A cover of a magazine

Description automatically generated

Te Pūrongo ā-Tau

Annual Report

2023/24

**Volume 2: Financial Statements for Council and Group**

## Ihirangi | Contents

[Statement of Compliance and Responsibility 4](#_Toc179890276)

[Basis of Reporting 5](#_Toc179890277)

[Reporting entity 5](#_Toc179890278)

[Council and Group structure 6](#_Toc179890279)

[Basis of consolidation 7](#_Toc179890280)

[Basis of preparation 8](#_Toc179890281)

[Other significant accounting policies 8](#_Toc179890282)

[Statement of Comprehensive Revenue and Expense 11](#_Toc179890283)

[Statement of Comprehensive Revenue and Expense - Major budget variations 13](#_Toc179890284)

[Note 1: Rates revenue 14](#_Toc179890285)

[Note 2: Revenue from operating activities 15](#_Toc179890286)

[Note 3: Investment revenue 18](#_Toc179890287)

[Note 4: Vested assets and other revenue 19](#_Toc179890288)

[Note 5: Fair value movements 20](#_Toc179890289)

[Note 6: Finance revenue and expense 21](#_Toc179890290)

[Note 7: Expenditure on operating activities 22](#_Toc179890291)

[Note 8: Depreciation and amortisation 25](#_Toc179890292)

[Note 9: Share of associates’ and joint venture’s surplus/(deficit) 27](#_Toc179890293)

[Note 10: Income tax 27](#_Toc179890294)

[Statement of Financial Position 29](#_Toc179890295)

[Statement of Financial Position - Major budget variations 30](#_Toc179890296)

[Note 11: Cash and cash equivalents 31](#_Toc179890297)

[Note 12: Derivative financial instruments 32](#_Toc179890298)

[Note 13: Receivables and recoverables 34](#_Toc179890299)

[Note 14: Prepayments 37](#_Toc179890300)

[Note 15: Other financial assets 38](#_Toc179890301)

[Note 16: Non-current assets classified as held for sale 42](#_Toc179890302)

[Note 17: Intangibles 44](#_Toc179890303)

[Note 18: Investment properties 46](#_Toc179890304)

[Note 19: Property, plant and equipment 47](#_Toc179890305)

[Note 20: Investment in controlled entities 61](#_Toc179890306)

[Note 21: Investment in associates and joint venture 62](#_Toc179890307)

[Note 22: Exchange transactions, transfers and taxes payable 68](#_Toc179890308)

[Note 23: Deferred revenue 70](#_Toc179890309)

[Note 24: Borrowings 71](#_Toc179890310)

[Note 25: Employee benefit liabilities and provisions 74](#_Toc179890311)

[Note 26: Provisions for other liabilities 75](#_Toc179890312)

[Note 27: Deferred tax 79](#_Toc179890313)

[Statement of Changes in Equity 81](#_Toc179890314)

[Statement of Changes in Equity – Major budget variations 82](#_Toc179890315)

[Note 28: Revaluation reserves 84](#_Toc179890316)

[Note 29: Hedging reserve 86](#_Toc179890317)

[Note 30: Fair value through other comprehensive revenue and expense reserve 87](#_Toc179890318)

[Note 31: Restricted funds 87](#_Toc179890319)

[Statement of Cash Flows 90](#_Toc179890320)

[Statement of Cash Flows – Major budget variations 92](#_Toc179890321)

[Note 32: Reconciliation of cash flows 93](#_Toc179890322)

[Other Disclosures 95](#_Toc179890323)

[Note 33: Financial instruments 95](#_Toc179890324)

[Note 34: Commitments 106](#_Toc179890325)

[Note 35: Contingencies 108](#_Toc179890326)

[Note 36: Joint operations 110](#_Toc179890327)

[Note 37: Related party disclosures 110](#_Toc179890328)

[Note 38: Remuneration and staffing 116](#_Toc179890329)

[Note 39: Events after the end of the reporting period 122](#_Toc179890330)

[Financial Prudence 123](#_Toc179890331)

# Statement of Compliance and Responsibility

### Compliance

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

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE Accounting Standards) for a Tier 1 entity and were authorised for issue by the Wellington City Council on 31 October 2024.

### Responsibility

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

|  |  |  |
| --- | --- | --- |
| **Tory Whanau**  **Mayor** | **Barbara McKerrow**  **Chief Executive** | **Andrea Reeves**  **Chief Strategy and Finance Officer** |
| ­\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  31 October 2024 | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  31 October 2024 | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  31 October 2024 |

# Basis of Reporting

## Reporting entity

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

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

The reported Council figures include the results and operations of the Council’s interests in joint operations as disclosed in *Note 36: Joint operations* (page 110).

The reported Group figures include the Council, the Council’s controlled entities as disclosed in *Note 20: Investment in controlled entities* (page 61) and the Council’s equity accounted interest in the associates and joint venture as disclosed in *Note 21: Investment in associates and joint venture* (page 62). A diagram of the Council and Group is included on page 6.

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

## Council and Group structure

Figure 1: Reporting entity structures



1. *The interest in Let’s Get Wellington Moving (LGWM) represents Council’s overall interest in this joint operation until the arrangement ceased on 31 March 2024.*
2. *Te Toi Mahana was established as a Charitable Trust by the Council in February 2023. It became a registered Community Housing Provider with the Community Housing Regulatory Authority in July 2023. For the purposes of financial reporting, it meets the definition of a controlled entity pursuant to PBE IPSAS 35 Consolidated Financial Statements and therefore requires consolidation into the Group. However, Te Toi Mahana is not a Council-controlled organisation under the LGA 2002.*

These charts represent the Council and Group financial reporting structure.

