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

ORDINARY MEETING OF FINANCE, AUDIT AND RISK SUBCOMMITTEE AGENDA

Time: 9:30am
Date: Wednesday, 10 March 2021
Venue: Ngake (16.09)
Level 16, Tahiwi
113 The Terrace
Wellington

MEMBERSHIP

Mayor Foster
Diane Calvert (Chair)
Jenny Condie (Deputy Chair)
Councillor Pannett
Councillor Paul
Linda Rieper (External)
Councillor Rush
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. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

The Finance, Audit and Risk Subcommittee oversees the work of the Council in discharging its responsibilities in the areas of risk management, statutory reporting, internal and external audit and assurance, monitoring of compliance with laws and regulations (including health and safety), and significant projects and programmes of work focussing on the appropriate management of risk.

To read the full delegations of this Subcommittee, please visit wellington.govt.nz/meetings.

Quorum: 4 members (at least one external member must be present for a quorum to exist).

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

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

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

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

1.2 Apologies

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

1.3 Conflict of Interest Declarations

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

1.4 Confirmation of Minutes

The minutes of the meeting held on 12 November 2020 will be put to the Finance, Audit and Risk Subcommittee for confirmation.

1.5 Items not on the Agenda

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

Matters Requiring Urgent Attention as Determined by Resolution of the Finance, Audit and Risk 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 Subcommittee.

Minor Matters relating to the General Business of the Finance, Audit and Risk 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 Subcommittee for further discussion.

1.6 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 31.2 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

ASSURANCE AND INTEGRITY REPORT

Purpose

1. This report provides the Finance, Audit and Risk Subcommittee with information on:
   - Progress against Te Aho Marutau Internal Audit Plan 2020-21
   - Internal Fraud, Protected Disclosures and Investigations
   - Progress on internal audit findings.
2. The information in this report supports the Finance, Audit and Risk Subcommittee to discharge its responsibilities regarding oversight of:
   - the effectiveness of internal control systems in place, including appropriate systems to prevent, detect and effectively investigate fraud
   - internal audit coverage and annual work plans
   - management's implementation of internal audit recommendations

Recommendation/s

That the Finance, Audit and Risk Subcommittee:

1. Receive the information.
2. Note the progress of Te Aho Marutau Internal Audit Plan 2020-21.
3. Note the update on Internal Fraud, Protected Disclosures and Investigations.
4. Note the progress made to address open audit findings.

Background

3. The Te Aho Marutau Internal Audit Plan 2020-21 was approved by the Finance, Audit and Risk Subcommittee on 12 November 2020. The plan is prepared annually and updated as required throughout the financial year to respond to the changes in risk profile and operating environment. The plan is designed to support the evaluation of the Council's internal control systems.
4. The Internal Control System is the attitude, actions and processes effected to assure achievement of an organisation's objectives. The Internal Control System comprises:
   - control environment
   - risk management
   - control activities
   - information and communication
   - assurance and monitoring activities

5. Internal Audit issues recommendations to management to address the risks from findings identified through our internal audit engagements. We agree with management a set of actions and timeframes for completion. Internal Audit monitors and reports on management's progress to complete these actions.

6. Internal Audit has responsibility to receive protected disclosures and to have oversight of any investigations under the Protected Disclosures Act 2000. Internal Audit will bring to the attention of the Subcommittee any allegations of internal fraud or other suspected financial misappropriation, and any protected disclosures or investigations instigated.

Update on Te Aho Marutau Internal Audit Plan 2020-21

7. Internal audit engagements are conducted according to the approved Internal Audit Plan 2020-21 and are on track for completion by 30 June 2021:

Audit Engagements	Overview	Status
Action Plans for Nasty Nine	We reviewed the adequacy of plans to strengthen controls associated with the critical risks of personal confrontation and work-related health hazards (hazardous substances). Our key findings were: • The Council needs to complete strategic planning to ensure it is setting and doing the right work to reduce the likelihood and consequence of risk exposure and prevent harm and injury to people and the environment. • There is incomplete oversight and validation to confirm the effectiveness of controls and completion of actions to reduce risks. Having efficient risk review and recording processes in place is key to reducing the risk of failure, injury or risk of significant harm. • The Council's Risk Manager System is not complete to enable full risk oversight. Without this, Council may not have the information needed to strengthen the control environment. The issues have been discussed with ELT and appropriate management actions are underway.	**Completed**
Continuous auditing activity	The objective of these checks is to identify potential systemic issues for higher-risk areas. The areas that have been included in our scope of work are: • Appropriateness and approval of sensitive expenditure • Vendor data maintenance, including duplicates and frequent changes • Management of conflicts of interest between Council staff and third parties • Completeness of Gift Register declarations	**In progress** – Interim report issued Testing for Quarter Three (1 Jan – 31 Mar 2021) will commence in

Audit Engagements	Overview	Status
	Samples were tested for the period 1 July 2020 -31 December 2020 and interim results include: • No unusual or unexplained vendor data changes • Sensitive expenditure is well justified, includes supporting documents and one-up authorisation A year-end summary of systemic issues, positive aspects and recommendations will be provided to management.	April
Procure to Pay	The objective of this review is to assess the effectiveness of the purchase, receipting and invoice matching processes.	**In Progress –** draft report in progress
Building Consent Authority Accreditation Readiness Assessment	The objective of this review is to assess the readiness for the International Accreditation New Zealand (IANZ) accreditation assessment in May 2021 and to identify any significant accreditation risks.	**In progress –** fieldwork and testing in progress
Business continuity processes.	Review effectiveness and maintenance of continuity planning including completeness of business impact assessments and plans to assure that WCC can maintain resilience and support continuity during a disruption.	**Not started**

Progress on Internal Audit Findings

8. There are no matters of concern to bring to the attention of the Subcommittee relating to the progress by management to address internal audit recommendations. Management is making progress to address open internal audit recommendations. During the period we closed 1 high and 1 medium rated risk finding.

9. Three new items (1 high and 2 medium) were added to our follow up register, both from the Action Plans for the Nasty Nine audit.

10. The following shows the number of open high and medium risk findings currently in progress:

	High	Medium	Total
Open Internal Audit Findings – In Progress	7	8	15

Internal Fraud, Protected Disclosures and Investigations

11. Since our last report to the Subcommittee on 12 November 2020, no protected disclosures have been made to the Assurance team. We are not aware of any allegations of internal fraud or other suspected financial misappropriation.

12. During the period, we investigated two complaints in response to concerns received from the public:
    - We completed an independent assessment of whether the decision to grant an encroachment licence followed a robust process; and whether there was any conflict of interest relating to the decision made. We have concluded that the Council followed proper process in coming to its decision, and there is no indication of conflict of interest on behalf of officers involved in the decision-making process.
    - We completed an independent review of the communication and professionalism of the Parking Services Team in response to a complaint from a member of the public. We concluded that there had been no misconduct by officers when dealing with the matters raised by the customer.

13. Process improvements points from our investigations have been provided to management for consideration.

Attachments

Nil

Author	Phyllis Lee, Team Leader Complaints & Information Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

SUPPORTING INFORMATION

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

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

Financial implications
There are no new financial implications raised in this paper.

Policy and legislative implications
There are no new policy or legislative implications raised in this paper.

Risks / legal
Some risk has been identified from our audit work completed and these have been communicated to relevant officers and will be managed in line with the Council's Enterprise Risk Management Framework

Climate Change impact and considerations
There are no climate change implications arising from this paper.

Communications Plan
No communication plan is required for this paper.

Health and Safety Impact considered
There are no health and safety implications arising from this paper.

LONG-TERM PLAN FORECASTING ASSUMPTIONS

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to note the Long-Term Plan significant forecasting assumptions that have been used as the basis of planning.
2. The draft significant forecasting assumptions were received by the Annual Plan/Long-Term Plan Committee on 4 February 2020, at which it was requested that the assumptions be shared with the Finance, Audit and Risk subcommittee for their review.

Summary

3. Forecasting assumptions are an essential input into the development of Council's Long-Term Plan. Attachment 1 outlines the draft forecasting assumptions used for the development of the 2021 Long-Term Plan and are presented here for Councillor review.
4. In support of these forecasting assumptions, the Council has commissioned economic advice of the impacts of COVID-19 on Wellington City. This advice is presented in this paper and shows an overall short-term impact on Wellington City, felt differently across different economic sectors. It forecasts a return to pre-Covid levels of economic activity over the coming two to five years, noting the potential for ongoing structural changes in some sectors.
5. Since the Annual Plan/Long-Term Plan Committee on 4 February 2020 there have been some updates to the draft assumptions including additions of funding and cost of carbon assumptions and updates to the climate change assumption. These are outlined in paragraph 30.

Recommendation/s

That the Finance, Audit and Risk Subcommittee:

1. Receive the information.
2. Note that the 2021 Long-Term Plan forecasting assumptions will be presented back for adoption alongside the LTP Consultation Document following audit.

Background

6. Setting significant forecasting assumptions is a required component of developing a Long-Term Plan (LGA 2002 Schedule 10, Section 17). Forecasting assumptions required are those that underlie the financial estimates, with additional information required where there is a high degree of uncertainty relating to assumptions.
7. The Council is developing this Long-Term Plan in an environment of heightened uncertainty, particularly as a result of COVID-19. As a result, it is likely that there will be increased scrutiny of the assumptions underpinning Council plans.

Figure 1: Statutory requirements for significant forecasting assumptions

17 Significant forecasting assumptions

A long-term plan must clearly identify—

a) all the significant forecasting assumptions and risks underlying the financial estimates:

b) without limiting the generality of paragraph (a), the following assumptions on which the financial estimates are based:

  i. the assumptions of the local authority concerning the life cycle of significant assets; and

  ii. the assumptions of the local authority concerning sources of funds for the future replacement of significant assets:

c) in any case where significant forecasting assumptions involve a high level of uncertainty,—

  i. the fact of that uncertainty; and

  ii. an estimate of the potential effects of that uncertainty on the financial estimates provided

Discussion

Approach to setting assumptions

8. Given heightened levels of uncertainty, the approach in setting significant forecasting assumptions has been to establish an initial set of working assumptions to inform asset and service planning, and then to reconfirm assumptions early in 2021 in time for final assumptions to be communicated alongside the consultation document in March/April 2021.

9. In setting forecasting assumptions, a key focus has been on ensuring internal and external consistency in the alignment between planning and budgeting within the LTP and planning and policy settings through other processes. These include:
   - Planning for Growth and the development of the draft spatial plan (and in-turn the development of the Wellington Regional Growth Framework)
   - Other territorial and regional council long-term planning
   - The development of three strategies (Economic, Social framework and Arts and Cultural)
   - Central government policy including relevant National Policy Statements.

10. Long-Term Planning staff have worked closely with these other Council workstreams, particularly Planning for Growth, to ensure an aligned approach to the setting of assumptions.

Working assumptions

11. The initial working assumptions developed in the early part of 2020 focused around the key drivers of asset and service planning:
    - Population change – based on assumptions underpinning the draft Spatial Plan from Council's population forecasting provider Forecast.id.
    - Economic conditions – based on early commissioned economic analysis of the impacts of COVID-19
    - Climate and Resilience – based on alignment to Ministry for the Environment projections and guidance on planning for the impacts of climate change.

12. These have been supplemented in October and November 2020 through the development of working financial assumptions underlying early budget material, including:
    - Asset value growth
    - Inflation
    - Interest rates – costs of borrowing
    - Returns on investment (including Wellington International Airport dividends) and other funding sources.
13. These financial assumptions are based on sources including SOLGM cost indices, and asset valuation advice from economic forecasters including BERL and CBRE. They cover the 'must have' assumptions as outlined by SOLGM and Council auditors. Full details of the assumptions and the sources of information are included in Attachment 1.

How have the impacts of COVID-19 been considered?

14. The Council's Long-Term Plan is being prepared in an environment of heightened uncertainty given the global and national impacts of COVID-19. Incorporating assumptions on the impacts of COVID-19 is essential and supported through OAG practice note '*Covid-19 assumptions in your long-term plan'* which guides local authorities to establish assumptions around Government health restrictions; population growth; economic impacts; and behavioural trends.
15. During the development of the Long-Term Plan Council has monitored the potential impacts of COVID-19 and in January 2021 commissioned economic analysis to inform an update to the forecasting assumptions based on the most recent forecasting of the potential impacts of COVID-19 on Wellington City. The full report *Forecasts for long term planning for Wellington City Council* is available as Attachment 2 to this report.
16. Some of the key COVID-19 macroeconomic assumptions that underpin that are:
    - No further lockdowns – forecasts are based on no further nationwide lockdowns
    - Foreign tourism remains suppressed at a 99% reduction for the year to March 2021 and 91% for the year to March 2022.
    - Domestic tourism spending increases given border restrictions
    - International education revenue halves – in both the year to March 2021 and the year to March 2022.

What if they were to change?

17. Any extension in length or severity of New Zealand's lockdown measures could impact the short-term economic impacts on Wellington City. However, Infometric's advice is that Wellington's economic structure means that its overall outlook in the medium to long term is not particularly sensitive to changes in these assumptions.
18. Wellington's tourism and hospitality sectors are however highly sensitive to COVID-19. Further lockdowns or delays to the recovery of international tourism may lead to further

businesses closures. This would cause a loss of jobs in the short term and may reduce Wellington City capacity to recover in the medium term when international tourists return.

19. While a repeat of level 4 lockdown as experienced in early 2020 may be unlikely, that lockdown resulted in lost Council revenue of $13.6m. A lengthened period of COVID-19 restrictions or increased alert levels could have a similar repeated impact on Council revenue. Officer's advice around debt limits and borrowing will account for this heightened revenue risk.

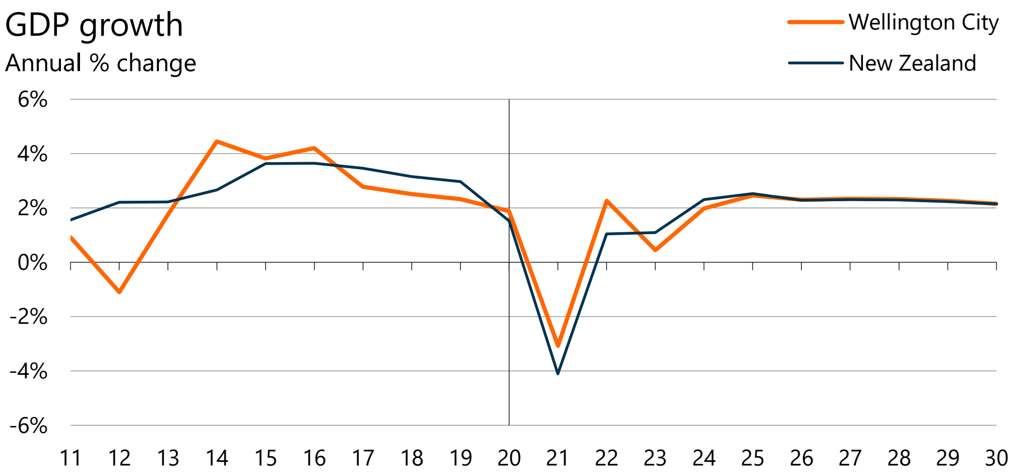
Impacts of COVID-19 on economic and growth assumptions

Relevant commentary from the Infometrics report is included below

GDP

20. Economic activity in both Wellington and New Zealand overall is forecast to decline in 2021 on the back of the lockdown in 2020 and other effects from COVID-19. Wellington is forecast to decline by 3.1%, a better result than the national decline of 4.1%. Wellington's large public sector will serve to insulate its economy from the effects of COVID-19. Wellington is expected to bounce back by 2.3% in 2022, tread water with 0.5% growth in 2023, and sit comfortably about 2% annual growth for the remainder of the decade.

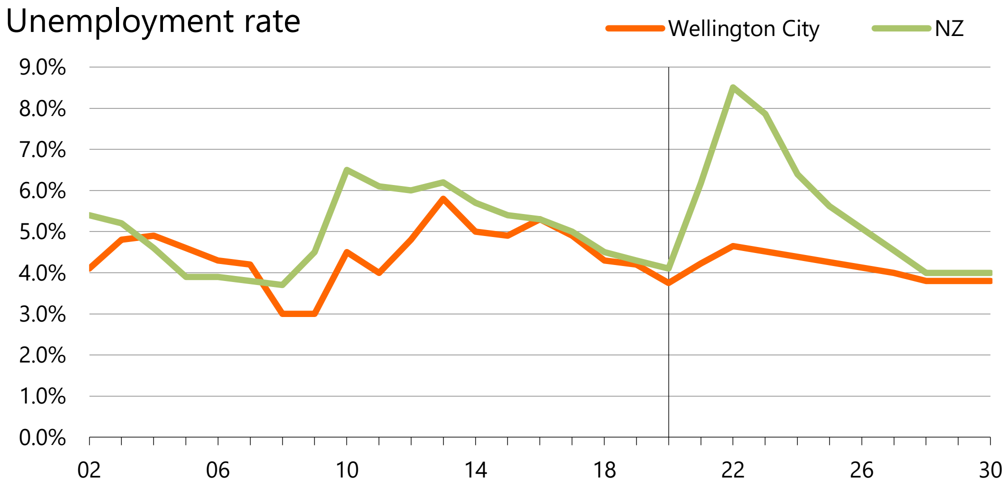
21. Thanks to the strong recovery in 2022, Wellington's economy is expected to return to its pre-COVID size by 2022.



Unemployment

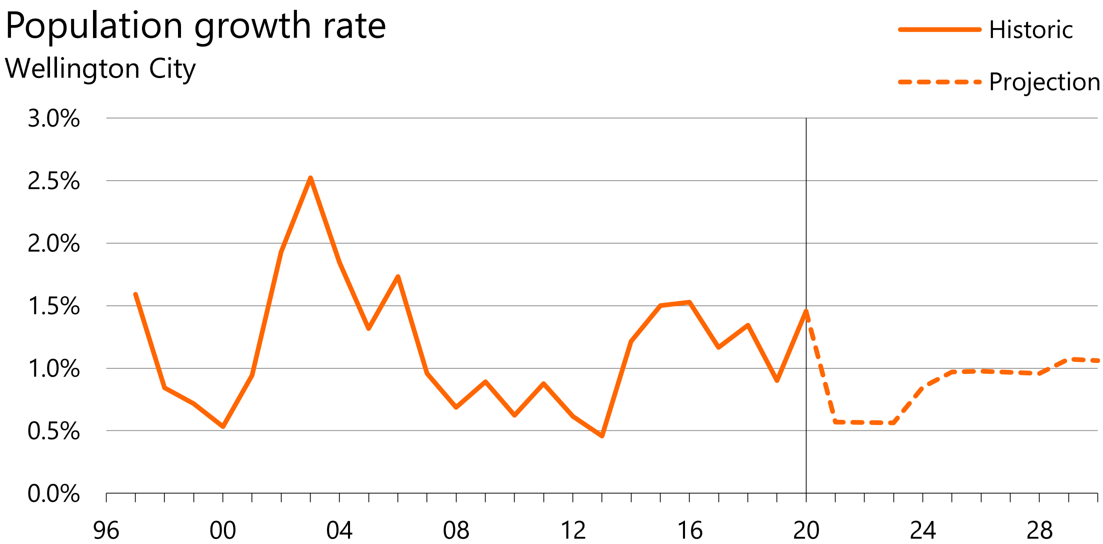
22. We expect Wellington's unemployment to remain well below the national average over the coming years. This is based on the relative strength of Wellington's economy, underpinned by a strong public sector. Experience from the GFC indicates that only a fraction of job losses in Wellington City translate to an uptick in unemployment in the

city, as so many workers commute in from the broader region



Population

23. Population growth is forecast to ease, but remain positive, over 2021 to 2023 as COVID-19 adversely affects international net migration, a key source of Wellington's population growth. Growth is forecast to gradually rise over the remainder of the decade, reaching 1.1% per annum by 2030. This growth is underpinned by strong forecast growth in employment in the city, and an ageing population which require replacement workers as they retire from the workforce. Wellington City's population is forecast to grow from 216,200 in 2020 to 242,400 in 2030[1]. This amounts to an additional 26,200 people in a ten-year period.



[1] The long-term population projections from the Infometrics report is higher than those used in our significant forecasting assumptions in Attachment 1. This results from each assumption coming from two separate providers with differing economic models. The higher Infometrics projection is still within the range of our Spatial Planning predicting growth of between 50,000 to 80,000 people over the next 30 years.

24. While this Infometrics modelling of the effects of COVID-19 on population projections indicate an easing in population growth in the short-term, the long-term population growth projections as used within Council Spatial Planning still remain relevant over the long-term and remain the basis of long-term planning related to infrastructure planning within the Long-Term Plan.

What about working from home?

25. Greater acceptance of working from home post-COVID-19 may dramatically shift how people trade-off higher housing costs for shorter commutes, as in many cases they may only be commuting several days per week. This could have impacts on relative growth patterns across the Wellington Region. Working from home has also in the short-term impacted on retail spending trends across different parts of Wellington City and could lead to something of a structural change in the city's retail and hospitality industries.

26. The potential long-term impacts of working from home are still too uncertain to be used to shape long-term impact growth assumptions. The impacts of different commuting and retail patterns as a consequence of working from home will be a continued area of monitoring for the Council during the Long-term Plan.

What are the impacts of COVID-19 forecasts on our budget and plan?

27. What this means for planning is that Council can expect lower revenue for services, particularly CCO revenue which relies on domestic and international tourism. Council can also expect lowered ratepayer affordability in the short-term, alongside increased demand for support from Council for sectors such as arts and cultural sector and other community groups whose other sources of revenue may become increasingly constrained.

28. Revisiting assumptions late in the LTP process has allowed for an updated set of financial assumptions, for example non-rates revenue. It also has enabled an updated economic outlook which will be useful for Councillor and community understanding of the risks associated with Council's plans. Late changes to assumptions have not however, led to changes to long-term fundamental assumptions underpinning infrastructure planning such as 30-year population growth.

29. All of the current assumptions are outlined in detail in Attachment 1 including discussion on the level of certainty and risks. This lays out assumptions in a format that will be carried through to the final Long-Term Plan.

Changes to assumptions since Annual Plan/Long-Term Plan Committee review

30. There have been three changes/additions to the draft forecasting assumptions since the Annual Plan/Long-Term Plan Committee received them on 4 February.
    - The addition of an assumption on the cost of carbon. This is in response to Councillor discussion on this point and its potential significance for decision making. This was already an underlying assumption within the draft budget but is now documented in the significant forecasting assumptions.
    - Updating the description of the assumption on climate change to both more directly link to Ministry for the Environment guidance and update the wording

around uncertainty to reflect uncertainty as to the pace or speed of change rather than the level

- The addition of funding assumptions relating to the alternative funding models that are now included in relation to city housing, sludge minimisation, LGWM and central library.

31. The updated assumptions are included in Attachment 1.

Next Actions

32. Councillors have considered draft Long-Term Plan budgets and options at the Committee meeting on 18 February 2021 and 4 March 2021. The budget and plans reviewed were based upon the assumptions outlined in this paper.

33. As a part of the audit process for the Long-Term Plan Consultation Document the significant forecasting assumptions will reviewed by Council auditors. Any changes that may be required as a result of that audit will be presented to the Committee alongside the Consultation Document for approval.

34. The audited significant forecasting assumptions will be made available to the public alongside the Consultation Document to enable a transparent view of the assumptions underpinning the draft proposals and will allow for public feedback on proposals based on review of these assumptions.

Attachments

Author	Geoffrey Coe, Senior Advisor Planning and Reporting
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer Sara Hay, Chief Financial Officer

SUPPORTING INFORMATION

Engagement and Consultation

Significant forecasting assumptions will be available alongside the LTP Consultation Document when it is presented for consultation. This will allow for public feedback on proposals based on review of these assumptions.

Treaty of Waitangi considerations

No specific Treaty of Waitangi considerations are anticipated as part of the setting of these significant forecasting assumptions.

Alongside having an understanding of the economic outlook for Wellington City as a whole, the economic outlook for the Māori economy (including the impacts of COVID-19) do however need to be a consideration for Council in planning future services. The commissioned economic analysis attached to this paper does not include insight on the Māori economy, however Council have used other reports that have considered the outlook for the Māori economy and these have been referred to by Council staff in service and strategic planning within this Long-Term Plan.

Financial implications

The setting of forecasting assumptions has direct impact on the development of Council budgets, as such there are significant cost impacts of the setting of assumptions. This is most directly related to the setting of financial assumptions such as inflation or interest rates. The Council's finance team has informed the setting of all relevant assumptions in this paper and the financial impacts of assumptions will be reviewed through review of the LTP budget.

Policy and legislative implications

The setting of significant forecasting assumptions is a legislative requirement under the Local Government Act 2002 (Schedule 10, Section 17). All requirements outlined in legislation have been reviewed and included in the draft assumptions included. In addition to this the Office of the Auditor General has released additional guidance around the approach to assumption setting for the 2021 Long-Term Plans and this guidance has been incorporated into Council's approach to the setting of these assumptions.

Risks / legal

Risk is inherent in the setting of all significant assumptions, as such, and as required by legislation, the certainty, risks, impacts and mitigations for assumptions and their risks is outlined alongside each assumption.

Climate Change impact and considerations

The significant forecasting assumptions include an assumption about climate change in line with Ministry for the Environment's guidance and projections. By incorporating climate change projections as an assumption in our Long-Term Plan (rather than treating it as a future risk) it creates the requirement of a response to climate change to be addressed in the body of the Long-Term Plan.

The response to the climate change assumption will be included in the Long-Term Planning proposals provided to Councillors in upcoming LTP/AP Committee meetings.

Communications Plan
Significant forecasting assumptions will be available alongside the LTP Consultation Document when it is presented for consultation. No stand-alone communications are planned on these assumptions before that time. Given this paper includes a report on the economic impacts of COVID-19 on Wellington City it may generate some public interest, and Council officers will respond to queries on the report and our assumptions as required.

Health and Safety Impact considered
None.

Draft Significant forecasting assumptions

The tables below outline the specific forecasting assumptions to be used in the preparation of the 2021 LTP and associated documents. It notes their data source, key challenges and risks around the assumption including commentary on how the risk will be managed.

Population			
Assumption	The long-term population forecast for Wellington City is growth of between 50,000 to 80,000 over the next 30 years. This is the forecast growth projection that underpins our Spatial Planning. Planning within this LTP has been based on existing assumptions provided by Forecast.id growth projections as shown in the table to the right. (this aligns to the low end of Spatial planning projected range for population growth). Once the Spatial Plan is finalised then we will ensure full alignment between our Spatial Plan and LTP.		
Data	Long-term population and demographic assumptions are provided by Informed Decisions (.id) for Wellington City modelling population growth, demographic changes and housing demand at a neighbourhood and city level. These forecasts were created in December 2020 by .id, on behalf of Wellington City. Forecasts are available for each year from 2013 to 2043. They do not consider potential impacts to assumptions stemming from COVID-19. Forecast inputs are based on Statistics NZ data and detailed information from the Council about current and planned residential activity in the city. Note that given COVID-19 we have supplemented our long-term population projections with advice on the short-term effects of COVID-19 on population growth. This advice has not changed this long-term population assumption, however will be used to inform the shorter term ratepayer base growth assumption (see below) which is informed by the short to medium term economic and growth outlook.		
Level of certainty	**Moderate**		
Key risks	*Risk* Population forecast growth assumptions are conservative, which may lead to an	*Effects of risk* If population growth is higher than forecast, added pressure will be put on Council infrastructure and service provision, leading to possible failure to meet expected levels of service	*Mitigation* Moderate growth can be accommodated within the present level of Council infrastructure.

Year	Wellington City Population
2020	214,537
2021	216,505
2022	218,734
2023	221,421
2024	223,585
2025	225,587
2026	227,094
2027	228,312
2028	229,303
2029	230,252
2030	231,242
2040	243,958
2043	248,953

	underestimation of population growth. A risk exists that total population growth continues to track higher than average. Risk that short-term growth will be significantly lower than forecast as the impacts of COVID-19 slow levels of migration to Wellington.	or constraining growth. If population growth is lower than expected, then we risk investing in services and infrastructure that will be over servicing the population. This impact may however be short-term if over the long-term growth continues.	Where higher levels of growth create demand for new infrastructure, the Council will collect development contributions to meet a portion of the costs of new or upgraded investment. Our LTP is updated every three years allowing for growth projections and investment plans to be updated on a regular basis.
Economic growth			
Assumption	That the Wellington City economy will continue to be impacted by the effects of COVID-19 until beyond 2023 with GDP remaining lower than March 2020 levels until 2024. Some sectors, including tourism related industries including hospitality will have on-going impacts well into the period of the long-term plan.		

Year	Wellington City GDP		Wellington City Unemployment
2019	25,651	2.3%	4.2%
2020	26,135	1.9%	3.8%
2021	25,332	-3.1%	4.2%
2022	25,904	2.3%	4.7%
2023	26,021	0.5%	4.5%
2024	26,537	2.0%	4.4%
2025	27,189	2.5%	4.3%
2026	27,815	2.3%	4.1%
2027	28,464	2.3%	4.0%
2028	29,128	2.3%	3.8%
2029	29,786	2.3%	3.8%
2030	30,430	2.2%	3.8%

Data	Economic projections are based on economic modelling of Wellington City economy undertaken by Infometrics commissioned in January 2021. This report will be available on the WCC LTP website.		
Level of certainty	**Moderate**		
Key risks	*Risk* Economic growth is lower than forecast due to: • the impacts of COVID-19 before more severe or lasting longer than anticipated	*Effect of risk* Lower levels of economic growth will impact the affordability of Council plans: • ratepayer base growth assumptions will be inaccurate (see later assumption)	*Mitigation* We have been conservative in our assumptions around economic recovery to reduce the likelihood of this downside risk Our economic assumptions will be closely

	• external market factors • insufficient investment in infrastructure/services constraining city development	• the affordability of Council services will be lower for households, businesses and users of services	monitored and any resulting updates to our long-term plans will be made through Annual Planning process
Growth in ratepayer base			
Assumption	*Historically, ratepayer base growth has been assumed at around 1% growth in capital value. Given analysis on the short-term impacts of COVID-19 on population and economic growth, it is likely that this assumption may be for some slowing in the short term ratepayer base growth. A final assumption on ratepayer base growth requires an estimate of rating units as at the end of 2020/21 and so will be confirmed closer to the close of the 2020/21 year nearer LTP adoption.*		
Data	*Ratepayer base growth is based on current property information from Council valuation service provider (Quotable Value Ltd), forward looking consenting, further expected negative revaluations as a result of the November 2016 earthquake and historic trends.*		
Level of certainty	**Moderate**		
Key risks	*Risk* The growth in the ratepayer base is higher or lower than projected.	*Effects of risk* If growth is higher than forecasted, average rates funding increase will be reduced by an equivalent amount as there is a greater number of ratepayers across which the rates funding requirement will be allocated. If growth is lower than forecasted, the average rates increase for the ratepayer will be higher. The annual impact of a 1 percent of variance in growth in the ratepayer base is equivalent to approximately $3.5 million of rates.	*Mitigation* We will measure and report on growth in the rating base and review the projections and underlying strategy on a regular basis. Ratepayer growth assumptions are reconfirmed through each Annual Planning exercise and provide the opportunity to adjustment plans based upon updated growth projections.
Civil defence and emergency			
Assumption	The assumed risks of a significant earthquake are in line with Wellington lifelines planning and relate to likelihood of earthquakes at different scales on the Modified Mercalli intensity (MMI) scale. Likelihood captured in the table below.		

MMI level	Average return period
MMI7	~30 years
MMI8	~120 years
MMI 9	~400 years

	MMI 10 — ~1350 years
Data	Sourced from Wellington Lifelines report 2019.
Level of certainty	**Low**

Key risks	*Risk*	*Effects of risk*	*Mitigation*
	That a significant event occurs during the period of the Long-Term Plan	The city is unable to recover sufficiently or quickly enough in order to prevent long-term adverse effects on the population or local economy.	In order to recover from a significant event the Council has insurance and debt provision to provide some flexibility to respond financially to adverse events. The Council is further prepared to respond to large events, as some response plans are in place and staff members are regularly trained. However, work is needed to ensure that learnings from any activation are captured and contribute to the ongoing improvement of the city's preparedness. A key focus for this LTP will be improving the city's resilience. There will be a number of earthquake strengthening and resilience projects aimed at helping us mitigate the adverse impact of a significant event and manage our event insurance costs.

Climate change

Assumption	We assume climate change occurs in line with Ministry for the Environment's global emissions scenarios ranging from low to high greenhouse gas concentrations these are informed by the Intergovernmental Panel on Climate Change (IPCC). The most notable impact of which for Wellington City will be increased risks of coastal storm surge, and higher frequency and magnitude of flooding events, both exacerbated by sea level rise and increased volumes of water during rainfall events. Table 12 from the MfE guidance informs our base assumptions for planning being:

	The linked image cannot be displayed. The file may have been moved, renamed, or deleted. Verify that the link points to the correct file and location. For detailed guidance on the application of these assumptions see MfE guidance.		
Data	Assumptions are directly informed by Ministry for the Environment projections for Wellington and Wairarapa.		
Level of certainty	**Moderate –** while there is certainty on the direction of change, there is uncertainty as to the speed at which the climate and sea level rise will change.		
Key risks	*Risk* That sea level rise may be lower or higher than planned for.	*Effects of risk* If sea level rise happens slower than assumed, then we will have over invested in mitigating or management strategies. The impacts of this may be short-term as sea levels continue to rise over the longer-term. If sea level rise is faster than assumed then we will have increased levels of service interruption, including to storm	*Mitigation* The effects of sea level rise occur over a long-period and we will regularly review climate predictions as we make choices around our investment and as we regularly update our long-term plans. We also plan in the longer term to transition

		water and transport services.	towards dynamic pathways planning.
Resource consents			
Assumption	Conditions for existing resource consents held by the Council will not be significantly altered. Any resource consents due for renewal during the 10-year period of this plan will be renewed accordingly.		
Data	**N/A**		
Level of certainty	**Moderate**- *there is some uncertainty around consenting conditions for the renewal of some Council consents:* • *Stage 1 of the global consent for stormwater discharge expires in 2023, for stage 2 and future consents there is a likelihood of more stringent conditions as the requirements of the National Policy Statement for Freshwater Management come into effect* • *Consenting of any sludge minimisation plant in the coastal environment would be significantly more challenging that the current site* • *Landfill consents expire in 2026. Given the Southern Landfill consenting conditions are substantially about the management of water, there is a likelihood that conditions will be substantially more rigorous.*		
Key risks	*Risk* Conditions of resource consents are altered significantly. The Council is unable to renew existing resource consents upon expiry	*Effects of risk* The financial effect of any change to resource consent requirements would depend upon the extent of the change. A significant change in requirements could result in the Council needing to spend additional funds to enable compliance.	*Mitigation* Generally, the Council considers that it is fully compliant with existing resource consents. Changing consenting conditions will be inputs into planning individual projects- for example in the scoping of any landfill or sludge minimisation investment.
Inflation			

Assumption	***Cost adjustors*** Inflation rates have been estimated using the BERL mid-scenario Forecasts of Price level Change Adjustors to 2031. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5 percent to 3 percent range.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	*20 yr ave*
Planning and regulation	3.2%	1.7%	0.5%	2.7%	2.5%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	*2.0%*
Roading	2.3%	1.9%	0.8%	3.3%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	*2.5%*
Transport	2.8%	1.8%	0.7%	2.9%	2.6%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	*2.2%*
Community activities	2.0%	1.7%	-0.2%	3.2%	2.7%	2.5%	2.4%	2.5%	2.4%	2.5%	2.6%	2.6%	2.4%	*2.1%*
Water and environmental management	3.8%	2.5%	-3.8%	6.0%	3.5%	2.6%	2.7%	2.9%	2.8%	3.2%	3.3%	3.4%	3.1%	*2.5%*
WCC HR cost adjustor	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%

Data	***Inflation rates applied –*** Inflation rates have been estimated using the BERL Forecasts of Price level Change Adjustors to 2031. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5% to 3% range. Inflation is affected by external economic factors, most of which are outside of the Council's control and influence.
Level of certainty	**High**

Key risks	*Risk*	*Effects of risk*	*Mitigation*
	That actual inflation will be significantly different from the assumed inflation.	The Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.	Annual review through the annual plan process.

Cost of carbon

Assumption: WCC assumes that the cost of carbon will inflate over the coming years as per the table below-

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rise to $50 in Year 2 by 2031 with ongoing 2% growth thereafter	$35.00	$35.00	$50.00	$51.00	$52.02	$53.06	$54.12	$55.20	$56.31	$57.43	$58.58	$59.75

% increase from 2020		0%	43%	46%	49%	52%	55%	58%	61%	64%	67%	71%

This assumption directly informs the carbon unit costs related to the Southern Landfill. More broadly the growing cost of carbon will have implications on the investment profile of individual projects and design of Council services, these impacts will be considered through the establishment of frameworks the Council will use in future project investment analysis and service review.

Data

Short to medium term price assumptions are based on price controls in the NZ ETS (The initial Cost Containment Reserve price trigger to be set at $50 in 2021 and rise by two per cent for each subsequent year). Over the long-term these assumptions trend in line with the long-term price signals from the 2018 Productivity Commission report *'Low Emissions Economy'* that signals a need for prices to move to between $75 and $200 by 2050.

Level of certainty

Moderate – the certainty of our cost of carbon assumption is moderate particularly beyond 2025 when current ETS regulatory price controls expire. A range of factors including the pace of technological change and level of economic activity could significantly affect both the long-term trend and year on year costs.

Key risks

Risk	*Effects of risk*	*Mitigation*
That actual inflation will be significantly different from the assumed inflation.	The Council's carbon unit costs and the landfill income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made. This includes to secondary impacts on other Council budget lines, for example the cost of fuel and electricity, which are not directly informed by this carbon price assumption.	Annual review of the budget through the annual plan process.

