Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

ORDINARY MEETING

OF

FINANCE, AUDIT AND RISK SUBCOMMITTEE

AGENDA

Time: 1:00 pm
Date: Wednesday, 14 June 2017
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

MEMBERSHIP

Mayor Lester
Councillor Calvert
Councillor Foster (Chair)
Peter Harris (External)
Phillipa Smith (External)
Roy Tiffin (External)
Councillor Young

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

The Finance, Audit and Risk Management Subcommittee provides objective advice and recommendations regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the council's financial processes, 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.

The Finance, Audit and Risk Management Subcommittee has responsibility for assisting the Council to discharge its responsibilities for:

- the robustness of the internal control framework and financial management practices;
- the integraity and appropriateness of internal and external reporting and accountability arrangements;
- the robustness of risk management systems, processes and practices;
- the independence and adequacy of internal and external audit functions;
- compliance with applicable laws, regulations, standards and best practice guidelines; and
- the establishment, maintenance and effectiveness of controls to safeguard the Council's financial and non-financial assets.

In fulfilling their role on the Finance, Audit and Risk Management Subcommittee, members shall be impartial and independent at all times.

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

TABLE OF CONTENTS
14 JUNE 2017

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 2 May 2017 will be put to the Finance, Audit and Risk Management 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 Finance, Audit and Risk Management 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 Finance, Audit and Risk Management Subcommittee.

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

2. General Business

DRAFT 2016/17 FINANCIAL OVERVIEW AND FINANCIAL STATEMENTS TEMPLATE

Purpose

1. The purpose of this report is to obtain the agreement of the Subcommittee as to the broad approach to the Financial Overview and the format and disclosures for the Council's 2016/17 financial statements. The report also provides a brief outline of how the Statements of Service Performance will be included in the Annual Report, and how our performance results will be presented and communicated to the community.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information.
2. Approve the broad approach to Statements of Service Performance and how the Annual Report will be communicated to the community
3. Approve the broad approach to the 2016/17 financial overview subject to:
   a. Actual results being determined and any change in messaging required to be made.
4. Approve the proposed format and disclosures for the 2016/17 financial statements subject to:
   a. Consideration of the implications of any changes in NZ GAAP arising up to 30 June 2017 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 2017 (and any subsequent impact on the notes to the financial statements); and
5. Receiving final clearance from Audit New Zealand.

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 2016/17 Annual Report for adoption on the 27 September 2017. In order to achieve this timeframe, a draft template has been prepared for the Subcommittee's review which identifies the proposed financial overview and financial statement format and disclosures.
4. The financial statements template is currently being reviewed by Audit New Zealand. Their feedback will be incorporated into the attached draft financial statements and any

material changes will be explained at the Annual Report workshop on the 12th September 2017.

Discussion

Overview of Statements of Service Performance

5. The Statements of Service Performance (SSPs) outline what the Council has achieved over the past year in relation to: the outcomes that were set in the long-term plan, and performance measures and targets for 2016/17.

6. They also provide a narrative around milestone and activities that occurred during the year.

7. The SSPs are structured around seven strategic areas. Each chapter steps through each activity in more detail. They will include:

   - What we do: An outline of the scope of our work under the activity.
   - Contribution: How our activities contribute towards our stated outcomes.
   - What we achieved: a description of milestones and functions performed during the year.
   - What it cost: summary financial table for that activity. This includes explanations for any notable budgetary variances.
   - How we performed: outline of results against targets. We place these in the context of past results and next year's targets where appropriate.

8. We also provide a schedule outlining the performance of our Council Controlled Organisations. An executive summary will also be prepared. This covers introductions from the Mayor and Chief Executive and provides an overall summation of performance.

9. Collectively this commentary illustrates the wide range of activities that the Council delivers and a sense of progress.

Key changes planned for 2016/17

10. The focus for 2016/17 will be on a separate Annual Report summary. While the full Annual Report is a key accountability document for the organisation and will be produced along the lines of previous years, it is not an effective communication tool. It is important for Council to communicate clearly about the successes and challenges of the year, and a separate short 'plain English' summary that makes use of simple graphs and icons to tell our performance story will be produced and sent to every household.

11. The summary will be particularly useful for those who wish only to have an overview of the city's activities and performance rather than the review all the detailed information contained in the report.

12. Taking this approach will allow the Council to highlight the key performance story with a much wider audience than has been the case in the past.

Overview of the Financial overview

13. The Financial Overview (currently called Finances made Simple) is a summary of the financial performance of the Council during the past year in relation to: 2016/17 budget and where applicable, information will be presented in five year trend graphs as well as pie graphs for the current year.

14. The summary will be useful for those who are not experienced readers of financial information but want to understand the Council's financial performance in non-technical terms. For those who wish to achieve greater understanding, detailed explanations of financial information will be referenced in the summary, rather than having all the detailed information contained in the summary.
15. The Financial Overview will be circulated at the Annual Report workshop on 12th September 2017 for feedback.

Overview of Financial Statements

16. The financial overview and financial statements 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 overview and statements to increase readability to a wide range of readers.
17. 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 in the published Annual Report.
18. In order to ensure a greater understanding of the financial statements, key messages, themes and results achieved will be explained in the Financial Overview (Finances made Simple) in a manner that allows for better understanding by a wider audience. This approach will be reflected in the document as a whole.
19. 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.
20. It is important to note that the financial statements 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.
21. 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 at the workshop on 12th September 2017.

Key changes in the financial statements template

22. The attached financial statements template have only had minor editorial changes made and follows the same format and principles of the previous year's Annual Report.
23. The financial statements will however include a new note that will outline the impact of the November 2016 earthquake, bringing together all the financial impacts in one note to ensure revelence and ease of the reading for our stakeholders.
24. There are no changes to the financial statements arising from any new PBE standards reflected in these draft statements.
25. The impact of proposed new or revised PBE standards will be outlined under a separate paper to the Subcommittee.

Attachments

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

SUPPORTING INFORMATION

Engagement and Consultation
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.

Health and Safety Impact considered
There are no impacts on Health and Safety.

Wellington City Council and Group Consolidated Financial Statements For the year ended 30 June 2017

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

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 Office of 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 35: Jointly controlled assets (page XX).

The reported Group figures includes the Council (as defined above), its controlled entities as disclosed in Note 19 (page XX) and the Council's equity accounted interest in the associates and a jointly controlled entity as disclosed in Note 20 (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.

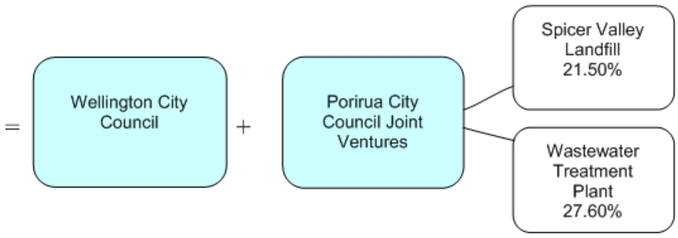
In the opinion of the Council and management, the Annual Report for the year ended 30 June 2016 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Justin Lester	**Kevin Lavery**	**Andy Matthews**
Mayor	**Chief Executive**	**Chief Financial Officer**
27 September 2017	27 September 2017	27 September 2017

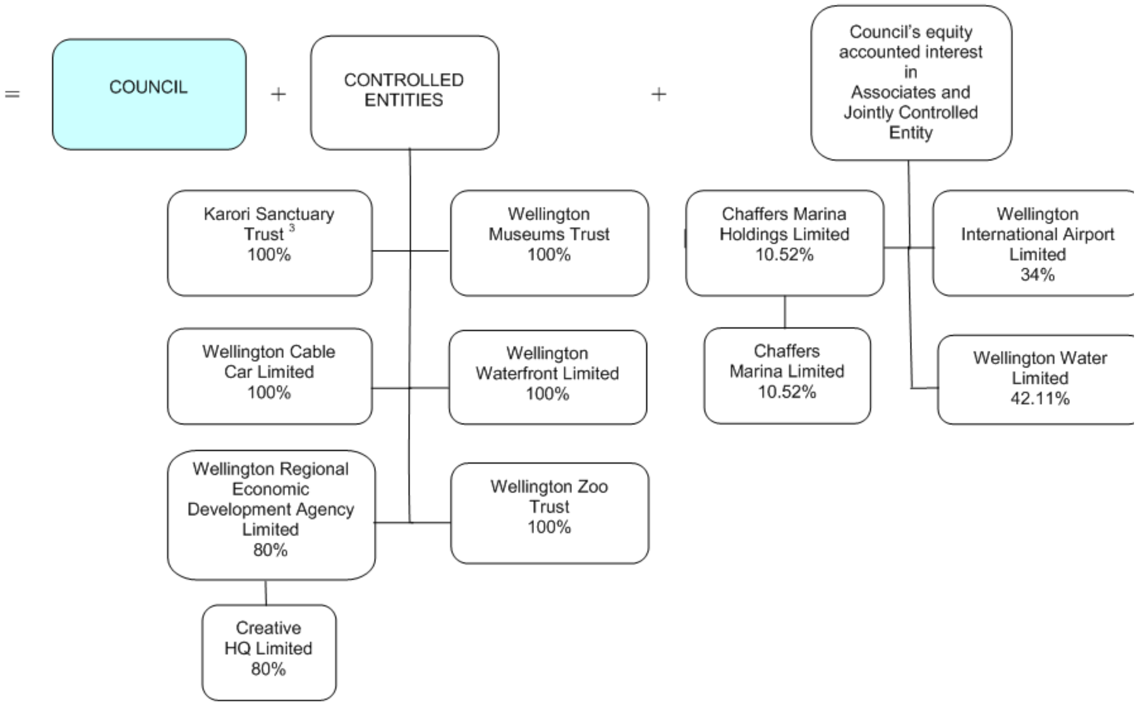
1. *A Tier 1 entity is defined as being either, publicly accountable or large (ie. expenses over $30m). Council exceeds the expenses threshold.*

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 19 and 20 (pages XX to XX) for more information

2. *The Karori Sanctuary Trust (trading as Zealandia) became a Council controlled organisation on 30 September 2016 following the signing of a variation to the original Deed of trust.*

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 2017

		Council			Group	
		Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
	Note	$000	$000	$000	$000	$000
Revenue						
Rates	1			272,127		272,127
Revenue from operating activities						
Development contributions	2			2,747		2,747
Grants, subsidies and reimbursements	2			33,083		44,383
Other operating activities	2			124,926		135,235
Investments revenue	3			23,204		11,145
Vested assets and other revenue	4			13,732		13,732
Fair value gains	5			14,173		14,177
Finance revenue				3,103		3,407
Total revenue		**-**	**-**	**487,095**	**-**	**496,953**
Expense						
Finance expense	6			(24,223)		(24,223)
Expenditure on operating activities	7			(329,583)		(347,721)
Depreciation and amortisation expense	8			(99,183)		(100,970)
Fair value reductions				-		-
Total expense		**-**	**-**	**(452,989)**	**-**	**(472,914)**
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	9	-	-	-		12,811
Net surplus before taxation		**-**	**-**	**34,106**	**-**	**36,850**
Income tax credit/(expense)	10	-	-	-		(240)
NET SURPLUS for the year		**-**	**-**	**34,106**	**-**	**36,610**
Net surplus attributable to:						
Wellington City Council and Group		-	-	34,106	-	36,610
Non-controlling interest		-	-	-	-	-
		-	**-**	**34,106**	**-**	**36,610**

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 2017

		Council			Group	
		Actual 2017 $000	Budget 2017 $000	Actual 2016 $000	Actual 2017 $000	Actual 2016 $000
	Refer					
Net surplus for the year				34,106		36,610
Other comprehensive revenue and expense [1]						
Items that will be reclassified to surplus/(deficit)						
Cash flow hedges:						
Fair value movement - net	SCIE [2]		-	(21,268)		(21,268)
Fair value through other comprehensive revenue and expense						
Fair value movement - net	SCIE		-	1,542		1,521
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:						
Movement in non-controlling interest			-	-		(32)
Revaluations:						
Fair value movement - property, plant and equipment - net	SCIE		-	(211)		(211)
Share of other comprehensive revenue and expense of associates and jointly controlled entity:						
Fair value movement - property, plant and equipment - net	SCIE		-	-		-
Effect of changed shareholding in associates	SCIE		-	-		-
Total other comprehensive revenue and expense		**-**	**-**	**(19,937)**	**-**	**(19,990)**
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year		**-**	-	**14,169**	**-**	**16,620**
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	-	14,169	-	14,169
Non-controlling interest		-	-	-	-	-
		-	**-**	**14,169**	**-**	**16,620**

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

Statement of Comprehensive Revenue and Expense - Major budget variations

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…………

Note 1: Rates revenue

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
General rates				
Base sector		83,317		83,317
Commercial, industrial and business sector		68,315		68,315
Targeted rates				
All (excluding water rates by meter)		105,897		105,897
Total rates revenue (excluding water rates by meter)	**-**	**257,529**	**-**	**257,529**
Water rates by meter revenue		14,598		14,598
TOTAL RATES REVENUE	**-**	**272,127**	**-**	**272,127**

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is $XXXm (2016: $12.752m). For the Group, rates of $XXXm (2016: $12.787m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held as at 30 June 2016.