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

The percentages quoted represent the Council’s interest and/or ownership (for accounting purposes) in each of the entities in the Group. Refer to *Notes 20, 21 and 36* (page 61, 62 and 110) for more information.

## Basis of consolidation

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

### Joint arrangements

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

#### Joint venture

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

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

#### Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For a joint operation the Council reflects its share of any surplus or deficit. The Council’s proportionate interest in the assets, liabilities, revenues, expenses and cash flows of joint operations is included in the financial statements of the Council and Group on a line-by-line basis.

### Controlled entities

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

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

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

### 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, revenues, expenditures and cash flows of associates is included on an equity accounting basis as a single line in the relevant primary statement.

### Other Council and Council-controlled organisations

The Council has established several Council-controlled organisations (CCO) and Council-controlled trading organisations (CCTO) to help it achieve its goals for Wellington. These organisations were set up to independently manage Council facilities or deliver specific services and developments on behalf of Wellington residents. The performance of each CCO is reported on in Volume 1 of the Annual Report in Section 4: Our performance in detail page 36 to 134. The Council has made appointments to other organisations, which make them Council organisations (as defined in the LGA 2002), but they are not Council-controlled or part of the Group for financial reporting purposes (for example, Wellington Regional Stadium Trust).

## Basis of preparation

#### Measurement base

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

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

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

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

## Other significant accounting policies

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

#### Exchange and non-exchange transactions

##### Revenue from exchange transactions

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

##### Revenue from non-exchange transactions

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

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

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

##### Approximately equal value

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

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

#### Foreign currency balances and transactions

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

***Change of accounting policies***

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

#### Changes to PBE accounting standards

##### Standards issued but not yet effective, and not early adopted

* Disclosure of Fees for Audit Firms’ Services (Amendments to *PBE IPSAS 1 – Presentation of financial reports)*

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

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

#### Judgements and estimations

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

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates. The estimates and assumptions are also 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. This includes landfill post-closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

There have been no fundamental changes to our approach for judgements and estimations for the year ended 30 June 2024.

#### Goods and Services Tax (GST)

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

#### Budget figures

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

#### Comparatives

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

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

# Statement of Comprehensive Revenue and Expense



The notes on page 14 to 122 form part of and should be read in conjunction with the financial statements.



1. Other comprehensive revenue and expense is non-cash in nature and only reflects changes in equity.
2. Statement of Changes in Equity – see page 81.

The notes on page 14 to 122 form part of and should be read in conjunction with the financial statements.

## Statement of Comprehensive Revenue and Expense - Major budget variations

Budget figures are for the Council only and not the Group.

#### Significant variations from budget are as follows:

Revenues were $3.3m higher than budget. The major variances included:

* Grants, subsidies and reimbursements were $46.6m lower than budget. This is primarily due to grant revenue from Sludge Finance LP being $48.0m below budget for the construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility (SMF) located at Moa Point. Timing of spend on this capital project is behind budget and so the associated grant revenue is too.
* Vested assets and other revenue were $34.7m higher than budget. During the year we recognised vested asset revenue of $33.6m largely in relation to three water assets from new subdivisions and roading assets from the Let’s Get Wellington Moving partnership. Vested asset revenue is not budgeted for.
* Fair value movement gains were $12.4m lower than budget. The budget assumed a $13.9m fair value increase in investment properties from the annual revaluation. The actual result was a decrease in fair value of $20.4m
* Finance revenue was $17.4m higher than budget. This is due to unbudgeted interest revenue of $17.0m. The net interest expense was $0.4m lower than budget. In the budget, only net interest expense are recorded under finance expense.

Expenses were $59.5m higher than budget. The major variances included:

* Fair value movement losses were $20.4m higher than budget. This is due to investment property revaluation decreases of $20.4m. As noted above, the budget assumed a fair value increase in investment properties.
* Finance expenses were $17.0m higher than budget. As noted above, only net interest costs are budgeted under finance expense and actual net interest expense was $0.4m lower than budget.
* Depreciation and amortisation expenses were $14.6m higher than budget. This is primarily due to higher actual depreciation compared to the budget which was based on different assumptions for asset valuations, useful lives and timing of capitalising work in progress.

Other comprehensive revenue and expense was $706.3m higher than budget. The major variances included:

* Fair value movement gains of $713.8m largely due to the revaluation of infrastructure assets. This was not budgeted for since the revaluations were completed in year 2 of the normal 3-yearly cycle (refer note 19).
* Cash flow hedge reserve movements of $7.9m largely comprising fair value losses on cash flow hedges due to movements in floating interest rates. Cash flow hedge movements are not budgeted for.

## Note 1: Rates revenue

****

The total amount of rates charged on Council-owned properties that have not been eliminated from revenue and expenditure is $19.9m (2023: $17.2m). For the Group, rates of $20.3m (2023: $17.3m) have not been eliminated.

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

****

#### The property revaluations that occurred in September 2021 have been applied for the rates billed for the 2023/24 year.

#### Rates remissions

Revenue from rates is shown net of rates remissions. The Council’s Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space, land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting year ended 30 June 2024 totalled $2.9m (2023: $2.2m).