Asset revaluations

Assumption

Assumed growth in asset values are outlined in the table below. Growth in Council asset values are key drivers of forecasting increasing capital investment and depreciation rates.

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	40/41	50/51
Buildings Revaluation	16.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Waters Revaluation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Treatment Plant Revaluation	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Roading Revaluation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Data

Asset revaluation assumptions are based off asset valuation analysis provided by CBRE and BERL.

Level of certainty

Moderate – moderate uncertainty in how Council asset values will change over time

Key risks	*Risk* That actual asset value growth will be significantly different from the assumed rates.	*Effects of risk* Asset value growth at higher rates than assumed will lead to increasing pressure on rates and borrowing levels. This risk has impacted Council planning repeatedly in recent years as asset value growth has exceeded budgeting assumptions.	*Mitigation* Annual review of assumptions through the annual plan process.

Significant Asset lifecycles

Assumption: The estimated useful lives of significant assets will be as shown in the Statement of Accounting Policies. The asset life of key assets (three waters and transport is included below). The majority of the significant assets will continue to be revalued every three years. It is assumed that assets will be replaced at the end of their useful life. Ranges in average ages relate to the variability of component parts of assets and changing material and design of assets over time.

Key Asset – Pipes	Asset life in years
Water pipes	50-95
Water reservoirs	40-100
Water pumping stations	20-100
Sewer pipes and tunnels	60-110
Sewer pumping stations	20-80
Stormwater pipes	50-130
Stormwater pump stations	20-100

Key Asset – Roads	Asset life in years
Surface	10
Base	50
Bridges	80
Footpaths	20-50
Retaining walls	50-75
Sea walls	80-100
Kerbs and channels	70-120

Data: Assumptions of asset lives are informed by guidance on the Useful Life of Infrastructure from the NAMS Council and Council actual condition information of assets.

Level of certainty: **Mixed –** The level of certainty of useful lives of assets ranges across different asset types. Underground assets that are not easily accessible have lower levels of confidence on their current condition and therefore expected remaining useful lives.

Key risks	*Risk* That assets wear out earlier or later than estimated.	*Effects of risk* Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. The financial effect of the uncertainty is likely to be immaterial.	*Mitigation* Generally, we have the ability to prioritise work programmes should assets wear out earlier or later than estimated. In addition we are actively investing in improving the quality of asset

			condition information including of our three waters assets, to reduce the likelihood of this risk.

Interest rates- cost of borrowing

Assumption

The Council borrowing rates for debt will change as per the table below.

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	40/41	50/51
Effective Interest Rate	3.09%	3.25%	3.65%	3.13%	3.27%	3.36%	3.32%	3.39%	3.45%	3.44%	3.25%	3.22%

Data	Assumption reflects Council actual borrowing rates along with forecast rates based on hedging position and range of economic forecasts.		
Level of certainty	**High -** There is relative higher levels of certainty over short-term borrowing rates for Council debt in the short term given hedging policies. Longer-term, certainty levels are lower as interest rates are subject to wide range of factors.		
Key risks	*Risk*	*Effects of risk*	*Mitigation*
	That prevailing interest rates will differ significantly from those estimated.	Based on the minimum hedging profile, a 0.1 percent movement in interest rates will increase/decrease annual interest expense by between $200,000 and $1,000,000 per annum across the 10-year period of this plan	Interest rates are largely driven by factors external to the New Zealand economy. The Council manages its exposure to adverse changes in interest rates through the use of interest rate swaps. At any time Council policy is to have a minimum level of interest rate hedging equivalent to 50 percent of core borrowings.

Expected returns on investment and funding sources

Assumption	We assume that the impacts of COVID-19 will mean that **WIAL dividend** income will be zero in 2021/22 before progressively increasing back to pre COVID-19 levels by 2024/25. The Council has made assumptions on the level of subsidies it expects to receive from central government through the **NZTA** over the period of the plan. This is that the normal Funding Assistance Rate (FAR) is expected to remain at 51 percent of eligible expenditure for the period of the plan. It is assumed that NZTA subsidy will apply to 85% of our transport programme of work excluding the majority of cycleways which the NZTA subsidy is assumed to apply to 100% of.
Data	**n/a**

Level of certainty	**Low –** We have a lower than normal level of certainty on WIAL dividend assumptions given the current economic climate and impacts of COVID-19. **High –** NZTA have indicated that given cost pressures the level of NZTA funding available for our transport investment may reduce, because of this, current draft NZTA income assumptions have a moderate level of uncertainty but will be agreed prior to the adoption of the LTP.		
Key risks	*Risk* That the That WIAL dividends are significantly lower than assumed or that NZTA makes further changes to the subsidy rate, the funding cap or the criteria for inclusion in the subsidised works programme.	*Effects of risk* If the actual returns/revenues from these sources are significantly less than forecast, the Council will need to look for alternative funding through rates or borrowings.	*Mitigation* Annual review of assumptions through the annual plan process.
Level of service			
Assumption	For this 10-year plan we assume that: • the current demand for Council services and customer expectations regarding business as usual levels of service will not significantly decrease during the planning period • beyond what is specifically planned for and identified in this 10-year plan, there will be no significant additional impact from above pressures on asset requirements or operating expenditure.		
Data	**n/a**		
Level of certainty	**Moderate**		
Key risks	*Risk* That there are significant changes in the impact of pressures on the demand for services or levels of service beyond those planned in this plan.	*Effects of risk* If customers begin to expect a higher level of service, we either risk decreasing residents' satisfaction or an increase in ongoing costs to maintain a higher level of service	*Mitigation* The Council has well defined service levels for its planned activities, which have been reviewed as part of the 10-year plan process. Customer satisfaction surveys and other engagement strategies generally support the key assumptions made within the 10-year plan and therefore there are currently no known additional areas of the Council's service that require significant modification.
Three waters reform			

Assumption	While the Government's three waters reform programme is currently underway, and the Council is participating in that work, the Government is not expected to make a decision on the reforms until May 2021. As such, for the purposes of planning it is assumed that three water services will continue to be delivered through their existing arrangements between the Council and Wellington Water over the life of the Long-Term Plan.		
Data	Our assumption is in line with SOLGM advice on the treatment of reforms as outlined in their practice note *Three Waters Reform in the 2021-31 Long-Term Plans*		
Level of certainty	**Uncertain**		
Key risks	*Risk* That the three waters reform leads to changes to the management and/or ownership of Council's three waters assets	*Effects of risk* A change in ownership of three waters assets would have substantial direct impacts on Council finances and its financial and infrastructure strategy. It could also have second order impacts on Council's long-term planning in other areas given fundamental changes to the Council's financial position. For example, our debt to revenue position may be negatively affected should the value of three waters debt that is transferred be disproportionately lower relative to three waters income compared with wider Council debt and income levels.	*Mitigation* Any decisions on the Council's involvement in reforms would require consultation with the community and that would include full consideration of the direct and second order impacts.

Social Housing funding	
Assumption	It is assumed that alternative sources of funding for City Housing renewals and upgrades is identified in the first year of this LTP and capital costs related to years 2 onward are funding through this alternative means. Work is required to explore these options and may, for example, include establishment of a Community Housing Provider to take ownership of City Housing. Some alternative funding approaches, such as a change in ownership of City Housing, would be a significant change within our Significance and Engagement Policy and would require a statutory consultation process to be undertaken in the first year of the LTP.
Data	**n/a**
Level of certainty	**Low –** While the Council has had some initial meetings with central government on potential alternative funding approaches there is still low certainty as to what alternative funding may be practical for City Housing. Some financial assistance may be announced as part of the Government's budget in May 2021. The establishment of a Community Housing Provider is possible but this option has not yet been debated by the Council and no community consultation on such a proposal

	has yet been undertaken.		
Key risks	*Risk* That we are not able to find alternative funding arrangements for city housing as assumed.	*Effects of risk* If alternative funding is not secured in time for year 2 of this LTP then there will be significant unfunded capital costs required. This would require some re-prioritisation of the capital programme however City Housing reserves can be used to fund renewals and legislative upgrade requirements such as Healthy Homes requirements.	*Mitigation* Council's Annual Planning process provides a process whereby reprioritisation of the capital programme can be undertaken. Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt.
Sludge funding			
Assumption	It is assumed that off balance sheet funding for the sludge minimisation project is able to be secured (through the Infrastructure Funding and Financing legislation (IFF)). This would enable the project to proceed without impacting Council debt limits.		
Data	**n/a**		
Level of certainty	**Low –** While the sludge minimisation project appears to fit the criteria for IFF financing, Council has only recently initiated the application process via Crown Infrastructure Partners.		
Key risks	*Risk* That we are not able to secure off balance sheet funding arrangements for sludge minimisation as assumed.	*Effects of risk* Until funding is secured then the sludge minimisation project would not be able to proceed, or alternatively reprioritisation of the capital programme or alternative Public Private Partnerships would be required. Delays in confirming the sludge minimisation project would impact planning for dependant pieces of work, in particular the future of the Southern Landfill and waste minimisation activities.	*Mitigation* Council's Annual Planning process provides a process whereby reprioritisation of the capital programme can be undertaken. Alternative Public Private Partnership that will enable Sludge to be financed off balance sheet are being investigated in parallel. Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt.
LGWM funding			
Assumption	Only initial $220m costs of LGWM delivery projects plus programme funding are included in our budget given the significant uncertainty about the full future programme scope and costs of LGWM, including the funding split for those costs. Their exclusion from the budget does not mean the Council does not plan to proceed with LGWM,		

	the Council remains committed to improving Wellington's transport infrastructure as envisioned through the LGWM programme. Their exclusion from the budget however mean that future further costs of LGWM identified through business cases will either need to be funded alternatively and/or accommodated through further extending the Council's debt position agreed to through this LTP. Alternative funding arrangements are preferred and, for example, may include identification of new revenue streams such as traffic demand management or off balance sheet funding arrangements through the Infrastructure Funding and Financing legislation.		
Data	**n/a**		
Level of certainty	**Low**		
Key risks	*Risk* That alternative funding for the full costs of LGWM are not able to be identified and, in order to proceed with LGWM business cases, the Council would have significant unbudgeted costs. The need for the Council to identify alternative funding or make significant variations to this LTP to accommodate additional costs may also lead to delays to decision making around programme business cases.	*Effects of risk* This would either require Council to accommodate additional costs into an amended budget with breaches of proposed current rates and debt limits or aspects of LGWM may not be able to proceed. The effect of this risk on Council finances and the programme is significant given the draft size of the full programme identified in the indicative programme business case was $3.2b for the three partner organisations.	*Mitigation* The LGWM partners are engaging with the Minister of Transport on the range of funding tools. Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt should Council decide that LGWM investment warrants further extending the debt position. Council's Annual Planning process also provides a process whereby reprioritisation of the capital programme can be undertaken.
Funding sources – ground leases			
Assumption	That long-term ground leases for Michael Fowler Centre carpark, Municipal Office Building and Civic Administration Building are all secured in the first two years of the LTP to enable revenue from those ground leases to be used to pay down Council debt. Proceeds from those ground leases would be approximately $27m		
Data	**n/a**		
Level of	**High –** While the MFC carpark negotiations are more advanced and therefore the likelihood of ground lease more certain, the MOB and CAB sites are less certain as we have not yet tested the market. Council has had valuations on the land and unsolicited queries from the private sector about opportunities with Civic Square. The		

<table>
<tr><td>certainty</td><td colspan="3">need to gain resource consent for demolition of those buildings and potential consultation requirements associated with that also creates risks to this assumption</td></tr>
<tr><td>Key risks</td><td>Risk
That long-term ground leases are not able to be secured in the timeframe of this assumption or are at a lower value than assumed.</td><td>Effects of risk
If long-term ground leases are delayed or at a lower value then that may impact Council's debt position and may lead to breach of proposed debt to revenue limits.</td><td>Mitigation
Council's Annual Planning process provides a process whereby reprioritisation and/or rephasing of the capital programme can be undertaken.</td></tr>
<tr><td colspan="4">Funding sources – Central Library</td></tr>
<tr><td>Assumption</td><td colspan="3">That Council will be able to partner with a third party to fund the commercial office space of the central library in the first two years of the construction project.</td></tr>
<tr><td>Data</td><td colspan="3">n/a</td></tr>
<tr><td>Level of certainty</td><td colspan="3">Medium – While we have not yet tested the market for a partner in the Central Library project, we have had unsolicited approaches from the private sector about partnering.</td></tr>
<tr><td>Key risks</td><td>Risk
That no partner is suitably identified and/or willing to front-load their costs.</td><td>Effects of risk
Should a partner not be able to be identified, Council would need to consider delaying the central library or agreeing to a breach of the 225% debt limit in order for it to progress.</td><td>Mitigation
Council's Annual Planning process provides a process whereby reprioritisation and/or rephasing of the capital programme can be undertaken.
Setting a debt limit at 225%, below the 280% limit of the LGFA covenant provides some flexibility for future additional debt.</td></tr>
</table>

Forecasts for long term planning

for Wellington City Council

January 2021

Infometrics
Economics put simply

Authorship

This report has been prepared by Nick Brunsdon, with the assistance of Brad Olsen, Gareth Kiernan, Andrew Beattie, Rob Heyes and Dr Adolf Stroombergen.

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Executive summary

Wellington City Council commissioned this report to provide a detailed evidence base for their long term planning processes in 2021. This report provides Infometrics forecasts of GDP, population and unemployment over the ten years to 2030.

National economy doing well through COVID

The national picture has kept improving since the outbreak of COVID-19, and we have continued to revise our near term forecasts upwards. While the international economic outlook has scarcely improved, we have seen far fewer job losses domestically than expected and exuberant consumer spending. We still think that weaker times are up ahead for New Zealand, but we are much more positive than our April 2020 forecast.

Global outlook is still ugly

COVID-19 is not going away any time soon. Global daily new case numbers reached an all-time high of 862,181 on January 7. Fear and lockdowns have shuttered global economies. The rollout of vaccines is underway globally, but globally travel will remain severely restricted until the vaccine rollout is largely completed. Economic forecasters expect a prolonged period of global economic weakness. This will adversely affect our ability to export our goods to the world and attract tourists.

Slow recovery for international education and tourism

Border closures have hit the international education and tourism sectors hard. We have assumed that a trans-Tasman bubble will be implemented by mid-2021 and that our borders will be fully opened in 2022. Should these milestones be delayed, the viability of some tourism and hospitality operators in the city may be threatened.

We expect that international visitor arrivals will have recovered to 80% of their pre-COVID level by 2025, and to 110% by 2030. Australia will lead our tourism recovery, as its close proximity means it won't face the same headwinds in recovery as long-haul travel. We expect that the recovery of outbound tourism to Australia will follow a similar recovery path to that of inbound tourism from Australia.

Terms of trade to hold up

Terms of trade are the relationship between a country's import and export prices, which can be a key determinant of living standards. We expect a softening in terms of trade in the near term, as supply-chain disruption drives up the price of our imports, and lockdowns overseas make it harder to earn a premium for our food exports. However, we expect strong terms of trade over the medium to long term as import prices stabilise and export returns are able to recover.

Record migration, then a crash

International net migration peaked at 89,000 in the year to March 2020, as Kiwis rushed back into the country ahead of lockdown. We expect international net migration to hover around zero for the next three years, before returning to our long-term forecast level of 30,000 by 2025.

Public sector is Wellington's strength and vulnerability

Wellington's strong public sector is a key strength, particularly through COVID-19 as the public service expanded, driving an increase in total employment to October 2020. However, government efforts to establish regional public service hubs present a risk of weak or negative future growth in the public service in the City.

Tourism and hospitality vulnerable for further lockdowns or border delays

Wellington's tourism and hospitality sector is highly vulnerable to further lockdowns and delays with reopening the border. Consumer spending in the city has been down since the lockdown in 2020, so many businesses will be operating on diminished reserves, and therefore unable to withstand further shocks.

Pillars of growth remain

Wellington City experienced strong growth in Gross Domestic Product (GDP) over the past decade, which was broadly consistent with the national trend. Wellington will perform better than the rest of the country in the coming two years, and is expected to follow the national growth trend from 2023 onwards.

Wellington's GDP growth over the past decade was driven by three industries – public administration and safety; professional, scientific, and technical services; and information media and telecommunications. These pillars of growth are forecast to make the greatest contribution to growth in the coming decade.

Low unemployment for Wellington

We expect Wellington's unemployment to remain well below the national average over the coming years. This is based on the relative strength of Wellington's economy, underpinned by a strong public sector. Experience from the GFC indicates that only a fraction of job losses in Wellington City translate to an uptick in unemployment in the city, as so many workers commute in from the broader region.

Regional alternative constrains city growth

Wellington City has a highly integrated relationship with the broader Wellington Region, with the City providing the bulk of jobs, and the broader region providing the bulk of housing for workers. This means that employment growth in the City drives housing growth in the city and broader region. It also means that the supply of housing in the broader region influences the housing market in the City.

Dwelling consents will remain strong

We expect that recent trends in building consents in both the City and broader region will be sustained over the coming decade. Further growth is unlikely given the constraints of construction sector capacity. Efforts to enhance the supply of land for housing in the City, such as the District Plan review, are likely to be counterbalanced by similar efforts throughout the rest of the region.

Sustained population growth expected

Population growth is forecast to ease, but remain positive, over 2021 to 2023 as COVID-19 adversely affects international net migration, a key source of Wellington's population growth. Growth is forecast to gradually rise over the remainder of the decade, to reach 242,000 in 2030, an extra 26,200 people.

The housing market's remarkable resilience

The housing market nationally has shown remarkable resilience throughout COVID-19. This was a result of unexpectedly strong population growth, very low interest rates, strong investor demand, and minimal job losses amongst homeowners. We expect house prices nationally to continue rising, albeit at a slower rate, over the next four years. With a strong economy and strong topographical constraints, Wellington's house prices may well outperform the national growth rate.

Introduction

Wellington City Council commissioned this report to provide a detailed evidence base for their long-term planning processes in 2021. This report provides Infometrics forecasts of GDP, population and unemployment over the ten years to 2030.

We start by discussing our national macroeconomic forecast with particular emphasis on foreign tourism and international education, Wellington City's key exports. We then discuss the performance of Wellington through COVID-19 and its economic outlook, in terms of economic growth and unemployment. Finally, we discuss the drivers of the City's population growth, particularly its relationship with the broader region, through population, household, house price and building consent forecasts.

National overview

The national picture keeps improving...

We have continued to revise our near-term economic outlook upwards since our first forecast incorporating COVID-19 in April 2020. Domestic economic activity has held up better than expected. We have seen fewer than expected job losses following the end of the wage subsidy, which preserved productive capacity and shored up consumer confidence. This trend, coupled with strong household savings during lockdown and from overseas travel funds, has boosted consumer spending but fostered a wait-and-see approach to investment as uncertainty and the threat of further lockdowns prevail.

Since then, the international economic outlook has scarcely improved, and our tourism sector has not gained any more certainty around the resumption of even limited international tourism. We are still yet to see businesses exploring opportunities for new growth and to start investing.

Although we do expect periods of economic weakness ahead, we are much more positive than our April 2020 forecast. Caution remains a key feature of our forecast outlook. One of the biggest risks is that New Zealand's better-than-expected economic performance is not matched by a rebounding global economy.

... but the globe is a mess

COVID-19 is not going away any time soon. Global daily new case numbers reached an all-time high of 862,181 on January 7. Increases in testing capacity explain some of the increase in daily cases, but new, more-contagious virus variants are responsible for much of the increase, and this is reflected in daily deaths reaching record levels as well.

Lockdown fatigue means that countries are reluctant to continue or reimpose significant restrictions on economic activity and people's freedoms. But it is also clear that the ongoing threat of the virus is acting as a constraint on activity anyway. Even without lockdowns, people are more reluctant to venture out and about than they were pre-pandemic, and this hole in demand will have a lasting effect on economic outcomes. The rollout of vaccines is underway globally, but international travel will remain severely restricted until the vaccine rollout is largely completed. Economic activity will remain dented, even after borders reopen. The latest consensus forecasts show that, by June 2022, Spain, Italy, the UK, Japan, and France are all forecast to still have smaller economies (measured by GDP) than they did in the September 2019 quarter.

Aside from the prospects of prolonged weakness in the world economy, which could extend for longer than most forecasters are predicting, the pandemic is also affecting people's consumption patterns. Reduced spending on travel and associated goods and services is an obvious change, but our exporters are also being affected by lower levels of restaurant and hospitality activity that are hitting demand for higher-value foodstuffs. This trend is likely to show through in reduced incomes for meat and wine producers, for example, as they are forced to settle for lower prices from international consumers with a reduced willingness or ability to pay top dollar. New Zealand export prices are less competitive, with a rise in the dollar an unfortunate by-product of New Zealand's better economic situation. A key area of uncertainty is the disruption in trade flows – supply chain disruptions, coupled with changing trade dynamics (including the Australia/China trade spat) cloud the outlook.

Foreign tourism tanks by 91%

Foreign tourism has been all but cancelled, with travel restrictions and quarantine requirements. Given the recent outbreaks of new COVID-19 variants, we expect the prospect of a trans-Tasman or trans-Pacific bubble to be pushed out into the second half of 2021. With the rollout of a variety of COVID-19 vaccines now underway, we expect that our border will be fully reopened in 2022 – an expectation in line with government views.

Foreign tourism faces headwinds in its recovery

Rebuilding our tourism industry from a standing start will take many years, as international travel will face a number of headwinds post-COVID. These headwinds are particularly strong against long-haul international travel, so the relatively close Australian market will be critical for the initial stages of the tourism recovery.

These headwinds include:

- **Weak economic conditions globally.** Despite the impressive performance of New Zealand's economy in 2020, consensus forecasts indicate the global economy will undergo an extended recession. This recession will be associated with lower household incomes, denting demand for luxuries such as long-haul international travel to New Zealand
- **Aviation capacity.** In the face of a near-overnight slump in demand, airlines have restructured around the world. Recovering aviation capacity to pre-COVID levels will take an extended period of time as aircraft have been scrapped or mothballed. Routes have been rationalised and it will take some time for markets to be developed again for routes to be re-established. Airlines will be looking to establish bi-directional demand to ensure the profitability of re-established routes. New Zealand's tourism sector benefited from an array of direct routes to Asia, North America and South America over the past decade. These routes are unlikely to be reinstated swiftly until travel demand starts to approach pre-COVID levels.
- **Higher cost of travel.** The cost of air travel is likely to increase as the aviation sector spreads its fixed costs across a smaller number of passengers. Potential health screening requirements will add further costs to international travel. Altogether, a higher cost of travel means fewer people can afford to travel.
- **Reluctance to travel.** Travelling during the outbreak of COVID-19 was a traumatic experience for many, with many travellers stranded or nearly stranded on the other side of the world. Many travellers faced a loss of travel insurance cover and struggled to obtain refunds. These memories will linger for several years and induce a reluctance to travel internationally, particularly long-haul.
- **Precarious social license.** International tourism was starting to push the bounds of its social license in New Zealand pre-COVID, with increasingly frequent complaints of over-tourism adversely affecting the environment and locals. While we are unlikely to be picky about tourists once the borders reopen, a complete rebuild of our tourism sector is an opportunity to act strategically about the volume versus value paradigm. Because of this, we expect it will take the best part of a decade to return to pre-COVID visitor levels.

Australia will lead our tourism recovery...

There has been much discussion about a trans-Tasman or Pacific bubble, but the amount of political and media vacillation on the topic makes it difficult to predict the near-term tourism recovery with any confidence. Nonetheless, we expect to see stronger growth in visitor arrivals from Australia than the rest of the world in the initial stages of the tourism sector recovery. Visitor arrivals from Australia won't face the same headwinds post-COVID as our other long-haul markets will.

By the end of 2022, we would expect to see visitor arrivals from Australia back to 60% of pre-COVID (2019) levels, while visitor arrivals from other countries will lag with 50% recovery. By 2025, arrivals from Australia are expected to be at 75% of their pre-COVID levels, while arrivals from all other countries will have recovered to 60%.

In the latter half of the 2020s, lingering health concerns around COVID-19 and hesitancy around travel is likely to fade. Growth in less mature tourism markets for New Zealand is likely to pick up and takeover growth in the mature Australian market. By 2030, we expect visitor arrivals from Australia and the rest of the world to overtake pre-COVID levels to reach 110% recovery.

The expected extended recovery from COVID-19 presents a significant challenge for the tourism sector, as it means that previous operating structures designed for 2019 visitor numbers will be largely irrelevant for the next decade – operators will need to cut their cloth accordingly to suit smaller visitor numbers and continue to adapt as arrivals recover.

...and Kiwi's will head overseas much like the Aussies

We expect the outflow of New Zealand tourists will recover in much the same way as the Australian tourists entering New Zealand. Both tourist flows are intrinsically connected as the removal of travel restrictions such as a trans-Tasman bubble is likely to occur bilaterally. Both tourist flows rely on recovery in the same aviation capacity and prices, and generally airlines will attempt to develop bi-directional demand when developing (or reintroducing) routes. We would only expect this to change if there was substantially different economic performance between the two countries, suggesting greater demand for international travel from the relatively stronger performing country.

Due to Australia's relative size, we expect a trans-Tasman bubble will generate a net benefit for New Zealand as there is greater potential benefit from Australians visiting New Zealand than the loss of expenditure from New Zealanders visiting Australia. On the flipside, a trans-Pacific bubble is likely to have a net negative effect on tourism in New Zealand.

International education taken a significant hit

International education has taken a significant hit, with few new students arriving in 2020 or 2021. Many international students already in the country are expected to have continued their study, meaning that tuition revenue is 'only' expected to be down by 49% over 2020 and 2021 calendar years. The announcement in January 2021 of places for 1,000 existing international students to return to the country during 2021 amounts to just over 3% of pre-COVID international students. Many of the headwinds faced by international tourism are equally applicable to international education. In particular, a higher cost of air travel and health-related screening requirements are likely to hit shorter courses such as English language training more so than universities.

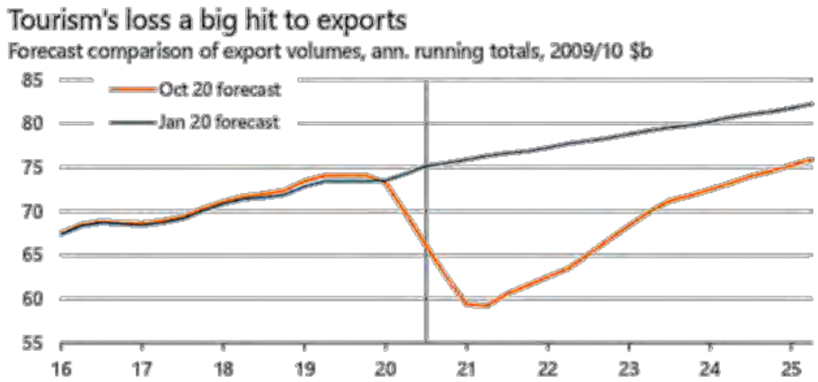
Furthermore, international education was coming off the boil pre-COVID, triggered by the removal of favourable work visa and immigration policies which undermined the attractiveness of New Zealand as a place to study.

We expect a slow recovery of international education revenue to 80% of pre-COVID levels by 2025, and full recovery by 2030.

Goods exports sensitive on global economic outlook

Prospects for goods exports volumes and prices are highly dependent on global demand. With overseas economies set to shrink this year, the current global downturn will also have a dampening effect on international demand and lead to softer export volumes, even over the medium-term. Services exports are obviously heavily influenced by the effects of the border restrictions on tourism and international education, discussed previously. Demand for our primary exports has been sustained and is helping support economic activity, although New Zealand is having to pivot our products from restaurant to at-home consumption.

Graph 1

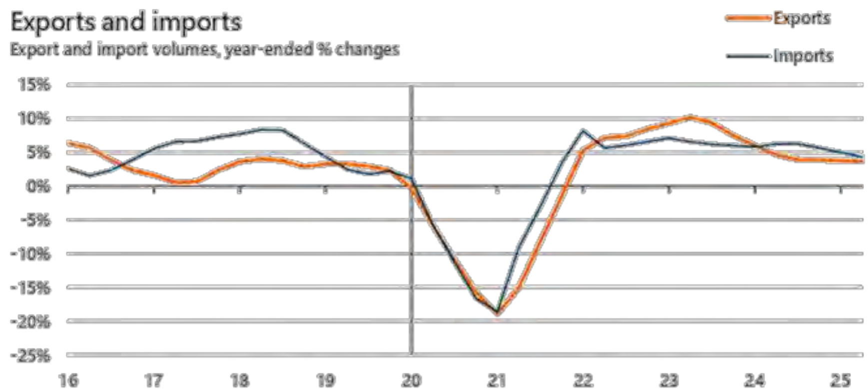


Imports take a hit from consumption and investment

We are forecasting a 16% contraction in total import volumes over the year to March 2021. We anticipate that the subsequent recovery in imports during 2022 and 2023 could be more muted than export growth for several reasons. Firstly, we expect a sustained change in New Zealanders travel patterns, with more holidays taken domestically and international travel taking a long time to return towards pre-pandemic levels. Secondly, business' willingness to invest could remain weaker than normal for some time, dampening the recovery in capital imports (15% of total imports). In the wake of the GFC, the annual total of capital imports plunged 33% over an 18-month period. Finally, a slowdown in household spending growth will reduce demand for consumption good imports (21% of total imports).

The risks to our forecasts for both exports and imports lie, if anything, on the upside, particularly over the medium term. Given that we are currently in the midst of the pandemic, it is unclear how sustained an effect current events will have on international travel behaviour.

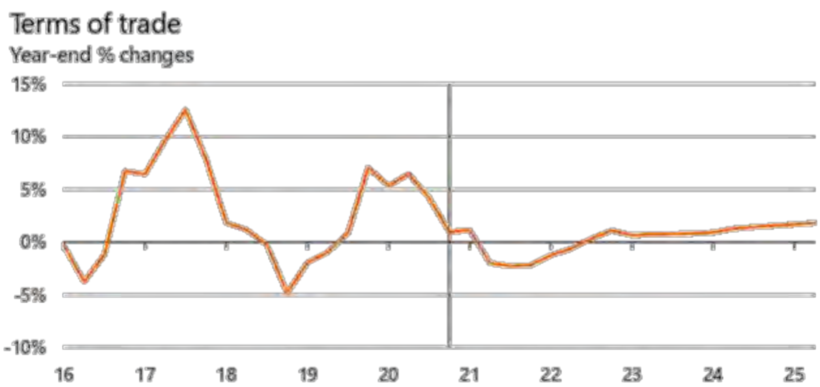
Graph 2



Terms of trade hold up

Terms of trade are the relationship between a country's import and export prices, which can be a key determinant of living standards. COVID-19 has caused major shifts on both sides of the ledger – exports and imports – which we discussed previously. The outlook for New Zealand's terms of trade is relatively positive, with only modest falls in the near term. We expect to see a softening in returns for our exports in the near term as economic downturn and lockdowns overseas make it more challenging to earn a premium for our food exports. However, this softening will start to abate over 2022 as vaccines are rolled out and activity can return to normal. Import prices will be adversely affected over 2021 due to supply chain disruption, but like exports, these changes will abate over 2022. Over the long term we foresee a weakly positive outlook for New Zealand's terms of trade, underpinned by our strong premium food exports.

Graph 3



Migration peaked, and is starting to crash

With mass tourist arrivals no longer clouding its estimates, the rise in Stats NZ's latest migration estimates is now more certain. We now estimate that net migration peaked at

89,000 in the year to March 2020, because the large number of arrivals in late 2019 are now likely to become classified as migrants.

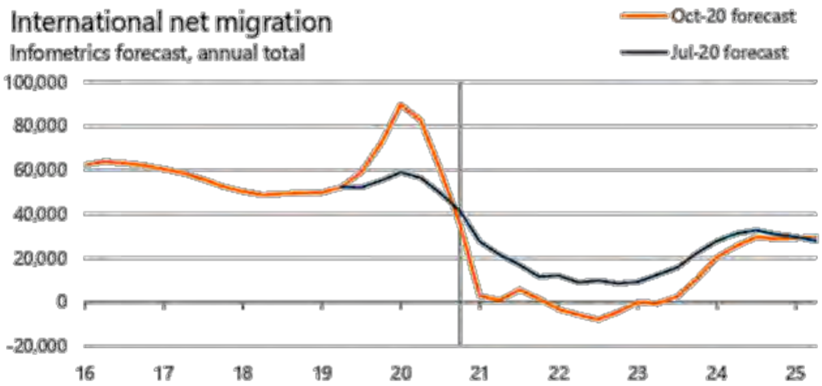
The government has provided visa extensions to visa holders still in New Zealand, as international arrivals struggle to leave the country due to closed borders and limited capacity for international flights. Annual net migration is expected to drop to away to nothing, and possibly into negative territory by September 2022 as visa extensions expire and arrivals are forced to return home.

We forecast that net migration will return to a more normal level during 2024, reaching a steady state of roughly 30,000pa at the end of the forecast period.

Migration remains the most significant contributor to population change in New Zealand on an annual basis. We saw many Kiwis flock home in the first quarter of 2020 as the global pandemic began to take hold, but it appears that the border restrictions and the capacity of both airlines and managed isolation centres are now resulting in fewer New Zealanders coming home than might have been thought.

The possibility for population growth over the past year to be revised down remains significant as foreign arrivals, particularly late last year, are incredibly inflated due to COVID-19. If many of these arrivals decide to leave the country within 12 months of their arrival (as would have been expected for a larger proportion in usual times), population estimates, particularly for the December and March quarters, will be revised down significantly.

Graph 4



Outlook for Wellington

COVID has had pluses and minuses for Wellington

The effect of COVID-19 on Wellington City's economy has varied by sector. Increases in public service activity have benefited the city, driving an increase in total employment of 1.3% over the year to October 2020. However, the loss of international visitors has harmed the city's tourism sector, particularly cafés, restaurants and bars. Furthermore, widespread uptake of working from home arrangements has led to falling consumer spending in the city. Increasing use of working from home arrangements long term may cause something of a structural change in the city's retail and hospitality industries.

Home of the public sector a strength and vulnerability

Wellington's role as the home of the public sector has been a strength in the city's COVID-19 recovery, as it represents a large base of relatively stable employment. However, the current government's efforts to establish regional public sector hubs present a risk of weak growth or even a decline in public sector employment in Wellington City. The effect on Wellington City will depend on the extent to which the government follows through with their strategy, and whether jobs are moved to other centres in the Wellington Region or spread further afield.

Sensitivity to COVID-19

We have based our forecasts on the assumption that there will be no further nationwide lockdowns for COVID-19, that a trans-Tasman bubble is implemented in the second quarter of 2021, and that our border is fully reopened in 2022. These are not dead certainties, and indeed the current spread of increasingly virulent COVID-19 variants globally increases the uncertainty surrounding these assumptions.

Wellington's economic structure means that its overall outlook in the medium to long term isn't particularly sensitive to changes in these assumptions. Tourism is not a fundamental driver of the City's economy, so the return of Australians and other international visitors would be a 'cherry on top' rather than a condition of success. The City's dominant public sector and professional services industry was proven to be relatively resilient through the lockdown in 2020, and we would expect it to be resilient through any future lockdowns.

Wellington's tourism and hospitality sectors are highly sensitive to COVID-19, and are continuing to suffer from a loss of workers (through working from home practices) and international visitors. Weekly consumer spending has averaged 6% lower than pre-COVID since the return to Alert Level 1 in June 2020. Due to lower spending, many tourism and hospitality businesses are likely to be unprofitable at present. Further lockdowns or delays to the recovery of international tourism may exhaust the reserves of business owners, leading to further businesses closures. This would not only cause a loss of jobs in the short term, but the loss of businesses may reduce our capacity to recover in the medium term when international tourists return.

Gross domestic product (GDP)

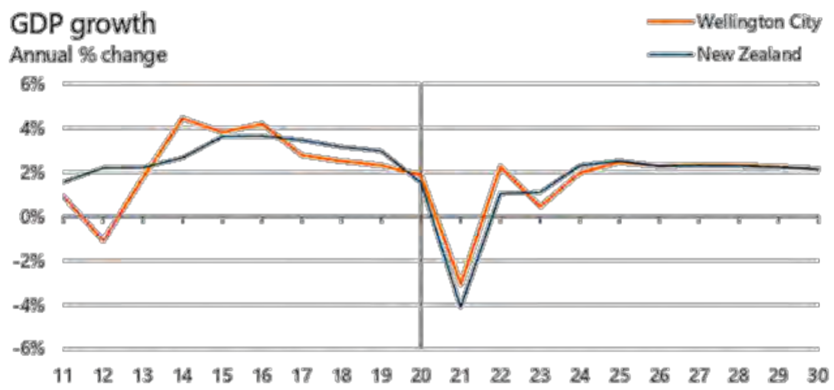
Growth has been strong, and Wellington less affected by COVID

Economic activity in Wellington City grew strongly over the past decade, with annual growth peaking at 4.2% in 2016. Wellington's growth over the past decade was largely consistent with the national growth trend.

Economic activity in both Wellington and New Zealand overall is forecast to decline in the March 2021 year off the back of the lockdown in 2020 and other effects from COVID-19. Wellington is forecast to decline by 3.1%, a better result than the national decline of 4.1%. Wellington's large public sector will insulate its economy from the effects of COVID-19. Wellington City GDP is expected to bounce back in 2022 growing 2.3%, tread water with 0.5% growth in 2023, and sit comfortably about 2% annual growth for the remainder of the decade.

Thanks to the strong recovery in 2022, Wellington's economy is expected to return to its pre-COVID size by 2022.

Graph 5



Pillars of growth remain the same

Wellington's GDP growth over the past decade was driven by three industries – public administration and safety; professional, scientific, and technical services; and information media and telecommunications. These pillars of growth are also forecast to make the greatest contribution to growth in the coming decade. Financial and insurance services made a substantial contribution to growth over the past decade; however this is expected to contract in the coming decade, more than unwinding its previous growth.