The number of rating units: XXXXX (30 June 2015: 77,271).

	2017	2016
	$000	$000
Total capital value of rating units		51,685,784
Total land value of rating units		22,326,668

Relevant significant accounting policies

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full 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 2017 totalled $XXXm (2016: $0.407m).

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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Development contributions		**2,747**	**-**	**2,747**
Grants, subsidies and reimbursements				
Operating		7,107		17,610
Capital		25,976		26,773
Total grants, subsidies and reimbursements	**-**	**33,083**	**-**	**44,383**
Other operating activities				
Fines and penalties		6,968		6,968
Rendering of services		111,268		120,294
Sale of goods		6,690		7,973
Total other operating activities	**-**	**124,926**	**-**	**135,235**
TOTAL REVENUE FROM OPERATING ACTIVITIES	**-**	**160,756**	**-**	**182,365**

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 (2016: $12.855m) and operating reimbursements of $XXXm (2016: $4.768m) 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 and operating grant recognised in the current year being, $XXXm (2016: $11.254m) and $XXXm (2016: $1.233m) respectively, are 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 (2016: $3.718m) 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:

- Community housing - $XXXm (2016: $21.769m)
- Parking fees & permits - $XXXm (2016: $18.597m)
- Convention and conferences centres – $XXXm (2016: $15.076m)
- Building consents and licensing services - $XXXm (2016: $13.823m)
- Landfill operations and recycling - $XXXm (2016: $11.138m) – including unbudgeted revenue from the joint ventures with Porirua City Council $XXXm (2016: $0.993m).

Relevant significant accounting policies

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

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

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

Development contributions

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

Grants, subsidies and reimbursements

Grants, subsidies and reimbursements are initially recognised at their fair value where there is reasonable assurance that the monies will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Reimbursements (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		Group	
	2017 $000	2016 $000	2017 $000	2016 $000
Dividend from investment in controlled entities		-		-
Dividend from investment in associates		12,059		-
Dividend from investment in other entities		120		120
Investment property lease rentals		11,025		11,025
Proceeds from the sale of shares		-		-
TOTAL INVESTMENT REVENUE	**-**	**23,204**	**-**	**11,145**

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

The Council continues to maintain its current level of investment as it considers the dividend stream adds diversity to normal rates revenue. The investment holding is presently maintained as it is strategically, financially and economically prudent to do so.

For further information refer to Note 20: Investment in associates and jointly controlled entity (page XX).

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

For further information refer to Note 17: Investment properties (page XX).

Relevant significant accounting policies

Dividends

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

Investment property lease rentals

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

Note 4: Vested assets and other revenue

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Vested assets		10,181		10,181
Other revenue		3,551		3,551
TOTAL VESTED ASSETS AND OTHER REVENUE	**-**	**13,732**	**-**	**13,732**

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 (2016: $3.737m)
- Drainage, waste and water - $XXXm (2016: $5.982m)
- Carbon credits - $XXXm (2016:$ 0.422m)

Relevant significant accounting policies

Donated, subsidised or vested assets

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

Gains

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

Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (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: Fair value gains

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Investment property revaluation		13,773		13,773
Amortisation of loans to related parties		400		404
Derivatives at fair value through surplus or deficit		-		-
Gain on investment acquisition		-		-
TOTAL FAIR VALUE GAINS	**-**	**14,173**	**-**	**14,177**

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 waterfront's investment properties.

Relevant significant accounting 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 6: Finance expense

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Interest on borrowings		23,219		23,219
Interest on finance leases		14		14
Re-discounting of interest on provisions		990		990
TOTAL FINANCE EXPENSE	**-**	**24,223**	**-**	**24,223**
Less				
Finance revenue - interest earned	-	3,103	-	3,407
NET FINANCE COST	**-**	**21,120**	**-**	**20,816**

Relevant significant accounting policies

Interest on borrowings

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

Re-discounting of interest

Re-discounting of interest on provisions is the Council's funding cost for non-current provisions (where the cash flows will not occur until a future date). For further information refer to Note 24: Employee benefit liabilities and provisions (page XX) and Note 25: Provision for other liabilities (page XX).

Interest earned

Interest earned is recognised using the effective interest rate method.

Note 7: Expenditure on operating activities

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Auditor's remuneration:				
Audit services - Audit New Zealand - Financial Statements		282		410
Audit services - Audit New Zealand - Long-Term Plan		45		45
Audit services - Audit New Zealand - other		11		11
Audit services - Other Auditors		-		35
Impairments				
Bad debts written off not previously provided for		282		282
Increase in provision for impairment of receivables and recoverables		437		437
Impairment loss from property, plant and equipment		132		581
Impairment loss on shares		-		18
Governance and employment				
Elected member remuneration		1,526		1,526
Independent directors/trustees fees for controlled entities		-		354
Employee benefits expense:				
- Remuneration		79,343		101,994
- Superannuation contributions (including Kiwisaver)		2,253		2,767
- Termination benefits (including severances)		924		924
Other personnel costs		3,657		4,362
Insurance				
Insurance premiums		9,535		9,936
Insurance reserve costs - net		545		545
General				
Advertising, printing and publications		2,538		8,686
Consultants and legal fees		12,506		13,181
Contractors		3,083		5,046
Direct costs		110,894		115,651
Grants - general		18,542		17,924
Grants to controlled entities		19,842		-
Information and communication technology		9,273		10,235
Loss on disposal of property, plant and equipment		1,827		2,174
Loss on disposal of intangibles		-		-
Operating lease - minimum lease payments		1,313		2,613
Reassessment of provisions		12,079		12,079
Utility costs		19,632		20,073
Other general costs		19,082		15,832
Total expenditure on operating activities	**-**	**329,583**	**-**	**347,721**

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 2016/17 primarily relates to the…………

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.

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 37: 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 (2016: $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 36: 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.

Reassessment of provisions primarily relates to the Weathertight homes provision. Refer to Note 25: Provisions for other liabilities (page XX) for more detailed information.

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 (2016: $12.824m) on Council owned properties.

Relevant significant accounting policies

Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (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 8: Depreciation and amortisation

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Depreciation				
Buildings		20,348		20,348
Civic Centre complex		2,739		2,739
Restricted buildings		1,521		1,521
Drainage, waste and water infrastructure		27,586		27,586
Service concession assets		4,969		4,969
Landfill post closure		145		145
Library collections		2,165		2,165
Plant and equipment		11,890		13,621
Roading infrastructure		23,341		23,341
Total depreciation	**-**	**94,704**	**-**	**96,435**
Amortisation				
Computer software		4,479		4,535
Total amortisation	**-**	**4,479**	**-**	**4,535**
TOTAL DEPRECIATION AND AMORTISATION	**-**	**99,183**	**-**	**100,970**

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 significant accounting policies

Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, 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.

Amortisation

The amortisation of intangible assets is charged on a straight-line basis over the estimated useful life of the associated assets.

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

	2016	
Asset Category	**Useful Life (years)**	**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: To be updated

	2016	
Asset Category	**Useful Life (years)**	**Amortisation Rate**
Computer software	2 - 10	10 - 50%

Note 9: 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	
	2017	2016
	$000	$000
Chaffers Marina Holdings Limited		
Share of net surplus/(deficit) before tax		(36)
Tax (expense)/credit		-
Share of associate's surplus/(deficit) - Chaffers Marina Holdings Limited	**-**	**(36)**
Wellington International Airport Limited		
Share of net surplus before tax		12,804
Tax (expense)/credit		1
Share of associate's surplus/(deficit) - Wellington International Airport Limited	**-**	**12,805**
Wellington Water Limited		
Share of net surplus/(deficit before tax)		42
Tax (expense)/credit		-
Share of jointly controlled entities surplus/(deficit) - Wellington Water Limited	**-**	**42**
Total share of associates' and jointly controlled entity's surplus or (deficit)	**-**	**12,811**

Further information on the cost and value of the above investments is found in Note 20: Investments in Associates and Jointly Controlled Entity (page XX).

Relevant significant accounting policies

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

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.

Note 10: Income tax expense

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Current tax expense				
Current year		-		(216)
Prior period adjustment		-		-
Total current tax expense	-	-	-	(216)
Deferred tax expense				
Origination and reversal of temporary differences		(100)		-
Change in unrecognised temporary differences		-		456
Recognition of previously unrecognised tax losses		100		-
Total deferred tax expense	-	-	-	456
TOTAL INCOME TAX EXPENSE / (CREDIT)	-	-	-	240

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Surplus for the period before taxation	-	34,106	-	36,850
Prima facie income tax based on domestic tax rate - 28%		9,550		10,318
Effect of non-deductible expenses and tax exempt income		(9,590)		(10,720)
Effect of tax losses utilised		100		-
Current years loss for which no deferred tax asset was recognised		40		40
Recognition of prior year loss		(100)		(100)
Previously unreognised tax losses now utilised		-		(41)
Change in unrecognised temporary differences		-		738
Prior period adjustment		-		(205)
Share of income tax of equity accounted associates		-		211
TOTAL INCOME TAX EXPENSE / (CREDIT)	-	-	-	240

Imputation credits	Group	
	2017	2016
	$000	$000
Imputation credits available in subsequent periods		87

Relevant significant accounting 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 2017

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2017	2017	2016	2017	2016
	Note	$000	$000	$000	$000	$000
ASSETS						
Current assets						
Cash and cash equivalents	11			94,009		103,623
Derivative financial assets	12			-		-
Receivables from exchange transactions	13			11,621		12,199
Recoverables from non-exchange transactions	13			34,519		35,414
Other financial assets	14			315		315
Prepayments				11,500		11,962
Inventories				1,101		1,915
Non-current assets classified as held for sale	15			1,504		1,504
Total current assets		-	-	**154,569**	-	**166,932**
Non-current assets						
Derivative financial assets	12			-		-
Receivables from exchange transactions	13			4,185		4,186
Other financial assets	14			12,865		14,343
Intangibles	16			26,737		26,815
Investment properties	17			211,237		211,237
Property, plant and equipment	18			6,645,975		6,659,487
Investment in controlled entities	19			5,071		-
Investment in associates and jointly controlled entity	20			19,465		138,419
Total non-current assets		-	-	**6,925,535**	-	**7,054,487**
TOTAL ASSETS		-	-	**7,080,104**	-	**7,221,419**
LIABILITIES						
Current liabilities						
Derivative financial liabilities	12			522		522
Payables under exchange transactions	21			42,627		45,703
Taxes and transfers payable	21			10,647		11,299
Revenue in advance	22			43,098		45,193
Borrowings	23			140,075		140,075
Employee benefit liabilities and provisions	24			7,189		8,707
Provision for other liabilities	25			10,953		10,953
Total current liabilities		-	-	**255,111**	-	**262,452**
Non-current liabilities						
Derivative financial liabilities	12			38,208		38,208
Payables under exchange transactions	21			630		630
Borrowings	23			350,409		350,409
Employee benefit liabilities and provisions	24			995		1,056
Provision for other liabilities	25			50,250		50,250
Deferred tax	26			-		1,482
Total non-current liabilities		-	-	**440,492**	-	**442,035**
TOTAL LIABILITIES		-	-	**695,603**	-	**704,487**

