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

ORDINARY MEETING

OF

FINANCE, AUDIT AND RISK MANAGEMENT SUBCOMMITTEE

AGENDA

Time:	**9:30am**
Date:	**Wednesday, 20 March 2019**
Venue:	**Committee Room 1** **Ground Floor, Council Offices** **101 Wakefield Street** **Wellington**

MEMBERSHIP

Mayor Lester
Councillor Calvert
Councillor Foster (Chair)
Councillor Free
Peter Harris (External)
Phillippa Smith (External)
Roy Tiffin (External)

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 04-803-8334, emailing public.participation@wcc.govt.nz or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about.

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).

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Business **Page No.**

1. Meeting Conduct

1.1 Apologies

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

1.2 Conflict of Interest Declarations

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

1.3 Confirmation of Minutes

The minutes of the meeting held on 25 December 2018 will be put to the Finance, Audit and Risk Management Subcommittee for confirmation.

1.4 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.

The Chairperson shall state to the meeting:

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.

The item may be allowed onto the agenda by resolution of the Finance, Audit and Risk Management Subcommittee.

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

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Finance, Audit and Risk Management Subcommittee for further discussion.

1.5 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.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 803 8334, giving the requester's name, phone number and the issue to be raised.

2. General Business

DRAFT 2018/19 ANNUAL REPORT FORMAT INCLUDING FINANCIAL STATEMENTS AND PROPOSED SIGN OFF PROCESS

Purpose

1. This report asks the Finance, Audit and Risk Management Subcommittee to agree to the broad approach to the Council's 2018/19 Annual Report and Summary Annual Report format, including the format and disclosures for the Financial Statements.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receives the information.
2. Note the approach and structure for the 2018/19 Annual Report (and Summary Annual Report) is similar to the 2017/18 Annual Report. This is subject to:
   a. The performance story for actual full year results; and
   b. The key messages for the summary story for the year.
3. Approve the proposed format and disclosures for the 2018/19 financial statements subject to:
   a. Consideration of the implications of any changes in NZ GAAP arising up to 30 June 2019 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 2019 (and any subsequent impact on the notes to the financial statements); and
   c. Receiving final clearance from Audit New Zealand.
4. Approve the sign-off process and timetable for the 2018/19 financial statements.

Background

2. Section 98 of the Local Government Act (LGA) 2002 requires the Council to prepare and adopt an Annual Report containing specified disclosures within four months after the end of the financial year. Section 111 of the LGA 2002 requires Council to comply with generally accepted accounting practice (GAAP) in preparing the Annual Report.
3. Council officers propose to prepare the 2018/19 Annual Report for adoption on the 25 September 2019. In order to achieve this timeframe, there will be two workshops with the subcommittee and open to all Councillors to attend. This will provide Councillors

with the opportunity to review and provide feedback on the draft Annual Report prior to the FARM's meeting of the 17 September 2019.

4. For the 2017/18 Annual Report, after taking feedback from the Annual Report Award Judges, we established an Annual Report structure that could be used for subsequent years. The 2018/19 Annual Report will reflect this structure - subject to any additional feedback from the Judges.

5. The 3 September 2019 workshop focuses on the Council's service performance and summary " sections ("summary of our year" and "our performance in detail") of the Annual Report.

6. The second workshop on 10 September 2019 will focus on the financial statements, underlying assumptions and judgements made. The final review of the document that is available to Councillors prior to adoption will be the FARM's meeting of 17 September 2019.

7. To assist in the Annual Report process, a draft template has been prepared for the Subcommittee's review which identifies the proposed financial statement format and disclosures which will be used for the Annual Report.

8. 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 10 September 2019.

Discussion

Overview of Annual Report and Summary documents

9. The Annual Report will comprise of four sections: Introduction, Overview of our performance, Our performance in detail and Financial Statements.

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

11. No change is proposed to the Annual Report or the Summary Annual Report structure from the 2017/18 Annual Reports

12. The near-final draft of the Annual Report will be circulated at the Annual Report workshop on 10th September 2019 for feedback.

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

Overview of our performance

14. As per the 2017/18 Annual Report, the Overview of our performance (the Overview) – will be split into two parts. The first part comprises of:
    - "summary of what we did, how we performed during the year"; and
    - The "the numbers" - which is a series of key messages on the Council's financial performance. It will include key headline messages and short explanatory narratives. This will be supported by graphs on revenue, expenditure and capital expenditure as well as an explanation on the "underlying Surplus". We will

include an explanation of how the capital expenditure programme has performed during the 2018/19 year.

15. The second part of the Overview covers "Highlights for the year". This summarises key aspects of non-financial performance for the year in each activity area (Governance, Enviornment, Economic Development etc). The commentary also includes the year's actual performance against each activity areas' performance measures (or KPIs - key performance indicators). The commentary will include supporting graphs, headlines and case studies to provide a concise non-technical performance story for activity area.

16. The overall aim is in plain english to make it easier for the ordinary reader to understand how the Council has performed for the year - in non-technical terms.

17. For those who wish to delve into detail, the summary information will reference where the detail can be found. The visual and layout elements will support a concise overall performance story and a structure that is intuitive and easily navigated – for a variety of different readers. As in previous Annual Reports we will continue to use Te reo headings and translations of the Mayor's and Chief Executive's Statements.

Overview of Financial Statements

18. 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.

19. 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.

20. 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.

21. 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.

22. 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 10 September 2019.

Key changes in the financial statements template

23. The attached financial statements template have only had minor editorial changes made and follows the same format and principles of the previous two years Annual Report.

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.

Proposed sign-off process for the 2018/19 financial statements

26. On the basis that the Subcommittee has been delegated the primary responsibility for the audit of the Council's financial statements, a proposed sign-off process and timetable is outlined below.

Date:	Action:
20 March 2019	*Finance, Audit and Risk Management Subcommittee meeting* Subcommittee to review and conditionally approve draft format for the 2018/19 Annual Report including financial statements and the proposed sign-off process.
19 August 2019 (scheduled)	Audit New Zealand commence final audit fieldwork.
3 September 2019	Finance, Audit and Risk Management Subcommittee briefing on performance in detail and issues.
10 September 2019 (scheduled)	Finance, Audit and Risk Management Subcommittee briefing on financial results, key judgements, major provisions and issues.
17 September 2019 (scheduled)	*Finance, Audit and Risk Management Subcommittee meeting* Subcommittee to review draft Annual Report including consolidated draft financial statements, encompassing results of operations and cash-flows for the year ending 30 June 2019, financial position as at 30 June 2019 and financial overview, subject to final Audit New Zealand clearance. Subcommittee to also review Statements of Service Performance including reports on CCOs and mana whenua partnership. Audit New Zealand to provide update as to whether an unqualified, or qualified audit opinion will be issued. Subcommittee to recommend adoption of 2018/19 financial statements to City Strategy Committee and the letter of representation.
25 September 2019 (scheduled)	*City Strategy Committee meeting* Committee to recommend adoption of 2018/19 financial statements to Council.
25 September 2019 (scheduled)	*Council meeting* Council to adopt 2018/19 financial statements. Management Letter of Representation issued to Audit New Zealand.

	Audit New Zealand sign audit opinion. Media release – financial results for the year ending 30 June 2019.
TBC October 2019	Release of published Annual Report.

Attachments

Attachment 1.	Draft 2018/19 Financial Statements template	Page 13

Authors	Richard Marshall, Manager Financial Accounting & Transactional Services Lloyd Jowsey, Team Leader, Planning and Reporting
Authoriser	Baz Kaufman, Manager Strategy Kane Patena, Director, Strategy and Governance 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 2019

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 25 September 2019.

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.

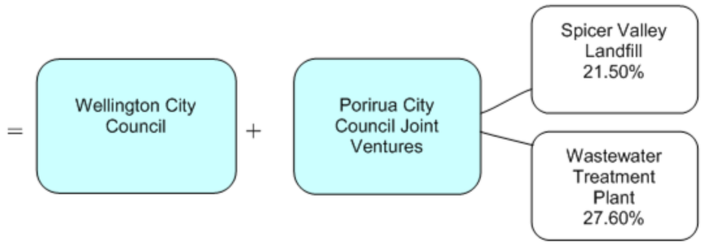
In the opinion of the Council and management, the Annual Report for the year ended 30 June 2019 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Justin Lester	**Kevin Lavery**	**Andy Matthews**
Mayor	**Chief Executive**	**Chief Financial Officer**
25 September 2019	25 September 2019	25 September 2019

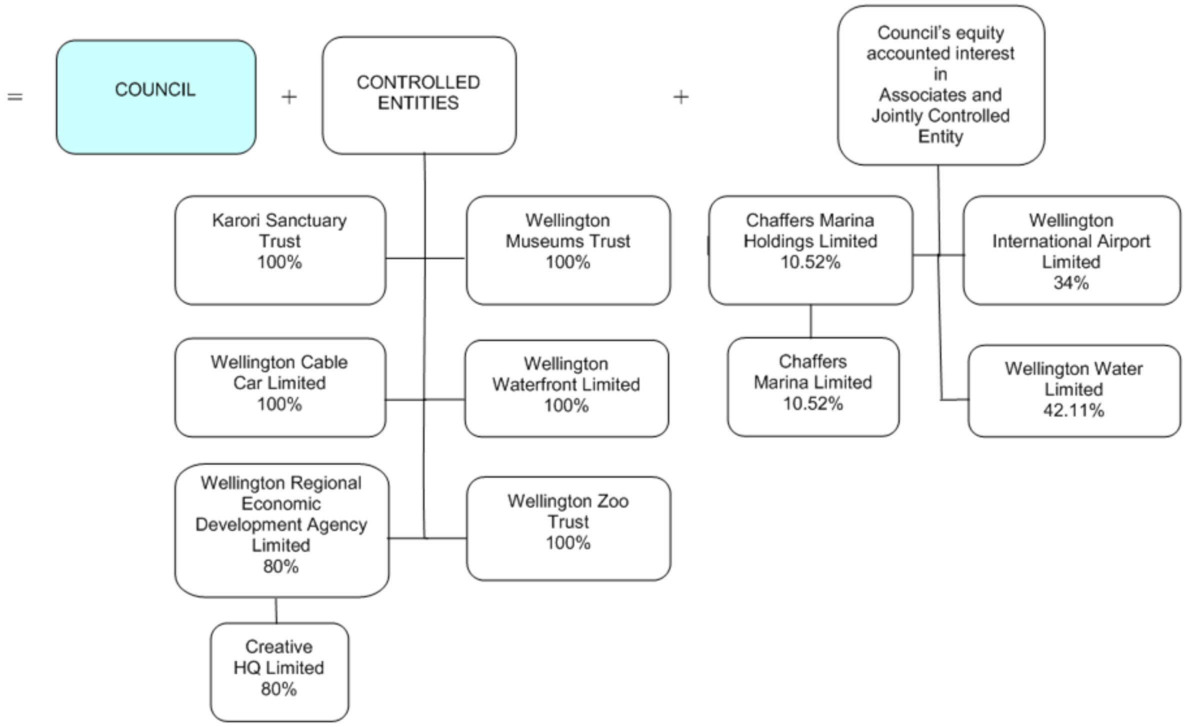
1. *A Tier 1 entity is defined as being either, publicly accountable or large (ie. expenses over $30m). Council exceeds the expenses threshold.*

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

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 2019

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2019	2019	2018	2019	2018
	Note	$000	$000	$000	$000	$000
Revenue						
Rates	1		310,705	296,409		296,409
Revenue from operating activities						
Development contributions	2		2,000	3,305		3,305
Grants, subsidies and reimbursements	2		40,708	50,643		64,501
Other operating activities	2		142,965	142,450		162,266
Investments revenue	3		24,196	24,362		11,752
Vested assets and other revenue	4		1,100	9,740		9,741
Fair value gains	5		4,262	6,941		6,947
Finance revenue			13	1,603		1,864
Total revenue		**-**	**525,949**	**535,453**	**-**	**556,785**
Expense						
Finance expense	6		(24,918)	(24,082)		(24,094)
Expenditure on operating activities	7		(366,116)	(371,749)		(402,525)
Depreciation and amortisation expense	8		(117,158)	(107,415)		(109,048)
Total expense		**-**	**(508,192)**	**(503,246)**	**-**	**(535,667)**
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	9	-	-	-		16,243
Net surplus before taxation		**-**	**17,757**	**32,207**	**-**	**37,361**
Income tax credit/(expense)	10	-	-	-		(429)
NET SURPLUS for the year		**-**	**17,757**	**32,207**	**-**	**36,932**
Net surplus attributable to:						
Wellington City Council and Group		-	17,757	32,207		36,648
Non-controlling interest		-	-	-		284
		-	**17,757**	**32,207**	**-**	**36,932**

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 2019

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2019	2019	2018	2019	2018
	Refer	$000	$000	$000	$000	$000
Net surplus for the year		**-**	**17,757**	**32,207**	**-**	**36,932**
Other comprehensive revenue and expense [1]						
Items that will be reclassified to surplus/(deficit)						
Cash flow hedges:						
Fair value movement - net	SCIE [2]		-	(4,079)		(4,380)
Fair value through other comprehensive revenue and expense						
Fair value movement - net	SCIE		-	856		1,615
Items that will not be reclassified to surplus/(deficit)						
Non-contolling interest:						
Movement in non-controlling interest			-	-		-
Revaluations:						
Fair value movement - property, plant and equipment - net	SCIE			180,413		180,413
Share of other comprehensive revenue and expense of associates and jointly controlled entity:						
Fair value movement - property, plant and equipment - net	SCIE		-	-		20,588
Total other comprehensive revenue and expense		**-**	**-**	**177,190**	**-**	**198,236**
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year		**-**	**17,757**	**209,397**	**-**	**235,168**
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	17,757	209,397	-	234,884
Non-controlling interest		-	-	-	-	284
		-	**17,757**	**209,397**	**-**	**235,168**

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:

Net finance expense was **XXXm** lower than budgeted principally reflecting ….

Note 1: Rates revenue

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
General rates		169,409	-	169,409
Targeted rates		111,151	-	111,151
Metered water supply		14,782	-	14,782
Penalties and adjustments		1,067	-	1,067
TOTAL RATES REVENUE	**-**	**296,409**	**-**	**296,409**

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is $XXXm (2018: $13.915m). For the Group, rates of $XXXm (2018: $13.981m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held as at 30 June 2018.

The number of rating units: 78,724 (30 June 2017: 78,192).

	2019	2018
	$000	$000
Total capital value of rating units	**56,296,956**	**55,577,812**
Total land value of rating units	**23,453,009**	**23,373,780**

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 is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting period ended 30 June 2019 totalled $XXXm (2018: $0.888m).