Unemployment

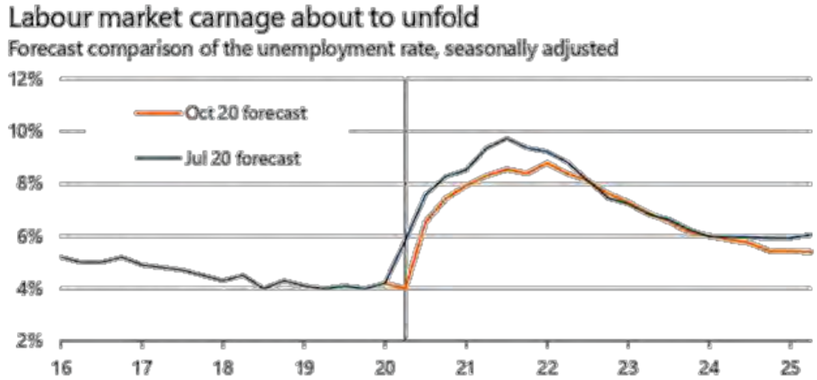
National unemployment much better than expected

The labour market has held together much better than was initially anticipated by all forecasters. A review of the September quarter unemployment rate predictions when we published our April forecasts saw them range between 7.2% and 11.1%. The range was still spread from 7.4% to 10.0% when we published in July. The actual rate reported was 5.3% (seasonally adjusted).

Credit must be given to the government's wage subsidy for limiting the immediate rush of job losses from the border closures, lockdown, and collapse in business confidence. Weekly additions to the number of Jobseeker Support beneficiaries averaged 7,160 during April amid a wave of reactionary redundancies from businesses. But since tailing off in mid-May, additions to the jobseeker queue have stayed relatively low, averaging just 784 per week.[1]

We have remained steadfast in our forecasts of unemployment, expecting the rise to be much more gradual, and the subsequent fall to be more prolonged, than other forecasters. Like other forecasters, we have revised down our peak unemployment rate as the strength of New Zealand's recovery has gradually been revealed. We expect to continue to revise down peak-unemployment given current labour market settings.

Graph 6



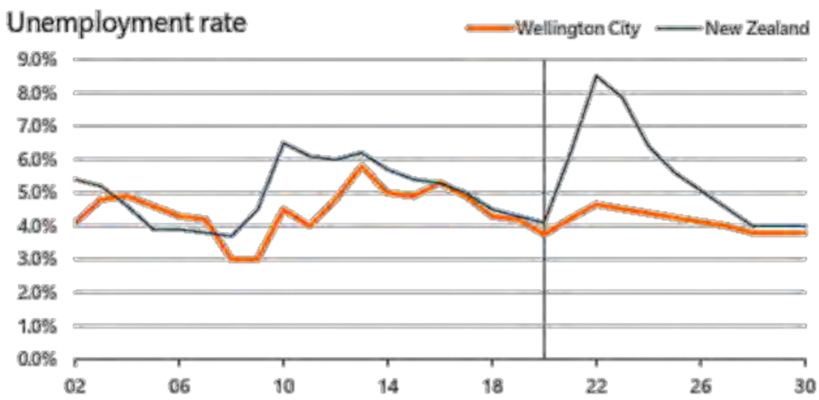
Unemployment to stay relatively low in Wellington

We expect Wellington's unemployment to remain well below the national average over the coming years. This expectation is based on the relative strength of Wellington's economy, underpinned by a strong public sector. Experience from the GFC indicates that only a fraction of job losses in Wellington City translate to an uptick in unemployment in the City, as so many workers commute in from the broader region. High housing costs will likely add to this effect, as any workers who end up long term unemployed will struggle to afford to continue living in Wellington City – this means they won't be counted in Wellington's unemployment rate.

Unemployment is broadly subject to the same considerations as our GDP forecasts – if Wellington's economic outlook were to deteriorate or improve relative to our expectations, then we would expect a direct effect on unemployment. However, for reasons previously discussed, the magnitude of this direct effect would be weak.

[1] Trends in Jobseeker Support numbers are muddied somewhat by the COVID-19 Income Relief Payment. However, there has been a relatively small number of people moving onto Jobseeker Support after their Relief Payment entitlement ran out, suggesting many of these people are not eligible for Jobseeker Support.

Graph 7



Population

The regional alternative constraints city growth

Wellington City has a highly integrated relationship with the broader Wellington Region, with the City providing the bulk of jobs, and the broader region providing the bulk of housing for workers. This relationship means that employment growth in the City drives housing growth in the city and broader region. This trend also means that the supply of housing in the broader region influences the housing market in the City. In choosing where to locate, workers (and their families) trade-off the key considerations of housing cost, amenities, and transport. Transport is a key area of structural change in the city-region relationship at present. Greater acceptance of working from home post-COVID-19 may dramatically shift how people trade-off higher housing costs for shorter commutes, as in many cases they may only be commuting a few days per week. Significant improvements to State Highway 1 through to Levin coupled with planned improvements to Wairarapa and Manawatu commuter train services will shift the pattern of urban settlement in the region.

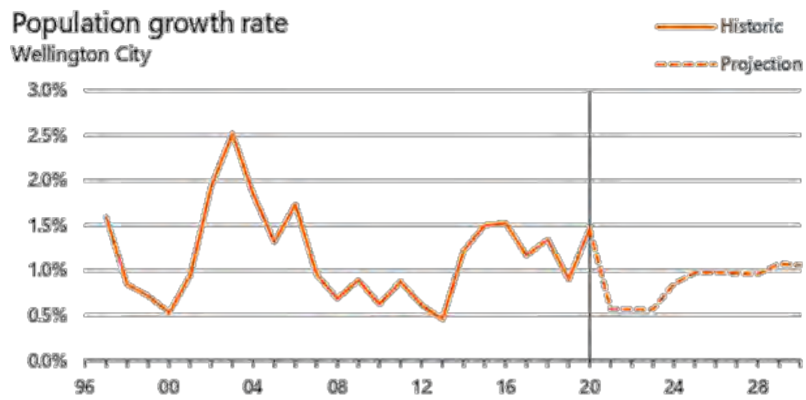
Countering these shifts in favour of the region, Wellington City is currently reviewing its District Plan to enable greater capacity for housing, particularly medium density. Although the precise quantum of new housing supply is uncertain, it will be traded-off against the alternative of (generally cheaper) low to medium density housing in the broader region, as other centres review their district plans and structural changes make housing further away from the city more attractive.

Over the past five years, these city versus region tensions have reached a relatively stable equilibrium, with 34% of regional (including Horowhenua) dwelling consents being issued in the city. Dwelling consents have scaled up considerably region-wide, and the construction sector is likely to be at or near capacity. Given this capacity constraint, in our population projection we have assumed that dwelling consents will continue at a similar level, and with a similar city-region equilibrium, for the coming decade. This expectation will change if the regionalization of the public service starts to adversely affect Wellington City employment, or if the equilibrium of affordable housing supply between the City and Region were to shift, for example, through the large-scale zoning of developable land.

Population growth has been strong

Wellington City has experienced relatively strong population growth, averaging 1.3% for the past five years. Although slightly under the national growth rate of 2.0% for the period, it is a strong rate of growth to be sustained for a mature city with limited supply of greenfield land.

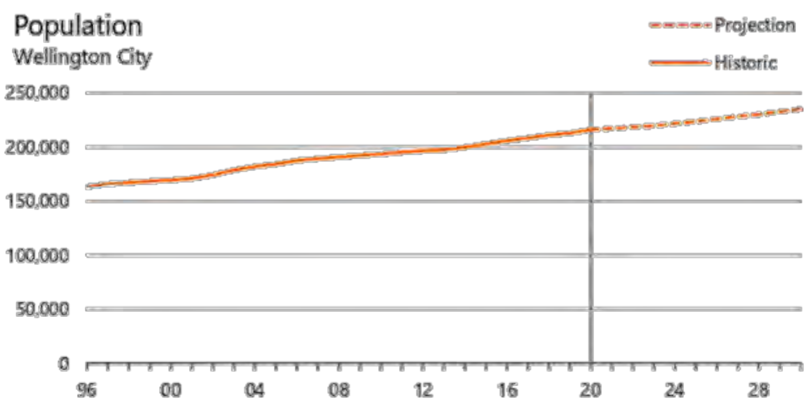
Graph 8



Further sustained growth is forecast

Population growth is forecast to ease, but remain positive, over 2021 to 2023 as COVID-19 adversely affects international net migration, a key source of Wellington's population growth. Growth is forecast to gradually rise over the remainder of the decade, reaching 1.1% per annum by 2030. This growth is underpinned by strong forecast growth in employment in the city, and an ageing population which require replacement workers as they retire from the workforce. Wellington City's population is forecast to grow from 216,200 in 2020 to 242,400 in 2030. This increase amounts to an additional 26,200 people in a ten-year period.

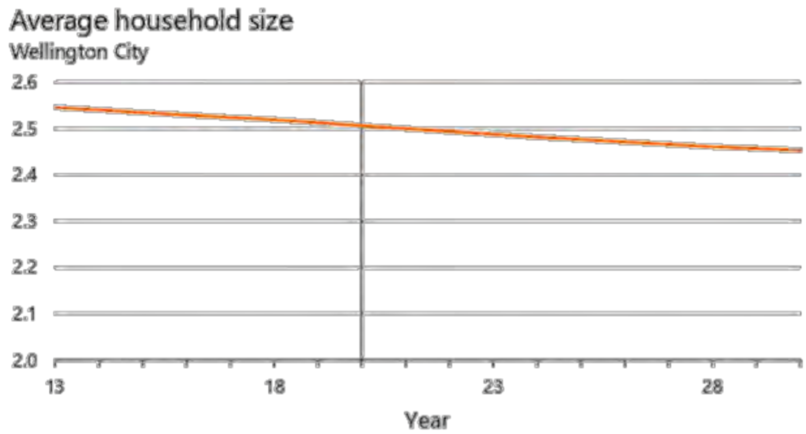
Graph 9



Changing household size adds fuel to housing demand

Wellington City faces a declining average household size, driven by increased life expectancy, an ageing population, and changes in family formation. Increased life expectancy means that older persons are living independently for longer than previous generations. An ageing population means that older person households – couples or persons living alone – will make up an increasing share of the City's households. Family formation changes include couples having children later in life, having fewer children, and increasingly having no children at all. The combined effect of these changes is a consistent downward trend in average household size – both in Wellington City and across New Zealand. In Wellington City's case, an outsized 20-29 year old population, comprising students and young professionals in flatting arrangements, contributes to a relatively large average household size in the City of 2.5 persons per household in 2020. Regardless, the decline in average household size means that more households are needed to house the same population. Put another way, household growth will outpace population growth for the foreseeable future.

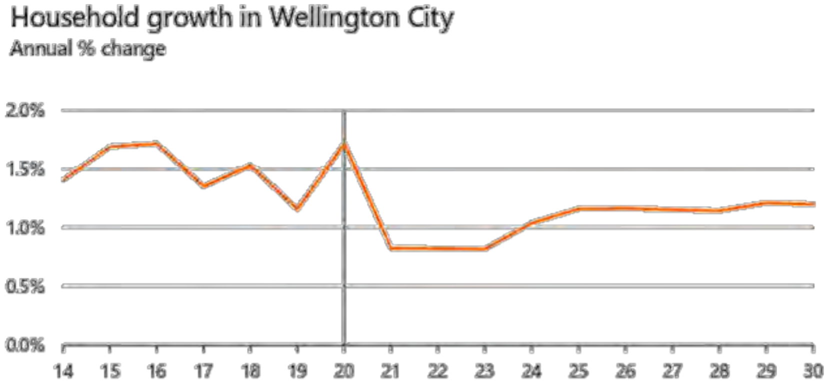
Graph 10



Household growth outpaces population

A growing population and declining household size calls for strong growth in the number of households. We expect a slight dip in household growth over 2021 to 2023 as international net migration eases up due to COVID-19. Beyond this, household growth is expected to sit around 1.2% per year. This is indicative of the net rate of dwelling growth required in the city, in addition to what is required to address the existing housing deficit.

Graph 11



Housing market

The housing market's remarkable resilience

The housing market nationally has shown remarkable resilience throughout COVID-19. It is worthwhile outlining the contributors to this pick-up in demand for housing to better understand how long it might continue.

- Very low interest rates have proven effective in enticing buyers into the market. First-home buyers have been particularly active, with new lending over the three months to August up 31% from the same period in 2019. In addition to the boost to demand from lower mortgage servicing costs, parents are more likely to be helping their adult children get onto the property ladder, given the lack of return on their term deposits.

- Investor demand for property has picked up, with lending growth over the three months to August sitting at 25%pa. The removal of the Reserve Bank's loan-to-value restrictions effectively reduced the deposit requirement for investors from 30% to 20% (the latter requirement has generally been imposed by the banks themselves since the pandemic began). The lack of returns available from other investments such as term deposits has also driven up investor demand for property and shares.

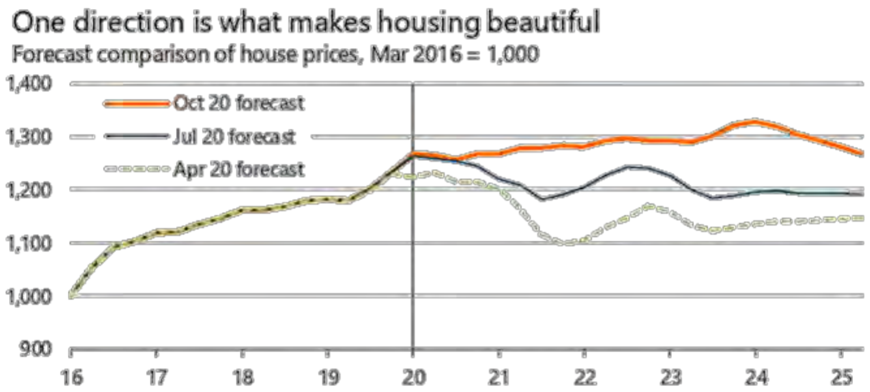
- Where job losses have occurred, those people affected are on average more likely to be renters than homeowners. This uneven nature of the downturn so far has limited the negative effects on the housing market.

- Population growth unexpectedly spiked in late 2019 and early 2020. The pandemic created a pool of foreigners that have stayed in New Zealand longer than originally intended, due to border closures, reduced air connectivity and visa extensions. There was also an influx of returning Kiwis in early 2020 who chose to come back to live in New Zealand as conditions deteriorated offshore. Even if they are not homeowners, many of these people have needed somewhere to live. Also, many of the working Kiwis returning at short notice from overseas will have been cashed up and keen to buy a house.

Add in the fact that neither the Reserve Bank nor the government want to see house prices fall, and it is becoming increasingly difficult to envisage a decline in property values in the near term. We still expect house price growth to slow in coming quarters in response to lower net migration and a weakening labour market, in combination with the significant continuing supply of new residential building activity in the pipeline. However, house price inflation holding between 0% and 2%pa between March 2021 and March 2023 is a much "better" outcome than the falls of 11% we were predicting back in April at the height of lockdown (see Graph 12).

Housing is still overvalued relative to incomes, and more widespread price falls are possible over the longer-term given current high levels of residential construction and the likelihood of rising mortgage rates later in the forecast period. However, it's hard to see a substantial downside for house prices over the next decade given the underlying shortage and political difficulty of any serious reform.

Graph 12



Public sector jobs and undersupply underpin Wellington's house prices

Strong public sector employment and a chronic undersupply of housing will underpin the city's house prices in the near term. Wellington's strong public sector means that the city will take less of an employment hit from COVID-19 than the rest of the country. The city's undersupply of housing runs deep and due to topographical and infrastructural constraints, it won't be solved overnight. The combination of these factors means that we expect Wellington's house prices will outperform national house price growth over the coming decade.

Strong outlook for dwelling consents

Wellington City has a strong outlook for new dwelling consents over the coming decade. Tight demand for housing in the city and broader region is well documented and is expected to remain relatively tight for the forecast period. Our household projections indicate sustained household growth across the region, underpinned by strong employment growth.

Capacity for new dwellings in the city is expected to increase on the back of the district plan review. The uptake of this additional zoned land will be tempered by construction sector capacity and the cost of alternative developments in the broader region. This is discussed in greater detail in the population projection section, but in short, we expect a steady level of new dwelling construction in the city for the coming decade.

Dwelling consents peaked in 2019 and 2020 as several major apartment projects were consented. We expect consents to average around 1,100 per year over the coming years, reflective of the level of consenting in 2018. We think this level of construction could be sustained throughout the coming decade, underpinned by a strong outlook for population and employment growth. Even if household confidence were to tank in the coming year, we think that the underlying housing shortfall and favourable credit conditions mean there is little downside risk for dwelling consents in the capital.

Appendix 1: Macroeconomic forecast

A rocky path through 2020

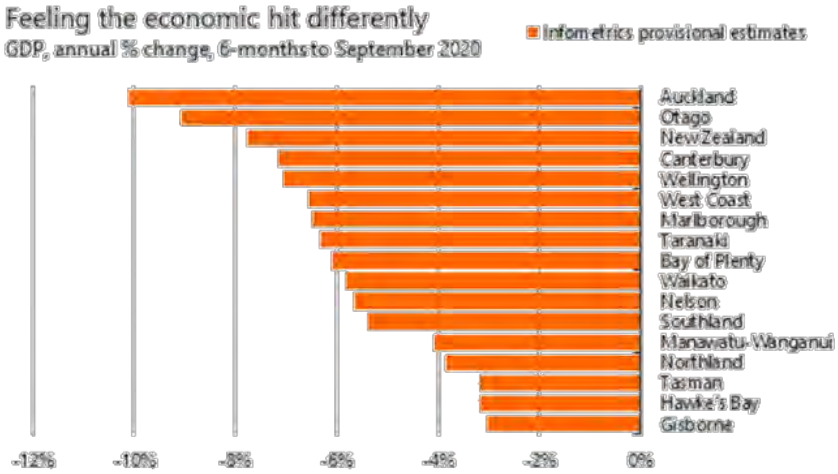
Economic activity crashed and rebounded

GDP figures for the June 2020 quarter confirm that the COVID-19 pandemic brought about the sharpest decline in economic activity in history. Nationally, GDP declined by 12.4% compared with the June 2019 quarter.

The previous largest quarterly fall in economic activity experienced in the New Zealand economy took place following the Global Financial Crisis of 2008. In the March 2009 quarter, GDP declined by 2.8% compared to the March 2008 quarter.

As expected, this downturn in economic activity was unevenly spread across New Zealand's regions. Districts with a high reliance on international tourism, such as Queenstown-Lakes and Westland, experienced contractions of more than 20% compared to the June 2019 quarter. By contrast, districts with large food-based primary sectors fared much better – GDP in the Wairoa, Tararua and Carterton Districts declined by less than 5% compared to June 2019.

Graph 13



Economic activity rebounded in the September 2020 quarter, as the national lockdown ended, and the country returned to more normal levels of activity. GDP for the quarter was 3.2% lower than in the September 2019 quarter.

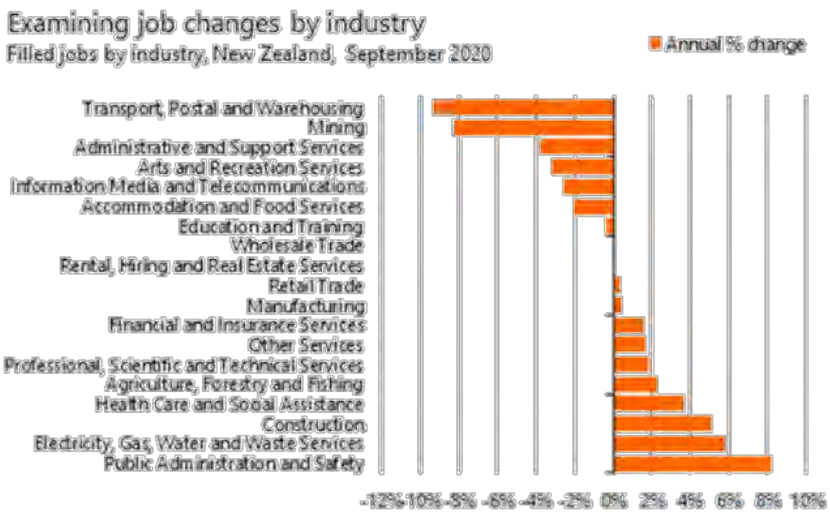
Over the year to September 2020, activity across the national economy declined by 3.3%.

Jobs have been lost – although fewer than initially feared

The recession has understandably had a negative effect on employment. Our estimate is that in September 2020, over the year to September 2020, the monthly total number of employment-related benefit recipients (Jobseeker Work Ready+ COVID-19 Income Relief Payment) has increased by more than 74,000 individuals.

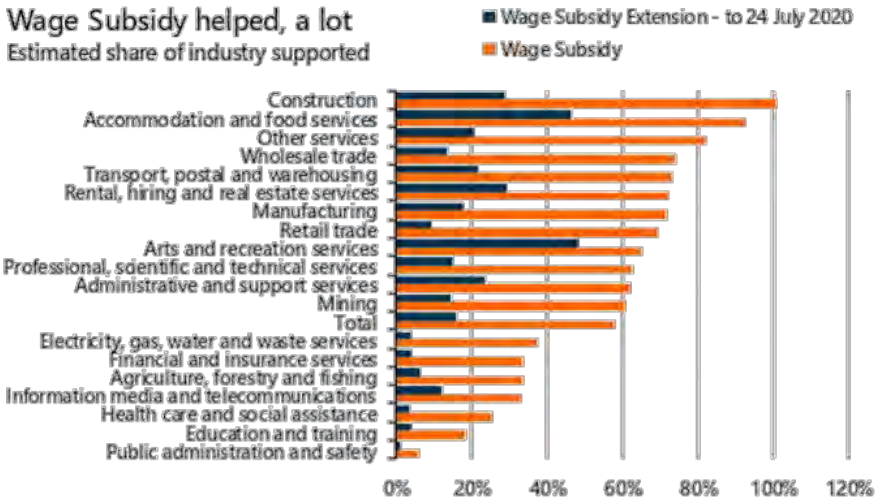
On a percentage basis, job losses have been concentrated in the transport, postal and warehousing (for the most part Air New Zealand), mining, and administrative and support services industries. In absolute terms, the largest numbers of jobs have been shed in the following industries – transport, postal and warehousing, accommodation and food services, administrative and support services, and arts and recreation services.

Graph 14



While the effects of these job losses will ripple through New Zealand's communities over the next several years, the level of job losses is likely to be well below the figure of 120,000 initially forecast for the year to March 2021. The various financial measures implemented by the government, most notably the wage subsidy and small business loan scheme, have had the intended outcome of reducing immediate job losses and allowing employers to recover from lockdown.

Graph 15



A number of industries have also begun to create jobs, as the economy recovers from the shock of lockdown and activity resumes (see Graph 14 above). In particular, the public administration and safety, construction, health care and social assistance and professional, scientific and technical services have each created several thousand jobs over the past year. Our estimate is that approximately 20,000 jobs have been created or re-established, mainly in the September 2020 quarter.

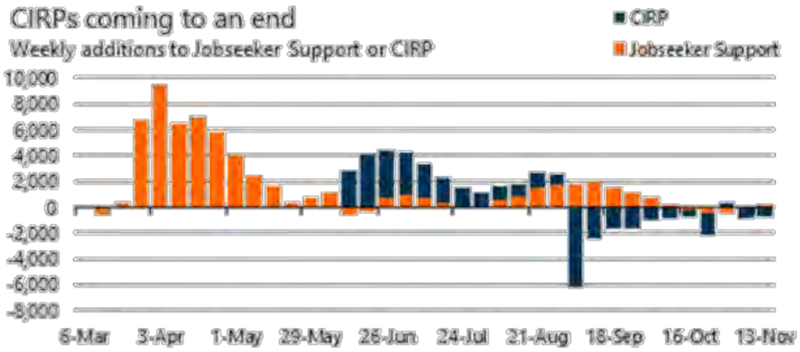
Preliminary data indicates that while job losses at the scale initially feared have been avoided, the nature of some employment has changed. In many instances, employees have been compelled to accept pay cuts, or have seen their working hours reduced, as employers seek to reduce costs and maintain the financial viability of their businesses. This trend seems to be particularly prevalent in tourism-dependent industries such as accommodation and food services, and in service-based sector such as arts and recreation, and administrative and support services.

Government support has helped

The 12-week COVID-19 Income Relief Payment (CIRP) helped to stabilise the economy during and immediately after the lockdown period. At the height of its uptake, in August 2020, the CIRP was supporting close to 25,000 individuals in total.

Interestingly, as CIRP recipients have reached the end of their eligibility period, we have not yet seen a corresponding increase in the number of Jobseeker Support recipients. At the same time, the rates of job creation or job re-establishment in the economy do not appear sufficient to accommodate all these previous CIRP recipients. This suggest that unemployment might be higher than the official unemployment rate suggests, or that the decline in the labour participation rate in the economy might be larger than estimated.

Graph 16



The housing market is heating up

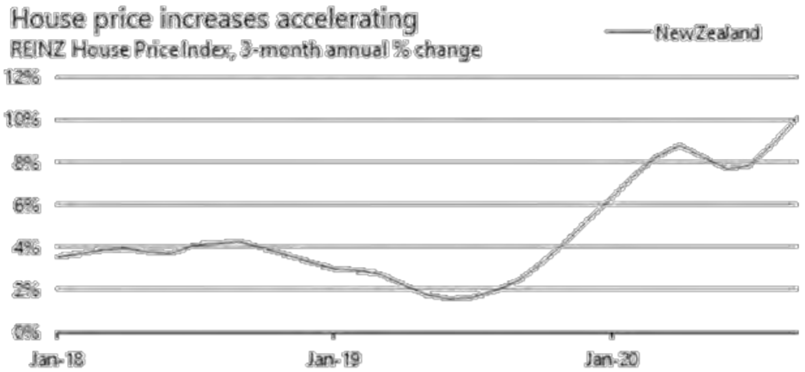
Another significant intervention in the economy during the June 2020 quarter, involved the negotiation between government and the commercial banking sector of six-month mortgage holiday scheme. This scheme was designed to prevent homeowners from being forced to sell their homes in the event of losing their jobs as a result of COVID-19.

One of the potential unintended consequences of this measure has been an increase in consumer spending, as funds that might normally be used to service a mortgage became available for other uses. Another outcome appears to have been a reduction in short-term household debt, as consumers have become somewhat less confident of their job security and future employment prospects.

The COVID-19 lockdown, along with the mortgage holiday and subsequent uncertainty amongst homeowners, resulted in a reduction in the stock of existing houses available for sale. This, along with historically low interest rates and the removal of loan-to-value restrictions, has contributed to an unanticipated boom in house prices over the September 2020 quarter.

Following a decline between April and June 2020, the Real Estate Institute of New Zealand's (REINZ) House Price Index, which tracks annual percentage changes in house prices over a rolling three-month period, turned positive in July, before accelerating sharply in August and September. Over the three months to September 2020, house prices across the country were more than 10% higher than in the corresponding period of 2019.

Graph 17



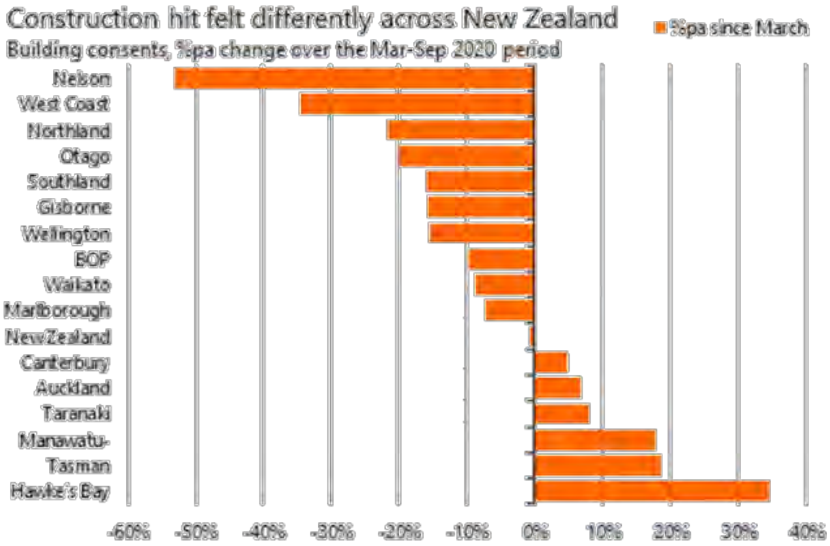
Construction is a mixed bag

Construction activity across the country has also not declined to the extent that we initially anticipated. One possible reason for this appears to be the delays caused by the Level 3 and 4 lockdowns to construction projects that were already underway. The long lead times that exist in some regions, due to capacity constraints in the local industry, are also helping to keep activity going.

Many councils across the country were able to continue issuing building consents during lockdown. It is therefore perhaps not surprising that the number of residential consents issued nationally increased by 8% over the year to June 2020, and by 3.5% for the year to September.

By contrast, the value of non-residential consents declined by 8.6% over the year to June 2020 and by 7.6% for the September year. This appears to be consistent with the sharp reduction in business confidence during and immediately after lockdown.

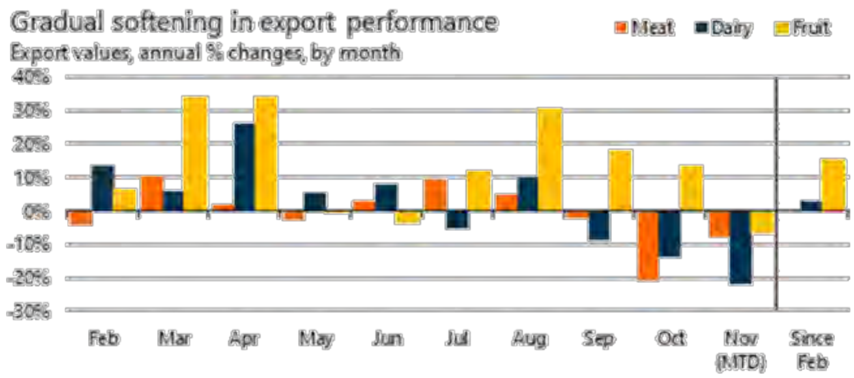
Graph 18



Exports keep going

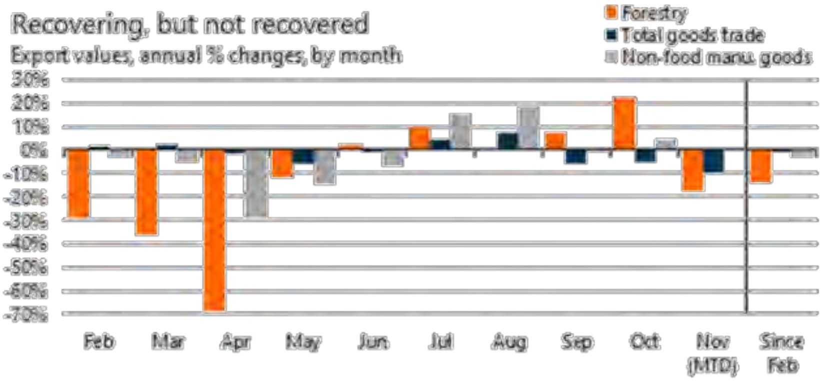
Food-based primary exports have performed well, as foreign consumers have been increasingly attracted to New Zealand's produce due to its reputation for high quality and food safety standards. However, over the past two months, export values have begun to decline, as international supply chains and shipping routes remain disrupted, and COVID-19 infection rates have again begun to climb sharply in Europe and the USA.

Graph 19



The picture is similar for non-food primary and manufactured exports. In the case of wood and forestry products, New Zealand has been faced with a global oversupply and a Chinese processing sector that has been somewhat slow in getting back to pre-lockdown activity levels. A lack of overseas processing activity has also reduced demand for some local mining outputs.

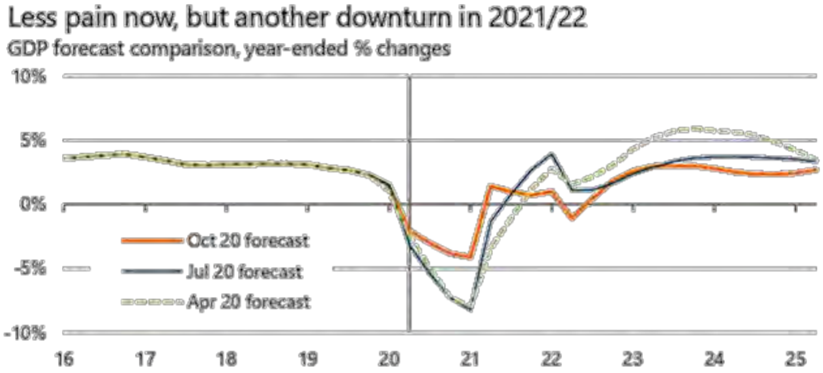
Graph 20


Recovering, but not recovered
Export values, annual % changes, by month
Forestry
Total goods trade
Non-food manu. goods
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov (MTD)
Since Feb

But is the worst yet to come?

The latest Infometrics macro-economic forecast, released in October 2020, confirms that the economy's immediate bounce back from the initial COVID-19 lockdown has been better than expected. Labour market indicators, the housing market, construction activity, and household spending have all defied expectations of an immediate and sharp downturn. Despite this good news, we're worried that the worst is yet to come, and we now expect more fallout to hit the New Zealand economy next year. We are now forecasting the second half of a double-dip recession to occur in 2021.

Graph 21



It all hangs on the labour market

Credit must be given to the government's wage subsidy for limiting the immediate rush of job losses from the border closures, lockdown, and collapse in business confidence. Weekly additions to the number of Jobseeker Support beneficiaries averaged 7,160 during April amid a wave of reactionary redundancies from businesses. But since tailing off in mid-May, additions to the jobseeker queue have stayed relatively low, averaging just 784 per week.[2]

We believe that we are now at a crossroads for the New Zealand economy. If we can somehow avoid another substantial wave of job losses, then the negative flow-on effects for other key pillars such as the housing market and spending activity will also be muted. Alternatively, if the government's wage subsidy and its various extensions have only delayed job losses, rather than prevented them, then we would expect to start seeing things unravel as businesses plan for the year ahead.

Crunch time for employment

The next four months will be a crunch time for many businesses and their employees. Summer will be a key bellwether of fortunes. Retailers will be hoping that the post-lockdown buoyancy in spending can be sustained through into the Christmas period. For

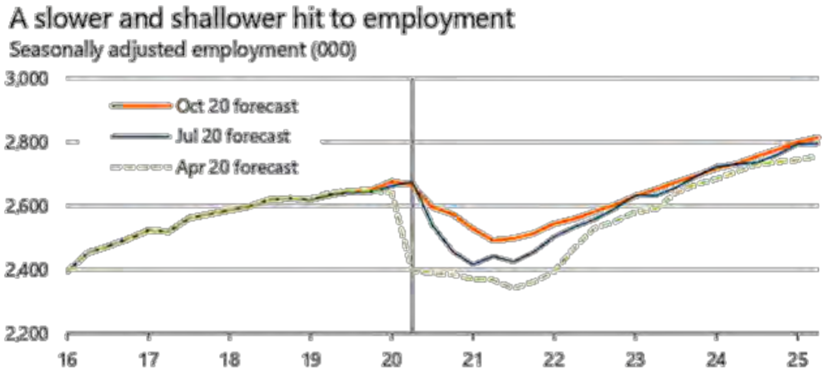
[2] Trends in Jobseeker Support numbers are muddied somewhat by the COVID-19 Income Relief Payment. However, there has been a relatively small number of people moving onto Jobseeker Support after their Relief Payment entitlement has run out, suggesting many of these people are not eligible for Jobseeker Support.

tourism operators, the absence of foreign tourists during the peak summer months could have a negative effect on their revenue three times as large as it did during winter. And other businesses will be weighing up trading conditions in the lead-up to Christmas, deciding whether it is worthwhile retaining staff and having to pay them through the holiday period if demand is going to stay soft into 2021.

We are not confident that further job losses can be avoided. Our updated forecasts predict a 6.5% decline in employment over the year to June 2021, implying a total fall in job numbers of 6.9% from its March 2020 peak (see **Error! Reference source not found.**).

Our forecast loss of 186,000 jobs from peak to trough is a significant improvement from the 253,000 decline we were predicting in July or the 307,000 we anticipated in April. As previously noted, the government's support has proven to be very important for the labour market, while job losses have also been limited by the New Zealand economy's successful elimination of COVID-19 and quick bounce back out of lockdown.

Graph 22

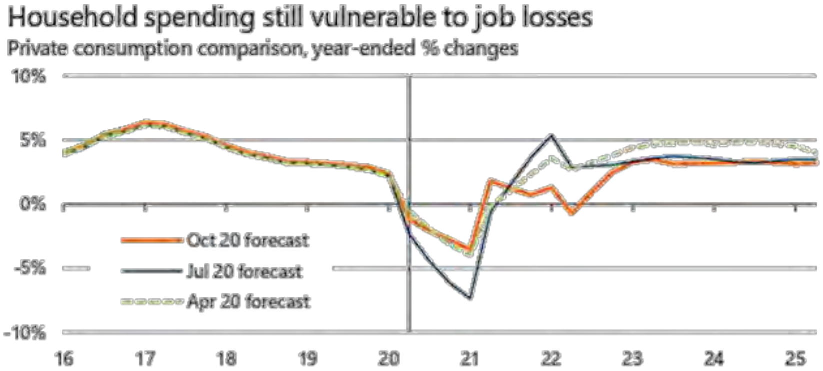


Labour market squeeze to hit household spending

Declines in employment have a clear and dramatic effect on the spending power of consumers. But reductions in hours worked and a lack of wage inflation also have negative implications for household budgets.

Indicators to date suggest an immediate bounce back in household spending following lockdown, with private consumption in the September quarter likely to be similar to its pre-COVID level. However, Graph 23 shows that we expect 2021 to be much less positive as the labour market's deterioration affects spending activity. We forecast a 3.2% fall in private consumption between December 2020 and September 2021, with household spending not surpassing its pre-COVID peak until the second half of 2022.