EQUITY						
Accumulated funds				1,269,134		1,293,162
Retained earnings				3,756,048		3,745,251
Revaluation reserves	**27**			1,382,337		1,496,198
Hedging reserve	**28**			(38,730)		(38,730)
Fair value through other comprehensive revenue and expense reserve	**29**			1,648		2,026
Non-controlling interest				-		284
Restricted funds	**30**			14,064		18,741
TOTAL EQUITY		**-**	**-**	**6,384,501**	**-**	**6,516,932**
TOTAL EQUITY AND LIABILITIES		**-**	**-**	**7,080,104**	**-**	**7,221,419**

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

Statement of Financial Position - Major budget variations

Significant variations from budget are as follows:

Note 11: Cash and cash equivalents

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Cash at bank		7,986		13,711
Cash on hand		23		35
Short term bank deposits up to 3 months		86,000		89,877
TOTAL CASH AND CASH EQUIVALENTS	**-**	**94,009**	**-**	**103,623**

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

Short term deposits are made with a registered bank, with a credit rating of at least A^{+}, 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 programme 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 12: Derivative financial instruments

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Assets				
Non-current assets				
Interest rate swaps - cash flow hedges		-		-
Total non-current assets	**-**	**-**	**-**	**-**
TOTAL DERIVATIVE FINANCIAL INSTRUMENT ASSETS	**-**	**-**	**-**	**-**
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges		522		522
Total current liabilities	**-**	**522**	**-**	**522**
Non-current liabilities				
Interest rate swaps - cash flow hedges		38,208		38,208
Interest rate swaps - non-hedged		-		-
Total non-current liabilities	**-**	**38,208**	**-**	**38,208**
TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	**-**	**38,730**	**-**	**38,730**

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 28: Hedging Reserve (page XX) and Note 32: Financial instruments (page XX).

Relevant significant accounting 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.

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

Note 13: Receivables and recoverables

Receivables and recoverables	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Current				
Receivables from exchange transactions		11,621		12,199
Recoverables from non-exchange transactions		34,519		35,414
Non-Current				
Receivables from exchange transactions		4,185		4,186
TOTAL RECEIVABLES AND RECOVERABLES - NET	**-**	**50,325**	**-**	**51,799**

Receivables from exchange transactions	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Trade receivables - debtors - net		5,890		5,282
Accrued income		3,131		3,131
Sundry receivables		6,785		7,970
Total receivables from exchange transactions - net	**-**	**15,806**	**-**	**16,383**

Recoverables from non-exchange transactions	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Taxes				
GST recoverable		5,709		5,622
Rates recoverable		9,981		9,981
Total taxes	**-**	**15,690**	**-**	**15,603**
Transfers				
Trade recoverables - debtors - net		7,879		8,392
Trade recoverables - fines - net		3,593		3,593
Total trade recoverables - net	-	11,472	-	11,985
Accrued income		5,408		5,408
Sundry recoverables		1,949		2,420
Total other recoverables	-	18,829	-	19,813
Total recoverables from non-exchange transactions - net		**34,519**		**35,416**

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.

Receivables and recoverables	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Receivables and recoverables from related parties				
- Controlled entities		380		-
- Associates and jointly controlled entity		-		-
Total receivables and recoverables from related parties	**-**	**380**	**-**	**-**

The movement in the provision for impairment of total receivables and recoverables is analysed as follows:

Provision for impairment of total receivables and recoverables	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		6,030		6,030
New provisions made		437		437
Release of unused provision		(166)		(166)
Amount of provision utilised		(118)		(118)
Provision for impairment of total receivables and recoverables - closing balance	**-**	**6,183**	**-**	**6,183**

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

Council	2017			2016		
	Gross	Impaired	Net	Gross	Impaired	Net
	$000	$000	$000	$000	$000	$000
Trade and other receivables and recoverables						
Not past due				31,868	-	31,868
Past due 0-3 months				9,229	(82)	9,147
Past due 3-6 months				2,538	(38)	2,500
Past due more than 6 months				12,873	(6,063)	6,810
TOTAL RECEIVABLES AND RECOVERABLES	**-**	**-**	**-**	**56,508**	**(6,183)**	**50,325**

Group	2017			2016		
	Gross	Impaired	Net	Gross	Impaired	Net
	$000	$000	$000	$000	$000	$000
Trade and other receivables and recoverables						
Not past due				33,142	-	33,142
Past due 0-3 months				9,352	(82)	9,270
Past due 3-6 months				2,567	(38)	2,529
Past due more than 6 months				12,921	(6,063)	6,858
TOTAL RECEIVABLES AND RECOVERABLES	**-**	**-**	**-**	**57,982**	**(6,183)**	**51,799**

The net 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.

Relevant significant accounting policies

Receivables from exchange transactions

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

Recoverables from non-exchange transactions

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

As 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.

Note 14: Other financial assets

	Council		Group	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Represented by:				
Current		315		315
Non-current		12,865		14,343
Total other financial assets	**-**	**13,180**	**-**	**14,658**
Comprised of:				
Financial assets at fair value through other comprehensive revenue and expense				
Equity investments:				
- Civic Assurance		766		766
- NZ Local Government Funding Agency (LGFA)		3,275		3,275
- Creative HQ incubator/accelerator shareholdings		-		1,427
Loans and deposits				
Bank deposits - term greater than 3 months		-		
LGFA - borrower notes		3,728		3,728
Loans to related parties - other organisations		5,096		5,096
Loans to external organisations		315		366
TOTAL OTHER FINANCIAL ASSETS	**-**	**13,180**	**-**	**14,658**

Equity investments

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% (2016: 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 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:

Loans	Council 2017 $000	Council 2016 $000	Group 2017 $000	Group 2016 $000
Loans to related parties - other organisations				
Wellington Regional Stadium Trust (nominal value $15,394,893)				
Opening balance		21		21
Amortisation of fair value adjustment		3		3
Closing balance at fair value	**-**	**24**	**-**	**24**
Karori Sanctuary Trust (nominal value $10,346,689)				
Opening balance		4,675	-	4,675
Amortisation of fair value adjustment		397	-	397
Movement in fair value		-	-	-
Loan repayment received		-		-
Closing balance at fair value	**-**	**5,072**	**-**	**5,072**
Loans to other external organisations				
Opening balance		150		197
New loan advances		442		442
Loan repayments received		(9)		(9)
Loan forgiveness		(118)		(118)
Loan write-off		(150)		(150)
Amortisation of fair value adjustment		-		4
Closing balance at fair value	**-**	**315**	**-**	**366**
TOTAL LOANS	**-**	**5,411**	**-**	**5,462**

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%. The expected repayment of the loan back to the Council is in 2070.

During the adoption of the 2016/17 Annual Plan the Council agreed to the purchase of the Zealandia visitor centre building. Following this purchase, the Council loan to the Karori Sanctuary Trust was 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 36: Related party disclosures.

Note 15: Non-current assets classified as held for sale

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		1,668		1,668
Disposals		(949)		(949)
Transfers from property, plant and equipment		1,504		1,504
Transfers to property, plant and equipment		(719)		(719)
TOTAL NON-CURRENT ASSETS CLASSFIED AS HELD FOR SALE	**-**	**1,504**	**-**	**1,504**

Relevant significant accounting 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 16: Intangibles

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Computer software				
Cost - opening balance		49,256		49,965
Accumulated amortisation		(39,537)		(40,143)
Computer software opening balance	-	9,719	-	9,822
Acquired by direct purchase		17,445		17,476
Amortisation		(4,479)		(4,535)
Net disposals		-		-
Transfer from property, plant and equipment		-		-
Total computer software - closing balance	**-**	**22,685**	**-**	**22,763**
Cost		66,989		67,730
Accumulated amortisation		(44,304)		(44,967)
Total computer software - closing balance	**-**	**22,685**	**-**	**22,763**
Work in progress				
Computer software		2,261		2,261
Total work in progress	**-**	**2,261**	**-**	**2,261**
Carbon credits				
Cost - Opening Balance		1,311		1,311
Additions		672		672
Net disposals		(192)		(192)
Total Carbon credits - closing balance	**-**	**1,791**	**-**	**1,791**
TOTAL INTANGIBLES	**-**	**26,737**	**-**	**26,815**

Disposals and transfers are reported net of accumulated amortisation.

The decrease in work in progress for computer software reflects the ongoing realisation of 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 2017 the Council received XXX credits (2016: 37,954). The Council purchased XXX credits (2016: 25,641) in the market to cover the expected liabilities associated with landfill operations. During the year XXX credits (2016: 34,078) were surrendered to meet the Council's ETS obligations for the 2016 calendar year. At 30 June 2017 the total number of credits held is XXX (2016: 357,589).

At 30 June 2017 the liability relating to landfill carbon emissions is $XXXm (2016: $0.765m).

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 significant accounting 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.

Typically, the estimated useful lives and amortisation rate range of these assets are as follows: To be updated

	2016	
Asset Category	Useful Life (years)	Amortisation Rate
Computer software	2 - 10	10 - 50%

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 17: Investment properties

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		201,557		201,557
Additions by acquisition		1,862		1,862
Additions by subsequent expenditure		-		-
Disposals		(5,955)		(5,955)
Fair value revaluation movements taken to surplus/(deficit)		13,773		13,773
Transfer from property, plant and equipment		-		-
TOTAL INVESTMENT PROPERTIES	**-**	**211,237**	**-**	**211,237**

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2017 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 (2016: $168.753m) and land and buildings of $XXXm (2016: $42.215m) held for investment purposes.

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 certain land and buildings.

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

The basis of valuation varies depending on the nature of the lease. For sites that are subject to a terminating lease the approach is to assess the value of the 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 18: Property, plant and equipment

Summary	Council 2017 $000	Council 2016 $000	Group 2017 $000	Group 2016 $000
Property, plant and equipment - Opening balance		6,595,900		6,608,226
Additions		166,311		169,524
Disposals		(1,515)		(1,849)
Depreciation expense		(94,704)		(96,436)
Impairment losses		(133)		(582)
Revaluation movement		(211)		(211)
Transfer to non-current assets held for sale		(1,504)		(1,504)
Transfer from non-current assets held for sale		719		719
Transfer to intangibles		-		-
Transfer to investment properties		-		-
Movement in work in progress		(18,888)		(18,400)
Acquisition of controlled entity		-		-
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**6,645,975**	**-**	**6,659,487**

Relevant significant accounting 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 valued at fair value on a regular basis or, whenever the carrying amount differs materially to fair value, by independent registered valuers. Where the information is available, land and buildings are valued based on market evidence. 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 Social 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 assets) are valued at optimised depreciated replacement cost on a regular basis or, whenever the carrying amount differs materially to fair value, 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 on a regular basis or, whenever the carrying amount differs materially to fair value, by independent registered valuers

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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance		-		-
Land - at valuation - opening balance		222,908		222,908
Total land - opening balance	-	222,908	-	222,908
Additions		21,741		21,741
Disposals		(1)		(1)
Total land - closing balance	**-**	**244,648**	**-**	**244,648**
Land - at cost - closing balance		21,741		21,741
Land - at valuation - closing balance		222,907		222,907
Total land - closing balance	**-**	**244,648**	**-**	**244,648**
Buildings				
Buildings - at cost - opening balance		-		-
Buildings - at valuation - opening balance		556,025		556,025
Total cost/valuation	-	556,025	-	556,025
Accumulated depreciation		-		-
Total buildings - opening balance	-	556,025	-	556,025
Additions		26,380		26,380
Depreciation expense		(20,348)		(20,348)
Disposals		(1,017)		(1,017)
Impairment		-		-
Revaluation adjustment		(211)		(211)
Transfer between asset classes		1,680		1,680
Transfer from investment properties		-		-
Total buildings - closing balance	**-**	**562,509**	**-**	**562,509**
Buildings - at cost - closing balance		25,906		25,906
Buildings - at valuation - closing balance		556,802		556,802
Total cost/valuation	-	582,708	-	582,708
Accumulated depreciation		(20,199)		(20,199)
Total buildings - closing balance	**-**	**562,509**	**-**	**562,509**
Landfill post closure costs [1]				
Landfill post closure - at cost - opening balance		3,040		3,040
Accumulated depreciation		(2,437)		(2,437)
Total landfill post closure costs - opening balance	-	603	-	603
Depreciation expense		(145)		(145)
Transfer between asset classes		-		-
Movement in post closure costs		474		474
Total landfill post closure costs - closing balance	**-**	**932**	**-**	**932**
Landfill post closure - at cost - closing balance		3,265		3,265
Accumulated depreciation		(2,333)		(2,333)
Total landfill post closure costs - closing balance	**-**	**932**	**-**	**932**

1. The Council's share of the joint venture with Porirua City Council relating to the Spicer Valley landfill is included in this asset class.

