZ) Partner of WSP New Zealand Limited. This revaluation would normally be performed in 2024/25 in line with the 3-year cycle. In late 2022 (during year one of the 3-year cycle) an initial assessment was performed and the predicted increase in fair values did not indicate the need to perform a full valuation for the 2022/23 year. In late 2023 (during year two) a similar exercise indicated a more material increase was expected and therefore a full valuation was carried out in year two of the 3-year cycle.

Roading

The Roading Infrastructure assets were last revalued as at 30 June 2022 by John Vessey (MIPENZ) Partner of WSP New Zealand Limited. The movement in the fair value of roading assets between 30 June 2022 and 30 June 2024 were assessed by independent valuer WSP and the increase in fair value of these asset classes was not considered material by management and accordingly these assets did not require a revaluation as at 30 June 2024.

Infrastructure land

The infrastructure land assets were last valued as at 30 June 2022 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Further information on revaluation reserves and movements is contained in *Note 28: Revaluation reserves* (page X).

Significant acquisitions and replacements of assets

In accordance with the provisions of Schedule 10 of the LGA 2002, information in respect of significant acquisitions and replacements of assets is reported within the Statements of Service Performance (refer to Section 4: Our performance in detail (Volume 1, page X)).

Service concession arrangements

The Council's service concession assets consist of the Moa Point treatment plant, including the sludge dewatering plant at Carey's Gully, and Western (Karori) wastewater treatment plant. These facilities are owned by the Council, and included within infrastructure assets, but operated by Veolia Water under a contract with Wellington Water Limited. The contract also covers the Porirua wastewater treatment plant which is operating under a joint operation with Porirua City Council.

The Council incurs all associated operating expenses through the on-charged costs paid to Wellington Water Limited.

The Council has a contract with Veolia Water, which covers the wastewater treatment plants of Wellington, Porirua and Hutt City councils. The contract expires 30 June 2030 with two rights of renewal for further subsequent terms of three and two years respectively.

The carrying value of these service concession assets for the Council and Group is $[insert amount] (2023: $146.1m).

Core Assets

Included within the infrastructure assets above (*Table 34)* are the Council's core assets as shown in *Table X.*

Table X: Council's core assets	2024			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	$000	$000	$000	$000
Water supply				
Treatment plants and facilities				
Other assets				
Sewerage				
Treatment plants and facilities				
Other assets				
Stormwater drainage				
Flood protection and control works				
Roads and footpaths				
Total core assets	**-**	**-**	**-**	**-**

	2023			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	$000	$000	$000	$000
Water supply				
Treatment plants and facilities	-	-	-	-
Other assets	914,280	61,658	996	2,005,544
Sewerage				
Treatment plants and facilities	169,710	1,617	-	296,070
Other assets	1,253,818	11,757	1,366	3,062,431
Stormwater drainage	1,139,640	3,645	143	2,321,230
Flood protection and control works	-	-	-	-
Roads and footpaths	1,583,676	41,560	9,211	2,517,525
Total core assets	**5,061,124**	**120,237**	**11,716**	**10,202,800**

Insurance of assets

Table X: Insurance of assets	Council	
	2024	2023
	$000	$000
Total value of property, plant and equipment	-	10,395,259
less assets (primarily land) excluded from insurance contracts	-	(4,130,758)
Value of assets covered by insurance contracts	**-**	**6,264,501**
Maximum amount to which assets are insured under Council insurance policies	**-**	**724,195**
Total value of assets that are self-insured		**203,762**

In addition to Council's insurance, in the event of natural disaster it is assumed that Central Government will contribute 60 percent towards the rebuild or repair of essential Council owned below ground infrastructure (drainage, water and waste assets) subject to eligibility considerations. Also, NZTA, will contribute approximately 55 percent towards the restoration of qualifying roading assets.

The Council is not covered by any financial risk sharing arrangements in relation to its assets.

An insurance reserve of $[insert amount] (2023: $14.3m) exists to meet the cost of claims that fall below deductible limits under the Council insurance policies. The reserve is funded annually through rates. For the year ending 30 June 2024 an amount of $[insert amount] (2023: $1.5m) was added to the reserve. The net cost of claims applied to the reserve during the year amounted to $[insert amount] (2023: $1.1m).

For insurance purposes, the Council takes a "sum insured" approach to managing most risks, including for damage from a significant natural disaster. This approach recognises the wide-ranging location and type of assets in the portfolio.

We have policies in place for our three main asset classes:

- Below ground infrastructure (declared replacement value of $[insert amount] (2023: $3.0b)
- Above ground infrastructure (declared replacement value of $[insert amount] (2023: $8.9b)
- Housing declared replacement value of $[insert amount] (2023: $1.0b)

The declared values are overlaid with the assessed GNS loss estimate for each asset subclasses for a 1–1000-year loss. The assessment is then used to assess the level of insurance required.

The required insurance values are met by cover in place from various sources, including purchased material damage insurance, the internal Insurance reserve (described above), balance sheet headroom (approved via the 2021-31 LTP) and a conservative level of assumed promissory allocation of Crown funded rebuild capacity.

Note 20: Investment in controlled entities

Table X: Cost of Investment in controlled entities	Council	
	2024	2023
	$000	$000
Wellington Cable Car Limited		3,809
Wellington Regional Economic Development Agency Limited (WREDA)		1,262
Total cost of Investment in controlled entities	**-**	**5,071**

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to controlled entities. The Council has only made equity investments as shareholders as noted in *Table X*. Nominal settlement amounts (e.g. $100) made in respect of Trusts, for which Council is the settlor), have not been recognised due to their materiality and are not considered as equity investments.

Information on inter-company transactions is included in *Note 37: Related party disclosures* (page X).

The reporting period end date for all controlled entities is 30 June. Full copies of their financial statements can be obtained directly from their respective offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the relevant sections of the Statements of Service Provision. For further information – refer to Section 4: Our performance in detail (Volume 1, pages X to X).

Table X: Controlled entities	Accounting Interest 2024	Accounting Interest 2023	Nature of business
Karori Sanctuary Trust (Trading as Zealandia)	100%	100%	Owns and manages the activities of the urban eco-sanctuary in Karori.
Te Toi Mahana	100%	100%	Te Toi Mahana is a registered Community Housing Provider for the Wellington Community
Wellington Cable Car Limited	100%	100%	Owns and operates the Cable Car.
Wellington Museums Trust (Trading as Experience Wellington)	100%	100%	Administers: Cable Car Museum, Capital E, City Gallery, Nairn Street Cottage, Space Place (Carter Observatory), Wellington Museum and the NZ Cricket Museum
Wellington Regional Economic Development Agency Limited (WREDA) (Trading as WellingtonNZ)	80%	80%	Manages Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
- Creative HQ Limited	80%	80%	Business incubators.
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Waterfront project.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

Note 21: Investment in associates and joint venture

Table X: Cost of investment in associates and joint venture	Council	
	2024	2023
	$000	$000
Chaffers Marina Holdings Limited		1,208
Wellington International Airport Limited		17,775
Wellington Water Limited		400
Total cost of investment in associates and joint venture	**-**	**19,383**

The Council has significant influence over the following entities as listed in *Table X*. All of these are domiciled and operate in New Zealand.

Table X: Associates and Joint venture	Accounting Interest 2024	Accounting Interest 2023	Nature of business
Chaffers Marina Holdings Limited	9.93%	9.93%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	9.93%	9.93%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Water Limited	40%	40%	Manages all water services for Wellington, Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the GWRC.

Full copies of their separately prepared financial statements can be obtained directly from their respective offices.

Associates

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2024 the Council held a [insert amount] percent (2023: 9.93 percent) interest in Chaffers Marina Holdings Limited which has been recognised in the Group financial statements on an equity accounting basis, reflecting the special rights (as set out in Chaffers Marina Limited's Constitution), which attach to the golden share that it holds in Chaffers Marina Limited.

Wellington International Airport Limited

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

Joint venture

Wellington Water Limited

Wellington Water Limited was jointly created with Hutt City Council on 9 July 2003 to manage the drinking water, wastewater and stormwater assets of the councils. Since its inception it has gradually expanded its operations and now covers six councils in the Wellington region.

The company has a reporting period ending 30 June and has a dual share structure as shown in *Table X*.

Table X: Shareholding Councils	Class A shares (voting rights)	Class B Shares (financial entitlements)	Ownership interest
Wellington City	150	200	40%
Hutt City	150	100	20%
Upper Hutt City (from 1/11/2013)	150	40	8%
Porirua City (from 1/11/2013)	150	60	12%
Greater Wellington Regional (from 16/9/2014)	150	75	15%
South Wairarapa District (from 26/9/2019)	150	25	5%
Total shares on issue	**900**	**500**	**100%**

The Council classifies this entity as a joint venture because of the equal sharing of voting rights conferred through the Class A shares and the shareholder's agreement, which constitutes a binding arrangement.

The Class B shares confer the level of contributions and ownership benefits of each council. The Council uses equity accounting to recognise its 40 percent (2023: 40 percent) ownership interest.

Value of the investments

The investment in associates and the joint venture in the Group financial statements represents the Council's share of the net assets of the associates and the joint venture. This is reflected in the Group financial statements as shown in *Table X*:

The Council's share of the operating surplus or deficit of Chaffers Marina Holdings Limited, Wellington International Airport Limited and Wellington Water Limited is outlined in *Note 9: Share of Associates' and Joint Venture's surplus or deficit* (page X).

Table X: Value of investment in associates and joint venture	**Group**	
	2024	**2023**
	$000	**$000**
Chaffers Marina Holdings Limited		
Opening balance		812
Change in shares during the year		-
Change in equity due to changed shareholding		(90)
Equity accounted earnings of associate		(20)
Closing balance - investment in Chaffers Marina Holdings Limited	**-**	**702**
Wellington International Airport Limited		
Opening balance		255,248
Dividends		(20,400)
Equity accounted earnings of associate		8,583
Share of net revaluation of property, plant and equipment - movement		33,016
Share of hedging reserve - movement		1,588
Closing balance - investment in Wellington International Airport Limited	**-**	**278,035**
Wellington Water Limited		
Opening balance		2,146
Equity accounted earnings of joint venture		(936)
Closing balance - investment in Wellington Water Limited	**-**	**1,210**
Total value of investment in associates and joint venture	**-**	**279,947**

Summary of Financial Position and Performance of associates

Financial information relating to the Council's associates is provided in *Tables X* and *X*.

Table X: Chaffers Marina Holdings Limited	**2024**	**2023**
	$000	**$000**
Council		
Investment in Chaffers Marina Holdings Limited (at cost)	-	1,208
Group		
Summarised financial information of associate		
Current assets		1,037
Non-current assets		4,929
Current liabilities		(204)
Non-current liabilities		(2,498)
Net assets	**-**	**3,264**
Revenue		1,833
Tax expense		-
		-
Surplus / (deficit) after tax		(197)
Other comprehensive revenue and expense		-
Total comprehensive revenue and expense	**-**	**(197)**
Reconciliation to equity accounted carrying amount		
Net assets		3,264
Group's share %		9.93%
Group's share $000		323
Other consolidation adjustments		379
Equity accounted carrying amount	**-**	**702**
Risks associated with the Council's investment in the associate		
Share of contingent liabilities	-	-

Table X: Wellington International Airport Limited	2024	2023
	$000	$000
Council		
Investment in Wellington International Airport Limited (at cost)	-	17,775
Group		
Dividends received		20,400
Summarised financial information of associate		
Current assets		148,155
Non-current assets		1,652,568
Current liabilities		(105,104)
Non-current liabilities		(818,012)
Net assets	**-**	**877,607**
Revenue		139,828
Tax credit /(expense)		(6,293)
Surplus / (deficit) after tax		25,243
Other comprehensive revenue and expense		101,771
Total comprehensive revenue and expense	**-**	**127,014**
Reconciliation to equity accounted carrying amount		
Net assets		877,607
Group's share %		34%
Group's share		298,386
Dividends received not in WIAL annual report		(20,400)
Other consolidation adjustments		49
Equity accounted carrying amount	**-**	**278,035**
Risks associated with the Council's investment in the associate		
Share of contingent liabilities	-	-

Summary of Financial Position and Performance of joint venture

Financial information relating to the Council's joint venture is provided in *Table X.*

Table X: Wellington Water Limited	**2024**	**2023**
	$000	**$000**
Council		
Investment in Wellington Water Limited (at cost)	-	400
Group		
Summarised financial information of joint venture		
Current assets		
Cash and cash equivalents		31,871
Other current assets		28,172
Total current assets	**-**	**60,043**
Non-current assets		**5,075**
Current liabilities		
Financial liabilities (excluding accounts payable)		-
Other current liabilities		(62,069)
Total current liabilities	**-**	**(62,069)**
Non-current liabilities		
Financial liabilities (excluding accounts payable)		-
Other non-current liabilities		(25)
Total non-current liabilities	**-**	**(25)**
Net assets	**-**	**3,024**
Revenue, excluding interest		382,880
Interest revenue		1,031
Depreciation and amortisation		(1,619)
Interest expense		-
Tax expense		-
Surplus / (deficit) after tax		(1,894)
Other comprehensive revenue and expense		-
Total comprehensive revenue and expense	**-**	**(1,894)**
Reconciliation to equity accounted carrying amount		
Net assets		3,024
Group's share %		40%
Group's share $000		1,210
Other consolidation adjustments		-
Equity accounted carrying amount	**-**	**1,210**
Risks associated with the Council's investment in the joint venture		
Share of contingent liabilities	-	-

Note 22: Exchange transactions, transfers and taxes payable

Table X: Exchange transactions, transfers and taxes payable	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Exchange transactions and transfers payable		113,309		117,018
Taxes payable		11,707		12,047
Non-current				
Exchange transactions and transfers payable		231		231
Total exchange transactions, transfers and taxes payable	**-**	**125,247**	**-**	**129,296**

Comprised of:

Table X: Exchange transactions and transfers payable	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Trade payables and accruals		93,891		97,605
Interest payable		9,523		9,523
Sundry payables		10,126		10,121
Total exchange transactions and transfers payable	**-**	**113,540**	**-**	**117,249**

Table X: Taxes payable	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
GWRC rates		9,069		9,069
Other		2,638		2,978
Total taxes payable	**-**	**11,707**	**-**	**12,047**
Total exchange transactions, transfers and taxes payable	**-**	**125,247**	**-**	**129,296**

Table X: Exchange transactions, transfers and taxes payable to related parties	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Controlled entities		3,124	-	-
Associates and joint venture		10,145	-	10,145
Total exchange transactions, transfers and taxes payable to related parties	**-**	**13,269**	**-**	**10,145**

Payables under exchange transactions, transfers and taxes payable are non-interest bearing and settled on terms varying between seven days and the 20th of the month following the invoice date. Most of the Council's payables are exchange transactions as they are directly with another party on an arm's-length basis and are of approximately equal value. Non-exchange payables are classified as either transfers payable (for example, Council grants) or taxes (for example, PAYE).

Note 23: Deferred revenue

Table X: Deferred revenue	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Exchange transactions				
Lease rentals		2,060		2,060
Other		44		10,718
Transfers				
Wellington Venues operations		568		568
Inspection and licensing fees		6,172		6,172
Other		2,750		2,896
Taxes				
Rates		3,122		3,122
Liabilities recognised under conditional transfer agreements		2,332		2,792
Total deferred revenue	**-**	**17,048**	**-**	**28,328**

Relevant significant accounting policies

Liabilities recognised under conditional transfer agreements

The Council and the Group have received non-exchange transfer monies for specific purposes, which apply to periods beyond the current year, with conditions that would require the return of the monies if they were not able to fulfil the agreement. The revenue from these agreements will only be recognised as the conditions are fulfilled over time.