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Development contributions		**3,305**		**3,305**
Grants, subsidies and reimbursements				
Operating		7,614		21,253
Capital		43,029		43,248
Total grants, subsidies and reimbursements	**-**	**50,643**	**-**	**64,501**
Other operating activities				
Fines and penalties		6,176		6,176
Rendering of services		129,686		144,969
Sale of goods		6,588		11,121
Total other operating activities	**-**	**142,450**	**-**	**162,266**
TOTAL REVENUE FROM OPERATING ACTIVITIES	**-**	**196,398**	**-**	**230,072**

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 recognised from NZTA of $XXXm (2018: $27.835m) and operating reimbursements of $XXXm (2018: $6.005m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

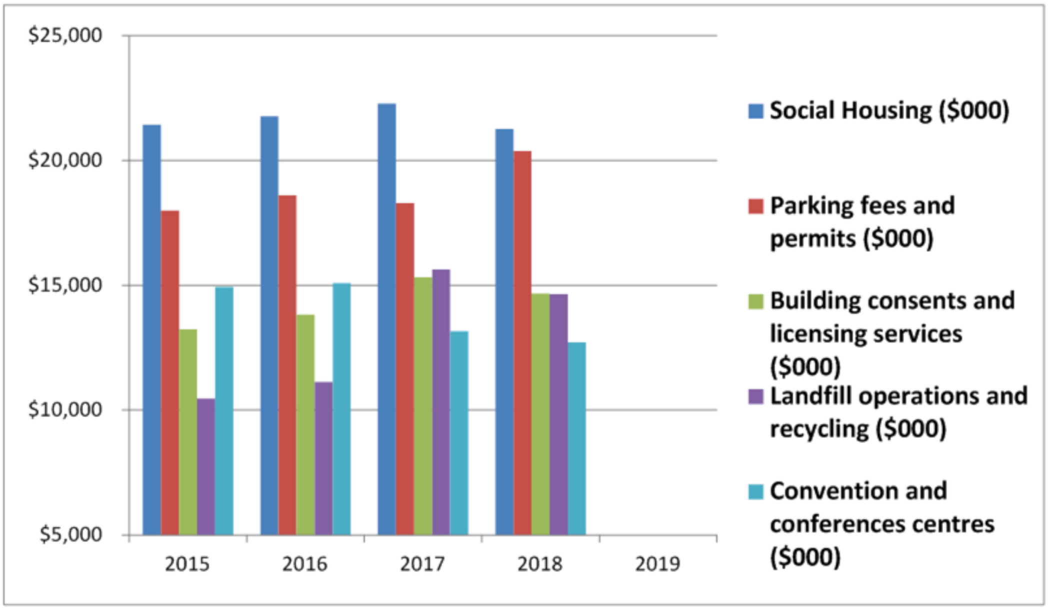
Previously, significant grant contributions were recognised from the Crown in relation to the upgrade of the Council's social housing stock. The recognition of the capital grant and operating grant in 2017/2018, being $14.616m and $0.555m respectively, fully extinguished the total grant received. There 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 (2018: $4.194m) from Greater Wellington Regional Council to Wellington Cable Car Limited for the decommissioning of the system that commenced on 1 November 2017.

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

- Community housing - $XXXm (2018: $21.261m)
- Parking fees and permits - $XXXm (2018: $20.386m)
- Building consents and licensing services - $XXXm (2018: $14.670m)
- Landfill operations and recycling - $XXXm (2018: $14.645m) – including unbudgeted revenue from the joint ventures with Porirua City Council $XXXm (2018: $1.601m).
- Convention and conferences centres – $XXXm (2018: $12.723m)

The 5-year trend for these major revenue streams looks like this:



5-year Trend analysis

Community Housing – Fairly consistent, but with some decrease in the latter years due to reduced levels of units available as part of the upgrade process, for example the Arlington sites.

Parking fees and permits – Reasonably consistent, but with increases in the last couple of years due to the implementation of parking sensors and increased fees in the CBD.

Building consents and licensing services – *A r*easonably consistent upward trend.

Landfill operations and recycling – A big uplift in 2017 revenues primarily due to the extra demolition work resulting from the November 2016 Kaikoura earthquake.

Convention and conference centres – A decrease in revenues after 2016 due to lower venue capacity as a result of the earthquake strengthening related closure of the St James Theatre, and the Michael Fowler Car Park being closed for the temporary NZ Ballet building for the NZ Ballet.

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 and library overdue book fines) 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

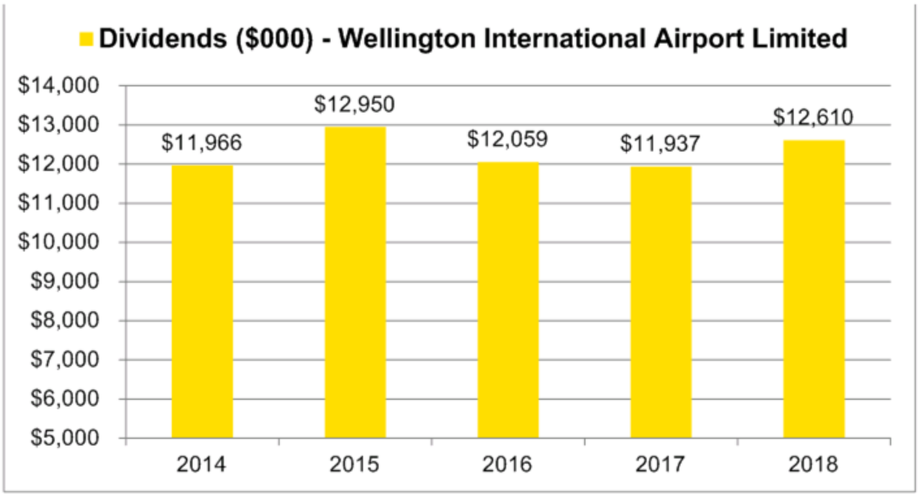
The sale of goods is classified as exchange revenue. Sale of goods is recognised when products are sold to the customer and all risks and rewards of ownership have transferred to the customer.

Note 3: Investments revenue

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Dividend from associates		12,610		-
Dividend from equity investments		104		104
Investment property revenues		11,648		11,648
TOTAL INVESTMENTS REVENUE	**-**	**24,362**	**-**	**11,752**

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 revenues from investment properties 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Vested assets		8,087		8,087
Gain on business combination		-		-
Other revenue		1,653		1,654
TOTAL VESTED ASSETS AND OTHER REVENUE	**-**	**9,740**	**-**	**9,741**

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. Although 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, they are recognised as revenue in accordance with the applicable accounting standard.

The values of principal vested assets received were:

- Drainage, waste and water - $XXXm (2018: $4.950m)
- Roading - $XXXm (2018: $2.102m)

Other revenue is principally Fuel Tax - $XXXm (2018: $1.132m)

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Investment property revaluation		6,937		6,937
Amortisation of loans to related parties		4		10
Fair value adjustment on loans to related parties		-		-
TOTAL FAIR VALUE GAINS	**-**	**6,941**	**-**	**6,947**

Investment properties, which are revalued annually, are held primarily to earn lease revenue and/or for capital growth. These properties include the Council's ground leases and certain lands and buildings, including the waterfront's investment properties. For more information refer to Note 17: Investment properties (page XX).

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Interest on borrowings		23,062		23,074
Interest on finance leases		-		-
Re-discounting of interest on provisions		1,020		1,020
TOTAL FINANCE EXPENSE	**-**	**24,082**	**-**	**24,094**
Less				
Finance revenue - interest earned	-	1,603	-	1,864
NET FINANCE COST	**-**	**22,479**	**-**	**22,230**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Governance and employment				
Elected member remuneration		1,559		1,559
Independent directors/trustees fees for controlled entities		-		437
Employee benefits expense:				
- Remuneration		86,778		113,945
- Superannuation contributions (including Kiwisaver)		2,505		3,059
Other personnel costs		4,025		4,981
Impairments				
Bad debts written off not previously provided for		175		175
Increase in provision for impairment of receivables and recoverables		167		167
Impairment loss from property, plant and equipment		4		4
Impairment loss on shares		-		153
Insurance				
Insurance premiums		12,181		12,609
Insurance reserve costs - net		2,750		2,750
General				
Administration Costs		6,477		20,600
Auditor's remuneration:		454		626
Contractors		5,267		8,209
Contracts, services and materials		134,741		139,289
Grants - general		12,161		11,881
Grants to controlled entities		24,907		-
Information and communication technology		16,342		17,326
Loss on disposal of intangibles		35		35
Loss on disposal of property, plant and equipment		1,573		1,576
Operating lease - minimum lease payments		2,043		3,208
Other general costs		425		1,149
Professional costs		16,250		16,855
Reassessment of weathertight provision		12,523		12,523
Utility costs		28,407		29,409
TOTAL EXPENDITURE ON OPERATING ACTIVITIES	**-**	**371,749**	**-**	**402,525**

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.

During the year $XXXm (2018: $0.907m) of termination benefits were incurred by the Council and $XXXm (2018: $1.077m) by the Group. Termination benefits include all payments relating to the end of employment other than unpaid salary and leave entitlements. Termination benefits include both contractual (eg redundancy, in lieu of notice) and non-contractual (eg severance) payments.

For further information refer to Note 37: Remuneration and staffing levels (page XX)

Impairments

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General

Auditor's remuneration:	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Audit services - Audit New Zealand - Financial Statements		300		406
Audit services - Audit New Zealand - Long-Term Plan		143		143
Audit services - Audit New Zealand - other		11		11
Audit services - Other Auditors		-		66
	-	**454**	**-**	**626**

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 assurance services relating to Council's debenture trust deed compliance.

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 (2018: $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.

The 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 (2018: $13.872m) 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Depreciation				
Buildings		21,490		21,861
Civic Centre complex		2,675		2,675
Restricted buildings		1,621		1,621
Drainage, waste and water infrastructure		35,309		35,309
Landfill post closure		283		283
Library collections		1,767		1,767
Plant and equipment		11,178		12,352
Roading infrastructure		28,786		28,786
Total depreciation	**-**	**103,109**	**-**	**104,654**
Amortisation				
Computer software		4,306		4,394
Total amortisation	**-**	**4,306**	**-**	**4,394**
TOTAL DEPRECIATION AND AMORTISATION	**-**	**107,415**	**-**	**109,048**

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 of the major classes of property, plant and equipment are as follows:

Asset Category	2019 Useful Life (years)
Land	unlimited
Buildings	2 - 150
Civic Centre Complex	2 - 67
Plant and equipment	1 - 296
Library collection	4 - 11
Restricted assets (excluding buildings)	unlimited
Infrastructure assets:	
Land (including land under roads)	unlimited
Roading	2 - 266
Drainage, waste and water	7 - 402

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 of these assets are as follows:

Asset Category	2019 Useful Life (years)
Computer software	2 - 11

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	
	2019	2018
	$000	$000
Associates		
Chaffers Marina Holdings Limited		(17)
Wellington International Airport Limited		16,270
Jointly controlled entity		
Wellington Water Limited		(10)
TOTAL SHARE OF ASSOCIATES' AND JOINTLY CONTROLLED ENTITY'S SURPLUS OR (DEFICIT)	**-**	**16,243**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Current tax expense				
Current year	-	-		144
Prior period adjustment	-	-		183
Total current tax expense	**-**	**-**	**-**	**327**
Deferred tax expense				
Origination and reversal of temporary differences		(6)		-
Change in unrecognised temporary differences		-		102
Recognition of previously unrecognised tax losses		6		-
Total deferred tax expense	**-**	**-**	**-**	**102**
TOTAL INCOME TAX EXPENSE / (CREDIT)	**-**	**-**	**-**	**429**

Reconciliation of tax on the surplus and tax expense	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Surplus for the period before taxation	-	32,207	-	37,361
Prima facie income tax based on domestic tax rate - 28%	0	9,018	0	10,461
Effect of non-deductible expenses and tax exempt income		(9,024)		(11,491)
Effect of tax losses utilised		-		-
Current years loss for which no deferred tax asset was recognised		6		6
Recognition of prior year loss		-		0
Previously unreognised tax losses now utilised		-		22
Change in unrecognised temporary differences		-		42
Prior period adjustment		-		88
Share of income tax of equity accounted associates		-		1,206
Under / (over) provision of income tax in previous period		-		95
TOTAL INCOME TAX EXPENSE / (CREDIT)	**-**	**-**	**-**	**429**

Imputation credits	Group	
	2019	2018
	$000	$000
Imputation credits available in subsequent periods		**154**

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 2019

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2019	2019	2018	2019	2018
	Note	$000	$000	$000	$000	$000
ASSETS						
Current assets						
Cash and cash equivalents	11		440	95,996		106,856
Receivables and recoverables	13		50,140	55,815		58,049
Other financial assets	14		-	10,515		11,948
Prepayments			13,530	15,221		15,518
Inventories			974	1,285		1,601
Non-current assets classified as held for sale	15		-	-		-
Total current assets		-	**65,084**	**178,832**	-	**193,972**
Non-current assets						
Derivative financial assets	12		-	381		381
Receivables and recoverables	13		-	-		-
Other financial assets	14		14,315	12,201		14,231
Intangibles	16		31,072	25,678		25,800
Investment properties	17		241,013	236,905		236,905
Property, plant and equipment	18		7,224,938	7,226,974		7,242,418
Investment in controlled entities	19		5,071	5,071		-
Investment in associates and jointly controlled entity	20		19,465	19,465		187,880
Total non-current assets		-	**7,535,874**	**7,526,675**	-	**7,707,615**
TOTAL ASSETS		-	**7,600,958**	**7,705,507**	-	**7,901,587**
LIABILITIES						
Current liabilities						
Derivative financial liabilities	12		-	659		659
Exchange transactions and transfers payable	21		72,154	60,686		64,620
Taxes payable	21		-	6,113		6,375
Revenue in advance	22		14,388	16,184		18,511
Borrowings	23		125,000	131,058		131,058
Employee benefit liabilities and provisions	24		8,416	7,731		9,559
Provision for other liabilities	25		8,882	15,743		15,743
Total current liabilities		-	**228,840**	**238,174**	-	**246,525**
Non-current liabilities						
Derivative financial liabilities	12		-	25,083		25,083
Exchange transactions and transfers payable	21		630	630		630
Borrowings	23		506,309	451,086		451,086
Employee benefit liabilities and provisions	24		1,311	772		826
Provision for other liabilities	25		23,384	50,244		50,244
Deferred tax	26			-		882
Total non-current liabilities		-	**531,634**	**527,815**	-	**528,751**
TOTAL LIABILITIES		-	**760,474**	**765,989**	-	**775,276**