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Civic Centre complex				
Civic Centre complex - at cost - opening balance		176,562		176,562
Accumulated depreciation		(60,954)		(60,954)
Total Civic Centre complex - opening balance	-	115,608	-	115,608
Additions		2,387		2,387
Disposals		-		-
Depreciation expense		(2,739)		(2,739)
Impairment		-		-
Transfer between asset classes		(1,680)		(1,680)
Transfer to non-current assets held for sale		(1,054)		(1,054)
Total Civic Centre complex- closing balance	**-**	**112,522**	**-**	**112,522**
Civic Centre complex - at cost - closing balance		173,965		173,965
Accumulated depreciation		(61,443)		(61,443)
Total Civic Centre complex- closing balance	**-**	**112,522**	**-**	**112,522**
Plant and equipment				
Plant and equipment - at cost - opening balance		213,057		225,843
Accumulated depreciation		(92,456)		(99,817)
Total plant and equipment - opening balance	-	120,601	-	126,026
Additions		7,049		10,262
Depreciation expense		(11,890)		(13,622)
Disposals		(239)		(573)
Impairment		(133)		(582)
Transfer between asset classes		-		-
Transfer to intangibles		-		-
Acquisition of controlled entity		-		-
Total plant and equipment - closing balance	**-**	**115,388**	**-**	**121,511**
Plant and equipment - at cost		216,102		231,319
Accumulated depreciation		(100,714)		(109,808)
Total plant and equipment - closing balance	**-**	**115,388**	**-**	**121,511**
Library collections				
Library collections - at cost - opening balance		1,664		1,664
Library collections - at valuation - opening balance		14,817		14,817
Total cost/valuation	-	16,481	-	16,481
Accumulated depreciation		(2,096)		(2,096)
Total library collections - opening balance	-	14,385	-	14,385
Additions		1,887		1,887
Depreciation expense		(2,165)		(2,165)
Total library collections - closing balance	**-**	**14,107**	**-**	**14,107**
Library collections - at cost - closing balance		3,545		3,545
Library collections - at valuation - closing balance		14,818		14,818
Total cost/valuation	-	18,363	-	18,363
Accumulated depreciation		(4,256)		(4,256)
Total library collections - closing balance	**-**	**14,107**	**-**	**14,107**
Total operational assets	**-**	**1,050,106**	**-**	**1,056,229**

Disposals and transfers are reported net of accumulated depreciation

	Council 2017 $000	Council 2016 $000	Group 2017 $000	Group 2016 $000
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		25,215		25,215
Drainage, waste and water - at valuation - opening 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 - opening balance	-	1,195,142	-	1,195,142
Additions		39,538		39,538
Depreciation expense		(27,586)		(27,586)
Transfer between asset classes		(4)		(4)
Total drainage, water and waste - closing balance	**-**	**1,207,090**	**-**	**1,207,090**
Drainage, waste and water - at cost - closing balance		63,847		63,847
Drainage, waste and water - at valuation - closing balance		1,197,319		1,197,319
Total cost/valuation	-	1,261,166	-	1,261,166
Accumulated depreciation		(54,076)		(54,076)
Total drainage, water and waste - closing balance	**-**	**1,207,090**	**-**	**1,207,090**
Roading				
Roading - at cost - opening balance		29,927		29,927
Roading - at valuation - opening balance		824,103		826,703
Total cost/valuation	-	854,030	-	856,630
Accumulated depreciation		(21,857)		(21,857)
Total roading - opening balance	-	832,173	-	834,773
Additions		58,732		58,732
Depreciation expense		(23,341)		(23,341)
Transfer between asset classes		537		537
Total roading - closing balance	**-**	**868,101**	**-**	**870,701**
Roading - at cost - closing balance		88,659		88,659
Roading - at valuation - closing balance		824,639		827,239
Total cost/valuation	-	913,298	-	915,898
Accumulated depreciation		(45,197)		(45,197)
Total roading - closing balance	**-**	**868,101**	**-**	**870,701**
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		(4,969)		(4,969)
Total service concession assets - opening balance	-	149,798	-	149,798
Additions	-	-	-	-
Depreciation expense		(4,969)		(4,969)
Total service concession assets - closing balance	**-**	**144,829**	**-**	**144,829**
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		(9,938)		(9,938)
Total service concession assets - closing balance	**-**	**144,829**	**-**	**144,829**

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
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		(4,969)		(4,969)
Total service concession assets - opening balance	-	149,798	-	149,798
Additions	-	-	-	-
Depreciation expense		(4,969)		(4,969)
Total service concession assets - closing balance	**-**	**144,829**	**-**	**144,829**
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		(9,938)		(9,938)
Total service concession assets - closing balance	**-**	**144,829**	**-**	**144,829**
Infrastructure land				
Infrastructure land - at cost - opening balance		192		192
Infrastructure land - at valuation - opening balance		35,818		35,818
Total infrastructure land - opening balance	-	36,010	-	36,010
Additions		3,208		3,208
Transfer between asset classes		-		-
Transfer from non-current assets held for sale		320		320
Transfer to non-current assets held for sale		-		-
Total infrastructure land - closing balance	**-**	**39,538**	**-**	**39,538**
Infrastructure land - at cost - closing balance		3,720		3,720
Infrastructure land - at valuation - closing balance		35,818		35,818
Total infrastructure land - closing balance	**-**	**39,538**	**-**	**39,538**
Land under roads				
Land under roads - at cost - opening balance		2,950,197		2,950,197
Additions		224		224
Disposals		(258)		(258)
Transfer between asset classes		-		-
Transfer from non-current assets held for sale		358		358
Transfer to non-current assets held for sale		(377)		(377)
Land under roads - closing balance	**-**	**2,950,144**	**-**	**2,950,144**
Total infrastructure assets	**-**	**5,209,702**	**-**	**5,212,302**
Restricted assets [2]				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,927		11,266
Additions		21		21
Transfer between asset classes		(281)		(281)
Art and cultural assets - closing balance	**-**	**8,667**	**-**	**11,006**

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Restricted buildings				
Restricted buildings - at cost - opening balance		36,627		36,627
Accumulated depreciation		(9,497)		(9,497)
Total restricted buildings - opening balance	-	27,130	-	27,130
Additions		4,386		4,386
Depreciation expense		(1,521)		(1,521)
Impairment		-		-
Transfer between asset classes		-		-
Restricted buildings - closing balance	**-**	**29,995**	**-**	**29,995**
Restricted buildings - at cost - closing balance		40,865		40,865
Accumulated depreciation		(10,870)		(10,870)
Total restricted buildings - closing balance	**-**	**29,995**	**-**	**29,995**
Parks and reserves				
Parks and reserves - at cost - opening balance		211,888		211,888
Additions		284		284
Disposals		-		-
Transfer between asset classes		(252)		(252)
Transfer from non-current assets held for sale		41		41
Transfer to non-current assets held for sale		(73)		(73)
Parks and reserves - closing balance	**-**	**211,888**	**-**	**211,888**
Town Belt - at cost		**84,544**		**84,544**
Zoo animals - at cost		**500**		**500**
Total restricted assets	**-**	**335,594**	**-**	**337,933**
Work in progress				
Land		143		143
Buildings		23,569		23,569
Civic Centre complex		4,639		4,639
Plant and equipment		10,238		12,688
Library		474		474
Drainage, waste and water		5,038		5,038
Roading		6,173		6,173
Art and cultural		181		181
Restricted buildings		118		118
Total work in progress	**-**	**50,573**	**-**	**53,023**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**6,645,975**	**-**	**6,659,487**

2. For restricted assets, valuation at cost means they are not subject to revaluation. Please refer to the relevant significant accounting policies above for a more detailed explanation.

Disposals and transfers are reported net of accumulated depreciation

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 2017 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collections were valued as at 30 June 2017 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 2017 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 2015 and 30 June 2017 for the building assets were assessed using appropriate indices. The increase in asset value of XX% was not considered material by management and accordingly the assets were not revalued at 30 June 2017.

Further information on revaluation reserves and movements is contained in Note 27: Revaluation reserves.

Finance leases

The net carrying amount of plant and equipment assets held by the Council under finance leases is $XXXm (2016: $0.216m).

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	2017			
	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 CORE ASSETS	-	-	-	-

Council	2016			
	Closing book value	Additions		Replacement Cost
		Constructed	Vested	
	$000	$000	$000	$000
Water supply				
- treatment plants and facilities	-	-	-	-
- other assets	535,184	15,033	1,644	945,331
Sewerage				
- treatment plants and facilities	166,979	-	-	222,587
- other assets	315,259	10,852	1,296	774,822
Stormwater drainage	390,251	4,867	3,042	654,926
Flood protection and control works	-	-	-	-
Roads and footpaths	624,743	34,444	502	850,940
TOTAL CORE ASSETS	**2,032,415**	**65,196**	**6,484**	**3,448,606**

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 (2016: $243.4m) 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	
	2017	2016
	$000	$000
Total value of property, plant and equipment		6,645,975
less assets (primarily land) excluded from insurance contracts		(3,581,335)
Value of assets covered by insurance contracts	-	**3,064,640**
The maximum amount to which assets are insured under Council insurance policies		895,000

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 (2016: $9.566m) exists to meet the cost of claims that fall below deductible limits under Council insurance policies. The reserve is funded annually through rates by $1.500m (2016: $1.500m). The net cost of claims applied to the reserve during the year amounted to $XXXm (2016: $0.661m). Refer to Note 30: Restricted Funds (page XX) for more information on the reserve.

Note 19: 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	2017 $000	2016 $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 36: Related party disclosures (page XX).

The following entities are controlled entities of Council:

Controlled entities	Accounting Interest 2017	Accounting Interest 2016	Nature of business
Karori Sanctuary Trust (Trading as Zealandia)	100%	0%	Owns and manages the activities of the urban eco-sanctuary in Karori.
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, the Museum of Wellington City and Sea and the NZ Cricket Museum
Wellington Regional Economic Development Agency Limited (WREDA)	80%	80%	Manages the Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
- Creative HQ Limited	80%	80%	Business incubators
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Waterfront project
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

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 relevant sections of the Statements of Service Provision.

Note 20: 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	
	2017	2016
	$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 and Jointly controlled entities	Accounting Interest 2017	Accounting Interest 2016	Nature of business
Chaffers Marina Holdings Limited	10.52%	10.52%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	10.52%	10.52%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
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.
Basin Reserve Trust	0% (See below)	0%	Manages, operates and maintains the Basin Reserve
Wellington Regional Stadium Trust*	0% (see below)	0%	Owns and manages the Westpac Stadium.