Graph 23



The housing market's remarkable resilience

Alongside household spending, the other important facet of the economy being buoyed by the labour market's resilience is the housing market. Our previous forecasts of house price falls were premised on jobs being lost and people being unable to meet their mortgage payments, along with a collapse in population growth due to border closures.

Instead, we have so far been spared the worst of the job losses and, since our last forecasts were published in July, the government has extended its mortgage holiday scheme until March next year. No one is under pressure to sell their property, so the increasing pool of interested buyers is fighting over a limited number of houses available to purchase. House prices have defied expectations from six months ago and have actually gathered more upwards momentum.

It's worthwhile outlining the contributors to this pick-up in demand for housing to better understand how long it might continue.

- Population growth unexpectedly spiked in late 2019 and early 2020. The pandemic created a pool of foreigners that have stayed in New Zealand longer than originally intended, due to border closures, reduced air connectivity and visa extensions. There was also an influx of returning Kiwis in early 2020 who chose to come back to live in New Zealand as conditions deteriorated offshore. Even if they are not homeowners, many of these people have needed somewhere to live. Also, many of the working Kiwis returning at short notice from overseas will have been cashed up and keen to buy a house.

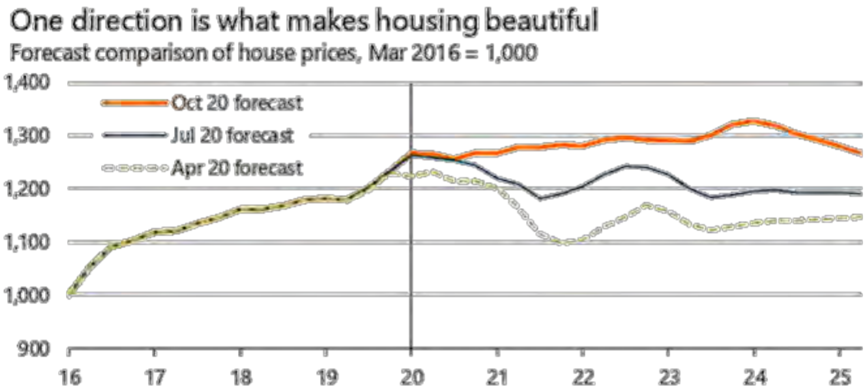
- Very low interest rates have proven effective in enticing buyers into the market. First-home buyers have been particularly active, with new lending over the three months to August up 31% from the same period in 2019. As well as the boost to demand from lower mortgage servicing costs, parents are more likely to be helping their adult children get onto the property ladder, given the lack of return on their term deposits.

- Investor demand for property has picked up, with lending growth over the three months to August sitting at 25%pa. The removal of the Reserve Bank's loan-to-value restrictions effectively reduced the deposit requirement for investors from 30% to 20% (the latter requirement has generally been imposed by the banks themselves since the pandemic began). The lack of returns available from other investments such as term deposits has also driven up investor demand for property and shares.

- Where job losses have occurred, those people affected are on average more likely to be renters than homeowners. This uneven nature of the downturn so far has limited the negative effects on the housing market.

Add in the fact that neither the Reserve Bank nor the government want to see house prices fall, and it is becoming increasingly difficult to envisage a decline in property values in the near term. We still expect house price growth to slow in coming quarters in response to lower net migration and a weakening labour market, in combination with the significant continuing supply of new residential building activity in the pipeline. However, house price inflation holding between 0% and 2%pa between March 2021 and March 2023 is a much "better" outcome than the falls of 11% we were predicting back in April at the height of lockdown (see Graph 24).

Graph 24



We still see scope for downward pressure on house prices over the longer term as interest rates start lifting from their record lows and the market absorbs the big increase in supply that is currently being constructed. We have factored in modest falls in house prices during 2024 and 2025.

Uncertainty the enemy of growth

Auckland's community outbreak in August was an unwelcome reminder that COVID-19 and its associated restrictions on business activity and freedom of movement can reappear at any time. From both a business and household point of view, this incredible level of uncertainty makes it very difficult to make major decisions or commit to significant future plans. Although businesses have shown increasing flexibility and agility in how they operate, we expect uncertainty to remain a constraining factor on spending and investment throughout the next year.

The on-again, off-again nature of the possible Trans-Tasman and Pacific travel bubbles has also made it difficult to reliably assess prospects for the tourism industry. For this set of forecasts, we have maintained a conservative assumption that travel bubbles start to open up from the second quarter of 2021. However, the recent move to allow New

Zealand travellers into New South Wales and the Northern Territory without having to quarantine suggests that things might progress sooner.

Timelines for a COVID-19 vaccine also seem to be highly variable. Our forecasts have been prepared on the basis that a vaccine becomes readily available late next year. However, the roll-out of the vaccine will not necessarily be uniform around the world, and we can envisage some restrictions persisting throughout 2022 and limiting travel.

The globe is a mess

COVID-19 is not going away any time soon. Global daily new case numbers reached an all-time high of 385,848 on October 9, almost four times the highest daily total recorded in April. However, it's important to note that this increase in case numbers reflects much more widespread testing than there was capacity for six months ago. Global deaths averaged 6,306 per day in April; the corresponding number for September was 5,406.

Lockdown fatigue means that countries are reluctant to continue or reimpose significant restrictions on economic activity and people's freedoms. But it is also clear that the ongoing threat of the virus is acting as a constraint on activity anyway. Even without lockdowns, people are more reluctant to venture out and about than they were pre-pandemic, and this hole in demand will have a lasting effect on economic outcomes. The latest Consensus forecasts show that by June 2022, Spain, Italy, the UK, Japan, and France are all likely to still have smaller GDPs than in the September 2019 quarter.

Aside from the prospects of prolonged weakness in the world economy, which could extend for longer than most forecasters are predicting, the pandemic is also affecting people's consumption patterns. Reduced spending on travel and associated goods and services is an obvious change, but our exporters are also being affected by lower levels of restaurant and hospitality activity that are hitting demand for higher-value foodstuffs. This trend is likely to show through in reduced incomes for meat and wine producers, for example, as they are forced to settle for lower prices from international consumers with a reduced willingness or ability to pay top dollar.

Concerns about international supply chains also remain on the radar. Imports of a range of manufactured products are well down from a year ago. Some of this decline reflects weaker demand, particularly related to business investment spending. But there are ongoing anecdotes about shortages of electronics and other manufactured consumer goods.

At this stage, we remain reluctant to predict a pick-up in domestic manufacturing activity on the back of these issues. However, supply chain disruptions have the potential to constrain economic growth if they persist or become more acute in coming months.

An economy regaining momentum

It's undeniable that the New Zealand economy has regained momentum following the chaos of early 2020. The effects of the pandemic on the economy to date have been less severe than we originally feared. But this downturn is still the most severe in living memory, and the path ahead remains highly uncertain.

We still expect the ramifications for the economy of the lockdown and border closures to persist for an extended period. Caution remains a key feature of our forecast outlook. One of the biggest risks is that New Zealand's better-than-expected economic performance is not matched by a rebounding global economy.

COVID-19 macroeconomic assumptions

We have employed the following the macro-economic assumptions in modelling the effects of COVID-19 on the New Zealand economy as follows:

- **No further lockdowns** – we have not modelled further nationwide lockdowns in the remainder of the year to March 2021 or the following year.
- **Global demand for food products holds up, but non-food exports decline** – our forecast of a 16% contraction in non-food manufacturing exports volumes over the year to March 2021 remains unchanged, while the forecast for the year to March 2022 is revised to a decline of 8.1%.
- **Foreign tourism remains off the table** – the ongoing closure of New Zealand's border to all but returning citizens and residents, essential workers and a limited number of exemption holders, mean that we have revised our estimates of the reduction in foreign tourism demand to 99% for the year to March 2021, and 91% for the year to March 2022.
- **Domestic tourism spending increases** – continued constraints on the ability of New Zealanders to travel internationally, along with the strong demand for domestic travel, have led us to revise our estimate of 21% decline in domestic tourism spending, to a 3.3% increase in this spending category in the year to March 2021, and a 12.3% increase in the following year.
- **International education revenue halves** – we retain our forecast of a 49% reduction in international education revenue in both the year to March 2021 and the year to March 2022.
- **Domestic education demand increases** – we have estimated the increase in domestic demand for tertiary education at 8.3% for the year to March 2021, and 4.4% for the year to March 2022.
- **House prices growth will continue** – the combination of government support measures and market forces has caused us to revise our assumption of an 11% decline in average house prices by the end of 2021. Instead, following the sharp price increases of the past two quarters, our forecast is for house price inflation of between 0% and 2%pa for the two years to March 2023.
- **Construction gets a boost** – the heat in the housing market will have a buoyant effect on residential construction, counteracting the effects of the sharp decline in international net migration. We have therefore revised our estimate of a 35% decline in new dwelling construction, to a 16% decline in the year to March 2021 and an 8% decline in the following year. Non-residential construction is likely to be boosted by the New Zealand Upgrade Programme, COVID Response and Recovery Fund (CRRF), and the acceleration of various projects earmarked for funding from the Provincial Growth Fund.
- **Government comes to the party** – our modelling includes the wage subsidy and its subsequent extension, the COVID-19 Income Relief Payment and increase social welfare benefits. Collectively these benefits have injected close to $20 billion into the national economy in the current financial year.

Appendix 2. GDP forecasting methodology

Infometrics has developed a series of models to robustly forecast regional economic performance. We have augmented our forecasting approach to account for the potential impact of COVID-19 on regional economies.

We first forecast the overall macroeconomic conditions of the New Zealand economy. Then, we model this down to industries at a national level. We then break down our national industry forecasts to industries at a city and district level, using an array of forecasting models over the short and long term.

Forecasting the macroeconomy

Infometrics maintains a macroeconomic forecasting framework that underpins our five-year forecasts of activity across the national economy. Our framework accounts for the relationships between different sectors of the economy and their responsiveness to one another. These include the labour market, households, businesses, government, the international trade sector, and financial markets.

In times of economic upheaval, we refine the output from the framework based on expert input from our forecasting team, their knowledge of rapidly changing trends in the economy, and the insights we gain from our interactions with central government, Councils, Economic Development Agencies and private sector clients.

Overseeing the forecasting process and framework is Gareth Kiernan, who has been forecasting the New Zealand economy for more than 20 years. The framework provides quarterly forecasts of GDP, employment, unemployment, and a range of other macroeconomic indicators up to 2025.

We have described our macroeconomic forecast in Appendix 1: Macroeconomic forecast and summarised our assumptions in COVID-19 macroeconomic assumptions.

Measuring impacts on individual industries

The pandemic will affect industries differently. To measure this, we have used Infometrics' general equilibrium (GE) model, which is designed to measure the impact of economic shocks on individual industries. We introduce shocks to the model, including a sharp decline in foreign tourism, declines in international education and non-food commodity exports, and a fall in productivity across affected industries. We also temper these shocks through the introduction of support measures such as the wage subsidy and an increase in benefit payments.

The GE model estimates the combined impact of these factors on future economic output and employment across 54 industries. In this sense, the GE model breaks down the national macroeconomic forecasts of GDP and employment to industry level.

Infometrics' GE model is maintained by one of New Zealand's foremost econometricians, Dr Adolf Stroombergen.

Measure the impact on regions and districts

Regions will also be impacted differently by COVID-19. Those with a large tourism industry, for example, will be hardest hit. To measure regional impacts, we draw on our Regional Forecasting Model (RFM), an econometric model that breaks down national industry forecasts to territorial authority level.

The RFM draws on historic trends, patterns and relationships, and projects these into the future. It creates multiple forecast models for every territorial authority and industry combination and using machine learning techniques, selects and applies the model which is historically determined to have best predictive ability. It then produces forecasts of GDP and employment across 54 industries for each territorial authority up to a predetermined point in the future, e.g. 2025 or 2030.

Our regional forecasts use a combination of two approaches for the short-term and long-term, described below.

Short term regional forecasts (2020-2025)

In the first step of the process we develop forecasts of employment at the national level by 54 industries. Using econometric techniques, we develop approximately 50 separate statistical models for forecasting employment in each industry. The models draw on historic trends, patterns and relationships and extend these into the future.

Using machine learning we rank the models according to their track record of forecasting future employment in the industry. We can measure each model's forecasting ability by using historical data. For example, using data from 2000 to 2016 we can forecast employment to 2019 with each model and then compare the forecasts against actual numbers from 2017 to 2019. The model with the best track record is used to produce the final forecast for each industry to 2025. The industry forecasts are adjusted to ensure they are consistent with Infometrics' view of total employment growth over the forecast period.

In the second step we develop forecasts by territorial authority and region which are consistent with our national forecasts. We use a similar technique as in the national forecasts developing 50 models for each combination of 485 ANZSIC industries and 66 territorial authorities. Slightly different techniques are used for the various industries in the regions which accounts for different industry drivers.

The future performance of *agriculture, forestry, fishing, mining and manufacturing* industries are influenced predominately by macro-economic conditions which are not specific to local conditions. For example, a boost in forestry from strong demand in China is likely to benefit forestry in all regions. Hence the models we develop for these industries are driven by nationwide industry trends and the extent to which the regional trends historically deviate from the national. Using machine learning we choose the model which is most effective at mimicking and predicting these components.

The regional forecasts for *service industries* (including trade, accommodation, education, health and professional services) consider more local drivers including population growth, local macroeconomic conditions and visitor numbers.

The regional forecasts for *construction* industries incorporate Infometrics' forecasts of construction work-put-in-place from Infometrics' Regional Construction Outlook. They also take population growth into consideration.

After we have generated forecasts for each industry/territorial authority combination we ensure they are mathematically consistent with our national level industry forecasts.

Long term regional forecasts (2025+)

The method used in the short-term forecasts draws heavily on a statistical approach to forecasting: they draw on historic trends, patterns and relationships and extend these into the future. This statistical approach becomes less accurate with longer forecast horizons. Therefore, we modify the forecasts from 2025 onwards to ensure consistency with the outputs of Infometrics' general equilibrium model of the New Zealand economy (ESSAM).

ESSAM considers the main inter-dependencies of industries in the economy, such as flows of goods from one industry to another, plus the passing on of higher costs in one industry into prices and thence the costs of other industries. The model presents a picture or scenario of the economy for the target years (in our case 2030 and 2050) based on plausible assumptions of economic factors including international commodity prices, population growth, carbon price, automation, changes in energy efficiency, and substitution between four energy types (coal, oil, gas and electricity). ESSAM's estimate of employment by industry in 2030 and 2050 provides a benchmark for our long-term employment projections. Some of the key macro-economic assumptions used by the model are shown in Table 1.

Table 1. ESSAM macro-economic assumptions and outputs

Indicator	2025-2030
Growth rates	
Population	1.0%pa
Labour force	0.7%pa
GDP	2.9%pa
World trade	2.7%pa
Public investment	3.0%pa
Government consumption	2.1%pa
Investment in dwellings	2.0%pa
Real prices	
Oil price	US$110/bbl in 2030
Carbon price	NZ$100/tonne CO_2 in 2030

* These are model results, not input assumptions.

Appendix 3. Unemployment forecasting methodology

Infometrics regional unemployment forecast model takes the unemployment forecast from our national macroeconomic forecast, our forecast of regional employment, and applies adjustments based on how the region has historically performed relative to the national unemployment rate and how employment in the region is forecast to grow. In the case of Wellington, the relationship between unemployment and employment is confounded by strong patterns of commuting workers. When employment in the City declined in 2010, the increase in unemployment in the City only accounted for 16% of the employment decline. This suggests that many of workers affected by the decline resided in the region outside of the city, and therefore weren't counted in the city's unemployment statistics. We have used this evidence of the historic relationship between employment decline and unemployment from the GFC to inform our forecast of unemployment from the COVID-19 induced recession. This leads to a forecast of a relatively small increase in the unemployment rate in coming years.

Appendix 4. Population forecasting methodology

Introduction

Infometrics operates a regional population projection model uses a cohort-component approach with employment forecasts used to inform net migration. We modified this approach for Wellington City to account for the highly integrated nature of the Wellington Region with extensive commuter flows. Projecting the City's population by considering only the city's employment growth would lead to an increase in population and households which could not be feasibly accommodated within the City. Instead, we looked at the historic relationship between growth in the City and broader region; and used this to inform our assumption of how this relationship would carry on in the future. We have included Horowhenua District in the Wellington Region for this analysis as we expect that it will play an increasing role in the labour supply for the City as railway and state highway connectivity increases its attractiveness as a home for commuting workers.

Over the past five years, there has been a steady apportionment of growth between the city and broader region, with 34% of all new dwelling consents in the Wellington Region (including Horowhenua District) taking place in the city. Although there are sustained efforts to increase housing supply in the City through initiatives such as the District Plan review, we also see sustained increases in supply in the broader region. Other territorial authorities such as Hutt City are also undergoing District Plan reviews. Large private plan changes will bring on increased supply in Porirua City, and large subdivisions are proposed for Levin. Developments across the region will provide a counterbalance to developments in the City, and residents will continue to weigh up the cost of housing in the City compared to alternatives with longer commutes in the broader region. Given this backdrop, we assume that the apportionment of growth between the region and City will remain constant over the coming decade.

Construction activity, as indicated by residential building consents, has grown strongly in both the City and broader region over the past five years. Given this strong growth to date, we have made the assumption that recent consenting levels represent a peak level of construction sector capacity in the region, and we have used this to constrain our forecasts of household growth. Due to strong employment growth, labourforce shortfalls are expected to pull strong migration into the region for the entire forecast period, leading to household growth which is constrained by building sector capacity.

Migration

The population projections draw on Infometrics' short- and long-term international migration forecasts.

In the short term, COVID-19 is the most significant influence on international net migration. We expect that heavily reduced international flight schedules, restrictions on international movements, and a general reluctance to migrate will drive net migration to around zero in 2021/22. As global travel slowly resumes and the New Zealand economy recovers, net migration is expected to slowly return to our long-term forecast level of 30,000 people per annum from 2025 onwards.

Our long-term forecast considers a wide range of factors affecting both the global and the New Zealand economy. Although recent historic inward net migration levels in excess of 60,000 individuals per annum are unlikely to be sustained in the long term, given projections of steady employment growth projected and an ageing population, we expect sustained positive net migration over the long term, particularly with the aid of favourable work visa conditions.

Migration is apportioned to territorial authorities using a mix of two approaches. Firstly, historic migration trends are applied to forecast the volume of non-employment-driven migration, such as people moving at retirement. Secondly, forecast labour market shortfalls are used to forecast the volume of employment-driven migration, such as people moving to take up employment opportunities. Employment-driven migration is also adjusted somewhat to account for commuting patterns between districts. For both employment-driven and non-employment-driven migration, Stats NZ's projected age and gender profile of migrants to the district is assumed.

Labour market shortfalls

Labour market shortfalls exist when employers' requirement for labour exceeds the number of workers available at current wage rates. When labour market shortfalls exist in an area, additional labour, and hence population, is attracted to that area.

Infometrics estimates future labour market shortfalls by separately considering the projected supply of labour and the projected demand for labour (as measured by employment) and comparing these two factors.

As the starting point for estimating labour supply, Infometrics makes use of Stats NZ's published population projections by 5-year age group and gender.

Labour force participation rates (LFPRs) by age and gender are projected based on Stats NZ's national labour force projections. In addition, historic LFPRs for each region are analysed to identify their deviation from the national average. This deviation is applied to the national LFPR by age, to project regional LFPR by age. Historic averages for the unemployment rate in each region are analysed and projected forward. Projected LFPR by age is applied to the Stats NZ population projection, and the projected unemployment rate is applied to this, in order to estimate labour supply.

This projection is undertaken for each region or territorial authority, enabling the balance between labour supply and demand (as measured by employment) to be assessed within each labour market area. In periods of insufficient labour supply within a territorial authority or broader regional labour market to meet projected labour demand, the area is projected to receive additional migration.

This additional migration is apportioned to regions or territorial authorities based on their respective share of the national labour market shortfall. At the same time, however, additional migration may be constrained by the Infometrics' international net migration forecast, meaning that a particular region may not necessarily receive sufficient inward migration to entirely eliminate its labour market shortfall.

Similarly, the projected LFPR and unemployment rates are applied to the additional migration, reflecting the fact that it is rarely possible to import only workers – instead these workers often come with family members, who may not necessarily be economically active. Examples in this regard might include stay-at-home parents, children, and aged dependents. Furthermore, in some instances, migrants may not immediately gain employment following their move.

Population

Population Base

As a rule, the appropriate population to use for Council Long Term Planning (LTP) purposes is the estimated resident population (ERP). This measure represents all individuals who permanently reside in an area and could be considered a 'maximum' population, as a percentage of these individual is likely to be away at any given point in time.

Consequently, the Stats NZ 2018 Estimated Resident Population (ERP) is considered as the basis for the population projections. This estimate is produced by Stats NZ with the most recent available Census (2018) data, and births, deaths, and migration that has been recorded since.

Given that the majority of population projection parameters from Stats NZ are published for five-year intervals, our projection model also operates at five-year intervals, from 2018 to 2053. We then make use of a cubic-spine statistical process to interpolate population to single years.

Stats NZ's population estimates for 2019 and 2020 are also included in the projection outputs.

Fertility

We used published regional age-specific fertility rates from Stats NZ, based on the 2013 Census. These rates include an open-bounded 45+ age group. We have however chosen to apply this only to the 45-49 year age group. This ensures that a growing population beyond the age of fertility does not artificially inflate the projection of births. The impact of this change is considered negligible, particularly given that between 2012 and 2014, there occurred an average of only eight births per annum to women aged 49 and over across New Zealand. Similarly, we ignore births to mothers under the age of 15, due to a lack of reliable data regarding fertility rates in this age group. Again, this is not statistically significant, as nationwide there were an average of only 21 births per annum recorded to mothers under the age of 15 between 2012 and 2014.

Throughout the projection period, we adopt Stats NZ's assumed gender ratio of 105.5 males per 100 females born – this is based on the historic average ratio at a national level. This phenomenon is commonly observed around the world, and is understood to be a function of slightly higher miscarriage rates for female children, rather than of selective abortion.

Mortality

Projected age- and gender-specific mortality rates by region or territorial authority, as calculated by Stats NZ, are applied to accurately project the number of deaths. These are based on the 2013 Census.

Households

Living Arrangement Types

The number of households at SA2 or district level is projected by applying Living Arrangement Type Rates (LATR) to the projected population. At present, Stats NZ projects LATR to 2038 from the 2013 Census figures across two scenarios – A and B. Scenario A assumes that LATR remain constant into the future at 2013 rates, while Scenario B projects a linear change to 2038, based on observed historic trends and future expectations. These trends include delayed childbearing (discussed under Fertility above), decreased rates of single parenting, and improvements in life expectancy which enable older individuals to live independently for longer periods[3]. We follow the Stats NZ recommendation to use Scenario B for projection purposes, as this is considered more realistic. This means that the LATR used in the projections transitions up to 2038, and then remain constant at 2038 rates up to 2053.

Applying LATR to the population provides an estimate of the number of people in each living arrangement type; this is then translated this into the number of households based on expected family structures – for example, couple households consisting of two individuals. For other multi-person households, we follow the standard Stats NZ assumptions, and assumes 2.6 persons per household. Projected population figures are accordingly divided by the number of households to project average household size.

As a rule, the projected household size calculated in these projections varies somewhat from the 2018 Census measures. This variance can arise for several reasons:

1) Census counts are randomly rounded to the nearest multiple of 3, or supressed entirely, so as to ensure confidentiality of Census respondents. Census outputs such as average household size are however based on actual data, meaning that it is impossible for third parties to precisely replicate these outputs.
2) LATR projections are developed at a national level, representing an average across New Zealand. As a result, local patterns will differ – this can for example be driven by differences in ethnic makeup, with some non-European ethnic groups exhibiting a greater propensity to form multi-generational households, leading to larger household sizes.
3) Household sizes are susceptible to change in the short term in response to non-demographic factors such as increasing housing costs.

[3] Full discussion available here http://archive.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalFamilyAndHouseholdProjections_HOTP2013base/Data%20Quality.aspx#Livingarrangementtyperates

DRAFT 2020/21 ANNUAL REPORT FORMAT INCLUDING FINANCIAL STATEMENTS AND PROPOSED SIGN-OFF PROCESS

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to agree to the broad approach to the Council's 2020/21 Annual Report and Summary Annual Report format, including the format and disclosures for the Financial Statements.

Recommendations

That the Finance, Audit and Risk Subcommittee:

1. Receive the information.
2. Note the approach and structure for the 2020/21 Annual Report (and Summary Annual Report) is similar to the 2019/20 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 2020/21 financial statements subject to:
   a. Consideration of the implications of any changes in NZ GAAP arising up to 30 June 2021 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 2021 (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 2020/21 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 2020/21 Annual Report for adoption on the 29 September 2021. 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 FARS's meeting of the 15 September 2021.

4. The first workshop on 2nd September 2021 (tbc) focuses on the Council's service performance and summary sections ("summary of our year" and "our performance in detail") of the Annual Report.
5. The second workshop on 8th September 2021 (tbc) 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 FARS's meeting of 15 September 2021.
6. 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.
7. 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 first Annual Report workshop.

Discussion

Overview of Annual Report and Summary documents

8. The Annual Report will comprise of five sections (plus appendices): Our City, Summary of our year, Our performance in detail, Governance and management and Financial Statements.
9. 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.
10. No change is proposed to the Annual Report or the Summary Annual Report structure from the 2019/20 Annual Report
11. The near-final draft of the Annual Report will be circulated at the Annual Report first workshop September 2021 for feedback.
12. The Summary Annual Report will be made publically available within one month of the adoption of the Annual Report.

Overview of our performance

13. As per the 2019/20 Annual Report, Section 2 provides an overview of our performance. This comprises of:
    - Introductions by the Mayor and Chief Executive, General highlights of the year (interesting facts & figures) summary of what we do, the services we deliver.
    - "Summary of our performance" – how we performed during the year, including outcome indicators and key performance measure results against targets, plus high level financial against Strategic areas
    - "Our finances" 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 operating result". We will include an explanation of how the capital expenditure programme has performed during the 2020/21 year and key influences. Where the money comes from (income) and where the money goes (expenses) and the allocation of rates income.

14. Section three covers “Our performance in detail”. 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 case studies to provide a concise non-technical performance story for activity area.
15. The overall aim is to make it easier for the ordinary reader to understand how the Council has performed for the year - in non-technical terms.
16. The Summary Annual Report is designed to be a “lift-out” from the full Annual Report (Sections “Our City” and “Summary of our year”). The Summary also contains summarised financial statements. For those who wish to delve into detail, the summary information will reference where the detail can be found in the full Annual Report. The Summary also includes an Independent Auditor’s report.
17. The visual and layout elements of both the full Annual Report and The Summary will support a concise overall performance story and a structure that is intuitive and easily navigated – 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 condense and simplify the presentation of the financial overview and statements as much as possible as 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 some 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 first workshop in September 2021.

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 years Annual Report.
24. There are minor changes to the financial statements arising from new PBE standards that have been reflected in these draft statements. These changes have no financial impact on the financial statements as they are disclosure in nature.

25. The impact of proposed new or revised PBE standards will be outlined under a separate paper to the Subcommittee in the June meeting.

Proposed sign-off process for the 2020/21 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:
10 March 2021	*Finance, Audit and Risk Subcommittee meeting* Subcommittee to review and conditionally approve draft format for the 2020/21 Annual Report including financial statements and the proposed sign-off process.
August 2021 (date tbc)	Audit New Zealand commence final audit fieldwork.
2nd September 2021 (tbc)	Workshop 1 - Finance, Audit and Risk Subcommittee briefing on performance in detail and issues.
8th September 2021 (tbc)	Workshop 2 - Finance, Audit and Risk Subcommittee briefing on financial results, key judgements, major provisions and issues.
15 September 2021 (scheduled)	*Finance, Audit and Risk 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 2021, financial position as at 30 June 2021 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 2020/21 financial statements to Strategy and Policy Committee and the letter of representation.
29 September 2021 (scheduled)	*Strategy and Policy Committee meeting* Committee to recommend adoption of 2020/21 financial statements to Council.
29 September 2021	*Council meeting*

(scheduled)	Council to adopt 2020/21 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 2021.
29 October 2021	Release of published Annual Report and Summary Annual Report.

Attachments

Attachment 1. Draft 2020/21 Financial Statements template ⇩ Page 89

Authors	Annemarie Booth, T/L Financial Accounting Richard Marshall, Manager Financial Accounting & Transactional Services
Authoriser	Sara Hay, 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.

2020/2021
Annual Report
Financial Statements

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 as disclosed in Note 35: Joint operations (pg XX).

The reported Group figures includes the Council (as defined above), its controlled entities as disclosed in Note 19 (pg XX) and the Council's equity accounted interest in the associates and a joint venture as disclosed in Note 20 (pg 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 29 September 2021

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 2020 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Andy Foster **Mayor**	**Barbara McKerrow** **Chief Executive**	**Sara Hay** **Chief Financial Officer**
29 September 2021	29 September 2021	29 September 2021

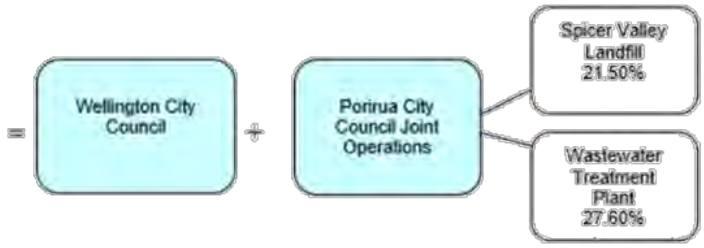
[1] *A Tier 1 entity is defined as being either, publicly accountable or large (ie. expenses over $30m). Council exceeds the expenses threshold.*

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

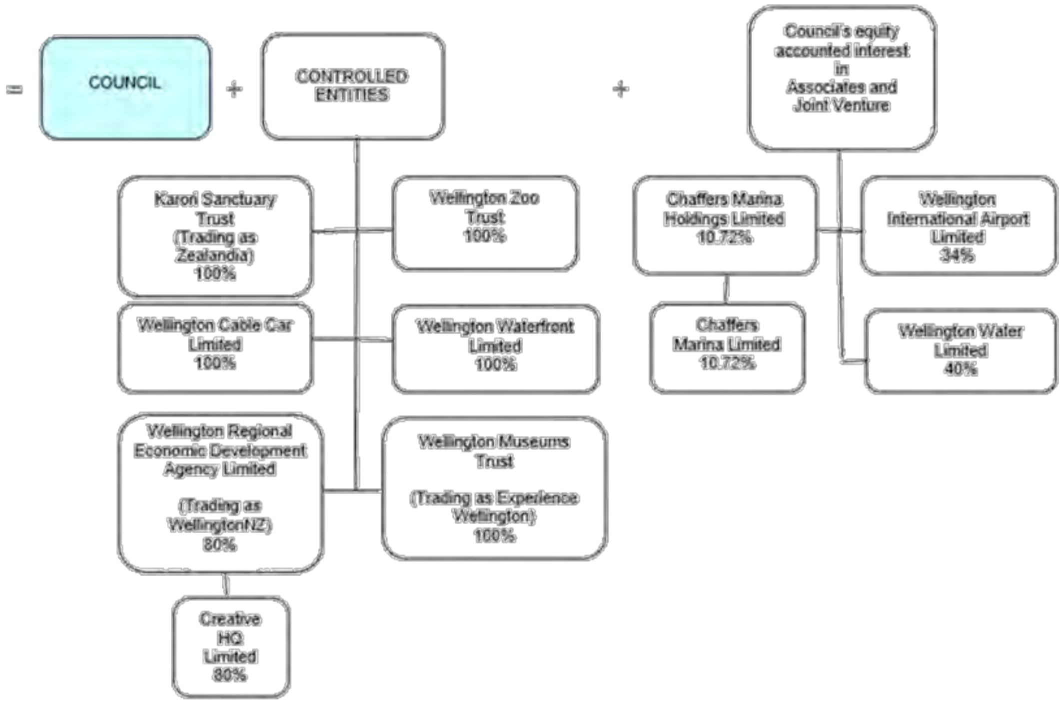
Council and Group Structure

Figure 1: Reporting entity structures

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



All entities included within the Group are domiciled and operate in the Wellington region, New Zealand.

The percentages in the figures 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 (pg XX and xx) for more information.

Basis of Consolidation

Joint arrangements

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

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

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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For a joint operation the Council 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 percent of the Spicer Valley landfill) in the assets, liabilities, revenue and expenditure of joint operations is included in the financial statements of the Council and Group on a line-by-line basis.

Controlled entities

Controlled entities are entities that are controlled by the Council. Control exists where the Council is exposed, or has rights, to variable benefits (either financial or non-financial) and has the ability to affect the nature and amount of those benefits from its power over the entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by the Council.

In the Council financial statements, the 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. The performance of each CCO is reported on within the activity area chapters from pg XX to 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.

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

The following new accounting standards have been issued with mandatory effect for the accounting period.

- In November 2018, the XRB issued 2018 Omnibus amendments to PBE standards. These amendments were largely effective for periods beginning on or after 1 January 2019. Included in the Omnibus were amendments to PBE IPSAS 2 *Cash Flow Statements* effective for annual financial statements covering periods beginning on or after 1 January 2021 and these amendments have been adopted in this report resulting in additional disclosure regarding the Cash Flow statement. There are no significant accounting implications for Council and the Group.

Significant standards, amendments and interpretations issued but not yet effective and not early adopted

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

- 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 March 2019, the XRB subsequently issued Effective date of PBE IFRS 9, which delayed the effective date out to 1 January 2022.

- In March 2019, the XRB issued PBE IPSAS 41 *Financial Instruments*, with an effective date for reporting periods after 1 Jan 2022. This new standard supersedes most of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IPSAS 41 also supersedes PBE IFRS 9 *Financial Instruments above.*
- *In November 2019, the XRB issued PBE FRS 48 Service Performance Reporting, with an effective date of 30 June 2022, for periods beginning on or after 1 January 2021.* The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report.

The Council and group have not yet assessed the effects of the new standards.

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 2020/21 year).

COVID-19 Financial impact

An assessment of the main impacts of COVID-19 on the Council's financial statements is outlined in Table 1 below with reference to the relevant Note to the financial statements for more detailed information.

Table 1: COVID-19 Financial impact Assessment

Item	Financial impact	$000	Note
Revenue	Lost revenue for facilities being closed and due to initiatives agreed by Council to ease the impact of lockdown on residents and businesses	XX	2
Rates postponement	Deferral of Quarter 1 rates payment	XX	1
Payment terms	Reduction in payment timeframes from 20 to 5 days maintained	N/A	21
CCO support	Drawdown on the joint loan facility agreed between Council and Greater Wellington Regional Council for the Wellington Regional Stadium Trust	XX	34
CCO support	Provision of shareholder support to Wellington International Airport Limited	25,758	34
CCO support	Additional grant funding to CCOs	XX	34
City recovery fund	Utilisation of the of City Recovery Fund (CRF)	XX	30
Revaluations	Valuation reports for investment property and operational land and building assets contain statements around the heightened uncertainty relating to COVID-19	N/A	18

2020-21 Draft Financial Statements

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Note	$000	$000	$000	$000	$000
Revenue						
Rates	1		343,988	322,021		322,021
Revenue from operating activities						
Development contributions	2		2,000	3,566		3,566
Grants, subsidies and reimbursements	2		34,334	34,095		41,975
Other operating activities	2		144,229	137,172		153,610
Investments revenue	3		11,705	23,008		10,947
Vested assets and other revenue	4		6,075	11,016		11,043
Fair value gains	5		1,850	7,562		7,916
Finance revenue	6		13	2,280		2,549
Total revenue		-	**544,194**	**540,720**	-	**553,627**
Expense						
Finance expense	6		25,718	(26,541)		(26,569)
Expenditure on operating activities	7		430,131	(413,966)		(437,042)
Depreciation and amortisation expense	8		137,869	(118,067)		(119,663)
Total expense		-	**593,718**	**(558,574)**	-	**(583,274)**
Operating surplus/ (deficit) before insurance proceeds		-	**(49,524)**	**(17,854)**	-	**(29,647)**
Insurance proceeds			-	33,000		33,000
Share of equity accounted surplus/(deficit) from associates and joint venture	9	-	-	-		18,838
Net surplus/(deficit) before taxation		-	**(49,524)**	**15,146**	-	**22,191**
Income tax credit/(expense)	10	-	-	-		621
NET SURPLUS/(DEFICIT) for the year		-	**(49,524)**	**15,146**	-	**22,812**
Net surplus/(deficit) attributable to:						
Wellington City Council and Group		-	(49,524)	15,146	-	22,528
Non-controlling interest		-	-	-		284
		-	**(49,524)**	**15,146**	-	**22,812**

The notes on pg 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 2021

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Refer	$000	$000	$000	$000	$000
Net surplus/(deficit) for the year		-	(49,524)	15,146	-	22,812
Other comprehensive revenue and expense [1]						
Items that will be reclassified to surplus/(deficit)						
Cash flow hedges:						
Fair value movement - net	SCIE [2]		-	(38,903)		(39,330)
Fair value through other comprehensive revenue and expense						
Fair value movement - net	SCIE		-	795		772
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		86,710	493,980		493,980
Share of other comprehensive revenue and expense of associates and joint venture						
Fair value movement - property, plant and equipment - net	SCIE		-	-		9,265
Total other comprehensive revenue and expense		-	86,710	455,872	-	464,687
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year		-	37,186	471,018	-	487,499
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	37,186	471,018	-	487,215
Non-controlling interest		-	-	-	-	284
		-	37,186	471,018	-	487,499

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

The notes on pg 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 $XXm higher than budgeted, major variances included:

Expenses were $XXm more than budgeted, major variances included:

Net finance expense was $XXm lower than budgeted reflecting …

Other comprehensive revenue and expense was $XXm higher than budgeted, major variances included:

Note 1: Rates revenue

Table XX: Rates revenue	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
General rates		184,013	-	184,013
Targeted rates		120,926	-	120,926
Metered water supply		15,716	-	15,716
Penalties and adjustments		1,366	-	1,366
TOTAL RATES REVENUE	-	322,021	-	322,021

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is $XXm (2020: $14.364m). For the Group, rates of $XXm (2020: $14.448m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held as at 30 June 2020.