#### Non-rateable land

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

### Relevant significant accounting policies

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

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

****

For the Council, the principal grants and reimbursements are from Sludge Finance LP and from NZ Transport Agency Waka Kotahi (NZTA). Grant funding is received from Sludge Finance LP to reimburse eligible project costs in relation to the construction of the SMF at Moa Point. Capital reimbursements recognised from Sludge Finance LP were $77.2m (2023: $nil) and operating reimbursements recognised were $0.3m (2023: $nil). The funding received from NZTA reflects reimbursements for part of the Council’s costs for maintaining the local roading and cycling infrastructure. Capital reimbursements recognised from NZTA were $40.9m (2023: $26.3m) and operating reimbursements recognised were $11.8m (2023: $7.0m).

For revenue from other operating activities of the Council, the five major revenue streams for 2023/24 were:

* Landfill operations and recycling - $34.2m (2023: $31.1m) – including unbudgeted revenue from the joint operations with Porirua City Council of $5.9m (2023: $2.6m).
* Lease revenue - $29.4m (2023: $8.3m)
* Parking fees and permits - $23.4m (2023: $24.4m)
* Consents and licensing services - $18.0m (2023: $17.5m)
* Convention and conference centres – $15.2m (2023: $15.9m)

See *Figure 2* for a trend analysis of the five major revenue streams for each of the past five years.

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

#### Five-year trend analysis commentary

##### Landfill operations and recycling

The revenue from landfill operations and recycling has continued to grow steadily and increased in 2023/24 by $3.1m reflecting an increase in the amount of contaminated soil received at the landfill compared to the prior year.

For further information – refer to Section 4: Our performance in detail - strategy area 2.2 – Waste reduction and energy conservation (Volume 1, page 52).

##### Parking fees and permits

The revenue for parking fees and permits has been relatively stable over the last 4 years following the impact of COVID-19 restrictions reducing revenue in 2019/20.

For further information – refer to Section 4: Our performance in detail - strategy area 7.2 – Parking (Volume 1, page 125).

##### Consents and licensing services

The revenue for consents and licensing services has remained consistent with only a small increase in revenue seen in 2023/24. While consent volumes continue to increase, they have typically been for smaller projects.

For further information – refer to Section 4: Our performance in detail - strategy area 6.2 – Building and development control (Volume 1, page 113).

##### Convention and conference centres

The 2023/24 revenue from convention and conference centres is consistent with that of the prior year but behind budget. The revenue trend has stabilised to levels prior to COVID-19 with events and performances continuing to happen more regularly. The current financial year has however been impacted by the adverse economic conditions.

For further information – refer to Section 4: Our performance in detail – strategy area 3.1 – City promotions and business support (Volume 1, page 79).

##### City Housing

The revenue trend for City Housing changed significantly in 2023/24 following Te Toi Mahana taking over the operations of the City Housing division in August 2023. The revenue from the lease agreement with Te Toi Mahana for the Council’s housing properties is now recorded as lease revenue (refer below).

For further information – refer to Section 4: Our performance in detail - strategy area 5.2 – Community support (Volume 1, page 108).

##### Lease revenue

The 2023/24 lease revenue has seen a significant increase with recorded revenue of $29.4m up from $8.3m in 2022/23 primarily due to the new leases with Te Toi Mahana (refer above).

### 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 *Basis of Reporting* section (page 9), for an explanation of exchange and non-exchange transactions.

##### 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 include the funding from Sludge Finance LP for the SMF. Reimbursements include NZTA roading claim payments.

##### Fines and penalties

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

##### Rendering of services

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

##### Sale of goods

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

## Note 3: Investment revenue



#### Dividends from associates

This relates to dividends from the Council’s 34 percent shareholding in Wellington International Airport Limited. The Council continues to review its current level of investment to ensure the overall investment portfolio is managed strategically and in a financially and economically prudent manner. Refer *Note 21: Investment in associates and joint venture* (page 62) for further information.

#### Investment property revenues

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

For further information refer to *Note 18: Investment properties* (page 46).

### Relevant significant accounting policies

##### Dividends

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

##### Investment property lease rentals

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

## Note 4: Vested assets and other revenue

****

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

Vested assets revenue comprises of:

* Drainage, water and waste - $18.8m (2023: $2.5m) – this revenue relates to vested assets from subdivision developers working with the Council. The increased revenue for the year is mainly attributable to the East Stebbings Subdivision.
* Roading - $12.1m (2023: $9.2m) – includes LGWM vested asset revenue of $11.0m (2023: $7.3m) representing NZTA’s contribution to the Council’s portion of the capital delivery programme.
* Land - $1.4m (2023: $1.2m).
* Carbon credits - $1.3m (2023: $1.1m).

Other revenue comprises of:

* Gains on disposal of assets - $1.4m (2023: $3.2m)
* Fuel tax - $1.1m (2023: $0.9m)
* Recovered capital expenditure - $0.6m (2023: $3.1m)

### 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 on disposal of assets

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

##### Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (for example, beach cleaning and Ōtari-Wilton’s Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements. More information on the network of volunteers can be found on page 160 of Volume 1.

## Note 5: Fair value movements

****

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, Wellington waterfront investment properties and certain other land and buildings. For more information refer to *Note 18: Investment properties* (page 46).

### Relevant significant accounting policies

##### Investment properties

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

## Note 6: Finance revenue and expense

****

Due to a higher level of borrowings, the interest expense has increased compared to the previous year. The Council’s policy is to have a portion of borrowings on fixed interest rates to avoid total exposure to volatility in its interest expense as interest rates change. To achieve this, it uses interest rate swaps (which effectively changes floating rate debt to fixed rate debt) along with fixed rate debt.