These liabilities relate to:

- naming rights agreement that the Council has with third parties for buildings.
- various grants.

Note 24: Borrowings

The Council maintains a prudent borrowings position in relation to our equity and annual revenue. Borrowings are primarily used to fund the purchase of new assets or upgrades to existing assets that are approved through the AP and LTP processes.

Gross Borrowings

The gross borrowings, based on maturity, are comprised as shown in *Table X.*

Table X: Gross borrowings	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Bank loans - term		-		-
Commercial paper		68,000		68,000
Debt securities - fixed rate bonds		5,000		5,000
Debt securities - floating rate notes		132,500		132,500
Total current	**-**	**205,500**	**-**	**205,500**
Non-current				
Bank loans - term		10,486		11,983
Debt securities - fixed rate bonds		100,000		100,000
Debt securities - floating rate notes		934,500		934,500
Total non-current	**-**	**1,044,986**	**-**	**1,046,483**
Total gross borrowings	**-**	**1,250,486**	**-**	**1,251,983**

Debt securities - floating rate notes

Floating rates notes include GSS (Green, Social and Sustainability) loans and CAL loans (climate action loans). For the Council, the GSS loans are linked to Takina as a 5-Star green building. We receive a 5-basis point discount on this lending compared to a vanilla instrument.

GSS loans for year ended 30 June 2024 are [insert amount] current/[insert amount] non-current. (2023: $20m current/$100m non-current)

CAL loans for year ended 30 June 2024 are [insert amount] current/[insert amount] for non-current. (2023: nil)

Net Borrowings

When the cash position of the Council and the Group is considered, the net borrowings position is comprised as shown in *Table X.*

Table X: Net borrowings	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Total gross borrowings	-	1,250,486	-	1,251,983
Less				
Cash and cash equivalents (see Note 11)	-	(68,529)	-	(87,707)
Bank term deposits - greater than 3 months (see Note 15)	-	(40,000)	-	(46,098)
Total net borrowings	**-**	**1,141,957**	**-**	**1,118,178**

The Council's borrowing strategy is to minimise liquidity risk by avoiding concentration of debt maturity dates and to ensure there is long-term access to funds. Further information on the liquidity and market risks associated with borrowings is contained in *Note 33: Financial instruments* (page X).

Table X shows the utilisation of the borrowing facilities available to the Group at the end of the reporting period. The table also indicates the current applicable maturity and interest rate ranges.

Table X: Group borrowing facilities	Available	Utilised	Maturities	Interest
	2024	2024		Rate Range
	$000	$000		%
Bank overdraft - committed				
Bank facilities - short-term - uncommitted				
Bank facilities - long-term - committed				
LGFA facilities - long-term - committed				
Bank loans - term				
Commercial paper				
Debt securities - fixed rate bonds				
Debt securities - floating rate notes				
Total	-	-		

The bank overdraft facilities are $1.5m for the Council and $0.4m for WREDA.

In addition to the above facilities, the Council operates purchase cards to efficiently facilitate the purchase of goods and services. The cards are paid in full on a monthly basis. An aggregate credit limit of $2.0m for all cards applies across the Council.

Security

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

Internal Borrowings

The Council borrows on a consolidated level and as such does not use internal borrowing and therefore does not prepare internal borrowing statements.

Ring-fenced funds

The Council holds $[insert amount] (2023: $88.6m) of funds that may only be used for a specified purpose. These funds are not held in cash but are utilised against borrowings until required. The main specified uses for these funds are as follows:

City Housing

As part of the agreement with the Crown for the Housing Upgrade Project an amount of $[insert amount] (2023: $67.6m), representing the accumulated surpluses and deficits from the City Housing activity, has been ring-fenced for future investment in the Council's social housing assets.

Waste reduction and energy

An amount of $[insert amount] (2023: $21.0m) related to accumulated surpluses and deficits from the Waste reduction and energy conservation - Activity 2.2, which under the Waste Minimisation Act 2008, must be ring-fenced for future investment in waste activities. The Council is committed to several waste minimisation projects that will utilise these funds.

Relevant significant accounting policies

Borrowings on normal commercial terms are initially recognised at amortised cost. Interest due on the borrowings is subsequently accrued.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Note 25: Employee benefit liabilities and provisions

Table XX: Employee benefit liabilities and provisions	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Short-term benefits				
Payroll accruals		671		1,109
Holiday leave		8,205		9,952
Other contractural provisions		53		53
Total current benefits	**-**	**8,929**	**-**	**11,114**
Non-current				
Long-term benefits				
Long service leave provision		-		47
Retirement gratuities provision		676		676
Total non-current benefits	**-**	**676**	**-**	**723**
Total employee benefit liabilities and provisions	**-**	**9,605**	**-**	**11,837**

Relevant significant accounting policies - general

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

Holiday leave

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

Note 26: Provisions for other liabilities

Table XX: Provisions for other liabilities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Current				
Landfill post-closure costs		997		997
Weathertight homes		5,010		5,010
Holidays Act Remediation		-		-
Total current	**-**	**6,007**	**-**	**6,007**
Non-current				
Landfill post-closure costs		16,369		16,369
Weathertight homes		18,989		18,989
Total non-current	**-**	**35,358**	**-**	**35,358**
Total provisions for other liabilities	**-**	**41,365**	**-**	**41,365**

Relevant significant accounting policies - general

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

Movements in material provisions above are analysed in *Tables X and X*.

Table XX: Landfill post-closure costs	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance		18,571		18,571
Movement in provision		(1,638)		(1,638)
Re-discounting of interest		647		647
Amount utilised		(214)		(214)
Landfill post-closure costs - closing balance	**-**	**17,366**	**-**	**17,366**

Background to the landfill post-closure costs provision

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

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

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

Post-closure responsibilities include:

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

The Council, as operator of the Southern Landfill, has a legal obligation to apply for resource consents when the landfill or landfill stages reach the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure.

Relevant significant accounting policies – landfill post-closure specific

A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises, which is when each stage of the landfill is commissioned, and refuse begins to accumulate.

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

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

Estimations

The long-term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known changes to legal requirements and known improvements in technology. Future cash flows are discounted using the Treasury risk free rate of XX percent for open landfills and between XX and XX percent for closed landfills depending on how long landfills have been closed. The gross provision (inflation adjusted at XX percent for open landfills and between XX and XX percent for closed landfills, before discounting, is $[insert amount] (2023: $22.3m). This represents the Council's projection of the amount required to settle the obligation at the estimated time of the cash outflow.

Stage 3 of the Southern Landfill has an estimated remaining capacity of [insert amount] (2023: 240,000m^3) and is expected to close in 2026 when its resource consent expires. These estimates have been made by the Council's contracted engineers based on expected future and historical volume information.

The Council's provision includes a 21.5 percent proportionate share of the Spicer Valley Landfill provision for post-closure costs. The Spicer Valley Landfill has a remaining life out to 2053.

Table XX: Weathertight homes	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance		24,606		24,606
Additional or increased provision made		1,208		1,208
Release of unused provision		-		-
Amount utilised		(1,815)		(1,815)
Weathertight homes - closing balance	**-**	**23,999**	**-**	**23,999**

Background to the weathertight homes provision

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes a net amount of $[insert amount] (2023: $13.0m) as a provision for unreported claims relating to weathertight issues, which have not yet been notified to the Council.

Movement in the provision

During the year $[insert amount] (2023: $1.8m) was paid as either part or full settlement of claims. $[insert amount] was added to the provision (2023: $1.2m) after an actuarial re-assessment of the likely future costs to be incurred as explained below. The current/non-current split in *Table X* reflects the expected timing of payments but is reassessed each year to take account of delays in claim negotiations and any mediation outcomes.

Estimations

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council's expected future costs to settle these claims and is reviewed on a case-by-case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the Council's best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cash flows are inflation adjusted and discounted using the Treasury's risk-free rate. The provision is net of any third-party contributions including insurance, where applicable.

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

The weathertight homes provision was assessed as at 30 June 2024 by an independent actuary, Craig Lough, (Fellow of the NZ Society of Actuaries) for Melville Jessup Weaver.

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

Amount claimed

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

Settlement amount

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

Amount expected to be paid by the Council

Represents the amount expected to be paid by the Council out of any awarded settlement amount and is based on the actual amounts for claims already settled. This figure has been increasing over the last few years as it is becoming more common for the other parties involved in a claim to be either in liquidation, bankrupt or have limited funds and be unable to contribute to settlement.

Percentage of homeowners who will make a successful claim

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

Sensitivity

Table X illustrates the potential impact on the surplus or deficit of changes in some of the assumptions listed above.

Table XX: Weathertight homes provision sensitivity	2024		2023	
	$000		$000	
	+10%	-10%	+10%	-10%
Assumption	Surplus or Deficit		Surplus or Deficit	
Amount claimed			2,400	(2,400)
Settlement amount awarded			2,400	(2,400)
Council contibution to settlement			2,400	(2,400)
Change in percentage of homeowners who will make a successful claim			1,301	(1,301)
	+2%	-2%	+2%	-2%
Assumption	Surplus or Deficit		Surplus or Deficit	
Discount rate			(1,851)	2,176

Funding of weathertight homes settlements

The Council uses borrowings in the first instance to meet the cost of settlements with the associated borrowings subsequently being repaid through rates funding. To ensure that the funding of weathertight homes is fully transparent the associated settlement costs, borrowings and rates funding is reported annually.

Table XX: Funding for weathertight homes liability	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance		(41,493)		(41,493)
Rates funding for weathertight homes liability		4,686		4,686
Total amounts paid		(1,815)		(1,815)
Interest allocation		(1,311)		(1,311)
Closing balance funded through borrowings	**-**	**(39,933)**	**-**	**(39,933)**

Note 27: Deferred tax

Recognised temporary differences and tax losses

Table XX: Deferred tax assets and liabilities	Group	
	2024	2023
	$000	$000
Opening balance		
Property, plant and equipment		(1,060)
Intangible assets		(4)
Employee benefits		191
Other provisions		6
Tax losses		277
Total opening balance	**-**	**(590)**
Charged to surplus or deficit		
Property, plant and equipment		(103)
Intangible assets		(147)
Employee benefits		19
Other provisions		7
Tax losses		(24)
Total charged to surplus or deficit	**-**	**(248)**
Closing balance		
Property, plant and equipment	-	(1,163)
Intangible assets	-	(151)
Employee benefits	-	210
Other provisions	-	13
Tax losses	-	253
Total closing balance	**-**	**(838)**

Unrecognised tax losses

Under current income tax legislation, the unrecognised tax losses do not expire.

There is an unrecognised deferred tax asset in respect of the tax losses for the Council of $[insert amount] (2023: $0.1m).

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

Relevant significant accounting policies

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

Statement of Changes in Equity

Table X: Statement of Changes in Equity for the year ended 30 June 2024	Note	Council Actual 2024 $000	Council Budget 2024 $000	Council Actual 2023 $000	Group Actual 2024 $000	Group Actual 2023 $000
Equity - Opening balances						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,825,720	3,903,366		3,911,964
Effect of new accounting standard adoption - PBE IPSAS 41			-	(650)		(650)
Revaluation reserves			4,637,773	4,484,022		4,704,556
Hedging reserve			57,624	57,624		58,172
Fair value through other comprehensive revenue and expense reserve			6,854	6,854		7,983
Non-controlling interest			-	-		797
Restricted funds			19,626	19,626		23,872
Total equity - Opening balance		**-**	**9,816,731**	**9,739,976**	**-**	**9,999,856**
Changes in equity						
Retained earnings						
Net surplus / (deficit) for the year		-	64,840	(74,206)	-	(85,902)
Transfer to restricted funds			(19)	(3,444)		(3,874)
Transfer from restricted funds			15	3,921		4,389
Transfer from revaluation reserves			-	-		-
Transfer to non-controlling interest			-	-		79
Revaluation reserves	**28**					
Fair value movement - property, plant and equipment - net			-	(59,615)		(26,600)
Transfer to retained earnings		-	-	-		-
Hedging reserve	**29**					
Movement in hedging reserve			-	15,556		17,144
Fair value through other comprehensive revenue and expense reserve	**30**					
Movement in fair value - Equity investments			-	34		56
Movement in fair value - Available-for-sale equities		-	-	-		(261)
Non-controlling interest						
Transfer from retained earnings		-	-	-		(79)
Restricted funds	**31**					
Movements in restricted funds		-	-	-		3
Transfer to retained earnings		-	(15)	(3,921)		(4,389)
Transfer from retained earnings		-	19	3,444		3,871
Total comprehensive revenue and expense		**-**	**64,840**	**(118,231)**	**-**	**(95,563)**

Table X: Statement of Changes in Equity		Council			Group	
for the year ended 30 June 2024		Actual	Budget	Actual	Actual	Actual
		2024	2024	2023	2024	2023
	Note	$000	$000	$000	$000	$000
Equity - Closing balances						
Accumulated funds		-	1,269,134	1,269,134	-	1,293,162
Retained earnings		-	3,890,556	3,828,987	-	3,826,006
Revaluation reserves		-	4,637,773	4,424,407	-	4,677,956
Hedging reserve		-	57,624	73,180	-	75,316
Fair value through other comprehensive revenue and expense reserve		-	6,854	6,888	-	7,778
Non-controlling interest		-	-	-	-	718
Restricted funds		-	19,630	19,149	-	23,357
Total equity - Closing balance		**-**	**9,881,571**	**9,621,745**	**-**	**9,904,293**
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	64,840	(118,231)	-	(95,472)
Non-controlling interest		-	-	-		(91)
		-	**64,840**	**(118,231)**	**-**	**(95,563)**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

Statement of Changes in Equity – Major budget variations

Budget figures are for Council only and not the Group.

Significant variations from budgeted changes in equity are as follows:

Opening equity is $[insert amount and direction] than budgeted. The major variances included:

- .

Changes in equity were $[insert amount and direction] than budgeted. The major variances included:

- .

Equity

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is broken down and classified into several components including:

- accumulated funds and retained earnings
- revaluation reserves
- hedging reserve
- non-controlling interest
- fair value through other comprehensive revenue and expense reserve; and
- restricted funds.

