ORDINARY MEETING

OF

AUDIT AND RISK SUBCOMMITTEE

AGENDA

Time: 9:15 am
Date: Tuesday, 23 February 2016
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

MEMBERSHIP

Mayor Wade-Brown
Peter Harris (External)
Councillor Marsh
Councillor Peck (Chair)
Councillor Woolf

Have your say!
You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 803-8334, emailing public.participation@wcc.govt.nz or writing to Democratic Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number and the issue you would like to talk about.

AREA OF FOCUS

Providing objective advice and recommendations regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the council's risk management, control and governance frameworks and processes. It is also responsible for exercising active oversight of all areas of the Council's control and accountability in an integrated and systematic way.

Quorum: 3 members (at least one external member must be present for a quorum to exist).

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Business **Page No.**

1 Meeting Conduct

1. 1 Apologies

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

1. 2 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. 3 Confirmation of Minutes

The minutes of the meeting held on 1 December 2015 will be put to the Audit and Risk Subcommittee for confirmation.

1. 4 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 3.23.3 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

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 Audit and Risk Subcommittee.

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 meeting.

Minor Matters relating to the General Business of the Audit and Risk Subcommittee.

No resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Audit and Risk Subcommittee for further discussion.

2. General Business

DRAFT 2015/16 FINANCIAL STATEMENTS AND PROPOSED SIGN OFF PROCESS

Purpose

1. The purpose of this report is to obtain the agreement of the Subcommittee as to the proposed format and disclosures for the Council's 2015/16 financial statements and proposed sign-off process.

Recommendations

That the Audit and Risk Subcommittee:

1. Receive the information.
2. Note that the draft 2015/16 financial statements template is currently being reviewed by Audit New Zealand and that their comments / recommendations will be reflected in the draft template financial statements to Audit and Risk Subcommittee in June 2016.
3. Note that the draft 2015/16 financial overview template will be submitted to Audit and Risk Subcommittee in June 2016.
4. Approve the proposed format and disclosures for the 2015/16 financial statements subject to:
    a. Consideration of the implications of any changes in NZ GAAP arising up to 30 June 2016 which may be required to be applied retrospectively;
    b. The determination and disclosure of the final results of operations, cash-flows and financial position for the year ending 30 June 2016 (and any subsequent impact on the notes to the financial statements); and
    c. Receiving final clearance from Audit New Zealand.
5. Approve the sign-off process and timetable for the 2015/16 financial statements.

Background

2. 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.
3. Council officers propose to prepare the 2015/16 Annual Report for adoption on the 28 September 2016. In order to achieve this timeframe, a draft template has been prepared for the Subcommittee's review which identifies the proposed financial statement format and disclosures. This report also outlines the proposed sign-off process and timetable for adoption of the 2015/16 Annual Report.
4. The template for the financial statements is currently being reviewed by Audit New Zealand as part of their financial statement audit for the year ending 30 June 2016 and

their comments / recommendations will be incorporated into the template set of draft financial statements to the Subcommittee in June 2016.

5. The draft 2015/16 financial overview template will also be provided to the Audit and Risk Subcommittee in June 2016 for their feedback.

Discussion

Significant changes in the content and format of the Council's financial statements

Process

6. The template has been drafted by the Council's Financial Accounting team, who are mindful of the Subcommittee desire to enhance the presentation of the financial statements to increase readability to a wide range of readers.
7. Following on from last years review of the financial statements and note disclosure, this years review has focussed on the format of these statements and how they could be best presented. This has resulted in major changes to the order that the financial statements and their notes are being presented.
8. The draft financial statements contained in Attachment 1 will undergo further presentational format changes, such as colour coding various financial sections e.g. Statement of Comprehensive Revenue and Expense, Statement of Financial Position etc.
9. The financial statements have been prepared where possible using plain english explanations but given the complexity of Council operations and the requirements of accounting standards, they will include technical explanations that only experienced readers of financial statements will understand. In order to ensure a greater understanding of the financial statements is available, key messages, themes and results achieved will be explained in the Financial Overview in a manner that allows for better understanding by a wider audience. This approach will be reflected in the document as a whole.
10. It is important to note that the template reflects applicable PBE accounting standards as at the date of preparation and any subsequent changes to accounting standards will be updated at the next Subcommittee meeting.
11. These changes in format are subject to Audit NZ review and any changes / recommendations arising from that review will be incorporated into the financial statements to be presented in the September 2016 meeting.

Key changes in the financial statements template

12. This section sets out the non PBE accounting standard changes made to the template that were made to increase the readability of the financial statements.
13. The major changes are:
    - The merging of the Statement of Compliance and the Statement of Responsibility into one statement at the front of the financial statements. This is largely prescribed in what must be stated but it does clearly outline what makes up the reporting entity, what it is that Council has to comply with and who has the responsibility.
    - The financial statements have had their note disclosure and relevant accounting policies grouped together into a set format. You will note that the contents page outlines the groupings around each particular financial statement. This is a

departure from the traditional groupings of all financial statements together followed by all accounting policies and then all note disclosures. Any general accounting policies that apply to more than one financial statement will be disclosed at the end of the financial section.

14. There are no changes to the financial statements arising from any new PBE standards.

Proposed sign-off process for the 2015/16 financial statements

15. On the basis that the Subcommittee has been delegated the primary responsibility for the audit of the Council's financial statements, a proposed sign-off process and timetable has been developed in order to adopt the 2015/16 Annual Report. This is outlined in Attachment 2 to this report.
16. The timelines for the adoption of the Annual Report have been changed to accommodate the additional workloads arising from the implementation of the new financial system. The Annual Report is now scheduled for adoption at the last Council meeting of the triennium.

Attachments

Author	Richard Marshall, Manager Financial Accounting
Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Consultation and Engagement
There are no requirements to consult on the issues raised in this paper or report.

Treaty of Waitangi considerations
There are no specific Treaty of Waitangi considerations.

Financial implications
There are no new financial implications arising from this paper.

Policy and legislative implications
There are no new policy or legislative impliciations arising from this paper.

Risks / legal
There are no new risks or legal impliciations arising from this paper.

Climate Change impact and considerations
There is no climate change impliciations arising from this paper.

Communications Plan
No communication plan is required for this paper.

Proposed sign off process and timetable for the 2015/16 Annual Report

Date:	Action:
23 February 2016 (scheduled)	*Audit and Risk Subcommittee Meeting* Subcommittee to review and conditionally approve draft format for the 2015/16 financial statements and the proposed sign-off process.
5 August 2016	Consolidated draft financial statements, including results of operations and cash-flows for the year ending 30 June 2016, financial position as at 30 June 2016 and financial overview available for internal review and management sign off.
8 August 2016	Audit New Zealand commence final audit fieldwork
6 September 2016 (TBC)	Audit and Risk Subcommittee briefing on major provisions and issues.
13 September 2016 (TBC)	*Audit and Risk Subcommittee Meeting* Subcommittee to review consolidated draft financial statements, including results of operations and cash-flows for the year ending 30 June 2016, financial position as at 30 June 2016 and financial overview, subject to final Audit New Zealand clearance. Subcommittee to also review Statements of Service Performance, report on CCOs and report on mana whenua partnership. Subcommittee to review the draft letter of representation letter. Subcommittee to recommend adoption of 2015/16 financial statements to the Governance, Finance and Planning Committee and the letter of representation. Audit New Zealand to issue letter of comfort to strategy and Policy Committee as to whether an unqualified, or qualified, audit opinion will be issued.
22 September 2016 (TBC)	*Governance, Finance and Planning Committee Meeting* Committee to recommend adoption of 2015/16 financial statements to Council.

Date:	Action:
28 September 2016 (scheduled)	*Council Meeting* Council to adopt 2015/16 financial statements. Management Letter of Representation issued to Audit New Zealand. Audit New Zealand sign Audit Opinion. Media Release – Financial Results for the year ending 30 June 2016.
TBC October 2016	Release of published Annual Report.

Wellington City Council

and

Group

Consolidated Financial Statements

For the year ended 30 June 2016

CONTENTS

Statement of Compliance and Responsibility

Reporting entity

Wellington City Council is a territorial local authority governed by the Local Government 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 Auditor General, and is classed as a Public Sector Public Benefit Entity for financial reporting purposes.

The reported Council figures includes the results and operations of Wellington City Council and the Council's interests in the joint ventures as disclosed in Note 40: Jointly controlled assets (page XX).

The reported Group figures includes the Council (as defined above), its controlled entities (subsidiaries) as disclosed in Note 23 (page XX) and the Council's equity accounted interest in the associates and a jointly controlled entity as disclosed in Note 24 (page XX). A structural diagram of the Council and Group is included on the following page.

Compliance

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

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity[1] and were authorised for issue by the Council on 28 September 2016.

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.

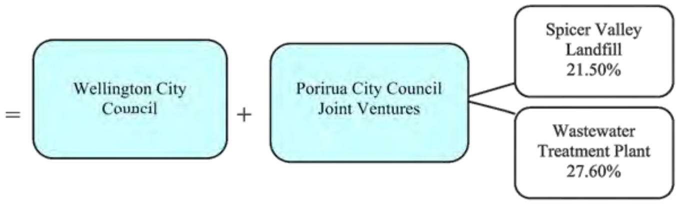
In the opinion of the Council and management, the Annual Report for the year ended 30 June 2016 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Celia Wade-Brown	**Kevin Lavery**	**Andy Matthews**
Mayor	**Chief Executive**	**Chief Financial Officer**
28 September 2016	28 September 2016	28 September 2016

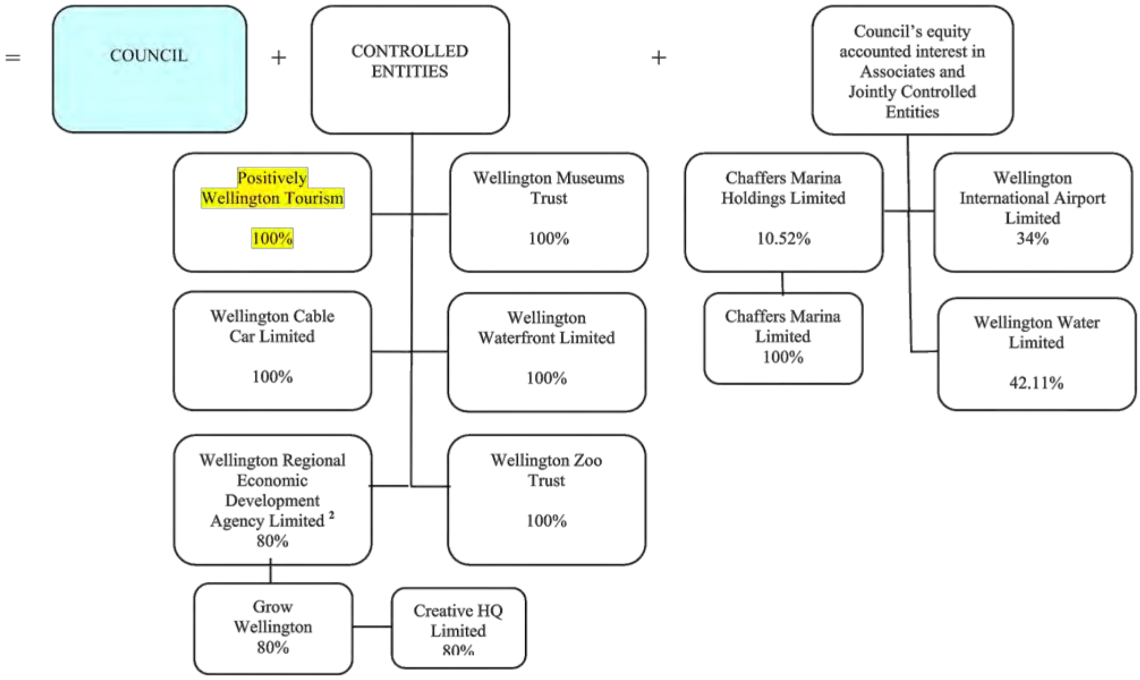
1. A Tier 1 entity is defined as being either, publicly accountable or large (ie. expenses over $30m). Council exceeds the expenses threshold.

Council and Group structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



All entities included within the Group are domiciled in Wellington, New Zealand

The percentages above represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group. Refer to Notes 23 and 24 (pages XX to XX) for more information

1. The legal name of Positively Wellington Tourism is Partnership Wellington Trust. The operations of the Trust have been transferred to Wellington Regional Economic Development Agency Limited with effect from 1 January 2015. The winding up of the Trust has not been completed as at 30 June 2016.

2. Wellington Regional Economic Development Agency Limited (WREDA) is a combination of the previously held activities of the Wellington Venues Limited and Positively Wellington Tourism entities. In 2015 WREDA acquired 100% ownership of Grow Wellington Limited and indirectly Creative HQ Limited from Greater Wellington Regional Council for consideration of 20% of WREDA.

Basis of consolidation

Joint ventures

Joint ventures are binding contractual arrangements with other parties to jointly control an undertaken activity. The accounting treatment can vary according to the structure of the venture concerned. The two structure types are either a jointly controlled asset or a jointly controlled entity.

For a jointly controlled asset the Council has a liability in respect of its share of joint ventures' operational deficits and liabilities, and shares in any operational surpluses and assets. The Council's proportionate interest (ie 21.5% 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.

For a jointly controlled entity the Council chooses to use the equity accounting treatment option available as it better reflects its investment in the joint venture. The investment is initially recognised at cost, and adjusted thereafter for the post-acquisition changes in the Council's share of net assets/equity of the entity. The Council's share of the surplus or deficit of the entity is included in the Group's surplus or deficit on a single line.

Controlled entities

Controlled entities are entities that are controlled by the Council. In the Council financial statements, the investment 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 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.

Council Controlled Organisations

The Council has established several Council Controlled Organisations (CCO's) and Council Controlled Trading Organisations (CCTO's) 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. A report on these organisations is found on page XX. Council has made appointments to other organisations, which make them Council Organisations (as defined in the Local Government Act 2002) but they are not Council controlled or part of the Group.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2016

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2016	2016	2015	2016	2015
	Note	$000	$000	$000	$000	$000
Revenue						
Rates revenue						
Rates (excluding w ater rates by meter)	1			240,892		240,892
Water rates by meter	1			12,682		12,682
Revenue from operating activities						
Development contributions	2			2,078		2,078
Grants, subsidies and reimbursements	2			40,826		53,213
Other operating activities	2			121,482		132,639
Investments revenue	3			24,176		11,257
Other revenue	4			14,964		14,964
Finance revenue	5			2,839		3,213
Fair value gains	6			9,951		9,951
Total revenue	7	-	-	**469,890**	-	**480,889**
Expense						
Finance expense	8			(23,238)		(23,239)
Expenditure on operating activities	9			(310,335)		(330,454)
Depreciation and amortisation expense	10			(99,009)		(100,024)
Fair value reductions	11			(1,766)		(1,794)
Total expense		-	-	**(434,348)**	-	**(455,511)**
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	12	-	-	-		11,612
Net surplus before taxation		-	-	**35,542**	-	**36,990**
Income tax credit/(expense)	13	-	-	-		(609)
NET SURPLUS for the year		-	-	**35,542**	-	**36,381**
Net surplus attributable to:						
Wellington City Council and Group		-	-	35,542		36,381
Non-controlling interest		-	-	-		-
		-	-	**35,542**	-	**36,381**

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

Statement of Comprehensive Revenue and Expense - continued

For the year ended 30 June 2016

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2016	2016	2015	2016	2015
	Refer	$000	$000	$000	$000	$000
Other comprehensive revenue and expense [1]						
Items that will be reclassified to surplus/(deficit)						
Cash flow hedges:						
Fair value movement - net	SCIE [2]		-	(17,059)		(17,059)
Fair value through other comprehensive revenue and expense						
Fair value movement - net	SCIE		-	43		442
Share of other comprehensive revenue and expense of associates and jointly controlled entity:						
Reclassification to share of equity acounted surplus			-	-		-
Items that will not be reclassified to surplus/(deficit)						
Non-contolling interest:						
Initial recognition			-	-		316
Revaluations:						
Fair value movement - property, plant and equipment - net	SCIE		57,073	11,168		11,168
Share of other comprehensive revenue and expense of associates and jointly controlled entity:						
Fair value movement - property, plant and equipment - net	SCIE		-	-		3,862
Effect of changed shareholding in associates	SCIE		-	-		27
Total other comprehensive revenue and expense		**-**	**57,073**	**(5,848)**	**-**	**(1,244)**
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year		**-**	**57,073**	**29,694**	**-**	**35,137**
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	57,073	29,694		35,037
Non-controlling interest		-	-	-		100
		-	**57,073**	**29,694**	**-**	**35,137**

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

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

Note 1: Rates revenue

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
General rates				
Base sector		73,417	-	73,417
Commercial, industrial and business sector		60,835	-	60,835
Targeted rates				
All (excluding water rates by meter)		106,640	-	106,640
Total rates revenue (excluding water rates by meter)	-	240,892	-	240,892
Water rates by meter revenue		12,682		12,682
Total rates revenue for Wellington City Council	**-**	**253,574**	**-**	**253,574**

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is $XXX (2015: 11.623m). For the Group, rates of $XXX (2015: 11.657m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held as at 30 June 2015.