Interest earned has increased due to higher levels of term deposits being held to pre-fund the maturity of some borrowings along with the rolling liquidity facility maintained by the Council.

### Relevant significant accounting policies

##### Interest on borrowings

Interest expense is recognised using the effective interest rate method. All interest expense is recognised in the period in which it is incurred.

##### Re-discounting of interest

Re-discounting of interest on provisions is the Council’s funding cost for non-current provisions (where the cash flows will not occur until a future date). For further information refer to *Note 25: Employee benefit liabilities and provisions* (page 74) and *Note 26: Provision for other liabilities* (page 75).

##### Interest earned

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

## Note 7: Expenditure on operating activities

****

##### Governance and employment

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

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

During the year $0.3m (2023: $0.6m) of termination benefits were incurred by the Council and $0.3m (2023: $0.6m) for the Group. Termination benefits include all payments relating to the end of employment other than unpaid salary and leave entitlements. Termination benefits include contractual payments (for example, redundancy) and non-contractual payments (for example, severance), but exclude retirement payments already provided for.

For further information refer to *Note 38: Remuneration and staffing* (page 116).

##### Impairments

Included within bad debts are amounts of $0.1m (2023: $nil) relating to the write-off of rates receivable during the year. This was approved by the Chief Executive, as the debt could not reasonably be recovered.

##### General costs

****

During the year ended 30 June 2024, Audit New Zealand provided assurances and services as included in *Table 10* above:

* Other assurances - assurance on the Council’s greenhouse gas emissions performance measures, debenture trust deed compliance and the Clifton Terrace Car Park managed by the Council on behalf of NZTA (2023: Council’s debenture trust deed compliance and the Clifton Terrace Car Park).
* Other services – procurement assurance for a regional solution for organics in the Wellington region (2023: probity assurance over the tender process for Tākina facilities maintenance).

***Contracts, services and materials***

Contracts, services and materials reflects the direct costs attributable to providing the Council’s services. This includes procurement costs, maintenance, management fees plus all other direct material and services costs.

***Grants***

Grants include the operating grants paid to the Council’s controlled entities (refer to *Note 37: Related party disclosures* (page 114)). Other major grants include funding provided to the Museum of New Zealand Te Papa Tongarewa of $2.3m (2023: $2.3m).

***Operating lease – minimum lease payments***

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

***Utility costs***

Utility costs are those relating to the use of electricity, gas and water. It also includes the payment of all rates and water meter charges of $23.3m (2023: $19.8m) on Council-owned properties.

### Relevant significant accounting policies

##### Grants

Expenditure is classified as a grant (or sponsorship) if it results in a transfer of resources (for example, cash or physical assets) to another entity or individual in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations, which are discretionary or charitable gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

##### Cost allocation

The Council has disclosed the applications of operating and capital funding for each significant activity (as reported within the Statements of Service Performance, for further information – refer to Section 4: Our performance in detail (Volume 1, pages 36 to 134).

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



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

### Relevant significant accounting policies

##### Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, investment properties and assets under construction (work in progress). Depreciation is calculated on a straight-line basis, to allocate the cost or value of the asset (less any assessed residual value) over its estimated useful life (see *Table* 12).

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

##### Amortisation

Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life (see *Table 13*).



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

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



## Note 9: Share of associates’ and joint venture’s surplus/(deficit)



Further information on the cost and value of the above investments is found in *Note 21: Investments in associates and joint venture* (page 62).

## Note 10: Income tax





### Relevant significant accounting policies

The Council, as a local authority is only liable for income tax on the surplus or deficit for the year derived from any Council-controlled trading organisations. Other members of the Group are subject to normal taxation unless they have tax exempt status as charitable trusts. Income tax expense includes components relating to both current tax and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, plus any adjustment to tax payable in respect of previous periods.

# Statement of Financial Position



The notes on page 14 to 122 form part of and should be read in conjunction with the financial statements.

****

The notes on page 14 to 122 form part of and should be read in conjunction with the financial statements.

## Statement of Financial Position - Major budget variations

Budget figures are for the Council only and not the Group.

#### Significant variations from budget are as follows:

Current assets were $23.5m higher than budget. The major variances included:

* Cash and cash equivalents were $31.5m higher and receivables and recoverables were $22.6m higher than budget due to the timing of working capital movements.
* Other financial assets were $47.8m below budget due to lower amounts of term deposits being held than originally budgeted. This is partially offset by higher than budgeted non-current other financial assets of $16.7m.
* Non-current assets held for sale were $9.8m higher than budget due to the recategorisation of housing assets that were identified for sale to Te Toi Mahana. The sale was completed in September 2024.

Non-current assets were $328.3m higher than budget. The major variances included:

* Property, plant and equipment were $343.7m higher than budget. This is largely due to the impact of the unbudgeted revaluation gain on infrastructure assets, partially offset by the lower capital programme delivery compared to budget.
* Investment properties were $28.2m lower than budget. This is due to a decrease in fair value from the investment properties revaluation. The budget had assumed an increase in fair value on revaluation.

Total liabilities were $103.4m lower than budget. The major variances included:

* Total borrowings were $124.9m lower than budget. This is due to a range of factors including lower capital programme delivery than budget.
* Taxes payable are $14.0m over budget due to the timing of payments, including payments of rates to GWRC, differing to the original budget.
* Total provisions for other liabilities are $6.4m over budget due to higher provisions for landfill post-closure costs and weathertight homes than budgeted.

## Note 11: Cash and cash equivalents

****

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

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

### Relevant significant accounting policies

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

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

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

## Note 12: Derivative financial instruments



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. However, as at 30 June 2024 and 2023, all swaps are in an asset position.