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

Associates

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2016 Council held a 10.52% interest in Chaffers Marina Holdings Limited (2016:10.52%) which has been recognised in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

Wellington International Airport Limited

Wellington International Airport Limited has a reporting period end date of 31 March. The ultimate majority owner, Infratil Limited, has determined a different end of reporting period to 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).

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.

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.

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 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. 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 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 2017 $000	Liabilities 2017 $000	Revenues 2017 $000	Surplus/(Deficit) 2017 $000
Associates				
Chaffers Marina Holdings Limited				
Wellington International Airport Limited				
Jointly controlled entity				
Wellington Water Limited				

	Assets 2016 $000	Liabilities 2016 $000	Revenues 2016 $000	Surplus/(Deficit) 2016 $000
Associates				
Chaffers Marina Holdings Limited	626	171	105	(36)
Wellington International Airport Limited	326,110	153,852	38,593	12,805
Jointly controlled entity				
Wellington Water Limited	4,248	3,438	19,499	42

Value of the investments

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	
	2017	2016
	$000	$000
Chaffers Marina Holdings Limited		
Opening balance		939
Change in shares during the year		-
Change in equity due to changed shareholding		-
Equity accounted earnings of associate		(36)
Closing balance - investment in Chaffers Marina Holdings Limited	**-**	**903**
Wellington International Airport Limited		
Opening balance		135,960
Dividends		(12,059)
Equity accounted earnings of associate		12,805
Share of net revaluation of property, plant and equipment - movement		-
Closing balance - investment in Wellington International Airport Limited	**-**	**136,706**
Wellington Water Limited		
Opening balance		768
Change in equity due to changed shareholding		-
Equity accounted earnings of jointly controlled entity		42
Closing balance - investment in Wellington Water Limited	**-**	**810**
TOTAL INVESTMENT IN ASSOCIATES AND JOINTLY CONTROLLED ENTITY	**-**	**138,419**

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 9: Share of Associates' and Jointly Controlled Entity's surplus or deficit. (page XX).

Note 21: Exchange transaction, taxes and transfers payable

Exchange transactions, taxes and transfers payable	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Current				
Payables under exchange transactions		42,627		45,703
Taxes and transfers payable		10,647		11,299
Non-current				
Payables under exchange transactions		630		630
TOTAL EXCHANGE TRANSACTIONS, TAXES AND TRANSFERS PAYABLE	**-**	**53,904**	**-**	**57,632**

Comprised of:

Payables under exchange transactions	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Exchange payables and accruals		36,712		39,782
Interest payable		3,059		3,059
Sundry payables		3,486		3,492
Total payables under exchange tranaction	**-**	**43,257**	**-**	**46,333**

Taxes and transfers payable	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Taxes payable				
GWRC rates		1,861		1,861
Other		991		1,207
Transfers payable				
Creditors and accruals		3,674		4,076
Sundry payables		4,121		4,155
Total taxes and transfers payable	**-**	**10,647**	**-**	**11,299**

Exchange transactions, taxes and transfers payable to related parties	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Controlled entities		1,515		-
Associates and jointly controlled entity		2,078		2,078
Total exchange transactions, taxes and transfers payable to related parties	**-**	**3,593**	**-**	**2,078**

Payables under 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. Most of Council's payables are exchange transactions as they are directly with another party on an arm's length basis and are of approximately equal value. Non-exchange payables are classified as either taxes (eg. PAYE) or transfers payable (eg. Council grants).

Note 22: Revenue in advance

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Exchange				
Lease rentals		3,416		3,416
Other		-		366
Taxes				
Rates		1,350		1,350
Transfers				
Wellington Venues operations		1,256		1,256
Inspection and licensing fees		3,393		3,393
Other		1,042		1,818
Liabilities recognised under conditional transfer agreements		32,641		33,594
TOTAL REVENUE IN ADVANCE	**-**	**43,098**	**-**	**45,193**

Relevant significant accounting policies

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.

The primary liability recognised as being under a conditional transfer agreement is $XXXm relating to the capital grant received from the Crown for the housing upgrade project (2016: $28.474m)

Note 23: 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Current				
Bank facilities - short term - committed		-		-
Bank loans - term		22		22
Commercial paper		100,000		100,000
Debt securities - fixed rate bonds		-		-
Debt securities - floating rate notes		40,000		40,000
Finance leases		53		53
Total current	**-**	**140,075**	**-**	**140,075**
Non-current				
Bank loans - term		3,907		3,907
Debt securities - fixed rate bonds		20,000		20,000
Debt securities - floating rate notes		326,500		326,500
Finance leases		2		2
Total non-current	**-**	**350,409**	**-**	**350,409**
TOTAL GROSS BORROWINGS	**-**	**490,484**	**-**	**490,484**

Net Borrowings

When the cash position of Council and the Group is taken into account the net borrowings position is comprised as follows:

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Total gross borrowings	-	490,484	-	490,484
Less				
Cash and cash equivalents (see Note 11)	-	(94,009)	-	(103,623)
TOTAL NET BORROWINGS	**-**	**396,475**	**-**	**386,861**

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 32: 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.

Ring fenced funds

The Council holds $XXXm (2016: $62.906m) 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 (2016: $57.578m), 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 (2016: $5.328m) 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. Council is committed to a number of waste minimisation projects that will utilise these funds.

Note 24: Employee benefits and liabilities provision

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Current				
Short-term benefits				
Payroll accruals		1,878		2,267
Holiday leave		5,256		6,385
Total short-term benefits	**-**	**7,134**	**-**	**8,652**
Termination benefits				
Other contractual provisions		55		55
Total termination benefits	**-**	**55**	**-**	**55**
Total current	**-**	**7,189**	**-**	**8,707**
Non-current				
Long-term benefits				
Long service leave provision		-		49
Retirement gratuities provision		995		1,007
Total long-term benefits	**-**	**995**	**-**	**1,056**
TOTAL EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS	**-**	**8,184**	**-**	**9,763**

Relevant significant accounting policies - general

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

Holiday leave

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

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

Retirement gratuities provision	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		1,096		1,108
Movement in required provision		(32)		(32)
Release of unused provision		(7)		(7)
Rediscounting of interest		59		59
Amount utilised		(121)		(121)
Retirement gratuities - closing balance	**-**	**995**	**-**	**1,007**

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 significant accounting policies - specific

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 2017, before discounting, is $XXXm (2016: $1.262m). The discount rate used is XXX%.

Other contractual provisions	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		112		112
New provision		55		55
Release of unused provision		-		-
Amount utilised		(112)		(112)
Other contractual provisions - closing balance	**-**	**55**	**-**	**55**

Background

The above provision is to cover estimated redundancy costs as at 30 June 2017 resulting from current restructuring within the Council.

Relevant significant accounting policies - specific

Other contractual provisions 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.

Note 25: Provisions for other liabilities

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Current				
ACC Partnership programme		12		12
Landfill post closure costs		1,441		1,441
Weathertight homes		9,500		9,500
Total current	**-**	**10,953**	**-**	**10,953**
Non-current				
Landfill post closure costs		15,330		15,330
Weathertight homes		34,920		34,920
Total non-current	**-**	**50,250**	**-**	**50,250**
TOTAL PROVISIONS FOR OTHER LIABILITIES	**-**	**61,203**	**-**	**61,203**

Relevant significant accounting policies - general

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

Movements in material provisions above are analysed as follows:

Landfill post closure costs	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		15,820		15,820
Movement in provision		479		479
Re-discounting of interest		932		932
Amount utilised		(460)		(460)
Landfill post closure costs - closing balance	**-**	**16,771**	**-**	**16,771**
Current		1,441		1,441
Non-current		15,330		15,330
Landfill post closure costs - closing balance	**-**	**16,771**	**-**	**16,771**

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.

The Council, as operator of the Southern Landfill, has a legal obligation to apply for resource consents when the landfill or landfill stages reach the end of their operating life and are to be closed. These resource consents will set out the closure requirements and the requirements for ongoing maintenance and monitoring services at the landfill site after closure.

Relevant significant accounting policies - specific

A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises, which is when each stage of the landfill is commissioned and refuse begins to accumulate.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. 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 2017 (2016: $23.576m). 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 XXXm^3 (2016: 664,018m^3) and is expected to close in 2021. 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 XXXm^3 (2016: 407,000m^3) and an estimated remaining life out to 2022.

Weathertight homes	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		41,200		41,200
Additional or increased provision made		12,006		12,006
Amount utilised		(8,786)		(8,786)
Weathertight homes - closing balance	**-**	**44,420**	**-**	**44,420**
Current	-	9,500	-	9,500
Non-current	-	34,920	-	34,920
Weathertight homes - closing balance	**-**	**44,420**	**-**	**44,420**

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 (2016: $2.056m) 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	2017	
	$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

Council uses borrowings in the first instance to meet the cost of settlements with the associated borrowings subsequently being repaid through rates funding. To ensure that the funding of weathertight homes is fully transparent the associated settlement costs, borrowings and rates funding is reported annually.

Funding for weathertight homes liability	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		(23,207)		(23,207)
Funding for weathertight homes liability		8,125		8,125
Total amounts paid		(8,786)		(8,786)
Interest allocation		(1,551)		(1,551)
Closing balance funded through borrowings	**-**	**(25,419)**	**-**	**(25,419)**

Note 26: Deferred tax

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Deductible temporary differences		-		559
Tax losses		1,037		1,165
TOTAL DEFERRED TAX	**-**	**1,037**	**-**	**1,724**

Unrecognised temporary differences and tax losses

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

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 (2016: $0.290m) and for the Group $XXXm (2016: $0.483m).

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 2017 $XXXm (2016: $0.357m) previously unrecognised tax losses, with a tax effect of $XXXm (2016: $0.100m) were recognised by the Group by way of a loss transfer arrangement.

As at 30 June 2017, the Group has a deferred tax liability of $XXXm (2016: $1.331m).

Relevant significant accounting policies

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Statement of changes in equity

For the year ending 30 June 2017

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2017	2017	2016	2017	2016
	Note	$000	$000	$000	$000	$000
EQUITY - Opening 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 - Opening balance		**-**	**-**	**6,370,332**	**-**	**6,500,312**
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year				34,106		36,610
Transfer to restricted funds				(5,118)		(6,367)
Transfer from restricted funds				4,178		4,549
Transfer from revaluation reserves				653		653
Revaluation reserves	**27**					
Fair value movement - property, plant and equipment - net				(211)		(211)
Effect of changed shareholding in associates				-		-
Transfer to retained earnings				(653)		(653)
Hedging reserve	**28**					
Movement in hedging reserve				(21,268)		(21,268)
Fair value through other comprehensive revenue and expense reserve	**29**					
Movement in fair value - Equity investments				1,542		1,542
Movement in fair value - Available for sale equities				-		(21)
Non-controlling interest						
Movement of non-controlling interest				-		(32)
Restricted funds	**30**					
Transfer to retained earnings				(4,178)		(4,549)
Transfer from retained earnings				5,118		6,367
Total comprehensive revenue and expense		**-**	**-**	**14,169**	**-**	**16,620**
EQUITY - Closing balances						
Accumulated funds			-	1,269,134	-	1,293,162
Retained earnings			-	3,756,048	-	3,745,251
Revaluation reserves			-	1,382,337	-	1,496,198
Hedging reserve			-	(38,730)	-	(38,730)
Fair value through other comprehensive revenue and expense reserve			-	1,648	-	2,026
Non-controlling interest			-	-	-	284
Restricted funds			-	14,064	-	18,741
TOTAL EQUITY - Closing balance		**-**	**-**	**6,384,501**	**-**	**6,516,932**

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2017	2017	2016	2017	2016
	Note	$000	$000	$000	$000	$000
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	-	14,169	-	16,620
Non-controlling interest		-	-	-	-	-
		-	**-**	**14,169**	**-**	**16,620**

Statement of changes in equity – Major budget variations

Significant variations from budgeted changes in equity are as follows:

- ………….