The number of rating units: XX, XXX (30 June 2014: 76,680).

	2016	2015
	$000	$000
Total capital value of rating units		51,238,236
Total land value of rating units		22,259,307

Relevant 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 as at the date when rate assessment notices are sent to the ratepayers. Rates are a tax as they are payable under the Local Government Ratings 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.

Rates remissions

Revenue from rates and levies is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown levy targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown levy targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting period ended 30 June 2016 totalled $XXX (2015: $0.378m).

Non-rateable land

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

Note 2: Revenue from operating activities

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Development contributions		**2,078**	**-**	**2,078**
Grants, subsidies and reimbursements				
Operating		7,735		15,872
Capital		33,091		37,341
Total grants, subsidies and reimbursements	**-**	**40,826**	**-**	**53,213**
Other operating activities				
Fines and penalties		7,857		7,857
Rendering of services		107,709		117,700
Sale of goods		5,916		7,082
Total other operating activities	**-**	**121,482**	**-**	**132,639**
Total revenue from operating activities	**-**	**164,401**	**-**	**180,910**

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

- The New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs for maintaining the local roading infrastructure. The capital reimbursements from NZTA of $XXXm (2015: $18.089m) and operating reimbursements of $XXXm (2015: $5.591m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

- The Crown, for the upgrade of the Council's social housing stock. The capital grant recognised in the current year of $XXXm (2015: $13.388m) is part of a 10 year work programme that commenced in 2008 and the revenue is recognised in accordance with that agreed work programme. There are no unfulfilled conditions or other contingencies relating to this utilised grant revenue apart from the overarching requirement for Council to maintain its investment and provision of social housing until 2037.

For the Group, the additional principal subsidy was $XXXm (2015: $6.949m) from Greater Wellington Regional Council to Wellington Cable Car Limited for the maintenance and upgrade of the overhead wire trolley system.

For other operating activities of Council, the principal services rendered (provided) were:

- Building consents and licensing services - $XXXm (2015: $13.240m)
- Community housing - $XXXm (2015: $21.438m)
- Convention and conferences centres – $XXXm (2015: $14.931m)
- Parking fees & permits - $XXXm (2015: $17.991m)
- Landfill operations and recycling - $XXXm (2015: $10.346m) – including unbudgeted revenue from the two joint ventures with Porirua City Council $XXXm (2015: $1.258m).

Relevant 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.

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 (eg NZ Transport Agency 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 (eg traffic and parking infringements, library overdue book fines, overdue rates penalties) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed. In particular the fair value of parking related fines is determined based on the probability of collecting fines considering previous collection history and a discount for the time value of money.

Rendering of services

Revenue from the rendering of services (eg 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 rendering of services are provided at a market rate or on a full cost recovery basis (eg. Parking fees) and these are classified as exchange.

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: Investments revenue

	Council 2016 $000	Council 2015 $000	Group 2016 $000	Group 2015 $000
Dividend from investment in controlled entities		-		-
Dividend from investment in associates		12,950		-
Dividend from investment in other entities		132		132
Investment property lease rentals		11,094		11,094
Proceeds from the sale of shares		-		31
Total investments revenue	**-**	**24,176**	**-**	**11,257**

The primary investment dividend was from Council's 34% holding in Wellington International Airport Limited.

The rentals from investment property leases are primarily from ground leases around the CBD and on the waterfront. For further information refer to Note 21: Investment properties (page XX)

Relevant policies

Dividends

Dividends from equity investments are classified as exchange revenue and 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 classified as exchange revenue and 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 is diminished

Note 4: Other revenue

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Amortisation of loans to related parties		564		564
Fuel tax distribution		1,077		1,077
Gain on disposal of property, plant and equipment		323		323
Release of provisions		437		437
Restricted funds		195		195
Vested assets		12,368		12,368
Total other revenue	**-**	**14,964**	**-**	**14,964**

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

The values of principal vested assets received were:

- Roading - $XXXm (2015: $2.341m)
- Drainage, waste and water - $XXXm (2015: $2.083m).
- Improvements to the Clyde Quay Wharf - $Nil (2015: $6.500m)

Relevant policies

Gains

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

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.

Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (eg 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.

Note 5: Finance revenue

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Interest on deposits, loans and receivables		2,839		3,213
Total finance revenue	**-**	**2,839**	**-**	**3,213**

Relevant policy

Interest

Interest revenue is exchange revenue and recognised using the effective interest rate method.

Note 6: Fair value gains

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Investment property revaluation		8,552		8,552
Derivatives at fair value through surplus or deficit		137		137
Gain on investment acquisition		1,262		1,262
Total fair value gains	**-**	**9,951**	**-**	**9,951**

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

The gain on investment acquisition in 2015 relates to the Council's purchase of Grow Wellington Limited, from Greater Wellington Regional Council, which is now part of the Wellington Regional Economic Development Agency Limited.

Relevant policies

Gains

Gains include increases on the revaluation of investment property and in the fair value of financial assets and liabilities.

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 surplus or deficit. Investment properties are not depreciated.

Derivatives

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

Note 7: Exchange / Non-exchange revenue

An alternative understanding of how public benefit entities like the Council and Group derived their revenue is to consider the different elements of the transaction. Is the transaction directly in exchange for the goods or services provided and are both sides of the transaction of approximately equal value and willing entered into by both parties? Also is there any obligation to give the revenue back if it is not used for the purpose it was provided for (eg a grant with a specified purpose and a return clause)?

The total revenue is broken down as being either exchange or non-exchange transactions as follows:

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Exchange revenue				
Water rates by meter		12,682		12,682
Rendering of services		16,888		26,157
Sale of goods		5,916		7,082
Dividend from investments		13,082		132
Interest on deposits, loans and receivables		2,839		3,213
Investment property lease rentals		11,094		11,094
Sale of shares		-		31
Total exchange revenue	**-**	**62,501**	**-**	**60,391**
Non-exchange revenue				
Taxes				
Rates		240,892		240,892
Transfers				
Development contributions		2,078		2,078
Grants, subsidies and reimbursements		40,826		53,213
Fines and penalties		7,857		7,857
Rendering of services - subsidised		90,821		91,543
Fuel tax		1,077		1,077
Restricted funds		195		195
Vested assets		12,368		12,368
Total non-exchange revenue	**-**	**396,114**	**-**	**409,223**
Other revenue				
Loan amortisation		564		564
Release of provisions		437		437
Fair value and other gains		10,274		10,274
Total other revenue	**-**	**11,275**	**-**	**11,275**
Total Revenue	**-**	**469,890**	**-**	**480,889**

Relevant policies

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 transaction 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 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 Council provides (eg the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by Council operate on a full user pays (eg Parking), cost recovery or breakeven basis and these are considered to be exchange transactions unless they are provided at less than active and open market prices.

Most of the services that Council provides for a fee are subsidised by rates (eg. 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.

Note 8: Finance expense

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Interest on borrowings		22,142		22,143
Interest on finance leases		29		29
Re-discounting of interest on provisions		1,067		1,067
Total finance expense	**-**	**23,238**	**-**	**23,239**
Less				
Total finance revenue (from Note 5)	-	2,839	-	3,213
Net finance cost	**-**	**20,399**	**-**	**20,026**

Relevant 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 28: Employee benefit liabilities and provisions (page XX) and Note 29: Provision for other liabilities (page XX).

Note 9: Expenditure on operating activities

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Auditor's remuneration:				
Audit services - Audit New Zealand - Financial Statements		277		382
Audit services - Audit New Zealand - Long-Term Plan		135		135
Audit services - Audit New Zealand - other		34		34
Audit services - Other Auditors		-		35
Impairments				
Bad debts written off not previously provided for		307		334
Increase in provision for impairment of receivables and recoverables		452		452
Impairment loss from property, plant and equipment		5,072		5,072
Impairment loss on shares		-		6
Governance and employment				
Councillor remuneration		1,390		1,390
Directors/trustees of controlled entities - remuneration		-		406
Other elected members' remuneration (Community Boards)		94		94
Employee benefits expense:				
- Remuneration		79,518		99,229
- Superannuation contributions (including Kiwisaver)		2,108		2,526
- Termination benefits (including severances)		641		724
Other personnel costs		3,609		4,060
Insurance				
Insurance premiums		10,713		11,120
Insurance reserve costs - net		1,632		1,632
General				
Advertising, printing and publications		2,850		9,319
Consultants and legal fees		9,423		9,577
Contractors		3,205		5,269
Direct costs		109,788		118,590
Grants - general		10,910		11,028
Grants to controlled entities		17,614		-
Information and communication technology		6,367		7,230
Loss on disposal of property, plant and equipment		354		335
Loss on disposal of intangibles		24		24
Operating lease - minimum lease payments		1,311		2,527
Reassessment of provisions		1,045		1,045
Utility costs		18,899		19,360
Other general costs		22,563		18,519
Total expenditure on operating activities	-	310,335	-	330,454

Auditor's remuneration

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

Impairments

The impairment loss from Property, Plant and equipment in 2015 primarily related to the Town Hall due to the building being earthquake prone. Its value in use was calculated as the difference between the expected value of the building after strengthening has been completed and the costs to strengthen it. The impairment amounted to $4.513m.

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 appointed to boards of Controlled entities. For further information refer to Note 42: Remuneration and staffing levels (page XX)

Employment costs relate to the remuneration paid directly to staff, other employee benefits such as Kiwisaver and other associated costs such as recruitment and training. For further information refer to Note 42: Remuneration and staffing levels (page XX)

General

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

Grants – general, include $2.250m (2015: $2.250m) towards the funding of the Museum of New Zealand, Te Papa Tongarewa.

Grants to controlled entities such as the Wellington Zoo Trust are for operational funding purposes. For details of the funding to these entities refer to Note 41: Related party disclosures (page XX).

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

Utility costs are those relating to the use of electricity, gas, and water. It also includes the payment of rates and water meter charges of $XXXm (2015: $11.623m) on Council owned properties.

Relevant policies

Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (eg 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). 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 10: Depreciation and amortisation

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Depreciation				
Buildings		22,435		22,435
Civic Centre complex		2,793		2,793
Restricted buildings		1,430		1,430
Drainage, waste and water infrastructure		27,248		27,248
Service concession assets		4,969		4,969
Landfill post closure		136		136
Library collections		2,092		2,092
Plant and equipment		11,712		12,684
Roading infrastructure		21,857		21,857
Total depreciation	**-**	**94,672**	**-**	**95,644**
Amortisation				
Computer software		4,337		4,380
Total amortisation	**-**	**4,337**	**-**	**4,380**
Total depreciation and amortisation	**-**	**99,009**	**-**	**100,024**

Depreciation (amortisation) is an expense charged each year to reflect the estimated cost of using our 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 policies

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

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

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

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

Asset Category	2016 Useful Life (years)	2016 Depreciation Rate
Land	unlimited	not depreciated
Buildings	1 - 75	1.33 - 100%
Civic Centre Complex	10 - 78	1.28 - 10%
Plant and equipment	3 - 100	1 - 33.3%
Library collection	3 -11	9.1 - 33.3%
Restricted assets (excluding buildings)	unlimited	not depreciated
Infrastructure assets:		
Land (including land under roads)	unlimited	not depreciated
Roading	3 - 175	0.57 - 33.3%
Drainage, waste and water	3 - 175	0.57 - 33.3%
Service concession arrangements	3 - 100	1 - 33.3%

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

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

Asset Category	2016 Useful Life (years)	2016 Amortisation Rate
Computer software	1 - 7	14.29 - 100%

Note 11: Fair value reductions

	Council 2016 $000	Council 2015 $000	Group 2016 $000	Group 2015 $000
Fair value movement on concessionary loans		(1,766)		(1,794)
Total fair value reductions	**-**	**(1,766)**	**-**	**(1,794)**

Following notification from the Westpac Stadium Trust in 2015, the expected repayment terms of the loan by the Trust back to the Council was extended to 2070. The fair value of the loan was reduced accordingly.

The fair value movement on concessionary loans reflects the timing of the expected repayments and the interest free nature of the loan. Over the remaining life of the loans their fair value will be amortised back up to their full nominal value. For further information on loans refer to Note 17: Other financial assets (page XX).

Note 12: Share of associates' and jointly controlled entity's surplus or (deficit)

The Council's share of the results of the Chaffers Marina Holdings Limited, Wellington International Airport Limited and Wellington Water Limited is as follows:

	Group	
	2016	**2015**
	$000	**$000**
Chaffers Marina Holdings Limited		
Share of net surplus/(deficit) before tax		4
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited	**-**	**4**
Wellington International Airport Limited		
Share of net surplus before tax		10,764
Tax (expense)/credit		424
Share of associate's surplus/(deficit) - Wellington International Airport Limited	**-**	**11,188**
Wellington Water Limited		
Share of net surplus/(deficit before tax)		420
Tax (expense)/credit		-
Share of jointly controlled entity's surplus/(deficit) - Wellington Water Limited	**-**	**420**
Total share of associates' and jointly controlled entity's surplus or (deficit)	**-**	**11,612**

Further information on the cost and value of the above investments is found in Note 24: Investments in Associates and Jointly Controlled Entity (page XX).

Note 13: Income tax expense

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current tax expense				
Current year		-		221
Prior period adjustment		-		(1)
Total current tax expense	-	-	-	220
Deferred tax expense				
Origination and reversal of temporary differences		(68)		-
Change in unrecognised temporary differences		-		389
Recognition of previously unrecognised tax losses		68		-
Total deferred tax expense	-	-	-	389
Total tax expense / (credit)	-	-	-	609

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Surplus for the period before taxation	-	35,542	-	36,990
Prima facie income tax based on domestic tax rate - 28%		9,952		10,357
Effect of non-deductible expenses and tax exempt income		(9,977)		(9,873)
Effect of tax losses utilised		68		-
Current years loss for which no deferred tax asset was recognised		25		25
Recognition of prior year loss		(68)		(68)
Change in unrecognised temporary differences		-		542
Prior period adjustment		-		0
Share of income tax of equity accounted associates		-		(375)
Tax expense/ (credit)	-	-	-	609

Imputation credits	Group	
	2016	2015
	$000	$000
Imputation credits available in subsequent periods		77

Relevant policies

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 and comprises current and deferred tax. Other members of the Group are subject to normal taxation unless they have tax exempt status as charitable trusts.

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

As at 30 June 2016

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2016	2016	2015	2016	2015
	Note	$000	$000	$000	$000	$000
ASSETS						
Current assets						
Cash and cash equivalents	14			65,913		75,598
Receivables from exchange transactions	16			5,569		6,450
Recoverables from non-exchange transactions	16			34,445		36,006
Other financial assets	17			150		150
Prepayments				12,453		12,987
Inventories	18			899		1,849
Non-current assets classified as held for sale	19			1,668		1,668
Total current assets		-	-	**121,097**	-	**134,708**
Non-current assets						
Derivative financial assets	15			725		725
Other financial assets	17			9,403		10,851
Intangibles	20			21,465		21,568
Investment properties	21			201,557		201,557
Property, plant and equipment	22			6,595,900		6,608,226
Investment in controlled entities	23			5,071		-
Investment in associates and jointly controlled entity	24			19,465		137,666
Total non-current assets		-	-	**6,853,586**	-	**6,980,593**
TOTAL ASSETS		-	-	**6,974,683**	-	**7,115,301**
LIABILITIES						
Current liabilities						
Derivative financial liabilities	15			250		250
Payables under exchange transactions	25			45,429		49,922
Taxes and transfers payable	25			12,635		12,817
Revenue in advance	26			29,293		32,791
Borrowings	27			164,104		164,107
Employee benefit liabilities and provisions	28			6,306		7,467
Provision for other liabilities	29			15,207		15,207
Total current liabilities		-	-	**273,224**	-	**282,561**
Non-current liabilities						
Derivative financial liabilities	15			17,937		17,937
Payables under exchange transactions	25			630		630
Borrowings	27			269,624		269,624
Employee benefit liabilities and provisions	28			1,096		1,157
Provision for other liabilities	29			41,840		41,840
Deferred tax	30			-		1,240
Total non-current liabilities		-	-	**331,127**	-	**331,188**
TOTAL LIABILITIES		-	-	**604,351**	-	**613,749**
EQUITY						
Accumulated funds				1,269,134		1,293,162
Retained earnings				3,722,229		3,709,806
Revaluation reserves	31			1,383,201		1,497,062
Hedging reserve	32			(17,462)		(17,462)
Fair value through other comprehensive revenue and expense reserve	33			106		505
Non-controlling interest				-		316
Restricted funds	34			13,124		16,923
TOTAL EQUITY		-	-	**6,370,332**	-	**6,500,312**
TOTAL EQUITY AND LIABILITIES		-	-	**6,974,683**	-	**7,114,061**

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

Note 14: Cash and cash equivalents

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Cash at bank		1,392		7,622
Cash on hand		21		34
Short term bank deposits up to 3 months		64,500		67,942
Total cash and cash equivalents	**-**	**65,913**	**-**	**75,598**

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

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

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

Note 15: Derivative financial instruments

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Assets				
Non-current assets				
Interest rate swaps - cash flow hedges		725		725
Total non-current assets	**-**	**725**	**-**	**725**
Total derivative financial instrument assets	**-**	**725**	**-**	**725**
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges		250		250
Total current liabilities	**-**	**250**	**-**	**250**
Non-current liabilities				
Interest rate swaps - cash flow hedges		17,937		17,937
Interest rate swaps - non-hedged		-		-
Total non-current liabilities	**-**	**17,937**	**-**	**17,937**
Total derivative financial instrument liabilities	**-**	**18,187**	**-**	**18,187**

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

Cash flow hedges are used to fix interest rates on floating rate debt (floating rate notes or commercial paper) or bank borrowings. Fair value hedges are used to convert interest rates on some fixed rate debt (bonds) to floating rates.