The number of rating units: XX (30 June 2019: 79,211).

Table XX: Value of rating units	2021	2020
	$000	$000
Total capital value of rating units		78,630,323
Total land value of rating units		40,454,135

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 2021 totalled $XXm (2020: $1.278m).

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.

COVID-19: On 9 April 2020 Council agreed to support both residential and commercial ratepayers by providing the ability to defer the 2019/20 fourth quarter rates instalment, due 1 June 2020, and the 2020/21 first quarter rates instalment, due 1 September 2020, without penalty for six months, provided that the ratepayer was able to meet certain criteria. Table XX below details the breakdown of the deferments.

Table XX: Rates Deferral	Amount deferred	Amount deferred
	Quarter 1 - 2021	Quarter 4 - 2020
	$000	$000
Residential		186
Commercial		1,996
Total		2,182

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.

Note 2: Revenue from operating activities

Table XX: Revenue from operating activities	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Development contributions		3,566		3,566
Grants, subsidies and reimbursements				
Operating		8,034		15,505
Capital		26,061		26,470
Total grants, subsidies and reimbursements	-	34,095	-	41,975
Other operating activities				
Fines and penalties		5,981		5,981
Rendering of services		124,160		136,080
Sale of goods		7,031		11,549
Total other operating activities	-	137,172	-	153,610
TOTAL REVENUE FROM OPERATING ACTIVITIES	-	174,833	-	199,151

For the Council, the principal grants and reimbursements are from Waka Kotahi - the New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs for maintaining the local roading and cycling infrastructure. The capital reimbursements recognised from NZTA of $XXm (2020: $25.414m) and operating reimbursements of $XXm (2020: $7.616m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

For revenue from other operating activities of Council, the main services provided were:

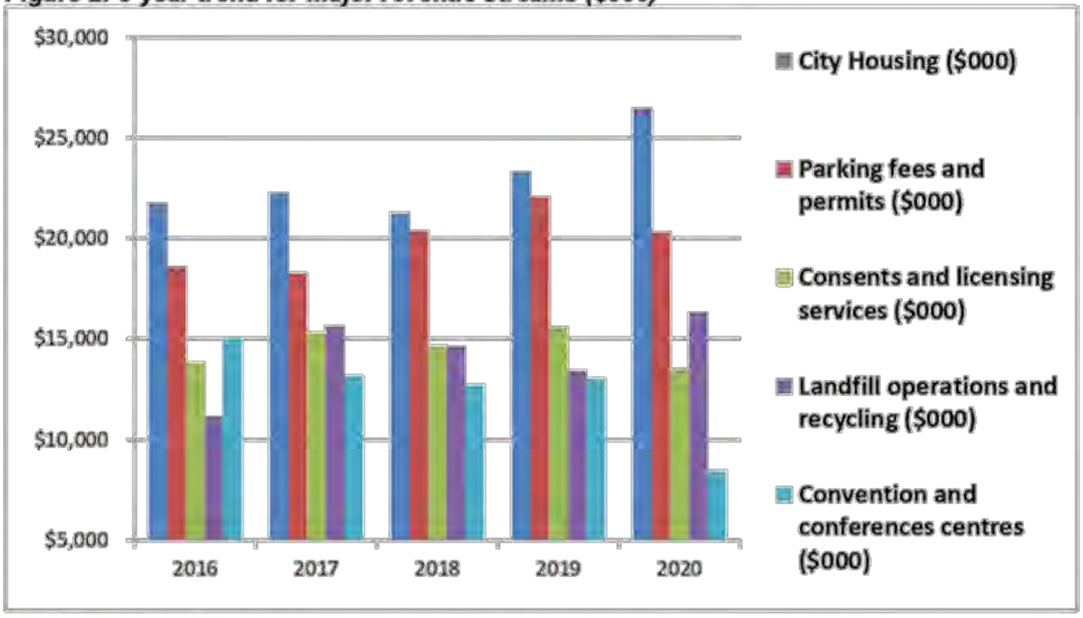
- City housing - $XXm (2020: $26.470m)
- Parking fees and permits - $XXm (2020: $20.326m)

- Landfill operations and recycling - $XXm (2020: $16.328m) – including unbudgeted revenue from the joint operations with Porirua City Council $XXm (2020: $1.693m).
- Consents and licensing services - $XXm (2020 $13.551m)
- Convention and conferences centres – $XXm (2020: $8.460m)

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

COVID-19: Revenue impacts……

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



5-year Trend analysis

City Housing –

Parking fees and permits –.

Consents and licensing services –

Landfill operations and recycling –.

Convention and conference centres –

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 (pg 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 (e.g. NZTA roading claim payments) are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Fines and penalties

Revenue from fines and penalties (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: Investment revenue

Table XX: Investment revenue	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Dividend from associates		12,061		-
Dividend from equity investments		86		86
Investment property revenues		10,861		10,861
TOTAL INVESTMENT REVENUE	-	**23,008**	-	**10,947**

Dividends

The dividend from associates was from Council's 34 percent 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 portfolio 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 joint venture (pg XX).

Investment properties

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 (pg 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

Table XX: Vested assets and other revenue	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Vested assets		7,599		7,609
Other revenue		3,417		3,434
TOTAL VESTED ASSETS AND OTHER REVENUE	-	**11,016**	-	**11,043**

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 breakdown of principal vested assets received is:

- Drainage, waste and water - $XXm (2020: $4.362m).
- Roading - $XXm (2020: $2.453m)
- Carbon credits - $XXm (2020: $0.785m)

Other revenue consisted of:

- Gains on disposal of assets - $XXm (2020: $1.431m)
- Capital expenditure recovered - $XXm (2020: $1.114m)
- Fuel tax - $XXm (2020: $0.999m)

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 movements

Table XX: Fair value movements	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Investment property revaluation		7,558		7,558
Amortisation of loans to related parties		4		11
Fair value gain on investments		-		347
TOTAL FAIR VALUE MOVEMENTS	-	7,562	-	7,916

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 Wellington Waterfront investment properties. For more information refer to Note 17: Investment properties (pg 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 / (deficit) for the year.

Note 6: Finance expense

Table XX: Finance expense and net finance cost	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Interest on borrowings		25,391		25,413
Interest on finance leases		-		6
Re-discounting of interest on provisions		1,150		1,150
TOTAL FINANCE EXPENSE	-	**26,541**	-	**26,569**
Less				
Finance revenue - interest earned		2,280		2,549
NET FINANCE COST	-	**24,261**	-	**24,020**

Council's policy is to have the majority of borrowings on fixed interest rates to avoid volatility in its interest expense as interest rates change. To achieve this, it uses interest rate swaps, which effectively changes floating rate debt to fixed rate debt.

Returns on investment deposits are also market related so have reduced accordingly as interest rates have fallen.

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 (pg XX) and Note 25: Provision for other liabilities (pg XX).

Interest earned

Interest earned is recognised using the effective interest rate method.

Note 7: Expenditure on operating activities

Table XX: Expenditure on operating activities	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Governance and employment				
Elected member remuneration		1,803		1,803
Independent directors/trustees fees for controlled entities		-		438
Employee benefits expense:				
- Remuneration		102,372		131,229
- Superannuation contributions (including KiwiSaver)		2,938		3,558
Other personnel costs		4,380		5,407
Impairments				
Bad debts written off not previously provided for		6		13
Increase in provision for impairment of receivables and recoverables		293		293
Impairment of property, plant and equipment		10,183		10,183
Impairment of investments		-		-
Insurance				
Insurance premiums		17,017		17,643
Insurance reserve costs - net		688		688
General				
Administration Costs		5,586		16,272
Auditor's remuneration:		319		626
Contractors		4,198		6,485
Contracts, services and materials		150,862		151,898
Grants		42,711		15,849
Information and communication technology		16,681		17,738
Loss on disposal of intangibles		2		2
Loss on disposal of property, plant and equipment		776		878
Loss on investments		-		296
Operating lease - minimum lease payments		7,056		8,179
Professional costs		10,795		11,315
Reassessment of weathertight provision		4,622		4,622
Utility costs		30,678		31,627
TOTAL EXPENDITURE ON OPERATING ACTIVITIES	-	413,966	-	437,042

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 $XXm (2020: $0.947m) of termination benefits were incurred by the Council and $XXm (2020: $0.995m) 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 (pg XX)

Impairments

The main impairments for the current year are………….

General

Table XX: Auditor's remuneration:	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Audit services - Audit New Zealand - Financial Statements		306		538
Audit services - Audit New Zealand - LTP		-		-
Audit services - Audit New Zealand - other		13		13
Audit services - Other Auditors		-		75
	-	319	-	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 (see *Table XX* above).

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

Grants include the operating grants to Council's controlled entities (refer to Note 36: Related Party disclosures for a breakdown (pg XX). Other major grants include the funding to the Museum of New Zealand, Te Papa Tongarewa $XXm (2020: $2.250m).

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

For further information in relation to the Weathertight homes provision. Refer to Note 25: Provisions for other liabilities (pg XX).

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 $XXm (2020: $14.364m) on Council owned properties.

COVID-19: Expenditure impacts…………

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

Table XX: Depreciation and amortisation	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Depreciation				
Buildings		29,967		30,135
Civic Precinct		1,411		1,411
Restricted buildings		1,650		1,650
Drainage, waste and water infrastructure		36,227		36,227
Landfill post closure		272		272
Library collections		2,387		2,387
Plant and equipment		11,445		12,745
Roading infrastructure		31,156		31,156
Total depreciation	-	**114,515**	-	**115,983**
Amortisation				
Computer software		3,552		3,680
Total amortisation	-	**3,552**	-	**3,680**
TOTAL DEPRECIATION AND AMORTISATION	-	**118,067**	-	**119,663**

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. (See Table XX).

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. (See *Table XX*)

Table XX: Estimated useful lives of tangible assets	**2021**
	Useful Life (years)
Asset Category	
Land	unlimited
Buildings	2 - 150
Civic Precinct	2 - 67
Plant and equipment	1 - 296
Library collection	4 - 11
Restricted assets (excluding buildings)	unlimited
Infrastructure assets: (TO BE UPDATED)	
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.

Table XX: Estimated useful lives of intangible assets	**2021**
	Useful Life (years)
Asset Category	
Computer software	2 - 11

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.

Note 9: Share of associates' and joint venture'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 shown in *Table XX.*

Table XX: Share of associates' and joint venture's surplus or deficit	Group	
	2021	2020
	$000	$000
Associates		
Chaffers Marina Holdings Limited		(45)
Wellington International Airport Limited		18,983
Joint venture		
Wellington Water Limited		(100)
TOTAL SHARE OF ASSOCIATES' AND JOINT VENTURE'S SURPLUS OR (DEFICIT)	**-**	**18,838**

Further information on the cost and value of the above investments is found in Note 20: Investments in Associates and Joint Venture (pg XX).

COVID-19: Due to the balance date of Wellington International Airport Limited (WIAL) being 31 March 2020, no significant financial impacts due to COVID-19 were reflected in Council's share of their 2019/20 surplus. For 2020/21 the financial impacts Council were ……………………

Council also agreed to underwrite its share of a potential equity raising. For more information refer to Note 34: Contingencies (pg 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.

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

Note 10: Income tax

Table XX: Income Tax	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Current tax expense/(credit)				
Current year	-	-		(232)
Prior period adjustment	-	-	-	-
Total current tax expense/(credit)	-	-	-	(232)
Deferred tax expense/(credit)				
Origination and reversal of temporary differences		(15)		(389)
Change in unrecognised temporary differences		-		-
Recognition of previously unrecognised tax losses		15		-
Total deferred tax expense/(credit)	-	-	-	(389)
TOTAL INCOME TAX EXPENSE/(CREDIT)	-	-	-	(621)

Table XX: Reconciliation of tax on the surplus/(deficit) and tax expense/(credit)	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Surplus/(deficit) for the period before taxation		15,146		22,191
Prima facie income tax based on domestic tax rate - 28%		4,241		6,214
Effect of non-deductible expenses and tax exempt income		(4,256)		(8,749)
Current years loss for which no deferred tax asset was recognised		15		15
Previously unreognised tax losses now utilised	-	-		10
Prior period adjustment	-	-		(129)
Share of income tax of equity accounted associates	-	-		6
Under/(over) provision of income tax in previous period	-	-		2,012
TOTAL INCOME TAX EXPENSE/(CREDIT)	-	-	-	(621)

Table XX: Imputation credits			Group	
			2021	2020
			$000	$000
Imputation credits available in subsequent periods				587

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

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

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

2020-21 Draft Financial Statements

Statement of Financial Position

As at 30 June 2021

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Note	$000	$000	$000	$000	$000
ASSETS						
Current assets						
Cash and cash equivalents	11		4,767	98,577		113,285
Receivables and recoverables	13		55,488	95,467		96,888
Other financial assets	14		120,000	31,488		33,488
Prepayments			17,179	8,717		9,675
Inventories			999	1,549		2,248
Non-current assets classified as held for sale	15		-	6,415		6,415
Total current assets		-	198,433	242,213	-	261,999
Non-current assets						
Derivative financial assets	12		-	-		-
Other financial assets	14		14,844	16,131		17,976
Intangibles	16		34,178	25,714		25,828
Investment properties	17		270,225	258,515		258,515
Property, plant and equipment	18		7,713,969	7,809,894		7,825,777
Investment in controlled entities	19		5,071	5,071		-
Investment in associates and joint venture	20		19,465	19,033		210,956
Total non-current assets		-	8,057,752	8,134,358	-	8,339,052
TOTAL ASSETS		-	8,256,185	8,376,571	-	8,601,051
LIABILITIES						
Current liabilities						
Derivative financial liabilities	12		985	709		709
Exchange transactions and transfers payable	21		57,135	57,417		60,404
Taxes payable	21			8,185		8,458
Revenue in advance	22		13,749	14,302		19,333
Borrowings	23		132,000	186,000		186,028
Employee benefit liabilities and provisions	24		4,597	10,361		12,873
Provision for other liabilities	25		10,237	9,002		9,002
Total current liabilities		-	218,703	285,976	-	296,807
Non-current liabilities						
Derivative financial liabilities	12		67,153	106,332		106,332
Exchange transactions and transfers payable	21		231	231		231
Borrowings	23		847,445	589,931		589,951
Employee benefit liabilities and provisions	24		1,156	764		824
Provision for other liabilities	25		29,642	52,154		52,154
Deferred tax	26		-	-		308
Total non-current liabilities		-	945,627	749,412	-	749,800
TOTAL LIABILITIES		-	1,164,330	1,035,388	-	1,046,607

Statement of Financial Position – continued

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Note	$000	$000	$000	$000	$000
EQUITY						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,725,141	3,809,762		3,821,257
Revaluation reserves	27		2,145,774	2,348,061		2,520,701
Hedging reserve	28		(68,138)	(107,041)		(107,087)
Fair value through other comprehensive revenue and expense reserve	29		4,290	5,085		6,100
Non-controlling interest			-	-		284
Restricted funds	30		15,654	16,182		20,027
TOTAL EQUITY		-	7,091,855	7,341,183	-	7,554,444
TOTAL EQUITY AND LIABILITIES		-	8,256,185	8,376,571	-	8,601,051

The notes on pg 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 $XXm higher than budgeted, major variances included:

Non-current assets are $XXm higher than budget, major variances included:

Total liabilities are $XXm higher than budget, major variances included:

Note 11: Cash and cash equivalents

Table XX: Cash and cash equivalents	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Cash at bank		23,561		34,821
Cash on hand		16		37
Short term bank deposits up to 3 months		75,000		78,427
TOTAL CASH AND CASH EQUIVALENTS	-	98,577	-	113,285

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

Table XX: Derivative financial instruments	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Assets				
Non-current assets				
Interest rate swaps - cash flow hedges	-	-	-	-
Total non-current assets	-	-	-	-
TOTAL DERIVATIVE FINANCIAL INSTRUMENT ASSETS	-	-	-	-
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges		709		709
Total current liabilities	-	709	-	709
Non-current liabilities				
Interest rate swaps - cash flow hedges		106,332		106,332
Total non-current liabilities	-	106,332	-	106,332
TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	-	107,041	-	107,041

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

Interest rate swaps (Cash flow hedges) are used to fix interest rates on floating rate debt (floating rate notes or commercial paper). The swaps are held until maturity and have no cash impact or effect on the rates requirements.

For further information on the Council's interest rate swaps please refer to Note 28: Hedging Reserve (pg XX) and Note 32: Financial instruments (pg XX).

COVID-19: ....

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

Table XX: Receivables and recoverables	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Current		95,467		96,888
Non-Current	-	-	-	-
TOTAL RECEIVABLES AND RECOVERABLES - NET	-	**95,467**	-	**96,888**
Trade receivables and recoverables - debtors - net		16,121		16,367
Trade recoverables - fines - net		3,424		3,424
Accrued revenue		12,214		12,756
Sundry receivables		36,204		36,543
GST recoverable		10,321		10,615
Rates recoverable		17,183		17,183
TOTAL RECEIVABLES AND RECOVERABLES - NET	-	**95,467**	-	**96,888**

Current trade, rates and sundry receivables and recoverables are non-interest bearing and receipt is generally on 30-day terms, therefore the carrying value approximates their fair value. The higher value of Sundry receivables for 2019/20 relates to the $33.000m of insurance proceeds.

Table XX: Receivables and recoverables from related parties	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Receivables and recoverables from related parties				
- Controlled entities		394		-
- Associates and jointly controlled entity		359		359
Total receivables and recoverables from related parties	-	**753**	-	**359**

The movement in the provision for impairment of total receivables and recoverables is analysed as follows in *Table XX.*

Table XX: Provision for impairment of total receivables and recoverables	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		6,838		6,838
New provisions made		345		374
Release of unused provision		(145)		(145)
Amount of provision utilised		(39)		(39)
Provision for impairment of total receivables and recoverables - closing balance	-	**6,999**	-	**7,028**

The ageing profile of total net receivables and recoverables at the reporting date is as follows in *Table XX*

Table XX: Debt aging profile	2021			2020		
	Gross	Impaired	Net	Gross	Impaired	Net
Council	$000	$000	$000	$000	$000	$000
Trade and other receivables and recoverables						
Not past due				70,964	(69)	70,895
Past due 0-3 months				11,012	(52)	10,960
Past due 3-6 months				6,091	(308)	5,783
Past due more than 6 months				14,399	(6,570)	7,829
TOTAL RECEIVABLES AND RECOVERABLES	-	-	-	102,466	(6,999)	95,467

	2021			2020		
	Gross	Impaired	Net	Gross	Impaired	Net
Group	$000	$000	$000	$000	$000	$000
Trade and other receivables and recoverables						
Not past due				72,277	(69)	72,208
Past due 0-3 months				11,121	(72)	11,049
Past due 3-6 months				6,112	(317)	5,795
Past due more than 6 months				14,406	(6,570)	7,836
TOTAL RECEIVABLES AND RECOVERABLES	-	-	-	103,916	(7,028)	96,888

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.

COVID-19: ....

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

Table XX: Other financial assets	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Represented by:				
Current		31,488		33,488
Non-current		16,131		17,976
TOTAL OTHER FINANCIAL ASSETS	-	**47,619**	-	**51,464**
Comprised of:				
Equity investments:				
- Civic Financial Services Ltd		490		490
- NZ Local Government Funding Agency (LGFA)		6,938		6,938
- Creative HQ shareholdings		-		1,570
- Legacy investment - Wgtn Museums Trust		-		260
Deposits and loans				
Bank deposits - term greater than 3 months		30,000		32,000
LGFA - borrower notes		10,152		10,152
Loans to related parties		39		39
Loans to external organisations		-		15
TOTAL OTHER FINANCIAL ASSETS	-	**47,619**	-	**51,464**

Equity investments

Civic Financial Services Limited is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.78 percent (2020: 4.78 percent) shareholding in this entity and has no present intention to sell.

The New Zealand Local Government Funding Agency Limited (LGFA), is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8 percent shareholding of the paid-up capital and as a shareholder will benefit from a return on its investment and as a borrower from lower borrowing costs. Refer to Note 36: Related party disclosures, for more information (pg XX).

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.

Deposits and loans

Bank deposits

Bank term deposits with maturities greater than 3 months are categorised as investments. These longer-term deposits are largely due to the early borrowing (pre-funding) for future debt repayments and mature in less than 12 months.

Borrower notes

As part of the borrowing arrangements through the LGFA, Council is required to leave 1.6 percent of any debt drawdown with the LGFA, as an investment, in the form of a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest to Council, once the related borrowing is repaid or no longer owed to the LGFA. The maturity profile of these notes matches the related debt maturity profile (XX to XX).

Loans to related parties

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 shown in Table 24.

Table XX: Loans	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Loans to related parties				
Wellington Regional Stadium Trust				
(Build and membership underwrite - $15,394,893)				
Opening balance		35		35
Amortisation of fair value adjustment		4		4
Closing balance at fair value	**-**	**39**	**-**	**39**
Wellington Regional Stadium Trust				
(COVID-19 support)				
Opening balance	-	-		-
Draw down		-		-
Amortisation of fair value adjustment		-		-
Closing balance at fair value	**-**	**-**	**-**	**-**
Loans to other external organisations				
Opening balance	-	-		23
Loan repayments received	-	-		(15)
Amortisation of fair value adjustment	-	-		7
Closing balance at fair value	**-**	**-**	**-**	**15**
TOTAL LOANS	**-**	**39**	**-**	**54**

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 WRST loan is 12.710 percent.

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.

COVID-19: A new joint loan facility between Council and Greater Wellington Regional Council agreed in 2019/20 was partially drawn down during 2020/21. The loan facility is to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. The loan is an unsecured facility of up to $4.2m divided equally between the lenders with a fixed interest rate of 3.0 percent and is interest free for the first two years upon being drawn down.

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

Table XX: Non-current assets classified as held for sale	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		19,744		19,744
Movement of PP&E non-current assets held for sale		(17,429)		(17,429)
Transfers from Investment Properties		4,100		4,100
TOTAL NON-CURRENT ASSETS CLASSFIED AS HELD FOR SALE	**-**	**6,415**	**-**	**6,415**

Site 9, part of the Kumutoto area, which is expected to be effectively sold for redevelopment in late 2021. Other properties still unsold or expected to sell within the next 12 months are either as a result of road stopping or housing stock that will be re-invested in better suited social housing developments.

Subsequent to 30 June 2020, as part of the Portfolio Alignment Strategy, a workstream of the Strategic Housing Investment Plan (SHIP), Council will consider the divestment of 20 City Housing properties that are surplus to operational requirements. The proceeds from the sale of these underperforming properties will go towards the SHIP development programme.

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

Table XX: Intangibles	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Computer software				
Cost - opening balance		59,825		60,753
Accumulated amortisation		(42,260)		(42,934)
Computer software opening balance	-	17,565	-	17,819
Acquired by direct purchase		4,253		4,307
Amortisation		(3,552)		(3,680)
Net disposals		-		(66)
Total computer software - closing balance	-	**18,266**	-	**18,380**
Cost		64,079		64,826
Accumulated amortisation		(45,813)		(46,446)
Total computer software - closing balance	-	**18,266**	-	**18,380**
Work in progress				
Computer software		1,906		1,906
Total work in progress	-	**1,906**	-	**1,906**
Carbon credits				
Cost - Opening Balance		4,096		4,096
Additions		2,970		2,970
Net disposals		(1,767)		(1,767)
Total Carbon credits - closing balance	-	**5,299**	-	**5,299**
TOTAL INTANGIBLES	-	**25,471**	-	**25,585**

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

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 2021 the Council received XX units (2020: 28,367 units).

The Council purchased XX units (2020: 62,103 units) in the market to cover the expected liabilities associated with landfill operations. The Council surrendered XX units (2020: 85,000 units) for the 2020 calendar year liability.

During the period ending 30 June 2021, 3,000 units (2020: 27,000 units) were sold to Air New Zealand.

At 30 June 2021 the total liability relating to landfill carbon emissions is $XXm (2020: $1.234m).

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

The movement in units held are shown in Table XX.

Table XX: Carbon credits	Council		Group	
	2021	2020	2021	2020
	Units	Units	Units	Units
Opening balance		394,360	-	394,360
Additions - Allocated from the Crown		28,367	-	28,367
Additions - Purchases		78,103	-	78,103
Disposals - Surrendered to the Crown		(85,000)	-	(85,000)
Disposals - Sales		(27,000)	-	(27,000)
TOTAL CARBON CREDITS	**-**	**388,830**	**-**	**388,830**

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 life of these assets is between 2 to 11 years.

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

Table XX: Investment properties	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Ground leases, other land and buildings				
Opening balance		255,012		255,012
Additions by acquisition		-		-
Disposals		-		-
Adjustment		42		42
Fair value revaluation movements taken to surplus/(deficit)		7,558		7,558
Transfer to non-current assets classified as held for sale		(4,100)		(4,100)
Total ground leases, other land and buildings	-	258,512	-	258,512
Work in progress				
Other land and buidings		3	-	3
Total work in progress	-	3	-	3
TOTAL INVESTMENT PROPERTIES	-	258,515	-	258,515

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2021 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for CBRE Limited.

Table XX: Investment property by type	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Ground leases		213,757		213,757
Other land and buildings (including WIP)		44,758		44,758
		258,515		258,515

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

Table XX: Summary of property, plant and equipment	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Property, plant and equipment - Opening balance		7,223,566		7,239,892
Additions		171,433		172,054
Disposals		(14,605)		(14,644)
Depreciation expense		(114,515)		(115,983)
Impairment losses		(11,371)		(11,371)
Revaluation adjustment		(7,643)		(7,643)
Revaluation movement		501,623		501,623
Movement of non-current assets held for sale		17,429		17,429
Movement of work in progress		43,977		44,420
TOTAL PROPERTY, PLANT AND EQUIPMENT	**-**	**7,809,894**	**-**	**7,825,777**

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 Precinct, 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 an independent registered valuer. The Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at cost.

Infrastructure assets

Infrastructure assets (the roading network, 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 an independent registered valuer. 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 asset management plans. The costs are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued on a regular basis or, whenever the carrying amount differs materially to fair value, by an independent registered valuer.

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

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

Other Assets

Plant and equipment and the Civic Precinct are measured at historical cost and not revalued.

Impairment

The Council's assets are defined as cash generating if the primary purpose of the asset is to provide a commercial return. Non-cash generating assets are assets other than cash generating assets. Property, plant and equipment assets, measured at fair value, are not required to be reviewed and tested for impairment.

The carrying amounts of cash generating property, plant and equipment assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable amount is less than its carrying amount it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported within 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 in Table XX.

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Table XX: Property, plant and equipment by category and class of asset	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Operational assets				
Land				
Land - at cost - opening balance		259		259
Land - at valuation - opening balance		279,611		279,611
Total land - opening balance	-	279,870		279,870
Additions		1,946		1,946
Disposals		(12,820)		(12,820)
Transfer between asset classes		5,315	-	5,315
Movements of non-current assets held for sale		12,495	-	12,495
Total land - closing balance	-	**286,806**	-	**286,806**
Land - at cost - closing balance		2,205	-	2,205
Land - at valuation - closing balance		284,601	-	284,601
Total land - closing balance	-	**286,806**	-	**286,806**
Buildings				
Buildings - at cost - opening balance		58,390		58,390
Buildings - at valuation - opening balance		739,656		749,010
Total cost/valuation	-	798,046	-	807,400
Accumulated depreciation		(31,145)		(36,097)
Total buildings - opening balance		766,901		771,303
Additions		45,910		45,920
Depreciation expense		(29,967)		(30,135)
Disposals		(872)		(880)
Impairment		(3,308)		(3,308)
Revaluation movement		-		-
Revaluation adjustment		(7,643)		(7,643)
Transfer between asset classes		(152,456)		(152,456)
Movements of non-current assets held for sale		4,312		4,312
Total buildings - closing balance	-	**622,877**	-	**627,113**
Buildings - at cost - closing balance		45,910		45,910
Buildings - at valuation - closing balance		667,471		676,820
Total cost/valuation	-	713,381	-	722,730
Accumulated depreciation		(90,504)		(95,617)
Total buildings - closing balance	-	**622,877**	-	**627,113**
Landfill post closure costs [1]				
Landfill post closure - at cost - opening balance		8,017		8,017
Accumulated depreciation		(3,009)		(3,009)
Total landfill post closure costs - opening balance	-	5,008	-	5,008
Depreciation expense		(272)		(272)
Movement in post closure costs		(1,403)		(1,403)
Total landfill post closure costs - closing balance	-	**3,333**	-	**3,333**
Landfill post closure - at cost - closing balance		6,613		6,613
Accumulated depreciation		(3,280)		(3,280)
Total landfill post closure costs - closing balance	-	**3,333**	-	**3,333**

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

- Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Civic Precinct				
Civic Precinct - at cost - opening balance		167,043	-	167,043
Accumulated depreciation		(119,778)	-	(119,778)
Total Civic Precinct - opening balance	-	47,265	-	47,265
Additions		13,259	-	13,259
Depreciation expense		(1,411)	-	(1,411)
Impairment		(8,027)	-	(8,027)
Total Civic Precinct- closing balance	-	**51,086**	-	**51,086**
Civic Precinct - at cost - closing balance		129,781		129,781
Accumulated depreciation and impairment		(78,695)		(78,695)
Total Civic Precinct- closing balance	-	**51,086**	-	**51,086**
Plant and equipment				
Plant and equipment - at cost - opening balance		194,261		214,846
Accumulated depreciation		(110,545)		(122,305)
Total plant and equipment - opening balance	-	83,716	-	92,541
Additions		22,918		23,529
Depreciation expense		(11,445)		(12,745)
Disposals		(396)		(427)
Impairment		(32)		(32)
Transfer between asset classes		7,871		7,871
Total plant and equipment - closing balance	-	**102,632**	-	**110,737**
Plant and equipment - at cost		217,730		237,613
Accumulated depreciation		(115,098)		(126,876)
Total plant and equipment - closing balance	-	**102,632**	-	**110,737**
Library collections				
Library collections - at cost - opening balance		4,709	-	4,709
Library collections - at valuation - opening balance		14,841	-	14,841
Total cost/valuation	-	19,550	-	19,550
Accumulated depreciation		(3,909)	-	(3,909)
Total library collections - opening balance	-	15,641	-	15,641
Additions		1,689	-	1,689
Depreciation expense		(2,387)	-	(2,387)
Revaluation movement		200	-	200
Total library collections - closing balance	-	**15,143**	-	**15,143**
Library collections - at cost - closing balance		6,397	-	6,397
Library collections - at valuation - closing balance		8,746	-	8,746
Total cost/valuation	-	15,143	-	15,143
Accumulated depreciation	-		-	
Total library collections - closing balance	-	**15,143**	-	**15,143**
Total operational assets	-	**1,081,877**	-	**1,094,218**

- Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		62,502	-	62,502
Drainage, waste and water - at valuation - opening balance		2,973,091	-	2,973,091
Total cost/valuation	-	3,035,593	-	3,035,593
Accumulated depreciation		(1,574,931)	-	(1,574,931)
Total drainage, water and waste - opening balance	-	1,460,662	-	1,460,662
Additions		30,521	-	30,521
Depreciation expense		(36,227)	-	(36,227)
Revaluation movement		404,633	-	404,633
Transfer between asset classes		4,209	-	4,209
Total drainage, water and waste - closing balance	**-**	**1,863,798**	**-**	**1,863,798**
Drainage, waste and water - at cost - closing balance		115,291	-	115,291
Drainage, waste and water - at valuation - closing balance		3,832,223	-	3,832,223
Total cost/valuation	-	3,947,514	-	3,947,514
Accumulated depreciation		(2,083,716)	-	(2,083,716)
Total drainage, water and waste - closing balance	**-**	**1,863,798**	**-**	**1,863,798**
Roading				
Roading - at cost - opening balance		93,648	-	93,648
Roading - at valuation - opening balance		1,451,232	-	1,451,232
Total cost/valuation	-	1,544,880	-	1,544,880
Accumulated depreciation		(495,053)	-	(495,053)
Total roading - opening balance	-	1,049,827	-	1,049,827
Additions		52,826	-	52,826
Depreciation expense		(31,156)	-	(31,156)
Revaluation movement		90,846	-	90,846
Transfer between asset classes		135,567	-	135,567
Total roading - closing balance	**-**	**1,297,910**	**-**	**1,297,910**
Roading - at cost - closing balance			-	
Roading - at valuation - closing balance		1,915,727	-	1,915,727
Total cost/valuation	-	1,915,727	-	1,915,727
Accumulated depreciation		(617,817)	-	(617,817)
Total roading - closing balance	**-**	**1,297,910**	**-**	**1,297,910**
Infrastructure land				
Infrastructure land - at cost - opening balance	-	-	-	-
Infrastructure land - at valuation - opening balance		38,529	-	38,529
Total infrastructure land - opening balance	-	38,529	-	38,529
Additions		19	-	19
Disposals		(350)	-	(350)
Revaluation movement		5,945	-	5,945
Transfer between asset classes		(459)	-	(459)
Movements of non-current assets held for sale		639	-	639
Total infrastructure land - closing balance	**-**	**44,323**	**-**	**44,323**
Infrastructure land - at cost - closing balance	-	-	-	-
Infrastructure land - at valuation - closing balance		44,323	-	44,323
Total infrastructure land - closing balance	**-**	**44,323**	**-**	**44,323**

- Disposals and transfers are reported net of accumulated depreciation.

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	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Land under roads				
Land under roads - at cost - opening balance		2,955,616	-	2,955,616
Disposals		(91)	-	(91)
Transfer between asset classes		(1)	-	(1)
Movements of non-current assets held for sale		(29)	-	(29)
Land under roads - closing balance	-	**2,955,495**	-	**2,955,495**
Total infrastructure assets	-	**6,161,526**	-	**6,161,526**
Restricted assets [2]				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,893		11,232
Transfer between asset classes		(21)		(21)
Art and cultural assets - closing balance	-	**8,872**	-	**11,211**
Buildings on restricted land				
Buildings on restricted land - at cost - opening balance		42,292	-	42,292
Accumulated depreciation		(15,226)	-	(15,226)
Total buildings on restricted land - opening balance	-	27,066	-	27,066
Additions		3,748	-	3,748
Depreciation expense		(1,650)	-	(1,650)
Disposals		(55)	-	(55)
Impairment		(4)	-	(4)
Transfer between asset classes		(25)	-	(25)
Total buildings on restricted land - closing balance	-	**29,080**	-	**29,080**
Buildings on restricted land - at cost - closing balance		45,465	-	45,465
Accumulated depreciation		(16,385)	-	(16,385)
Total buildings on restricted land - closing balance	-	**29,080**	-	**29,080**
Parks and reserves				
Parks and reserves - at cost - opening balance		213,219	-	213,219
Disposals		(21)	-	(21)
Movements of non-current assets held for sale		12	-	12
Parks and reserves - closing balance	-	**213,210**	-	**213,210**
Town Belt - at cost		**89,232**		**89,232**
Zoo animals - at cost		**500**	-	**500**
Total restricted assets	-	**340,894**	-	**343,233**
Work in progress		**225,597**		**226,800**
TOTAL PROPERTY, PLANT AND EQUIPMENT	-	**7,809,894**	-	**7,825,777**

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

- Disposals and transfers are reported net of accumulated depreciation

Revaluation of property, plant and equipment

The Council's operational land and buildings were valued as at 30 June 2021, and infrastructural land as at 30 June 2020 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collections were valued as at 30 June 2020 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 with effect from 30 June 2020 by John Vessey (MIPENZ), Partner of WSP New Zealand Limited.

The valuation reports for the revaluations performed as at 30 June 2021 for investment properties and operational land and building assets contain statements around the risks relating to COVID-19. While the immediate impact of COVID-19 on both the real estate market and construction costs appears to have been limited, the longer-term impact is unknown which has resulted in heightened uncertainty within the valuations.

Assets are valued at regular intervals by an independent registered valuer or whenever the carrying amount differs materially to fair value. In the years which an asset class is not revalued, 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 2020 and 30 June 2021 for infrastructure assets was assessed using appropriate indices. The increase in asset value of XX percent of total property, plant and equipment assets was not considered material by management and accordingly the assets were not revalued for 30 June 2021.

Further information on revaluation reserves and movements is contained in Note 27: Revaluation reserves (pg XX).

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 (*Table XX*) are the core Council assets shown in *Table XX*

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Table XX: Council's core assets	2021			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	$000	$000	$000	$000
Water supply				
- treatment plants and facilities				
- other assets				
Sewerage				
- treatment plants and facilities				
- other assets				
Stormwater drainage				
Flood protection and control works				
Roads and footpaths				
TOTAL CORE ASSETS	-	-	-	-

	2020			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	$000	$000	$000	$000
Water supply				
- treatment plants and facilities	-	-	-	-
- other assets	477,377	6,197	697	1,140,726
Sewerage				
- treatment plants and facilities	149,960	717	-	240,383
- other assets	599,951	15,585	1,455	1,346,545
Stormwater drainage	636,509	3,661	2,211	1,219,884
Flood protection and control works	-	-	-	-
Roads and footpaths	1,297,911	50,374	2,453	1,949,278
TOTAL CORE ASSETS	3,161,708	76,534	6,816	5,896,816

Drainage, waste, water and roads assets were revalued for the year ending 30 June 2020 by WSP New Zealand Limited as part of the normal revaluation cycle.