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 27: Revaluations

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Land - opening balance		155,091		155,091
Revaluation recognised in other comprehensive revenue and expense		-		-
Land - closing balance	**-**	**155,091**	**-**	**155,091**
Buildings - opening balance		231,498		231,498
Revaluation recognised in other comprehensive revenue and expense		-		-
Revaluation adjustment		(211)		(211)
Transfer to retained earnings on disposal of assets		(653)		(653)
Buildings - closing balance	**-**	**230,634**	**-**	**230,634**
Library collections - closing balance		**7,015**		**7,015**
Drainage, waste and water - closing balance		**547,533**		**547,533**
Service concession assets - closing balance		**70,619**		**70,619**
Infrastructure land - closing balance		**15,410**		**15,410**
Roading - closing balance		**356,035**		**356,035**
Associates' revaluation reserves - opening balance	-	-		113,861
Revaluation recognised in other comprehensive revenue	-	-	-	-
Effect of changed shareholding in associates	-	-	-	-
Associates' revaluation reserves - closing balance	**-**	**-**	**-**	**113,861**
Total revaluation reserves - closing balance	**-**	**1,382,337**	**-**	**1,496,198**
These revaluation reserves are represented by:				
Opening balance		1,383,201		1,497,062
Revaluation recognised in other comprehensive revenue		-		
Revaluation adjustment		(211)		(211)
Transfer to retained earnings on disposal of assets		(653)		(653)
Effect of changed shareholding in associates		-		-
TOTAL REVALUATION RESERVES	**-**	**1,382,337**	**-**	**1,496,198**

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 2017 Council has revalued its investment properties, which are revalued every year, the infrastructure land and network assets (Drainage, waste, water and roading), service concession assets and the Library collection as per the normal 3-yearly cycle. Operational land and buildings are due for revaluation in 2017/18.

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 significant accounting policies

The result of any revaluation of the Group's property, plant and equipment is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is included in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised within surplus or deficit will be recognised firstly, within surplus or deficit up to the amount previously expensed, and with any remaining increase recognised within other comprehensive revenue and expense and in the revaluation reserve for that class of property, plant and equipment.

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 28: Hedging reserve

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		(17,462)		(17,462)
Cash flow hedge net movement recognised in other comprehensive revenue and expenses		(21,268)		(21,268)
TOTAL HEDGING RESERVE	**-**	**(38,730)**	**-**	**(38,730)**

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 29: Fair value through other comprehensive revenue and expense reserve

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Opening balance		106		505
Movements:				
Civic Assurance		133		133
Local Government Funding Agency		1,409		1,409
Creative HQ shareholdings - available for sale		-		(21)
TOTAL FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE	**-**	**1,648**	**-**	**2,026**

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Assurance and the Local Government Funding Agency, for which there is no intention to sell. For further information refer to Note 14: Other financial assets (page XX).

In the Group, Creative HQ, 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 30: Restricted funds

Restricted funds are comprised of special reserves and funds that Council holds for specific purposes and trusts and bequests that have been bestowed upon the Council for the benefit of all Wellingtonians.

	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Special reserves and funds		13,639		17,094
Trusts and bequests		425		1,647
TOTAL RESTRICTED FUNDS	**-**	**14,064**	**-**	**18,741**

Special reserves and funds	Opening Balance 2017 $000	Additional Funds 2017 $000	Funds Utilised 2017 $000	Closing Balance 2017 $000
Council				
City growth fund	3,291			
Reserve purchase and development fund	782			
Insurance reserve	9,566			
Total Council	**13,639**	**-**	**-**	**-**
Controlled entities' reserve funds	3,455			
Total Group - Special reserves and funds	**17,094**	**-**	**-**	**-**

Nature and purpose, funding and utilisation

City Growth Fund (formerly the Wellington economic initiatives development fund)

This fund is part of an integrated approach to fostering growth in the economy. Funding of $3m was provided from previous surpluses and $XXXm was utilised during the year.

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas within the city. During the year $XXXm was used to purchase…………………

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 $1.500m (2016: $1.500m) are funded through rates as identified in the Annual Plan. During the year $XXXm (2016: $0.661m) was used to meet under-excess insurance costs.

Controlled entities' reserve funds

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

- The Wellington Museums Trust has 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 two reserves; an Animal Transfer Fund specifically for the transfer of animals and a Conservation Fund to specifically support field conservation.

Trust and bequests	Opening Balance 2017 $000	Additional Funds 2017 $000	Funds Utilised 2017 $000	Closing Balance 2017 $000
Council				
A Graham Trust	3			
A W Newton Bequest	318			
Charles Plimmer Bequest	-			
E A McMillan Estate	6			
E Pengelly Bequest	14			
F L Irvine Smith Memorial	7			
Greek NZ Memorial Association	5			
Kidsarus 2 Donation	3			
Kirkcaldie and Stains Donation	17			
QEII Memorial Book Fund	20			
Schola Cantorum Trust	8			
Terawhiti Grant	10			
Wellington Beautifying Society Bequest	14			
Total Council - Trusts and bequests	**425**	**-**	**-**	**-**
Controlled entities' trusts and bequests	1,222			
Total Group - Trusts and bequests	**1,647**	**-**	**-**	**-**

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 - $XXXm

Funds utilised

Trusts and bequests funds utilised during the year were:

- Charles Plimmer Bequest - Botanical Gardens Children's garden - $XXXm
- A W Newton Bequest - Fine Arts - $XXXm
- A W Newton Bequest - Sports Festival - $XXXm

Nature and purpose

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

The Wellington Zoo Trust has a number of bequests, trusts and capital grants made to it for specific purposes, which are held as restricted funds until utilised. Further information on these can be found in the Wellington Zoo Trust annual report published on their website – https://wellingtonzoo.com/about-us/about-our-zoo/

Statement of cash flows

For the year ending 30 June 2017

	Council			Group	
	Actual 2017 $000	Budget 2017 $000	Actual 2016 $000	Actual 2017 $000	Actual 2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from rates - Council			272,802		272,802
Receipts from rates- Greater Wellington Reginal Council			55,622		55,622
Receipts from activities and other revenue			119,920		131,199
Receipts from grants and subsidies - Operating			7,108		15,839
Receipts from grants and subsidies - Capital			38,918		39,679
Receipts from investment property lease rentals			11,025		11,025
Cash paid to suppliers and employees			(288,166)		(324,047)
Rates paid to GWRC			(56,288)		(56,288)
Grants paid			(38,384)		(18,543)
Income tax paid			-		(244)
Net GST (paid) / received			(925)		(2,329)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-**	**-**	**121,632**	**-**	**124,715**
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received			12,179		12,218
Interest received			3,103		3,311
Loan repayments			277		277
Decrease in bank investments			-		-
Proceeds from sale of property, plant and equipment			592		1,023
Proceeds from sale of Investments			-		-
Proceeds from sale of Investment property			6,843		6,843
Loan advance made			(442)		(442)
Increase in investments			(1,520)		(1,520)
Cash from aquisition of controlled entity			-		-
Purchase of investment properties			(1,862)		(1,862)
Purchase of intangibles			(9,521)		(9,521)
Purchase of property, plant and equipment			(136,816)		(140,648)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-**	**-**	**(127,167)**	**-**	**(130,321)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrow ings			148,855		148,855
Repayment of borrow ings			(92,099)		(92,099)
Interest paid on borrow ings			(23,125)		(23,125)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**-**	**33,631**	**-**	**33,631**
Net increase/(decrease) in cash and cash equivalents	-	-	28,096	-	28,025
Cash and cash equivalents at beginning of year			65,913		75,598
CASH AND CASH EQUIVALENTS AT END OF YEAR	**-**	**-**	**94,009**	**-**	**103,623**

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 (2016: $62.906m) relating to the housing upgrade project and waste activities. For more information see Note 23: 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.

Statement of cash flows – Major budget variations

Cash flow budgeting is performed using various assumptions around the timing of events and any departure from these timings will affect the outcome against budget.

Significant variations from the cash flow budgets are as follows:

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

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

Net cash flows from financing activities were $XXXm higher than budget primarily due to:

Note 31: 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Net surplus for the period		**34,106**		**36,610**
Add/(deduct) non-cash items:				
Vested assets		(10,181)		(10,181)
Bad debts written off not prevously provided for		282		282
Depreciation and amortisation		99,183		100,971
Impairment of property, plant and equipment		132		581
Fair value changes in investment properties		(13,773)		(13,773)
Other fair value changes		(400)		(400)
Movement in provision for impairments of doubtful debts		153		153
Tax expense		-		-
Non-cash movement in provisions		12,079		12,550
Total non-cash items	**-**	**87,475**	**-**	**90,183**
Add/(deduct) movement in working capital: [1]				
Exchange receivables and non-exchange recoverables		(10,826)		(6,962)
Prepayments		953		572
Inventories		(202)		(123)
Exchange transactions, taxes and transfers payables		(4,623)		(8,555)
Revenue in advance		13,805		12,837
Employee benefit liabilities		782		879
Provision for other liabilities		(7,908)		(7,908)
Total working capital movement	**-**	**(8,019)**	**-**	**(9,260)**
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment		1,115		1,461
Net (gain)/loss on disposal of investment property		(888)		(888)
Dividends received		(12,179)		(160)
Interest received		(3,103)		(3,334)
Tax paid and subvention receipts		-		(205)
Interest paid on borrowings		23,125		23,119
Share of equity accounted surplus in associates		-		(12,811)
Total investing and financing activities	**-**	**8,070**	**-**	**7,182**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-**	**121,632**	**-**	**124,715**

1. Excluding non-cash items

Note 32: 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 significant accounting policies

Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Financial assets				
Loans and receivables				
Cash and cash equivalents	-	94,009	-	103,623
Receivables from exchange transactions	-	15,806	-	16,385
Recoverables from non-exchange transactions	-	34,519	-	35,414
Other financial assets	-	9,139	-	9,190
Total loans and receivables	**-**	**153,473**	**-**	**164,612**
Financial assets at fair value through other comprehensive revenue and expense				
Other financial assets	-	4,041	-	5,468
Total financial assets at fair value through other comprehensive revenue and expense	**-**	**4,041**	**-**	**5,468**
Hedged derivative financial instruments				
Derivatives designated as cash flow hedges	-	-	-	-
Total hedged derivative financial instruments	**-**	**-**	**-**	**-**
Total financial assets	**-**	**157,514**	**-**	**170,080**
Total non-financial assets	-	6,922,590	-	7,051,339
Total assets	**-**	**7,080,104**	**-**	**7,221,419**
Financial liabilities				
Financial liabilities at amortised cost				
Payables under exchange transactions	-	43,257	50,552	50,552
Taxes and transfers payable	-	10,647	12,817	12,817
Borrowings	-	490,484	-	490,484
Total financial liabilities at amortised cost	**-**	**544,388**	**63,369**	**553,853**
Derivative financial instruments				
Derivatives designated as cash flow hedges	-	38,730	-	38,730
Total derivative financial instruments	**-**	**38,730**	**-**	**38,730**
Total financial liabilities	**-**	**583,118**	**63,369**	**592,583**
Total non-financial liabilities	-	112,485	(63,369)	111,904
Total liabilities	**-**	**695,603**	**-**	**704,487**

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.