For further information on the Council's interest rate swaps please refer to Note 32: Hedging Reserve (page XX) and Note 36: Financial instruments (page XX).

Relevant policies

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

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the nature of the item being hedged. Where a derivative is used to hedge variability of cash flows (cash flow hedge), the effective part of any gain or loss is recognised within other comprehensive revenue and expense while the ineffective part is recognised within surplus or deficit. Gains or losses recognised in other comprehensive revenue and expense transfer to surplus or deficit in the same periods as when the hedged item affects the surplus or deficit. Where a derivative is used to hedge variability in the fair value of the Council's fixed rate borrowings (fair value hedge), the gain or loss is recognised within surplus or deficit.

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

Note 16: Receivables and recoverables

Total receivables and recoverables	Council 2016 $000	Council 2015 $000	Group 2016 $000	Group 2015 $000
Current				
Receivables from exchange transactions		5,569		6,450
Recoverables from non-exchange transactions		34,445		36,006
Total current receivables and recoverables		**40,014**		**42,456**
Non-current		-		-
Total receivables and recoverables	-	**40,014**	-	**42,456**

Comprised of:

Receivables from exchange transactions	Council 2016 $000	Council 2015 $000	Group 2016 $000	Group 2015 $000
Trade receivables - debtors		4,878		5,065
Accrued income		691		691
Sundry receivables		-		694
Total receivables from exchange transactions	-	**5,569**	-	**6,450**

Recoverables from non-exchange transactions	Council 2016 $000	Council 2015 $000	Group 2016 $000	Group 2015 $000
Taxes				
GST recoverable		6,581		6,549
Rates recoverable		10,164		10,164
Total taxes	-	**16,745**	-	**16,713**
Transfers				
Trade recoverables - debtors		6,373		8,267
Trade recoverables - fines		3,347		3,347
Total trade recoverables	-	9,720	-	11,614
Other recoverables				
Accrued income		6,239		6,239
Sundry recoverables		1,741		1,440
Total other recoverables	-	7,980	-	7,679
Total transfers	-	**17,700**	-	**19,293**
Total recoverables from non-exchange transactions	-	**34,445**	-	**36,006**
Total receivables and recoverables		**40,014**		**42,456**

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.

The ageing profile of total receivables and recoverables at the reporting date is as follows:

Council	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Trade and other receivables and recoverables				
Not past due		21,864		24,203
Past due 0-3 months		8,461		8,470
Past due 3-6 months		2,812		2,847
Past due more than 6 months		6,877		6,936
Total trade and other receivables and recoverables	**-**	**40,014**	**-**	**42,456**

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

Note 17: Other financial assets

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Represented by:				
Current	-	150	-	150
Non-current	-	9,403	-	10,851
Total other financial assets	**-**	**9,553**	**-**	**11,001**
Comprised of:				
Financial assets at fair value through other comprehensive revenue and expense				
Equity investments:				
- Civic Assurance		633		633
- NZ Local Government Funding Agency (LGFA)		1,866		1,866
- Creative HQ incubator/accelerator shareholdings		-		1,401
Loans and deposits				
Bank deposits - term greater than 3 months		-		-
LGFA - borrower notes		2,208		2,208
Loans to related parties - other organisations		4,696		4,668
Loans to external organisations		150		225
Total other financial assets	**-**	**9,553**	**-**	**11,001**

Civic Assurance is the trading name of New Zealand Local Government Insurance Corporation Limited, which provides insurance products and other financial services principally to local authorities. The Council holds a 4.78% (2015: 4.78%) shareholding in this entity with no present intention to sell.

The New Zealand Local Government Funding Agency Limited (LGFA), which commenced in December 2011 is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8% 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. The LGFA has an AA+ (domestic long term) credit rating from Standard and Poors.

Creative HQ, a controlled entity of Grow Wellington, which is 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.

Loans

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

	Council		Group	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Loans to related parties - other organisations				
Wellington Regional Stadium Trust				
(nominal value $15,394,893)				
Opening balance		1,586	-	1,586
Amortisation of fair value adjustment		201	-	201
Movement in fair value		(1,766)	-	(1,766)
Closing balance at fair value	**-**	**21**	**-**	**21**
Karori Wildlife Sanctuary Trust				
(nominal value $10,346,689)				
Opening balance		4,312	-	4,312
Amortisation of fair value adjustment		363	-	363
Closing balance at fair value	**-**	**4,675**	**-**	**4,675**
Loans to other external organisations				
Opening balance		150		150
New loan advanced		-		75
Loan repayments		-		-
Movement in fair value		-		(28)
Closing balance at fair value	**-**	**150**	**-**	**197**
Total loans	**-**	**4,846**	**-**	**4,893**

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

The amortisation rate applicable to the Wellington Regional Stadium Trust loan is 12.710%. Following notification from the Westpac Stadium Trust in 2015, the expected repayment terms of the loan by the Trust back to the Council was extended to 2070. The fair value of the loan was reduced accordingly.

The amortisation rates applicable to the Karori Wildlife Sanctuary Trust range from 6.875% to 12.710%. This loan is expected to be fully repaid.

Loans to other external organisations are generally suspensory loan arrangements associated with economic development grants provided by Council to achieve defined outcomes. The loans are repayable in the event that the economic development outcomes agreed in providing the grant are not delivered. As agreed outcomes for the grants are met the loans are reduced accordingly.

Further information on the related parties is disclosed in Note 41: Related party disclosures.

Note 18: Inventories

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Consumables		633		1,453
Inventories held for re-sale		197		327
Inventories held for distribution		69		69
Total inventories	**-**	**899**	**-**	**1,849**

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

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

Inventories held for distribution primarily relate to the holding of wheelie bins, green bins and recycling bags for distribution at no or nominal cost.

Relevant policies

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

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

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

Note 19: Non-current assets classified as held for sale

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		1,367		1,367
Disposals		(1,041)		(1,041)
Transfers from property, plant and equipment		1,668		1,668
Transfers to property, plant and equipment		(326)		(326)
Non-current assets classified as held for sale - closing balance	**-**	**1,668**	**-**	**1,668**

Relevant policies

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

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

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- a plan to sell the asset is in place and an active programme to locate a buyer has been initiated;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence 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.
- A non-current asset classified as held for sale is recognised at the lower of its carrying amount or fair value less costs to sell. Impairment losses on initial classification are included within surplus or deficit.

Note 20: Intangibles

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Computer software				
Cost - opening balance		39,849		40,491
Accumulated amortisation		(32,995)		(33,567)
Computer software opening balance	-	6,854	-	6,924
Acquired by direct purchase		6,774		6,859
Amortisation		(4,337)		(4,380)
Net disposals		(39)		(48)
Transfer from property, plant and equipment		467		467
Total computer software - closing balance	**-**	**9,719**	**-**	**9,822**
Cost		49,256		49,965
Accumulated amortisation		(39,537)		(40,143)
Total computer software - closing balance	**-**	**9,719**	**-**	**9,822**
Work in progress				
Computer software		10,435		10,435
Total work in progress	**-**	**10,435**	**-**	**10,435**
Carbon credits				
Cost - Opening Balance		575		575
Additions		768		768
Net disposals		(32)		(32)
Total Carbon credits - closing balance	**-**	**1,311**	**-**	**1,311**
Total intangibles	**-**	**21,465**	**-**	**21,568**

Disposals and transfers are reported net of accumulated amortisation.

The increase in computer software work in progress reflects Council's commitment to enhancing its technological capabilities across a number of platforms. Council has embarked on replacing its core applications, a new electronic document records management system and a new asset management information system for its infrastructure assets.

Carbon credits

As part of the Emissions Trading Scheme (ETS) the Council received carbon credits from Central Government in recognition of the carbon absorbed by a portion of the Council's green belt. For the year ending 30 June 2016 the Council received XXX credits (2015: 74,643). The Council purchased XXX credits (2015: 67,874) in the market to cover the expected liabilities associated with landfill operations. During the year XXX credits (2015: 32,445) were surrendered to meet the Council's ETS obligations for the 2015 calendar year. At 30 June 2016 the total number of credits held is XXX (2015: 328,072).

At 30 June 2016 the liability relating to landfill carbon emissions is $XXXm (2015: $0.161m).

More information on carbon credits can be found in the Statements of Service Provision under activity 2.2: Waste reduction and energy conservation (page XX).

Relevant policies

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.

Carbon Credits

Carbon credits comprise either allocations of emission allowances granted by the Government 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.

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

Note 21: Investment properties

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		192,901		192,901
Additions by acquisition		10		10
Additions by subsequent expenditure		-		-
Fair value revaluation movements taken to surplus/(deficit)		8,552		8,552
Transfer to property, plant and equipment		-		-
Transfer from property, plant and equipment		94		94
Investment properties - closing balance	**-**	**201,557**	**-**	**201,557**

Wellington City Council's investment properties including the Wellington Waterfront investment properties were valued as at 30 June 2016 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for CBRE Limited.

The Council's total investment properties comprise ground leases of $XXXm (2015: $160.058m) and land and buildings of $XXXm (2015: $41.499m) held for investment purposes.

Revenues and expenses	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Revenue from investment properties		11,094		11,094
Direct operating expenses of investment properties				
- From investment properties that generated income		157		157
Contractual obligations for capital expenditure		3		3
Contractual obligations for operating expenditure		5		5

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

Note 9: Expenditure on operating activities (page XX).

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

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

Investment properties exclude those properties held for strategic purposes or to provide a social service. This includes properties which generate cash inflows as the rental revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment.

Relevant 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 rental 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 a discounted cash flow and arriving at a net present value of all future anticipated gross rental 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 surplus or deficit. Investment properties are not depreciated.

Note 22: Property, plant and equipment

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

Summary	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Property, plant and equipment - Opening balance		6,536,012		6,547,197
Additions		142,128		142,292
Disposals		(672)		(862)
Depreciation expense		(94,672)		(95,644)
Impairment losses		(5,072)		(5,072)
Revaluation movement		11,168		11,168
Transfer to non-current assets held for sale		(1,668)		(1,668)
Transfer from non-current assets held for sale		326		326
Transfer to intangibles		(467)		(467)
Transfer to investment properties		(94)		(94)
Movement in work in progress		8,911		10,789
Acquisition of controlled entity		-		261
Property, plant and equipment - Closing balance	**-**	**6,595,900**	**-**	**6,608,226**

Relevant policies

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

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

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

Vested assets are those assets where ownership and control is transferred to the Council from a third party (eg 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.

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.

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

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

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

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 is 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 & Buildings

Operational land and buildings are is valued at fair value on a three-year cycle by independent registered valuers. Where the information is available land and buildings are valued based on market evidence. The majority of Councils 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.

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

Infrastructure assets

Infrastructure assets (the roading network, water, waste and drainage reticulation networks and service concession arrangement assets) are valued at optimised depreciated replacement cost on a three-year cycle by independent registered valuers. Infrastructure valuations are based on the physical attributes of the assets, their condition and their remaining lives based on Council's best information reflected in its assets 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 at fair value on a three-year cycle.

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

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

Other Assets

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

Work in progress

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

The movements according to the individual classes of assets are as follows:

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance		-		-
Land - at valuation - opening balance		213,082		213,082
Total land - opening balance	-	213,082	-	213,082
Additions		1,322		1,322
Revaluation movement		10,837		10,837
Transfer between asset classes		(1,680)		(1,680)
Transfer to investment property		(94)		(94)
Transfer to non-current assets held for sale		(559)		(559)
Total land - closing balance	**-**	**222,908**	**-**	**222,908**
Land - at cost - closing balance		-		-
Land - at valuation - closing balance		222,908		222,908
Total land - closing balance	**-**	**222,908**	**-**	**222,908**
Buildings				
Buildings - at cost - opening balance		69,409		69,409
Buildings - at valuation - opening balance		539,236		539,236
Total cost/valuation	-	608,645	-	608,645
Accumulated depreciation		(33,854)		(33,854)
Total buildings - opening balance	-	574,791	-	574,791
Additions		66,705		66,705
Depreciation expense		(22,435)		(22,435)
Disposals		(16)		(16)
Impairment		-		-
Revaluation movement		331		331
Transfer between asset classes		(63,351)		(63,351)
Transfer from investment properties		-		-
Total buildings - closing balance	**-**	**556,025**	**-**	**556,025**
Buildings - at cost - closing balance		-		-
Buildings - at valuation - closing balance		556,025		556,025
Total cost/valuation	-	556,025	-	556,025
Accumulated depreciation		-		-
Total buildings - closing balance	**-**	**556,025**	**-**	**556,025**
Landfill post closure costs [1]				
Landfill post closure - at cost - opening balance		3,643		3,643
Accumulated depreciation		(2,301)		(2,301)
Total landfill post closure costs - opening balance	-	1,342	-	1,342
Depreciation expense		(136)		(136)
Transfer between asset classes		1		1
Movement in post closure costs		(604)		(604)
Total landfill post closure costs - closing balance	**-**	**603**	**-**	**603**
Landfill post closure - at cost - closing balance		3,040		3,040
Accumulated depreciation		(2,437)		(2,437)
Total landfill post closure costs - closing balance	**-**	**603**	**-**	**603**

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.

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	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Civic Centre complex - at cost - opening balance		173,817		173,817
Accumulated depreciation		(58,165)		(58,165)
Total Civic Centre complex - opening balance	-	115,652	-	115,652
Additions		7,239		7,239
Disposals		-		-
Depreciation expense		(2,793)		(2,793)
Impairment		(4,513)		(4,513)
Transfer between asset classes		23		23
Total Civic Centre complex- closing balance	**-**	**115,608**	**-**	**115,608**
Civic Centre complex - at cost - closing balance		176,562		176,562
Accumulated depreciation		(60,954)		(60,954)
Total Civic Centre complex- closing balance	**-**	**115,608**	**-**	**115,608**
Plant and equipment				
Plant and equipment - at cost - opening balance		166,755		179,310
Accumulated depreciation		(84,860)		(91,250)
Total plant and equipment - opening balance	-	81,895	-	88,060
Additions		6,865		7,026
Depreciation expense		(11,712)		(12,684)
Disposals		(352)		(542)
Impairment		-		-
Transfer between asset classes		44,372		44,372
Transfer to intangibles		(467)		(467)
Acquisition of controlled entity		-		261
Total plant and equipment - closing balance	**-**	**120,601**	**-**	**126,026**
Plant and equipment - at cost		213,057		225,843
Accumulated depreciation		(92,456)		(99,817)
Total plant and equipment - closing balance	**-**	**120,601**	**-**	**126,026**
Library collections				
Library collections - at cost - opening balance		-		-
Library collections - at valuation - opening balance		14,812		14,812
Total cost/valuation	-	14,812	-	14,812
Accumulated depreciation		-		-
Total library collections - opening balance	-	14,812	-	14,812
Additions		1,665		1,665
Depreciation expense		(2,092)		(2,092)
Revaluation movement		-		(0)
Total library collections - closing balance	**-**	**14,385**	**-**	**14,385**
Library collections - at cost - closing balance		1,664		1,664
Library collections - at valuation - closing balance		14,817		14,817
Total cost/valuation	-	16,481	-	16,481
Accumulated depreciation		(2,096)		(2,096)
Total library collections - closing balance	**-**	**14,385**	**-**	**14,385**
Total operational assets	**-**	**1,030,130**	**-**	**1,035,555**