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

Equity management

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA 2002 and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA 2002 requires the Council to make adequate and effective provision in its LTP and in its AP (where applicable) to meet the expenditure needs identified in those plans. The LGA 2002 sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Note 28: Revaluation reserves

Table XX: Revaluation reserves	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Land - opening balance		288,226		288,226
Revaluation recognised in other comprehensive revenue and expense		(15,820)		(15,820)
Transfer to retained earnings due to disposal of assets		-		-
Revaluations adjustment		(430)		(430)
Land - closing balance	**-**	**271,976**	**-**	**271,976**
Buildings - opening balance		509,846		509,846
Revaluation recognised in other comprehensive revenue and expense		(16,631)		(16,631)
Revaluation adjustment		(349)		(349)
Transfer to retained earnings due to disposal of assets		-		-
Buildings - closing balance	**-**	**492,866**	**-**	**492,866**
Library collections - opening balance		8,592		8,592
Revaluation recognised in other comprehensive revenue and expense		1,680		1,680
Library collections - closing balance	**-**	**10,272**	**-**	**10,272**
Drainage, water and waste - opening balance		2,716,214		2,716,214
Revaluation recognised in other comprehensive revenue and expense		-		-
Revaluation adjustment		(11,630)		(11,630)
Drainage, water and waste - closing balance	**-**	**2,704,584**	**-**	**2,704,584**
Infrastructure land - opening balance		41,618		41,618
Revaluation recognised in other comprehensive revenue and expense		-		-
Infrastructure land - closing balance	**-**	**41,618**	**-**	**41,618**
Roading - opening balance		919,526		919,526
Revaluation recognised in other comprehensive revenue and expense		-		-
Revaluation adjustment		(16,435)		(16,435)
Roading - closing balance	**-**	**903,091**	**-**	**903,091**
Associates' revaluation reserves - opening balance		-		220,534
Revaluation recognised in other comprehensive revenue and expense		-		33,015
Associates' revaluation reserves - closing balance	**-**	**-**	**-**	**253,549**
Total revaluation reserves - closing balance	**-**	**4,424,407**	**-**	**4,677,956**

These revaluation reserve movements are represented by:

Table XX: Summary of revaluation reserve movements	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance		4,484,022		4,704,556
Revaluation recognised in other comprehensive revenue and expense		(59,615)		(26,600)
Transfer to retained earnings due to disposal of assets		-		-
Total revaluation reserves	**-**	**4,424,407**	**-**	**4,677,956**

The revaluation reserves are used to record accumulated increases and decreases in the fair value of certain asset classes.

Revaluation movements are non-cash in nature and represent the restating of the Council's assets, subject to revaluation, into current dollar values after considering the condition and remaining useful lives of the assets.

Relevant significant accounting policies

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

Any impairment in a revalued class of asset is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve.

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

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

Note 29: Hedging reserve

Table XX: Hedging reserve	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance		57,624		58,172
Cash flow hedge net movement recognised in other comprehensive revenue and expense		15,556		17,144
Total hedging reserve	**-**	**73,180**	**-**	**75,316**

The hedging reserve shows accumulated fair value changes for interest rate swaps which satisfy the criteria for hedge accounting and have operated as effective hedges during the period. The Council uses interest rate swaps to fix interest rates on floating rate debt (floating rate notes and commercial paper) to give it certainty over interest costs.

The Council uses hedge accounting to recognise any fair value fluctuations in these swaps through this reserve within equity. Using hedge accounting prevents any significant volatility in interest rates significantly affecting the Council's ability to meet its balanced budget requirements.

The Group movement reflects the hedging related to Wellington International Airport Limited but adjusted to align with the Groups' accounting policies.

Note 30: Fair value through other comprehensive revenue and expense reserve

Table XX: Fair value through other comprehensive revenue and expense reserve	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance		6,854		7,983
Movements:				
Civic Financial Services Limited		(48)		(48)
Local Government Funding Agency (LGFA)		82		82
Creative HQ shareholdings - available-for-sale		-		(261)
Endowment Fund - Wellington Museums Trust		-		17
Gifted investment - Karori Sanctuary Trust		-		5
Total fair value through other comprehensive revenue and expense reserve	**-**	**6,888**	**-**	**7,778**

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Financial Services Limited and the LGFA.

In the Group, Creative HQ, a controlled entity of WREDA, has small shareholdings in various incubator and accelerator programme companies. These shareholdings are fair valued annually and any movement is held within this reserve until the disposal of the shares.

Note 31: Restricted funds

Restricted funds are comprised of special reserves and funds that the Council holds for specific purposes and trusts and bequests that have been bestowed upon the Council for the benefit of all Wellingtonians.

Table XX: Restricted funds	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Special reserves and funds		18,635		21,941
Trusts and bequests		514		1,416
Total restricted funds	**-**	**19,149**	**-**	**23,357**

Special reserves and funds

Table XX: Special reserves and funds	Opening Balance 2024 $000	Additional Funds 2024 $000	Utilised Funds 2024 $000	Closing Balance 2024 $000
Council				
City Growth fund	3,591			
Reserve purchase and development fund	782			
Insurance reserve	14,262			
Total Council	**18,635**	-	-	-
Controlled entities' reserve funds	3,306			
Total Group - special reserves and funds	**21,941**	-	-	-

Nature and purpose

City Growth fund

The City Growth fund is used for economic development growth within Wellington City.

Reserve purchase and development fund

This fund is used to purchase and develop the Taputeranga reserve area around Island Bay.

Insurance reserve

This reserve allows the Council to meet the cost of claims that fall below deductible limits under the Council's insurance policies.

Controlled entities' reserve funds

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

- The Wellington Museums Trust has six reserves: Capital reserve, Capital E reserve, Nairn Street Cottage collection reserve, Wellington Museums collection reserve, City Gallery reserve and Wellington Museum Plimmer reserve. The two collection reserves are for the purpose of future museum acquisitions.
- The Wellington Zoo Trust has two reserves; Animal Transfer Fund specifically for the transfer of animals and Conservation Fund to specifically support field conservation.

Trusts and bequests

Additional funds and utilisation

Trusts and bequests receiving additional funds during the year were only those where interest totalling $[insert amount] (2023: $0.02m) has been applied in accordance with the original terms and conditions.

Nature and purpose

The Council's trusts and bequests have been generally provided for library, educational or environmental purposes.

The Wellington Zoo Trust has several trusts, bequests and capital grants made to it for specific purposes, which are held as restricted funds until utilised. Further information on these can be found in the Wellington Zoo Trust annual report published on their website – https://wellingtonzoo.com/about-us/about-our-zoo/

Charles Plimmer Bequest

This bequest is held and administered by the Public Trust and is primarily used for major beautification projects. As the sole beneficiary, Council applies for distribution of available funds for particular projects after consultation with the Plimmer family. The receipt and use of these funds are disclosed separately to record the generous contribution the bequest makes to the benefit of the city.

As at 31 August 2023, the value of the estate held by the Public Trust was $20.2m (31 August 2022: $20.2m), but the distributions to the beneficiary are only available from an agreed percentage of revenue generated. The distributions are only drawn down as required.

During the year:

- Distributions recognised as revenue - $nil
- Funds utilised - $nil

Statement of Cash Flows

Table X: Statement of Cash Flows	Council			Group	
for the year ended 30 June 2024	Actual	Budget	Actual	Actual	Actual
	2024	2024	2023	2024	2023
	$000	$000	$000	$000	$000
Cash flows from operating activities					
Receipts from rates - Council		480,105	427,236		427,236
Receipts from rates - GWRC		101,033	107,469		107,469
Receipts from activities and other revenue		171,568	184,431		204,656
Receipts from grants and subsidies - operating		19,599	9,243		17,818
Receipts from grants and subsidies - capital		43,168	27,793		31,222
Receipts from investment property lease rentals		11,527	12,549		12,549
Cash paid to suppliers and employees		(463,245)	(427,896)		(486,035)
Rates paid to GWRC		(101,033)	(106,463)		(106,463)
Grants paid		(59,321)	(47,596)		(14,057)
Income tax paid		-	-		(276)
Net GST (paid) / received		-	759		126
Net cash flows from operating activities	**-**	**203,401**	**187,525**	**-**	**194,245**
Cash flows from investing activities					
Dividends received		10,900	20,491		20,491
Interest received		13	8,041		8,808
Decrease in bank investments		-	-		4
Proceeds from sale of property, plant and equipment		9,834	4,197		4,236
Proceeds from sale of Investments		-	96		96
Loan advances made		-	-		-
(Increase) / decrease in investments		-	54,856		55,458
Purchase of investment properties		-	(13,123)		(13,123)
Purchase of intangibles		(3,062)	(8,856)		(9,392)
Purchase of property, plant and equipment		(454,794)	(343,429)		(345,991)
Net cash flows from investing activities	**-**	**(437,109)**	**(277,727)**	**-**	**(279,413)**
Cash flows from financing activities					
New borrowings		521,570	320,328		320,328
Repayment of borrowings		(204,816)	(141,000)		(141,000)
Interest paid on borrowings		(60,972)	(47,172)		(47,180)
Net cash flows from financing activities	**-**	**255,782**	**132,156**	**-**	**132,148**
Net increase/(decrease) in cash and cash equivalents	-	22,073	41,954	-	46,980
Cash and cash equivalents at the beginning of the year		18,257	26,575		40,727
Cash and cash equivalents at the end of year	**-**	**40,330**	**68,529**	**-**	**87,707**

The notes on page X to X form part of and should be read in conjunction with the financial statements.

The cash and cash equivalents balance above equates to the cash and cash equivalents balance in the Statement of Financial Position.

Council acts as a collection agency for GWRC by including additional rates and levies in its own billing process. Once collected, the monies are passed to GWRC. The budget assumes that the inflows and outflows will offset each other and are shown accordingly.

The Council has ring-fenced funds of $[insert amount] (2023: $88.6m) relating to the City Housing and Waste reduction and energy conservation activities. For more information see *Note 24: Borrowings* (page X).

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

Operating activities include cash received from all non-financial revenue sources of the Council and Group and record the cash payments made for the supply of goods and services.

Investing activities relate to the acquisition and disposal of assets and investment revenue.

Financing activities relate to activities that change the equity and debt capital structure of the Council and Group and financing costs.

Statement of Cash Flows – Major budget variations

Cash flow budgeting is performed using various assumptions around the timing of events and any departure from these timings will affect the outcome against budget.

Significant variations from the cash flow budgets are as follows:

Net cash flows from operating activities were $[insert amount and direction] than budget, including major variances of:

- .

Net cash flows from investing activities were $[insert amount and direction] than budgeted, including major variances of:

- .

Net cash flows from financing activities were $[insert amount and direction] than budgeted, including major variances of:

- .

Note 32: Reconciliation of cash flows

Table XX: Reconciliation of net surplus / (deficit) to net cash flows from operating activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Net surplus/(deficit) for the period	**-**	**(74,206)**	**-**	**(85,902)**
Add/(deduct) non-cash items:				
Vested assets		(13,995)		(13,995)
Bad debts written off not prevously provided for		186		186
Depreciation and amortisation		196,318		197,032
Impairment of property, plant and equipment		377		377
Fair value changes in investment properties		13,341		13,341
Other fair value changes		198		95
Movement in provision for impairments of doubtful debts		2,245		2,245
Tax expense/(credit)		(20)		346
Non-cash movement in provisions		1,163		1,071
Total non-cash items	**-**	**199,813**	**-**	**200,698**
Add/(deduct) movement in working capital: [1]				
Exchange receivables and non-exchange recoverables		7,483		10,685
Prepayments		10,283		10,487
Inventories		(69)		(277)
Exchange transactions, transfers and taxes payable		24,418		20,852
Revenue in advance		378		5,159
Employee benefit liabilities		606		901
Provision for other liabilities		(1,264)		(1,082)
Total movement in working capital	**-**	**41,835**	**-**	**46,725**
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment		(2,837)		(2,248)
Net (gain)/loss on disposal of intangibles		25		25
Net (gain)/loss on disposal of investments		(6)		(15)
Dividends received		(20,491)		(91)
Interest received		(8,041)		(8,869)
Tax paid and subvention receipts		-		104
Interest paid on borrowings		51,433		51,445
Share of equity accounted (surplus)/deficit in associates		-		(7,627)
Total investing and financing activities	**-**	**20,083**	**-**	**32,724**
Net cash flows from operating activities	**-**	**187,525**	**-**	**194,245**

1. Excluding non-cash items

Table XX: Reconciliation of liabilities arising from financing activities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Opening balance				
Current borrowings		209,001		209,001
Non-current borrowings		862,157		863,757
Hedges held against borrowings:				
- Interest rate swaps - cash flow hedges		57,624		58,172
Total opening balance	**-**	**1,128,782**	**-**	**1,130,930**
Cash flow movements - current				
Repayment of borrowings - current		(141,000)		(141,000)
New borrowings		-		-
Movement from non-current to current borrowings		137,499		137,499
Cash flow movements - non-current				
New borrowings		320,328		320,328
Movement from non-current to current borrowings		(137,499)		(137,499)
Total Cash movements	**-**	**179,328**	**-**	**179,328**
Non-cash flow movements				
- Interest rate swaps - cash flow hedges		15,556		17,144
- Fair value adjustment to borrowings		-		(103)
Total movements	**-**	**194,884**	**-**	**196,369**
Closing balance				
Current borrowings		205,500		205,500
Non-current borrowings		1,044,986		1,046,483
Hedges held against borrowings:				
- Interest rate swaps - cash flow hedges		73,180		75,316
Total closing balance	**-**	**1,323,666**	**-**	**1,327,299**

Other disclosures

Note 33: Financial instruments

For the purpose of measurement, the Council's and Group's financial assets and liabilities are classified into categories according to the purpose for which the financial assets and liabilities were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

Relevant significant accounting policies

Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Group.

Financial Assets

Financial assets are classified as: amortised cost, fair value through surplus or deficit (FVTSD), or fair value through other comprehensive revenue and expense (FVTOCRE).

Amortised cost

Financial assets at amortised cost comprises cash and cash equivalents, receivables, recoverables and loans and deposits.

- Cash and cash equivalents include cash balances and bank deposits with maturity dates of up to 3 months at acquisition.
- Receivables and recoverables have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.
- Loans and deposits include loans to other entities (including controlled entities and associates), and bank deposits with maturity dates of more than 3 months at acquisition.

Financial assets in this category are subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Receivables or recoverables due in less than 12 months are recognised at their nominal value.

Financial assets at fair value through surplus or deficit

Financial assets in this category comprise LGFA borrower notes since the LGFA has the ability to repay the investment before the original maturity date. They are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the surplus or deficit.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense primarily relate to equity investments that are held by the Group for long-term strategic purposes and therefore are not intended to be sold. Within the Group, small shareholdings are held in start-up companies, which are available for sale, until the companies mature or cease operations. Financial assets in this category are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within the surplus or deficit.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial Liabilities

Financial liabilities are classified as: amortised cost or fair value through other comprehensive revenue and expense (FVTOCRE).