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 normally held until maturity and have no cash impact or effect on the rates requirements. The timing of the maturities of the active swaps, their nominal values and their weighted average fixed interest rates are shown in *Table 20*.



The Council and Group also has forward start swaps with a total nominal value of $105.0m (2023: $183.0m) maturing later than five years. The weighted average fixed rate of all interest rate swaps (including forward starts) is 3.1 percent (2023: 3.1 percent).

The Council and Group currently have no fair value hedges.

For further information on the Council’s interest rate swaps please refer to *Note 29: Hedging reserve* (page 86) and *Note 33: Financial instruments* (page 95).

### Relevant significant accounting policies

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

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

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

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

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

**Cash flow hedges**

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

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

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

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense is separately recognised in equity and amortised to the surplus or deficit over the remaining period of the original hedging instrument.

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

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

**Hedge ineffectiveness**

Hedge ineffectiveness in a hedge relationship can arise from:

* differences in the timing of cash flows of the hedged items and hedging instruments; or
* changes to the forecasted amount of cash flows of hedged items and hedging instruments.

## Note 13: Receivables and recoverables



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.

****

### Relevant significant accounting policies

##### Receivables from exchange transactions

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

##### Recoverables from non-exchange transactions

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

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

***Expected credit losses***

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

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

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

**Rates receivable**

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

Ratepayers can apply for payment plan options in special circumstances.

**Other receivables**

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

The allowance for ECL on total receivables and recoverables based on the Council and the Group’s credit loss matrix is shown in *Table 23*.



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

## Note 14: Prepayments

****

The Council’s significant material damage insurance policies normally renew at the end of May each year. The prior year payment for insurance did not occur until July 2023. Hence, the prior year prepayment for insurance is considerably lower compared to the current year.

## Note 15: Other financial assets



#### Equity investments

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

The LGFA is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8.3 percent (2023: 8.3 percent) shareholding of the paid-up capital and will benefit as a shareholder from a return on its investment and as a borrower from lower borrowing costs. Refer to *Note 37: Related party disclosures*, for more information (page 110). The fair value of the investment is determined by reference to the estimated net equity amount from their most recent unaudited June quarter report.

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

#### Debt securities investments

***Borrower notes***

As part of the borrowing arrangements through the LGFA, the Council is required to leave 2.5 percent of any debt drawdown with the LGFA, as an investment, in the form of a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest to the Council once the related borrowing is repaid or no longer owed to the LGFA. The maturity profile of these notes matches the related debt maturity profile (26 August 2024 to 15 October 2033).

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

#### Deposits and loans

##### Bank term deposits

Bank term deposits with maturities greater than 3 months at acquisition are categorised as investments. These longer-term deposits largely relate to pre-funding for future debt repayments and generally mature in less than 12 months.

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

##### Loans to related parties

The loans to related parties are concessionary in nature since the loans have been granted on interest free terms for all or part of the life of the loan. The movements in the loans are shown in *Table 26.*

****

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

#### Wellington Regional Stadium Trust (WRST)

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

In addition to the loan, unpaid interest which arose under a membership underwrite agreement was converted to a $0.4m advance repayable after all other advances made by the Council and GWRC are paid. The expected repayment of the loan and the advance back to the Council, as advised by WRST, is in 2070.

The amortisation rate applicable to the WRST loan is 12.7 percent.

The $2.1m loan results from a joint loan facility of $4.2m shared equally between the Council and GWRC. The loan facility was drawn down by WRST to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. The Council’s share of the unsecured loan is $2.1m with a fixed interest rate of 3.0 percent and was interest free for the first two years commencing from the date of the first drawdown in December 2020. The first six-monthly accrued interest payment was received in June 2023, with the loan due to be fully repaid by the end of the 2030/31 reporting period.

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

### Relevant significant accounting policies

##### Initial recognition

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

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

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

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

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

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

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

##### Initial recognition of concessionary loans

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

##### Subsequent measurement of financial assets at amortised cost

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

##### Subsequent measurement of financial assets at FVTOCRE

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

##### Subsequent measurement of financial assets at FVTSD

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

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

##### Expected credit losses (ECL)

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

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

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

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

****

### Included in the above Council assets are $8.7m of land and buildings that were subsequently sold to Te Toi Mahana in September 2024.

### Relevant significant accounting policies

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

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification are included within the surplus or deficit.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

A non-current asset is classified as held for sale where:

* the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
* a plan to sell the asset is in place and an active programme to locate a buyer has been initiated;
* the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
* the sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group’s control and there is sufficient evidence the Group remains committed to sell the asset; and
* actions required to complete the sale indicate it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

## Note 17: Intangibles



Disposals and transfers are reported net of accumulated amortisation.

### Carbon credits

As part of the Emissions Trading Scheme (ETS) the Council receives carbon credit units from the Crown in recognition of the carbon absorbed by a portion of the Council’s green belt.

The Council may also purchase units to cover the expected liabilities associated with landfill operation as required. The Council surrenders units to extinguish these liabilities.

At 30 June 2024 the total expected liability relating to landfill carbon emissions for the first six months of the 2024 calendar year is $0.6m (2023: $0.6m).

More information on carbon credits can be found in Section 4: Our performance in detail, under activity 2.2: Waste reduction and energy conservation (Volume 1, page 52).

The movement in units held by the Council are shown in *Table* 29.