Service concession arrangements

The Council's service concession assets consist of the Moa Point treatment plant, including the sludge dewatering plant at Carey's Gully, and Western (Karori) wastewater treatment plant. These facilities are owned by the Council, and included within infrastructure assets, but operated by Veolia Water under a contract with Wellington Water Limited. The contract also covers the Porirua wastewater treatment plant which is operating under a joint operation with Porirua City Council.

The Council incurs all associated operating expenses through the on-charged costs paid to Wellington Water Limited.

The Council transitioned to a new contract with Veolia Water, which covers the wastewater treatment plants of Wellington, Porirua and Hutt City councils, on 24 February 2020. The contract expires 30 June 2030 with two rights of renewal for further subsequent terms of three and two years respectively.

The carrying value of these service concession assets for the Council and Group is $XXm (2020: $127.446m).

Insurance of assets

Table XX: Insurance of assets	Council	
	2021	2020
	$000	$000
Total value of property, plant and equipment		7,809,894
less assets (primarily land) excluded from insurance contracts	-	(3,814,663)
Value of assets covered by insurance contracts	-	**3,995,231**
The maximum amount to which assets are insured under Council insurance policies	-	721,000

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

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

An insurance reserve of $XXm (2020: $12.491m) exists to meet the cost of claims that fall below deductible limits under Council insurance policies. The reserve is funded annually through rates. For the year ending 30 June 2021 an amount of $XXm (2020: $1.981m) was added to the reserve. The net cost of claims applied to the reserve during the year amounted to $XXm (2020: $0.688m).

Civic Precinct redevelopment ....

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 in *Table* XX

Table XX: Cost of Investment in controlled entities	Council	
	2021	2020
	$000	$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 *Table XX* 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 (pg XX).

The controlled entities of Council are listed as shown in *Table XX.*

Table XX: Controlled entities	Accounting Interest 2021	Accounting Interest 2020	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 operates 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) (Trading as WellingtonNZ)	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 joint venture

The cost of the Council's investment in associates and the joint venture is reflected in the Council financial statements as follows in *Table* XX.

Table XX: Cost of investment in associates and joint venture	Council	
	2021	2020
	$000	$000
Chaffers Marina Holdings Limited		858
Wellington International Airport Limited		17,775
Wellington Water Limited		400
TOTAL COST OF INVESTMENT IN ASSOCIATES AND JOINT VENTURE	**-**	**19,033**

The Council has significant influence over the following entities as listed in *Table* XX. All of these are domiciled and operate in New Zealand:

Table XX: Associates and Joint venture	Accounting Interest 2021	Accounting Interest 2020	Nature of business
Chaffers Marina Holdings Limited	10.72%	10.72%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	10.72%	10.72%	Owns and manages the marina.
Wellington International Airport Limited	34%	34%	Owns and manages Wellington International Airport facilities and services.
Wellington Water Limited	40.00%	40.00%	Manages all water services for Wellington, Lower Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the Greater Wellington Regional Council.

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 2021 Council held a 10.72 percent interest in Chaffers Marina Holdings Limited (2020: 10.72 percent) 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 percent of the company, with the remaining 66 percent owned by NZ Airports Limited (which is wholly owned by Infratil Limited). Council agreed on 23 April 2020 to underwrite additional equity, if required. For more information refer to Note 34: Contingencies (pg XX).

Joint venture

Wellington Water Limited

Wellington Water Limited was jointly created with Hutt City Council on 9 July 2003 to manage the drinking water, wastewater and stormwater assets of the councils. Since its inception it has gradually expanded its operations and now covers six councils in the Wellington region.

The company has a reporting period ending 30 June and has a dual share structure as shown in Table XX.

Table XX - Shareholding Councils	Class A shares (voting rights)	Class B Shares (financial entitlements)	Ownership interest
Wellington City	150	200	40%
Hutt City	150	100	20%
Upper Hutt City (from 1/11/2013	150	40	8%
Porirua City (from 1/11/2013)	150	60	12%
Greater Wellington Regional (from 16/9/2014)	150	75	15%
South Wairarapa District (from 26/9/2019)	150	25	5%
Total shares on issue	**900**	**500**	**100%**

The Council classifies this entity as a joint venture because of the equal sharing of voting rights conferred through the Class A shares and the shareholder's agreement, which constitutes a binding arrangement.

The Class B shares confer the level of contributions and ownership benefits of each council. The Council uses equity accounting to recognise its 40 percent (2020: 40.00 percent) ownership interest.

Value of the investments

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

Table XX: Value of investment in associates and joint venture	Group	
	2021	2020
	$000	$000
Chaffers Marina Holdings Limited		
Opening balance		849
Change in shares during the year		(448)
Change in equity due to changed shareholding		7
Equity accounted earnings of associate		(45)
Closing balance - investment in Chaffers Marina Holdings Limited	-	363
Wellington International Airport Limited		
Opening balance		194,201
Dividends		(12,061)
Equity accounted earnings of associate		18,983
Share of net revaluation of property, plant and equipment - movement		9,290
Share of hedging reserve - movement		(427)
Closing balance - investment in Wellington International Airport Limited	-	209,986
Wellington Water Limited		
Opening balance		723
Change in equity due to changed shareholding		(16)
Equity accounted earnings of joint venture		(100)
Closing balance - investment in Wellington Water Limited	-	607
TOTAL VALUE OF INVESTMENT IN ASSOCIATES AND JOINT VENTURE	-	210,956

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 Joint Venture's surplus or deficit (pg XX).

Summary of Financial Position and Performance of associates

Financial information relating to the Council's associates is provided in *Tables XX* and *XX* below:

Table XX: Chaffers Marina Holdings Limited	2021	2020
	$000	$000
Council		
Investment in Chaffers Marina Holdings Limited (at cost)		858
Group		
Dividends received		
Summarised financial information of associate		
Current assets		1,032
Non-current assets		4,455
Current liabilities		(178)
Non-current liabilities		(1,924)
Net assets		**3,385**
Revenue		1,385
Tax expense		-
Surplus / (deficit) after tax		(375)
Other comprehensive revenue and expense		-
Total comprehensive revenue and expense		**(375)**
Reconciliation to equity accounted carrying amount		
Net assets		3,385
Group's share %		10.72%
Group's share $000		363
Other consolidation adjustments		-
Equity accounted carrying amount		**363**
Risks associated with the Council's investment in the associate		
Share of contingent liabilities		-

Table XX: Wellington International Airport Limited	2021	2020
	$000	$000
Council		
Investment in Wellington International Airport Limited (at cost)		17,775
Group		
Dividends received		12,061
Summarised financial information of associate		
Current assets		35,043
Non-current assets		1,336,927
Current liabilities		(89,204)
Non-current liabilities		(641,835)
Net assets	-	**640,931**
Revenue		146,377
Tax credit /(expense)		34,527
Surplus / (deficit) after tax		(5,640)
Other comprehensive revenue and expense		22,590
Total comprehensive revenue and expense	-	**16,950**
Reconciliation to equity accounted carrying amount		
Net assets		640,931
Group's share %		34%
Group's share $000		217,917
Dividends received not in WIAL annual report		(12,061)
Difference on adoption of IFRS 9		4,129
Other consolidation adjustments		1
Equity accounted carrying amount	-	**209,986**
Risks associated with the Council's investment in the associate		
Share of contingent liabilities	-	-

Summary of Financial Position and Performance of joint venture

Financial information relating to the Council's joint venture is provided in *Table XX* below:

Table XX: Wellington Water Limited	2021	2020
	$000	$000
Council		
Investment in Wellington Water Limited (at cost)		400
Group		
Dividends received		
Summarised financial information of joint venture		
Current assets		
Cash and cash equivalents		18,969
Other current assets		11,609
Total current assets	-	**30,578**
Non-current assets		**2,288**
Current liabilities		
Financial liabilities (excluding accounts payable)		-
Other current liabilities		(31,156)
Total current liabilities	-	**(31,156)**
Non-current liabilities		
Financial liabilities (excluding accounts payable)	-	-
Other non-current liabilities		(192)
Total non-current liabilities	-	**(192)**
Net assets	-	**1,518**
Revenue, excluding interest		187,668
Interest revenue		127
Depreciation and amortisation		(1,117)
Interest expense		-
Tax expense		-
Surplus / (deficit) after tax		(251)
Other comprehensive revenue and expense		-
Total comprehensive revenue and expense	-	**(251)**
Reconciliation to equity accounted carrying amount		
Net assets		1,518
Group's share %		40.00%
Group's share $000		607
Other consolidation adjustments		-
Equity accounted carrying amount	-	**607**
Risks associated with the Council's investment in the joint venture		
Shareholder funding commitments for the next three years	-	-
Share of contingent liabilities	-	-

Note 21: Exchange transactions, transfers and taxes payable

Table XX: Exchange transactions, transfers and taxes payable	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Current				
Exchange transactions and transfers payable		57,417		60,404
Taxes payable		8,185		8,458
Non-current				
Exchange transactions and transfers payable		231		231
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	-	65,833	-	69,093

Comprised of:

Table XX: Exchange transactions and transfers payable	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Trade payables and accruals		50,015		52,968
Interest payable		3,519		3,519
Sundry payables		4,114		4,148
Total exchange transactions and transfers payable	-	57,648	-	60,635

Table XX: Taxes payable	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
GWRC rates		5,332		5,332
Other		2,853		3,126
Total taxes payable	-	8,185		8,458
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	-	65,833		69,093

COVID-19: On 9 April 2020, Council agreed to proactively support business cashflows by temporarily changing its terms of trade payment dates. This reduced the payment timeframes for payments to suppliers who provide goods and services to the Council down from 20 to 5 days for valid authorised invoices. This practice was still in place as at 30 June 2021 to ensure that suppliers were able to maintain their own cashflows by having received prompt payment.

Table XX: Exchange transactions, transfers and payable to related parties	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Controlled entities		309	-	-
Associates and jointly controlled entity		6,945		6,945
Total exchange transactions, transfers and payable to related parties	-	7,254	-	6,945

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 transfers payable (eg. Council grants) or taxes (eg. PAYE).

Note 22: Revenue in advance

Table XX: Revenue in advance	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Exchange				
Lease rentals		2,146		2,146
Other		-		2,434
Taxes				
Rates		1,742		1,742
Transfers				
Wellington Venues operations		950		950
Inspection and licensing fees		4,578		4,578
Other		953		1,525
Liabilities recognised under conditional transfer agreements		3,933		5,958
TOTAL REVENUE IN ADVANCE	-	14,302	-	19,333

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 conditions are fulfilled over time.

These liabilities relate to various naming rights agreements that Council has with third parties for buildings.

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.

COVID-19: While Council undertook additional borrowing as an initial response, this measure was to ensure future liquidity was assured and not due to immediate revenue loss or cost pressures.

Gross Borrowings

The gross borrowings are comprised as follows in *Table XX* below:

Table XX: Gross borrowings	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Current				
Bank loans - term		-		-
Commercial paper		68,000		68,000
Debt securities - fixed rate bonds		25,000		25,000
Debt securities - floating rate notes		93,000		93,000
Finance leases		-		28
Total current	**-**	**186,000**	**-**	**186,028**
Non-current				
Bank loans - term		5,931		5,931
Debt securities - fixed rate bonds		35,000		35,000
Debt securities - floating rate notes		549,000		549,000
Finance leases		-		20
Total non-current	**-**	**589,931**	**-**	**589,951**
TOTAL GROSS BORROWINGS	**-**	**775,931**	**-**	**775,979**

Net Borrowings

When the cash position of Council and the Group is taken into account the net borrowings position is comprised as follows in *Table XX* below.

Table XX: Net borrowings	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Total gross borrowings	-	775,931	-	775,979
Less				
Cash and cash equivalents (see Note 11)		(98,577)		(113,285)
Term deposits > 3 months < 12 Months		(30,000)		(32,000)
TOTAL NET BORROWINGS	-	647,354	-	630,694

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 (pg XX).

Table XX, as follows, shows the utilisation of the borrowing facilities available to the Group at the end of the reporting period. The table also indicates the current applicable maturity and interest rate ranges.

Table XX: Group borrowing facilities	Available	Utilised	Maturities	Interest
				Rate Range
	$000	$000		%
Bank overdraft - committed				
Bank facilities - short term - uncommitted				
Bank facilities - long term - committed				
Bank loans - term				
Commercial paper				
Debt securities - fixed rate bonds				
Debt securities - floating rate notes				
Finance leases				
Total	-	-		

- The bank overdraft facility is $1.500m for Council and $0.400m for WREDA.
- In addition to the above facilities, Council operates purchase cards to efficiently facilitate the purchase of goods and services. The cards are paid in full on a monthly basis. An aggregate bank limit of $2.000m for all cards applies across Council.

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 $XXm (2020: $52.537m) of funds that may only be used for a specified purpose. These funds are not held in cash but are utilised against borrowings until required. The main specified uses for these funds are as follows:

Housing upgrade project

As part of the agreement with the Crown for the Housing Upgrade Project an amount of $XXm (2020: $44.390m), 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 $XXm (2020: $11.344m) 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

Table XX: Employee benefit liabilities and provisions	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Current				
Short-term benefits				
Payroll accruals		3,189		4,105
Holiday leave		7,068		8,641
Total short-term benefits	-	**10,257**	-	**12,746**
Termination benefits				
Other contractual provisions		104		127
Total termination benefits	-	**104**	-	**127**
Total current	-	**10,361**	-	**12,873**
Non-current				
Long-term benefits				
Long service leave provision	-	-		60
Retirement gratuities provision		764		764
Total long-term benefits	-	**764**	-	**824**
TOTAL EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS	-	**11,125**	-	**13,697**

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 specific employee benefit provisions above are analysed in Tables XX and XX below.

Table XX: Other contractual provisions	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		19		19
New provision		104		104
Release of unused provision		-		-
Amount utilised		(19)		(19)
Other contractual provisions - closing balance	-	**104**	-	**104**

Background to Other contractual provisions

The above provision is to cover estimated redundancy costs as at 30 June 2021 resulting from current restructuring within the Council.

Relevant significant accounting policies – Other contractual provisions 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.

Table XX: Retirement gratuities provision	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		782		782
Movement in required provision		59		59
Release of unused provision		-		-
Rediscounting of interest		10		10
Amount utilised		(87)		(87)
Retirement gratuities - closing balance	-	**764**	-	**764**

Background to the retirement gratuity provision

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 – retirement gratuities provision 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 XX percent) as at 30 June 2021, before discounting, is $XXm (2020: $0.820m). The discount factor of XX percent is based on the Treasury risk-free retirement rate.

Note 25: Provisions for other liabilities

Table XX: Provisions for other liabilities	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Current				
Landfill post closure costs		1,143		1,143
Weathertight homes		7,859		7,859
Total current	-	9,002	-	9,002
Non-current				
Landfill post closure costs		20,652		20,652
Weathertight homes		31,502		31,502
Total non-current	-	52,154	-	52,154
TOTAL PROVISIONS FOR OTHER LIABILITIES	-	61,156	-	61,156

Relevant significant accounting policies - general

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

Movements in material provisions above are analysed in the following tables:

Table XX: Landfill post closure costs	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		20,977		20,977
Movement in provision		10		10
Re-discounting of interest		1,141		1,141
Amount utilised		(333)		(333)
Landfill post closure costs - closing balance	-	**21,795**	-	**21,795**
Current		1,143		1,143
Non-current		20,652		20,652
Landfill post closure costs - closing balance	-	**21,795**	-	**21,795**

Background to the Landfill post-closure provision

The Council operates the Southern Landfill (Stage 3) and has a 21.5 percent joint venture interest in the Spicer Valley Landfill. It also manages 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.

Stage 4…………

Relevant significant accounting policies – Landfill post-closure specific

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

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology. 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 percent 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 XX percent and XX percent for open and closed landfills respectively. The gross provision (inflation adjusted at XX percent) before discounting, is $XXm (2020: $23.528m). 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 XXm^3 (2020: 525,714 m^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.

Table XX: Weathertight homes	**Council**		**Group**	
	2021	**2020**	**2021**	**2020**
	$000	**$000**	**$000**	**$000**
Opening balance		38,122		38,122
Additional or increased provision made		4,622		4,622
Amount utilised		(3,383)		(3,383)
Weathertight homes - closing balance	**-**	**39,361**	**-**	**39,361**
Current		7,859		7,859
Non-current		31,502		31,502
Weathertight homes - closing balance	**-**	**39,361**	**-**	**39,361**

Background to the Weathertight homes provision

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes an amount of $XXm (2020: $13.254m) as a provision for future claims relating to weathertightness issues not yet identified or not yet reported.

Movement in the provision

During the year $XXm was paid as either part or full settlement of claims. An additional $XXm 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

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

Table XX: Weathertight provision sensitivity	2021	
	$000	
	+10%	-10%
Assumption	**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	**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.

Table XX: Funding for weathertight homes liability	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		(36,036)		(36,036)
Rates funding for weathertight homes liability		7,677		7,677
Total amounts paid		(3,383)		(3,383)
Interest allocation		(1,186)		(1,186)
Closing balance funded through borrowings	-	(32,928)	-	(32,928)

Note 26: Deferred tax

Recognised temporary differences and tax losses

Table XX: Deferred tax assets and liabilities	Group	
	2021	2020
	$000	$000
Opening balance		
Property, plant and equipment		(1,206)
Intangible assets		(20)
Employee entitlements		193
Other provisions		13
Tax losses		6
Total opening balance	-	**(1,014)**
Charged to surplus or deficit		
Property, plant and equipment		497
Intangible assets		26
Employee entitlements		(14)
Other provisions		(1)
Tax losses		198
Total charged to surplus or deficit	-	**706**
Closing balance		
Property, plant and equipment		(709)
Intangible assets		6
Employee entitlements		179
Other provisions		12
Tax losses		204
TOTAL CLOSING BALANCE	-	**(308)**

Unrecognised tax losses

Under current income tax legislation, the unrecognised tax losses do not expire.

There is an unrecognised deferred tax asset in respect of the tax losses for the Council of $XXm (2020: $0.053m).

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

Relevant significant accounting policies

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

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

Statement of changes in equity

For the year ending 30 June 2021

		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2021	2021	2020	2021	2020
	Note	$000	$000	$000	$000	$000
EQUITY - Opening balances						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,775,454	3,795,806		3,799,312
Revaluation reserves			2,059,064	1,854,208		2,017,583
Hedging reserve			(68,138)	(68,138)		(67,757)
Fair value through other comprehensive revenue and expense reserve			4,290	4,290		5,328
Non-controlling interest			-	-		284
Restricted funds			14,865	14,865		19,033
TOTAL EQUITY - Opening balance		-	**7,054,669**	**6,870,165**	-	**7,066,945**
CHANGES IN EQUITY						
Retained earnings						
Net surplus / (deficit) for the year			(49,524)	15,146		22,812
Transfer to restricted funds			2,547	(4,049)		(4,494)
Transfer from restricted funds			(3,336)	2,732		3,500
Transfer from revaluation reserves			-	127		127
Revaluation reserves	27					
Fair value movement - property, plant and equipment - net			86,710	493,980		503,245
Transfer to retained earnings			-	(127)		(127)
Hedging reserve	28					
Movement in hedging reserve			-	(38,903)		(39,330)
Fair value through other comprehensive revenue and expense reserve	29					
Movement in fair value - Equity investments			-	795		795
Movement in fair value - Available for sale equities			-	-		(23)
Non-controlling interest						
Movement of non-controlling interest			-	-		-
Restricted funds	30					
Transfer to retained earnings			(2,547)	(2,732)		(3,500)
Transfer from retained earnings			3,336	4,049		4,494
Total comprehensive revenue and expense		-	**37,186**	**471,018**	-	**487,499**
EQUITY - Closing balances						
Accumulated funds		-	1,269,134	1,269,134	-	1,293,162
Retained earnings		-	3,725,141	3,809,762	-	3,821,257
Revaluation reserves		-	2,145,774	2,348,061	-	2,520,701
Hedging reserve		-	(68,138)	(107,041)	-	(107,087)
Fair value through other comprehensive revenue and expense reserve		-	4,290	5,085	-	6,100
Non-controlling interest		-	-	-	-	284
Restricted funds		-	15,654	16,182	-	20,027
TOTAL EQUITY - Closing balance		-	**7,091,855**	**7,341,183**	-	**7,554,444**

The notes on pg 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:

Opening equity is $XXm under budget. This is largely due to ……..

Closing equity is $XXm higher than budgeted, major variance included:

Equity

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is broken down and classified into a number of components:

- accumulated funds and retained earnings
- revaluation reserves
- hedging reserve
- fair value through other comprehensive revenue and expense reserve; and
- restricted funds.

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

Equity management

The 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

Table XX: Revaluation reserves	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Land - opening balance		203,103		203,103
Revaluation recognised in other comprehensive revenue and expense		-		-
Land - closing balance	-	**203,103**	-	**203,103**
Buildings - opening balance		359,189		359,189
Revaluation recognised in other comprehensive revenue and expense				
Revaluation adjustment		(7,643)		(7,643)
Transfer between assets classes		(34,518)		(34,518)
Transfer to retained earnings due to disposal of assets		(127)		(127)
Buildings - closing balance	-	**316,901**	-	**316,901**
Library collections - opening balance		8,392		8,392
Revaluation recognised in other comprehensive revenue and expense		200		200
Library collections - closing balance	-	**8,592**		**8,592**
Drainage, waste and water - opening balance		764,153		764,153
Revaluation recognised in other comprehensive revenue and expense		404,633		404,633
Transfer between assets classes		(1,047)		(1,047)
Drainage, waste and water - closing balance	-	**1,167,739**	-	**1,167,739**
Infrastructure land - opening balance		18,858		18,858
Revaluation recognised in other comprehensive revenue and expense		5,944		5,944
Infrastructure land - closing balance	-	**24,802**	-	**24,802**
Roading - opening balance		500,513		500,513
Revaluation recognised in other comprehensive revenue and expense		90,846		90,846
Transfer between assets classes		35,565		35,565
Roading - closing balance	-	**626,924**	-	**626,924**
Associates' revaluation reserves - opening balance	-	-		163,375
Revaluation recognised in other comprehensive revenue and expense	-	-		9,290
Effect of change in shareholding	-	-		(25)
Associates' revaluation reserves - closing balance	-	-	-	**172,640**
Total revaluation reserves - closing balance	-	**2,348,061**	-	**2,520,701**

These revaluation reserve movements are represented by:

Table XX: Summary of revaluation reserve movements	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance	-	1,854,208	-	2,017,583
Revaluation recognised in other comprehensive revenue and expense	-	501,623	-	510,913
Effect of change in shareholding	-	-	-	(25)
Revaluations adjustment	-	(7,643)	-	(7,643)
Transfer to retained earnings due to disposal of assets	-	(127)	-	(127)
TOTAL REVALUATION RESERVES	-	2,348,061	-	2,520,701

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 2021 Council has revalued its investment properties, which are revalued annually – refer to Note 17 – Investment properties, for more information (pg XX).

Council also revalued its operational land and buildings – refer to Note 18 – Property, Plant and Equipment, for more information (pg XX).

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.

Any impairment in a revalued class of asset is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve.

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

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example, where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of 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

Table XX: Hedging reserve	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		(68,138)		(67,757)
Cash flow hedge net movement recognised in other comprehensive revenue and expenses		(38,903)		(39,330)
TOTAL HEDGING RESERVE	-	(107,041)	-	(107,087)

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 but adjusted to align with the Groups' accounting policies.

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

Table XX: Fair value through other comprehensive revenue and expense reserve	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Opening balance		4,290		5,328
Movements:				
Civic Financial Services Limited		13		13
Local Government Funding Agency		782		782
Creative HQ shareholdings - available for sale		-		(23)
TOTAL FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE	-	5,085	-	6,100

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Financial Services Limited (Civic) and the Local Government Funding Agency.

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 disposal of the shares.

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.

Table XX: Restricted funds	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Special reserves and funds		15,714		18,888
Trusts and bequests		468		1,139
TOTAL RESTRICTED FUNDS	-	**16,182**		**20,027**

Table XX: Special reserves and funds	Opening Balance	Additional Funds	Utilised Funds	Closing Balance
	2021	2021	2021	2021
	$000	$000	$000	$000
Council				
City recovery fund (was City Growth Fund)	2,441			
Reserve purchase and development fund	782			
Insurance reserve	12,491			
Total Council	**15,714**	-	-	-
Controlled entities' reserve funds	3,174			
Total Group - Special reserves and funds	**18,888**	-	-	-

Nature and purpose, funding and utilisation

City Recovery Fund (previously the City Growth fund)

COVID-19: Council initially agreed on 9 April 2020 to the establishment of a City Recovery Fund (CRF) as part of Council's pandemic response plan. On 27 May 2020, Council further agreed to a framework which saw the aggregation of three existing funds (City Growth Fund, the Capital of Culture activity and Destination Wellington) for the specific purpose of supporting and boosting the economic recovery in response to the impacts of COVID-19. It is expected that Council will decide whether to continue the CRF for a second year or revert back to the legacy funds during the 2021/22 Annual Plan process.

The City Recovery Fund has a closing balance of $XXm with City Growth Fund funding for the year of $XXm (2020: $1.787m) provided from rates, $XXm from unused Capital of Culture activities and another $XXm from Destination Wellington. During the year $XXm (2020: $2.107m) was utilised.

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. Additions to the reserve of $XXm (2020: $1.981m) were funded through rates as identified in the Annual Plan. During the year $XXm (2020: $0.668m) was used to meet under-excess insurance costs.

Controlled entities' reserve funds

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

- The Wellington Museums Trust has 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.

Analysis of movements in trusts and bequests

Additional funds and utilisation

Trusts and bequests receiving additional funds during the year were only those where interest totalling $XXm (2020: $0.017m) has been applied in accordance with the original terms and conditions. Expenditure of $XXm (2020: $0.027m) was made from the AW Newton bequest to a number of athletic, educational and arts related causes from previously earned interest.

Nature and purpose

The Council's bequests and trusts have been 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 are disclosed separately to record the generous contribution the bequest makes to the benefit of the city.

As at 31 August 2020, the value of the estate held by the Public Trust was $XXm (31 August 2019: $18.441m) 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 - $XXm
- Funds utilised towards the Newlands Park upgrade - $XXm, but $XXm is expected to be spent over the next year.

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Statement of cash flows

For the year ending 30 June 2021

	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2021	2021	2020	2021	2020
	$000	$000	$000	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from rates - Council		344,102	316,718		316,718
Receipts from rates- Greater Wellington Reginal Council		71,540	70,418		70,418
Receipts from activities and other revenue		145,989	144,334		168,958
Receipts from grants and subsidies - Operating		8,972	8,035		14,241
Receipts from grants and subsidies - Capital		28,112	26,837		26,977
Receipts from investment property lease rentals		10,797	10,861		10,861
Cash paid to suppliers and employees		(325,628)	(356,198)		(412,922)
Rates paid to GWRC		(71,540)	(70,511)		(70,511)
Grants paid		(53,485)	(42,711)		(14,809)
Income tax paid		-	-		(9)
Net GST (paid) / received		-	(1,110)		(1,027)
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	**158,859**	**106,673**	-	**108,895**
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		908	12,147		12,147
Interest received		13	2,280		2,530
Loan repayments		-	-		15
Proceeds from sale of property, plant and equipment		-	18,111		18,111
Proceeds from sale of intangibles		-	837		837
(Increase) / decrease in investments		-	(22,224)		(22,608)
Purchase of investment properties		-	(42)		(42)
Purchase of intangibles		(9,508)	(4,001)		(4,001)
Purchase of property, plant and equipment		(280,115)	(211,748)		(212,986)
NET CASH FLOWS FROM INVESTING ACTIVITIES	-	**(288,702)**	**(204,640)**	-	**(205,997)**
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		277,149	154,269		154,269
Repayment of borrowings		(125,000)	(67,294)		(67,294)
Interest paid on borrowings		(25,718)	(25,677)		(25,677)
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	**126,431**	**61,298**	-	**61,298**
Net increase/(decrease) in cash and cash equivalents	-	(3,412)	(36,669)		(35,804)
Cash and cash equivalents at beginning of year		8,179	135,246		149,089
CASH AND CASH EQUIVALENTS AT END OF YEAR	-	**4,767**	**98,577**	-	**113,285**

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

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

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 accordingly.

The Council has ring fenced funds of $XXm (2020: $52.537m) mainly relating to the housing upgrade project and waste activities. For more information see Note 23: Borrowings (pg 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 $XXm higher than budget, variances include:

Net cash flows from investing activities were $XXm lower than budget, variances include:

Net cash flows from financing activities were $XXm lower than budget mainly because:

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Note 31: Reconciliation of cash flows

Table XX: Reconciliation of net surplus / (deficit) to net cash flows from operating activities	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Net surplus / (deficit) for the period		**15,146**		**22,812**
Add/(deduct) non-cash items:				
Vested assets		(7,599)		(7,599)
Bad debts written off not prevously provided for		6		13
Depreciation and amortisation		118,067		119,503
Impairment of property, plant and equipment		10,184		10,184
Fair value changes in investment properties		(7,558)		(7,558)
Other fair value changes		(6)		1
Movement in provision for impairments of doubtful debts		161		188
Tax expense/(credit)		-		(541)
Non-cash movement in provisions		4,706		4,706
Total non-cash items	-	**117,961**	-	**118,897**
Add/(deduct) movement in working capital: [1]				
Exchange receivables and non-exchange recoverables		(39,448)		(38,424)
Prepayments		9,486		9,515
Inventories		(551)		(849)
Exchange transactions, taxes and transfers payables		(7,632)		(9,765)
Revenue in advance		229		2,066
Employee benefit liabilities		1,614		1,449
Provision for other liabilities		(1,160)		(850)
Total working capital movement	-	**(37,462)**	-	**(36,858)**
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment		433		447
Net (gain)/loss on disposal of intangibles		(655)		(589)
Net (gain)/loss on disposal of investment property		-		-
Dividends received		(12,147)		(86)
Interest received		(2,280)		(2,469)
Tax paid and subvention receipts		-		(98)
Interest paid on borrow ings		25,677		25,677
Share of equity accounted surplus in associates		-		(18,838)
Total investing and financing activities	-	**11,028**	-	**4,044**
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	**106,673**	-	**108,895**

1. Excluding non-cash items

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Table XX: Reconciliation of liabilities arising from financing activities	Opening balance	Cash flows			Non-cash flows	Closing balance
	1 July 2020	Repayment of borrowings	Movement from non-current to current	New borrowings	Fair value movements	30 June 2021
Current borrowings	186,000					
Non-current borrowings	589,931					
Hedges held against borrowings:						
- Interest rate swaps - cash flow hedges	107,041					
Total liabilities arising from financing activities	**882,972**	-	-	-	-	-

	Opening balance	Cash flows			Non-cash flows	Closing balance
	1 July 2019	Repayment of borrowings	Movement from non-current to current	New borrowings	Fair value movements	30 June 2020
Current borrowings	125,039	(67,294)	68,000	60,255	-	186,000
Non-current borrowings	563,917	-	(68,000)	94,014	-	589,931
Hedges held against borrowings:						
- Interest rate swaps - cash flow hedges	68,138	-	-	-	38,903	107,041
Total liabilities arising from financing activities	**757,094**	**(67,294)**	-	**154,269**	**38,903**	**882,972**

Other disclosures

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.

Table XX below, provides an analysis of the Group's financial assets and financial liabilities by reporting category as described in the accounting policies:

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Table XX: Financial Instruments by category	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Financial assets				
Loans and receivables				
Cash and cash equivalents		98,577		113,285
Receivables and recoverables		95,467		96,888
Other financial assets		40,191		42,466
Total loans and receivables	-	**234,235**	-	**252,639**
Financial assets at fair value through other comprehensive revenue and expense				
Other financial assets		7,428		8,998
Total financial assets at fair value through other comprehensive revenue and expense	-	**7,428**	-	**8,998**
Hedged derivative financial instruments				
Derivatives designated as cash flow hedges	-	-	-	-
Total hedged derivative financial instruments	-	-	-	-
Total financial assets	-	**241,663**	-	**261,637**
Total non-financial assets		8,134,908		8,339,414
TOTAL ASSETS	-	**8,376,571**	-	**8,601,051**
Financial liabilities				
Financial liabilities at amortised cost				
Exchange transactions and transfers payable		57,417		60,635
Taxes payable		8,185		8,458
Borrowings		775,931		775,979
Total financial liabilities at amortised cost	-	**841,533**	-	**845,072**
Derivative financial instruments				
Derivatives designated as cash flow hedges		107,041		107,041
Total derivative financial instruments	-	**107,041**	-	**107,041**
Total financial liabilities	-	**948,574**	-	**952,113**
Total non-financial liabilities		86,814		94,494
TOTAL LIABILITIES		**1,035,388**		**1,046,607**

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.

Table XX: Group hierarchy		2021			2020	
	Level	Level	Level	Level	Level	Level
	1	2	3	1	2	3
	$000	$000	$000	$000	$000	$000
Financial assets						
Financial assets at fair value through other comprehensive revenue and expense	-	-		-	-	9,258
Derivative financial instruments						
- Cash flow hedges	-	-	-	-	-	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges	-		-	-	107,041	-

Table XX: Reconciliation of fair value movements in Level 3	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Financial assets at fair value through other comprehensive revenue and expense				
- Equity investments				
Opening balance - 1 July		6,633		8,749
Purchases	-	-		25
Disposals	-	-		-
Impairment	-	-		-
Loss on investment	-	-		(296)
Gains or losses recognised in other comprehensive revenue and expense	-	-		780
Closing balance - 30 June	**-**	**6,633**	**-**	**9,258**

The level 3 equity investments comprise the Group's shareholdings in the Local Government Funding Agency $XXm (2020: $6.938m), Civic Assurance $XXm (2020: $0.490m), the Creative

HQ shareholdings $XXm (2020: $1.570m) and a legacy investment by Wellington Museum's Trust of $XXm (2020: $0.260m). Refer to Note 14: Other financial assets (pg 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 (pg 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 detailed in the following, *Table XX.*

Table XX: Financial instruments with credit risk	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Cash and cash equivalents		98,577		113,285
Derivative financial instrument assets		-		-
Receivables and recoverables		95,467		96,888
Other financial assets				
- Bank deposits - term > 3 months		30,000		32,000
- LGFA borrower notes		10,152		10,152
- Loans to related parties - other organisations		39		39
- Loans to external organisations		-		15
Total financial instruments with credit risk	**-**	**234,235**	**-**	**252,379**

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 (pg 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.

Table XX: Counterparties with credit ratings	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Cash - registered banks				
AA-		23,561		34,821
Short term deposits - registered banks				
AA-		75,000		78,427
A		-		-
Term deposits (greater than 3 months) - registered banks				
AA-		15,000		17,000
A		15,000		15,000
Term deposits - borrower notes - NZ LGFA				
AA+		10,152		10,152

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 in *Table XX* sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis. Contractual cash flows for financial liabilities include the nominal amount and interest payable.

Table XX: Contractual cash flows of financial liabilities excluding derivatives	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		259,165		262,453
1-2 years		92,374		92,394
2-5 years		279,342		279,342
More than 5 years		261,261		261,261
Total contractual cash flows of financial liabilities excluding derivatives	-	**892,142**	-	**895,450**
Represented by:				
Carrying amount as per the Statement of Financial Position		841,766		845,074
Future interest payable		50,376		50,376
Total contractual cash flows of financial liabilities excluding derivatives	-	**892,142**	-	**895,450**

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

Table XX: Contractual cash flows of derivative financial liabilities	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Contractual cash flows of derivative financial liabilities				
0-12 months		15,253	-	15,253
1-2 years		15,477	-	15,477
2-5 years		40,262	-	40,262
More than 5 years		40,507	-	40,507
Total contractual cashflow of derivative financial liabilities	**-**	**111,499**	**-**	**111,499**
Represented by:				
Future interest payable	-	111,499	-	111,499
Total contractual cash flows of derivative financial liabilities	**-**	**111,499**	**-**	**111,499**

In addition to cash to be received in 2021/22 the Group currently has $130.000m (2020: $120.000m) in unutilised committed bank facilities available to settle obligations as well as $XXm (2020: $177.173m) 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 (pg XX).

The Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits as shown in *Table XX*.

Table XX: Liquidity funding risk limits			
Period	**Minimum**	**Maximum**	**Actual**
0 - 3 years	15%	60%	
3 - 5 years	15%	60%	
More than 5 years	15%	60%	

Market risk

Market risk is the risk that the value of an investment will decrease, or a liability will increase due to changes in market conditions. The Group uses interest rate swaps in the ordinary course of business to manage interest rate risks. A Treasury Committee, headed by senior management personnel and the Council's treasury management advisors (presently PwC), provides oversight for financial risk management and derivative activities and ensures any activities are in line with the Liability Management Policy which is formally approved by the Council as part of the Long-Term Plan (LTP).

Cash flow and fair value interest rate risk

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

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

The proportion of gross borrowing at a fixed interest rate for the period ending 30 June 2021 is XX percent.

Table XX below shows the effect of the interest rate swaps at reducing the Council's and Group's exposure to interest rate risk:

Table XX: Interest rate volatility	**Council**		**Group**	
	2021	**2020**	**2021**	**2020**
	$000	**$000**	**$000**	**$000**
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents		98,577		113,285
Bank deposits - term greater than 3 months		30,000		32,000
Commercial paper		(68,000)		(68,000)
Debt securities - floating rate notes		(642,000)		(642,000)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	**-**	**(581,423)**	**-**	**(564,715)**
Effect of interest rate swaps in reducing interest rate volatility				
Effect of Cash flow interest rate swaps - hedged		454,000		454,000
Total effect of interest rate swaps in reducing interest rate volatility	**-**	**454,000**	**-**	**454,000**
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	**-**	**(127,423)**	**-**	**(110,715)**

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements; instead the fair value of these interest rate swaps is recognised. This represents the difference between the forecast current floating interest rate and the fixed swap interest rate discounted back to present value. At 30 June 2021 the fair value of the interest rate swaps was -XXm (2020: - 107.041m). The liability represents the forecast extra cash flows the Council is expected to pay from locking in fixed interest rates higher than current market rates

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 in Table XX as follows.