Amortised cost

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

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

Table XX provides an analysis of the Group's financial assets and financial liabilities by reporting category as described in the accounting policies:

Table XX: Financial Instruments by category	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	-	68,529	-	87,707
Receivables and recoverables	-	77,185	-	79,726
Bank term deposits - greater than 3 months	-	40,000	-	46,098
Loans to related parties and external organisations	-	2,156	-	2,157
Total financial assets at amortised cost	**-**	**187,870**	**-**	**215,688**
Financial assets at FVTSD				
LGFA - borrower notes	-	25,190	-	25,190
Total financial assets at FVTSD	**-**	**25,190**	**-**	**25,190**
Financial assets at FVTOCRE				
Interest rate swaps - cash flow hedges	-	73,180	-	73,180
Equity investments	-	9,232	-	11,350
Total financial assets at FVTOCRE	**-**	**82,412**	**-**	**84,530**
Total financial assets	**-**	**295,472**	**-**	**325,408**
Total non-financial assets	-	10,770,024	-	11,042,532
Total assets	**-**	**11,065,496**	**-**	**11,367,940**
Financial liabilities				
Financial liabilities at amortised cost				
Exchange transactions and transfers payable	-	113,540	-	117,249
Taxes payable	-	11,707	-	12,047
Borrowings	-	1,250,486	-	1,251,983
Total financial liabilities at amortised cost	**-**	**1,375,733**	**-**	**1,381,279**
Financial liabilities at fair value through other comprehensive revenue and expense				
Interest rate swaps - cash flow hedges	-		-	
Total financial liabilities at fair value through other comprehensive revenue and expense	**-**	**-**	**-**	**-**
Total financial liabilities	**-**	**1,375,733**	**-**	**1,381,279**
Total non-financial liabilities	-	68,018	-	82,368
Total liabilities	**-**	**1,443,751**	**-**	**1,463,647**

Fair value

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

Fair value hierarchy

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

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

Table XX: Group hierarchy		2024			2023	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$000	$000	$000	$000	$000	$000
Financial assets						
Financial assets at FVTSD						
- LGFA - borrower notes	-	-	-	-	25,190	-
Financial assets at FVTOCRE						
- Equity investments	-	-	-	-	-	11,350
- Interest rate swaps - Cash flow hedges	-	-	-	-	73,180	-
Financial liabilities at FVTOCRE						
- Interest rate swaps - Cash flow hedges	-	-	-	-	-	-

Table XX summarises the reconciliation of movements in Level 3 finanancial instuments

Table XX: Reconciliation of fair value movements in Level 3	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Financial assets at FVTOCRE				
- Equity investments				
Opening balance - 1 July		9,198		11,477
Purchases		-		-
Disposals		-		-
Impairment		-		-
Loss on investment		-		-
Gains/(Losses) recognised in other comprehensive revenue and expense		34		(127)
Closing balance - 30 June	**-**	**9,232**	**-**	**11,350**

The Level 3 equity investments comprise the Group's shareholdings in: LGFA $[insert amount] (2023: $8.8m), Civic Financial Services Limited $[insert amount] (2023: $0.5m), Creative HQ shareholdings $[insert amount] (2023: $1.7m), endowment fund investment for Wellington Museums Trust of $[insert amount] (2023: $0.3m) and a gifted investment for the Karori Sanctuary Trust of $[insert amount] (2023: $0.1m). Refer to *Note 15: Other financial assets* (page X) for more details.

Financial risk management

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

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer *Note 35: Contingencies* (page X). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

The Group's maximum exposure to credit risk at the end of the reporting period is detailed in *Table XX*.

Table XX: Financial instruments with credit risk	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash and cash equivalents	-	68,514	-	87,677
Interest rate swaps - Cash flow hedges	-	73,180	-	73,180
Receivables and recoverables	-	77,185	-	79,726
Other financial assets				
- Bank term deposits - greater than 3 months	-	40,000	-	46,098
- LGFA borrower notes	-	25,190	-	25,190
- Loans to related parties and external organisations	-	2,156	-	2,157
Total financial instruments with credit risk	**-**	**286,225**	**-**	**314,028**

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

The Group is exposed to credit risk as a guarantor of the LGFA's borrowings. Further information about this exposure is explained in *Note 35: Contingencies* (page X).

Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard and Poor's credit ratings (or otherwise as stated) as shown in *Table* XX.

Table XX: Counterparties with credit ratings	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash - NZ registered banks				
AA-	-	48,514	-	66,618
Short-term deposits (3 months or less) - NZ registered banks				
AA-	-	20,000	-	21,509
Interest rate swaps - NZ registered banks				
AA-	-	73,180	-	73,180
Term deposits (greater than 3 months) - NZ registered banks				
AA-	-	40,000	-	46,098
Borrower notes - LGFA				
AAA	-	25,190	-	25,190

Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council's Liability Management Policy to ensure the Group can access required funds.

Contractual maturity

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

Table XX: Contractual cash flows of financial liabilities excluding derivatives	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		399,945		404,034
1-2 years		151,840		151,888
2-5 years		507,489		509,034
More than 5 years		621,068		621,068
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**1,680,342**	**-**	**1,686,024**
Represented by:				
Carrying amount as per the Statement of Financial Position		1,375,733		1,381,279
Future interest payable		304,609		304,745
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**1,680,342**	**-**	**1,686,024**

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

Table XX: Contractual cash flows of derivative financial liabilities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Contractual cash flows of derivative financial liabilities				
0-12 months	-	-	-	-
1-2 years	-	-	-	-
2-5 years	-	-	-	-
More than 5 years	-	-	-	-
Total contractual cashflow of derivative financial liabilities	**-**	**-**	**-**	**-**
Represented by:				
Future interest payable	-	-	-	-
Total contractual cash flows of derivative financial liabilities	**-**	**-**	**-**	**-**

Due to favourable interest rate movements all derivatives (cash flow hedges) were assets at 30 June 2022 and 2023.

In addition to cash to be received in 2024/25 the Group currently has $[insert amount] (2023: $210.0m) in unutilised committed bank facilities available to settle obligations as well as $[insert amount] (2023: $167.4m) of cash, cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Group is exposed to liquidity risk as a guarantor of all LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its obligations when they fall due. Information about this exposure is explained in *Note 35: Contingencies* (page X).

The Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits as shown in *Table XX.*

Table XX: Liquidity funding risk limits				
Period	**Maturing in period $000**	**Minimum**	**Maximum**	**Actual**
0 - 3 years		15%	60%	
3 - 5 years		15%	60%	
More than 5 years		15%	60%	
	0			

These profiles demonstrate how Council must spread and smooth repricing to avoid large concentrations of repricing risk in any given annual period.

Market risk

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

Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Council and Group's exposure to changes in market interest rates primarily arises from borrowings issued at variable interest rates.

Generally, Council raises long-term borrowings at floating rates. The Liability management policy requires that at least 50 percent of borrowings are at fixed rates of interest. To achieve this, Council uses interest rate swaps. Interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates to provide longer term certainty of funding costs than what would be achievable under floating rates. Under the interest rate swaps, Council agrees with other parties to exchange at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

For material financial liability exposures, Council has policy settings within the liability management policy that determine how the repricing of interest rate risks must be managed. For the year ended 30 June 2024, the material exposures were Borrowings and Derivative financial instruments (interest rate swaps). Refer to *Note 12: Derivatives*, for further information (page X).

The proportion of gross borrowing at a fixed interest rate for the year ending 30 June 2024 is [insert amount] percent (2023: 53 percent).

Table XX shows the effect of the interest rate swaps at reducing the Council's and Group's exposure to interest rate risk:

Table XX: Interest rate volatility	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents	-	68,529	-	87,707
Bank term deposits - greater than 3 months	-	40,000	-	46,098
Commercial paper	-	(68,000)	-	(68,000)
Debt securities - floating rate notes	-	(1,067,000)	-	(1,067,000)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**-**	**(1,026,471)**	**-**	**(1,001,195)**
Effect of interest rate swaps in reducing interest rate volatility				
Interest rate swaps - cash flow hedges		556,000	-	556,000
Total effect of interest rate swaps in reducing interest rate volatility	**-**	**556,000**	**-**	**556,000**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**-**	**(470,471)**	**-**	**(445,195)**

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements. Instead, the fair value of these interest rate swaps is recognised. This represents the difference between the forecast current floating interest rate and the fixed swap interest rate discounted back to present value. As at 30 June 2024, the fair value of the interest rate swaps was $[insert amount] (2023: $73.2m). The asset represents the forecast cost savings the Council is expected to receive from locking in fixed interest rates lower than current market rates over the period of the swap contracts versus floating rates.

Interest rate hedge effectiveness

Table XX: Interest rate hedge effectiveness	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Fair value of hedging instruments to determine hedge effectiveness		73,180		73,180
Fair value of hedged item to determine hedge effectiveness		73,180		73,180

As no designated forecast relationships were no longer expected to occur, there were no reclassifications.

Weighted effective interest rates

Given that the interest rate swaps have settlement dates that coincide with the dates on which interest is payable on the underlying debt (short term bank facilities, commercial paper and debt securities), it is appropriate to include the effect of the interest rate swaps on the borrowings interest rate and present the net effective interest rates for the underlying borrowings as shown in *Table XX*.

Table XX: Weighted effective interest rates	**Council**		**Group**	
	2024	**2023**	**2024**	**2023**
	%	**%**	**%**	**%**
Investments				
Cash and cash equivalents		5.39		4.51
Bank term deposits - greater than 3 months		5.89		5.68
LGFA - borrower notes		5.97		5.97
Loans to related parties		3.00		3.00
Borrowings				
Bank loans		3.00		3.00
Commercial paper		5.71		5.71
Debt securities - fixed rate bonds		2.02		2.02
Debt securities - floating rate notes		6.16		6.16
Interest rate swaps - cash flows hedges		3.19		3.19

The original related party loan to WRST for the Stadium construction and membership underwrite is on interest free terms.

The loan to WRST for COVID-19 support and further upgrade of the Fran Wilde walkway is at an interest rate of 3 percent p.a. and is now effective as the initial 2-year interest free period has expired.

Sensitivity analysis

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

TableXX illustrates the potential surplus or deficit impact of a 2 percent change in interest rates based on the Group's exposures at the end of the reporting period:

Table XX: Sensitivity to interest rate risk		Group			
		2024			
		$000			
		+2%	-2%	+2%	-2%
	Note	Effect on Surplus or Deficit		Effect on Other Comprehensive Revenue and Expense	
Financial assets					
Cash and cash equivalents	a				
LGFA - borrower notes	b				
Bank term deposits - greater than 3 months	c				
Interest rate swaps - cash flow hedges	d				
Financial liabilities					
Interest rate swaps - cash flow hedges	d				
Debt securities - floating rate notes (incl GSS loans)	e				
Bank loans	f				
Commercial paper	g				
Total sensitivity to interest rate risk		-	-	-	-

a. Cash and cash equivalents
Group funds of $[insert amount] (2023: $87.7m) are in several different registered bank accounts with interest receivable on the aggregation of all accounts. While most of the funds are held on short-term deposit, they are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 2 percent has a corresponding effect on interest revenue of $[insert amount] (2023: $1.8m).

b. LGFA borrower notes
The Group holds $[insert amount] (2023: $25.2m) of borrower notes which are investments held by LGFA as part of their lending policy. They are subject to quarterly interest rate resetting. A movement in interest rates of plus 2 percent has an effect on interest revenue of - $[insert amount]. A movement in interest rates of minus 2 percent has an effect on interest revenue of $[insert amount]. As these debt investments are now subject to fair value, the effect of discounting has a greater impact than the increase/decrease in interest earned. No comparative effect is included due to the change in valuation methodology.

c. Bank term deposits > than 3 months
Bank term deposits with maturities greater than 3 months of $[insert amount] (2023: $46.1m) are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 2 percent has a corresponding effect on interest revenue of $[insert amount] (2023: $0.9m) accordingly.

d. Interest rate swaps – cash flow hedges
Interest rate swaps have a fair value totalling $[insert amount] (2023: $73.2m). A movement in interest rates of plus 2 percent has an effect on increasing the unrealised value of the interest rate swaps by $[insert amount] (2023: $68.4m). A movement in interest rates of minus 2 percent has an effect on reducing the unrealised value of the interest rate swaps by $[insert amount] (2023: $81.9m)

e. Debt securities – floating rate notes
Debt securities at floating rates total $[insert amount] (2023: $1,067.0m). The full exposure to changes in interest rates has been reduced because the Group has $[insert amount] (2023: $505.0m) of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 2 percent has a corresponding effect on the interest expense of $[insert amount] (2023: $11.2m).

f. Bank loans
The Group, through the Council's joint operations with Porirua City Council has bank term loans of $[insert amount] (2023: $10.5m). These loans are provided to the joint operations through Porirua City Council borrowing. In addition, Karori Sanctuary Trust has a $[insert amount] (2023: $1.5m) loan. A movement in interest rates of plus or minus 2 percent has a corresponding effect on the interest expense of $[insert amount] (2023: $0.2m).

g. Commercial paper
The Group has a Commercial Paper programme which is subject to floating rates and totals $100.0m of which only $[insert amount] (2023: $68.0m) is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has $[insert amount] (2023: $51.0m) of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 2 percent has a corresponding effect on the interest expense of $[insert amount] (2023: $0.3m).

Foreign exchange risk

Foreign exchange risk is the risk that costs materially exceed budget due to adverse movements in foreign exchange rates.

The Group is exposed to foreign exchange risk when it purchases equipment and services denominated in a foreign currency or has cash holdings denominated in a foreign currency.

The Group has assessed that a reasonably possible change in foreign exchange rates (a 10 percent variance either way) would not have a significant impact on surplus or equity.

Risk management

The Group seeks to limit foreign exchange risk by holding foreign currency prior to material foreign currency denominated capital and operating expenditure. Foreign exchange exposure is recognised when the expenditure has been approved and a contract is expected to follow.

The Group does not receive foreign currency revenue in its normal course of business.

Note 34: Commitments

Capital commitments

Table XX: Capital commitments	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Approved and contracted				
Property, plant and equipment		172,845		174,425
Investment properties		-		-
Intangibles		-		-
Share of associates		-		1,288
Share of joint ventures		-		-
Total capital commitments	**-**	**172,845**	**-**	**175,713**

The capital commitments in *Table XX* represent signed contracts in place at the end of the reporting period.

The contracts will often span more than one financial year and may include capital expenditure carried forward from 2023/24 to future years.

Operating lease commitments

Council and Group as lessee

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

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

The value of minimum lease payments for non-cancellable operating leases is recognised as an expense in *Note 7: Expenditure on operating activities* (page X).

The future expenditure committed by these leases is analysed as shown in Table XX.

Table XX: Non-cancellable operating lease commitments as lessee	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Plant and equipment				
Not later than one year		-		60
Later than one year and not later than five years		-		1,156
Later than five years		-		-
Land and buildings				
Not later than one year		17,097		18,057
Later than one year and not later than five years		49,289		54,953
Later than five years		144,467		144,652
Total non-cancellable operating lease commitments as lessee	**-**	**210,853**	**-**	**218,878**

Relevant significant accounting policies

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases (net of any lease incentives) are recognised on a straight-line basis over the term of the lease.

Council and Group as lessor

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

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

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

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

Relevant significant accounting policies

Rental revenue (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

The committed revenues expected from these lease portfolios are analysed as shown in *Table XX.*

Table XX: Non-cancellable operating lease commitments as lessor	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Investment properties				
Not later than one year		11,049		11,049
Later than one year and not later than five years		35,547		35,547
Later than five years		50,435		50,435
Land and buildings				
Not later than one year		2,256		2,256
Later than one year and not later than five years		2,816		2,816
Later than five years		8,175		8,175
Total non-cancellable operating lease commitments as lessor	**-**	**110,278**	**-**	**110,278**

Note 35: Contingencies

Table XX: Contingent liabilities	Council		Group	
	2024	2023	2024	2023
	$000	$000	$000	$000
Uncalled capital - LGFA		1,866		1,866
Other legal proceedings		1,625		1,625
Share of associates' and joint venture's contingent liabilities		-		-
Share of joint operations' contingent liabilities		-		-
Total contingent liabilities	**-**	**3,491**	**-**	**3,491**

Local Government Funding Agency Limited (LGFA)

The Council is one of 30 local authority shareholder, borrower, and guarantor councils of the LGFA. Any non-shareholder council that borrows in aggregate $20.0m or more from LGFA must be a guarantor. There are 71 guarantor Councils in total. In this regard the Council has uncalled capital of $1.9m. When aggregated with the uncalled capital of other shareholders, $20.0m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of LGFA's borrowings. As at 30 June 2024, LGFA had borrowings totalling $[insert amount] (2023: $17,684m).