***Carbon emission units***

The price of carbon as at 30 June 2024 was $50.50 per New Zealand Unit (unit) (2023: $76.13). One unit is equivalent to one tonne of carbon dioxide equivalent (tCO2-e).

### Relevant significant accounting policies

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

##### Computer software

Acquired computer software is measured on initial recognition at the costs to acquire and bring to use and is subsequently measured less any amortisation and impairment losses.

Typically, the estimated useful life of these assets is between 2 to 11 years.

##### Carbon Credits

Carbon credits comprise either allocations of emission allowances granted by the Crown related to forestry assets or units purchased in the market to cover liabilities associated with landfill operations. Carbon credits allocated as a non-exchange transaction are initially recognised at fair value, which then becomes the deemed cost. Carbon credits that are purchased are recognised at cost.

## Note 18: Investment properties



The Council’s investment properties were revalued as at 30 June 2024 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation and Advisory Services for CBRE Limited.

****

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, Wellington waterfront investment properties and certain other 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. Excluded properties includes those which generate cash inflows where the lease revenue is incidental to the purpose for holding the property. Such properties include the Council’s social housing assets, which are held within operational assets in property, plant and equipment.

### Relevant significant accounting policies

The basis of valuation varies depending on the nature of the lease. For sites that are subject to a terminating lease the approach is to assess the value of the lease revenue over the remaining term of the lease and add the residual value of the land at lease expiry.

For sites subject to perpetually renewable leases, values have been assessed utilising the discounted cash flow methodology and arriving at a net present value of all future anticipated gross lease payments.

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

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

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

## Note 19: Property, plant and equipment



### Relevant significant accounting policies

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

**Operational assets** include: land, buildings, landfill post-closure costs, Civic Precinct, plant and equipment, and library collections.

**Infrastructure assets** include: the roading network, drainage, water and waste reticulation networks including service concession arrangement assets (wastewater treatment plants). Each asset type includes all items that are required for the network to function.

**Restricted assets** include: art and cultural assets, buildings on restricted land, 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.

Within the above three categories, assets can also be subcategorised as heritage or vested assets.

***Heritage assets*** are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council and Group recognises these assets within these financial statements to the extent their value can be reliably measured.

***Vested assets*** are those assets where ownership and control are transferred to the Council from a third party (for example, infrastructure assets constructed by developers and transferred to the Council on completion of a subdivision). Vested assets are recognised within their respective asset classes.

##### Recognition

Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

##### Measurement

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

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

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

Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement with an efficient modern equivalent making allowance for obsolesce or surplus capacity. The remaining life of the asset is estimated, and straight-line depreciation applied to bring the replacement cost to a fair value.

Specific measurement policies for categories of property, plant and equipment are shown below:

#### Operational assets

#### Land and buildings

Operational land and buildings are valued at fair value every 3 years, or whenever the carrying amount differs materially to fair value, by independent registered valuers. Where the information is available, land and buildings are valued based on market evidence. Most of the Council’s land and buildings are of a ‘non-tradeable’ or specialist nature and the value is based on the fair value of the land plus the optimised depreciated replacement cost of the buildings.

For earthquake prone buildings that are expected to be strengthened, the estimated cost to strengthen the building has been deducted from the optimised depreciated replacement cost.

Non-specialised properties that comprise the City Housing portfolio have been valued on a market-based approach with the associated land value being established through analysis of sales and market evidence.

#### Landfill post-closure costs

Amounts capitalised for landfill post-closure costs are 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 technological improvements. The capitalised landfill asset is then depreciated over the life of the landfill based on the capacity used.

#### Civic Precinct and plant and equipment

The Civic Precinct and plant and equipment are measured at historical cost and not revalued.

#### Library collections

Library collections are valued at depreciated replacement cost on a 3-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.

#### Infrastructure assets

Infrastructure assets (the roading network, drainage, water and waste reticulation networks including service concession arrangement assets (wastewater treatment plants)) are valued at optimised depreciated replacement cost every 3 years, or whenever the carrying amount differs materially to fair value, by an independent registered valuer. Infrastructure valuations are based on the physical attributes of the assets, their condition and their remaining lives based on the Council’s best information reflected in its asset management plans. The costs are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

Infrastructure land (excluding land under roads) is valued every 3 years, 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.

#### Restricted assets

Art and cultural assets (artworks, sculptures and statues) are valued at historical cost. All other restricted assets (buildings, parks and reserves and the Town Belt) were valued at fair value as at 30 June 2005 by an independent registered valuer. The Council has elected to use the fair value of other restricted assets at 30 June 2005 as the deemed cost of the assets. These assets are no longer revalued. Subsequent additions have been recorded at cost.

##### Impairment

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

The carrying amounts of cash generating property, plant and equipment assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset’s, or class of assets’, recoverable amount is less than its carrying amount it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item’s fair value less costs to sell and value in use. Losses resulting from impairment are reported within the surplus or deficit unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

The carrying amounts of non-cash generating property, plant and equipment assets, and intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset’s, or class of assets’, recoverable service amount is materially less than its carrying amount it will be reported at its recoverable service amount and an impairment loss will be recognised.

The recoverable service amount is the higher of an item’s fair value less costs to sell and value in use. A non-cash generating asset’s value in use is the present value of the asset’s remaining service potential. Losses resulting from impairment are reported within the surplus or deficit unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

##### Disposal

Gains and losses on disposals are determined by comparing the proceeds from sale with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

##### Work in progress

Work in progress represents the cost of capital expenditure projects that are not yet capable for use in the manner intended by management. The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and is then subject to depreciation/amortisation.

The movements according to the individual classes of assets are as shown in *Table* 33.