Table XX: Weighted effective interest rates	Council		Group	
	2021	2020	2021	2020
	%	%	%	%
Investments				
Cash and cash equivalents		0.41		0.38
Bank deposits - term		2.59		2.58
LGFA - borrower notes		0.95		0.95
Loans to related parties		-		-
Borrowings				
Bank loans		4.30		4.30
Commercial paper		0.49		0.49
Debt securities - fixed		3.01		3.01
Debt securities - floating		0.94		0.94
Derivative financial instruments - hedged		3.73		3.73

The original related party loan to the Wellington Regional Stadium Trust (WRST) for the Stadium construction and membership underwrite is on interest free terms.

The new loan facility to WRST for COVID-19 support and further upgrade of the Fran Wilde walkway is at 3% p.a. but commencing two years after the initial drawdown.

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.

Table XX below illustrates the potential surplus or deficit impact of a 1 percent change in interest rates based on the Group's exposures at the end of the reporting period:

Table XX: Sensitivity to interest rate risk		Group			
		2021			
		$000			
		+1%	-1%	+1%	-1%
Interest rate risk	Note	Surplus or Deficit		Other	
Financial assets					
Cash and cash equivalents	a				
LGFA - borrower notes	b				
Term deposits > 3 months	c				
Financial liabilities					
Derivatives - interest rate swaps - hedged	d				
Debt securities - floating rate notes	e				
Debt securities - fixed rate bonds	f				
Bank term loans	g				
Commercial paper	h				
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. While most of the funds are held on short-term deposit, they are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 1 percent has an effect on interest revenue of $XXm accordingly.

b. LGFA borrower notes
The Group holds $XXm of borrower notes which are investments held by LGFA as part of their lending policy. They are subject to quarterly interest rate resetting. A movement in interest rates of plus or minus 1 percent has an effect on interest revenue of $XXm accordingly.

c. Bank term deposits > than 3 months
Bank deposits greater with bank maturities greater than 3 months are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 1 percent has an effect on interest revenue of $XXm accordingly.

d. Derivatives - hedged interest rate swaps
Derivatives include hedged interest rate swaps with a fair value totalling -$XXm. A movement in interest rates of plus 1 percent has an effect on increasing the unrealised value of the hedged interest rate swap liabilities by $XXm. A movement in interest rates of minus 1 percent has an effect on reducing the unrealised value of the hedged interest rate swap liabilities by $XXm.

e. Debt securities – floating rate notes
Debt securities at floating rates total $XXm. The full exposure to changes in interest rates has been reduced because the Group has $XXm of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1 percent has an effect on the interest expense of $XXm accordingly.

f. Debt Securities – fixed rate bonds
The Group has $XXm of fixed rate bonds which are not exposed to interest rate changes.

g. Bank Loan
The Group, through the Council's joint operations with Porirua City Council has a bank term loan of $XXm. This loan consists of various loans provided to the joint operations through Porirua City Council borrowing. The interest rate applied is fixed at XX percent for the joint venture partners and is not subject to interest rate risk.

h. Commercial paper
The Group has a Commercial Paper programme which is subject to floating rates and totals $XXm of which only $XXm is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has $XXm of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1 percent has an effect on the interest expense of $XXm accordingly.

Note 33: Commitments

Table XX: Capital commitments	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Approved and contracted - property, plant and equipment		350,332		350,337
Approved and contracted - investment properties		-		-
Approved and contracted - intangibles		-		-
Approved and contracted - share of associates		-		7
Approved and contracted - share of joint ventures		-		-
TOTAL CAPITAL COMMITMENTS	-	350,332	-	350,344

The capital commitments in Table XX 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 2020/21 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 (pg 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 in *Table XX*:

Table XX: Non-cancellable operating lease commitments as lessee	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Plant and equipment				
Not later than one year	-	-		205
Later than one year and not later than five years	-	-		159
Later than five years	-	-		-
Land and buildings				
Not later than one year		6,915		8,464
Later than one year and not later than five years		13,820		16,740
Later than five years		1,316		1,316
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSEE	-	22,051	-	26,884

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 in *Table XX*.

Table XX: Non-cancellable operating lease commitments as lessor	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Investment properties				
Not later than one year		9,164		9,164
Later than one year and not later than five years		29,862		29,862
Later than five years		44,046		44,046
Land and buildings				
Not later than one year		6,202		6,202
Later than one year and not later than five years		10,394		10,394
Later than five years		13,763		13,763
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSOR	**-**	**113,431**	**-**	**113,431**

Commitments to related parties

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

Note 34: Contingencies

Table XX: Contingent liabilities	Council		Group	
	2021	2020	2021	2020
	$000	$000	$000	$000
Uncalled capital - LGFA		1,866		1,866
Other legal proceedings		89		89
Share of associates' and joint venture's contingent liabilities		-		-
Share of joint operations' contingent liabilities		-		-
TOTAL CONTINGENT LIABILITIES	-	1,955	-	1,955

NZ Local Government Funding Agency Limited (LGFA)

Council is one of XX local authority shareholder, 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 2021, LGFA had borrowings totalling $XXm (2020: $11,908m).

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 $XXm

Structural defect claim

A large and novel claim alleging a breach of duty to a tenant of a commercial building was filed in August 2019. The claim is at an early stage. Council's current estimated financial exposure for this claim is $50,000 being the insurance excess payable, which is included in the total above.

Unquantified contingent liabilities

Holiday Pay remediation

Council has completed an independent external audit to assist in determining our level of compliance with the Holidays Act. Through this process we have found that we have paid some payment types with incorrect Holidays Act configurations. However, we are yet to do the work to understand the level of remediation required.

Other claims

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

Contingent assets

The Council and Group have no contingent assets that can be quantified as at 30 June 2021 (2020: $Nil)

COVID-19 support for related parties

Wellington International Airport Limited

As part of its COVID-19 pandemic response, Council agreed on 23 April 2020 to provide financial support to Wellington International Airport Limited in proportion to its 34 percent equity holding, if required. Along with Infratil Limited, who own the remaining 66 percent, the two shareholders will jointly provide an equity underwrite of up to nearly $75.76 million. Council's share would be up to $25.76m and Infratil's $50m. The facility will be able to be drawn by WIAL, if required, through the issue of redeemable preference shares.

The actions of the shareholders ensure the Airport is soundly financed to meet all of its obligations and maintain the support of its lenders over the next year as it recovers from the significant impacts of COVID-19 on the airline industry.

Wellington Regional Stadium Trust (WRST)

As a direct response to the COVID-19 pandemic, Council agreed, on 21 July 2020, to a joint loan facility between Council and Greater Wellington Regional Council to be made available to WRST. The loan facility to be used, if required, to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. This loan is an unsecured facility of up to $4.2m divided equally between the lenders with a fixed interest rate of 3.0 percent and is interest free for the first two years upon being drawn down.

Relevant significant accounting policies

Contingent liabilities and contingent assets

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

Note 35: Joint Operations

The Council has significant interests in the following joint operations. Both of these are domiciled and operate in New Zealand. Porirua City Council operates these joint operations under an agreement which provides that all assets of the joint operation are owned by the two councils as tenants in common.

Table XX: Joint Operations	Interest 2021	Interest 2020	Nature of business
Wastewater treatment plant – Porirua City Council	27.60%	27.60%	Owns and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the capacity of the plant allocated to the two councils.
Spicer Valley Landfill – Porirua City Council	21.50%	21.50%	Owns and operates a sanitary landfill that provides services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the ratio of the populations of Porirua City and the area of the former Tawa Borough.

The end of the reporting period for the joint operations is 30 June.

Relevant significant accounting policies

For joint operations the Council has a liability in respect of its share of joint operational deficits and liabilities, and shares in any operational surpluses and assets. The Council's proportionate interest (eg. 21.5 percent of the Spicer Valley landfill) in the assets, liabilities, revenue and expenditure is included in the financial statements of the Council and Group on a line-by-line basis.

The Council's and Group's share of the joint operations' capital commitments is $Nil (2020: $Nil) and contingent liabilities is $Nil (2020: $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 *Table XX* below.

Table XX: Remuneration paid to key management personnel	Council	
	2021	2020
	$	$
Council Members		
Remuneration		1,789,623
Chief Executive and Executive Leadership Team		
Remuneration		2,681,193
TOTAL REMUNERATION PAID TO KEY MANAGEMENT PERSONNEL	-	4,470,816

As at 30 June 2021 key management personnel comprised of 23 individuals: 15 elected members or 15 fulltime equivalents (2020: 15) and 8 executive leaders or 8 fulltime equivalents (2020: 8).

Following the COVID-19 crisis, ELT members, in order to collectively demonstrate their commitment to the city's pandemic response, voluntarily agreed to a 10 percent salary sacrifice from 10 April to 31 December 2020.

For further disclosure of the remuneration payable to the Mayor, Councillors and the Chief Executive refer to Note 37: Remuneration and staffing (pg 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 – structured entities

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 percent of the issued capital, with the Government holding the remaining 20 percent. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) and currently has an investment of $1.866m representing 8.3 percent of paid-up capital.

During the year ending 30 June 2021 Council drew down new borrowings of $XXm and repaid $XXm. Interest expense was paid quarterly in arrears on these borrowings and interest revenue of $XXm was received on a borrower notes on maturity. Council received a dividend of $XXm as a shareholder.

Wellington International Airport Limited

COVID-19: Support for an underwrite of additional equity, if required. For more information refer to Note 34: Contingencies (pg XXm).

Material related party transactions – unstructured entities

Financial information relating to the Council's interests in unstructured entities is provided in *Tables XX* and *XX* below:

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 does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

During the year ending 30 June 2021 Council contributed $XXm (2020: $0.680m) to fund the core operations of the Trust.

Table XX: Basin Reserve Trust	2021	2020
	$000	$000
Summarised financial information of unstructured entity		
Total assets		777
Total liabilities		(194)
Net assets	**-**	**583**
Revenue		1,605
Expenses		(1,599)
Surplus / (deficit)	**-**	**6**

Wellington Regional Stadium Trust (WRST)

Wellington Regional Stadium Trust was jointly created by Wellington City Council and Greater Wellington Regional Council. Wellington City Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

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 2021 Council transacted directly with WRST to the amount of $XXm (2020: $0.373m) as part of the original $5.000m funding grant recognised in 2016/17 for the upgrade of the concourse. To date Council has paid $XXm with $XXm remaining.

In addition, WRST also drew down on the new joint loan facility (WCC and GWRC) for the amount of $XXm. This loan facility was made available for COVID-19 impact support and additional concourse works. At 30 June 2021, $XXm of the $2.100m total WCC share of the facility had been advanced.

Table XX: Wellington Regional Stadium Trust	2021	2020
	$000	$000
Summarised financial information of unstructured entity		
Total assets		96,032
Total liabilities		(6,874)
Net assets	-	**89,158**
Revenue		11,262
Expenses		(13,333)
Surplus / (deficit)	-	**(2,071)**

Intra group transactions and balances

During the year the Council has entered into transactions with its joint operations 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 in *Table XX*.

Table XX: Intra group transactions and balances - Jointly operation		2021	2020
		$000	$000
Expenditure incurred by the Council to fund the operation and management of:			
	Porirua - waste water treatment plant		**1,850**

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 in *Table XX*.

Table XX: Intra group transactions and balances - Controlled entities		2021	2020
		$000	$000
Revenue received by Council for services provided to:			
	Karori Sanctuary Trust		36
	Wellington Cable Car Limited		173
	Wellington Museums Trust		1,442
	Wellington Regional Economic Development Agency		27
	Wellington Zoo Trust		342
		-	**2,020**
Grant funding paid by Council for the operations and management of:			
	Karori Sanctuary Trust		1,262
	Wellington Museums Trust		9,300
	Wellington Regional Economic Development Agency		12,610
	Wellington Zoo Trust		3,680
		-	**26,852**
Expenditure payments made by Council for services provided by:			
	Karori Sanctuary Trust		23
	Wellington Cable Car Limited		-
	Wellington Museums Trust		264
	Wellington Regional Economic Development Agency		5,086
	Wellington Zoo Trust		1,244
		-	**6,617**
Current receivables and recoverables owing to the Council from:			
	Karori Sanctuary Trust		7
	Wellington Cable Car Limited		52
	Wellington Museums Trust		156
	Wellington Regional Economic Development Agency		-
	Wellington Zoo Trust		179
		-	**394**
Current payables owed by the Council to:			
	Karori Sanctuary Trust		-
	Wellington Cable Car Limited		-
	Wellington Museums Trust		5
	Wellington Regional Economic Development Agency		75
	Wellington Zoo Trust		229
		-	**309**

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 $XXm (2020: $33.469m) when the grant funding of $XXm (2020: $26.852m) and expenditure for services provided to Council of $XXm (2020: $6.617m) are combined.

During the year the Council has entered into several transactions with its associates and joint venture. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows in *Table XX*.

Table XX: Intra group transactions and balances - Associates and joint venture		2021	2020
		$000	$000
Dividend received from:			
	Wellington International Airport Limited		**12,061**
Proceeds from Sale of land and buildings:			
	Wellington International Airport Limited		**2,536**
Revenue received by Council for services provided to:			
	Wellington International Airport Limited		92
	Wellington Water Limited		1,205
		-	**1,297**
Expenditure payments made by Council for services provided by:			
	Wellington International Airport Limited		47
	Wellington Water Limited		93,307
		-	**93,354**
Current receivables and recoverables owing to the Council from:			
	Wellington International Airport Limited		26
	Wellington Water Limited		333
		-	**359**
Current payables owed by the Council to:			
	Wellington Water Limited		**6,945**

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

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 2020 to 30 June 2021 was $XX (2020: $1,789,623) and is broken down and classified as follows in *Table XX*.

Table XX : Elected Council remuneration	Monetary Remuneration		Non-monetary	Total
	Salary	Allowances	Remuneration	2021
	$	$	$	$
Foster, Andy (Mayor)				-
Calvert, Diane				-
Condie, Jenny				-
Day, Jill				-
Fitzsimons, Fleur				-
Foon, Laurie				-
Free, Sarah				-
Matthews, Rebecca				-
O'Neill, Teri				-
Pannett, Iona				-
Paul, Tamatha				-
Rush, Sean				-
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 2020/21 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Allowances – internet services and mobile phones

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

The payment of a communication allowance of up to $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.

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 is a taxable benefit and the current Mayor has taken up this option.

Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration (benefit) in relation to car parking spaces provided, regardless of whether they elect to use these or not.

The Councillors have shared office and working space available for use, and access to phones and computers. Professional indemnity and trustee liability insurance is also provided to Councillors against any potential legal litigation which may occur while undertaking Council business.

COVID-19: In response to the pandemic the Mayor and Councillors agreed to a 10 percent pay reduction. However, because Local Government elected members pay is determined by the independent Remuneration Authority and set in legislation, they therefore pledged to voluntarily donate 10 percent of their pay to charities of their choice. The Remuneration Authority have subsequently agreed to reduce some members' salaries for the period from 09 July 2020 to 06 January 2021.

Relevant significant accounting policies

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

Community Boards

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

Table XX: Community Board Member remuneration	Salary	Allowances	Other	Total
				2021
	$	$	$	$
TAWA COMMUNITY BOARD				
Parkinson, Robyn (Chair)			-	-
Herbert, Richard (Deputy Chair)			-	-
Hansen, Graeme		-	-	-
Knight, Steph		-	-	-
Lacy, Jackson (includes Youth Council attendance fee)		-		-
Scott, Anna		-	-	-
Day, Jill (see Councillor remuneration above)				-
Sparrow, Malcolm (see Councillor remuneration above)				-
MAKARA-OHARIU COMMUNITY BOARD				
Apanowicz, John (Chair)			-	-
Grace, Christine (Deputy Chair)			-	-
Hoskins, Darren		-	-	-
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.

Chief Executive's remuneration

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

Table XX below, shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2021.

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

The remuneration package for the Chief Executive is a total of $XX (2020: $436,664)

Table XX: Remuneration of the Chief Executive	Council	
	2021	2020
	$	$
Barbara McKerrow		
Salary		134,578
Kevin Lavery (to 31 March 2020)		
Salary	-	326,197
Motor vehicle park	-	1,759
TOTAL REMUNERATION OF THE CHIEF EXECUTIVE	**-**	**327,956**

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 2021 the Council made severance payments to XX employees totalling $XX (2020: 13 employees, $405,662).

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

Employee numbers and remuneration bands

Table XX below, 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.

Table XX: Employee numbers and remuneration bands	Council	
	2021	2020
Full-time and full-time equivalent employee numbers		
Full-time employees (based on a 40 hour week) as at 30 June		1,128
Full-time equivalents for all other non full-time employees		263
Remuneration bands		
The number of employees receiving total annual remuneration of less than $60,000		991
Of the 991 (2019:1050) employees in this band, 640 (2019: 678) are part-time or casual		
The number of employees receiving total annual remuneration of more than $60,000 in bands of $20,000		
$60,000 - $79,999.99		276
$80,000 - $99,999.99		254
$100,000 - $119,999.99		127
$120,000 - $139,999.99		81
$140,000 - $159,999.99		35
$160,000 - $179,999.99		21
$180,000 - $199,999.99		13
$200,000 - $239,999.99*		7
$240,000 - $299,999.99*		6
$300,000 - $439,999.99*		4
TOTAL EMPLOYEES	-	1,815

Of the XX (2020: 1,815) individual employees, XX (2020: 687) 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 as shown in Table XX.

Table XX: Lowest remuneration grades	Salary Range ($)	2021
Q (Living Wage)	44,113	344
9	44,133 - 57,602	412

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

Note 38: Events after the end of the reporting period

Financial prudence (to be updated)

The government has introduced the Local Government (Financial Reporting and Prudence) Regulations 2014 which has a series of measures and benchmarks, disclosed in the following pages.

Readers are urged to read the commentary and explanations provided to give context to the information, as it is not always possible to compare Wellington City Council's results with other councils due to their size, location and provision of services.

During the 2018-28 Long-Term Plan process and with consultation with ratepayers, the Council revised the number of benchmarks and removed measures that were similar in nature and added no value in understanding of the measures to readers.

Annual report disclosure statement for year ending 30 June 2021

What is the purpose of this statement?

The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Unless prescribed by the regulations the quantified limit for each benchmark is calculated using the financial information from the Council's 2018-28 LTP.

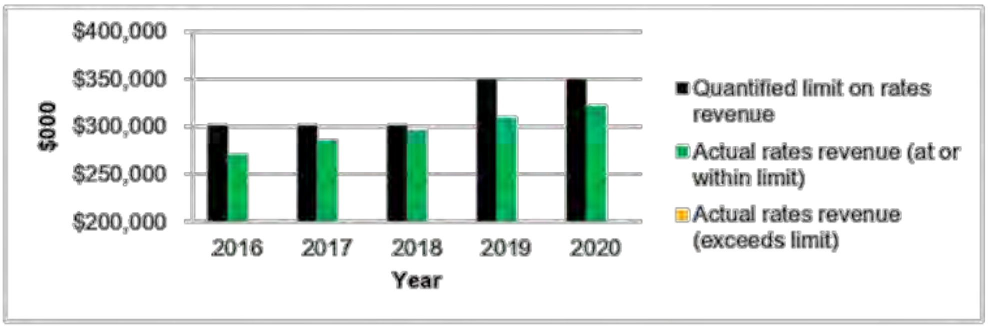
Rates affordability benchmark

The council meets the rates affordability benchmark if –

- Its actual rates revenue equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (revenue) affordability

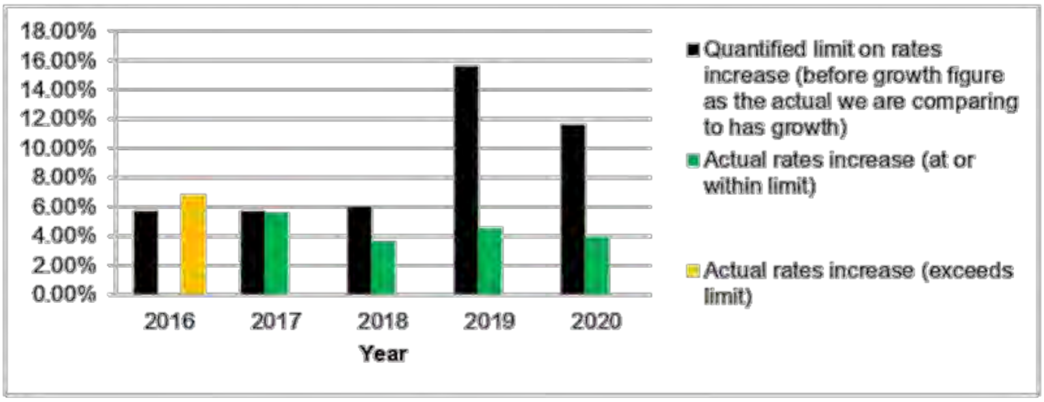
The following graph compares the council's actual rates revenue with a quantified dollar limit on rates revenue included in the financial strategy included in the council's long-term plan. The quantified limit for the first three years of the 2018-28 LTP, which encompasses the financial years 2018/19; 2019/20 and 2020/21 is $350,000,000. This means rates revenue should remain below this limit for each of these years.



Rates (increases) affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the council's long-term plan.

The quantified limit for 2019/20 is 11.6 percent although the actual rates increase set for the 2019/20 year was significantly lower than this limit. The rates increase proposed in the 2018-28 LTP is equivalent to an average rates increase of 3.5 percent over the first three years, which encompasses the financial years 2018/19; 2019/20 and 2020/21.

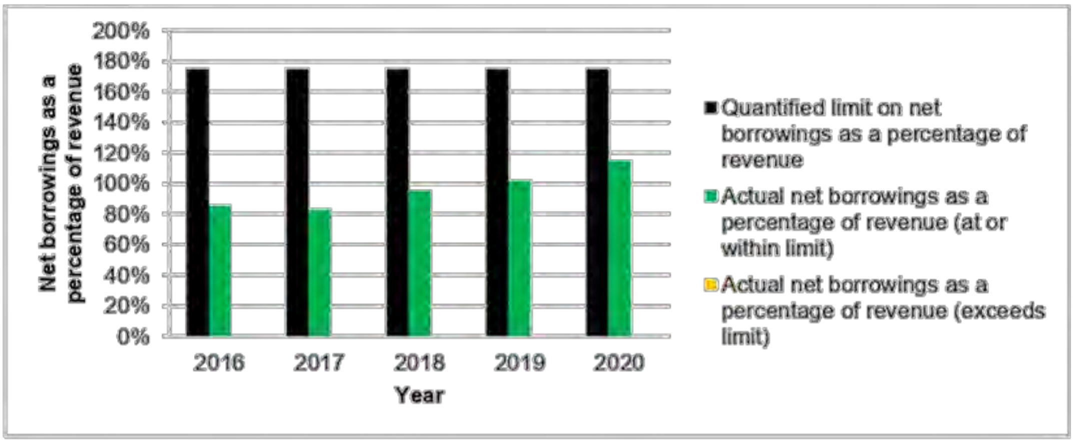


Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The Council has seven measures for debt affordability and these are set out below. The suitability of these measures has been assessed by Council's professional advisers, PricewaterhouseCoopers Wellington.

Net borrowing as a percentage of revenue[2]

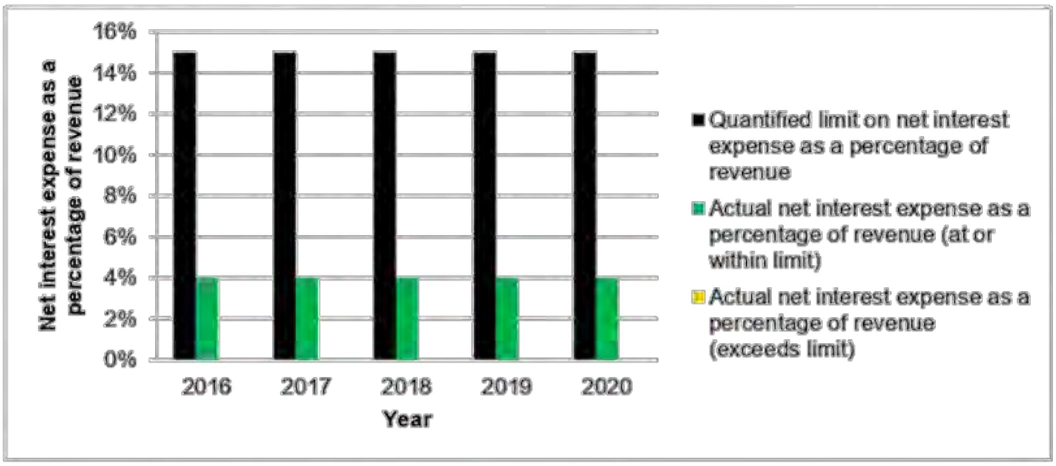
The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 175 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.



[2] The revenue figure used for this calculation of Net Borrowing as percentage of Revenue and Net Interest as a percentage of Revenue is Total Revenue less Vested Assets and Development Contribution Revenue.

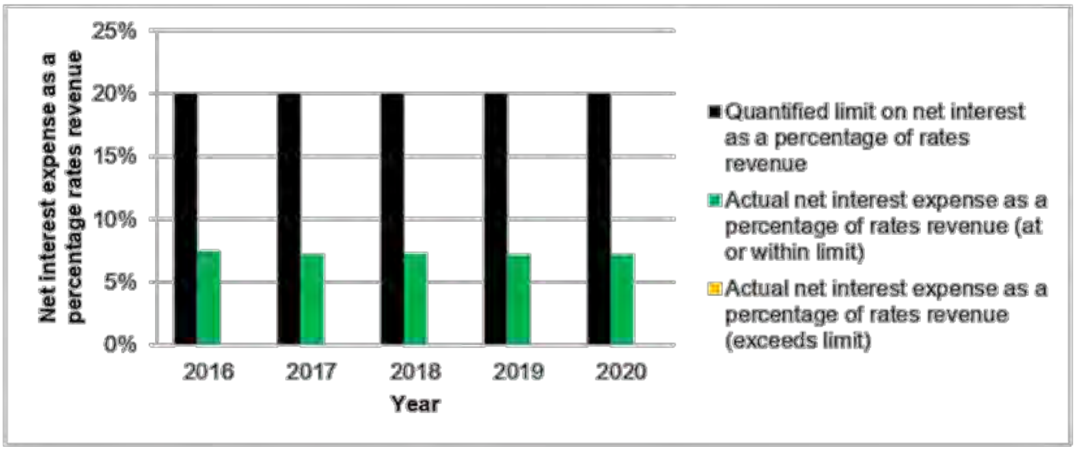
Net interest as a percentage of revenue[1]

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 15 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.



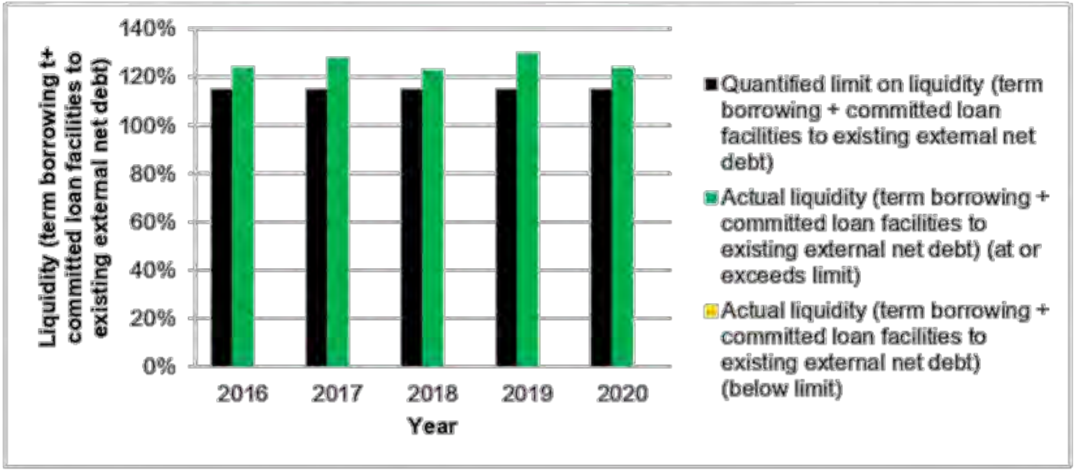
Net interest as a percentage of annual rates revenue

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 20 percent of annual rates revenue.



Liquidity (term borrowing + committed loan facilities to existing external net debt)

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is liquidity being greater than or equal to 115 percent. For debt affordability, liquidity is the total of Councils existing external net debt. Net borrowings for debt affordability are defined as borrowings less cash and cash equivalents.

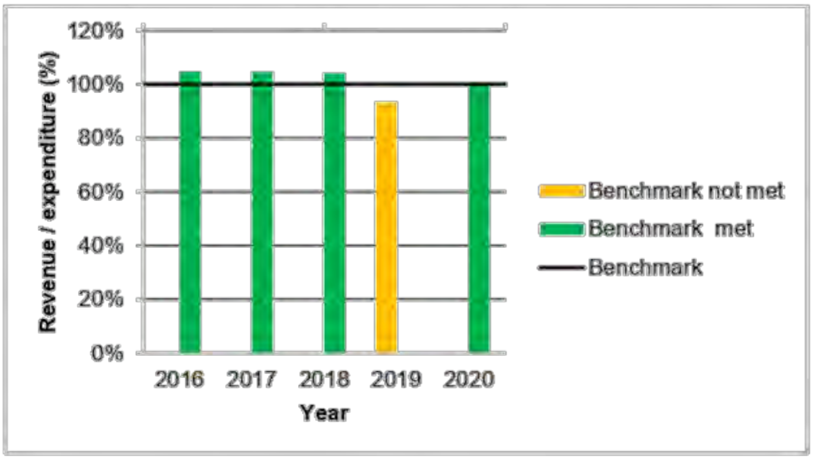


Balanced budget benchmark

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The council meets this benchmark if its revenue equals or is greater than its operating expenses.

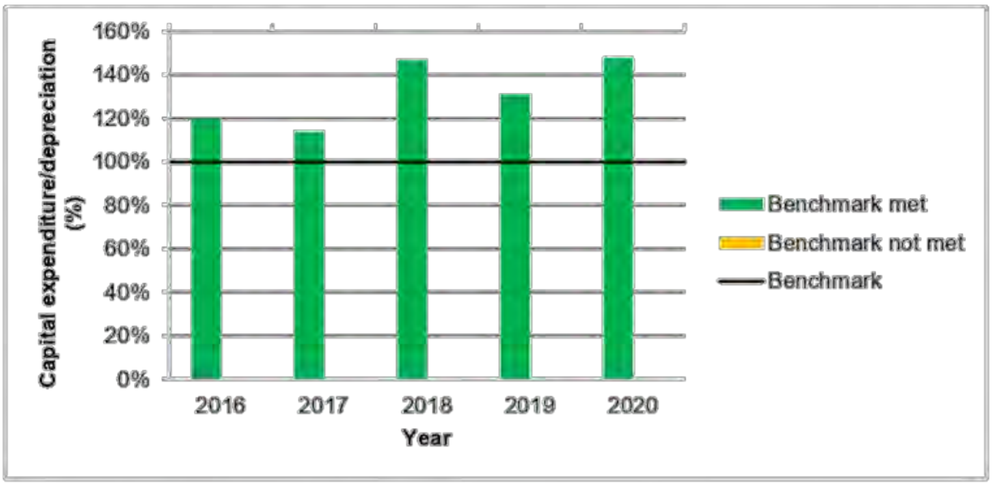
For the purposes of this benchmark, impairments, which represent a non-cash movement in the valuation of assets, were included in the calculation. These unbudgeted impairments represent asset valuation movements relating to Civic Precinct buildings as disclosed in the financial statements. For 2017, 2019 and 2020 impairments of $11.446m, $50.603m and $10.183m were included in the calculation. If these were excluded, the benchmarks for 2017, 2019 and 2020 would be 107 percent, 102 percent and 103 percent respectively.



Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

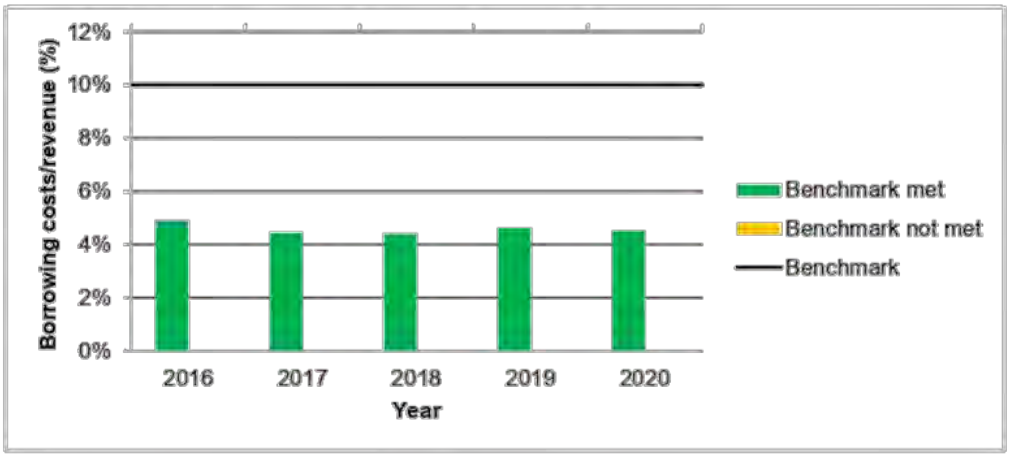
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the council's population will grow as fast as the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 percent of its revenue.

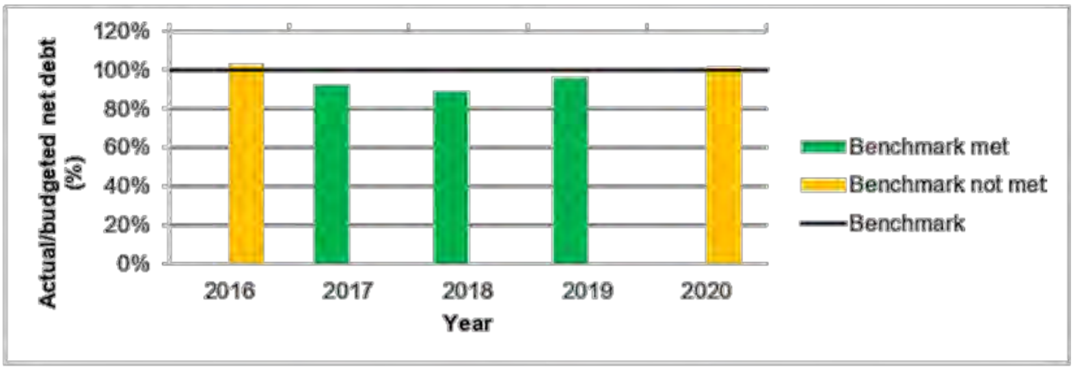


Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

The calculation of net debt in this benchmark includes derivative (non-cash) financial instruments, predominantly cash flow hedges. The 2019/20 net debt was impacted by the valuation of the Council's cash flow hedge liabilities being higher than planned as a result of interest rate volatility during the financial year. Actual net borrowings at $647.4m were lower than planned net borrowings of $672.3m.

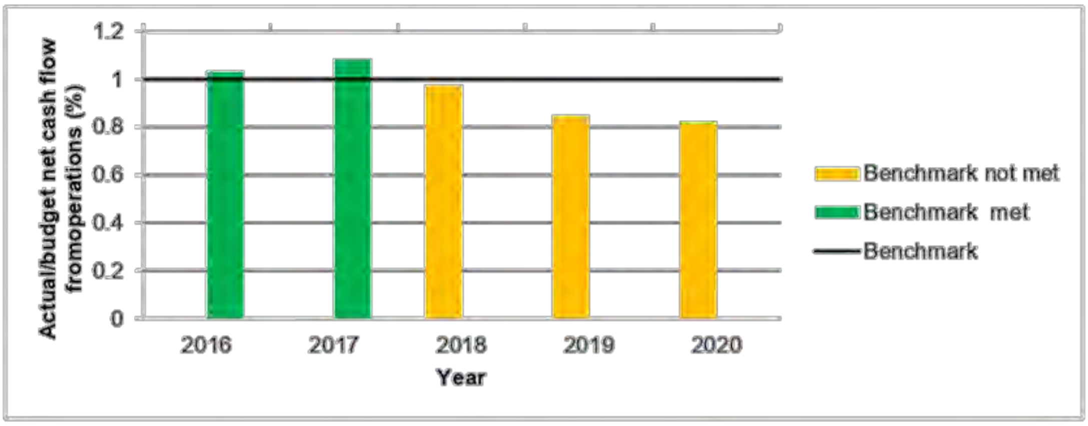


Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

A number of assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with variances in the 2017/18, 2018/19 and 2019/20 years explained by the timing difference in the receipt of revenues compared to budget that lead to the "not met" outcome for this measure. In 2019/20 there were also significant revenue losses due to the COVID-19 lockdown which would have impacted this measure.



Funding impact statements (to be updated)

Annual report disclosure statement for year ending 30 June 2021

What is the purpose of these statements?

An annual report must include an audited funding impact statement for the financial year to which the report relates. The purpose of the Funding impact statements is to disclose the amount of funds produced from each source of funding, identify how the funds were applied and compare this information against the information included in the LTP.

One statement is prepared for the whole of Council's activities and individual statements are prepared for each strategic activity.