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		-		-
Drainage, waste and water - at valuation - opening balance		1,177,524		1,177,524
Total cost/valuation	-	1,177,524	-	1,177,524
Accumulated depreciation		-		-
Total drainage, water and waste - opening balance	-	1,177,524	-	1,177,524
Additions		25,235		25,235
Depreciation expense		(27,248)		(27,248)
Revaluation movement		-		-
Transfer between asset classes		19,631		19,631
Total drainage, water and waste - closing balance	**-**	**1,195,142**	**-**	**1,195,142**
Drainage, waste and water - at cost - closing balance		25,215		25,215
Drainage, waste and water - at valuation - closing balance		1,196,804		1,196,804
Total cost/valuation	-	1,222,019	-	1,222,019
Accumulated depreciation		(26,877)		(26,877)
Total drainage, water and waste - closing balance	**-**	**1,195,142**	**-**	**1,195,142**
Roading				
Roading - at cost - opening balance		-		-
Roading - at valuation - opening balance		824,096		826,696
Total cost/valuation	-	824,096	-	826,696
Accumulated depreciation		-		-
Total roading - opening balance	-	824,096	-	826,696
Additions		29,927		29,927
Depreciation expense		(21,857)		(21,857)
Revaluation movement		-		-
Transfer between asset classes		7		7
Total roading - closing balance	**-**	**832,173**	**-**	**834,773**
Roading - at cost - closing balance		29,927		29,927
Roading - at valuation - closing balance		824,103		826,703
Total cost/valuation	-	854,030	-	856,630
Accumulated depreciation		(21,857)		(21,857)
Total roading - closing balance	**-**	**832,173**	**-**	**834,773**
Service concession assets				
Service concession assets - at cost - opening balance		-		-
Service concession assets - at valuation - opening balance		154,767		154,767
Total cost/valuation	-	154,767	-	154,767
Accumulated depreciation		-		-
Total service concession assets - opening balance	-	154,767	-	154,767
Additions		-		-
Depreciation expense		(4,969)		(4,969)
Revaluation movement		-		-
Total service concession assets - closing balance	**-**	**149,798**	**-**	**149,798**
Service concession assets - at cost - closing balance		-		-
Service concession assets - at valuation - closing balance		154,767		154,767
Total cost/valuation	-	154,767	-	154,767
Accumulated depreciation		(4,969)		(4,969)
Total service concession assets - closing balance	**-**	**149,798**	**-**	**149,798**

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Infrastructure land				
Infrastructure land - at cost - opening balance		-		-
Infrastructure land - at valuation - opening balance		38,007		38,007
Total infrastructure land - opening balance	-	38,007	-	38,007
Additions		512		512
Revaluation movement		-		-
Transfer between asset classes		(2,189)		(2,189)
Transfer to non-current assets held for sale		(320)		(320)
Total infrastructure land - closing balance	**-**	**36,010**	**-**	**36,010**
Infrastructure land - at cost - closing balance		192		192
Infrastructure land - at valuation - closing balance		35,818		35,818
Total infrastructure land - closing balance	**-**	**36,010**	**-**	**36,010**
Land under roads				
Land under roads - at cost - opening balance		2,947,969		2,947,969
Additions		891		891
Disposals		(304)		(304)
Transfer between asset classes		2,389		2,389
Transfer to non-current assets held for sale		(748)		(748)
Land under roads - closing balance	**-**	**2,950,197**	**-**	**2,950,197**
Total infrastructure assets	**-**	**5,163,320**	**-**	**5,165,920**
Restricted assets				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,927		11,263
Additions		-		3
Transfer between asset classes		-		-
Art and cultural assets - closing balance	**-**	**8,927**	**-**	**11,266**
Restricted buildings				
Restricted buildings - at cost - opening balance		35,470		35,470
Accumulated depreciation		(8,095)		(8,095)
Total restricted buildings - opening balance	-	27,375	-	27,375
Additions		1,507		1,507
Depreciation expense		(1,430)		(1,430)
Impairment		(559)		(559)
Transfer between asset classes		237		237
Restricted buildings - closing balance	**-**	**27,130**	**-**	**27,130**
Restricted buildings - at cost - closing balance		36,627		36,627
Accumulated depreciation		(9,497)		(9,497)
Total restricted buildings - closing balance	**-**	**27,130**	**-**	**27,130**
Parks and reserves				
Parks and reserves - at cost - opening balance		210,179		210,179
Additions		864		864
Disposals		-		-
Transfer between asset classes		560		560
Transfer from non-current assets held for sale		326		326
Transfer to non-current assets held for sale		(41)		(41)
Parks and reserves - closing balance	**-**	**211,888**	**-**	**211,888**

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Town Belt - at cost		**84,544**		**84,544**
Zoo animals - at cost		**500**		**500**
Total restricted assets	**-**	**332,989**	**-**	**335,328**
Work in progress				
- Land		53		53
- Buildings		22,698		22,698
- Civic Centre complex		4,368		4,368
- Plant and equipment		8,142		10,104
- Library		390		390
- Drainage, waste and water		3,838		3,838
- Roading		28,745		28,745
- Art and cultural		180		180
- Restricted buildings		1,047		1,047
Total work in progress	**-**	**69,461**	**-**	**71,423**
Total property, plant and equipment	**-**	**6,595,900**	**-**	**6,608,226**

Disposals and transfers are reported net of accumulated depreciation.

Revaluation of property, plant and equipment

The Council's operational land and buildings were valued as at 30 June 2015, and infrastructural land as at 30 June 2014 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collections were valued as at 30 June 2014 by the Council's library staff. The revaluation was carried out in accordance with guidelines outlined in Valuation Guidance for Cultural and Heritage Assets published by the Treasury Accounting Team, November 2002. An independent peer review was conducted by Michaela O'Donovan, Manager Service Design and Implementation, National Library of New Zealand.

The drainage, waste and water infrastructure and roading networks and the service concession assets were valued as at 30 June 2014 by John Vessey (MIPENZ), Partner of Opus International Consultants Limited.

Assets are valued at regular intervals by independent registered valuers or whenever the carrying amount differs materially to fair value. In the years which an asset class is not revalued, the Group assesses whether there has been any material change in the value of that asset class. The movement in asset values between 30 June 2014 and 30 June 2016 for the infrastructure assets were assessed using appropriate indices. The increase in asset value of 1.7% was not considered material by management and accordingly the assets were not revalued at 30 June 2016.

Further information on revaluation reserves and movements is contained in Note 28: Revaluation reserves.

Finance leases

The net carrying amount of plant and equipment assets held by the Council under finance leases is $XXXm (2015: $0.286m).

Significant acquisitions and replacements of assets

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

Core Assets

Included within the infrastructure assets above are the following core Council assets:

Council	2016			
	Closing book value	Additions		Replacement Cost
		Constructed	Vested	
	$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	-	-	-	-

Council	2015			
	Closing book value	Additions		Replacement Cost
		Constructed	Vested	
	$000	$000	$000	$000
Water supply				
- treatment plants and facilities	-	-	-	-
- other assets	529,724	13,265	933	939,317
Sewerage				
- treatment plants and facilities	166,095	-	-	221,739
- other assets	318,492	7,959	332	768,062
Stormwater drainage	329,221	4,821	818	650,194
Flood protection and control works	-	-	-	-
Roads and footpaths	609,293	41,389	986	830,123
Total	**1,952,825**	**67,434**	**3,069**	**3,409,436**

Water and roads assets are not on the valuation cycle this year. Therefore their replacement costs are based on the optimised replacement costs estimate figures in the valuation for the 2013/14 year measured against an appropriate index to get an indication of potential value changes. These indicators are the same as those used for Council's Long-Term Plan (LTP). The Infrastructure indicators used are sourced from Business and Economic Research Limited (BERL) titled "Forecasts of Price Level Change Adjustors".

The core value of roads and footpaths shown above excludes the value of retaining walls, street lighting, sumps and leads and other related assets totalling $XXXm (2015: $222.8m) that are included in the value of roading assets under infrastructure assets as disclosed above.

Service concession arrangements

The service concession arrangement asset class consists of the Moa Point, Western (Karori) and Carey's Gulley waste water treatment plants which are owned by the Council but operated by Veolia Water under agreement. The assets are valued consistently with waste infrastructure network assets.

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

Veolia Water is required to fund all renewals and repairs and return the plants to the Council in 2020 with a future life expectancy of at least 25 years.

As asset owner, the Council incurs all associated operating expenses, namely management fees, depreciation and finance costs. In accordance with section100 of the Local Government Act 2002, the Council does not fully rates fund the plant's depreciation expenditure.

Veolia's monthly management fee is determined in accordance with annually adjusted tariffs. The contract terminates either on the expiry of the 25 year term (2020) or on the occurrence of a contract default event by either party. The contract's right of renewal resides with the Council.

Insurance of assets

	Council	
	2016	2015
	$000	$000
Total value of property, plant and equipment		6,595,900
Value or assets covered by insurance contracts		3,090,300
The maximum amount to which assets are insured under Council insurance policies		820,000

The value of assets covered by insurance excludes land and land under roads.

In addition to Council's insurance, in the event of natural disaster it is assumed that Central Government will contribute 60% towards the restoration of Council owned underground drainage, waste and water assets and the New Zealand Transport agency will contribute between 44-54% towards the restoration of roading assets.

The Council is not covered by any financial risk sharing arrangements in relation to its assets.

An insurance reserve fund of $XXXm (2015: $8.727m) exists to meet the cost of claims that fall below deductible limits under Council insurance policies. Refer to Note 34: Restricted Funds (page XX)

Note 23: Investment in Controlled Entities

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

Investment in controlled entities	2016 $000	2015 $000
Wellington Cable Car Limited		3,809
Wellington Regional Economic Development Agency Limited (WREDA)		1,262
Total 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 the table above. Nominal settlement amounts (i.e. $100) made in respect of Trusts, for which Council is the settlor, have not been recognised due to their materiality or are considered as equity investments.

Information on inter-company transactions is included in the Note 41: Related party disclosures (page XX).

The following entities are controlled entities of Council:

Controlled entities	Interest 2016	Interest 2015	Nature of business
Positively Wellington Tourism (Partnership Wellington Trust Inc.)	100%	100%	The operations have been transferred to WREDA – (see below while the Trust is being wound up
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Waterfront project
Wellington Cable Car Limited	100%	100%	Owns and manages the trolley bus overhead wiring system and the Cable Car.
Wellington Museums Trust	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery the Colonial Cottage Museum, the Carter Observatory and the Museum of Wellington City and Sea
Wellington Regional Economic Development Agency Limited (WREDA)	80%	100%	Manages the Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
- Grow Wellington Limited	80%	0%	The economic development agency working to accelerate economic growth in the Wellington region and make it more internationally competitive.
- Creative HQ Limited	80%	0%	Business incubators
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

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

Note 24: Investment in Associates and Jointly Controlled Entity

The cost of the Council's investment in associates and a jointly controlled entity is reflected in the Council financial statements as follows:

Investment in associates and jointly controlled entity	Council	
	2016	2015
	$000	$000
Chaffers Marina Holdings Limited		1,290
Wellington International Airport Limited		17,775
Wellington Water Limited		400
Total investment in associates and jointly controlled entity	-	**19,465**

The Council has a significant interest in the following associates:

Associates and Jointly controlled entities	Interest 2016	Interest 2015	Nature of business
Basin Reserve Trust	0%	0%	Manages, operates and maintains the Basin Reserve
Chaffers Marina Holdings Limited	XXX%	10.52%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	100%	100%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Regional Stadium Trust	0%	0%	Owns and manages the Westpac Stadium.
Wellington Water Limited (Previously Capacity Infrastructure Services Limited)	42.11%	42.11%	Manages all water services for Wellington, Lower Hutt, Upper Hutt and Porirua City Councils and Greater Wellington Regional Council.

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

Associates

Basin Reserve Trust

The Basin Reserve Trust was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. The Trust was jointly created with Cricket Wellington Incorporated (CWI). Wellington City Council and CWI each appoint two of the four trustees. Wellington City Council has significant influence over the Trust through the appointment of trustees, and receives benefits from the complementary activities of the Trust.

The Council no longer considers the Trust meets the requirements of PBE IPSAS 7 Investments in Associates to enable continued consolidation on an equity accounted basis. The Trust is still identified as an associate given the Council's level of influence and financial support but due to the lack of an equity investment the Council believes it is no longer appropriate to include the Trust in the Group financial statements.

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 2016 Council held a XXX% interest in Chaffers Marina Holdings Limited (2015:10.52%) which has been reflected in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

Wellington International Airport Limited

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

Wellington Regional Stadium Trust

Wellington Regional Stadium Trust was jointly created with Greater Wellington Regional Council and Wellington City Council has significant influence over the Wellington Regional Stadium Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust.

The Council no longer considers the Trust meets the requirements of PBE IPSAS 7 Investments in Associates to enable continued consolidation on an equity accounted basis. The Trust is still identified as an associate given the Council's level of influence and financial support but due to the lack of an equity investment the Council believes it is no longer appropriate to include the Trust in the Group financial statements.

The Trust's own reported high-level 2016 financials are: Assets $XXXm; Liabilities $XXXm; Revenues $XXXm and Net Surplus $XXXm.

Jointly controlled entity

Wellington Water Limited

Formerly trading as Capacity (Capacity Infrastructure Services Limited) and jointly created with Hutt City Council on 9 July 2003 the company has expanded its operations and ownership to include Upper Hutt and Porirua City Councils from 1 November 2013 and Greater Wellington Regional Council from 16 September 2014. The company has a reporting period ending 30 June and has a dual share structure comprising A class shares (voting rights) and B Class shares (financial entitlements). The new structure is as follows:

	Class A shares (voting rights)	Class B Shares (financial entitlements)	Ownership interest
Wellington City Council	150	200	42%
Hutt City Council	150	100	21%
Upper Hutt City Council	150	40	8%
Porirua City Council	150	60	13%
Greater Wellington Regional Council	150	75	16%
Total shares on issue	**750**	**475**	**100%**

The Class A shares represent voting rights and are split evenly between the five Councils. The Class B shares confer the level of contributions and ownership benefits of each council. Under NZ IFRS (PBE) this company was classed as an associate. Council classifies this entity as jointly controlled because of the equal sharing of voting rights conferred through the Class A shares and the shareholder's agreement, which constitutes a binding arrangement.

Wellington City Council, in accordance with PBE IPSAS 8 Joint Ventures, chooses to use equity accounting to recognise its 42.11% ownership interest as determined by the proportionate value of Class B shares held.

Summary of Financial Position and Performance of associates and jointly controlled entity

The Council's share of the assets, liabilities, revenues and surpluses or deficits of its associates and jointly controlled entity are as follows:

	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2016	2016	2016	2016
	$000	$000	$000	$000
Associates				
Chaffers Marina Holdings Limited				
Wellington International Airport Limited				
Jointly controlled entity				
Wellington Water Limited				

	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2015	2015	2015	2015
	$000	$000	$000	$000
Associates				
Chaffers Marina Holdings Limited	626	135	77	4
Wellington International Airport Limited	286,111	137,154	36,825	11,188
Jointly controlled entity				
Wellington Water Limited	3,898	3,130	10,943	420

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

Investment in associates and jointly controlled entity	Group	
	2016	2015
	$000	$000
Chaffers Marina Holdings Limited		
Opening balance		959
Change in shares during the year		(39)
Change in equity due to changed shareholding		15
Equity accounted earnings of associate		4
Closing balance - investment in Chaffers Marina Holdings Limited	**-**	**939**
Wellington International Airport Limited		
Opening balance		133,860
Dividends		(12,950)
Equity accounted earnings of associate		11,188
Share of net revaluation of property, plant and equipment - movement		3,862
Share of hedging reserve - movement		-
Closing balance - investment in Wellington International Airport Limited	**-**	**135,960**
Wellington Water Limited		
Opening balance		336
Change in shares during the year		-
Change in equity due to changed shareholding		12
Equity accounted earnings of jointly controlled entity		420
Closing balance - investment in Wellington Water Limited	**-**	**768**
Total investment in associates and jointly controlled entity	**-**	**137,666**

The Council's share of the operating surplus or deficit results of the Chaffers Marina Holdings Limited, Wellington International Airport Limited and Wellington Water Limited is outlined in Note 12: Share of Associates' and Jointly Controlled Entity (page XX).

Note 25: Exchange transactions, taxes and transfers payable

Exchange transactions, taxes and transfers payable	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current				
Payables under exchange transactions		45,429		49,922
Taxes and transfers payable		12,635		12,817
Non-current				
Payables under exchange transactions		630		630
Total exchange transactions, taxes and transfers payable	-	**58,694**	-	**63,369**

Comprised of:

Payables under exchange transactions	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Exchange payables and accruals		36,740		40,690
Interest payable		2,951		2,951
Sundry payables		6,368		6,911
Total payables under exchange tranaction	-	**46,059**	-	**50,552**

Taxes and transfers payable	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Taxes payable				
GWRC rates		2,315		2,315
FBT		53		54
PAYE		909		1,075
ESCT		21		22
Carbon credit liability		161		161
Transfers payable				
Creditors and accruals		4,797		4,797
Sundry payables		4,379		4,393
Total taxes and transfers payable	-	**12,635**	-	**12,817**
Total exchange transactions, taxes and transfers payable	-	**58,694**	-	**63,369**

Exchange transactions, taxes and transfers payable to related parties	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Controlled entities		1,455		-
Associates and jointly controlled entity		295		295
Total exchange transactions, taxes and transfers payable to related parties	-	**1,750**	-	**295**

Exchange transactions, taxes and transfers payable are non-interest bearing and are normally settled on terms varying between seven days and the 20th of the month following the invoice date.