Financial reporting standards require the Council to recognise the guaranteed liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis:

- that we are not aware of any local authority, which is a member of the LGFA, that has had debt default events in New Zealand.
- and local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

The Council considers that even if it was called upon to contribute, the cost would not be material.

Other legal proceedings

Other legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid. The outcome of these remains uncertain at the end of the reporting period. The maximum exposure to the Group is anticipated to be less than $[insert amount]   (2023: $1.625m).

Structural defect claim

A large and novel claim alleging a breach of duty to a tenant of a commercial building was filed in August 2019. The Council does not estimate any further financial exposure for this claim as it is expected to be covered by insurance.

Unquantified contingent liabilities

Riskpool – winding up

Wellington City Council was previously a member of the New Zealand Mutual Liability Riskpool scheme (‘Riskpool’). The Scheme is in wind down; however the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of historical claims, diminishes with each year as limitation periods expire.

Other claims

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

Contingent assets

The Council and Group have [insert amount] contingent assets as at 30 June 2024 (2023: $Nil).

Relevant significant accounting policies

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility they will crystallise is not remote. Contingent assets are disclosed if it is probable the benefits will be realised.

Note 36: Joint operations

The Council has significant interests in the following joint operations. These are domiciled and operate in New Zealand. Porirua City Council operates two of the joint operations under an agreement which provides that all assets of the joint operation are owned by the two councils as tenants in common. The remaining joint operations are part of Let's Get Wellington Moving (LGWM) which is a joint initiative between Wellington City Council, GWRC, and NZTA.

The LGWM joint operation ceased on 31 March 2024.

Table XX: Joint operations	Interest 2024	Interest 2023	Nature of business
Wastewater treatment plant – Porirua City Council	27.60%	27.60%	Owns and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the capacity of the plant allocated to the two councils.
Spicer Valley Landfill – Porirua City Council	21.50%	21.50%	Owns and operates a sanitary landfill that provides services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the ratio of the populations of Porirua City and the area of the former Tawa Borough.
LGWM Projects			
State Highway improvement	20.00%	20.00%	Joint initiative to develop a transport system that supports future aspirations for the look, feel, and function of Wellington City. These will support Wellington's growth while making it safer and easier to get around.
Mass Rapid Transport	20.00%	20.00%	
City Streets	0 - 49%	20.00%	
Early Delivery	0 - 49%	0 - 49%	
Travel Demand Management	20.00%	20.00%	
Integrated Delivery Vehicle	20.00%	20.00%	

The end of the reporting period for the joint operations is 30 June.

Relevant significant accounting policies

For joint operations the Council has a liability in respect of its share of joint operational deficits and liabilities, and shares in any operational surpluses and assets. The Council's proportionate interest (for example, 21.5 percent of the Spicer Valley landfill) in the assets, liabilities, revenue and expenditure is included in the financial statements of the Council and Group on a line-by-line basis.

The Council's and Group's share of the joint operations' capital commitments is $[insert amount] (2023: $Nil) and contingent liabilities is $[insert amount] (2023: $Nil).

Note 37: Related party disclosures

Relevant significant accounting policies

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include all members of the Group (controlled entities, associates and joint venture) and key management personnel.

Key management personnel include the Mayor and Councillors as elected members of the governing body of the Council reporting entity, the Chief Executive, and all members of the Executive Leadership Team, being key advisors to the Council and Chief Executive.

Key management personnel

In this section, the Council discloses the remuneration and related party transactions of key management personnel. The remuneration payable to key management personnel of the Group's other entities is disclosed separately within their individual respective financial statements and is not included in *Table XX*.

Table XX: Remuneration paid to key management personnel	Council	
	2024	2023
	$	$
Council Members		
Remuneration		1,907,212
Chief Executive and Executive Leadership Team		
Remuneration		3,081,348
Termination benefits		-
Total remuneration paid to key management personnel	**-**	**4,988,560**

As at 30 June 2024 key management personnel comprised of 24 individuals: 16 elected members or 16 fulltime equivalents (2023: 16) and 8 executive leaders or 8 fulltime equivalents (2023: 9).

Material related party transactions

Material related party transactions – key management personnel

During the year, key management personnel, as part of normal local authority relationships, were involved in transactions with the Council such as payment of rates and purchases of rubbish bags or other Council services. These transactions were on normal commercial terms.

A related party of an Executive Leadership Team member provided training services, through a company, to the Council during the year. These services valued at $[update amount] were procured as arm's length transactions on normal commercial terms.

A related party of an Executive Leadership Team member provided sponsorship to the Council during the year. These services valued at $[update amount] were procured as arm's length transactions on normal commercial terms.

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

The Mayor and Councillor's disclose their personal interests in a register available on the Council website.

There are no commitments from the Council to key management personnel.

Material related party transactions – structured entities

Local Government Funding Agency Limited (LGFA)

The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 30 regional, district and city councils throughout New Zealand that own 80 percent of the issued capital, with the Crown holding the remaining 20 percent. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) and currently has an investment of $1.9m representing 8.3 percent of paid-up capital.

During the year ending 30 June 2024 the Council drew down new borrowings of $[*insert amount*] and repaid $[*insert amount*]. Interest expense is paid quarterly in arrears on all borrowings and interest revenue of $[*insert amount*] was received on $[*insert amount*] of maturing borrower notes. The Council borrowings from the LGFA are comprised of $100.0m (2023:100.0m) of fixed rate bonds and $[*insert amount*] (2023: $1,067.0m) of floating rate notes, including $[*insert amount*] (2023: $120.0m) of green, social and sustainability (GSS) loans.

The Council holds a nominal $[*insert amount*] (carrying value $[*insert amount*]) (2023: $26.0m nominal (carrying value $25.2m)) of investment borrower notes. During the year Council received a shareholder dividend of $[*insert amount*] (2023: $0.1m)

Material related party transactions – unstructured entities

Financial information relating to the Council's interests in unstructured entities is provided in *Tables XX and XX.*

Table XX: Basin Reserve Trust	2024	2023
	$000	$000
Summarised financial information of unstructured entity		
Total assets		851
Total liabilities		(561)
Net assets	**-**	**290**
Revenue		1,148
Expenses		(1,177)
Surplus/(deficit)	**-**	**(29)**

Basin Reserve Trust (BRT)

The Basin Reserve Trust was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. The Trust was jointly created with Cricket Wellington Incorporated (CWI). Council and CWI each appoint two of the four trustees. Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

During the year ending 30 June 2024 the Council contributed $[*insert amount*] (2023: $0.7m) to fund the core operations of the Trust.

Table XX: Wellington Regional Stadium Trust	2024	2023
	$000	$000
Summarised financial information of unstructured entity		
Total assets		99,722
Total liabilities		(9,952)
Net assets	**-**	**89,770**
Revenue		21,296
Expenses		(17,399)
Surplus/(deficit)	**-**	**3,897**

Wellington Regional Stadium Trust (WRST)

Wellington Regional Stadium Trust was jointly created by Council and GWRC. Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

Refer to *Note 15: Other financial assets* (page X), for more information on loans due from WRST totalling [insert amount $X] (2023:$2.2m).

Intra Group transactions and balances

Intra Group transactions and balances – Joint operations

During the year the Council has entered into transactions with its joint operations partners Porirua City Council and Let's Get Wellington Moving. These transactions disclosed are within the normal course of business. The nature of these intra-Group transactions and the outstanding balances at the year-end are as shown in *Table XX*.

Table XX: Intra group transactions and balances - Joint operations		2024	2023
		$000	$000
Share of jointly incurred expenditure			
	Porirua City Council - wastewater treatment plant		3,349
	Let's Get Wellington Moving		13,369
		-	**16,718**
Current receivables and recoverables owing to the Council from:			
	Let's Get Wellington Moving		**7,337**

Intra Group transactions and balances – Controlled entities

During the year the Council has entered into transactions with its controlled entities. These transactions disclosed are within the normal course of business. Intra-Group transactions between Group entities, other than rates, are eliminated in the consolidated financial statements. The nature of these intra-Group transactions and the outstanding balances at the reporting date are as shown in T*able XX.*

Table XX: Intra group transactions and balances - Controlled entities		2024	2023
		$000	$000
Revenue received by Council for services provided to:			
	Karori Sanctuary Trust		46
	Wellington Cable Car Limited		80
	Wellington Museums Trust		1,458
	Wellington Regional Economic Development Agency Limited		161
	Wellington Zoo Trust		45
	Te Toi Mahana		-
		-	1,744
Grant funding paid by Council for the operations and management of:			
	Karori Sanctuary Trust		1,127
	Wellington Cable Car Limited		1,642
	Wellington Museums Trust		10,624
	Wellington Regional Economic Development Agency Limited		16,924
	Te Toi Mahana		1,500
	Wellington Zoo Trust		3,752
	Te Toi Mahana		-
		-	35,569
Expenditure payments made by Council for services provided by:			
	Karori Sanctuary Trust		15
	Wellington Cable Car Limited		2
	Wellington Museums Trust		205
	Wellington Regional Economic Development Agency Limited		5,100
	Wellington Zoo Trust		23
	Te Toi Mahana		-
		-	5,345
Current receivables and recoverables owing to the Council from:			
	Karori Sanctuary Trust		-
	Wellington Museums Trust		145
	Wellington Regional Economic Development Agency Limited		68
	Wellington Zoo Trust		2,700
	Te Toi Mahana		-
		-	2,913
Current payables owed by the Council to:			
	Te Toi Mahana		195
	Wellington Cable Car Limited		-
	Wellington Museums Trust		-
	Wellington Regional Economic Development Agency Limited		2,705
	Wellington Zoo Trust		224
	Te Toi Mahana		-
		-	3,124

Current receivables, recoverables and payables

The receivable, recoverable and payable balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

Payments to controlled entities

The total payments to controlled entities were $[*insert amount*] (2023: $40.9m) comprising grant funding of $[*insert amount*] (2023: $35.6m) and expenditure for services provided to the Council of $[*insert amount*] (2023: $5.3m).

Intra Group transactions and balances – Associates and Joint venture

During the year the Council has entered into several transactions with its associates and joint venture. These transactions disclosed are within the normal course of business. The nature of these intra-Group transactions and the outstanding balances at the year-end are as shown in *Table XX.*

Table XX: Intra group transactions and balances - Associates and joint venture		**2024**	**2023**
		$000	**$000**
Revenue received by Council for services provided to:			
	Wellington International Airport Limited		1,446
	Wellington Water Limited		293
		-	**1,739**
Expenditure payments made by Council for services provided by:			
	Wellington International Airport Limited		1,167
	Wellington Water Limited		110,681
		-	**111,848**
Current receivables and recoverables owing to the Council from:			
	Wellington International Airport Limited		-
	Wellington Water Limited		-
		-	**-**
Current payables owed by the Council to:			
	Wellington Water Limited		**10,145**

Current receivables, recoverables and payables

The receivable, recoverable and payable balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

Note 38: Remuneration and staffing

Mayoral and Councillor remuneration

Remuneration

The following people held office as elected members of the Council's governing body, during the reporting period. The total remuneration was $[*insert amount*] (2023: $1,907,212) and is broken down and classified as shown in *Table XX.*

Table XX: Elected Council member remuneration	**Monetary**		**Non-monetary**	**Total**
	Salary	**Allowances**	**Remuneration**	**2024**
	$	**$**	**$**	**$**
Current members				
Whanau, Tory (Mayor)				-
Abdurahman, Nureddin				-
Apanowicz, John				-
Brown, Tim				-
Calvert, Diane				-
Chung, Ray				-
Free, Sarah				-
Matthews, Rebecca				-
McNulty, Ben				-
O'Neill, Teri				-
Pannett, Iona				-
Paul, Tamatha (from 1 July 2023 until 9 Nov 2023)				-
Randle, Tony				-
Rogers, Geordie (from 29 Feb 2024 until 30 June 2024)				-
Wi Neera, Nikau				-
Young, Nicola				-
Total remuneration paid to elected council members	**-**	**-**	**-**	**-**
			Total monetary remuneration	**-**
			Total non-monetary remuneration	**-**

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the LGA 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2023/24 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Mayoral car

The Remuneration Authority permits the Council to provide the Mayor with a vehicle for full private use, which is a taxable benefit. Mayor Whanau has chosen not to take up this option.

Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration (benefit) in relation to on-site car parking spaces provided, regardless of whether they elect to use these or not.

The Councillors have shared office and working space available for use, and access to phones and computers. Professional indemnity and trustee liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

Relevant significant accounting policies

Remuneration of elected members comprises any money, consideration or benefit received or receivable or otherwise made available, directly or indirectly, during the reporting period but does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cell phones and laptops.

Community Boards

The Council has two community boards – the Tawa Community Board and the Mākara/ riu Community Board. Remuneration paid to the elected members of these boards is as shown in *Table XX.*

Table XX: Community Board Member remuneration	Salary	Allowances	Total
			2024
	$	$	$
Tawa community board - current members			
Day, Jill (Chair)			-
Davin, Tim (Deputy Chair)			-
Allan, Rachel			-
Fernandez, Janryll			-
Lacy, Jackson			-
Moore, Miriam			-
McNulty, Ben (Councillor - see remuneration above)			-
Randle, Tony (Councillor - see remuneration above)			-
Mākara/Ōhāriu community board - current members			
Reed, Mark (Chair)			-
Grace, Christine			-
Hoskins, Darren (Deputy Chair)			-
Renner, Chris			-
Rudd, Wayne			-
Todd, Hamish			-
Total remuneration to community board members	-	-	-

A technology allowance of $45 per month is available to the Chair of both the Tawa and Mākara/Ōhāriu Community Boards. This allowance can be taken as either an allowance or as an actual expense reimbursement.

Chief Executive's remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the LGA 2002.

Table XX shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2024.

Under the terms of the agreement, the Chief Executive of the Council chooses how they wish to take their remuneration package (salary only or a combination of salary and benefits).

The total remuneration package for the Chief Executive is detailed in Table XX.

Table XX: Remuneration of the Chief Executive	**Council**	
	2024	**2023**
	$	**$**
Barbara McKerrow		
Salary		499,000
KiwiSaver		14,970
Total remuneration of the chief executive	**-**	**513,970**

Severances

In accordance with Schedule 10, section 33 of the LGA 2002, the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made.

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

For the year ending 30 June 2024 the Council made severance payments to [*insert amount*] employees totalling $[*insert amount*] (2023: 10 employees, $0.3m).

The individual values of each of these Council severance payments were: $XX; $XX; $XX; $XX; $XX.

Employee numbers and remuneration bands

Table X identifies the number of full-time employees as at the end of the reporting period and the full-time equivalent number of all other part-time, fixed term and casual employees.

Table XX: Employee numbers	**Council**	
	2024	**2023**
Full-time employees (based on a 40 hour week)		1,312
Full-time equivalents for all other non full-time employees		172

Table XX further identifies the breakdown of remuneration levels of those employees into various bands.