The application of capital funding is summarised in an additional table on pg XX

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Funding impact statement for 1 July 2019 to 30 June 2020 for Whole of Council

	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	176,468	176,119	185,248	188,020	185,379
Targeted rates	134,237	133,768	139,499	137,837	136,642
Subsidies and grants for operating purposes	6,673	9,214	6,682	7,862	8,034
Fees and charges	146,430	134,274	149,063	150,153	165,001
Interest and Dividends from investments	12,994	17,188	14,659	14,659	14,399
Local authorities fuel tax, fines, infringement fees, and other receipts	8,850	8,291	8,774	8,547	7,770
Total operating funding (A)	**485,652**	**478,854**	**503,925**	**507,078**	**517,225**
Applications of operating funding					
Payments to staff and suppliers	327,074	335,275	334,718	350,791	345,533
Finance costs	24,918	25,411	30,902	24,902	26,234
Internal charges and overheads applied	39,276	34,469	41,084	42,125	31,447
Internal charges and overheads recovered	(39,276)	(34,469)	(41,084)	(42,125)	(31,447)
Other operating funding applications	39,042	42,094	43,068	56,764	48,058
Total applications of operating funding (B)	**391,034**	**402,780**	**408,688**	**432,457**	**419,826**
Surplus (deficit) of operating funding (A - B)	**94,618**	**76,074**	**95,237**	**74,621**	**97,399**
Sources of capital funding					
Subsidies and grants for capital expenditure	34,035	31,311	23,700	25,993	27,349
Development and financial contributions	2,000	2,898	2,000	2,000	3,567
Increase (decrease) in debt	94,144	69,985	106,552	138,419	96,420
Gross proceeds from sales of assets	2,000	820	12,000	13,000	18,786
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**132,179**	**105,014**	**144,252**	**179,411**	**146,122**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	1,843	1,775	261	1,078	5,008
- to improve the level of service	109,488	72,685	117,486	102,099	83,477
- to replace existing assets	131,989	97,242	112,156	137,275	124,623
Increase (decrease) in reserves	(16,523)	9,386	9,586	13,580	30,414
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**226,797**	**181,088**	**239,489**	**254,032**	**243,522**
Surplus (deficit) of capital funding (C - D)	**(94,618)**	**(76,074)**	**(95,237)**	**(74,621)**	**(97,399)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**117,158**	**115,423**	**121,962**	**124,573**	**117,270**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Governance, Information and Engagement

1.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	17,209	17,209	17,751	18,690	18,690
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	535	511	924	894	766
Internal charges and overheads recovered	-	2	-	-	44
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**17,744**	**17,722**	**18,675**	**19,584**	**19,500**
Applications of operating funding					
Payments to staff and suppliers	10,416	9,868	11,483	12,186	11,263
Finance costs	15	14	19	15	15
Internal charges and overheads applied	7,262	7,692	7,143	7,358	8,141
Other operating funding applications	10	11	10	10	76
Total applications of operating funding (B)	**17,703**	**17,585**	**18,655**	**19,569**	**19,495**
Surplus (deficit) of operating funding (A - B)	**41**	**137**	**20**	**15**	**5**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	10	(37)	103	107	31
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**10**	**(37)**	**103**	**107**	**31**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	51	-	123	123	48
Increase (decrease) in reserves	-	100	-	(1)	(12)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**51**	**100**	**123**	**122**	**36**
Surplus (deficit) of capital funding (C - D)	**(41)**	**(137)**	**(20)**	**(15)**	**(5)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**41**	**37**	**20**	**15**	**17**

Funding impact statement for 1 July 2019 to 30 June 2020 for Maori and Mana Whenua partnerships

1.2	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	306	306	314	316	316
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	-	45	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**306**	**351**	**314**	**316**	**316**
Applications of operating funding					
Payments to staff and suppliers	277	327	283	283	278
Finance costs	1	1	1	1	1
Internal charges and overheads applied	16	31	16	16	25
Other operating funding applications	10	-	10	10	-
Total applications of operating funding (B)	**304**	**359**	**310**	**310**	**304**
Surplus (deficit) of operating funding (A - B)	**2**	**(8)**	**4**	**6**	**12**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(2)	(2)	(4)	(6)	(3)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**(2)**	**(2)**	**(4)**	**(6)**	**(3)**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	-	(10)	-	-	9
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**-**	**(10)**	**-**	**-**	**9**
Surplus (deficit) of capital funding (C - D)	**(2)**	**8**	**(4)**	**(6)**	**(12)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**2**	**2**	**4**	**2**	**3**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Gardens, beaches and green open spaces

2.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	38,056	38,056	40,308	40,551	40,551
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	966	1,133	969	969	1,153
Fees and charges	2,097	2,281	2,119	2,027	1,852
Internal charges and overheads recovered	5,719	4,834	6,022	5,900	4,286
Local authorities fuel tax, fines, infringement fees, and other receipts	-	1	-	-	7
Total operating funding (A)	**46,838**	**46,305**	**49,418**	**49,447**	**47,849**
Applications of operating funding					
Payments to staff and suppliers	22,553	23,144	24,049	24,040	22,364
Finance costs	2,818	2,136	3,446	2,978	2,013
Internal charges and overheads applied	14,454	14,465	14,851	15,041	13,551
Other operating funding applications	165	165	166	114	186
Total applications of operating funding (B)	**39,990**	**39,910**	**42,512**	**42,173**	**38,114**
Surplus (deficit) of operating funding (A - B)	**6,848**	**6,395**	**6,906**	**7,274**	**9,735**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	18	-	-	443
Development and financial contributions	183	400	183	183	519
Increase (decrease) in debt	(314)	1,224	(1,081)	1,428	(399)
Gross proceeds from sales of assets	-	50	-	-	
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**(131)**	**1,692**	**(898)**	**1,611**	**563**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	3,675	3,840	3,042	3,503	2,175
- to replace existing assets	3,042	2,605	2,966	5,381	3,167
Increase (decrease) in reserves	-	1,642	-	1	4,956
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**6,717**	**8,087**	**6,008**	**8,885**	**10,298**
Surplus (deficit) of capital funding (C - D)	**(6,848)**	**(6,395)**	**(6,906)**	**(7,274)**	**(9,735)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**6,670**	**8,632**	**6,906**	**7,274**	**8,097**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Waste reduction and energy conservation

2.2	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	708	708	727	718	718
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	25	-	-	-
Fees and charges	15,833	16,347	16,500	16,722	20,105
Internal charges and overheads recovered	-	252	-	-	334
Local authorities fuel tax, fines, infringement fees, and other receipts	-	1	-	-	-
Total operating funding (A)	**16,541**	**17,333**	**17,227**	**17,440**	**21,157**
Applications of operating funding					
Payments to staff and suppliers	14,104	17,259	14,669	15,458	17,509
Finance costs	742	739	773	749	1,235
Internal charges and overheads applied	1,054	1,612	1,019	1,046	692
Other operating funding applications	180	98	180	180	276
Total applications of operating funding (B)	**16,080**	**19,708**	**16,641**	**17,433**	**19,713**
Surplus (deficit) of operating funding (A - B)	**461**	**(2,375)**	**586**	**7**	**1,445**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	(77)	-	-	176
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	5,201	3,578	7,763	5,350	(27)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**5,201**	**3,501**	**7,763**	**5,350**	**149**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	
- to improve the level of service	-	-	-	-	-
- to replace existing assets	5,662	1,396	8,349	5,358	2,059
Increase (decrease) in reserves	-	(270)	-	(1)	(466)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**5,662**	**1,126**	**8,349**	**5,357**	**1,593**
Surplus (deficit) of capital funding (C - D)	**(461)**	**2,375**	**(586)**	**(7)**	**(1,445)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**461**	**640**	**586**	**651**	**890**

Funding impact statement for 1 July 2019 to 30 June 2020 for Water					
2.3	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	45,330	45,330	46,941	47,027	47,027
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	37	61	38	38	70
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**45,367**	**45,391**	**46,979**	**47,065**	**47,097**
Applications of operating funding					
Payments to staff and suppliers	25,783	25,731	27,473	27,632	28,581
Finance costs	2,342	2,152	2,946	2,267	2,275
Internal charges and overheads applied	1,923	2,268	1,980	1,978	2,909
Other operating funding applications	-	-	-	-	2
Total applications of operating funding (B)	**30,048**	**30,151**	**32,399**	**31,877**	**33,767**
Surplus (deficit) of operating funding (A - B)	**15,319**	**15,240**	**14,580**	**15,188**	**13,330**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	671	677	671	671	714
Increase (decrease) in debt	2,436	(2,963)	8,696	6,156	6,859
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**3,107**	**(2,286)**	**9,367**	**6,827**	**7,573**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	9,553	4,665	17,216	14,260	13,812
- to replace existing assets	8,873	7,504	6,731	7,756	8,608
Increase (decrease) in reserves	-	785	-	(1)	(1,517)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**18,426**	**12,954**	**23,947**	**22,015**	**20,903**
Surplus (deficit) of capital funding (C - D)	**(15,319)**	**(15,240)**	**(14,580)**	**(15,188)**	**(13,330)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**15,319**	**14,456**	**14,580**	**15,189**	**14,847**

Funding impact statement for 1 July 2019 to 30 June 2020 for Wastewater					
2.4	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	43,333	43,333	45,194	44,337	44,337
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	1,237	1,059	1,267	1,267	1,190
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**44,570**	**44,392**	**46,461**	**45,604**	**45,527**
Applications of operating funding					
Payments to staff and suppliers	23,205	21,431	23,848	24,325	33,830
Finance costs	4,046	3,865	4,760	4,002	4,028
Internal charges and overheads applied	5,095	6,770	5,220	5,217	7,928
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	**32,346**	**32,066**	**33,828**	**33,544**	**45,786**
Surplus (deficit) of operating funding (A - B)	**12,224**	**12,326**	**12,633**	**12,060**	**(259)**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	245	-	-	1
Development and financial contributions	549	720	549	549	864
Increase (decrease) in debt	(4,035)	(3,015)	(3,316)	(2,322)	21,125
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**(3,486)**	**(2,050)**	**(2,767)**	**(1,773)**	**21,990**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	3,406	3,439	901	901	746
- to replace existing assets	5,332	6,068	8,965	9,387	22,866
Increase (decrease) in reserves	-	769	-	(1)	(1,881)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**8,738**	**10,276**	**9,866**	**10,287**	**21,731**
Surplus (deficit) of capital funding (C - D)	**(12,224)**	**(12,326)**	**(12,633)**	**(12,060)**	**259**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**14,134**	**13,467**	**14,543**	**14,134**	**13,572**

Funding impact statement for 1 July 2019 to 30 June 2020 for Stormwater					
2.5	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	19,097	19,097	20,359	19,420	19,420
Subsidies and grants for operating purposes	153	127	153	153	120
Fees and charges	10	4	10	10	1
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**19,260**	**19,228**	**20,522**	**19,583**	**19,541**
Applications of operating funding					
Payments to staff and suppliers	6,973	6,842	7,223	7,363	6,672
Finance costs	2,493	2,339	3,136	2,443	2,522
Internal charges and overheads applied	1,857	2,185	1,924	1,919	2,535
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	**11,323**	**11,366**	**12,283**	**11,725**	**11,729**
Surplus (deficit) of operating funding (A - B)	**7,937**	**7,862**	**8,239**	**7,858**	**7,812**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	58	55	58	58	89
Increase (decrease) in debt	3,343	1,503	1,050	1,608	(3,766)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**3,401**	**1,558**	**1,108**	**1,666**	**(3,677)**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	7,729	3,151	902	902	209
- to replace existing assets	3,609	5,906	8,445	8,622	3,756
Increase (decrease) in reserves	-	363	-	-	170
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**11,338**	**9,420**	**9,347**	**9,524**	**4,135**
Surplus (deficit) of capital funding (C - D)	**(7,937)**	**(7,862)**	**(8,239)**	**(7,858)**	**(7,812)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**7,937**	**7,499**	**8,239**	**7,858**	**7,642**

Absolutely Positively **Wellington** City Council
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Funding impact statement for 1 July 2019 to 30 June 2020 for Conservation attractions

2.6	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	6,829	6,829	7,001	6,927	6,927
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	-	2	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**6,829**	**6,831**	**7,001**	**6,927**	**6,927**
Applications of operating funding					
Payments to staff and suppliers	171	179	174	177	176
Finance costs	627	604	689	632	578
Internal charges and overheads applied	-	1	-	-	-
Other operating funding applications	4,327	4,327	4,438	4,438	4,942
Total applications of operating funding (B)	**5,125**	**5,111**	**5,301**	**5,247**	**5,696**
Surplus (deficit) of operating funding (A - B)	**1,704**	**1,720**	**1,700**	**1,680**	**1,231**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	475	475	720
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(554)	236	(217)	(197)	(1,265)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**(554)**	**236**	**258**	**278**	**(545)**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	133
- to replace existing assets	1,150	1,896	1,076	1,076	1,056
Increase (decrease) in reserves	-	60	882	882	(503)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**1,150**	**1,956**	**1,958**	**1,958**	**686**
Surplus (deficit) of capital funding (C - D)	**(1,704)**	**(1,720)**	**(1,700)**	**(1,680)**	**(1,231)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**1,704**	**1,660**	**1,700**	**1,681**	**1,735**

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Funding impact statement for 1 July 2019 to 30 June 2020 for City promotions and business support

3.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	4,865	4,865	4,701	5,615	5,615
Targeted rates	14,160	14,160	14,318	15,006	15,006
Subsidies and grants for operating purposes	-	748	-	-	52
Fees and charges	14,643	346	14,953	14,953	281
Internal charges and overheads recovered	-	35	-	-	0
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**33,668**	**20,154**	**33,972**	**35,574**	**20,954**
Applications of operating funding					
Payments to staff and suppliers	17,784	3,838	18,279	**18,555**	3,524
Finance costs	1,323	1,013	2,124	1,239	1,108
Internal charges and overheads applied	1,292	893	1,342	1,368	554
Other operating funding applications	14,252	14,384	14,547	14,593	14,488
Total applications of operating funding (B)	**34,651**	**20,128**	**36,292**	**35,755**	**19,674**
Surplus (deficit) of operating funding (A - B)	**(983)**	**26**	**(2,320)**	**(181)**	**1,280**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	753	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	4,340	(323)	4,168	3,270	5,296
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**4,340**	**430**	**4,168**	**3,270**	**5,296**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	3,357	738	511	3,089	1,111
Increase (decrease) in reserves	-	(282)	1,337	-	5,465
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**3,357**	**456**	**1,848**	**3,089**	**6,576**
Surplus (deficit) of capital funding (C - D)	**983**	**(26)**	**2,320**	**181**	**(1,280)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**1,713**	**1,808**	**1,829**	**2,352**	**1,734**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Arts and Culture activities

4.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	15,761	15,761	15,632	15,876	15,876
Targeted rates	5,979	5,979	5,927	5,688	5,688
Subsidies and grants for operating purposes	424	99	424	424	105
Fees and charges	602	711	606	606	533
Internal charges and overheads recovered	-	-	-	-	1
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**22,766**	**22,550**	**22,589**	**22,594**	**22,203**
Applications of operating funding					
Payments to staff and suppliers	6,359	5,954	5,975	7,160	4,473
Finance costs	260	270	263	251	246
Internal charges and overheads applied	1,385	1,516	1,392	1,414	1,451
Other operating funding applications	14,012	14,768	14,214	13,063	15,560
Total applications of operating funding (B)	**22,016**	**22,508**	**21,844**	**21,888**	**21,730**
Surplus (deficit) of operating funding (A - B)	**750**	**42**	**745**	**706**	**473**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	156	4,573	15,242	16,236	22,894
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**156**	**4,573**	**15,242**	**16,236**	**22,894**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	759	4,130	15,987	16,942	23,540
- to replace existing assets	147	15	-	-	(4)
Increase (decrease) in reserves	-	470	-	-	(169)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**906**	**4,615**	**15,987**	**16,942**	**23,367**
Surplus (deficit) of capital funding (C - D)	**(750)**	**(42)**	**(745)**	**(706)**	**(473)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**750**	**760**	**745**	**706**	**749**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Recreation promotion and support

5.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	29,449	29,449	29,576	29,856	29,856
Targeted rates	1,330	1,330	1,419	1,406	1,406
Subsidies and grants for operating purposes	184	203	191	171	133
Fees and charges	11,557	11,770	11,854	12,076	9,036
Internal charges and overheads recovered	1,076	1,158	1,133	1,096	1,452
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**43,596**	**43,910**	**44,173**	**44,605**	**41,883**
Applications of operating funding					
Payments to staff and suppliers	20,365	20,319	20,747	20,981	20,214
Finance costs	2,748	2,651	2,875	2,772	2,475
Internal charges and overheads applied	11,308	11,949	11,352	11,394	12,146
Other operating funding applications	864	840	727	877	848
Total applications of operating funding (B)	**35,285**	**35,759**	**35,701**	**36,024**	**35,683**
Surplus (deficit) of operating funding (A - B)	**8,311**	**8,151**	**8,472**	**8,581**	**6,200**
Sources of capital funding					
Subsidies and grants for capital expenditure	50	-	700	700	178
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(434)	(1,984)	2,520	4,243	9,060
Gross proceeds from sales of assets	-	7	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**(384)**	**(1,977)**	**3,220**	**4,943**	**9,238**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	646	48	387	640	59
- to replace existing assets	7,281	7,140	11,305	12,882	14,840
Increase (decrease) in reserves	-	(1,014)	-	2	539
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**7,927**	**6,174**	**11,692**	**13,524**	**15,438**
Surplus (deficit) of capital funding (C - D)	**(8,311)**	**(8,151)**	**(8,472)**	**(8,581)**	**(6,200)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**8,311**	**9,166**	**8,472**	**8,578**	**8,105**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Community support

5.2	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	26,086	26,086	27,202	26,677	26,677
Targeted rates	5,008	5,008	5,341	4,953	4,953
Subsidies and grants for operating purposes	-	19	-	-	(1)
Fees and charges	23,761	24,334	24,385	23,572	27,009
Internal charges and overheads recovered	450	459	474	601	352
Local authorities fuel tax, fines, infringement fees, and other receipts	545	322	469	242	195
Total operating funding (A)	**55,850**	**56,228**	**57,871**	**56,045**	**59,185**
Applications of operating funding					
Payments to staff and suppliers	28,136	40,017	29,176	33,237	29,267
Finance costs	(888)	(1,025)	(757)	(1,027)	(1,076)
Internal charges and overheads applied	13,714	14,117	13,932	13,451	14,497
Other operating funding applications	4,582	4,340	4,636	18,787	5,513
Total applications of operating funding (B)	**45,544**	**57,449**	**46,987**	**64,448**	**48,201**
Surplus (deficit) of operating funding (A - B)	**10,306**	**(1,221)**	**10,884**	**(8,403)**	**10,984**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	500	-
Development and financial contributions	-	26	-	-	19
Increase (decrease) in debt	19,093	23,211	5,736	26,104	(11,828)
Gross proceeds from sales of assets	-	-	-	1,000	14,000
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**19,093**	**23,237**	**5,736**	**27,604**	**2,191**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	13,978	13,260	3,877	3,923	4,480
- to replace existing assets	15,421	7,879	12,743	15,278	9,496
Increase (decrease) in reserves	-	877	-	-	(801)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**29,399**	**22,016**	**16,620**	**19,201**	**13,175**
Surplus (deficit) of capital funding (C - D)	**(10,306)**	**1,221**	**(10,884)**	**8,403**	**(10,984)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**16,624**	**17,144**	**18,009**	**19,646**	**17,982**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Public health and safety

5.3	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	12,246	12,246	12,687	12,684	12,684
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	14	-	-	11
Fees and charges	4,440	4,106	4,533	4,574	4,434
Internal charges and overheads recovered	705	583	742	722	630
Local authorities fuel tax, fines, infringement fees, and other receipts	79	23	79	79	23
Total operating funding (A)	**17,470**	**16,972**	**18,041**	**18,059**	**17,782**
Applications of operating funding					
Payments to staff and suppliers	9,418	9,572	9,748	9,782	9,794
Finance costs	135	134	170	143	144
Internal charges and overheads applied	6,669	6,401	6,790	6,739	6,500
Other operating funding applications	54	80	54	54	470
Total applications of operating funding (B)	**16,276**	**16,187**	**16,762**	**16,718**	**16,908**
Surplus (deficit) of operating funding (A - B)	**1,194**	**785**	**1,279**	**1,341**	**874**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	1,172	486	977	2,151	1,923
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**1,172**	**486**	**977**	**2,151**	**1,923**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	603	271	260	1,256	2,020
- to replace existing assets	1,763	1,427	1,996	2,236	756
Increase (decrease) in reserves	-	(427)	-	-	21
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**2,366**	**1,271**	**2,256**	**3,492**	**2,797**
Surplus (deficit) of capital funding (C - D)	**(1,194)**	**(785)**	**(1,279)**	**(1,341)**	**(874)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**1,194**	**1,212**	**1,279**	**1,340**	**1,217**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Urban planning, heritage and public spaces development

6.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	11,044	11,044	9,363	11,072	11,072
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	(10)	-	-	-
Fees and charges	21	173	22	22	280
Internal charges and overheads recovered	309	(1)	264	220	396
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	**11,374**	**11,206**	**9,649**	**11,314**	**11,748**
Applications of operating funding					
Payments to staff and suppliers	7,961	6,813	6,203	6,881	7,284
Finance costs	15	15	19	16	16
Internal charges and overheads applied	2,907	2,925	2,896	3,328	3,101
Other operating funding applications	450	285	450	1,000	894
Total applications of operating funding (B)	**11,333**	**10,038**	**9,568**	**11,225**	**11,295**
Surplus (deficit) of operating funding (A - B)	**41**	**1,168**	**81**	**89**	**453**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	12,222	6,000	4,208	10,508	3,171
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**12,222**	**6,000**	**4,208**	**10,508**	**3,171**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	1,585	1,219	-	815	13
- to improve the level of service	8,841	3,394	2,549	7,472	506
- to replace existing assets	1,837	1,433	1,740	2,310	2,731
Increase (decrease) in reserves	-	1,122	-	-	374
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**12,263**	**7,168**	**4,289**	**10,597**	**3,624**
Surplus (deficit) of capital funding (C - D)	**(41)**	**(1,168)**	**(81)**	**(89)**	**(453)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**41**	**46**	**81**	**89**	**78**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Building and development control

6.2	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	7,466	7,466	8,363	8,790	8,790
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	4
Fees and charges	13,210	13,711	12,598	14,161	11,967
Internal charges and overheads recovered	191	-	201	201	160
Local authorities fuel tax, fines, infringement fees, and other receipts	24	10	24	24	7
Total operating funding (A)	**20,891**	**21,187**	**21,186**	**23,176**	**20,928**
Applications of operating funding					
Payments to staff and suppliers	12,549	12,484	12,925	14,495	16,133
Finance costs	2	-	3	1	-
Internal charges and overheads applied	8,165	7,797	8,177	8,599	9,550
Other operating funding applications	35	209	35	35	(4)
Total applications of operating funding (B)	**20,751**	**20,490**	**21,140**	**23,130**	**25,679**
Surplus (deficit) of operating funding (A - B)	**140**	**697**	**46**	**46**	**(4,751)**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	31,867	8,431	44,625	32,979	22,587
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**31,867**	**8,431**	**44,625**	**32,979**	**22,587**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	4,942
- to improve the level of service	19,090	6,698	44,054	19,146	8,336
- to replace existing assets	12,917	1,866	617	13,879	9,070
Increase (decrease) in reserves	-	564	-	-	(4,512)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**32,007**	**9,128**	**44,671**	**33,025**	**17,836**
Surplus (deficit) of capital funding (C - D)	**(140)**	**(697)**	**(46)**	**(46)**	**4,751**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**140**	**132**	**46**	**45**	**32**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Transport

7.1	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	39,479	39,479	46,852	43,851	43,851
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	4,946	6,828	4,945	5,670	6,452
Fees and charges	2,215	3,576	2,253	2,657	3,063
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	2
Total operating funding (A)	**46,640**	**49,883**	**54,050**	**52,178**	**53,368**
Applications of operating funding					
Payments to staff and suppliers	16,013	17,350	16,372	18,060	17,821
Finance costs	6,491	5,930	8,238	6,634	6,375
Internal charges and overheads applied	7,515	7,682	7,706	8,527	7,590
Other operating funding applications	-	(9)	2,500	2,500	5
Total applications of operating funding (B)	**30,019**	**30,953**	**34,816**	**35,721**	**31,791**
Surplus (deficit) of operating funding (A - B)	**16,621**	**18,930**	**19,234**	**16,457**	**21,577**
Sources of capital funding					
Subsidies and grants for capital expenditure	26,110	30,370	16,931	24,506	25,815
Development and financial contributions	539	1,019	539	539	1,362
Increase (decrease) in debt	30,031	7,849	16,843	16,383	6,919
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**56,680**	**39,238**	**34,313**	**41,428**	**34,096**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	258	130	261	263	52
- to improve the level of service	38,317	19,206	22,834	24,635	19,659
- to replace existing assets	34,726	34,156	30,452	32,986	29,187
Increase (decrease) in reserves	-	4,676	-	1	6,775
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**73,301**	**58,168**	**53,547**	**57,885**	**55,673**
Surplus (deficit) of capital funding (C - D)	**(16,621)**	**(18,930)**	**(19,234)**	**(16,457)**	**(21,577)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**32,840**	**29,012**	**34,629**	**34,688**	**30,555**

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Funding impact statement for 1 July 2019 to 30 June 2020 for Parking					
7.2	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	(15,474)	(15,474)	(17,545)	(16,089)	(16,089)
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	23,821	23,080	26,135	25,206	21,473
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	7,102	6,795	7,102	7,102	6,539
Total operating funding (A)	**15,449**	**14,401**	**15,692**	**16,219**	**11,923**
Applications of operating funding					
Payments to staff and suppliers	11,044	11,271	11,224	12,082	11,509
Finance costs	18	13	23	18	10
Internal charges and overheads applied	3,581	3,716	3,584	3,712	3,996
Other operating funding applications	1	(364)	1	1	(53)
Total applications of operating funding (B)	**14,644**	**14,636**	**14,832**	**15,813**	**15,462**
Surplus (deficit) of operating funding (A - B)	**805**	**(235)**	**860**	**406**	**(3,539)**
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	219	27	(673)	(182)	5,195
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	**219**	**27**	**(673)**	**(182)**	**5,195**
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	171	48	130	133	92
- to replace existing assets	853	773	57	91	100
Increase (decrease) in reserves	-	(1,029)	-	-	1,464
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	**1,024**	**(208)**	**187**	**224**	**1,656**
Surplus (deficit) of capital funding (C - D)	**(805)**	**235**	**(860)**	**(406)**	**3,539**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**
Expenses for this activity grouping include the following depreciation/amortisation charge	**805**	**794**	**860**	**906**	**819**

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Capital Expenditure by Strategy

Strategy	2018/19 LTP $000	2018/19 Actual $000	2019/20 LTP $000	2019/20 AP $000	2019/20 Actual $000
Governance:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	51	-	123	123	48
Governance Total	**51**	**-**	**123**	**123**	**48**
Environment:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	24,363	15,095	23,138	20,643	17,075
- to replace existing assets	27,668	25,376	36,338	37,385	41,512
Environment Total	**52,031**	**40,471**	**59,477**	**58,028**	**58,587**
Economic Development:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	510	-	-
- to replace existing assets	3,357	738	1,337	3,089	1,111
Economic Development Total	**3,357**	**738**	**1,847**	**3,089**	**1,111**
Cultural Well-being					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	759	4,130	15,987	16,941	23,540
- to replace existing assets	147	15	0	-	(4)
Cultural Wellbeing Total	**906**	**4,145**	**15,987**	**16,941**	**23,536**
Social and Recreation:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	15,227	13,580	4,524	5,820	6,559
- to replace existing assets	24,465	16,446	26,045	30,394	25,092
Social and Recreation Total	**39,692**	**30,025**	**30,569**	**36,214**	**31,651**
Urban Development:					
- to meet additional demand	1,585	1,219		815	4,956
- to improve the level of service	27,931	10,092	46,602	26,617	8,842
- to replace existing assets	14,754	3,299	2,358	16,189	11,801
Urban Development Total	**44,270**	**14,610**	**48,960**	**43,621**	**25,599**
Transport:					
- to meet additional demand	258	130	261	263	52
- to improve the level of service	38,488	19,254	22,964	24,767	19,751
- to replace existing assets	35,579	34,929	30,510	33,077	29,287
Transport Total	**74,325**	**54,313**	**53,735**	**58,107**	**49,090**
Council organisation					
- to meet additional demand	-	425		-	-
- to improve the level of service	2,720	10,535	3,760	7,310	7,710
- to replace existing assets	25,968	16,441	15,448	17,019	15,776
Council organisation Total	**28,688**	**27,401**	**19,208**	**24,329**	**23,486**
Total Council:					
- to meet additional demand	1,843	1,775	261	1,078	5,008
- to improve the level of service	109,488	72,685	117,486	102,099	83,477
- to replace existing assets	131,989	97,242	112,158	137,275	124,623
TOTAL COUNCIL	**243,320**	**171,702**	**229,905**	**240,452**	**213,108**

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

HEALTH AND SAFETY REPORT

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to review the Council's health and safety performance for the period 1 July 2020 to 31 December 2020.
2. The Report provides information that aligns with the Officer due diligence responsibilities under the Health and Safety at Work Act 2015 (HSWA), specifically having:
   - Knowledge of work health and safety matters
   - An understanding of the nature of operations and the hazards and associated risks
   - Appropriate resources and processes to eliminate or minimise risk
   - Appropriate resources to receive and consider information
   - Verification of the provision and use of resources and processes
   - Processes for compliance with duties or obligations under the HSWA.

Summary

3. This report comprises qualitative commentary on activities that have occurred in the last six months, and are presented in three categories;
   - Risks
   - Relationships
   - Resources.

Recommendation/s

That the Finance, Audit and Risk Subcommittee:

1. Receive the information.
2. Recommend to the Strategy and Policy Committee to receive the information on the 18th March, 2021.

Risks

Risk Profiles

5. The Council's Safety, Security and Wellbeing team focusses on the Council's top nine priority hazard/risk controls, as presented to FARS previously. The top nine risks are shown below and defined by potential consequence and likelihood.

#	Risk
1	Personal Confrontation
2	Work at Height
3	Vehicle Traffic Mobile Equipment
4	Health and Impairment
5	Asset Failure
6	Work with or in the Vicinty of Services
7	Extreme Natural Events
8	Work Related Health Hazards
9	Ignition Sources

Specific Areas of Risk

6. The following summarises key pieces of work that have occurred in the last six months as the Council continues to manage the risks associated with specific hazard categories. This work is both good health and safety practice and assists the Council to meet our legal obligations under the Health & Safety at Work Act 2015 (HSWA) and Local Government Act 2002 (good employer).

Bowtie Risk Assessments

7. Two bowtie risk assessments have been undertaken during this reporting period; 'Ignition Sources' in October and 'Personal Confrontation' in December. Both risk profiles assessed have combinations of controls that are either fully in place and working or partially in place. Involving workers across the Council enables new ideas around how to control the risk. Where controls are partially in place it has been added to the Safety Security and Wellbeing team's annual work programme to improve the control environment and further reduce the risk.

External Health and Safety Reviews

8. A full ACC audit was undertaken in September 2020 looking at both Injury and Safety Management audit standards. The external Auditor recommended that WCC maintain tertiary level status, which is the highest level to achieve under the framework. Minor changes will be made to injury and management related processes internally.

   An external review is scheduled to occur in Q1 2021 in place of the Safe Plus review. This will follow set terms of reference to review our current safety management systems and operating model. Further information will be detailed in future reporting periods.

Health and Safety Assurance

9. The Safety, Security and Wellbeing team continue to utlise the Health and Safety Assurance Framework document aligned to the Council's Assurance Framework. The document has provided the team and organisation with an easy visual means of engaging with applicable stakeholders to understand what Health and Safety assurance activity is undertaken and provided within specific assurance areas i.e. Day to day operations, Strategic and priority Risk Categories, Culture and Other on-going assurance activities; and in relation to Assurance framework 'Lines of Defence'.

Critical Hazard Collaboration Group

10. During this reporting period the Safety Security and Wellbeing team continued facilitating Critical Hazard Collaborations. These group sessions involved key influencers internally and externally, working together to better understand and recognise opportunities to improve how we manage our top nine hazards through innovation, information sharing and process improvement. The group have met once during this reporting period to discuss 'confined spaces'.

Incident Investigations

11. In this six-month reporting period, 10 incident reports were of a high or extreme risk nature or resulted in significant harm (lost time injury). These incidents are detailed within section 5 of the Health and Safety Performance Report.

Local Government Official Information and Meetings Act 1987 (LGOIMA)

12. No requests were made during this reporting period.

Relationships

Construction Client Group

13. Council have continued to participate in the Construction Clients' Group forums in this reporting period, with the majority occurring virtually. This is a national forum that brings stakeholders together to deliver consistent practice for the health and safety across the construction and infrastructure industries. The forum provides WCC with an opportunity to network and have access to national and internationally recognised practices. Of particular interest to the Council is improved practice and systems in relation to Safety (and Health) in Design principles.

Critical Hazard Collaboration Group

14. This format continued during the reporting period with a session held on confined spaces. Contractors that work with the Council from across industry are specifically being invited to meetings of the Council's Critical Hazard Collaboration Group to build our relationships, provide insights from the contractor / worker perspective and to use the opportunity to improve practice for workers.

Government Health & Safety Lead

15. The Council participates in the Government Health and Safety Lead Practitioners' Forum. The forum meets regularly during the year with a focus on specific health, safety, and wellbeing subjects of interest. A recent example is a focus on impairment. The opportunity that presents from being a participant includes strengthening our Safety, Security and Wellbeing system capability, building cross-sector relationships, raise awareness of issues and opportunities, and support sharing of proactive and joined up responses.

Resources

Annual Plan

16. The actions for completion in the Council's 2018/20 Safety, Security and Wellbeing Work Plan are monitored by the Council's Health and Safety Steering Group. There were several actions that had not been fully achieved during the year because of changing focus areas in supporting the organisation with COVID-19 alert levels and staff changes within the Safety Security and Wellbeing team.

17. Some of the key work plan achievements.

- Final bowtie risk assessment completed for all nasty nine critical risks.
- Security maturity review completed using the Protective Security Requirements (WCC is the first Local Government participant).
- Completion of internal audit focused on critical risks (findings to be covered in next FARS reporting period).

External Review

18. Building off external review content (section 8), the current operating model will be assessed to identify if the current model is appropriate for the business and desired health and safety performance levels in Q1 2021.

Mental Health and Wellbeing

19. Building off three key areas identified through engagement sessions in previous reporting periods, we have since undertaken work on further supporting staff including raising awareness of mental distress; training leaders and staff to support others experiencing mental distress; and, developing process transparency in relation to the Council's support mechanisms. The provision of 'Mental Health First Aid' training sessions have continued. An online training tool for Managers on 'Supporting your People' is provided through the Council's Training Portal (Whare Kura).

Elected Members Due Diligence

20. The information below demonstrates Elected Members' performance against due diligence actions for the six months period 1 July 2020 - 31 December 2020.

Legislative Due Diligence Requirement

- Acquire and keep up to date with knowledge of work health and safety matters
- Understand nature of operations and hazards and associated risks
- Appropriate resources and processes to eliminate or minimise risks
- Appropriate resources to receive and consider information
- Verify provision and use of resources and processes
- Have processes for compliance with duty or obligation under the HSWA 2015.

Due Diligence	Actual
Attend one health and safety leadership induction workshop(s) per annum, (e.g. Business Leaders forum; 'Leading Safety' refresher; public Health & Safety Seminars)	The last H&S Leadership workshop for Elected Members on due diligence obligations was held in November 2019. This session was not fully attended. A H&S workshop was held with the Leaders Forum in December 2020 with Elected Members around H&S Leadership. The session was fully attended by ELT members available (one leader unable to attend due to annual leave).
Participate in site/workplace safety observations with an ELT Member	Six planned observations were undertaken involving Councillors. • 29/7/2020 – Councillor Calvert • 27/08/2020 – Councillors Day and Paul • 28/08/2020 – Councillor Free • 23/10/2020 – Councillor Rush • 4/12/2020 – Councillors Pannett, Woolf, Young, Fitzsimons • 9/12/2020 – Councillors Foon and Pannett Seven planned observations were undertaken during the reporting period involving. • 27/08/2020 - CS&G Stephen McArthur • 28/08/2020 – CCO Claire Richardson • 22/09/2020 – CPCO Meredith Blackler • 23/10/2020 – CIO Tom Williams and CPO Liam Hodgetts • 29/10/2020 – CS&G Stephen McArthur • 4/12/2020 – CCO Claire Richardson • 9/12/2020 – CFO Sara Hay.
Oversight and acceptance of Council wide Health and Safety Plan	The Council's 2018/20 Safety, Security and Wellbeing Plan was presented to FARS and SPC in September 2019.
Oversight of Health and Safety Climate survey findings and results	The biennial Health & Safety Climate survey was last undertaken in November 2019 and reported to HSSG *(next scheduled for October 2021).*
Receive and review health and safety information on Council	One Safety Security and Wellbeing report was presented to FARS and SPC for the periods: 1July 2019 to 30 June 2020 (annual report)

health and safety performance through Council's health and safety reporting framework	
Have oversight of the Council's Hazard and Risk Register through annual review process	The Council has nine critical risk categories.

Attachments

Nil.

Author	Gareth Jeune, Manager of Safety, Security and Wellbeing
Authoriser	Meredith Blackler, Chief People and Culture Officer

SUPPORTING INFORMATION

Engagement and Consultation
N/A

Treaty of Waitangi considerations
N/A

Financial implications
N/A

Policy and legislative implications
This information to ELT and Councillors assists them to discharge their Officer due diligence obligations under the Health and Safey at Work Act 2015. As an organisation this supports the obligations to be a good employer under the Local Government Act 2002.

Risks / legal
N/A

Climate Change impact and considerations
N/A

Communications Plan
N/A

Health and Safety Impact considered
N/A

3. Public Excluded

Recommendation

That the Finance, Audit and Risk 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 Health and Safety Performance Report	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.	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 Strategic Risk Profile	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)	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.

	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.	
3.3 Council Debtor Report	7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. 7(2)(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. 7(2)(h) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.	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.