Note 26: Revenue in advance

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Exchange				
Lease rentals		3,605		3,605
Other		-		-
Taxes				
Rates		876		876
Transfers				
Wellington Venues operations		1,325		1,325
Inspection and licensing fees		2,909		2,909
Controlled entities		-		801
Other		1,348		1,348
Liabilities recognised under conditional transfer agreements		19,230		21,927
Total revenue in advance	**-**	**29,293**	**-**	**32,791**

Liabilities recognised under conditional transfer agreements

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 are not able to fulfil the agreement. The revenue from these agreements will only be recognised as the conditionals are fulfilled over time.

Note 27: 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 Annual Plan and Long-Term Plan processes.

Gross Borrowings

The gross borrowings are comprised as follows:

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current				
Bank facilities - short term - committed		2,000		2,000
Bank loans - term		5		5
Commercial paper		72,000		72,000
Debt securities - fixed rate bonds		5,000		5,000
Debt securities - floating rate notes		85,000		85,000
Finance leases		99		102
Total current	**-**	**164,104**	**-**	**164,107**
Non-current				
Bank loans - term		3,069		3,069
Debt securities - fixed rate bonds		20,000		20,000
Debt securities - floating rate notes		246,500		246,500
Finance leases		55		55
Total non-current	**-**	**269,624**	**-**	**269,624**
Total borrowings	**-**	**433,728**	**-**	**433,731**

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 36: Financial instruments (page XX).

The following table 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.

Group	Available	Utilised	Maturities	Rates
	$000	$000		%
Bank overdraft - committed				
Bank facilities - short term - uncommitted				
Bank facilities - long term - committed				
Bank loans - term				
Commercial paper				
Debt securities - fixed rate bonds				
Debt securities - floating rate notes				
Finance leases				
Total	-	-		

Security

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

Internal Borrowings

Council borrows on a consolidated level and as such does not use internal borrowing and therefore does not prepare internal borrowing statements.

Finance lease liabilities

The finance lease liabilities are analysed as follows:

Analysis of finance lease liabilities	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Future minimum lease payments				
Not later than one year		109		112
Later than one year and not later than five years		58		58
Later than five years		-		-
Total future minimum lease payments	-	**167**	-	**170**
Future finance charges		(13)		(13)
Present value of future minimum lease payments	-	**154**	-	**157**
Present value of future minimum lease payments				
Not later than one year		99		102
Later than one year and not later than five years		55		55
Later than five years		-		
Total present value of future minimum lease payments	-	**154**	-	**157**

The Group has entered into finance leases for items of plant and equipment, predominantly computer equipment. The net carrying amount of the leased items is included within plant and equipment shown in Note 22: Property, plant and equipment (page XX).

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

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

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

Relevant policies

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

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

Ring fenced funds

The Council holds $XXXm (2015: $40.356m) 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 specified uses for these funds are as follows:

Housing upgrade project

As part of the agreement with the Crown for the Housing Upgrade Project an amount of $XXXm (2015: $36.460m), representing any as yet unused grant funding from the Crown plus the accumulated surpluses and deficits from the Housing activity, has been ring fenced for future investment in the Council's social housing assets.

Waste reduction and energy

An amount of $XXXm (2015: $3.896m) related to accumulated surpluses and deficits from the Waste Reduction and Energy Conservation activity which, under the Waste Minimisation Act 2008, must be ring fenced for future investment in waste activities.

Note 28: Employee benefit liabilities and provisions

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current				
Short-term benefits				
Payroll accruals		1,166		1,455
Holiday leave		5,028		5,900
Total short-term benefits	**-**	**6,194**	**-**	**7,355**
Termination benefits				
Other contractual provisions		112		112
Total termination benefits		**112**		**112**
Total current	**-**	**6,306**	**-**	**7,467**
Non-current				
Long-term benefits				
Long service leave provision		-		49
Retirement gratuities provision		1,096		1,108
Total long-term benefits	**-**	**1,096**	**-**	**1,157**
Total employee benefit liabilities and provisions	**-**	**7,402**	**-**	**8,624**

Relevant policies

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

Holiday leave

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

Other contractual entitlements

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

Short-term and long-term benefits

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

Long service leave provision	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance				69
Release of provision				-
Amount utilised				(20)
Long service leave - closing balance	-	-	-	49

Retirement gratuities provision	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		1,207		1,219
Movement in required provision		(19)		(19)
Release of unused provision		(29)		(29)
Rediscounting of interest		75		75
Amount utilised		(138)		(138)
Retirement gratuities - closing balance	-	1,096	-	1,108

Background

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

Relevant policy

Retirement gratuities are calculated on an actuarial basis based on the likely future entitlements accruing to employees, after taking into account years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and other contractual entitlements information.

Estimation

The gross retirement gratuities provision (inflation adjusted at XXX%) as at 30 June 2016, before discounting, is $XXXm (2015: $1.435m). The discount rate used is XXX%.

Termination benefits

Movement in the above termination benefits provision is analysed as follows:

Other contractual provisions	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		77		77
New provision		112		112
Release of unused provision		(7)		(7)
Amount utilised		(70)		(70)
Other contractual provisions - closing balance	-	112	-	112

Background

The above provision is to cover estimated redundancy costs as at 30 June 2016 resulting from current restructuring within the Council.

Note 29: Provision for other liabilities

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current				
ACC Partnership programme		27		27
Landfill post closure costs		2,112		2,112
Weathertight homes		13,068		13,068
Total current	**-**	**15,207**	**-**	**15,207**
Non-current				
Landfill post closure costs		13,708		13,708
Weathertight homes		28,132		28,132
Total non-current	**-**	**41,840**	**-**	**41,840**
Total provision for other liabilities	**-**	**57,047**	**-**	**57,047**

Relevant policy

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 the above provisions for other liabilities are analysed as follows:

ACC Partnership programme	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		31		27
Change in provision for risks incurred		65		65
Amounts utilised		(69)		(69)
Total liability for claims outstanding	**-**	**27**	**-**	**23**
Represented by:				
Present value of future payments		23		23
Risk margin		4		4
Total liability for claims outstanding	**-**	**27**	**-**	**27**

Background

The Council is an Accredited Employer under the ACC Partnership Programme. As such the Council accepts the management and financial responsibility of our employee work-related injuries. From 1 April 2009 the Council changed its agreement with ACC from Full Self Cover (FSC) to Partnership Discount Plan (PDP). Under the PDP option, the Council is responsible for managing work related injury claims for a two-year period only and transfer ongoing claims to ACC at the end of the two-year claim management period with no further liability.

Relevant policy

Under the ACC Partnership Programme the Council is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to work-related injuries occurring up to the end of the reporting period for which the Council has responsibility under the terms of the Partnership Programme.

Estimation

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

Landfill post closure costs	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		15,779		15,779
Release of provision		(866)		(866)
Re-discounting of interest		1,114		1,114
Amount utilised		(207)		(207)
Landfill post closure costs - closing balance	**-**	**15,820**	**-**	**15,820**
Current		2,112		2,112
Non-current		13,708		13,708
Landfill post closure costs - closing balance	**-**	**15,820**	**-**	**15,820**

Background

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

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

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

Post closure responsibilities include:

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

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

Relevant policy

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

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

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

The Council's provision for landfill post-closure costs includes the Council's 21.5% proportionate share of the Spicer Valley landfill provision for post-closure costs.

Estimations

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cash flows are discounted using the rate of XXX%. The gross provision (inflation adjusted at XXX%), before discounting, is $XXXm as at 30 June 2016 (2015: $23.445m). 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 XXXm3 (2015: 780,000m3) and is expected to close in 2018. These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council's provision includes a proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has an estimated remaining capacity of XXXm3 (2015: 483,000m3) and an estimated remaining life out to the end of 2022 (7 years)

Weathertight homes	**Council**		**Group**	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Opening balance		50,393		50,393
Additional or increased provision made		980		980
Amount utilised		(10,173)		(10,173)
Weathertight homes - closing balance	**-**	**41,200**	**-**	**41,200**
Current		13,068		13,068
Non-current		28,132		28,132
Weathertight homes - closing balance	**-**	**41,200**	**-**	**41,200**

Background

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes an amount of $XXXm (2015: $3.282m) as a provision for future claims relating to weathertightness issues not yet identified or not yet reported.

Movement in the provision

During the year $XXXm was paid as either part or full settlement of claims. An additional $XXXm was added to the provision after an actuarial re-assessment of the likely future costs to be incurred as explained below. The current / non-current split above reflects the expected timing of payments but is reassessed each year to take account of delays in claim negotiations and any mediation outcomes.

Estimation

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council's expected future costs to settle these claims and is reviewed on a case by case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the Council's best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cash flows are inflation adjusted and discounted using an applicable discount 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 significant assumptions used in the calculation of the weathertight homes provision are as follows:

Amount claimed

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

Settlement amount

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

Amount expected to be paid by the Council

Represents the amount expected to be paid by the Council out of any awarded settlement amount and is based on the actual amounts for claims already settled. This figure has been increasing over the last few years as it is becoming more common for the other parties involved in a claim to be either in liquidation or bankrupt, or have limited funds and be unable to contribute to settlement.

Timing of claim payments

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

Percentage of homeowners who will make a successful claim

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

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

Council and Group	2016	
	$000	
	+10%	-10%
Assumption	Effect on Surplus or Deficit	
Amount claimed		
Settlement level award		
Council contibution to settlement		
Timing of claim payments		
Participation in FAP scheme		
Change in percentage of homeowners who will make a successful claim		
	+2%	-2%
Assumption	Effect on Surplus or Deficit	
Discount rate		

Funding of weathertight homes settlements

Weathertight homes settlements are funded initially through borrowings. To repay those borrowings, the Council has agreed to incrementally increase rates by 0.75% per annum until such time as the weathertight homes liability has been settled and the associated borrowings and funding costs are repaid. To ensure that the funding of weathertight homes is fully transparent the associated settlement costs, borrowings and rates funding is reported annually.

Funding for weathertight homes liability	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		(18,530)		(18,530)
Funding for weathertight homes liability		6,662		6,662
Total amounts paid		(10,173)		(10,173)
Interest allocation		(1,166)		(1,166)
Closing balance funded through borrowings	-	**(23,207)**	-	**(23,207)**

Note 30: Deferred tax assets and liabilities

Unrecognised temporary differences and tax losses

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

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Deductible temporary differences		-		461
Tax losses		1,951		1,951
Total	-	**1,951**	-	**2,412**

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

The unrecognised deferred tax asset in respect of the above items for the Council is $XXXm (2015: $0.546m) and for the Group $XXXm (2015: $0.675m).

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

In 2016 $XXXm (2015: $0.244m) previously unrecognised tax losses, with a tax effect of $XXXm (2015: $0.068m) were recognised by the Group by way of loss transfer arrangement.

As at 30 June 2016, the Group has a deferred tax liability of $XXXm (2015: $1.240m).

Relevant policy

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.

DRAFT Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2016

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2016	2016	2015	2016	2015
	Note	$000	$000	$000	$000	$000
EQUITY - Opening balances						
Accumulated funds				1,269,134		1,293,162
Retained earnings				3,685,128		3,672,911
Revaluation reserves				1,372,033		1,482,005
Hedging reserve				(403)		(403)
Fair value through other comprehensive revenue and expense reserve				63		63
Restricted funds				14,683		17,437
TOTAL EQUITY - Opening balance		**-**	**-**	**6,340,638**	**-**	**6,465,175**
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year		-		35,542	-	36,381
Transfer to restricted funds				(2,273)		(4,146)
Transfer from restricted funds				3,832		4,660
Revaluation reserves	31					
Fair value movement - property, plant and equipment - net				11,168		15,030
Effect of changed shareholding in associates				-		27
Transfer to retained earnings				-		
Hedging reserve	32					
Movement in hedging reserve				(17,059)		(17,059)
Fair value through other comprehensive revenue and expense reserve	33					
Movement in fair value - Equity investments				43		43
Movement in fair value - Available for sale equities				-		399
Non-controlling interest						
Recognition of non-controlling interest				-		316
Restricted funds	34					
Transfer to retained earnings				(3,832)		(4,660)
Transfer from retained earnings				2,273		4,146
Total comprehensive revenue and expense		**-**	**-**	**29,694**	**-**	**35,137**
EQUITY - Closing balances						
Accumulated funds		-	-	1,269,134	-	1,293,162
Retained earnings		-	-	3,722,229	-	3,709,806
Revaluation reserves		-	-	1,383,201	-	1,497,062
Hedging reserve		-	-	(17,462)	-	(17,462)
Fair value through other comprehensive revenue and expense reserve		-	-	106	-	505
Non-controlling interest		-	-	-	-	316
Restricted funds		-	-	13,124	-	16,923
TOTAL EQUITY - Closing balance		**-**	**-**	**6,370,332**	**-**	**6,500,312**

Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	-	29,694		35,037
Non-controlling interest		-	-	-		100
		-	**-**	**29,694**	**-**	**35,137**

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

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 a number of components to enable clearer identification of the specified uses of equity within the Council and the Group.

The components of equity are accumulated funds and retained earnings, revaluation reserves, a hedging reserve, a fair value through other comprehensive revenue and expense reserve and restricted funds which comprise special funds, reserve funds and trusts and bequests.

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

Equity management

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

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

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

Note 31: Revaluation reserves

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Land - opening balance		144,254		144,254
Revaluation recognised in other comprehensive income		10,837		10,837
Transfer between classes		-		-
Land - closing balance	**-**	**155,091**	**-**	**155,091**
Buildings - opening balance		231,167		231,167
Revaluation adjustment		331		331
Buildings - closing balance	**-**	**231,498**	**-**	**231,498**
Library collections - opening balance		7,015		7,015
Revaluation recognised in other comprehensive revenue and expense		-		-
Library collections - closing balance	**-**	**7,015**	**-**	**7,015**
Drainage, waste and water - opening balance		547,533		547,533
Revaluation recognised in other comprehensive revenue and expense		-		-
Drainage, waste and water - closing balance	**-**	**547,533**	**-**	**547,533**
Service concession assets - opening balance		70,619		70,619
Revaluation recognised in other comprehensive revenue and expense		-		-
Service concession assets - closing balance	**-**	**70,619**	**-**	**70,619**
Infrastructure land - opening balance		15,410		15,410
Revaluation recognised in other comprehensive revenue and expense		-		-
Transfer between classes		-		-
Infrastructure land - closing balance	**-**	**15,410**	**-**	**15,410**
Roading - opening balance		356,035		356,035
Revaluation recognised in other comprehensive revenue and expense		-		-
Roading - closing balance	**-**	**356,035**	**-**	**356,035**
Associates' revaluation reserves - opening balance		-		109,972
Revaluation recognised in other comprehensive revenue and expense		-		3,862
Effect of changed shareholding in associates		-		27
Associates' revaluation reserves - closing balance	**-**	**-**	**-**	**113,861**
Total revaluation reserves - closing balance	**-**	**1,383,201**	**-**	**1,497,062**
These revaluation reserves are represented by:				
Opening balance		1,372,033		1,482,005
Revaluation recognised in other comprehensive revenue and expense		11,168		15,030
Effect of changed shareholding in associates		-		27
Transfer to retained earnings on disposal of assets		-		-
Total revaluation reserves - closing balance	**-**	**1,383,201**	**-**	**1,497,062**

The revaluation reserves are used to record accumulated increases and decreases in the fair value of certain asset classes. For the period ending 30 June 2016 Council has only revalued its investment properties.

Revaluation movements are non-cash in nature and represent the restating of the Council's assets, subject to revaluation, into current dollar values after taking into account the condition and remaining lives of the assets.

Relevant policy

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 surplus or deficit will be recognised firstly, within surplus or deficit up to the amount previously expensed, with any remaining increase recognised within other comprehensive revenue and expense and in the revaluation reserve for that class of property, plant and equipment.

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

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

Note 32: Hedging reserve

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		(403)		(403)
Cash flow hedge net movement recognised in other comprehensive revenue and expenses		(17,059)		(17,059)
Hedging reserve - closing balance	**-**	**(17,462)**	**-**	**(17,462)**

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 movement in interest rate exposure significantly affecting the Council's ability to meet its balanced budget requirements.

Note 33: Fair value through other comprehensive revenue and expense reserve

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Opening balance		63		63
Movements:				
Civic Assurance		43		43
Creative HQ shareholdings - available for sale		-		399
Fair value through other comprehensive revenue and expense reserve - closing balance	**-**	**106**	**-**	**505**

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Assurance, for which there is no intention to sell. For further information refer to Note 17: Other financial assets (page XX).