Group	2017			2016		
	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				-	-	5,468
Derivative financial instruments						
- Cash flow hedges				-	-	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges				-	38,730	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Financial assets at fair value through other comprehensive revenue and expense				
- Equity investments				
Opening balance - 1 July		2,499		3,900
Opening balance from acquisition		-		-
Purchases		-		65
Disposals		-		(18)
Gains or losses recognised in other comprehensive revenue and expense		1,542		1,521
Closing balance - 30 June	**-**	**4,041**	**-**	**5,468**

The level 3 equity investments comprise the Council's shareholdings in the Local Government Funding Agency $XXXm (2016: $3.275m) and Civic Assurance $XXXm (2016:$0.766m). Refer to Note 14: 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 34: 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Financial instruments with credit risk				
Cash and cash equivalents	-	94,009	-	103,623
Derivative financial instrument assets	-		-	
Receivables and recoverables				
- Receivables	-	15,806		11,621
- Recoverables	-	34,519	-	35,414
Other financial assets				
- Bank deposits - term	-	-	-	-
- LGFA borrower notes	-	3,728	-	3,728
- Loans to related parties - other organisations	-	5,096	-	5,096
- Loans to external organisations	-	315	-	366
Financial guarantees to related parties	-	278	-	278
Total financial instruments with credit risk	**-**	**153,751**	**-**	**160,126**

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 34: 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Cash - registered banks				
AA-		7,986		13,711
Short term deposits - registered banks				
AA-		84,500		88,377
A+		1,500		1,500
Term deposits (greater than 3 months) - registered banks				
AA-		-		-
Term deposits - borrower notes - NZ LGFA				
AA+		3,728		3,728
Derivative financial instrument assets				
AA-				

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.

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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		205,279		214,747
1-2 years		49,843		49,843
2-5 years		162,570		162,570
More than 5 years		186,650		186,650
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**604,342**	**-**	**613,810**
Represented by:				
Carrying amount as per the Statement of Financial Position		544,388		553,856
Future interest payable		59,954		59,954
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**604,342**	**-**	**613,810**

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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Contractual cash flows of derivative financial liabilities				
0-12 months		8,532		8,532
1-2 years		8,268		8,268
2-5 years		16,795		16,795
More than 5 years		9,372		9,372
Total contractual cashflow of derivative financial liabilities	**-**	**42,967**	**-**	**42,967**
Represented by:				
Future interest payable		42,967		42,967
Total contractual cash flows of derivative financial liabilities	**-**	**42,967**	**-**	**42,967**

In addition to cash to be received in 2017/18 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 34: 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 net debt before interest rate swaps	Actual % of fixed net 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents		94,009		103,623
Bank deposits - term greater than 3 months		-		-
Bank facilities - short term		-		-
Bank loans		(3,929)		(3,929)
Commercial paper		(100,000)		(100,000)
Debt securities - floating rate notes		(366,500)		(366,500)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**-**	**(376,420)**	**-**	**(366,806)**
Effect of interest rate swaps in reducing interest rate volatility				
Effect of Cash flow interest rate swaps - hedged		367,500		367,500
Effect of Cash flow interest rate swaps - non-hedged		-		-
Total effect of interest rate swaps in reducing interest rate volatility	**-**	**367,500**	**-**	**367,500**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**-**	**(8,920)**	**-**	**694**

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 2017 the fair value of the interest rate swaps was -$XXXm (2016: -$38.730m). 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Investments				
Cash and cash equivalents		2.99		2.89
LGFA - borrower notes		2.80		2.80
Loans to related parties		-		-
Loans to external organisations		-		-
Borrowings				
Bank facilities - short term		-		-
Bank loans		7.00		7.00
Commercial paper		2.41		2.41
Debt securities - fixed		4.84		4.84
Debt securities - floating		2.96		2.96
Derivative financial instruments - hedged		4.63		4.63
Finance leases		10.22		10.24

The related party loan to the Wellington Regional Stadium Trust is 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		2017			
		$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 $XXm 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 has a Commercial Paper programme which is subject to floating rates and totals $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.

Note 33: Commitments

Capital commitments	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Approved and contracted - property, plant and equipment		9,771		9,771
Approved and contracted - investment properties		130		130
Approved and contracted - intangibles		461		461
Approved and contracted - share of associates		-		20,190
Approved and contracted - share of joint ventures		-		-
TOTAL CAPITAL COMMITMENTS	**-**	**10,362**	**-**	**30,552**

The capital commitments above represents signed contracts in place at the end of the reporting period.

The contracts will often span more than one financial year and may include capital expenditure carried forward from 2016/17 to future years.

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 7: Expenditure on operating activities (page XX).

Relevant significant accounting policies

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases 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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Plant and equipment				
Not later than one year		21		238
Later than one year and not later than five years		2		174
Later than five years		-		-
Land and buildings				
Not later than one year		1,246		1,696
Later than one year and not later than five years		4,121		4,481
Later than five years		2,213		2,213
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSEE	**-**	**7,603**	**-**	**8,802**

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 significant accounting policies

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	
	2017	2016	2017	2016
	$000	$000	$000	$000
Investment properties				
Not later than one year		9,605		9,605
Later than one year and not later than five years		37,258		37,258
Later than five years		69,521		69,521
		-		-
Land and buildings		-		-
Not later than one year		2,284		2,134
Later than one year and not later than five years		5,576		5,256
Later than five years		9,312		9,305
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSOR	**-**	**133,556**	**-**	**133,079**

Commitments to related parties

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

Note 34: Contingencies

Contingent liabilities	Council		Group	
	2017	2016	2017	2016
	$000	$000	$000	$000
Financial guarantees to community groups		278		278
Uncalled capital - LGFA		1,866		1,866
Other legal proceedings		268		268
Share of associates' contingent liabilities		-		-
Share of joint ventures' contingent liabilities		-		-
TOTAL CONTINGENT LIABILITIES	**-**	**2,412**	**-**	**2,412**

Contingent assets

The Council and Group have no contingent assets as at 30 June 2017 (2016: $Nil).

Relevant significant accounting policies

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility they will crystallise is not remote. Contingent assets are disclosed if it is probable the benefits will be realised.

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 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 2017, LGFA had borrowings totalling $XXXm (2016: $6,220m).

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 to Note 25: 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 35: Jointly controlled assets

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2017	Interest 2016	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.

Relevant significant accounting policies

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.

Share of Net Assets - Porirua City Council Joint Ventures (PCCJV)	2017 $000	2016 $000
ASSETS		
Current		
Inventory		42
Receivables and recoverables		1,420
Non-current		
Property, plant and equipment		22,249
Share of total assets	**-**	**23,711**
LIABILITIES		
Non-current		
Borrowings		3,929
Provisions for other liabilities		2,029
Share of total liabilities	**-**	**5,958**
SHARE OF NET ASSETS	**-**	**17,753**

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	2017 $000	2016 $000
Operating revenue		3,016
Operating expenditure		(2,990)
Share of net surplus or (deficit)	**-**	**26**
Share of current year revaluation movement	**-**	**-**

The Council's and Group's share of the joint ventures' capital commitments is $Nil (2016: $Nil) and contingent liabilities is $Nil (2016: $Nil).

Note 36: Related party disclosures

Relevant significant accounting policies

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include all members of the Group (controlled entities, associates and joint 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

Remuneration paid to key management personnel	Council	
	2017	2016
	$	$
Council Members		
Short-term benefits		1,464,085
Chief Executive and Executive Leadership Team		
Short-term employee benefits		2,335,591
Post employment benefits		48,109
Termination benefits		-
TOTAL REMUNERATION PAID TO KEY MANAGEMENT PERSONNEL	**-**	**3,847,785**

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 37: 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 considers the Trust does not meet 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 not appropriate to include the Trust in the Group financial statements.

During the year ending 30 June 2017 Council contributed $XXXm (2016: $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.

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 considers the Trust does not meet 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 not 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 2017 Council transacted directly with WRST to the amount of $XXXm (2016: $0.275m) in 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		2017	2016
		$000	$000
Expenditure incurred by the Council to fund the operation and management of:			
	Porirua - waste water treatment plant		2,023

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		2017 $000	2016 $000
Revenue for services provided by the Council to:			
	Positively Wellington Tourism		24
	Positively Wellington Waterfront		-
	Wellington Cable Car Limited		309
	Wellington Museums Trust		1,436
	Wellington Regional Economic Development Agency		306
	Wellington Zoo Trust		841
		-	**2,916**
Grant funding by Council for the operations and management of:			
	Positively Wellington Tourism		-
	Wellington Cable Car Limited		1,500
	Wellington Museums Trust		8,313
	Wellington Regional Economic Development Agency		7,135
	Wellington Zoo Trust		2,894
		-	**19,842**
Expenditure for services provided to the Council by:			
	Positively Wellington Tourism		-
	Positively Wellington Waterfront		-
	Wellington Cable Car Limited		32
	Wellington Museums Trust		2,476
	Wellington Regional Economic Development Agency		6,013
	Wellington Zoo Trust		2,749
		-	**11,270**
Current receivables and recoverables owing to the Council from:			
	Positively Wellington Waterfront		-
	Wellington Cable Car Limited		-
	Wellington Museums Trust		161
	Wellington Regional Economic Development Agency		6
	Wellington Zoo Trust		213
		-	**380**
Current payables owed by the Council to:			
	Wellington Cable Car Limited		419
	Wellington Museums Trust		171
	Wellington Regional Economic Development Agency		729
	Wellington Zoo Trust		196
		-	**1,515**

Current receivables, recoverables and payables

The receivable, recoverable and payable balances are non-interest bearing and are to be settled with the relevant entities on normal trading terms and conditions.

Payments to controlled entities

The total payments to controlled entities are $XXXm (2016: $31.112m) when the grant funding of $XXXm (2016: $19.842m) and expenditure for services provided to Council of $XXXm (2016: $11.270m) are combined.

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 entity		2017 $000	2016 $000
Dividend received from:			
	Wellington International Airport Limited		**12,059**
Revenue for services provided by the Council to:			
	Wellington Water Limited		-
Expenditure for services provided to the Council from:			
	Wellington International Airport Limited		2,179
	Wellington Water Limited		22,348
		-	**24,527**
Current receivables and recoverables owing to the Council from:			
	Wellington Water Limited		-
Current payables owed by the Council to:			
	Wellington International Airport Limited		-
	Wellington Water Limited		2,078
		-	**2,078**

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.

Planned and approved future expenditure to related parties

The Council has included in its 2017/18 Annual Plan the extent of operational funding to its controlled entities and other related parties to be as follows:

Council	2018 Annual Plan $000
Controlled entities	
Wellington Cable Car Limited	
Wellington Museums Trust (including Carter Observatory)	
Wellington Regional Economic Development Agency	
Wellington Zoo Trust	
Total controlled entities	-
Other related parties	
Basin Reserve Trust	
Karori Wildlife Sanctuary Trust (Zealandia)	
Wellington Regional Stadium Trust	
Total other related party commitments	-
Total other related parties	-

Note 37: Remuneration and staffing

Mayoral and Councillor remuneration

Relevant significant accounting policies

Remuneration of elected members comprises any money, consideration or benefit received or receivable or otherwise made available, directly or indirectly, during the reporting period but does not include reimbursement of authorised work expenses or the provision of work-related equipment such as cell phones and laptops.

Remuneration

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 2016 to 30 June 2017 was $XXX (2016: $1,464,085) and is broken down and classified as follows:

Council Member	Monetary Remuneration		Non-monetary	Total
	Salary	Allowances	Remuneration	
	$	$	$	$
Current triennium				
Calvert, Diane				-
Calvi-Freeman, Chris				-
Dawson, Brian				-
Day, Jill				-
Eagle, Paul				-
Foster, Andy				-
Free, Sarah				-
Gilberd, Peter				-
David, Lee				-
Lester, Justin				-
Marsh, Simon				-
Pannett, Iona				-
Sparrow, Malcolm				-
Woolf, Simon				-
Young, Nicola				-
Previous triennium				
Ahipene-Mercer, Ray				-
Coughlan, Jo				-
Peck, Mark				-
Ritchie, Helene				-
Wade-Brown, Celia (Mayor)				-
TOTAL REMUNERATION PAID TO COUNCIL MEMBERS	-	-	-	-
			Total monetary remuneration	-
			Total non- monetary remuneration	-

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the 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 2016/17 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

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

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.