Statement of Financial Position – continued

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2019	2019	2018	2019	2018
	Note	$000	$000	$000	$000	$000
EQUITY						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,842,083	3,819,629		3,818,478
Revaluation reserves	27		1,716,629	1,857,464		2,016,078
Hedging reserve	28		-	(25,362)		(25,663)
Fair value through other comprehensive revenue and expense reserve	29		2,888	3,744		4,836
Non-controlling interest			-	-		284
Restricted funds	30		9,750	14,909		19,136
TOTAL EQUITY		**-**	**6,840,484**	**6,939,518**	**-**	**7,126,311**
TOTAL EQUITY AND LIABILITIES		**-**	**7,600,958**	**7,705,507**	**-**	**7,901,587**

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:

Current assets are $XXXm higher than budgeted primarily due to:

Non-current assets are $XXXm higher than budgeted primarily due to:

Total liabilities are $XXXm higher than budget primarily due to:

Note 11: Cash and cash equivalents

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Cash at bank		1,976		11,288
Cash on hand		20		39
Short term bank deposits up to 3 months		94,000		95,529
TOTAL CASH AND CASH EQUIVALENTS	**-**	**95,996**	**-**	**106,856**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Assets				
Non-current assets				
Interest rate swaps - cash flow hedges		380	-	380
Interest rate cap		1	-	1
Total non-current assets	**-**	**381**	**-**	**381**
TOTAL DERIVATIVE FINANCIAL INSTRUMENT ASSETS	**-**	**381**	**-**	**381**
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges		659	-	659
Total current liabilities	**-**	**659**	**-**	**659**
Non-current liabilities				
Interest rate swaps - cash flow hedges		25,083	-	25,083
Total non-current liabilities	**-**	**25,083**	**-**	**25,083**
TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	**-**	**25,742**	**-**	**25,742**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Current		55,815		58,049
Non-Current	-	-	-	-
TOTAL RECEIVABLES AND RECOVERABLES - NET	**-**	**55,815**	**-**	**58,049**

Receivables and recoverables	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Trade receivables and recoverables - debtors - net		16,753		18,300
Trade recoverables - fines - net		3,630		3,630
Accrued revenue		12,287		12,352
Sundry receivables		6,365		6,987
GST recoverable		6,314		6,314
Rates recoverable		10,466		10,466
TOTAL RECEIVABLES AND RECOVERABLES - NET	**-**	**55,815**	**-**	**58,049**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Receivables and recoverables from related parties				
- Controlled entities		210		-
- Associates and jointly controlled entity		308		308
Total receivables and recoverables from related parties	**-**	**518**	**-**	**308**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		6,960		6,960
New provisions made		165		165
Release of unused provision		(142)		(142)
Amount of provision utilised		(31)		(31)
Provision for impairment of total receivables and	**-**	**6,952**	**-**	**6,952**

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

Council	2019			2018		
	Gross	Impaired	Net	Gross	Impaired	Net
	$000	$000	$000	$000	$000	$000
Trade and other receivables and recoverables						
Not past due				38,414	(183)	38,231
Past due 0-3 months				6,857	(55)	6,802
Past due 3-6 months				3,654	(193)	3,461
Past due more than 6 months				13,842	(6,521)	7,321
TOTAL RECEIVABLES AND RECOVERABLES	**-**	**-**	**-**	**62,767**	**(6,952)**	**55,815**

Group	2019			2018		
	Gross	Impaired	Net	Gross	Impaired	Net
	$000	$000	$000	$000	$000	$000
Trade and other receivables and recoverables						
Not past due				40,225	(183)	40,042
Past due 0-3 months				7,271	(55)	7,216
Past due 3-6 months				3,655	(193)	3,462
Past due more than 6 months				13,850	(6,521)	7,329
TOTAL RECEIVABLES AND RECOVERABLES	**-**	**-**	**-**	**65,001**	**(6,952)**	**58,049**

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 for 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 2019 $000	Council 2018 $000	Group 2019 $000	Group 2018 $000
Represented by:				
Current		10,515		11,948
Non-current		12,201		14,231
TOTAL OTHER FINANCIAL ASSETS	**-**	**22,716**	**-**	**26,179**
Comprised of:				
Financial assets at fair value through other comprehensive revenue and expense				
Equity investments:				
- Civic Financial Services Ltd		798		798
- NZ Local Government Funding Agency (LGFA)		5,339		5,339
- Creative HQ incubator/accelerator shareholdings		-		2,030
Loans and deposits				
Bank deposits - term greater than 3 months		10,000		11,401
LGFA - borrower notes		6,304		6,304
Loans to related parties		31		31
Loans to external organisations		244		276
TOTAL OTHER FINANCIAL ASSETS	**-**	**22,716**	**-**	**26,179**

Equity investments

Civic Financial Services Limited (formerly Civic Assurance) is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.78% (2017: 4.78%) shareholding in this entity and has 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:

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Loans to related parties				
Wellington Regional Stadium Trust				
(nominal value $15,394,893)				
Opening balance		27		27
Amortisation of fair value adjustment		4		4
Closing balance at fair value	**-**	**31**	**-**	**31**
Loans to other external organisations				
Opening balance		263		304
Loan repayments received		(19)		(34)
Loan forgiveness		-		-
Amortisation of fair value adjustment		-		6
Closing balance at fair value	**-**	**244**	**-**	**276**
TOTAL LOANS	**-**	**275**	**-**	**307**

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

Wellington Regional Stadium Trust

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
The amortisation rate applicable to the Wellington Regional Stadium Trust loan is 12.710%.

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. The current expected repayment of the loan and the advance back to the Council, as advised by WRST, is in 2070.

Loans to other external organisations

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 (page XX).

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

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		-		-
Disposals		-		-
Transfers to property, plant and equipment		-		-
TOTAL NON-CURRENT ASSETS CLASSFIED AS HELD FOR SALE	**-**	**-**	**-**	**-**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Computer software				
Cost - opening balance		73,340		74,210
Accumulated amortisation		(49,435)		(50,220)
Computer software opening balance	-	23,905	-	23,990
Acquired by direct purchase		1,545		1,670
Amortisation		(4,306)		(4,394)
Net disposals		(60)		(60)
Transfer to property, plant and equipment		-		-
Transfer between classes		7		7
Total computer software - closing balance	**-**	**21,091**	**1**	**21,213**
Cost		59,625		60,808
Accumulated amortisation		(38,534)		(39,595)
Total computer software - closing balance	**-**	**21,091**	**-**	**21,213**
Work in progress				
Computer software		1,723		1,723
Total work in progress	**-**	**1,723**	**-**	**1,723**
Carbon credits				
Cost - Opening Balance		1,983		1,983
Additions		1,231		1,231
Net disposals		(350)		(350)
Total Carbon credits - closing balance	**-**	**2,864**	**-**	**2,864**
TOTAL INTANGIBLES	**-**	**25,678**	**-**	**25,800**

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

Carbon Credits	Council		Group	
	2019	2018	2019	2018
	Units	Units	Units	Units
Opening balance		347,731		347,731
Additions - Allocated from the Crown		1,044		1,044
Additions - Purchases		65,957		65,957
Disposals - Surrendered to the Crown		(32,715)		(32,715)
Disposals - Repayments to the Crown		-		-
Disposals - Sales		-		-
TOTAL CARBON CREDITS	**-**	**382,017**	**-**	**382,017**

As part of the Emissions Trading Scheme (ETS) the Council receives 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 2019 the Council received XXX credits (2018: 1,044).

The Council purchased XXX credits (2018: 62,057) in the market to cover the expected liabilities associated with landfill operations. During the year, XXX credits (2018: 32,715) were surrendered to meet the Council's ETS obligations for the 2018 calendar year.

A further XXX credits were purchased to offset sales made to Air New Zealand for them to offer as credits to offset passenger air miles.

At 30 June 2019 the liability relating to landfill carbon emissions is $XXXm (2018: $0.359m). 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 of these assets are as follows:

Asset Category	2019 Useful Life (years)
Computer software	2 - 11

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 2019 $000	Council 2018 $000	Group 2019 $000	Group 2018 $000
Ground leases, other land and buildings				
Opening balance		229,306		229,306
Additions by acquisition		201		201
Adjustment		-		-
Disposals		-		-
Fair value revaluation movements taken to surplus/(deficit)		6,937		6,937
Transfer to property, plant and equipment		41		41
Total ground leases, other land and buildings	**-**	**236,485**	**-**	**236,485**
Work in progress				
Other land and buidings		420		420
Total work in progress	**-**	**420**	**-**	**420**
TOTAL INVESTMENT PROPERTIES	**-**	**236,905**	**-**	**236,905**

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2019 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 (2018: $192.693m) and land and buildings (including work in progress) of $XXXm (2018: $44.212m) held for investment purposes.

Investment properties are properties which are held primarily to earn lease revenue and/or for capital growth. These properties include the Council's ground leases and certain land and buildings.

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

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

Relevant significant accounting policies

The basis of valuation varies depending on the nature of the lease. For sites that are subject to a terminating lease the approach is to assess the value of the lease revenue over the remaining term of the lease and add the residual value of the land at lease expiry. For sites subject to perpetually renewable leases values have been assessed utilising a discounted cash flow and arriving at a net present value of all future anticipated gross lease payments.

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

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

Certain ground leases on the waterfront and within the CBD have, for accounting purposes, been treated as sold assets due to the very long term nature of the lease and peppercorn rentals. At a future point in time, prior to the asset being returned to Council ownership, Council will begin to incrementally re-recognise the value of the asset. The amortisation of the estimated future value will reflect the prevalent economic situation and will be more relevant in terms of both the estimated value and materiality.

Note 18: Property, plant and equipment

Summary	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Property, plant and equipment - Opening balance		6,972,168		6,988,405
Additions		87,742		88,270
Disposals		(876)		(877)
Depreciation expense		(103,109)		(104,654)
Impairment losses		(4)		(4)
Revaluation adjustment		(413)		(413)
Revaluation movement		181,386		181,386
Transfer between asset classes		(48)		(48)
Transfer to non-current assets held for sale		-		-
Transfer from non-current assets held for sale		-		-
Movement in work in progress		90,128		90,353
Acquistion of controlled entity		-		-
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**7,226,974**	**-**	**7,242,418**

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 including service concession arrangement assets (waste water treatment plants)) 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

Work in progress represents the cost of capital expenditure projects that are not financially complete. The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and is then subject to depreciation.

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

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance		21,862		21,862
Land - at valuation - opening balance		222,243		222,243
Total land - opening balance	-	244,105	-	244,105
Additions		1,297		1,297
Revaluation movement		49,035		49,035
Revaluation adjustment		(563)		(563)
Transfer between asset classes		(460)		(460)
Total land - closing balance	**-**	**293,414**	**-**	**293,414**
Land - at cost - closing balance		-	-	-
Land - at valuation - closing balance		293,414		293,414
Total land - closing balance	**-**	**293,414**	**-**	**293,414**
Buildings				
Buildings - at cost - opening balance		46,914		55,457
Buildings - at valuation - opening balance		561,635		561,635
Total cost/valuation	-	608,549	-	617,092
Accumulated depreciation		(43,793)		(47,840)
Total buildings - opening balance	-	564,756	-	569,252
Additions		15,663		15,663
Depreciation expense		(21,490)		(21,861)
Disposals		(390)		(390)
Revaluation adjustment		132,351		132,351
Transfer between asset classes		55,733		55,733
Acquisition of controlled entity		-		-
Total buildings - closing balance	**-**	**746,623**	**-**	**750,748**
Buildings - at cost - closing balance		-		-
Buildings - at valuation - closing balance		746,623		754,983
Total cost/valuation	-	746,623	-	754,983
Accumulated depreciation		-		(4,235)
Total buildings - closing balance	**-**	**746,623**	**-**	**750,748**
Landfill post closure costs [1]				
Landfill post closure - at cost - opening balance		4,561		4,561
Accumulated depreciation		(2,834)		(2,834)
Total landfill post closure costs - opening balance	-	1,727	-	1,727
Depreciation expense		(283)		(283)
Transfer between asset classes		(152)		(152)
Movement in post closure costs		(115)		(115)
Total landfill post closure costs - closing balance	**-**	**1,177**	**-**	**1,177**
Landfill post closure - at cost - closing balance		4,174		4,174
Accumulated depreciation		(2,997)		(2,997)
Total landfill post closure costs - closing balance	**-**	**1,177**	**-**	**1,177**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Civic Centre complex				
Civic Centre complex - at cost - opening balance		161,576		161,576
Accumulated depreciation		(63,902)		(63,902)
Total Civic Centre complex - opening balance	-	97,674	-	97,674
Additions		2,327		2,327
Depreciation expense		(2,675)		(2,675)
Disposals		(13)		(13)
Impairment		-		-
Transfer between asset classes		(4)		(4)
Transfer from non-current assets held for sale		-		-
Transfer to non-current assets held for sale		-		-
Total Civic Centre complex- closing balance	**-**	**97,309**	**-**	**97,309**
Civic Centre complex - at cost - closing balance		163,833		163,833
Accumulated depreciation		(66,524)		(66,524)
Total Civic Centre complex- closing balance	**-**	**97,309**	**-**	**97,309**
Plant and equipment				
Plant and equipment - at cost - opening balance		239,658		257,450
Accumulated depreciation		(109,549)		(120,540)
Total plant and equipment - opening balance	-	130,109	-	136,910
Additions		13,011		13,539
Depreciation expense		(11,178)		(12,352)
Disposals		(161)		(162)
Impairment		(4)		(4)
Transfer between asset classes		(58,059)		(58,059)
Acquisition of controlled entity		-		-
Total plant and equipment - closing balance	**-**	**73,718**	**-**	**79,872**
Plant and equipment - at cost		175,029		192,696
Accumulated depreciation		(101,311)		(112,824)
Total plant and equipment - closing balance	**-**	**73,718**	**-**	**79,872**
Library collections				
Library collections - at cost - opening balance		-		-
Library collections - at valuation - opening balance		14,841		14,841
Total cost/valuation	-	14,841	-	14,841
Accumulated depreciation		-	-	-
Total library collections - opening balance	-	14,841	-	14,841
Additions		2,629		2,629
Depreciation expense		(1,767)		(1,767)
Revaluation movement		-		-
Total library collections - closing balance	**-**	**15,703**	**-**	**15,703**
Library collections - at cost - closing balance		2,629		2,629
Library collections - at valuation - closing balance		14,841		14,841
Total cost/valuation	-	17,470	-	17,470
Accumulated depreciation		(1,767)		(1,767)
Total library collections - closing balance	**-**	**15,703**	**-**	**15,703**
Total operational assets	**-**	**1,227,944**	**-**	**1,238,223**