In the Group, Creative HQ, a controlled entity of Grow Wellington, itself a controlled entity of WREDA, has small shareholdings in incubator and accelerator programme companies. These shareholdings are fair valued annually and any movement is held within this reserve until the shares are disposed.

Note 34: Restricted funds

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Special reserves and funds		14,271		17,025
Trusts and bequests - Council		412		412
Restricted funds - Opening balance	**-**	**14,683**	**-**	**17,437**
Additional funds		2,273		4,146
Funds utilised		(3,832)		(4,660)
Funds released to retained earnings		-		-
Total movments in restricted funds	**-**	**(1,559)**	**-**	**(514)**
Special reserves and funds		12,702		16,501
Trusts and bequests - Council		422		422
Restricted funds - Closing balance	**-**	**13,124**	**-**	**16,923**

Special reserves and funds	**Closing Balance 2014 $000**	**Additional Funds 2015 $000**	**Funds Utilised 2015 $000**	**Closing Balance 2015 $000**
Council				
Wellington economic initiatives development fund	2,976			
Reserve purchase and development fund	999			
Insurance reserve	8,727			
	12,702	**-**	**-**	**-**
Group				
Controlled entities' restricted funds	3,799			
Council and Group	**16,501**	**-**	**-**	**-**

Wellington economic initiatives development fund
This fund has been set up to be part of an integrated approach to fostering growth in the economy.

Reserve purchase and development fund
This fund is used to purchase and develop reserve areas within the city but was not utilised during this year.

Insurance reserve
This reserve came into effect in 2001 and allows the Council to meet the cost of claims that fall below deductible limits under Council's insurance policies. Annual additions to the reserve of $XXXm (2015: $0.750m) are funded through rates as identified in the Annual Plan.

Controlled entities' restricted funds
The restricted funds of the controlled entities relate to the Wellington Museums Trust and the Wellington Zoo Trust:

- The Wellington Museums Trust has three reserves; a Capital Reserve, a Colonial Cottage Museum Collection reserve and a City and Sea Collection reserve. The two collection reserves are for the purpose of future museum acquisitions.
- The Wellington Zoo Trust has a number of trust and bequests made to it, which are held as restricted funds until utilised.

Trust and Bequests - Council	Closing Balance 2014 $000	Additional Funds 2015 $000	Funds Utilised 2015 $000	Closing Balance 2015 $000
A Graham Trust	3			
A W Newton Bequest	318			
Charles Plimmer Bequest	-			
E A McMillan Estate	6			
E Pengelly Bequest	13			
F L Irvine Smith Memorial	7			
Greek NZ Memorial Association	5			
Kidsarus 2 Donation	3			
Kirkcaldie and Stains Donation	17			
QEII Memorial Book Fund	19			
Schola Cantorum Trust	7			
Terawhiti Grant	10			
Wellington Beautifying Society Bequest	14			
Total trusts and bequests	**422**	**-**	**-**	**-**

Analysis of movements in trusts and bequests

Additional Funds

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

Charles Plimmer - Distributions through the Public Trust recognised as revenue - $XXX

Funds utilised

Trusts and bequests funds utilised during the year were:

- Charles Plimmer - Botanical Gardens Children's garden - $XXX
- A W Newton Bequest - Fine Arts - $5,089
- A W Newton Bequest - Sports Festival - $10,000

Nature and purpose

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

Statement of Cash Flows

For the year ended 30 June 2016

	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2016	2016	2015	2016	2015
	$000	$000	$000	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from rates - Council (excluding metered w ater)			239,802		239,802
Receipts from w ater rates by meter			12,682		12,682
Receipts from rates- Greater Wellington Reginal Council			50,763		50,763
Receipts from activities and other Income			127,366		148,920
Receipts from grants and subsidies - Operating			7,666		28,593
Receipts from grants and subsidies - Capital			48,244		37,906
Receipts from investment property lease rentals			10,211		10,211
Cash paid to suppliers and employees			(286,807)		(327,119)
Rates paid to GWRC			(50,876)		(50,876)
Grants paid			(28,524)		(13,713)
Income tax paid			-		(6)
Net GST (paid) / received			(1,180)		(972)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-**	**-**	**129,347**	**-**	**136,191**
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received			13,082		13,082
Interest received			2,838		3,068
Decrease in bank investments			20,000		20,000
Proceeds from sale of property, plant and equipment			2,290		2,447
Proceeds from sale of Investments			-		31
Loan advance made			-		(75)
Increase in bank investments			-		-
Increase in investments			(824)		(822)
Cash from aquisition of controlled entity			-		668
Purchase of investment properties			(10)		(10)
Purchase of intangibles			(7,741)		(7,747)
Purchase of property, plant and equipment			(137,353)		(139,799)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-**	**-**	**(107,718)**	**-**	**(109,157)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrow ings			70,000		70,000
Repayment of borrow ings			(55,390)		(55,390)
Interest paid on borrow ings			(22,899)		(22,899)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**-**	**(8,289)**	**-**	**(8,289)**
Net increase/(decrease) in cash and cash equivalents	-		8,184		6,335
Cash and cash equivalents at beginning of year			44,389		50,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	**-**	**-**	**52,573**	**-**	**56,853**

The cash and cash equivalents balance above equates to the cash and cash equivalents balance in the Statement of Financial Position.

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

Wellington City Council acts as a collection agency for Greater Wellington Regional Council (GWRC) by including additional rates and levies in its own billing process. Once collected, the monies are passed to GWRC. The budget assumes that the inflows and outflows will offset each other and are shown as nil accordingly.

The Council has ring fenced funds of $XXXm (2015: $40.356m) relating to the housing upgrade project and waste activities. For more information see Note 27: Borrowings (page XX)

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

Operating activities include cash received from all non-financial 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.

Note 35: Reconciliation of net surplus to net cash flows from operating activities

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

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Net surplus for the period		**35,542**		**36,381**
Add/(deduct) non-cash items:				
Vested assets		(12,368)		(12,368)
Bad debts w ritten off not prevously provided for		307		334
Depreciation and amortisation		99,009		100,024
Impairment of property, plant and equipment		5,072		5,072
Fair value changes in investment properties		(8,552)		(8,552)
Other fair value changes		(197)		(191)
Movement in provision for impairments of doubtful debts		(512)		(512)
Tax expense		-		-
Non-cash movement in provisions		1,045		1,651
Total non-cash items	**-**	**83,804**	**-**	**85,458**
Add/(deduct) movement in working capital: [1]				
Exchange receivables and non-exchange recoverables		(2,083)		(650)
Prepayments		(800)		(1,200)
Inventories		70		(92)
Exchange transactions, taxes and transfers payables		(2,163)		(961)
Revenue in advance		17,186		18,854
Employee benefit liabilities		967		776
Provision for other liabilities		(10,210)		(10,401)
Total working capital movement	**-**	**2,967**	**-**	**6,326**
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment		55		36
Dividends received		(13,082)		(163)
Interest received		(2,838)		(3,128)
Tax paid and Subvention payments		-		(6)
Interest paid on borrow ings		22,899		22,899
Share of equity accounted surplus in associates		-		(11,612)
Total investing and financing activities	**-**	**7,034**	**-**	**8,026**
Net cash flow from operating activities	**-**	**129,347**	**-**	**136,191**

1. Excluding non-cash items

Note 36: Major budget variations

Statement of Comprehensive Revenue and Expense

Significant variations from budgeted revenues and expenses are as follows:

Revenues were $XXXm higher than budgeted primarily due to……….

Expenses were $XXXm higher than budgeted primarily due to…………

Statement of Changes in Equity

Significant variations from budgeted changes in equity are as follows:

Statement of Financial Position

Significant variations from budget are as follows:

Current assets are $XXXm higher than budget primarily due to…………..

Non-current assets are $XXXm lower than budget primarily due to……………

Total liabilities are $XXXm higher than budget due to

Statement of Cash Flows

Significant variations from budget are as follows:

Net cash flows from operating activities were $XXXm higher than budgeted primarily due to…………..

Net cash flows from investing activities were $XXXm lower than budget primarily due to……………….

Note 37: Financial Instruments

Financial instruments include financial assets (loans and receivables or recoverables and financial assets at fair value through other comprehensive revenue and expense), financial liabilities (payables and borrowings) and derivative financial instruments. Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

Relevant 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 Council.

Financial Assets

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

Loans and receivables comprise cash and cash equivalents, receivables or recoverables and loans and deposits.

> Cash and cash equivalents comprise cash balances and bank deposits with maturity dates of three months or less.
>
> 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 three months.

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

> Financial assets at fair value through other comprehensive revenue and expense primarily relate to equity investments that are held by the Council 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 at fair value through other comprehensive revenue and expense are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within 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 of the risks and rewards of ownership.

Financial Liabilities

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

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

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

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Financial assets				
Loans and receivables				
Cash and cash equivalents	-	65,913	-	75,598
Receivables from exchange transactions	-	5,569	-	6,450
Recoverables from non-exchange transactions	-	34,445	-	36,006
Other financial assets	-	9,553	-	11,001
Total loans and receivables	**-**	**115,480**	**-**	**129,055**
Financial assets at fair value through other comprehensive income				
Other financial assets	-	2,499	-	3,900
Total financial assets at fair value through other comprehensive income	**-**	**2,499**	**-**	**3,900**
Hedged derivative financial instruments				
Derivatives designated as cash flow hedges	-	725	-	725
Total hedged derivative financial instruments	**-**	**725**	**-**	**725**
Total financial assets	**-**	**118,704**	**-**	**133,680**
Total non-financial assets	-	6,855,979	-	6,981,621
Total assets	**-**	**6,974,683**	**-**	**7,115,301**
Financial liabilities				
Financial liabilities at amortised cost				
Payables under exchange transactions	-	46,059	-	50,552
Taxes and transfers payable	-	12,635	-	12,817
Borrowings	-	433,728	-	433,731
Total financial liabilities at amortised cost	**-**	**492,422**	**-**	**497,100**
Derivative financial instruments				
Derivatives designated as cash flow hedges	-	18,187	-	18,187
Total derivative financial instruments	**-**	**18,187**	**-**	**18,187**
Total financial liabilities	**-**	**510,609**	**-**	**515,287**
Total non-financial liabilities	-	93,742	-	98,462
Total liabilities	**-**	**604,351**	**-**	**613,749**

Fair value

The fair values of all financial instruments equate 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.

Council and Group		2016			2015	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$000	$000	$000	$000	$000	$000
Financial assets						
Financial assets at fair value through other comprehensive revenue and expense				-	-	3,900
Derivative financial instruments						
- Fair value hedges				-	-	-
- Cash flow hedges				-	725	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges				-	18,187	-
- non-hedged swaps				-	-	-

Reconciliation of fair value movements in Level 3	Council 2016	Council 2015	Group 2016	Group 2015
	$000	$000	$000	$000
Financial assets at fair value through other comprehensive revenue and expense				
- Equity investments				
Opening balance - 1 July		2,473		2,473
Opening balance from acquisition		-		1,008
Purchases		-		-
Disposals		(17)		(23)
Gains or losses recognised in other comprehensive revenue and expense		43		442
Closing balance - 30 June	**-**	**2,499**	**-**	**3,900**

The level 3 equity investments comprise the Council's shareholdings in the Local Government Funding Agency $XXXm (2015: $1.866m) and Civic Assurance $XXXm (2015:$0.633m). Refer to Note 17: Other financial assets (page XX) for more details.

Financial risk management

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

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer Note 39: Contingencies (page XX)). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

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

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Financial instruments with credit risk				
Cash and cash equivalents		65,892		75,564
Derivative financial instrument assets		725		725
Receivables and recoverables				
- Receivables		5,569		6,450
- Recoverables		34,445		36,006
Other financial assets				
- Bank deposits - term				
- LGFA borrower notes		2,208		2,208
- Loans to related parties - other organisations		4,696		4,668
- Loans to external organisations		150		225
Financial guarantees to related parties		500		500
Total financial instruments with credit risk	**-**	**114,185**	**-**	**126,346**

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 Council is exposed to credit risk as a guarantor of the LGFA's borrowings. Further information about this exposure is explained in Note 39: Contingencies (page XX).

Credit quality of financial assets

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

Counterparties with credit ratings	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Cash - registered banks				
AA-		1,392		7,622
Short term deposits - registered banks				
AA-		61,500		64,942
A+		3,000		3,000
Term deposits (greater than 3 months) - registered banks				
AA-				
A+				
Term deposits - borrower notes - NZ LGFA				
AA+		2,208		2,208
Derivative financial instrument assets				
AA-		725		725

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 is able to access required funds.

Contractual maturity

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

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	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		236,052		240,730
1-2 years		49,642		49,642
2-5 years		128,050		128,050
More than 5 years		136,273		136,273
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**550,017**	**-**	**554,695**
Represented by:				
Carrying amount as per the Statement of Financial Position		492,422		497,100
Future interest payable		57,595		57,595
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**550,017**	**-**	**554,695**

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

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Contractual cash flows of derivative financial liabilities				
0-12 months		5,482		5,482
1-2 years		5,651		5,651
2-5 years		8,186		8,186
More than 5 years		753		753
Total contractual cashflow of derivative financial liabilities	**-**	**20,072**	**-**	**20,072**
Represented by:				
Future interest payable		20,072		20,072
Total contractual cash flows of derivative financial liabilities	**-**	**20,072**		**20,072**

In addition to cash to be received in 2016/17 the Council currently has $XXXm in unused committed bank facilities available to settle obligations as well as $XXXm of cash, cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Council is exposed to liquidity risk as a guarantor of all of 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 39: Contingencies (page XX).

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

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

Market risk

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

Cash flow and fair value interest rate risk

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

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

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

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

	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents		65,913		75,598
Bank deposits - term greater than 3 months		-		-
Bank facilities - short term		(2,000)		(2,000)
Bank loans		(3,074)		(3,074)
Commercial paper		(72,000)		(72,000)
Debt securities - floating rate notes		(331,500)		(331,500)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**-**	**(342,661)**	**-**	**(332,976)**
Effect of interest rate swaps in reducing interest rate volatility				
Effect of Cash flow interest rate swaps - hedged		357,500		357,500
Effect of Cash flow interest rate swaps - non-hedged		-		-
Total effect of interest rate swaps in reducing interest rate volatility	**-**	**357,500**	**-**	**357,500**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**-**	**14,839**	**-**	**24,524**

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements; instead the fair value of these interest rate swaps is recognised. This represents the difference between the current floating interest rate and the fixed swap interest rate. At 30 June 2016 the fair value of the interest rate swaps was -$XXXm (2015: -$17.462m). This liability will reduce to zero as the swaps reach the end of their lives, and therefore do not represent a liability that the Council will be required to pay cash to settle.

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

Weighted effective interest rates	Council		Group	
	2016	2015	2016	2015
	%	%	%	%
Investments				
Cash and cash equivalents		3.76		3.47
Short term deposits > 3 months		-		-
LGFA - borrower notes		3.96		3.96
Loans to related parties		-		-
Loans to external organisations		-		-
Borrowings				
Bank facilities - short term		4.63		4.63
Bank loans		7.00		7.00
Commercial paper		3.65		3.65
Debt securities - fixed		4.93		4.93
Debt securities - floating		4.22		4.22
Derivative financial instruments - hedged		4.76		4.76
Derivative financial instruments - non-hedged		-		-
Finance leases		10.22		10.24

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

Sensitivity analysis

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

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

Council		2016			
		$000			
		+1%	-1%	+1%	-1%
Interest rate risk	Note	Effect on Surplus or Deficit		Effect on Other Comprehensive Revenue and Expense	
Financial assets					
Cash and cash equivalents	a				
LGFA - borrower notes					
Derivatives - Interest rate swaps - hedged	b				
Financial liabilities					
Derivatives - interest rate swaps - hedged	b				
Debt securities - floating rate notes	c				
Debt securities - fixed rate bonds	d				
Bank term loans	e				
Commercial paper	f				
Total sensitivity to interest rate risk		-	-	-	-

a. Cash and cash equivalents

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

b. Derivatives - hedged interest rate swaps

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

c. Debt securities – floating rate notes

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

d. Debt Securities – fixed rate bonds

Council has $XXXm of fixed rate bonds which are not exposed to interest rate changes.

e. Bank Loan

Council, through its joint venture with Porirua City Council has a bank term loan of $XXXm. This loan consists of various loans provided to the joint venture through Porirua City Council borrowing. The interest rate applied is fixed at 7% for the joint venture partners and is not subject to interest rate risk.

f. Commercial paper

Council also has a Commercial Paper programme which is subject to floating rates and totals $XXXm. The exposure to changes in interest rates has been removed because the Council has all of the debt effectively at fixed rates through interest rate swaps.

Note 38: Commitments

Capital commitments	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Approved and contracted - property, plant and equipment		35,368		35,369
Approved and contracted - investment properties		3		3
Approved and contracted - intangibles		1,891		1,891
Approved and contracted - share of associates		-		12,194
Approved and contracted - share of joint ventures		-		-
Total capital commitments	**-**	**37,262**	**-**	**49,457**

The capital commitments above often span more than one financial year and includes the budgeted capital expenditure carried forward as detailed below.