****

Disposals and transfers are reported net of accumulated depreciation.

****

1. The Council’s share of the joint operation 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.



Disposals and transfers are reported net of accumulated depreciation.

****



Disposals and transfers are reported net of accumulated depreciation.





1. 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.





Work in progress has increased substantially due to the costs incurred in building the SMF at Moa Point and the Te Ngākau Civic Precinct upgrade.

### Revaluation of property, plant and equipment

Assets are valued at regular intervals by an independent registered valuer or whenever the carrying amount differs materially to fair value. In the years which an asset class is not revalued, an assessment is made as to whether there has been any material change in the value of that asset class.

#### Operational land and buildings

Operational land and building assets were valued as at 30 June 2023 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

#### Library collections

Library collections were valued as at 30 June 2023 by the Council’s library staff. The revaluation was carried out in accordance with guidelines outlined in Valuation Guidance for Cultural and Heritage Assets published by the Treasury Accounting Team, November 2002.

#### Infrastructure assets

**Drainage, water and waste**

The drainage, water and waste infrastructure assets, including the service concession arrangements assets, were valued as at 30 June 2024 by Toby Marsh, Senior Asset Management Consultant at WSP New Zealand Limited (WSP). This revaluation would normally be performed in 2024/25 in line with the 3-year cycle. In late 2023 (during year 2 of the 3-year cycle) an initial assessment was performed and the predicted increase in fair values indicated the need to perform a full revaluation for the 2023/24 year.

The increase in fair value is due to various factors including:

* Increase in indexed construction costs between 2021/22 and 2023/24 which has largely been driven by the increase in construction activity related to the post-storm rebuild and the high construction demand for new healthcare facilities and office buildings.
* Increase in indexed pipe valuation unit rates for stormwater and wastewater.
* Additional cost movements for certain potable water pipe rates where indexed unit rates were deemed not reflective of current market costs. This included:
  + Small potable water pipes (diameter less or equal to 100mm) – 35% increase
  + Medium potable water pipes (diameter greater than 100mm and less than 450mm) – 15% increase
* Potable non-pipe reticulation asset costs rates (excluding tanks and reservoirs) experienced an increase of 15% to reflect market movements.
* The scarcity of disposal sites within the Wellington area has resulted in substantial increases in disposal and transportation costs.
* Inclusion of on-cost adjustments (e.g. professional fees) for above-ground water assets which were previously not included.
* Increase in the valuation of pump and pump stations aided by improvements to the completeness of the dataset.

The unit rates used in the revaluation are a fair reflection of the optimised depreciated replacement cost of the three water assets based on current contract pricing from actual suppliers.

***Sustainability of unit rates***

Over the last few years Council’s across the Wellington region have requested Wellington Water Ltd (WWL) to significantly step up the capital investment programme to address the backlog in the work needed to upgrade ageing infrastructure, deliver growth related infrastructure as well as improve responsiveness to issues such as water leaks. The economic context during this period has seen a range of cost pressure impacts, with high inflation and high construction and resourcing costs.

The fair value of the Council’s three waters assets is estimated with reference to recent contract costs incurred in this economic context. There are risks that contract costs may significantly change for the reasons outlined below. This increases the uncertainty over the estimated fair value of these assets.

WWL is responsible for the procurement aspects of the three waters investment programme and have procurement panels in place to support the delivery. WWL has recently advised that review work is to be undertaken in 2024/25 of the procurement arrangements for their contractor and consultancy panels to determine if they are providing councils and communities with value for money. It is uncertain at this stage what the outcome of this review will be and whether it will result in better value for money in the future, such as lower pricing of works.

There is significant work underway in the Greater Wellington region in response to the Government’s “Local Water Done Well” policy to develop a regional approach for a joint Water Services Delivery Plan and delivery model. It is envisaged that a new Water Services Council Controlled Organisation would be established to achieve a range of benefits, such as better compliance and network performance through more investment, together with scale to enable efficiency and continuous improvement. It is uncertain at this stage, but over the medium to long-term there may be better value for money achieved through a new approach to water services delivery in the Wellington region, with differing costs which may potentially bring down asset values in the future.

**Roading**

The roading networks were last revalued as at 30 June 2022 by John Vessey (MIPENZ), Partner of WSP. In early 2024, the movement in the fair value of infrastructure assets between 30 June 2022 and 30 June 2024 was assessed by independent valuer WSP and the increase in fair value was considered material by management. Accordingly, a fair value indexation uplift, as assessed by WSP, has been applied to the roading network asset values as at 30 June 2024. The increase in fair value is mainly due to increases in the unit rate costs for construction and increases in on-cost adjustments. On-costs are applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location. These additional costs include professional fees, administration costs and contingencies.

Next year, a full revaluation will be completed as at 30 June 2025, in line with the 3-year cycle.

**Infrastructure land**

Infrastructure land assets were last revalued as at 30 June 2022 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited. The next full valuation is due to be completed as at 30 June 2025.

Further information on revaluation reserves and movements is contained in *Note 28: Revaluation reserves* (page 84).

### Significant acquisitions and replacements of assets

In accordance with the provisions of Schedule 10 of the LGA 2002, information in respect of significant acquisitions and replacements of assets is reported within the Statements of Service Performance (refer to Section 4: Our performance in detail (Volume 1, page 36 to 134).

### Service concession arrangements

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

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

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

The carrying value of these service concession assets for the Council and Group is $183.2m (2023: $146.1m).