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		-		-
Drainage, waste and water - at valuation - opening balance		1,466,792		1,466,792
Total cost/valuation	-	1,466,792	-	1,466,792
Accumulated depreciation	-	-	-	-
Total drainage, water and waste - opening balance	-	1,466,792	-	1,466,792
Additions		16,748		16,748
Depreciation expense		(35,309)		(35,309)
Disposals		(6)		(6)
Revaluation movement		-		-
Revaluation adjustment		(457)		(457)
Transfer between asset classes		2,636		2,636
Total drainage, water and waste - closing balance	**-**	**1,450,404**	**-**	**1,450,404**
Drainage, waste and water - at cost - closing balance		16,748		16,748
Drainage, waste and water - at valuation - closing balance		2,973,091		2,973,091
Total cost/valuation	-	2,989,839	-	2,989,839
Accumulated depreciation		(1,539,435)		(1,539,435)
Total drainage, water and waste - closing balance	**-**	**1,450,404**	**-**	**1,450,404**
Roading				
Roading - at cost - opening balance		-		-
Roading - at valuation - opening balance		1,014,334		1,016,934
Total cost/valuation	-	1,014,334	-	1,016,934
Accumulated depreciation		-		-
Total roading - opening balance	-	1,014,334	-	1,016,934
Additions		33,366		33,366
Depreciation expense		(28,786)		(28,786)
Revaluation movement		-		-
Revaluation adjustment		44		44
Transfer between asset classes		813		813
Total roading - closing balance	**-**	**1,019,771**	**-**	**1,022,371**
Roading - at cost - closing balance		33,365		33,365
Roading - at valuation - closing balance		1,452,141		1,454,741
Total cost/valuation	-	1,485,506	-	1,488,106
Accumulated depreciation		(465,735)		(465,735)
Total roading - closing balance	**-**	**1,019,771**	**-**	**1,022,371**
Infrastructure land				
Infrastructure land - at cost - opening balance		-		-
Infrastructure land - at valuation - opening balance		38,793		38,793
Total infrastructure land - opening balance	-	38,793	-	38,793
Revaluation movement		-		-
Transfer between asset classes		463		463
Total infrastructure land - closing balance	**-**	**39,256**	**-**	**39,256**
Infrastructure land - at cost - closing balance		-		-
Infrastructure land - at valuation - closing balance		39,256		39,256
Total infrastructure land - closing balance	**-**	**39,256**	**-**	**39,256**

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Land under roads				
Land under roads - at cost - opening balance		2,956,261		2,956,261
Additions		194		194
Disposals		(57)		(57)
Transfer between asset classes		(595)		(595)
Transfer from non-current assets held for sale		-		-
Land under roads - closing balance	**-**	**2,955,803**	**-**	**2,955,803**
Total infrastructure assets	**-**	**5,465,234**	**-**	**5,467,834**
Restricted assets [2]				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,730		11,069
Additions		178		178
Transfer between asset classes		(36)		(36)
Art and cultural assets - closing balance	**-**	**8,872**	**-**	**11,211**
Restricted buildings				
Restricted buildings - at cost - opening balance		42,294		42,294
Accumulated depreciation		(12,408)		(12,408)
Total restricted buildings - opening balance	-	29,886	-	29,886
Additions		921		921
Depreciation expense		(1,621)		(1,621)
Disposals		(249)		(249)
Transfer between asset classes		(387)		(387)
Restricted buildings - closing balance	**-**	**28,550**	**-**	**28,550**
Restricted buildings - at cost - closing balance		42,198		42,198
Accumulated depreciation		(13,648)		(13,648)
Total restricted buildings - closing balance	**-**	**28,550**	**-**	**28,550**
Parks and reserves				
Parks and reserves - at cost - opening balance		216,333		216,333
Additions		1,399		1,399
Disposals		-		-
Transfer between asset classes		(7,059)		(7,059)
Transfer from non-current assets held for sale		-		-
Parks and reserves - closing balance	**-**	**210,673**	**-**	**210,673**
Town Belt				
Town Belt - at cost - opening balance		81,486		81,486
Additions		124		124
Transfer between asset classes		7,622		7,622
Town Belt - at cost	**-**	**89,232**	**-**	**89,232**
Zoo animals - at cost		**500**		**500**
Total restricted assets	**-**	**337,827**	**-**	**340,166**

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

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Work in progress				
Land		2,623		2,623
Buildings		84,676		84,902
Civic Centre complex		924		924
Plant and equipment		22,722		22,722
Library		194		194
Drainage, waste and water		45,853		45,853
Roading		38,870		38,870
Art and cultural		108		108
Total work in progress	**-**	**195,970**	**-**	**196,196**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**7,226,974**	**-**	**7,242,418**

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 2018, 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.

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 2017 and 30 June 2019 for infrastructural network and infrastructural land assets were assessed using appropriate indices. The increase in asset value of XX% of Total Assets was not considered material by management and accordingly the assets were not revalued at 30 June 2019.

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

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	2019			
	Closing book value $000	Additions Constructed $000	Additions Vested $000	Replacement Cost $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	2018			
	Closing book value $000	Additions Constructed $000	Additions Vested $000	Replacement Cost $000
Water supply				
- treatment plants and facilities	-	-	-	
- other assets	348,289	4,328	1,772	900,660
Sewerage				
- treatment plants and facilities	171,857	695	-	234,835
- other assets	514,476	4,786	1,163	1,074,607
Stormwater drainage	415,782	1,990	2,015	836,471
Flood protection and control works	-	-	-	-
Roads and footpaths	1,019,771	31,264	2,102	1,511,737
TOTAL CORE ASSETS	**2,470,175**	**43,062**	**7,052**	**4,558,310**

Drainage, waste, water and roads assets were revalued for the year ending 30 June 2017 by Opus International Limited as part of the normal revaluation cycle.

Service concession arrangements

The service concession arrangement assets 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. These assets are included in the infrastructure assets class and are valued consistently with other waste infrastructure network assets.

The carrying value of these service concession assets for the Group is $XXXm (2018: $151.431)

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 infrastructure assets class 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	
	2019	2018
	$000	$000
Total value of property, plant and equipment	-	7,226,974
less assets (primarily land) excluded from insurance contracts	-	3,784,347
Value of assets covered by insurance contracts	**-**	**3,442,627**
The maximum amount to which assets are insured under Council insurance policies		1,144,000

In addition to Council's insurance, in the event of natural disaster it is assumed that Central Government will contribute 60% towards the rebuild or repair of essential Council owned infrastructure (drainage, waste and water assets) subject to eligibility considerations. Also, the New Zealand Transport Agency will contribute approximately 55% towards the restoration of qualifying roading assets.

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

An insurance reserve of $XXXm (2018: $11.406m) 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 (2018: $1.500m). The net cost of claims applied to the reserve during the year amounted to $XXXm (2018: $2.750m).

For more information on the claims applied against the reserve refer to Note 38: Financial impacts of the Kaikoura earthquake (page XX).

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	2019 $000	2018 $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 2019	Accounting Interest 2018	Nature of business
Karori Sanctuary Trust (Trading as Zealandia)	100%	100%	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 (Trading as Experience Wellington)	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Nairn Street Cottage, the Space Place (Carter Observatory), the Wellington Museum 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	
	2019	2018
	$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 2019	Accounting Interest 2018	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 the 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 2019 Council held a XXX% interest in Chaffers Marina Holdings Limited (2018: 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

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	Liabilities	Revenues	Surplus/(Deficit)
	2019	2019	2019	2019
	$000	$000	$000	$000
Associates				
Chaffers Marina Holdings Limited				
Wellington International Airport Limited				
Jointly controlled entity				
Wellington Water Limited				

	Assets	Liabilities	Revenues	Surplus/(Deficit)
	2018	2018	2018	2018
	$000	$000	$000	$000
Associates				
Chaffers Marina Holdings Limited	591	184	132	(17)
Wellington International Airport Limited	403,591	204,600	43,737	16,270
Jointly controlled entity				
Wellington Water Limited	9,388	8,676	11,340	(10)

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	Council	
	2019	2018
	$000	$000
Chaffers Marina Holdings Limited		
Opening balance		872
Change in shares during the year		-
Change in equity due to changed shareholding		-
Equity accounted earnings of associate		(17)
Closing balance - investment in Chaffers Marina Holdings Limited	**-**	**855**
Wellington International Airport Limited		
Opening balance		162,366
Dividends		(12,610)
Equity accounted earnings of associate		16,270
Share of net revaluation of property, plant and equipment - movement		20,588
Share of hedging reserve - movement		(301)
Closing balance - investment in Wellington International Airport Limited	**-**	**186,313**
Wellington Water Limited		
Opening balance		722
Change in equity due to changed shareholding		-
Equity accounted earnings of jointly controlled entity		(10)
Closing balance - investment in Wellington Water Limited	**-**	**712**
TOTAL INVESTMENT IN ASSOCIATES AND JOINTLY CONTROLLED ENTITY	**-**	**187,880**

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, transfers and taxes payable

Exchange transactions, transfers and taxes payable	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Current				
Exchange transactions and transfers payable		60,686		64,620
Taxes payable		6,113		6,375
Non-current				
Exchange transactions and transfers payable		630		630
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	**-**	**67,429**	**-**	**71,625**

Comprised of:

Exchange transactions and transfers payable	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Trade payables and accruals		52,752		56,686
Interest payable		3,231		3,231
Sundry payables		5,333		5,333
Total exchange transactions and transfers payable	**-**	**61,316**	**-**	**65,250**

Taxes payable	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
GWRC rates		4,539		4,539
Other		1,574		1,836
Total taxes payable	**-**	**6,113**	**-**	**6,375**
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	**-**	**67,429**	**-**	**71,625**

Exchange transactions, transfers and payable to related parties	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Controlled entities		570		-
Associates and jointly controlled entity		2,267		2,267
Total exchange transactions, transfers and payable to related parties	**-**	**2,837**	**-**	**2,267**

Payables under exchange transactions, transfers and taxes 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Exchange				
Lease rentals		2,569		2,569
Other		-		425
Taxes				
Rates		1,423		1,423
Transfers				
Wellington Venues operations		1,182		1,182
Inspection and licensing fees		3,770		3,770
Other		1,058		1,585
Liabilities recognised under conditional transfer agreements		6,182		7,557
TOTAL REVENUE IN ADVANCE	**-**	**16,184**	**-**	**18,511**

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 in the 2017/18 year relates to funding received from NZTA in relation to roading and urban cycle ways.

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Current				
Bank loans - term		58		58
Commercial paper		85,000		85,000
Debt securities - fixed rate bonds		5,000		5,000
Debt securities - floating rate notes		41,000		41,000
Finance leases		-		-
Total current	**-**	**131,058**	**-**	**131,058**
Non-current				
Bank loans - term		4,586		4,586
Debt securities - fixed rate bonds		15,000		15,000
Debt securities - floating rate notes		431,500		431,500
Total non-current	**-**	**451,086**	**-**	**451,086**
TOTAL GROSS BORROWINGS	**-**	**582,144**	**-**	**582,144**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Total gross borrowings	-	582,144	-	582,144
Less				
Cash and cash equivalents (see Note 11)	-	(95,996)	-	(106,856)
Term deposits > 3 months		(10,000)	-	(10,000)
TOTAL NET BORROWINGS	**-**	**476,148**	**-**	**465,288**

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		-		
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 (2018: $45.796m) 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 (2018: $34.502m), representing 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 (2018: $11.294m) 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 benefit liabilities and provisions

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Current				
Short-term benefits				
Payroll accruals		1,984		2,530
Holiday leave		5,527		6,809
Total short-term benefits	**-**	**7,511**	**-**	**9,339**
Termination benefits				
Other contractual provisions		220		220
Total termination benefits	**-**	**220**	**-**	**220**
Total current	**-**	**7,731**	**-**	**9,559**
Non-current				
Long-term benefits				
Long service leave provision		-		54
Retirement gratuities provision		772		772
Total long-term benefits	**-**	**772**	**-**	**826**
TOTAL EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS	**-**	**8,503**	**-**	**10,385**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		889		889
Movement in required provision		31		31
Release of unused provision		(29)		(29)
Rediscounting of interest		22		22
Amount utilised		(141)		(141)
Retirement gratuities - closing balance	**-**	**772**	**-**	**772**

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 2018, before discounting, is $XXXm (2018: $0.917m). The discount factor of XXX% is based on the Treasury risk-free rate.

Other contractual provisions	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		274		274
New provision		220		220
Release of unused provision		(19)		(19)
Amount utilised		(255)		(255)
Other contractual provisions - closing balance	**-**	**220**	**-**	**220**

Background

The above provision is to cover estimated redundancy costs as at 30 June 2019 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Current				
Landfill post closure costs		1,556	-	1,556
Weathertight homes		13,646	-	13,646
Unreinforced masonary grants		541	-	541
Total current	**-**	**15,743**	**-**	**15,743**
Non-current				
Landfill post closure costs		17,615	-	17,615
Weathertight homes		32,629	-	32,629
Total non-current	**-**	**50,244**	**-**	**50,244**
TOTAL PROVISIONS FOR OTHER LIABILITIES	**-**	**65,987**	**-**	**65,987**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		17,713	-	17,713
Movement in provision		981	-	981
Re-discounting of interest		999	-	999
Amount utilised		(522)	-	(522)
Landfill post closure costs - closing balance	**-**	**19,171**	**-**	**19,171**
Current		1,556	-	1,556
Non-current		17,615	-	17,615
Landfill post closure costs - closing balance	**-**	**19,171**	**-**	**19,171**

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
- on-going 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 Treasury risk free rate of 3.83%. The gross provision (inflation adjusted at 2.57%), before discounting, is $XXXm (2018: $23.396m). 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 (2018: 453,130m^3) and is expected to close in 2022. 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 a remaining life out to 2052.

Weathertight homes	**Council**		**Group**	
	2019	**2018**	**2019**	**2018**
	$000	**$000**	**$000**	**$000**
Opening balance		39,435	-	39,435
Additional or increased provision made		12,523	-	12,523
Amount utilised		(5,683)	-	(5,683)
Weathertight homes - closing balance	**-**	**46,275**	**-**	**46,275**
Current		13,646	-	13,646
Non-current		32,629	-	32,629
Weathertight homes - closing balance	**-**	**46,275**	**-**	**46,275**

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 (2018: $14.234m) 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 the Treasury's risk-free rate. The provision is net of any third-party contributions including insurance, where applicable.

The provision is based on best estimates and actuarial assessments and therefore actual costs incurred may vary significantly from those included in this provision, especially for future claims relating to weathertightness issues not yet identified or not yet reported.