Budgeted capital expenditure - Carried forward - Council	From 2015 to 2016 $000	From 2015 to 2017 $000	From 2016 to 2017 $000
Strategic area			
Governance	-		
Environment	2,048		
Economic development	203		
Cultural wellbeing	48		
Social and recreation	2,235		
Urban development	3,950		
Transport	1,880		
Total by strategic areas	**10,364**	**-**	**-**
Council	2,729	2,570	
Total budgeted capital expenditure carried forward	**13,093**	**2,570**	**-**

Lease commitments

Operating leases – Group as lessee

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

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

The amount of minimum payments for non-cancellable operating leases is recognised as an expense in Note 9: Expenditure on operating activities (page XX).

Relevant 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 are recognised within surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised within surplus or deficit over the term of the lease as they form an integral part of the total lease payment.

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

Non-cancellable operating lease commitments as lessee	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Plant and equipment				
Not later than one year		30		92
Later than one year and not later than five years		19		93
Later than five years		-		-
Land and buildings				
Not later than one year		821		1,332
Later than one year and not later than five years		1,977		2,477
Later than five years		1,317		1,317
Total non-cancellable operating lease commitments as lessee	**-**	**4,164**	**-**	**5,311**

Operating leases – Group as lessor

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

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

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

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

Relevant policy

Rental revenue is recognised on a straight-line basis over the lease term.

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

Non-cancellable operating lease commitments as lessor	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Investment properties				
Not later than one year		9,231		9,231
Later than one year and not later than five years		35,194		35,194
Later than five years		74,438		74,438
Land and buildings				
Not later than one year		3,687		4,335
Later than one year and not later than five years		8,702		9,398
Later than five years		12,849		12,849
Total non-cancellable operating lease commitments as lessor	**-**	**144,101**	**-**	**145,445**

Commitments to related parties

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

The Council has commitments to its controlled entities and associates only to the extent of the expenditure approved in the Long-Term Plan for the period ending 30 June 2017. Other expenditure approved as part of the Long-Term Plan for the period from 1 July 2017 to 30 June 2025 is subject to change and approval each year through the Annual Plan.

The commitments are as follows:

Council	2017	2018-2025	Total
	LTP	LTP	LTP
	$000	$000	$000
Controlled entities			
Wellington Cable Car Limited	2,500	-	2,500
Wellington Museums Trust (including Carter Observatory)	8,487	75,435	83,922
Wellington Regional Economic Development Agency	11,928	99,175	111,103
Wellington Zoo Trust	2,884	26,306	29,190
Total controlled entities commitments	25,799	200,916	226,715
Other related parties			
Basin Reserve Trust	633	5,774	6,407
Karori Wildlife Sanctuary Trust (Zealandia)	875	7,000	7,875
Wellington Regional Stadium Trust	5,000	-	5,000
Total other related party commitments	6,508	12,774	19,282
Total related party commitments	**32,307**	**213,690**	**245,997**

Note 39: Contingencies

Contingent liabilities	Council		Group	
	2016	2015	2016	2015
	$000	$000	$000	$000
Financial guarantees to community groups		500		500
Uncalled capital - LGFA		1,866		1,866
Other legal proceedings		202		202
Share of associates' contingent liabilities		-		-
Share of joint ventures' contingent liabilities		-		-
Total contingent liabilities	**-**	**2,568**	**-**	**2,568**

The financial guarantees to community groups above are analysed below:

Outstanding debt subject to Council guarantees	Council		Group	
	2015	2014	2015	2014
	$000	$000	$000	$000
Karori Wildlife Sanctuary Trust	500	600	500	600
Total outstanding debt subject to Council guarantees	**500**	**600**	**500**	**600**

Contingent assets

The Council and Group have no contingent assets as at 30 June 2016 (2015: $Nil).

Relevant 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.

Financial guarantee contracts

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

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

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

Karori Wildlife Sanctuary Trust (Zealandia)

The Council has provided a guarantee over a term loan facility to a maximum limit of $1.550m plus any outstanding interest and enforcement costs. The loan matures 30 June 2020 and repayments are being met on schedule.

NZ Local Government Funding Agency Limited (LGFA)

Council is one of 30 local authority shareholders and 8 local authority guarantors of the LGFA. In that regard Council has uncalled capital of $1.866m. When aggregated with the uncalled capital of other shareholders, $20m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all of LGFA's borrowings. At 30 June 2016, LGFA had borrowings totalling $XXXm (2015: $4,955m).

Financial reporting standards require Council to recognise the guarantee 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. 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 Council is anticipated to be less than $XXXm.

Unquantified contingent liabilities

The Government's Weathertight Homes Financial Assistance Package aims to help people get their non-weathertight homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair costs and affected homeowners funding the remaining 50% backed by a Government loan guarantee. A provision for known claims and future claims has been made (refer Note 29: Provisions for other liabilities (page XX)). The impact and cost of future and unknown claims cannot be measured reliably and therefore the Council and Group have an unquantified contingent liability.

On 11 October 2012 the Supreme Court of New Zealand released a decision clarifying that councils owe a duty of care when approving plans and inspecting construction of a building which was not purely a residential building. The Court held that there was no principled basis for distinguishing between the liability of those who played a role in the construction of residential buildings as against the construction of non-residential buildings. This extends the scope of the potential liability for the Council to include non-residential buildings consented under the Building Act 1991.

Through the process of working with our actuaries, it has been identified that due to a lack of historical and current information relating to non-residential building claims, a reliable estimate of any potential liability cannot be quantified at this time.

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

Note 40: Jointly Controlled Assets

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2016	Interest 2015	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.
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.

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

Share of Net Assets - Porirua City Council Joint Ventures (PCCJV)	2016	2015
	$000	$000
Assets		
Current		
Inventory		59
Receivables and recoverables		1,657
Non-current		
Property, plant and equipment		20,680
Share of total assets	-	**22,396**
Liabilities		
Non-current		
Borrowings		3,074
Provisions for other liabilities		1,595
Share of total liabilities	-	**4,669**
Share of net assets	-	**17,727**

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

Share of Net Surplus and Revaluation Movements - PCCJV	2016	2015
	$000	$000
Operating revenue		3,014
Operating expenditure		(2,699)
Share of net surplus or (deficit)	-	**315**
Share of current year revaluation movement		**24**

The Council's and Group's share of the joint ventures' capital commitments is $Nil (2015: $Nil) and contingent liabilities is $Nil (2015: $Nil).

Note 41 : Related party disclosures

Relevant 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 ventures) 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 financial statements and is not included in the following table.

	Council	
	2016	2015
	$	$
Council Members		
Short-term employee benefits		1,434,782
Chief Executive and Executive Leadership Team		
Short-term employee benefits		2,362,735
Post employment benefits		55,359
Termination benefits		-
Total remuneration paid to key management personnel	**-**	**3,852,876**

Key management personnel comprise 23 individuals: 15 elected members or 15 fulltime equivalents and 8 executive leaders or 8 fulltime equivalents.

For further disclosure of the remuneration payable to the Mayor, Councillors and the Chief Executive refer to Note 42: Remuneration and staffing (page XX).

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. 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 Council to key management personnel.

Material related party transactions – other organisations

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). Wellington City Council and CWI each appoint two of the four trustees. Wellington City Council has significant influence over the Trust through the appointment of trustees, and receives benefits from the complementary activities of the Trust.

The Council no longer considers the Trust meets the requirements of PBE IPSAS 7 *Investments in Associates* to enable continued consolidation on an equity accounted basis. The Trust is still identified as an associate given the Council's level of influence and financial support but due to the lack of an equity investment the Council believes it is no longer appropriate to include the Trust in the Group financial statements.

During the year ending 30 June 2016 Council contributed $XXXm (2015: $0.368m) to fund the operations of the Trust.

NZ Local Government Funding Agency Limited (LGFA)

The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 30 regional, district and city councils throughout New Zealand that own 80% of the issued capital, with the Government holding the remaining 20%. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) and currently has an investment of $1.866m representing 8.3% of paid-up capital.

Karori Wildlife Sanctuary Trust (Zealandia)

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

The Council appoints two of the five trustees including the Chair. Operational funding of $XXXm was made during the year to 30 June 2016. The Council has a concessionary loan totaling $10.347m on interest free terms to the Trust. Further information on the loan is included in Note 17: Other financial assets (page XX).

Wellington Regional Stadium Trust (WRST)

Wellington Regional Stadium Trust was jointly created with Greater Wellington Regional Council and Wellington City Council has significant influence over the Wellington Regional Stadium Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust.

The Council no longer considers the Trust meets the requirements of PBE IPSAS 7 *Investments in Associates* to enable continued consolidation on an equity accounted basis. The Trust is still identified as an associate given the Council's level of influence and financial support but due to the lack of an equity investment the Council believes it is no longer appropriate to include the Trust in the Group financial statements.

Council holds a $15m 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 $0.395m advance repayable after all other advances made by the Council and Greater Wellington Regional Council.

During the year ending 30 June 2016 Council transacted directly with WRST to the amount of $XXXm and also indirectly with the financial support of major events.

Intra group transactions and balances

During the year the Council has entered into transactions with its joint venture partner Porirua City Council. 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 follows:

Intra group transactions and balances - Jointly controlled assets		2016	2015
		$000	$000
Expenditure incurred by the Council to fund the operation and management of:			
	Porirua - waste water treatment plant		1,756

During the year the Council has entered into transactions with its controlled entities. 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 follows:

Intra group transactions and balances - Controlled entities		2016	2015
		$000	$000
Revenue for services provided by the Council to:			
	Positively Wellington Tourism		530
	Positively Wellington Waterfront		139
	Wellington Cable Car Limited		106
	Wellington Museums Trust		1,496
	Wellington Regional Economic Development Agency		184
	Wellington Zoo Trust		664
		-	**3,119**
Expenditure incurred by the Council to fund operations and management of:			
	Positively Wellington Tourism		3,253
	Positively Wellington Waterfront		-
	Wellington Museums Trust		8,226
	Wellington Regional Economic Development Agency		3,378
	Wellington Zoo Trust		2,757
		-	**17,614**
Expenditure for services provided to the Council by:			
	Positively Wellington Tourism		121
	Positively Wellington Waterfront		21
	Wellington Cable Car Limited		134
	Wellington Museums Trust		3,429
	Wellington Regional Economic Development Agency		6,495
	Wellington Zoo Trust		3,022
		-	**13,222**
Current receivables and recoverables owing to the Council from:			
	Positively Wellington Waterfront		139
	Wellington Cable Car Limited		3
	Wellington Museums Trust		183
	Wellington Regional Economic Development Agency		3
	Wellington Zoo Trust		608
		-	**936**
Current payables owed by the Council to:			
	Positively Wellington Tourism		-
	Wellington Cable Car Limited		27
	Wellington Museums Trust		579
	Wellington Regional Economic Development Agency		628
	Wellington Zoo Trust		221
		-	**1,455**

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.

During the year the Council has entered into several transactions with its associates and jointly controlled entity. 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 follows:

Intra group transactions and balances - Associates and jointly controlled entities		2016	2015
		$000	$000
Dividend received from:			
	Wellington International Airport Limited		**12,950**
Revenue for services provided by the Council to:			
	Wellington Water Limited		**83**
Expenditure for services provided to the Council from:			
	Wellington International Airport Limited		72
	Wellington Water Limited		18,046
		-	**18,118**
Current receivables and recoverables owing to the Council from:			
	Wellington Water Limited		**15**
Current payables owed by the Council to:			
	Wellington International Airport Limited		2
	Wellington Water Limited		293
		-	**295**

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 42: Remuneration and staffing

Mayoral and Councillor remuneration

Policy

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.

Disclosure

The following people held office as elected members of the Council's governing body, during the reporting period. The total remuneration attributed to the Mayor and Councillors during the year from 1 July 2015 to 30 June 2016 was $XXX (2015: $1,434,782) and is broken down and classified as follows:

Council Member	Monetary Remuneration			Non Monetary Remuneration	Total Remuneration
	Salary	Resource Consent Hearing Fees	Allowances		
	$	$	$	$	$
Ahipene-Mercer, Ray					-
Coughlan, Jo					-
Eagle, Paul					-
Foster, Andy					-
Free, Sarah					-
Lee, David					-
Lester, Justin					-
Marsh, Simon					-
Pannett, Iona					-
Peck, Mark					-
Ritchie, Helene					-
Sparrow, Malcolm					-
Wade-Brown, Celia					-
Woolf, Simon					-
Young, Nicola					-
Totals	-	-	-	-	-
		Total monetary remuneration			-
		Total non- monetary remuneration			-

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the Local Government Act 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2015/16 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Resource consent hearings payments

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

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

The Remuneration Authority's current policy does not allow Councillors to claim an allowance for mileage for their normal duties. However, prior to this decision Councillors had voluntarily decided to forgo receiving this allowance from December 2008.

Councillors are able to choose either of the following two options:

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

Both the allowance and reimbursement options are non-taxable. Only the payments under the allowance option have been included as remuneration in the schedule above.

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

The Remuneration Authority does permit Council to provide the Mayor with a vehicle for full private use, which would be a taxable benefit; however the current Mayor has declined to take up this option.

Non-monetary

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

Director/Trustee Fees

In November 2012, the Council resolved that no further payments would be made to elected members appointed to Council Controlled Organisation (CCO) boards from the start of the new triennium (being 19 October 2013).

On 14 November 2013 the Council resolved that elected members appointed to the Council Organisation (CO) boards, including the Wellington Regional Stadium Trust, Zealandia, and Wellington International Airport Limited (where applicable), would not receive remuneration with respect to those appointments. Any remuneration that otherwise would have been paid to elected members on a Council Organisation board will be paid directly to the Council and included in the relevant grant fund.

Community Boards

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

Community Board Member	Salary	Allowances	Other	Total 2016
	$	$	$	$
TAWA COMMUNITY BOARD				
Tredger, Robert (Chair)				-
Lucas, Margaret (Deputy Chair)				-
Hansen, Graeme				-
Herbert, Richard				-
Lester, Justin (see Councillor remuneration above)				-
Marshall, Jack (includes Youth Council attendance fee)				-
Sutton, Alistair				-
Sparrow, Malcolm (see Councillor remuneration above)				-
MAKARA-OHARIU COMMUNITY BOARD				
Grace, Christine (Chair)				-
Burden, Murray				-
Liddell, Judy				-
Rudd, Wayne				-
Scotts, Margie				-
Todd, Hamish				-
Totals	-	-	-	-

A technology allowance of $45 per month is available to the chair of both the Tawa and Makara/Ohariu Community Boards. This allowance can be taken as either an allowance or as an actual expense reimbursement. Both options are non-taxable but only payments under the allowance option are included in the above remuneration table.

Malcolm Sparrow was the previous Chair of the Tawa Community Board, before his election to the Council.

Chief Executive's remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the Local Government Act 2002.

The table below shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2016.

Under the terms of his agreement, the Chief Executive of the Council chooses how he wishes to take his remuneration package (salary only or a combination of salary and benefits).

Remuneration of the Chief Executive	Council	
	2016	2015
	$	$
Short-term employee benefits		
Kevin Lavery		
Salary		405,000
Motor vehicle		-
Motor vehicle park		3,000
Total remuneration paid or payable	-	**408,000**

Severances

In accordance with Schedule 10, section 33 of the Local Government Act 2002, the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made.

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

For the year ending 30 June 2016 the Council made severance payments to XX employees totalling $XXX (2015: 13 employees, $227,468).

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

Employee numbers and remuneration bands

The following table identifies the number of full time employees as at the of the reporting period and the full time equivalent number of all other part-time, fixed term and casual employees. The table further identifies the breakdown of remuneration levels of those employees into various bands.

	Council	
	2016	2015
The number of full-time employees as at 30 June		1,020
The full-time equivalent number of all other non full-time employees		244
The number of employees receiving total annual remuneration of less than $60,000		1,084
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 - $239,999.99*		
$240,000 - $319,999.99*		
$340,000 - $419,999.99**		
$60,000 - $79,999.99		277
$80,000 - $99,999.99		152
$100,000 - $119,999.99		84
$120,000 - $139,999.99		53
$140,000 - $159,999.99		20
$160,000 - $179,999.99		13
$180,000 - $199,999.99*		6
$200,000 - $239,999.99*		6
$240,000 - $319,999.99*		8
$340,000 - $419,999.99**		2

The Council, as at 30 June 2016, has XXX (2014: 1,705) individual employees of which XXX (2015: 685) work part-time.

A full-time employee or full-time equivalent is based on a 40 hour week.

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.

*If the number of employees for any band was 5 or less then it has been combined with the next highest band.
** Includes the Chief Executive.

Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the 3 lowest wage and salary grades.