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 2017
	$	$	$	$
TAWA COMMUNITY BOARD				
Current triennium				
Herbert, Richard (Chair)				-
Lucas, Margaret (Deputy Chair)				-
Hansen, Graeme				-
Marshall, Jack (includes Youth Council attendance fee)				-
Parkinson, Robyn				-
Day, Jill (see Councillor remuneration above)				-
Sparrow, Malcolm (see Councillor remuneration above)				-
Previous triennium				
Tredger, Robert (Chair)				-
Sutton, Alistair				-
MAKARA-OHARIU COMMUNITY BOARD				
Current triennium				
Grace, Christine (Chair)				-
Apanowicz, John (Deputy Chair)				-
Liddell, Judy				-
Renner, Chris				-
Rudd, Wayne				-
Todd, Hamish				-
Previous triennium				
Burden, Murray				-
Scotts, Margie				-
TOTAL REMUNERATION TO COMMUNITY BOARD MEMBERS	-	-	-	-

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.

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	
	2017	2016
	$	$
Short-term employee benefits		
Kevin Lavery		
Salary		413,160
Motor vehicle park		3,000
TOTAL REMUNERATION OF THE CHIEF EXECUTIVE	**-**	**416,160**

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 2017 the Council made severance payments to XX employees totalling $XXX (2016: 18 employees, $226,458).

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

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	
	2017	2016
Full-time and full-time equivalent employee numbers		
Full-time employees (based on a 40 hour week) as at 30 June		1,059
Full-time equivalents for all other non full-time employees		237
Remuneration bands		
The number of employees receiving total annual remuneration of less than $60,000		1,105
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		274
$80,000 - $99,999.99		178
$100,000 - $119,999.99		78
$120,000 - $139,999.99		43
$140,000 - $159,999.99		35
$160,000 - $179,999.99		13
$180,000 - $199,999.99		
$180,000 - $219,999.99*		10
$200,000 - $239,999.99*		
$220,000 - $299,999.99*		7
$240,000 - $319,999.99*		
$300,000 - $419,999.99*		5
$320,000 - $419,999.99*		
TOTAL EMPLOYEES	**-**	**1,748**

Of the XXX (2016: 1,748) individual employees XXX (2016: 685) work part-time or casually.

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 we are legally required to combine it with the next highest band. This means that some rows span different bands across the two years shown.

Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the 2 lowest remuneration grades.

Grade	Salary Range	2017	2016
B1	$32,620 - $44,493		152
B2	$32,954 - $52,045		627

The current living wage rate for WCC is $18.55. Each year the living wage rate for WCC is reviewed in accordance with the CPI rate for salary and wages.

As at 30 June 2017, XX council staff (excluding apprentices) were being paid under $XX per hour. This reflects the number of trainees we have, who are presently working through a competency based training programme. The intention is that all staff should achieve $XX within a 6 - 12 month period. Whilst the entry point for B2 is $XX (excluding those on training rates) the average for B2 is $XX.

Note 38: Financial impacts of the Kaikoura earthquake

Background

The devastating 14 November 2016 earthquake, while centred in the upper South Island also impacted on the Wellington region and particularly certain buildings in Wellington City including Council's own Civic Administration Building (CAB) in Civic Square. ………………..

The effects on assets……………

Incurred costs and estimated future costs to repair…………

Insurance recoveries……………..

Accounting treatment…………

Note 39: Events after the end of the reporting period

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

Other Significant Accounting Policies

The following 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.

Exchange and non-exchange transactions

Revenue from exchange transactions

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

Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. Revenue from non-exchange 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.

Change of accounting policies

There have been no elected changes in accounting policies during the financial period.

Changes to PBE accounting standards

There have been no new accounting standards issued with mandatory effect for the accounting period. However a number of amendments to standards have been made with effect for periods beginning after 1 January 2016.

PBE IPSAS 1: *Presentation of financial statements;*

a) *Disclosure initiative (amendments to PBE IPSAS 1)* - This amendment giving more weight to materiality and less restriction over the order of notes and accounting policies was early adopted by the Group for the year ending 30 June 2016.
b) *2015 Omnibus Amendments to PBE standards* – These annual improvement amendments were also early adopted by the Group for the year ending 30 June 2016.
c)

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

Standards, amendments and interpretations issued but not yet effective and not early adopted which are relevant to the Group are:

d) *2016 Omnibus amendments to PBE standards – These amendments issued in parts in January 2017 are effective for periods beginning on or after 1 January 2017 or 1 January 2018 but not all parts can be early adopted.*
e)

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 2016/17 year).

UPDATE ON PUBLIC BENEFIT ENTITY ACCOUNTING STANDARDS

Purpose

1. The purpose of this report is to inform the Subcommittee of new Public Benefit Entity (PBE) accounting standards and their likely impact for the Council.

Summary

2. No new PBE standards come into effect for 30 June 2017.
3. A number of standards have been amended with effect from 30 June 2017 although no impact is expected for the Council for the 2016/17 financial statements.
4. A number of new standards and amendments have been issued with effective dates commencing after 30 June 2017. Some of these are expected to have an impact on the Council for future reporting periods.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information.
2. Note that no new Public Benefit Entity standards or amendments that come into effect for 30 June 2017 are expected to have an impact for the 2016/17 financial statements.
3. Agree that none of the Public Benefit Entity standards issued but not yet effective will be early adopted for 30 June 2017.

Background

5. The Local Government Act 2002 requires the Council to comply with New Zealand generally accepted accounting practice (NZ GAAP) when preparing the financial statements within the Annual Report. NZ GAAP is defined as being the accounting standards set by the XRB (External Reporting Board).

Discussion

6. No new PBE standards have come into effect for 30 June 2017.
7. A number of standards have amendments effective from 30 June 2017. These amendments and their impact for the Council are outlined in the table below.

Significant Impact	🔴
Minor Impact	🟠
No Impact	🟢

Standard /	Summary	Status	Impact

Amendments			
PBE IPSAS 1 Presentation of Financial Statements	The amendment clarifies existing requirements that relate to aggregation and sub-totals, materiality, accounting policies and the order of notes.		None for 2016/17 – this amendment was early adopted by the Council for the 2015/16 financial statements.
Omnibus Amendments to PBE Standards	Various minor amendments and editorial corrections to standards.		None for 2016/17 – this amendment was early adopted by the Council for the 2015/16 financial statements but there was no impact.
PBE IPSAS 23 Revenue from Non-Exchange Transactions	The amendment allows donated inventories to not be recognised if an entity is not able to reliably measure the fair value.		No impact for the Council. The Council does not have any donated inventory.

8. A number of standards have been amended and are effective from 30 June 2018 and beyond. These standards and amendments and their impact for the Council are outlined in the table below.

30 June 2018			
Standard / Amendments	**Summary**	**Status**	**Impact**
2016 Omnibus Amendments to PBE Standards	Various minor amendments and editorial corrections to standards. The most significant being: *PBE IPSAS 32 Service Concession Arrangements: Grantor* – Clarifies dissimilar service concession assets cannot be accounted for as a class of assets.		The Council's service concession assets represent a single class of asset (they are water treatment plants). There are no other waste water treatment plants within the Council's fixed asset register so the only change that may be required is a minor change to the asset class name in the disclosure note.
30 June 2019			
Standard / Amendments	**Summary**	**Status**	**Impact**
2016 Omnibus Amendments to PBE	Amendment to include bearer plants (a plant that is used solely to grow produce) within the scope of PBE IPSAS 17 Property, Plant and		No impact for the Council. The Council does not have any bearer plants.

Standards	Equipment and out of the scope of PBE IPSAS 27 Agriculture.		
30 June 2020			
Standard / Amendments	**Summary**	**Status**	**Impact**
PBE IPSAS 34 - 38 Interests in other entities	New suite of standards dealing with interests in other entities to replace PBE IPSAS 6 – 8. Comprises: PBE IPSAS 34 Separate Financial Statements PBE IPSAS 35 Consolidated Financial Statements PBE IPSAS 36 Investments in Associates and Joint Ventures PBE IPSAS 37 Joint Arrangements PBE IPSAS 38 Disclosure of Interests in Other Entities There are a number of significant differences between the two sets of standards, including: - New definition of control and joint control (including a link between power and benefits). - Different accounting for “investment entities” being those entities that obtain funds from investors and provides investment management services. - New classifications of joint arrangements (joint ventures and joint operations). - Proportionate consolidation no longer permitted. - Additional disclosure requirements.	●	This suite of new standards will have an impact on the Council. The Council currently has a number of interests in other entities (joint ventures, controlled entities and associates). It currently consolidates its interest in its joint ventures with Porirua City Council using proportionate consolidation which is no longer available under the new standards. The Council will need to assess all of its interests in other entities to determine the extent of the impact and any amendments required for the 30 June 2020 financial statements. This work will be completed during the second half of 2017 once the Annual Report for 2016/17 has been completed.
30 June 2022			
Standard / Amendments	**Summary**	**Status**	**Impact**
PBE IFRS 9 Financial Instruments	This new standard is based on NZ IFRS 9 which for-profit entities must apply for year ends from 31	●	The primary reason for this standard being issued was for use in mixed groups.

	December 2018 onwards. The XRB recognised that there could be significant issues for mixed groups (groups that contain both for-profits and PBE entities) applying different financial instrument standards. It therefore released PBE IFRS 9 which gives mixed groups flexibility to early adopt to minimise issues. PBE IPSAS 29 Financial Instruments: Recognition and measurement will continue to be available There are a number of significant differences between the two sets of standards, including: - New classification model for financial assets - More forward-looking asset impairment model. - More flexible and less rules-based hedge accounting model - Additional disclosure requirements on hedge accounting and impairment.		The Council is not in a mixed group as all entities that are consolidated on a line by line basis into the financial statements are public benefit entities. While there is likely to be a minor impact for the Council from the adoption of this new standard we have not done a detailed assessment of it at this stage as we know that there will be further changes to PBE IPSAS 28 – 30 relating to financial instruments before this new standard becomes effective. An exposure draft is expected during the second half of 2017.

9. In addition to the work mentioned above on financial instruments, there are a number of projects coming up in the PBE space over the next 12 months which could have a impact on the Council's financial statements, these include:
   - Non-exchange revenue and expenses
   - Heritage assets
   - Leases
   - Infrastructure assets
10. Regular updates on the impact of these projects on the Council's financial statements will be provided to the subcommittee.

Attachments

Nil

Author	Nicky Blacker, Specialist Financial Advisor
Authoriser	Richard Marshall, Manager Financial Accounting Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Engagement and Consultation
There is no consultation required on this matter.

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

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

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

Risks / legal
There are no legal issues arising from this paper.

Climate Change impact and considerations
There are no impacts on climate change.

Communications Plan
There is no communication plan required.

Health and Safety Impact considered
There are no impacts on Health and Safety.

FORWARD PROGRAMME 2017

Purpose

1. To present to the Finance, Audit and Risk Subcommittee with the Forward Programme, outlining the papers that will be considered by the Subcommittee for the remainder of 2017.

Recommendation

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information.

Background

2. That the Finance, Audit and Risk Subcommittee forward programme reflects the policy work streams for the Subcommittee as prioritised by the City Strategy Committee.

Attachments

Attachment 1. Work Programme 2017 Page 128

Author	Antoinette Bliss, Governance Advisor
Authoriser	Kane Patena, Director Governance and Assurance

Finance, Audit and Risk Subcommittee | Work Programme

Wednesday, 20 September 2017

Finance, Audit and Risk Subcommittee
Report Title
Annual Financial Statements
Report to Council on the 2016/17 interim audit
Progress Against Audit NZ Recommendations
PUBLIC EXCLUDED REPORTS
Internal Audit Update
Health and Safety and Security
Risk Management Update

December 2017

Finance, Audit and Risk Subcommittee
Report Title
Audit NZ - Management Letter
Progress Against Audit NZ Recommendations
Implications for Council of proposed Financial Reporting Standards
PUBLIC EXCLUDED REPORTS
Internal Audit Update
Health and Safety
Risk Management Update
Council Debtors Report

3. Public Excluded

Resolution to Exclude the Public:

THAT the Finance, Audit and Risk Management 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 Insurance Management Strategy	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. 7(2)(i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.2 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.