Table XX: Remuneration bands		Council
		2024
The number of employees receiving total annual remuneration of less than $60,000		
Of the XXX employees in this band, XXX are part-time or casual		
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		
$80,000 - $99,999.99		
$100,000 - $119,999.99		
$120,000 - $139,999.99		
$140,000 - $159,999.99		
$160,000 - $179,999.99		
$180,000 - $199,999.99		
$200,000 - $219,999.99		
$220,000 - $239,999.99		
$240,000 - $279,999.99*		
$300,000 - $379,999.99*		
$500,000 - $519,999.99		
Total employees		-

Of the [*insert amount*] (2023: 2,061) individual employees, [*insert amount*] (2023: 731) are part-time or casual.

Table XX: Remuneration bands		Council
		2023
The number of employees receiving total annual remuneration of less than $60,000		864
Of the 864 employees in this band, 655 are part-time or casual		
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		368
$80,000 - $99,999.99		295
$100,000 - $119,999.99		195
$120,000 - $139,999.99		165
$140,000 - $159,999.99		76
$160,000 - $179,999.99		35
$180,000 - $199,999.99		23
$200,000 - $219,999.99		19
$220,000 - $239,999.99		6
$240,000 - $279,999.99*		7
$300,000 - $379,999.99*		7
$500,000 - $519,999.99		1
Total employees		2,061

* If the number of employees for any band was five or less then we are legally required by the LGA 2002 to combine it with the next highest band. This means that some rows span different bands across the two years shown.

Total annual remuneration has been calculated to include any non-financial benefits and other payments in excess of normal remuneration such as the employer KiwiSaver contribution.

The Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the two lowest remuneration grades as shown in *Table XX*.

Table XX: Lowest remuneration grades	2024		2023	
	Salary Range	Employees	Salary Range	Employees
Q (Living Wage)			49,327	54
9			49,327 - 61,766	457

The current Living Wage rate for the Council is $XX (2023: $23.65) per hour for the period to 30 June 2024. Each year the living wage rate for the Council will be reviewed in accordance with the latest Living Wage rate announced/published by Living Wage Aotearoa.

Note 39: Events after the end of the reporting period

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

The following updates have been included due to their significance.

Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023

Sludge Minimisation Project

To address the issues identified with Wellington wastewater treatment, and achieve the objectives identified, Wellington City Council has entered into an Infrastructure Funding and Financing

Administration Agreement (IFFFAAA) on the 2 August 2023. This will enable Wellington City Council to raise up to $400.000m to fund the construction of the Sludge Minimisation Facility (SMF) at Moa Point.

The funding is provided by a special purpose vehicle (SPV) owned by Crown Infrastructure Partners. The finance raised will stay off Council's balance sheet, providing flexibility to fund other infrastructure and community amenity projects within existing borrowing limits.

The Council is responsible for the construction of the SMF and in July 2023 entered into a contract with a joint venture partnership between McConnell Dowell Constructors Limited and HEB Construction Limited to build the first stage of the sludge minimisation facility at Moa Point. The new facility will substantially reduce the wastewater treatment sludge volume discharged to the southern landfill. The SMF will play a key role in ensuring that the Council's waste management systems are effective and sustainable and is an important enabler of the Council achieving its emission reduction targets.

The Infrastructure Funding and Financing (Wellington Sludge Minimisation Facility Levy) Order 2023 has been made and became effective on the 1 October 2023. The order appoints Wellington City Council as the responsible levy authority. This will require Wellington City Council to assess, administer and collect Levy on behalf of the SPV. The levy applies to all properties within the Wellington City Council rating area, excluding protected Māori land. The Levy Period starts 1 July 2024 and ends on the close of 30 June 2057. The levy received will be passed on to the SPV.

Financial prudence

The Crown has introduced the Local Government (Financial Reporting and Prudence) Regulations 2014 which has a series of measures and benchmarks, disclosed in the following pages.

Readers are urged to read the commentary and explanations provided to give context to the information, as it is not always possible to compare Wellington City Council's results with other councils due to their size, location and provision of services.

Annual report disclosure statement for year ended 30 June 2024

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the *Local Government (Financial Reporting and Prudence) Regulations 2014* (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Unless prescribed by the regulations the quantified limit for each benchmark is calculated using the financial information from the Council's 2021-31 LTP.

[Benchmark Tables for 2023/24 to be updated when available (below are the prior year Tables still showing)]

Rates affordability benchmark

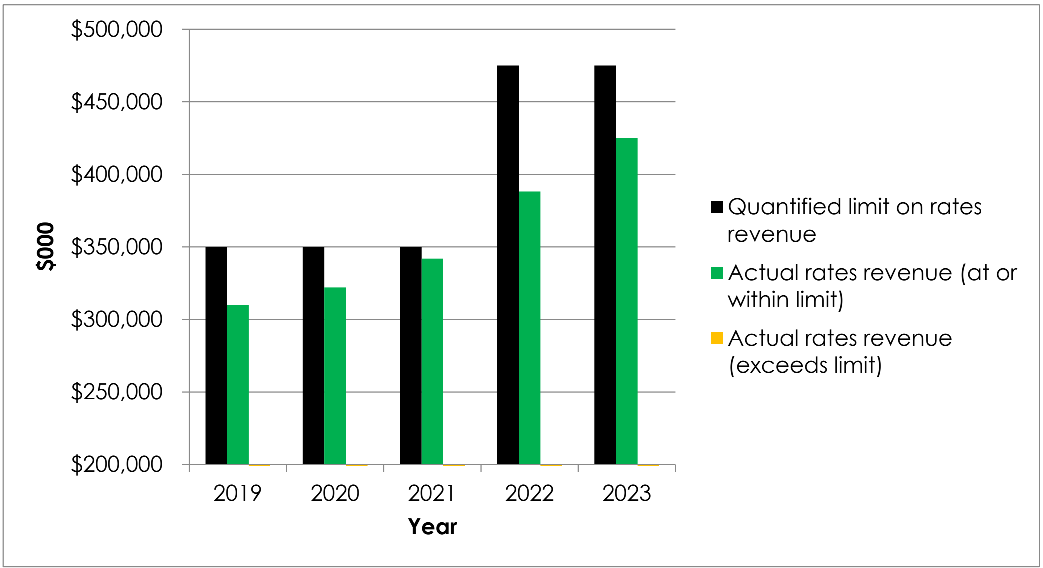
The Council meets the rates affordability benchmark if —

- its actual rates revenue equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (revenue) affordability

The following graph compares the Council's actual rates revenue with a quantified dollar limit on rates revenue included in the financial strategy in the Council's LTP. The quantified limit for the first three years of the 2021-31 LTP, which encompasses the financial years 2021/22; 2022/23 and 2023/24 is $475,000,000. This means rates revenue has remained below this limit for each of these years.

[replace table, and add any commentary if needed]

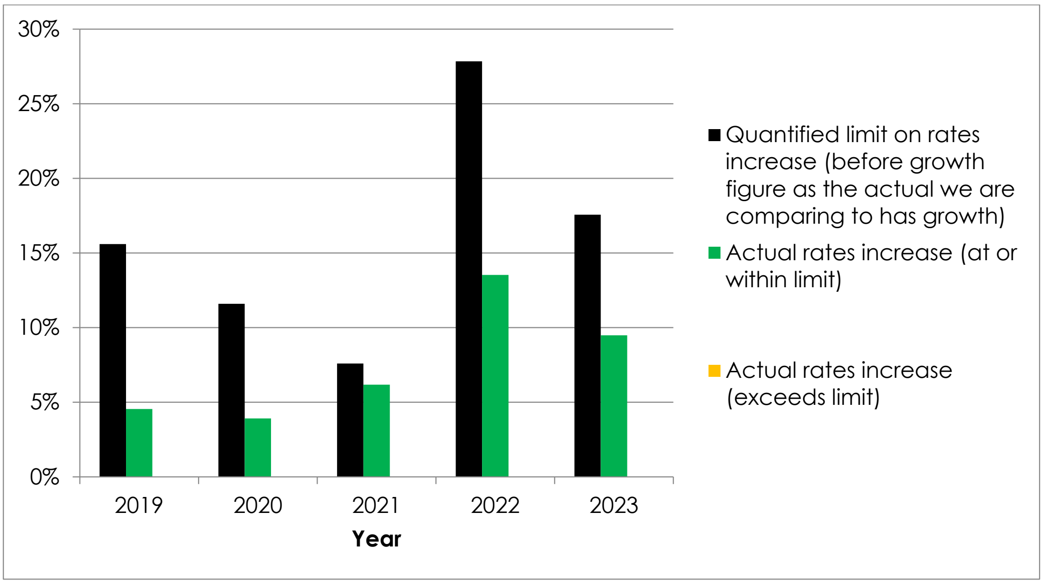


Rates (increases) affordability

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the Council's LTP.

The quantified limit for 2023/24 is 17.6 percent although the actual rates increase set for the 2023/24 year was lower than this limit. The rates increase proposed in the 2021-31 LTP is equivalent to an average rates increase of 10.5 percent over the first three years, which encompasses the financial years 2021/22; 2022/23 and 2023/24.

[replace table, and add any commentary if needed]



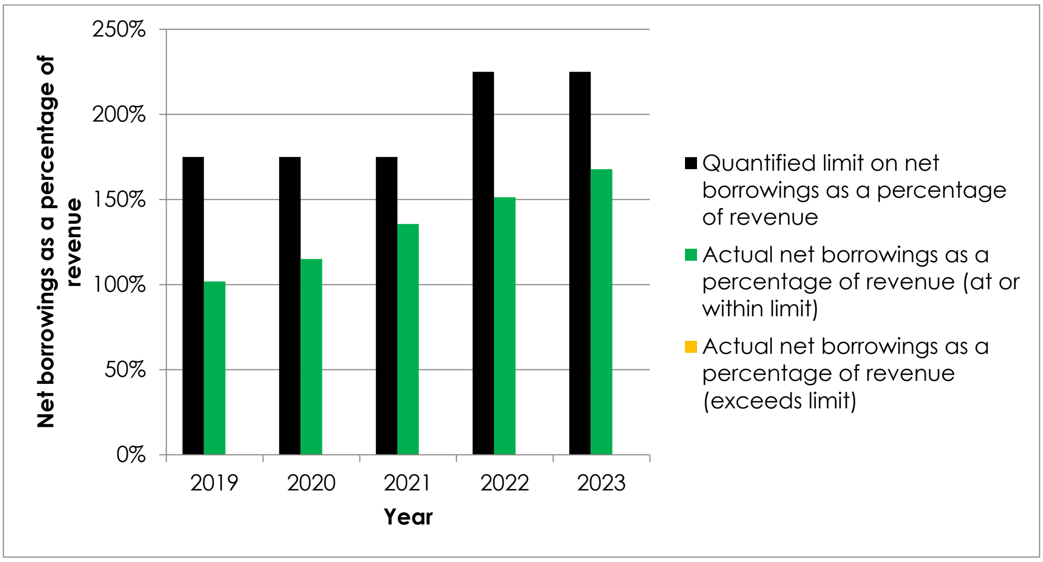
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The Council has seven measures for debt affordability and these are set out below. The suitability of these measures has been assessed by Council's professional advisers, PwC Wellington.

Net borrowing as a percentage of revenue[1]

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 225 percent of revenue. For this measure, revenue is defined as total revenue less vested assets and development contribution revenue.

[replace table, and add any commentary if needed]

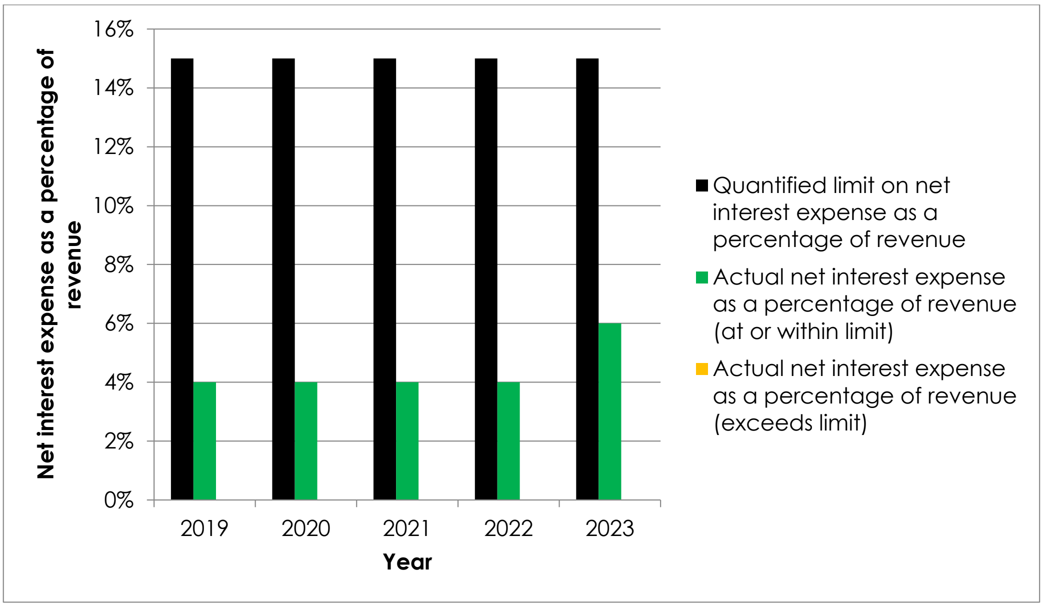


[1] The revenue figure used for this calculation of Net Borrowing as percentage of Revenue and Net Interest as a percentage of Revenue is Total Revenue less Vested Assets and Development Contribution Revenue.

Net interest as a percentage of revenue[2]

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 15 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.

[replace table, and add any commentary if needed]

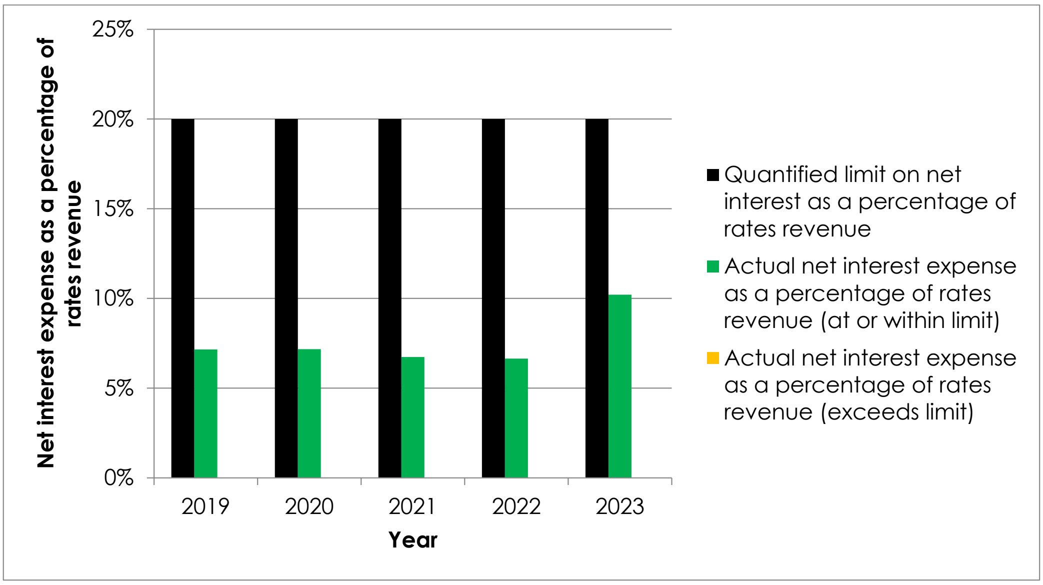


[2] The revenue figure used for this calculation of Net Borrowing as percentage of Revenue and Net Interest as a percentage of Revenue is Total Revenue less Vested Assets and Development Contribution Revenue.