The 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.

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.

Sensitivity

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

Council and Group	2019 $000	
	+10%	-10%
Assumption	Effect on Surplus or Deficit	
Amount claimed		
Settlement level award		
Council contibution to settlement		
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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		(30,966)		(30,966)
Rates funding for weathertight homes liability		7,227		7,227
Total amounts paid		(5,683)		(5,683)
Interest allocation		(1,710)		(1,710)
Closing balance funded through borrowings	**-**	**(31,132)**	**-**	**(31,132)**

Note 26: Deferred tax

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Deductible temporary differences		-		542
Tax losses		120		365
TOTAL DEFERRED TAX	**-**	**120**	**-**	**907**

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 (2018: $0.00m) and for the Group $XXXm (2018: $0.254m).

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.

As at 30 June 2019, the Group has a deferred tax liability of $XXXm (2018: $0.882m).

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 2019

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2019	2019	2018	2019	2018
	Note	$000	$000	$000	$000	$000
EQUITY - Opening balances						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,825,080	3,793,827		3,788,286
Revaluation reserves			1,716,629	1,677,312		1,815,338
Hedging reserve			-	(21,283)		(21,283)
Fair value through other comprehensive revenue and expense reserve			2,888	2,888		3,221
Non-controlling interest			-	-		284
Restricted funds			8,996	8,243		12,135
TOTAL EQUITY - Opening balance		**-**	**6,822,727**	**6,730,121**	**-**	**6,891,143**
CHANGES IN EQUITY						
Retained earnings						
Net surplus for the year			17,757	32,207		36,932
Transfer to restricted funds			(3,269)	(13,018)		(13,701)
Transfer from restricted funds			2,515	6,352		6,700
Transfer from revaluation reserves			-	261		261
Revaluation reserves	**27**					
Fair value movement - property, plant and equipment - net			-	180,413		201,001
Transfer to retained earnings			-	(261)		(261)
Hedging reserve	**28**					
Movement in hedging reserve			-	(4,079)		(4,380)
Fair value through other comprehensive revenue and expense reserve	**29**					
Movement in fair value - Equity investments			-	856		856
Movement in fair value - Available for sale equities			-	-		759
Non-controlling interest						
Movement of non-controlling interest			-	-		-
Restricted funds	**30**					
Transfer to retained earnings			(2,515)	(6,352)		(6,700)
Transfer from retained earnings			3,269	13,018		13,701
Total comprehensive revenue and expense		**-**	**17,757**	**209,397**	**-**	**235,168**
EQUITY - Closing balances						
Accumulated funds		-	1,269,134	1,269,134	-	1,293,162
Retained earnings		-	3,842,083	3,819,629	-	3,818,478
Revaluation reserves		-	1,716,629	1,857,464	-	2,016,078
Hedging reserve		-	-	(25,362)	-	(25,663)
Fair value through other comprehensive revenue and expense reserve		-	2,888	3,744	-	4,836
Non-controlling interest		-	-	-	-	284
Restricted funds		-	9,750	14,909	-	19,136
TOTAL EQUITY - Closing balance		**-**	**6,840,484**	**6,939,518**	**-**	**7,126,311**

	Council			Group	
	Actual 2019 $000	Budget 2019 $000	Actual 2018 $000	Actual 2019 $000	Actual 2018 $000
Total comprehensive revenue and expense attributable to:					
Wellington City Council and Group	-	17,757	209,397	-	234,884
Non-controlling interest	-	-	-	-	284
	-	**17,757**	**209,397**	**-**	**235,168**

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

Statement of changes in equity – Major budget variations

Significant variations from budgeted changes in equity are as follows:

Total closing equity is $XXXm higher than budget primarily due to:

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: Revaluation reserves

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Land - opening balance		155,091		155,091
Revaluation recognised in other comprehensive revenue and expense		49,035		49,035
Transfer between classes		(463)		(463)
Revaluations adjustment		(560)		(560)
Land - closing balance	**-**	**203,103**	**-**	**203,103**
Buildings - opening balance		230,355		230,355
Revaluation recognised in other comprehensive revenue and expense		132,351		132,351
Transfer to retained earnings on disposal of assets		(261)		(261)
Buildings - closing balance	**-**	**362,445**	**-**	**362,445**
Library collections - opening balance		8,392		8,392
Revaluation recognised in other comprehensive revenue and expense		-		-
Library collections - closing balance	**-**	**8,392**	**-**	**8,392**
Drainage, waste and water - opening balance		764,610		764,610
Revaluation recognised in other comprehensive revenue and expense		-		-
Prior year revaluation adjustments		(457)		(457)
Drainage, waste and water - closing balance	**-**	**764,153**	**-**	**764,153**
Infrastructure land - opening balance		18,395		18,395
Revaluation recognised in other comprehensive revenue and expense		-		-
Transfer between classes		463		463
Infrastructure land - closing balance	**-**	**18,858**	**-**	**18,858**
Roading - opening balance		500,469		500,469
Revaluation recognised in other comprehensive revenue and expense		-		-
Prior year revaluation adjustments		44		44
Roading - closing balance	**-**	**500,513**	**-**	**500,513**
Associates' revaluation reserves - opening balance		-		138,026
Revaluation recognised in other comprehensive revenue and expense		-		20,588
Associates' revaluation reserves - closing balance	**-**	**-**	**-**	**158,614**
Total revaluation reserves - closing balance	**-**	**1,857,464**	**-**	**2,016,078**

These revaluation reserves are represented by:

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		1,677,312		1,815,338
Revaluation recognised in other comprehensive revenue and expense	-	181,386	-	201,974
Transfer to retained earnings on disposal of assets	-	(261)	-	(261)
Prior year revaluation adjustments	-	(413)	-	(413)
Revaluations adjustment	-	(560)	-	(560)
TOTAL REVALUATION RESERVES	**-**	**1,857,464**	**-**	**2,016,078**

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 2019 Council has revalued its investment properties, which are revalued annually – refer to Note 17 – Investment properties, for more information.

Council has also revalued its operational land and building assets with the revaluation movements shown above.

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		(21,283)		(21,283)
Cash flow hedge net movement recognised in other comprehensive revenue and expenses		(4,079)		(4,380)
TOTAL HEDGING RESERVE	**-**	**(25,362)**	**-**	**(25,663)**

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

The Group movement reflects the hedging related to Wellington International Airport Limited.

Note 29: Fair value through other comprehensive revenue and expense reserve

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Opening balance		2,888		3,221
Movements:				
Civic Financial Services Limited		(8)		(8)
Local Government Funding Agency		864		864
Creative HQ shareholdings - available for sale		-		759
TOTAL FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE	**-**	**3,744**	**-**	**4,836**

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Financial Services Limited 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Special reserves and funds		14,448		17,753
Trusts and bequests		461		1,383
TOTAL RESTRICTED FUNDS	**-**	**14,909**	**-**	**19,136**

Special reserves and funds	Opening Balance 2019 $000	Additional Funds 2019 $000	Funds Utilised 2019 $000	Closing Balance 2019 $000
Council				
City growth fund	2,260			
Reserve purchase and development fund	782			
Insurance reserve	11,406			
Total Council	**14,448**	**-**	**-**	**-**
Controlled entities' reserve funds	3,305			
Total Group - Special reserves and funds	**17,753**	**-**	**-**	**-**

Nature and purpose, funding and utilisation

City growth fund

This fund is part of an integrated approach to fostering growth in the economy. Funding of $1.5m (2018: $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 no purchases were made.

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 (2018: $1.500m) are funded through rates as identified in the Annual Plan. During the year $XXXm (2018: $2.750m) was used to meet under-excess insurance costs.

For more information on the cost of claims refer to Note 38 - Financial impacts of the Kaikoura earthquake.

Controlled entities' reserve funds

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

- The Wellington Museums Trust has six reserves; a Capital reserve, a Capital E reserve, a Nairn Street Cottage collection reserve, a Wellington Museums collection reserve, a City Gallery reserve and a Wellington Museum Plimmer 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 2019 $000	Additional Funds 2019 $000	Funds Utilised 2019 $000	Closing Balance 2019 $000
Council				
A Graham Trust	3			
A W Newton Bequest	348			
E A McMillan Estate	6			
E Pengelly Bequest	16			
F L Irvine Smith Memorial	8			
Greek NZ Memorial Association	5			
Kidsarus 2 Donation	4			
Kirkcaldie and Stains Donation	17			
QEII Memorial Book Fund	22			
Schola Cantorum Trust	8			
Terawhiti Grant	10			
Wellington Beautifying Society Bequest	14			
Total Council - Trusts and bequests	**461**	-	-	-
Controlled entities' trusts and bequests	922			
Total Group - Trusts and bequests	**1,383**	-	-	-

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.

Nature and purpose

Other than 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/

Charles Plimmer Bequest

This bequest is held and administered by the Public Trust and is primarily used for major beautification projects. As the sole beneficiary, Wellington City Council applies for distribution of available funds for particular projects after consultation with the Plimmer family. The receipt and use of these funds is shown outside of the table above to record the generous contribution the bequest makes to the benefit of the city.

The value of the funds held by the Public Trust is approximately $XXXm (2018: $16.362m) but the distributions to the beneficiary are only available from an agreed percentage of revenue generated. The distributions are only drawn down as required.

During the year:

- Distributions recognised as revenue - $XXXm
- Funds utilised towards the Newlands Park upgrade - $XXXm

Statement of cash flows

For the year ending 30 June 2019

	Council			Group	
	Actual 2019 $000	Budget 2019 $000	Actual 2018 $000	Actual 2019 $000	Actual 2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from rates - Council		321,022	295,301		295,301
Receipts from rates- Greater Wellington Reginal Council		64,436	63,284		63,284
Receipts from activities and other revenue		132,378	148,467		180,802
Receipts from grants and subsidies - Operating		6,673	8,635		17,004
Receipts from grants and subsidies - Capital		34,035	27,039		27,185
Receipts from investment property lease rentals		11,215	11,648		11,648
Cash paid to suppliers and employees		(333,722)	(324,275)		(385,572)
Rates paid to GWRC		(64,436)	(62,304)		(62,304)
Grants paid		(38,777)	(37,068)		(10,814)
Income tax paid			-		(535)
Net GST (paid) / received		-	(3,630)		(4,261)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-**	**132,824**	**127,097**	**-**	**131,738**
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		12,981	12,714		12,714
Interest received		13	1,603		1,792
Loan repayments			19		34
Proceeds from sale of property, plant and equipment		2,000	234		236
Increase in investments			(11,616)		(13,017)
Cash from aquisition of controlled entity			-		-
Purchase of investment properties			(548)		(548)
Purchase of intangibles		(6,918)	(3,456)		(3,476)
Purchase of property, plant and equipment		(239,010)	(170,339)		(171,192)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-**	**(230,934)**	**(171,389)**	**-**	**(173,457)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		250,815	101,324		101,324
Repayment of borrowings		(126,000)	(15,000)		(15,168)
Interest paid on borrowings		(26,915)	(22,943)		(22,947)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**97,900**	**63,381**	**-**	**63,209**
Net increase/(decrease) in cash and cash equivalents	-	(210)	19,089	-	21,490
Cash and cash equivalents at beginning of year		650	76,907		85,366
CASH AND CASH EQUIVALENTS AT END OF YEAR	**-**	**440**	**95,996**	**-**	**106,856**

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 (2018: $45.796m) 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Net surplus for the period		**32,207**		**36,932**
Add/(deduct) non-cash items:				
Vested assets		(8,087)		(8,087)
Bad debts w ritten off not prevously provided for		152		154
Depreciation and amortisation		107,415		109,047
Impairment of property, plant and equipment		3		3
Fair value changes in investment properties		(6,937)		(6,937)
Other fair value changes		(4)		143
Movement in provision for impairments of doubtful debts		27		27
Tax expense/(credit)		-		(151)
Gain on business combination		-		-
Non-cash movement in provisions		11,049		11,235
Total non-cash items	**-**	**103,618**	**-**	**105,434**
Add/(deduct) movement in working capital: [1]				
Exchange receivables and non-exchange recoverables		(7,049)		(4,121)
Prepayments		(1,209)		(1,058)
Inventories		(136)		(118)
Exchange transactions, taxes and transfers payables		6,018		4,535
Revenue in advance		(12,738)		(12,315)
Employee benefit liabilities		(197)		(490)
Provision for other liabilities		(3,503)		(3,429)
Total working capital movement	**-**	**(18,814)**	**-**	**(16,996)**
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment		1,459		1,458
Dividends received		(12,714)		(104)
Interest received		(1,603)		(1,671)
Tax paid and subvention receipts		-		(53)
Interest paid on borrow ings		22,944		22,948
Share of equity accounted surplus in associates		-		(16,210)
Total investing and financing activities	**-**	**10,086**	**-**	**6,368**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-**	**127,097**	**-**	**131,738**

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 Group.