Grade	Salary Range	2015	2014
B1	$32,620 - $44,134	176	167
B2	$32,594 - $51,922	559	556
10	$42,585 - $57,615	37	39

Council initiated a minimum wage of $18.40 per hour for all directly employed staff from 2014. As at 30 June 2016, XX council staff (excluding apprentices) were paid under $18.40 per hour, compared with 346 as at 30 June 2014. Staff currently earning less than $18.40, are subject to our competency based framework where they are required to be fully certified to perform the role. The intention is that all staff should achieve $18.40 per hour in a 6 - 12 month period.

Note 43: 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 the notes to the financial statements.

Other Disclosures and Significant Accounting Policies

The following disclosures and accounting policies are additional to the disclosures and accounting policies that are included within the relevant specific Notes forming part of the financial statements.

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

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

Change of accounting policies

There have been no elected changes in accounting policies during the financial period. The first time adoption of the new suite of PBE accounting standards after having previously applied NZ IFRS PBE does not constitute a change in accounting policies.

Change to accounting standards

For the year ending 30 June 2015, the new suite of Public Sector Public Benefit Entity accounting standards was adopted for the first time. From 1 July 2015 a revised suite that included enhanced guidance for Not-for-Profit Public Benefit entities was adopted. The adoption of these revised standards has not had any significant impact on the Group.

Standards, amendments and interpretations issued but not yet effective and not early adopted

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

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, with the exception of 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 Annual Plan budget figures included in these financial statements are for the Council as a separate entity. The Annual Plan figures do not include budget information relating to controlled entities or associates. These figures are those approved by the Council at the beginning of each financial year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. The Annual Plan figures have been prepared in accordance with GAAP and are consistent with the accounting policies adopted by the Council for 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; and
- where there has been a change of accounting policy (There has been no change in the 2015/16 year),
- as a requirement of adopting the revised suite of PBE accounting standards.

AUDIT NEW ZEALAND JUNE 2016 AUDIT PLAN

Purpose

1. The purpose of this report is to update the Subcommittee on the Audit New Zealand arrangements for the audit of financial statements, including statements of service performance for the year 30 June 2016.

Recommendations

That the Audit and Risk Subcommittee:

1. Receive the information.
2. Note the draft Audit Proposal Letter prepared by Audit New Zealand (attachment 1) and their approach to auditing the Council and Group.
3. Note the draft Audit Engagement Letter prepared by Audit New Zealand.
4. Delegate the authority to finalise the Audit Engagement Letter to the Mayor and Chair of the Audit and Risk Subcommittee.
5. Delegate the authority to sign the Audit Engagement Letter to the Mayor.

Background

2. With the approach of the June 2016 year end, it is appropriate to review the draft approach Audit New Zealand is proposing to take with the audit of the financial statements and provide the Subcommittee the opportunity to highlight any others matters or areas that they would like Audit New Zealand to focus on during the audit.

Discussion

3. Audit New Zealand's approach to the audit is set out on page 5 of attachment 1 of the letter to Council where it identifies business issues. Management has no other business issues to bring to the Subcommittee or Audit New Zealand's attention.
4. Audit New Zealand have outlined the key dates of the audit on page 9 of attachment 1, with the proposed date for the audit opinion being the 28th September 2016. Management has in place a programme of work to ensure the financial statements with be completed within this timeframe.
5. Audit New Zealand have set out their professional fees for the audit on page 10 of Attachment 1; these are as per the Audit Proposal Letter of 23 April 2014.

Next Actions

6. The Mayor is required to sign the letter as per page 3 of Attachment that gives agreement to the audit to proceed as outline in the attachment.

Attachments

Attachment 1.	Audit Plan June 2016	Page 116

Author	Richard Marshall, Manager Financial Accounting

Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Consultation and Engagement
<insert text here>

Treaty of Waitangi considerations
<insert text here>

Financial implications
<insert text here>

Policy and legislative implications
<insert text here>

Risks / legal
<insert text here>

Climate Change impact and considerations
<insert text here>

Communications Plan
<insert text here>

17 February 2016

Celia Wade-Brown
Mayor
Wellington City Council
101 Wakefield Street
PO Box 2199
Wellington 6140

Dear Celia

Audit for the year ending 30 June 2016

I am writing to outline our arrangements for the audit of Wellington City Council (the City Council) for the year ending 30 June 2016. This letter has two main sections – an agreement to be signed, and details of the audit.

Agreement to be signed

On the next page is an agreement for you to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return a copy of the agreement, including the "Details of the audit".

Details of the audit

This sets out the proposed arrangements for this year's audit. These include:

- The City Council's business risks and other issues relevant to our audit, and our audit response;
- areas of audit interest across all Councils; and

- logistics (such as our audit team, timing, and fees).

Additional information attached

We have attached in Appendix 2 additional information about the audit.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely

Bede Kearney
Director

Agreement to be signed

I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.

Signed ______________________________ *Date* ____________________

Celia Wade-Brown
Mayor

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Details of the audit

1 Introduction

This document sets out the arrangements for the audit of Wellington City Council (the City Council) for the year ending 30 June 2016. These include:

- business risks and other issues relevant to our audit, and our audit response;
- the Auditor-General's areas of interest for all local authorities; and
- logistics (such as our audit team, timing, and fees).

2 The City Council's business risks and other issues, and our audit response

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the Council. These risks and issues are relevant to the audit because they potentially affect our ability to form an opinion on the financial statements. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 23 April 2014).

The table below sets out the business risks and issues that we have identified in line with these requirements. The left column describes these risks and issues. In the right column, we state how we plan to respond to these during the audit.

We will also follow up on progress made in response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks not covered in this letter.

Your business issues	Our audit response
Implementation phase of Project Odyssey	
Implementation of the information systems Project Odyssey is expected to take effect on 1 July 2016. Project Odyssey aims to replace a large number of the City Council's systems with a single core application platform. Key objectives are to improve customer service, lower costs and improve the efficiency of business processes. Information technology projects of this scale have a high inherent risk. Related business processes across the City Council also need to be reviewed and updated to align with the new system(s). A successful outcome is dependent on effective project management processes, robust project governance and monitoring.	We will: • Keep up to date on the progress of the project, including the management of risks arising and approach to assessing benefits realisation; • Liaise with management on the design of internal controls to be incorporated into the systems; • Hold preliminary discussions for our review of data transfers from legacy systems to the new application. Our audit of the data transfer will be part of the 2016/17 audit. • Assess whether the accounting for the project is compliant with generally accepted accounting practice.
Shared services for information technology infrastructure	
In October 2015 chief executives of Wellington City Council, Porirua City Council, Upper Hutt City Council and Wellington Water approved a final implementation business case to share information and communications technology (ICT) infrastructure services.	We will keep up to date on the progress with this initiative and assess any potential financial impact in the 2015/16 financial year. We will assess whether the costs of the project are being accounted for in accordance with generally accepted accounting practice.
Valuation of the City Council's weathertightness liabilities	
The City Councils liability for weathertightness claims remains significant, totalling $41 million at 30 June 2015. There is a high degree of judgement and	We will review the valuation of the weathertight homes provision as at 30 June 2016.

Your business issues	Our audit response
estimation in the calculation of the liability.	
Management control environment – procurement and contract management	
The City Council procures a wide range of goods and services and manages a large number of contracts as part of its ongoing operations. During 2015 the City Council changed the roles and responsibilities of its contract and procurement team. We understand further changes may occur as a result of Project Odyssey. We understand that during 2016 the contracts and procurement team intend to: • Develop a procurement strategy and annual procurement plan as well as update related policy guidance during 2016. • Refresh its existing register of contracts to ensure only current and accurate information is transferred to the new information system as part of Project Odyssey.	We will update our understanding of the City Council's processes and its progress in: • Developing and updating procurement strategy, policies and procedures. • Improving the quality of information held in its register of contracts. • Implementing a training schedule for staff involved in procurement and managing contracts.
Management control environment – Project management	
The City Council manages a wide range of projects. Significant current projects include; Odyssey, the social housing upgrade, earthquake strengthening works and the various projects under the Invest to Grow programme. These	We will review steps undertaken to improve the monitoring and support for the City Council's project management activities.

Your business issues	Our audit response
are in addition to the ongoing infrastructure upgrades, replacements and maintenance. Council operates a devolved project management structure, and in 2015 created a new Project Risk Advisor role to help monitor projects and support project sponsors and managers across the City Council.	
Information systems	
The City Council is heavily dependent on its IT systems. The reliability of the IT systems, technology platforms, and associated controls is critical to maintaining the integrity of the City Council's data and ensuring continuity of services to its customers.	We will review of the City Council's IT General Controls (ITGC). This will cover: • IT governance and Strategic planning; • assessment and management of IT risks; • monitoring and evaluating internal controls; • IT processes, organisation and relationships; • systems acquisition and project management; • security (network and applications); • Business Continuity and IT Disaster recovery; • change management; and • operations, problems and incident management.

3 Areas of interest for all local authorities

Details of our areas of interest across all local authorities as applicable to the City Council, and our audit response, are in Appendix 1.

4 Logistics

4.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Bede Kearney	Director
Robert Cox	Engagement Quality Control Director
David Kidman	Audit Manager
Moeed Temuri	Audit Supervisor
Robyn Dearlove	Information Systems Auditor

4.2 Important dates in the audit process

Our proposed timetable is:

	Date
First interim audit	January 2016
Second interim audit visit begins	9 May 2016
Draft interim management report to the Chief Executive	27 May 2016
Complete draft annual report (including notes and service performance information) available for audit	15 August 2016
Final audit visit begins	22 August 2016
Audit and Risk Sub-committee workshop	6 September 2016
Audit and Risk Sub-committee meeting	13 September 2016
Final financial statements available[1] for audit	20 September 2016
Audit opinion issued	28 September 2016
Draft Governing Body report issued	28 September 2016
Summary Annual Report available for audit	TBC
Summary Annual Report opinion issued	TBC

4.3 Our interim audit visit

We will carry out our interim audit visits during January and May. During these visits, we will focus on updating our understanding of the City Council's internal control. This includes reviewing the control environment, risk assessment processes and relevant aspects of financial and non-financial information system controls. We will use the results of these assessments to determine how much we can rely on the controls environment in gaining our audit assurance over information produced from the City Council's systems. During our

[1] Financial statements incorporating all the amendments agreed to between the City Council and Audit New Zealand.

final audit we will apply this assessment in determining the extent and nature of other testing required.

4.4 Our final audit visit

Our final audit is scheduled to start on 8 August 2016 and is expected to last four weeks. During this visit we will be auditing the balances, disclosures, and other information included in the financial statements. To complete this work in the agreed timeframe, it is essential that a quality complete draft annual report is available to us on the agreed date. This should have been through a robust internal quality assurance review.

4.5 Professional fees

Our audit fee for the year ending 30 June 2016 is $282,500 plus disbursements (GST exclusive). This is as agreed in the Audit Proposal Letter dated 23 April 2014.

The fee does not include work required to meet our reporting obligations under the City Council's debenture deed trust. The extent of this work has grown significantly and we propose a fee of $4,000 for this engagement.

The audit fee assumes that the expectations discussed in Appendix 2 will be met. If this does not occur, or the scope of the audit changes significantly, we will discuss this further with you.

We propose to bill as follows:	**Amount**
February	$70,000
June	$70,000
August	$100,000
September	$42,500
	$282,500

To ensure we can complete the audit within the proposed time frame (see section 4.2) and agreed fee, it is essential that the appropriate supporting documentation is available to us on a timely basis. If this

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is not the case, it is likely to result in cost overruns, which we may seek to recover from you.

Appendix 1: Areas of interest for all local authorities

Issue	Our audit response
Rates	
Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The City Council should have appropriate processes in place. Where issues or concerns arise, it should seek legal advice, to ensure compliance of its rates and rating processes with legislation.	For 2016 we will again consider the City Council's compliance with these aspects of the LGRA that potentially materially impact on the financial statements. This means we will focus on those aspects of the rates setting process that present the highest risk, namely the consistency and completeness of the resolution and the Funding Impact Statement (FIS). We will review a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA. Our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Council has the ultimate responsibility for ensuring that it complies with applicable laws and regulations.
Asset management plans	
Asset Management Plans (AMPs) play an integral part in the ongoing management of the City Council's significant infrastructural assets. These assets deliver the quality-of-life services that are critical to the community. During the last LTP audit we reviewed the AMPs and provided feedback on	We will assess and review the City Council's progress in relation to the development and maintenance of its AMPs in line with the improvement plans. We will also consider the City Council's assessment as to whether improved knowledge of its asset base has any

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Issue	Our audit response
these. The City Council has heavily invested in improving its knowledge of asset condition and performance. This resulted in a decrease in forecast renewals of $10 million per annum (approx. 10% of total renewals over the LTP).	significant impact on the accounting asset lives and depreciation rates. If appropriate it should update the depreciation rates in the Fixed Asset Register accordingly.
Financial reporting disclosures	
Schedule 10 of the Local Government Act and the Local Government (Financial and Prudence) Regulations 2014 detail disclosures to be included in the Annual Report. The City Council should review these requirements to ensure all disclosures have been included in the annual report.	We will confirm whether all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 have been included in the City Council's annual report appropriately.
Mandatory performance measures	
The Non-Financial Performances Measures Rules 2013 promulgated by the Department of Internal affairs specify a set of standard performance measures for local authorities. The measures were included in the City Council's 2015-25 long term plan, and are required to be reported against in the 2016 annual report.	We will assess the City Council's reporting against these measures as part of our overall audit of the performance framework.
Funding Impact Statements (FIS)	
The City Council's annual report will identify and explain any significant financial and service performance variances from those planned. While the FIS incorporates two years' comparative information, we expect the primary focus of variance explanations at the Group of Activities level and whole of Council will be against the 2015-2025	We will consider the City Council's reported performance against the 2015-2025 LTP. We will assess the reasonableness and completeness of any variance analysis and explanation in the annual report. We will also consider any implications and impact, of significant variations

Issue	Our audit response
LTP.	from the LTP's planned performance on the financial strategy.
Long Term Plan (LTP) amendments	
An LTP amendment arises where Council proposes: • a significant change to services levels [section 97 (1)(a)] or • to transfer ownership of a strategic asset [section 97(1)(b)] , or • a significant change to the revenue and financing policy [section 103(4)]. Every proposed amendment must be audited.	A separate audit engagement is being undertaken over the Council's proposal to amend its LTP in relation to a proposed convention centre and movie museum. We will remain alert for other possible amendments throughout the year. We will maintain contact with management and discuss potential amendments as they arise.
Council's governance role over Council Controlled Organisations (CCOs)	
CCOs are responsible for meeting the accountability requirements of the Local Government Act 2002 (LGA), including preparing Statements of Intent (SOIs) with appropriate involvement from their parent Local Authorities. Local Authorities are responsible for the effective oversight of their CCOs. This includes monitoring their CCOs' performance and reviewing and commenting on draft SOIs of their CCOs within the timeframe in the LGA and ongoing monitoring of performance.	We will review the City Council has arrangements for fulfilling its oversight responsibilities relating to CCOs. This includes establishing the rationale for the investment in the CCOs and the monitoring the CCOs' performance.
Elected members – remuneration and allowances	
The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.	We will assess the City Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to

Issue	Our audit response
Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.	that Determination. We will also confirm the payments are within the Determination set by the Authority.
Debenture Trust Deed	
Local authorities are able to secure borrowings using any security (including future rates revenue). A debenture trust deed provides the benefit of the charge, through a trustee, to the lender. The City Council's Debenture Trust Deed requires us to provide an independent assurance report on certain matters stated in clause 12.2.6 of the Trust Deed.	We will agree with the City Council separate terms of engagement in relation to the Debenture Trust Deed.

Appendix 2: Additional information about the audit

Our reporting protocols

Management reports

We will provide a draft of all management reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Council's governing body that specify the reasons why the corrections will not be made.

Our expectations of you to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;

- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the Council's website.

Using your internal auditors

Our approach will be to continue to liaise with your internal auditors to ensure appropriate co-ordination of effort. In keeping with the applicable auditing standard, ISA (NZ) 610, *Using the Work of Internal Auditors*, we will make a preliminary assessment of the internal audit function in terms of organisational status, scope, technical competence, and professional care.

If we determine from our preliminary assessment that the internal audit function could be relied on for external audit purposes then we will consider the internal audit work proposed or completed. We will then determine the extent to which we can use the internal audit work to supplement our audit work.

How we consider your compliance with statutory authority

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the Council's financial statements or general accountability. Our audit does not cover all of the Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

3. Public Excluded

Resolution to Exclude the Public:

THAT the Audit and Risk Subcommittee :

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 Internal Audit Update	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	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 Security Report 2015/16	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	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.
3.3 Health and Safety Work Act	7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	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.
3.4 Health and Safety Report - six month period to 31 December 2016	7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to	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

		prejudice the commercial position of the person who supplied or who is the subject of the information.	exist under Section 7.
3.5	Risk Management - Update	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	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.