Net interest as a percentage of annual rates revenue

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 20 percent of annual rates revenue.

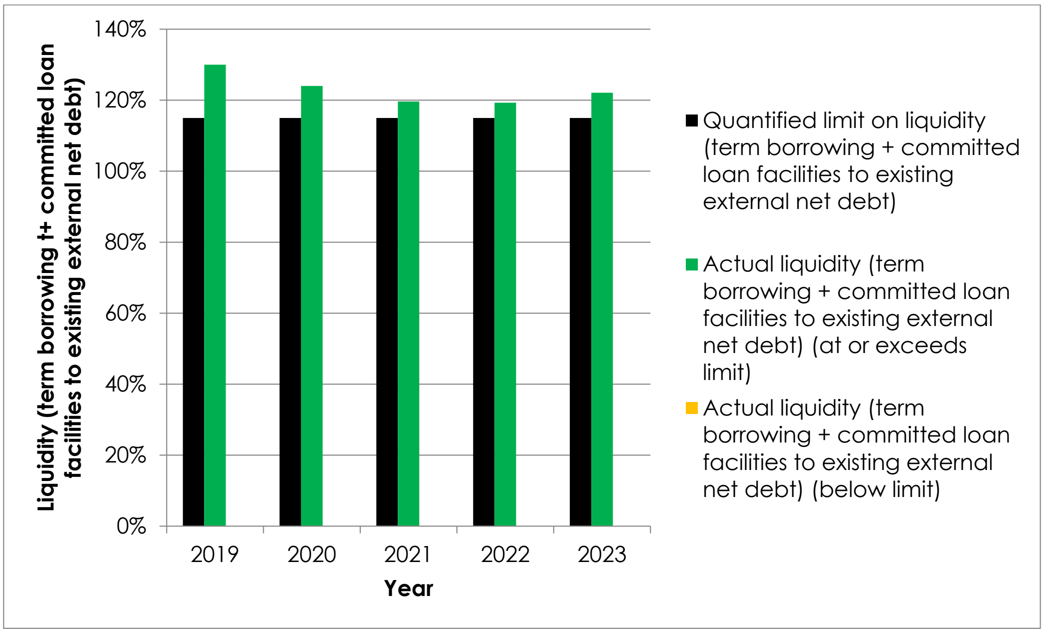
[replace table, and add any commentary if needed]



Liquidity (term borrowing + committed loan facilities to existing external net debt)

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The Council minimises its liquidity risk by avoiding concentration of debt maturity dates and by maintaining liquid assets and available committed debt facilities at a level that is equal to or exceeds 115 percent of the existing gross external debt level (quantified limit). For debt affordability, liquidity is the total of Councils existing external net debt. Net borrowings for debt affordability are defined as borrowings less cash and cash equivalents.

[replace table, and add any commentary if needed]



Balanced budget benchmark

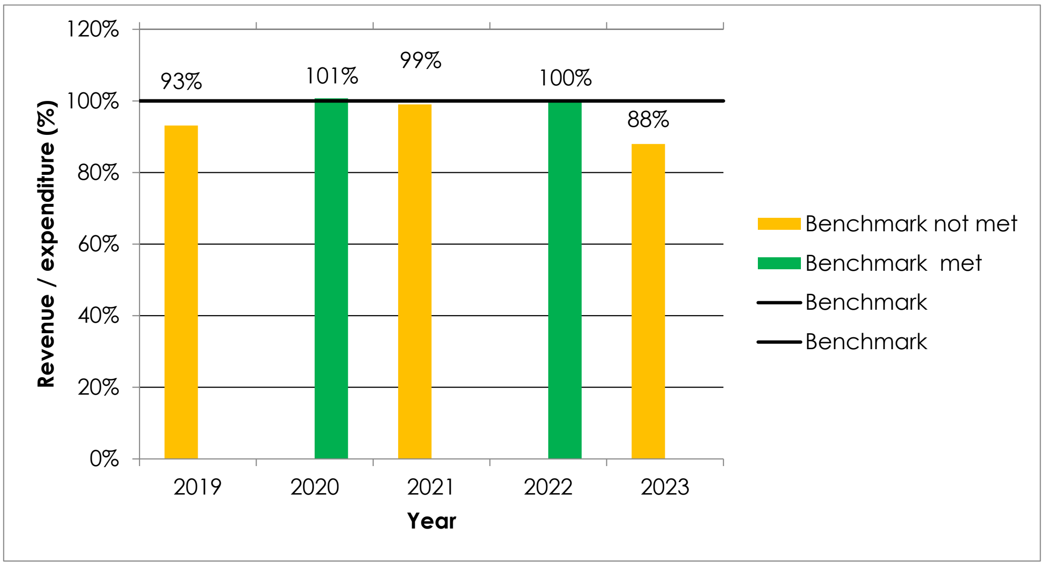
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

For the purposes of this benchmark, impairments, which represent a non-cash movement in the valuation of assets, were included in the calculation. These unbudgeted impairments represent asset valuation movements relating to Civic Precinct buildings as disclosed in the financial statements. For 2019, 2020, 2021 and 2022 impairments of $50.6m, $10.2m, $1.8m and $4.4m were included in the calculation. If these were excluded, the benchmarks for these four years would be 102 percent, 103 percent, 99 percent and 101 percent respectively.

For 2023, the deficit is due to the change in the approach of funding “three waters” depreciation from rates to debt funding of this operational expenditure to an amount equal to the difference between depreciation and capital expenditure renewals. This change in rate funding approach has arisen from the revaluation of water assets which has increased significantly in value and that of depreciation expense. This change was included in and approved as part of the 2023/24 Annual Plan. If this additional depreciation was excluded, the benchmark for 2023 would be 99 percent.

[replace table and update commentary needed]

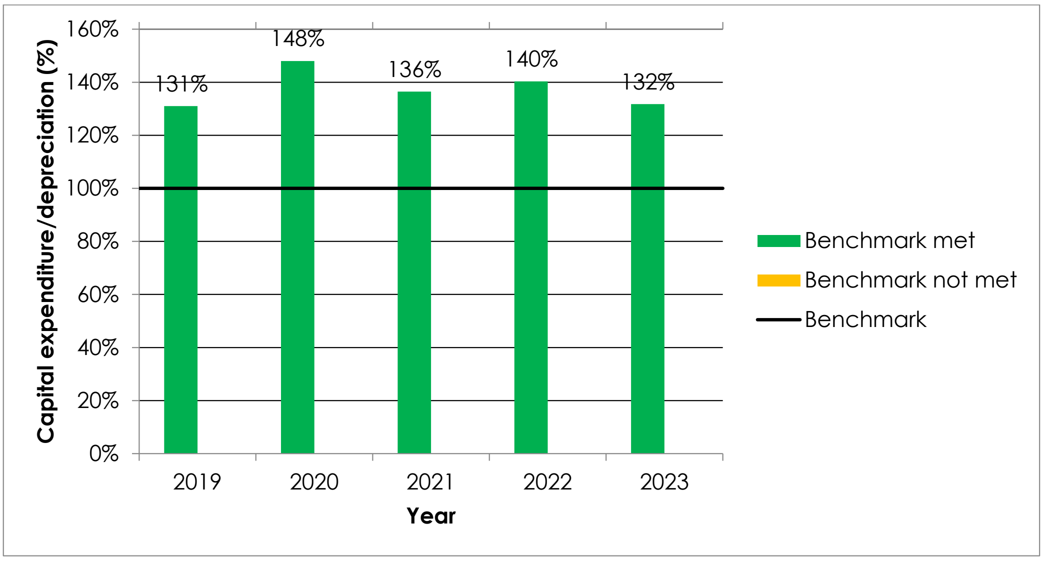


Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

[replace table, and add any commentary if needed]

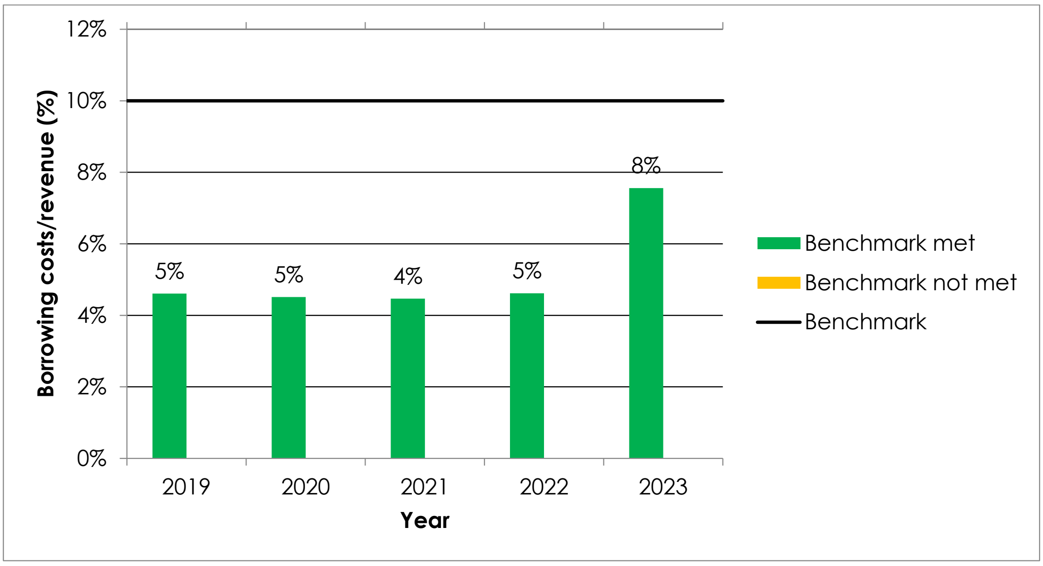


Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council's population will grow as fast as the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 percent of its revenue.

[replace table, and add any commentary if needed]



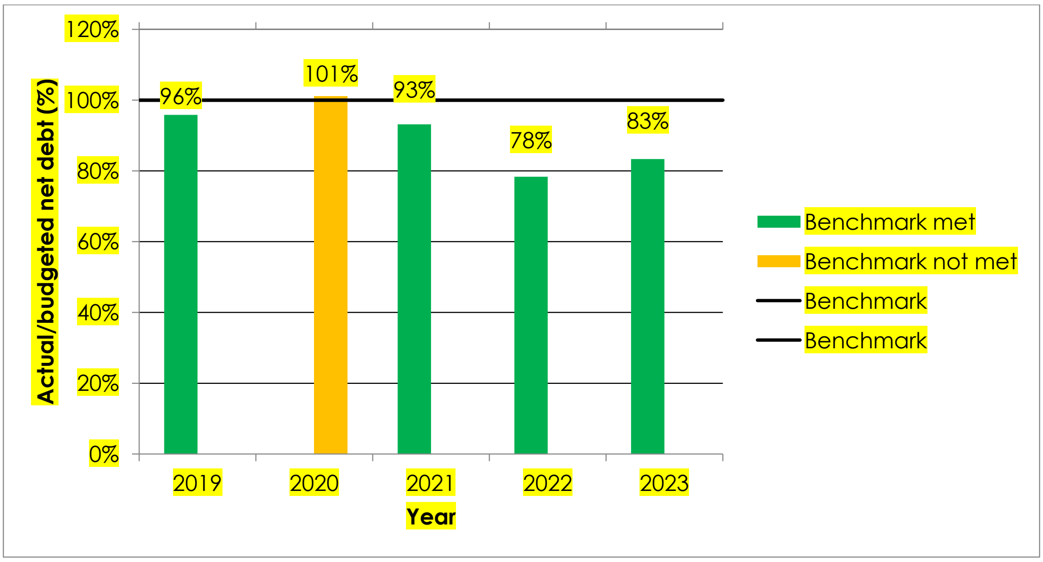
Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

The calculation of net debt in this benchmark includes derivative (non-cash) financial instruments, predominantly cash flow hedges. The 2019/20 net debt was impacted by the valuation of the Council's cash flow hedge liabilities being higher than planned as a result of interest rate volatility during the financial year.

[replace table and commentary]



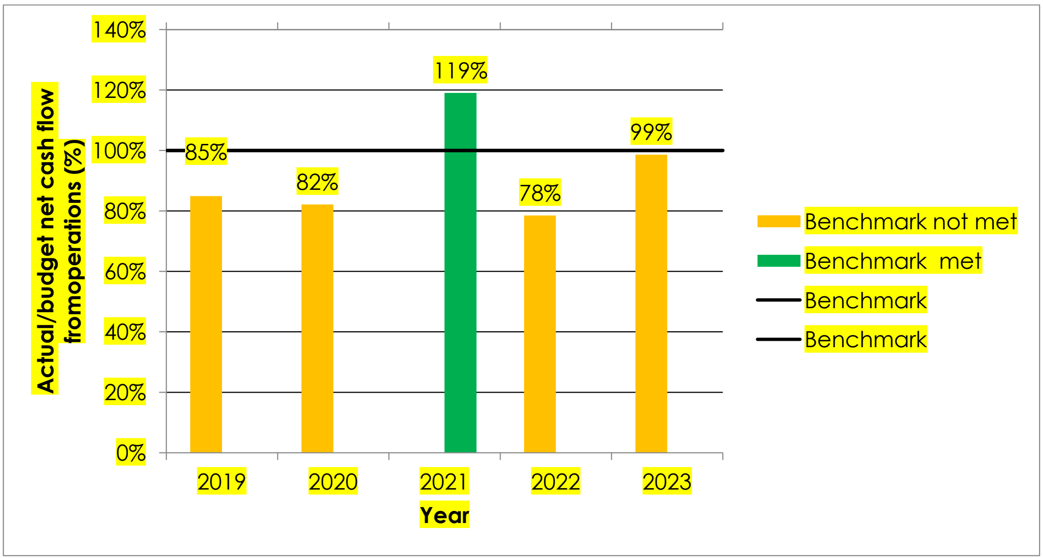
Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Several assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with variances in the 2019/20 and 2021/22 years explained by the timing difference in the receipt of revenues compared to budget that led to the “not met” outcome for this measure. In 2019/20 and 2021/22 there were also significant revenue losses due to the COVID-19 restrictions which would have impacted this measure.

[replace table and commentary]



ACTIONS TRACKING AND FORWARD PROGRAMME

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides an update on past actions agreed by the Unaunahi Māhirahira | Audit and Risk Committee (the Committee), or its equivalent, at its previous meetings (hui).
2. Additionally, this report provides a list of items that are scheduled to be considered at upcoming hui of the Committee.

Financial considerations

☒ Nil	☐ Budgetary provision in Annual Plan / Long-term Plan	☐ Unbudgeted $X

Risk

☒ Low	☐ Medium	☐ High	☐ Extreme

Author	Marcella Freeman, Democracy Advisor
Authoriser	Sean Johnson, Democracy Team Leader Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion:

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

Whakarāpopoto | Executive Summary

Actions Tracking

3. The Committee passed 20 resolutions on 21 Huitanguru 2024 (21 Feburary 2024);
   - 19 are complete, and 1 is still in progress.
4. The Committee had 27 in progress actions carried forward from previous action tracking reports:
   - 25 are now complete and 2 is still in progress.