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 Group for long-term strategic purposes and therefore are not intended to be sold. Within the Group, small shareholdings are held in start-up companies, which are available for sale, until the companies mature or cease operations. Financial assets 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 Group's financial assets and financial liabilities by reporting category as described in the accounting policies:

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Financial assets				
Loans and receivables				
Cash and cash equivalents	-	95,996	-	106,856
Receivables and recoverables	-	55,815	-	58,049
Other financial assets	-	16,579	-	18,012
Total loans and receivables	**-**	**168,390**	**-**	**182,917**
Financial assets at fair value through other comprehensive revenue and expense				
Other financial assets	-	6,137	-	8,167
Total financial assets at fair value through other comprehensive revenue and expense	**-**	**6,137**	**-**	**8,167**
Hedged derivative financial instruments				
Derivatives designated as cash flow hedges	-	381	-	381
Total hedged derivative financial instruments	**-**	**381**	**-**	**381**
Total financial assets	**-**	**174,908**	**-**	**191,465**
Total non-financial assets	-	7,530,599	-	7,710,122
TOTAL ASSETS	**-**	**7,705,507**	**-**	**7,901,587**
Financial liabilities				
Financial liabilities at amortised cost				
Exchange transactions and transfers payable	-	61,316	-	65,250
Taxes payable	-	6,113	-	6,375
Borrowings	-	582,144	-	582,144
Total financial liabilities at amortised cost	**-**	**649,573**	**-**	**653,769**
Derivative financial instruments				
Derivatives designated as cash flow hedges	-	25,742	-	25,742
Total derivative financial instruments	**-**	**25,742**	**-**	**25,742**
Total financial liabilities	**-**	**675,315**	**-**	**679,511**
Total non-financial liabilities	-	90,674	-	95,765
TOTAL LIABILITIES	**-**	**765,989**	**-**	**775,276**

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	2019			2018		
	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	-	-	-	-	-	8,167
Derivative financial instruments						
- Cash flow hedges	-	-	-	-	381	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges	-	-	-	-	25,742	-

Reconciliation of fair value movements in Level 3	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Financial assets at fair value through other comprehensive revenue and expense				
- Equity investments				
Opening balance - 1 July		5,281		6,622
Purchases		-		95
Disposals		-		(110)
Impairment		-		(168)
Gains or losses recognised in other comprehensive revenue and expense		856		1,728
Closing balance - 30 June	**-**	**6,137**	**-**	**8,167**

The level 3 equity investments comprise the Group's shareholdings in the Local Government Funding Agency $XXXm (2018: $5.339m), Civic Assurance $XXXm (2018: $0.798m) and the Creative HQ incubator/accelerator shareholdings $XXXm (2018: $2.030m). 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Financial instruments with credit risk				
Cash and cash equivalents	-	95,996	-	106,856
Derivative financial instrument assets	-	381	-	381
Receivables and recoverables	-	55,815	-	58,049
Other financial assets				
- Bank deposits - term	-	10,000	-	11,401
- LGFA borrower notes	-	6,304	-	6,304
- Loans to related parties - other organisations	-	31	-	31
- Loans to external organisations	-	244	-	276
Total financial instruments with credit risk	**-**	**168,771**	**-**	**183,298**

Receivables and recoverables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is exposed to credit risk as a guarantor of the LGFA's borrowings. Further information about this exposure is explained in Note 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Cash - registered banks				
AA-	-	1,976	-	11,288
Short term deposits - registered banks				
AA-		94,000	104,000	94,000
A	-		-	
Term deposits (greater than 3 months) - registered banks				
AA-	-	10,000	-	11,401
Term deposits - borrower notes - NZ LGFA				
AA+	-	6,304	-	6,304
Derivative financial instrument assets				
AA-	-	381	-	381

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.

	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		205,502		209,436
1-2 years		52,911	-	52,911
2-5 years		239,930	-	239,930
More than 5 years		240,407	-	240,407
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**738,750**	**-**	**742,684**
Represented by:				
Carrying amount as per the Statement of Financial Position	-	643,460	-	647,394
Future interest payable		95,290	-	95,290
Total contractual cash flows of financial liabilities excluding derivatives	**-**	**738,750**	**-**	**742,684**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Contractual cash flows of derivative financial liabilities				
0-12 months		8,194	-	8,194
1-2 years		7,368	-	7,368
2-5 years		11,914	-	11,914
More than 5 years		34	-	34
Total contractual cashflow of derivative financial liabilities	**-**	**27,510**	**-**	**27,510**
Represented by:				
Future interest payable	-	27,510	-	27,510
Total contractual cash flows of derivative financial liabilities	**-**	**27,510**	**-**	**27,510**

In addition to cash to be received in 2019/20 the Group currently has $XXXm in unutilised 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 Group 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 Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits:

Liquidity funding risk			
Period	**Minimum**	**Maximum**	**Actual**
0 - 3 years	20%	60%	38%
3 - 5 years	20%	60%	29%
More than 5 years	15%	60%	33%

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.

Fixed/Floating Interest rate risk Control Limit			
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%	80%		

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

	Council		Group	
	2019 $000	2018 $000	2019 $000	2018 $000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents	-	95,996	-	106,856
Bank deposits - term greater than 3 months	-	10,000	-	11,401
Commercial paper	-	(85,000)	-	(85,000)
Debt securities - floating rate notes	-	(472,500)	-	(472,500)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**-**	**(451,504)**	**-**	**(439,243)**
Effect of interest rate swaps in reducing interest rate volatility				
Effect of Cash flow interest rate swaps - hedged		365,500		365,500
Effect of Cash flow interest rate swaps - non-hedged		60,000		60,000
Total effect of interest rate swaps in reducing interest rate volatility	**-**	**425,500**	**-**	**425,500**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**-**	**(26,004)**	**-**	**(13,743)**

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 2019 the fair value of the interest rate swaps was XXXm (2018: -$25.362m). This liability will reduce to zero as the swaps reach the end of their lives, and therefore do not represent a liability that the Group 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	
	2019	2018	2019	2018
	%	%	%	%
Investments				
Cash and cash equivalents		2.33		2.17
Bank deposits - term		2.34		3.35
LGFA - borrower notes		2.50		2.50
Loans to related parties		-		-
Loans to external organisations		4.00		4.00
Borrowings				
Bank loans		7.00		7.00
Commercial paper		2.06		2.06
Debt securities - fixed		4.84		4.84
Debt securities - floating		2.63		2.63
Derivative financial instruments - hedged		4.30		4.30
Derivative financial instruments - non-hedged		3.50		3.50

The related party loan to the Wellington Regional Stadium Trust is on interest free terms.

Sensitivity analysis

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

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

Group		2019			
		$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					
Term deposits > 3 months					
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

Group 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 accordingly.

b. Derivatives - hedged interest rate swaps

Derivatives include hedged 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 swap assets by $XXXm. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the hedged interest rate swap assets by $XXXm. A movement in interest rates of plus 1% has an effect on increasing the unrealised value of the hedged interest rate swap liabilities by $XXXm. A movement in interest rates of minus 1% has an effect on reducing the unrealised value of the hedged interest rate swap liabilities 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 Group 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 accordingly.

d. Debt Securities – fixed rate bonds

The Group has $15.000m of fixed rate bonds which are not exposed to interest rate changes.

e. Bank Loan

The Group, through the Council's joint ventures 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

The Group has a Commercial Paper programme which is subject to floating rates and totals $100.000m of which only $XXXm is presently utilised. The full exposure to changes in interest rates has been reduced because the Group 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 accordingly.

Note 33: Commitments

Capital commitments	Council		Group	
	2019	2018	2019	2018
	$000	$000	$000	$000
Approved and contracted - property, plant and equipment		61,577		61,577
Approved and contracted - investment properties		-		-
Approved and contracted - intangibles		-		-
Approved and contracted - share of associates		-		14,004
Approved and contracted - share of joint ventures		-		-
TOTAL CAPITAL COMMITMENTS	**-**	**61,577**	**-**	**75,581**

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

The contracts will often span more than one financial year and may include capital expenditure carried forward from 2018/19 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Plant and equipment				
Not later than one year		19		80
Later than one year and not later than five years		4		92
Later than five years		-		-
		-		-
Land and buildings		-		-
Not later than one year		4,052		6,481
Later than one year and not later than five years		17,147		24,430
Later than five years		1,100		4,039
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSEE	**-**	**22,322**	**-**	**35,122**

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 leases are charged on a commercial market basis.

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

Relevant significant accounting policies

Rental revenue 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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Investment properties				
Not later than one year		10,209		10,209
Later than one year and not later than five years		36,070		36,070
Later than five years		56,684		56,684
Land and buildings				
Not later than one year		2,407		2,455
Later than one year and not later than five years		6,392		6,392
Later than five years		5,338		5,338
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSOR	**-**	**117,100**	**-**	**117,148**

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	
	2019	2018	2019	2018
	$000	$000	$000	$000
Uncalled capital - LGFA		1,866		1,866
Other legal proceedings		495		522
Share of associates' and jointly controlled entity's contingent liabilities		-		27
Share of joint ventures' contingent liabilities		-		-
TOTAL CONTINGENT LIABILITIES	**-**	**2,361**	**-**	**2,415**

Contingent assets

The Council and Group have no contingent assets that can be quantified as at 30 June 2019 (2018: $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.

NZ Local Government Funding Agency Limited (LGFA)

Council is one of 30 local authority shareholders and guarantors, with another 18 borrower and guarantor councils of the LGFA. Any non-shareholder council that borrows in aggregate NZ$20m or more from LGFA must be a guarantor. In this 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 2019, LGFA had borrowings totalling $XXXm (2018: $8,272m).

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 the Group is anticipated to be less than $XXXm.

Unquantified contingent liabilities

Weathertight Homes

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.

Defective product

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Wellington City Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils were partially successful in having parts of the claims struck out. The MOE's claim against CHH is for 833 school buildings, 27 of which are located within Wellington City. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

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.

Unquantified contingent asset

As at 30 June 2019, the Council had a contingent asset for insurance recoveries. The insurance claim related to the Civic Administration Building (CAB), which covers both the repair costs and the relocation costs, is still in progress. The Council's preliminary assessment of earthquake repairs is in the region of $33.0m. The indemnity value of CAB under Council's insurance value is $48.7m. The insurance policy has a deductible of $5.0m. While an estimate of the repair costs has been obtained by the Council and provided to the insurer there are still a significant number of uncertainties in the numbers and it is still subject to discussion and agreement with the insurer. This means that the amount that the Council will receive cannot be reliably measured.

For further information please refer to Note 38: Financial impacts of the Kaikoura earthquake (page XX).

Note 35: Jointly controlled assets

The Council has significant interests in the following joint ventures:

Joint Venture	Interest 2018	Interest 2017	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)	2019 $000	2018 $000
ASSETS		
Current		
Inventory		22
Receivables and recoverables		2,516
Non-current		
Property, plant and equipment		24,183
Share of total assets	**-**	**26,721**
LIABILITIES		
Non-current		
Borrowings		4,644
Provisions for other liabilities		2,497
Share of total liabilities	**-**	**7,141**
SHARE OF NET ASSETS	**-**	**19,580**

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	2019 $000	2018 $000
Operating revenue		1,601
Operating expenditure		(1,298)
Share of net surplus or (deficit)	**-**	**303**
Share of current year revaluation movement		**(14)**

The Council's and Group's share of the joint ventures' capital commitments is $Nil (2018: $Nil) and contingent liabilities is $Nil (2018: $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	
	2019	2018
	$	$
Council Members		
Remuneration		1,493,628
Chief Executive and Executive Leadership Team		
Remuneration		2,176,138
TOTAL REMUNERATION PAID TO KEY MANAGEMENT PERSONNEL	**-**	**3,669,766**

As at 30 June 2019 key management personnel comprised of 21 individuals: 15 elected members or 15 fulltime equivalents (2018: 15) and 6 executive leaders or 6 fulltime equivalents (2018: 6).

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 2019 Council contributed $XXXm (2018: $0.399m) to fund the core operations of the Trust and $XXXm (2018: $0.250m) for turf management services.

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 2018 Council transacted directly with WRST to the amount of $XXXm (2018: $0.830m) as part of the original $5.000m funding grant recognised in 2016/17 for the upgrade of the concourse.

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		2019	2018
		$000	$000
Expenditure incurred by the Council to fund the operation and management of:			
	Porirua - waste water treatment plant		1,922

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		2019 $000	2018 $000
Revenue for services provided by the Council to:			
	Karori Sanctuary Trust		30
	Wellington Cable Car Limited		55
	Wellington Museums Trust		1,729
	Wellington Regional Economic Development Agency		431
	Wellington Zoo Trust		260
		-	**2,505**
Grant funding by Council for the operations and management of:			
	Karori Sanctuary Trust		980
	Wellington Cable Car Limited		-
	Wellington Museums Trust		8,759
	Wellington Regional Economic Development Agency		11,928
	Wellington Zoo Trust		3,240
		-	**24,907**
Expenditure for services provided to the Council by:			
	Karori Sanctuary Trust		16
	Wellington Cable Car Limited		57
	Wellington Museums Trust		587
	Wellington Regional Economic Development Agency		6,490
	Wellington Zoo Trust		723
		-	**7,873**
Current receivables and recoverables owing to the Council from:			
	Karori Sanctuary Trust		2
	Wellington Museums Trust		-
	Wellington Regional Economic Development Agency		4
	Wellington Zoo Trust		204
		-	**210**
Current payables owed by the Council to:			
	Karori Sanctuary Trust		9
	Wellington Cable Car Limited		58
	Wellington Museums Trust		235
	Wellington Regional Economic Development Agency		87
	Wellington Zoo Trust		181
		-	**570**

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 (2018: $32.780m) when the grant funding of $XXXm (2018: $24.907m) and expenditure for services provided to Council of $XXXm (2018: $7.873m) 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		2019 $000	2018 $000
Dividend received from:			
	Wellington International Airport Limited		**12,610**
Revenue for services provided by the Council to:			
	Wellington International Airport Limited		65
	Wellington Water Limited		1,083
		-	**1,148**
Expenditure for services provided to the Council from:			
	Wellington International Airport Limited		244
	Wellington Water Limited		36,437
		-	**36,681**
Current receivables and recoverables owing to the Council from:			
	Wellington International Airport Limited		1
	Wellington Water Limited		307
		-	**308**
Current payables owed by the Council to:			
	Wellington Water Limited	**2,267**	**2,267**

Current receivables, recoverables and payables

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

Note 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 2018 to 30 June 2019 was $XXXm (2018: $1,493,628) and is broken down and classified as follows:

Council Member	Monetary Remuneration		Non-monetary	Total
	Salary	Allowances	Remuneration	2019
	$	$	$	$
Lester, Justin (Mayor)				-
Calvert, Diane				-
Calvi-Freeman, Chris				-
Dawson, Brian				-
Day, Jill				-
Fitzsimons, Fleur				-
Foster, Andy				-
Free, Sarah				-
Gilberd, Peter				-
David, Lee				-
Marsh, Simon				-
Pannett, Iona				-
Sparrow, Malcolm				-
Woolf, Simon				-
Young, Nicola				-
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 2018/19 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 $400 per annum (applicable from the start of the new triennium) 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 2019
	$	$	$	$
TAWA COMMUNITY BOARD				
Herbert, Richard (Chair)				-
Lucas, Margaret (Deputy Chair)				-
Hansen, Graeme				-
Langham, Liz				-
Marshall, Jack (includes Youth Council attendance fee)				-
Parkinson, Robyn				-
Day, Jill (see Councillor remuneration above)				-
Sparrow, Malcolm (see Councillor remuneration above)				-
MAKARA-OHARIU COMMUNITY BOARD				
Grace, Christine (Chair)				-
Apanowicz, John (Deputy Chair)				-
Liddell, Judy				-
Renner, Chris				-
Rudd, Wayne				-
Todd, Hamish				-
TOTAL REMUNERATION TO COMMUNITY BOARD MEMBERS	-	-	-	-

A technology allowance of $45 per month is available to the chair of both the Tawa and 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 2019.

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	
	2019	2018
	$	$
Short-term employee benefits		
Kevin Lavery		
Salary		425,160
Motor vehicle park		3,000
TOTAL REMUNERATION OF THE CHIEF EXECUTIVE	**-**	**428,160**

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 or other contractual entitlement.