Forward Programme

5. The following items are scheduled to go to the Committee's next hui:

   14 Here-turi-kōkā 2024 (14 August 2024):

   - Draft Annual Report and Letters of Representation (including Annual Legislative Compliance Attestation).
   - Internal Audit plan update.
   - Strategic Risk Management Framework & Strategic Risks.
   - Health and Safety Performance Report.
   - Audit NZ LTP Management Letter & Year-End Management Letter.
   - Committee Self-assessment of Performance and Effectiveness.
   - Forward Programme and Workplan Update.

   Public excluded:

   - Litigation Matters and Chief Officer Updates.
   - Office of the Auditor General and Auditor updates.
6. The Proposed Workplan (attachment 3) sets out the areas of interest for the Unaunahi Māhirahira | Audit & Risk Committee for the remainder of this triennium until September 2025. The proposed workplan informs the forward programme.

Takenga mai | Background

Actions Tracking

7. Attachments 1 and 2 list clauses agreed by the Committee that are still in progress or have been completed since actions were last reported on.

8. If members have questions about actions, then the best place to ask is through the written Q&A process.

9. For public excluded resolutions, individual clauses will not be reported on in a public hui. An overall status for the item will be given and it will remain in progress until all clauses are complete.

10. Actions will be removed from the list once they have been reported as complete.

11. Where applicable, this report contains actions carried over from the equivalent committee(s) of previous trienniums.

12. The purpose of the actions tracking report is to ensure that all resolutions are being actioned over time. It does not take the place of performance monitoring or full updates. The Committee could resolve to receive a full update report on an item, if it wishes.

Forward Programme

13. The forward programme sets out the reports planned for to go to the Committee for consideration in upcoming hui.

14. It is a working document and is subject to change on a regular basis.

Attachments

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Date	ID	Committee	Item	Clause number	Clause	Status	Comment
14/09/2022	1071	Audit and Risk Committee	2.5 Insurance Maturity Roadmap report	3	Agree that Council officers will report back to the committee on a regular basis as a standing item on the Kāwai Māhirahira | Audit and Risk Subcommittee on progress against the workplan	Completed	The next update regarding the Insurance Roadmap is planned to come to Audit and Risk Committee midyear 2024.
14/09/2022	1072	Audit and Risk Committee	2.5 Insurance Maturity Roadmap report	4	Receive periodic updates against the project plan and risk assessments over the life of the roadmap project.	Completed	The next update regarding the Insurance Roadmap is planned to come to Audit and Risk Committee midyear 2024.
28/02/2023	1334	Audit and Risk Committee	2.4 Introduction to the WCC Strategic Risks Framework and Strategic Risk Register	2	Agree to the proposed changes to the Strategic Risk Register. Changes include the merging of some risk profiles and development of new risk profiles to reflect WCC's risk management priorities.	Completed	One new risk profile Tupiki Ora will be presented at November meeting. Another on inadequate policies and controls will accompany the plan to get from core to good at the Feb 21 2024 meeting
16/08/2023	2006	Audit and Risk Committee	2.1 Te Aho Marutau | Internal Audit Report for the year ended 30 June 2023	4	Request that management reports back to the Committee within 6 months on a internal control systems and process maturity uplift plan.	Completed	Reporting to Feb 21 Committee
11/10/2023	2284	Audit and Risk Committee	2.1 Speed Management Data Breach and Assurance Review of Benefit Cost Ratio Calculation	2	Note that the recommendations from both of the reviews will be tracked and reported back to this Committee.	Completed	Report has been received by the Committee.
29/11/2023	2594	Audit and Risk Committee	2.1 Audit New Zealand Governing Body Report 2022/23	1	Receive the information.	Completed	
29/11/2023	2595	Audit and Risk Committee	2.1 Audit New Zealand Governing Body Report 2022/23	2	Note the content of Audit New Zealand's Report to Council for the year ended 30 June 2023	Completed	
29/11/2023	2596	Audit and Risk Committee	2.2 2024-34 LTP Audit Programme Timeline	1	Receive the information.	Completed	
29/11/2023	2597	Audit and Risk Committee	2.2 2024-34 LTP Audit Programme Timeline	2	Note the LTP Audit programme timetable and that any delays will impact on the adoption date at the end of June 2024.	Completed	
29/11/2023	2598	Audit and Risk Committee	2.2 2024-34 LTP Audit Programme Timeline	3	Note that the Office of the Auditor General will provide a verbal update on 2024-34 LTP audit engagement at the meeting.	Completed	

29/11/2023	2609	Audit and Risk Committee	2.3 Strategic Risks Update	1 Receive the information.	Completed	
29/11/2023	2610	Audit and Risk Committee	2.3 Strategic Risks Update	2 Approve the inclusion of the Risk Profile Inadequate Implementation of Tūpiki Ora and Tākai Here as one of Council's strategic risks.	Completed	
29/11/2023	2611	Audit and Risk Committee	2.3 Strategic Risks Update	3 Note that the Inadequate Policies and Controls risk profile will be presented to the Committee at its next meeting in February 2024.	Completed	On agenda for February 21 Committee meeting
29/11/2023	2612	Audit and Risk Committee	2.4 CCO risks that impact on Council's Strategic risks	1 Receive the information.	Completed	
29/11/2023	2613	Audit and Risk Committee	2.4 CCO risks that impact on Council's Strategic risks	2 Note the Council Controlled Organisation (CCO) risks that have an implication for Council group risk.	Completed	
29/11/2023	2614	Audit and Risk Committee	2.4 CCO risks that impact on Council's Strategic risks	3 Note that more fulsome CCO risk information is contained in CCO Statements of Intent and regular reporting through the Kōrau Tōtōpū - Long-term Plan, Finance and Performance Committee.	Completed	
29/11/2023	2615	Audit and Risk Committee	2.5 Quarter two Insurance update	1 Receive the information.	Completed	
29/11/2023	2616	Audit and Risk Committee	2.5 Quarter two Insurance update	2 Note the workplan updates and summary.	Completed	
29/11/2023	2617	Audit and Risk Committee	2.5 Quarter two Insurance update	3 Endorse the ongoing execution of the work plan given the challenging economic climate.	Completed	
29/11/2023	2618	Audit and Risk Committee	2.6 Health and Safety Performance Report	1 Receive the information.	Completed	
29/11/2023	2619	Audit and Risk Committee	2.7 Assurance & Business Integrity Update	1 Receive the update on the Assurance Workplan and about integrity activities.	Completed	
29/11/2023	2620	Audit and Risk Committee	2.7 Assurance & Business Integrity Update	3 Receive the update on Elected Members' Register of Gifts and Hospitality.	Completed	
29/11/2023	2621	Audit and Risk Committee	2.7 Assurance & Business Integrity Update	2 Agree the changes to the Assurance and Business Integrity Workplan	Completed	Changes agreed
29/11/2023	2622	Audit and Risk Committee	2.8 Receive the information	1 2.8 Actions Tracking and Forward Programme	Completed	
16/08/2023	2798	Audit and Risk Committee	2.3 Proforma Financial Statements for 30 June 2023 and year-end reporting update	2 Receive an update on the status of non-financial performance and the external audit for the year-ended 30 June 2023.	Completed	
21/02/2024	3015	Audit and Risk Committee	2.1 Audit New Zealand - FY2024 Annual Report Audit Plan	1 Receive the information.	Completed	

21/02/2024	3016	Audit and Risk Committee	2.1 Audit New Zealand - FY2024 Annual Report Audit Plan	2	Note the draft audit plan prepared by Audit New Zealand (attachment 1) and their approach to the audit of the 30 June 2024 annual report for the Council and Group.	Completed	Audit plan received
21/02/2024	3018	Audit and Risk Committee	2.2 Audit New Zealand - 2024-34 Long Term Plan Audit Update	1	Receive the information.	Completed	
21/02/2024	3019	Audit and Risk Committee	2.2 Audit New Zealand - 2024-34 Long Term Plan Audit Update	2	Note the WCC LTP 2024-34 Memo to Audit and Risk Committee prepared by Audit New Zealand for the 2024-34 Long Term Plan (LTP) (attachment 1).	Completed	
21/02/2024	3021	Audit and Risk Committee	2.2 Audit New Zealand - 2024-34 Long Term Plan Audit Update	3	Delegate the authority to finalise the 2024-34 LTP audit plan, engagement letter and audit fee to the Chief Strategy and Governance Officer, Chair of the Unaunahi Māhirahira | Audit and Risk Committee and the Mayor.	Completed	The engagement letter has been approved and signed
21/02/2024	3022	Audit and Risk Committee	2.3 Long Term Plan Process Update	1	Receive the information.	Completed	
21/02/2024	3023	Audit and Risk Committee	2.3 Long Term Plan Process Update	2	Note that officers will provide an update presentation on the progress of the 2024 LTP development programme. This will also reference the decisions made at the 15 February Kōrau Tōtōpū | Long-term Plan, Annual Plan and Performance committee.	Completed	This updated occurred at the 21 Feb ARC meeting
21/02/2024	3024	Audit and Risk Committee	2.3 Long Term Plan Process Update	3	Note that Audit NZ has committed to a schedule for the audit of the Consultation Document and supporting information to enable the Council to adopt the Consultation Document with an audit opinion on 10 April 2024. We expect to receive full documentation from Audit NZ on the LTP audit programme shortly.	Completed	All audit documentation is received and audit of the CD is near final
21/02/2024	3025	Audit and Risk Committee	2.3 Long Term Plan Process Update	4	Note that Audit NZ will provide an update of the LTP Audit programme to the meeting.	Completed	This update occurred at the 21 Feb ARC meeting
21/02/2024	3026	Audit and Risk Committee	2.4 Assurance and Business Integrity Update	1	Receive the update on the Assurance and Business Integrity workplan.	Completed	
21/02/2024	3027	Audit and Risk Committee	2.4 Assurance and Business Integrity Update	2	Receive the update on management's progress to address recommendations from internal audit and other independent sources of assurance.	Completed	

21/02/2024	3028	Audit and Risk Committee	2.4 Assurance and Business Integrity Update	3	Receive the update on Council's exposure to fraud risk, protected disclosures and investigations.	Completed	
21/02/2024	3029	Audit and Risk Committee	2.5 Raising internal controls assessment from Core to Good	1	Receive the information.	Completed	
21/02/2024	3030	Audit and Risk Committee	2.5 Raising internal controls assessment from Core to Good	2	Endorse the proposed actions to lift the internal controls assessment from "Core" to "Good".	Completed	
21/02/2024	3031	Audit and Risk Committee	2.5 Raising internal controls assessment from Core to Good	3	Note the Organisational Policies and Controls risk profile which forms the baseline and target for the internal controls uplift.	Completed	
21/02/2024	3032	Audit and Risk Committee	2.5 Raising internal controls assessment from Core to Good	4	Note that the Organisational Policies and Controls risk will not be included as one of Council's strategic risks.	Completed	
21/02/2024	3033	Audit and Risk Committee	2.6 Building Consent Authority Accreditiation - towards May 2025 Assessment	1	Receive the information	Completed	
21/02/2024	3034	Audit and Risk Committee	2.7 Health and Safety Performance Report	1	Receive the information.	Completed	
21/02/2024	3035	Audit and Risk Committee	2.8 Actions Tracking and Forward Programme	1	Receive the information.	Completed	

Date	ID	Committee	Item	Clause number	Clause	Status	Comment
10/05/2023	1525	Audit and Risk Committee	2.2 Strategic Risks update, Risk Appetite Statements development and approval of the Risk Management Workplan 2023-24	4	Agree to support future work on expanding the range of Risk Appetite statements at an appropriate time, including after supporting LTP level of service work has been completed (likely Q2 2023-24). No further updates still planned to build off LTP work.	In progress	Refresh of risk management framework includes consideration of risk appetite
29/11/2023	2608	Audit and Risk Committee	3 Public Excluded	2	Direct officers to consider the release of the public excluded information in 3.1 Te Kāinga Update when commercial negotiations are complete.	In progress	Negotiations still being finalised both with developer and sublease. 08/04/202
21/02/2024	3017	Audit and Risk Committee	2.1 Audit New Zealand - FY2024 Annual Report Audit Plan	3	Delegate the authority to finalise the Audit Plan to the Chief Financial Officer and Chair of the Unaunahi Māhirahira | Audit and Risk Committee.	In progress	Note further update provided at 8th May committee.

Unaunahi Māhirahira |Audit & Risk Committee: Proposed Workplan

	8 May 2024	14 Aug 2024	2 Oct 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
Committee Governance							
○ Forward programme and workplan update	♦	♦	♦	♦	♦	♦	♦
○ ARC self-assessment of performance and effectiveness		♦				♦	
Assurance and Business Integrity (Internal Audit)							
○ Approval of the following year Assurance work plan	♦					♦	
○ Update on current year Assurance work plan	♦			♦		♦	
○ Update on Protected Disclosures and investigations		♦			♦		♦
○ Status of internal and third-party audit recommendations		♦	♦		♦		♦
○ Update on fraud risk							
○ Annual legislative compliance attestation report		♦					
○ Review Internal Audit Charter	♦						
○ Elected member gifts & hospitality and pecuniary interests	♦					♦	
External Audit and Statutory Reporting							
○ Audit plan and engagement letter					♦		
○ Progress to address matters of emphasis in 21/22 audit opinion							
○ Proforma Annual Report (financial statements & accounting policies)	♦					♦	
○ Draft Annual Report and letters of representation		♦	♦				♦
○ Year-end management letter		♦		♦			♦
○ Committee briefing with no mgmt present (+ as req'd)			♦				
Risk Management							
○ Strategic Risk Management Framework - profile update		♦	♦		♦		♦
○ Fit for purpose review of risk management framework	♦					♦	
○ Approval of annual Risk work plan		♦				♦	
○ Risk Maturity update					♦		
○ Group Risk Management – Chief Officer updates							
• Chief Executive (as required)	♦	♦	♦	♦	♦	♦	♦
• Chief Planning						♦	
• Chief People and Culture							♦
• Chief Customer and Community			♦				
• Chief Māori		♦					
• Chief Infrastructure							

Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

Unaunahi Māhirahira |Audit & Risk Committee: Proposed Workplan

	8 May 2024	14 Aug 2024	2 Oct 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
• Chief Financial	♦						
• Chief Strategy & Governance			♦				
• Chief Digital				♦			
					♦		
Council Controlled Organisations							
o CCO annual reports on risk impacting Council's group risk		♦		♦			♦
Finance							
o Insurance roadmap update					♦		
o Insurance renewal	♦						
o LTP Finance Strategy update		♦	♦	♦	♦	♦	♦
Health and Safety							
o Performance report	♦	♦		♦	♦	♦	♦
Legal Risk							
o Litigation matters update (Public excluded)	♦	♦	♦	♦	♦	♦	♦
Long Term Plan							
o 2024 LTP Development Programme – project plan							
o LTP forecasting assumptions							
o Asset Management Planning – assurance							
o Audit New Zealand LTP assurance plan							
o Audit NZ LTP Management letter		♦					
Focus Topics							
o Accounting for interest costs on asset construction and capital projects	♦						
o							

3. Public Excluded

Recommendation

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Legal and Risk Updates	7(2)(g) The withholding of the information is necessary to maintain legal professional privilege. 7(2)(i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.2 Office of the Auditor General and Audit New Zealand - Standing Update	7(2)(g) The withholding of the information is necessary to maintain legal professional privilege. 7(2)(i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.