For the year ending 30 June 2019 the Council made severance payments to XX employees totalling $XXXm (2018: 21 employees, $405,695).

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

Employee numbers and remuneration bands

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

	Council	
	2019	2018
Full-time and full-time equivalent employee numbers		
Full-time employees (based on a 40 hour week) as at 30 June		1,038
Full-time equivalents for all other non full-time employees		264
Remuneration bands		
The number of employees receiving total annual remuneration of less than $60,000		1,106
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		272
$80,000 - $99,999.99		182
$100,000 - $119,999.99		91
$120,000 - $139,999.99		53
$140,000 - $159,999.99		36
$160,000 - $179,999.99		12
$180,000 - $199,999.99		9
$200,000 - $239,999.99*		9
$240,000 - $299,999.99*		6
$300,000 - $419,999.99*		4
TOTAL EMPLOYEES	-	**1,780**

Of the XXX (2018: 1,780) individual employees, XXX (2018: 742) 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	2018
Q	$33,705 - $42,132	402
9	$42,132 - $55,672	414

The Q grade includes 2 training level rates applicable to certain 'Parks, Sports and Recreation' positions that require people employed in these positions to meet specified core competencies before moving to the either level 2, or to the fully qualified rate of $20.20

The current living wage rate for WCC is $20.20. Each year the living wage rate for WCC will be reviewed in accordance with the latest Living Wage rate announced/published by Living Wage Aotearoa.

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.

Assets affected

Buildings

The Civic Administration Building (CAB) in Civic Square suffered significant damage during the 14 November 2016 earthquake. The building was immediately closed and has remained closed since the event. This building is subject to an insurance claim which covers both the repair costs and the operational relocation costs.

Two other buildings: 221 Wakefield Street and St John's Hall in Karori; both of which were already scheduled for demolition, were also damaged during the earthquake and were demolished in 2017.

Some other buildings suffered minor cosmetic damage and have since either been repaired or are scheduled for repair.

Other assets

All plant and equipment assets within CAB were recovered with no significant write offs.

Some other Council assets suffered minor cosmetic damage and have since either been repaired or are scheduled for repair.

Estimated costs to repair damage and impairment of CAB

In the 2017/18 year a total of $2.026m (2017: $4.143m) was paid out of the Council's insurance reserve fund related to earthquake repairs and relocation costs. This includes some items related to CAB which will be paid out of the fund until the excess level for the claim has been reached.
As a result of the damage suffered to CAB, the building was assessed for impairment as at 30 June 2017 and an impairment loss of $11.446m was recognised. CAB is not a revalued asset

therefore the loss was included within Expenditure on operating activities in the Statement of Comprehensive Revenue and Expense for the period ending 30 June 2017.

Contingent Asset – Insurance recoveries

As at 30 June 2019, the Council had a contingent asset for insurance recoveries. The insurance claim related to the Civic Administration Building (CAB), which covers both the repair costs and the relocation costs, is still in progress. The Council's preliminary assessment of earthquake repairs is in the region of $33.0 million. The indemnity value of CAB under Council's insurance value is $48.7 million. The insurance policy has a deductible of $5.0 million. While an estimate of the repair costs has been obtained by the Council and provided to the insurer there are still a significant number of uncertainties in the numbers and it is still subject to discussion and agreement with the insurer. This means that the amount that the Council will receive cannot be reliably measured.

Note 39: Events after the end of the reporting period

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

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, amendments to standards have been made with effect for periods beginning after 1 January 2018.

....

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:

- In April 2017, the XRB issued *Impairment of Revalued Assets*, which now scopes in revalued property, plant and equipment into the impairment accounting standards PBE

IPSASs 21 and 26, which will require Council to assess at each reporting date whether there is any indication that an asset may be impaired. However, where an impairment loss is recognised for an asset, or group of assets, that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset, or group of assets, belongs. This amendment is effective for periods beginning on or after 1 January 2019.

- In January 2017, the XRB issued new standards for interest in other entities (*PBE IPSAS 34 - 38*). These new standards will replace the existing applicable standards (*PBE IPSAS 6 - 8*) and are effective for periods beginning on or after 1 January 2019.
- In January 2017, the XRB also issued *PBE IFRS 9 Financial Instruments* to replace *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. With an effective date for annual periods beginning on or after 1 January 2021, but with early adoption permitted, the intention is not to adopt at this stage while the effects on Council and the Group are more thoroughly assessed. The main changes under *PBE IFRS 9* are:
    - New financial asset classifications requirements for determining whether an asset is measured at fair value or amortised cost.
    - A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
    - Revised hedge accounting requirements to better reflect the management of risks.

In November 2018, the XRB issued *2018 Omnibus amendments to PBE standards.* These amendments are not effective for reporting periods beginning before 1 January 2019.

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 2017/18 year).

AUDIT NEW ZEALAND JUNE 2019 AUDIT PLAN

Purpose

1. This report asks the Finance, Audit and Risk Management Subcommittee to take note of Audit New Zealand arrangements for the audit of financial statements, including statements of service performance for the year 30 June 2019.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receives the information.
2. Note the draft Audit Plan prepared by Audit New Zealand (attachment 1) and their approach to auditing the Council and Group.
3. Delegate the authority to finalise the Audit Plan to the Chief Financial Officer and Chair of the Finance, Audit and Risk Management Subcommittee.

Background

2. With the approach of the June 2019 year end, it is appropriate to review the draft approach Audit New Zealand is proposing to take with the audit of the financial statements and provide the Subcommittee the opportunity to highlight any others matters or areas that they would like Audit New Zealand to focus on during the audit.
3. The Audit Plan document remains unchanged from last year which had a number of changes in format. As with last year, there is no need to have the Mayor required to sign the document on behalf of Council as the Council has signed the 2017-19 Engagement Letter and the 2017-19 Audit Proposal Letter which covers the auditing arrangements for this financial year.

Discussion

4. Audit New Zealand’s approach to the audit is set out on page 2 of attachment 1 of the Audit Plan to Council where it identifies business risks and issues. Management has no other business risks or issues to bring to the Subcommittee or Audit New Zealand’s attention.
5. Karen Young, Appointed Auditor and Audit Director will be in attendance. If there are any matters which the Subcommittee would like to discuss, seek clarification on or if there are additional matters that the Subcommittee think should be included, they can be discussed at the meeting.
6. Audit New Zealand is continuing to expand its approach towards its audit of fraud risk. This includes a more explicit expectation of the role of the governing body and Subcommittee, as outlined on pages 8, 9 and 10 of attachment 1. Management will continue to work with the Subcommittee to ensure consistency in expectation and understanding of how the risk of fraud is managed in the organisation.

7. Audit New Zealand has outlined the key dates of the audit on page 20 of attachment 1, with the proposed date for the audit opinion being the 25th September 2019. Management has in place a programme of work to ensure the financial statements with be completed within this timeframe.
8. Audit New Zealand professional fees for the audit will be as per the Audit Proposal letter signed in 2017 for $303,500 (excl GST).

Attachments

Author	Richard Marshall, Manager Financial Accounting & Transactional Services
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.

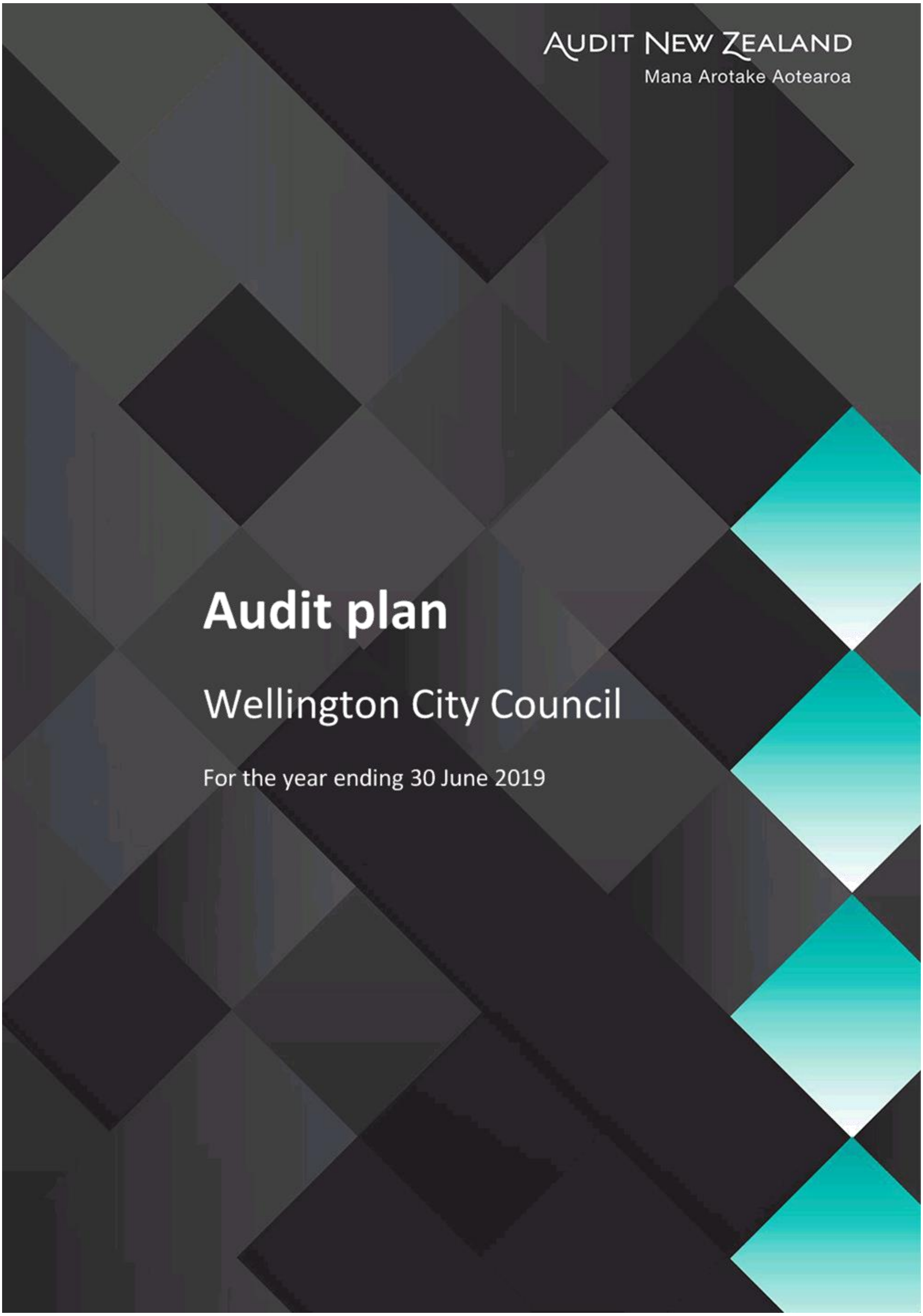
Policy and legislative implications
There are no new policy or legislative impliciations arising from this paper.

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 is no Health and Safety impliciations arising from this paper.


AUDIT NEW ZEALAND
Mana Arotake Aotearoa
Audit plan
Wellington City Council
For the year ending 30 June 2019

Audit plan

I am pleased to present our Audit Plan for the audit of Wellington City Council for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

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

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

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

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

Yours sincerely

Karen Young
Appointed Auditor
Draft – 3 March 2019

Audit risks and issues

Focus areas

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

Audit risk/issue	Our audit response
Valuation of the City Council's weathertightness liabilities	
The City Council's liability for weathertightness claims remains significant, totalling $46 million at 30 June 2018. There is a high degree of judgement and estimation in the calculation of the liability.	We will review the valuation of the weathertightness homes provision as at 30 June 2019. This will include testing of the underlying information used in the valuation, reviewing the valuation methodology and key assumptions and review the disclosure in the financial statements.
Impact of the November 2016 earthquakes	
The November 2016 earthquakes caused damage to several City Council properties. In 2016/17 the City Council has assessed the damage to the Civic Administration Building (CAB) which resulted in an impairment loss of $11.446 million being recognised. CAB has remained closed since the earthquake. The insurance claim related to CAB, which covers both the repair cost and the relocation cost is still in progress. The City Council relocated to a new premises in December 2018. The accounting treatment for any insurance claims need to be considered carefully. We have provided our view on the accounting transactions that may arise. These views are available on Audit New Zealand's website and can be found by searching for "earthquake accounting issues paper".	We will continue to monitor the status of the City Council's insurance claim. In light of the status of this claim at 30 June 2019, we will consider whether insurance recoveries have been appropriately accounted for in the 2018/19 financial statements. We will review any relocation costs and new lease agreements to ensure they are correctly reflected in the financial statements for 2018/19.

Audit risk/issue	Our audit response
Valuation of property, plant and equipment	
The City Council revalues its operational assets and infrastructure assets on a three year rolling cycle. This year, the City Council is not scheduled to revalue any of its assets. In non-revaluation years, PBE IPAS 17 *Property, Plant and Equipment* requires the City Council to consider whether the fair value of an asset class has moved significantly compared with its current carrying value. If a significant movement has occurred, a full revaluation of the asset class becomes necessary. Operational assets were last revalued as at 30 June 2018. Infrastructural assets were last revalued at 30 June 2017. Management performed a fair value assessment as at 30 June 2018 by applying cost indices obtained from BERL. BERL cost indices may not reflect the cost pressures that exist within New Zealand and Wellington's construction industry and the limited availability of resources in the sector (including various trades and project managers).	We will review the City Council's assessment of whether an asset class's fair value has significantly moved compared with its carrying value. This will include considering the appropriateness of the City Council's methodology and key assumptions. To strengthen the 2019 fair value assessments, we recommend that management: • factor in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing infrastructure construction projects, this should be factored into the analysis; • consult with the valuers who performed the valuations in 2017 and 2018, as they will have construction cost data available which will further improve the Council's assessment; and • the City Council should also consider if it would be useful to have the assessment reviewed by an independent valuer.
Impairment of property, plant and equipment held at cost	
The Civic Square complex had a carrying value of $97m as at 30 June 2018. This asset class is measured at historical cost less accumulated depreciation. There are ongoing seismic issues at a number of the assets within the Civic Square complex, such as the Town Hall, Civic Administration Building, Central Library, City to Sea Bridge, Capital E. Seismic and/or engineering issues can be considered an indicator of potential impairment in PBE IPSAS 21 – *Impairment of non-cash generating assets.* PBE IPSAS 21 requires the City Council at 30 June 2019 to consider if there is any indication that an asset may be impaired. If any such indication exists, the City Council is required to estimate the recoverable service amount of the asset. If this is less than the asset's carrying amount, an impairment loss must be recognised.	We will review the Council's impairment assessments, with specific focus on significant assets in the Civic Square complex and other assets held at cost such as the St James Theatre. This will include considering the appropriateness of the City Council's methodology and key assumptions.

Audit risk/issue	Our audit response
Accounting matters	
Arrangements with government and non-government organisations To deliver on the Council's Strategic Housing Development Plan, the City Council has entered into partnerships with central government and non-government organisations. Some of the partnerships we are aware of are for central city apartment conversions and the Arlington site housing development. The *Let's Get Wellington Moving* initiative will also involve partnerships with government and non-government organisations, operating models and investment vehicles. It is important that the accounting treatment for these contractual arrangements are considered early on. The City Council may have to obtain external accounting advice on the tax implications and accounting treatment in its financial statements. The City Council should engage with us early, provide position papers on each matter which includes sufficient support (for example, external accounting advice) for the accounting treatment chosen.	We will discuss with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements.
Mixed group (for-profit and public benefit entity) issues – refer to the section on Group audits in this Audit Plan We have assessed the Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit. WIAL is a for-profit entity and the City Council group is a public benefit entity. Newly effective for the year ending 30 June 2019, there are two accounting standards that apply to WIAL but not the City Council. There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.	We will discuss with the City Council whether WIAL has completed an impact assessment for the effect of the new standards on its financial statements. The City Council will have to consider whether consolidation adjustments will be necessary to adjust WIAL figures to comply with PBE.

Audit risk/issue	Our audit response
Information technology general controls review and Smart Council	
The City Council is dependent on its information technology systems, and it also manages the Shared Services Office. The City Council has reviewed its information technology environment and delivery model to ensure that it is able to support its organisational goals in Our Plan for a Smarter Council, the Long-Term Plan 2018-28 and Smart City 2040 Vision.	We will gain an understanding of the new information systems governance and accountability arrangements and organisational structure – the 'new' Smart Council. The information technology general controls review consists of review of: 1. ICT governance 2. Information technology general controls - activity level controls: • Manage security services • Manage changes, change acceptance and transitioning • Manage service requests and incidents • Manage continuity • Manage availability and capacity • Manage suppliers – Shared Service Office • Manage programme and projects – high level project governance and monitoring of ICT projects and Smart Council technology component We will perform data analysis on selected business processes, such as journals, and test automated information technology application controls, such as in payroll and expenditure. We will also follow up on the progress made against our recommendations in prior years.
Procurement, project management and contract management	
A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought.	Our focus during the 2017/18 audit was on the City Council's strategy and policy. This year, we proposed to select a sample of procurements entered into for testing. We look at the governance framework for project and contract management across the Council also.

<table>
<tr><th>Audit risk/issue</th><th>Our audit response</th></tr>
<tr><td colspan="2">New performance framework and performance measures</td></tr>
<tr><td>As part of the development of the 2018-28 Long-Term Plan, the City Council reviewed its performance framework and its performance measures. These new performance measures will need to be reported on in the City Council's 2018/19 annual report.

To ensure the integrity and efficiency of reporting, we recommended that the City Council:
• develop a measure reference dictionary;
• define each measure, to ensure there is a common understanding of what the measure is intended to measure;
• ensures that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and
• consider what level of verification or independent review/quality assurance is appropriate.</td><td>During the interim audit, we will:
• review the systems, processes and controls in place to report and collate performance data;
• consider how clearly these processes and key definitions are documented and whether they have been appropriately communicated to staff; and
• consider whether the level of verification or independent review/quality assurance that the City Council is seeking is appropriate.
During the final audit, we will:
• for all the material performance measures, we will perform testing to confirm that the reported performance in the statement of service provision is fairly reflected;
• review the reasons for any significant variation between the levels of service achieved and the intended level of service; and
• consider the effectiveness of the overall performance story in communicating the City Council's achievements for the 2018/19 financial year.
Please let us know early if the City Council is unable to report against any of its performance measures – for whatever reason.</td></tr>
<tr><td colspan="2">The risk of management override of internal controls</td></tr>
<tr><td>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</td><td>Our audit response to this risk includes:
• testing the appropriateness of selected journal entries;
• reviewing accounting estimates for indications of bias; and
• evaluating any unusual or one-off transactions, including those with related parties.</td></tr>
</table>

Areas of interest for all local authorities

Audit risk/issue	Our audit response
Reporting bribery and corruption	
The OAG are interested in the controls in place to reduce the risk of wrongdoing, particularly bribery and corruption in the public sector so they can consider whether they need to do additional work to address the Finance and Expenditure Committee's interest in the effectiveness of corruption detection and prevention processes Ultimately this helps the OAG to provide assurance to Parliament and the public.	When reporting our findings to the OAG, we must comment on: • whether there is an appropriate code of conduct or ethical guidelines that encompasses bribery and corruption; • the visibility of codes of conduct or ethical guidelines, and how the entity ensures that • the codes of conduct or ethical guidelines are known about and used, for example by • providing induction for new employees, training and regular refreshers to all employees; • how the entity satisfies itself that there are adequate controls in place to mitigate the risks of bribery and corruption; and • the processes for notifying and dealing with breaches of codes of conduct or ethical guidelines, or incidents of bribery and corruption.
Local government elections	
With the Election in October 2019, the City Council needs to be careful that the content of the annual report and summary annual report (as well as any other publications issued by Council) cannot be seen as electioneering. We encourage the City Council to consider how it will manage the need to maintain ordinary business and continue to carry out its statutory responsibilities, while ensuring that its resources are not used, or perceived as being used, to give electoral advantage.	We will discuss with management how the City Council plans to manage the risks associated with the Election. We will review the annual and summary reports to ensure they are appropriate.
Elected members' remuneration and allowances	
The Local Government Act 2002 gives the Remuneration Authority (the Authority) responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a local authority's policy	We will assess the City Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any

Audit risk/issue	Our audit response
on allowances and expenses. The City Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.	amendment to that Determination. We will also confirm whether the payments are within the Determination set by the Authority.

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

Fraud risk

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

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

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

Our responsibility

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

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

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

Wrongdoing including bribery and corruption

The Finance and Expenditure Committee has expressed an interest in understanding whether the public sector has effective corruption prevention and detection processes in place.

As part of its response to the Committee, the Office of the Auditor-General has asked auditors to undertake some work for all public entities to better understand the controls in place in public entities to reduce the risk of wrongdoing, particularly bribery and corruption.

In this regard, we will discuss the following questions with you:

- Is there an appropriate code of conduct or ethical guidelines that encompasses bribery and corruption?
- Has the City Council undertaken an effective risk assessment to identify where it is most at risk for bribery and corruption?
- How does the City Council make the appropriate policies and guidelines related to bribery and corruption available to staff?
- How does the City Council ensure all staff are aware of the policies and guidelines related to bribery and corruption?
- How does the City Council provide additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound)?
- What mitigations and controls been put in place to reduce the risk of bribery and corruption?
- Who is responsible for maintaining adequate internal controls over bribery and corruption?

- Is there a process for staff involved in high risk roles (procurement, grants, funding processes, issuing permits or consents, conferring benefits, or punishments) to declare any possible bribery or corruption?
- What mechanisms are there for handling instances of attempted bribery and corruption?
- What mechanisms are in place to notify and deal with breaches of the policies relating to bribery and corruption?
- Are senior management and the governing body (i.e. the Council) interested, well informed and committed to mitigating the risks of bribery and corruption?
- How do management and the governing body (i.e. the Council) monitor the controls in relation bribery and corruption?
- How do management and the governing body (i.e. the Council) ensure the controls in relation bribery and corruption are adequate?

Group audit

The Wellington City Council group comprises:

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

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

Significant component	Work to be performed
Wellington International Airport Limited (WIAL)	WIAL is audited by KPMG. WIAL is a for-profit entity. New accounting standards: • There is a new for-profit standard for revenue: NZ IFRS 15 *Revenue from Contracts with Customers.* For profit entities are required to adopt NZ IFRS 15 for reporting periods ending on or after 31 December 2018. This will affect WIAL. The City Council will need to ensure that WIAL has completed an impact assessment which considers the new standard's impact on its approach for recognising and measuring revenue.

Significant component	Work to be performed
	• The City Council will need to consider what consolidation adjustments will be needed to consolidate WIAL's numbers into the City Council's financial statements. NZ IFRS 15 can lead to different accounting treatments to PBE IPSAS 9 *Revenue from exchange transactions* and PBE IPSAS 23 *Revenue from non-exchange transactions*. Therefore, there is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards. • For–profit entities are required to adopt NZ IFRS 9 *Financial Instruments* for reporting periods beginning on or after 1 January 2019. This will affect WIAL. • The City Council will need to ensure that WIAL has completed an impact assessment for the effect of the new standard on its financial statements. • The City Council will have to consider whether consolidation adjustments will be necessary to adjust WIAL figures to comply with PBE IPSAS 28/29/30: Financial Instruments: *Presentation, Recognition and Measurement, and Disclosures* when consolidated into the City Council's financial statements. Group instructions will be issued to the component auditor that will specify information we require. We will review the results of KPMG's audit and consider if any of their findings impacts our audit of the group. We will obtain WIAL's audited financial statements and confirm the audited results have been appropriately consolidated into the City Council's group financial statements.

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

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

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

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

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the City Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we will be auditing the balances, disclosures, and other information included in the City Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the City Council covering any relevant matters that come to our attention.

Enhancing year-end processes

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

Bringing forward audit procedures

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

- year-to-date transactions for revenue, operating expenditure and payroll;
- fair value assessments of revalued property, plant and equipment;
- impairment assessments for property, plant and equipment;
- valuation of investment properties; and
- valuation of the landfill provision.

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

This testing will be completed during the pre-final audit. This requires us to have the right information available during this visit to enable us to complete this work.

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

Materiality

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

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

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

Accounting standards also require the City Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the City Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

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

Audit fee

The audit fee for the year ending 30 June 2019 is $301,500 plus GST and disbursements. This is set out in the Audit Proposal Letter covering the 2017-2019 financial years.

Reporting protocols

Communication with management and the Chief Executive

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

Reports to the governing body, the Council

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

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

Audit logistics

Our team

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

Our senior audit team members are:

Karen Young	Appointed Auditor
Robert Cox	Engagement Quality Control Review Director
Matthew Geddes	Audit Manager
Rajesh Ratanjee	Audit Manager
Andrea Kieck	Assistant Manager
Alan Clifford	Director, Information Systems Audit and Assurance
Ridwan Ridwan	Manager, Information Systems Audit and Assurance
Martin Richardson	Director Audit Services, Specialist Audit and Assurance Services
Jason Biggins	Tax Director

Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge.

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

Timetable

Our proposed timetable is:

Interim audit Two weeks	Pre-final audit Two weeks	Final audit Four weeks
Week beginning: • 21 January • 28 January	Week beginning: • 10 June • 17 June	Week beginning: • 19 August • 26 August • 2 September • 9 September

Matter	Date in 2019	Audit NZ	City Council
Financial Statements			
• First interim audit of control environment, system and processes	21 January – 1 February	✓	✓
• Second interim audit/pre-final audit	10 – 21 June	✓	✓
• Draft financial statements available	19 August		✓
• Final audit	19 August – 13 September	✓	✓
• Provide feedback on financial statements	9 September	✓	
• Final financial statements agreed between us available	16 September		✓

Matter	Date in 2019	Audit NZ	City Council
Performance information			
• Interim audit of control environment, system and processes (two weeks)	Weeks 21 and 28 January	✓	✓
• Pre-final audit	Weeks 10 and 17 June	✓	✓
• Draft statement of service performance available	19 August		✓
• Final audit	19 August – 13 September	✓	✓
• Provide feedback on performance information	9 September	✓	
• Final statement of performance agreed between us available	16 September		✓
Annual report			
• Annual report available for audit (draft)	2 September		✓
• Feedback on annual report	9 September	✓	
• Final annual report (inclusive of all changes agreed between us) available for review	18 September		✓
• Verbal clearance on annual report	20 September	✓	
• Representation letter issued to Council for signing by Mayor and Chief Executive	20 September	✓	
• Audit opinion provided in draft	20 September	✓	
• Audit opinion issued	25 September	✓	
• Summary annual report available	12 October		✓
• Audit opinion issued on Summary annual report	19 October	✓	

Matter	Date in 2019	Audit NZ	City Council
Reporting to the City Council			
• Interim management report issued in draft	1 March	✓	
• Interim management comments provided	15 March		✓
• Interim management finalised and issued	22 March	✓	
• Final management report to the Council, and to the Chief Executive issued in draft	25 September	✓	
• Final management comments provided	11 October		✓
• Final management issued/finalised	15 October	✓	
Reporting to Finance, Audit and Risk Management Subcommittee (FARMS)			
• Audit Plan 2019	20 March	✓	
• If there are any matters which requires the Council's attention, an interim management report to the Council	12 June	✓	
• FARMS Workshop (statement of service performance)	3 September		✓
• FARMS Workshop (financial statements)	10 September		✓
• Paper on the status of the audit and any significant issues arising	17 September	✓	
• Final management report to the Council	December – to be confirmed	✓	

Expectations

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

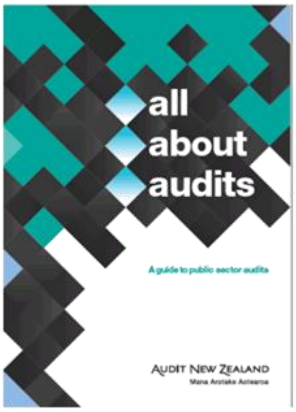
Our respective responsibilities are set out in our audit engagement letter.

We expect that:

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

Our updated Client Substantiation File is now available on our web site (https://www.auditnz.govt.nz/publications-resources/csf). It is designed as a tool box to help you2 prepare for your audit and to help us, your auditors, make sure your audit goes as effectively and efficiently as possible. The tools in here help you to prepare the information you will need to provide to us so that we can complete the work that needs to be done. When an entity provides the full information needed it helps us to complete the audit efficiently and make sure you get maximum value from your audit.

We will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:



Health and safety

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

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

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

AUDIT NEW ZEALAND
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6140
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3. Public Excluded

Recommendation

That the Finance, Audit and Risk Management Subcommittee:

1. Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Internal Audit Update	7(2)(c)(i) 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 prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied. 7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.2 Status of Internal Audit Findings	7(2)(c)(i) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person	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

	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 prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied. 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.	exist under Section 7.
3.3 Council Debtor Report	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.4 Risk Management Update	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.5 Project Governance	7(2)(b)(ii)	s48(1)(a)

		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)(h) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. 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).	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.
3.6	Safety Security and Wellbeing Report	6(b) The making available of the information would be likely to endanger the safety of a person. 7(2)(d) The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.	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 6 and 7.