### Core Assets

Included within the infrastructure assets (*Table 33)* are the Council’s core assets as shown in *Table 34.*



### Insurance of assets



For insurance purposes, the Council takes a “sum insured” approach to managing most risks, including for damage from a significant natural disaster. This approach recognises the wide-ranging location and type of assets held.

We have policies in place for our three main asset classes as follows:

* Below ground infrastructure (declared replacement value of $9.0b (2023: $8.9b)
* Above ground infrastructure (declared replacement value of $3.0b (2023: $3.0b)
* Housing declared replacement value of $0.9b (2023: $1.0b)

The declared values are overlaid with the assessed GNS loss estimate for each asset subclasses for a 1–1000-year loss. The assessment is then used to assess the level of insurance required.

The required insurance values are met by cover in place from various sources, including purchased material damage insurance, the internal insurance reserve (described below), balance sheet headroom (approved via the 2024 LTP) and a conservative level of assumed Crown funding (described below).

An insurance reserve of $14.7m (2023: $14.3m) exists to meet the cost of claims that fall below deductible limits under the Council insurance policies. The reserve is funded annually through rates. For the year ended 30 June 2024 an amount of $1.3m (2023: $1.5m) was added to the reserve. The net cost of claims applied to the reserve during the year amounted to $0.9m (2023: $1.1m).

In addition to Council’s insurance, in the event of natural disaster, there is a conservative level of assumed allocation of Crown funded rebuild capacity; whereby central government would contribute 60 percent towards the rebuild or repair of essential Council owned below ground infrastructure (drainage, water and waste assets) subject to eligibility considerations. Also, NZTA, will be assumed to contribute approximately 55 percent towards the restoration of qualifying roading assets.

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

## Note 20: Investment in controlled entities



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 36*. Nominal settlement amounts (e.g. $100) made in respect of Trusts, for which Council is the settlor, have not been recognised as the amount is trivial.

Information on intra-group transactions is included in *Note 37: Related party disclosures* (page 113).

The reporting period end date for all controlled entities is 30 June. Full copies of their financial statements can be obtained directly from their respective offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the relevant sections of the Statements of Service Performance. For further information – refer to Section 4: Our performance in detail (Volume 1, pages 36 to 134).

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 37: Controlled entities** | **Accounting Interest**  **2024** | **Accounting Interest**  **2023** | **Nature of business** |
| Karori Sanctuary Trust  (Trading as Zealandia) | 100% | 100% | Owns and manages the activities of the urban eco-sanctuary in Karori. |
| Wellington Cable Car Limited | 100% | 100% | Owns and operates the Cable Car. |
| Wellington Museums Trust (Trading as Experience Wellington) | 100% | 100% | Administers: Cable Car Museum, Capital E, City Gallery, Nairn Street Cottage, Space Place (Carter Observatory), Wellington Museum and the NZ Cricket Museum. |
| Wellington Regional Economic Development Agency Limited (WREDA)  (Trading as WellingtonNZ) | 80% | 80% | Manages Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination. |
| - Creative HQ Limited | 80% | 80% | Business incubators. |
| Wellington Waterfront Limited | 100% | 100% | Acts as bare trustee for the Wellington Waterfront project. |
| Wellington Zoo Trust | 100% | 100% | Manages and guides the future direction of the Wellington Zoo. |
| Te Toi Mahana | 100% | 100% | Registered Community Housing Provider for the Wellington community. |

## Note 21: Investment in associates and joint venture

****

The Council has significant influence over the following entities as listed in *Table 39*. All of these are domiciled and operate in New Zealand.

|  |  |  |  |
| --- | --- | --- | --- |
| **Table 39: Associates and joint venture** | **Accounting Interest**  **2024** | **Accounting Interest**  **2023** | **Nature of business** |
| Chaffers Marina Holdings Limited | 10% | 10% | Holding company for Chaffers Marina Limited. |
| - Chaffers Marina Limited | 10% | 10% | Owns and manages the Chaffers Marina. |
| Wellington International Airport Limited | 34% | 34% | Owns and manages Wellington International Airport facilities and services. |
| Wellington Water Limited | 40% | 40% | Manages all water services for Wellington, Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the Greater Wellington Regional Council. |

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

### Associates

#### Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2024 the Council held a 10 percent (2023: 10 percent) interest in Chaffers Marina Holdings Limited which has been recognised in the Group financial statements on an equity accounting basis, reflecting the special rights (as set out in Chaffers Marina Limited’s Constitution), which attach to the golden share that it holds in Chaffers Marina Limited.

#### Wellington International Airport Limited

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

### Joint venture

#### Wellington Water Limited

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

The company has a reporting period ended 30 June and has a dual share structure as shown in *Table* 40.



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

The Class B shares confer the level of contributions and ownership benefits of each council. The Council uses equity accounting to recognise its 40 percent (2023: 40 percent) ownership interest.

### 

### Value of the investments

The investment in associates and the joint venture in the Group financial statements represents the Council’s share of the net assets of the associates and the joint venture. This is reflected in the Group financial statements as shown in *Table 41*.

The Council’s share of the operating surplus or deficit of Chaffers Marina Holdings Limited, Wellington International Airport Limited and Wellington Water Limited is outlined in *Note 9: Share of Associates’ and Joint Venture’s surplus or deficit* (page 27).



### Summary of financial information of associates





### Summary of financial information of joint venture



## Note 22: Exchange transactions, transfers and taxes payable



Comprised of:****

Payables under exchange transactions, transfers and taxes payable are non-interest bearing and settled on terms varying between 7 days and the 20th of the month following the invoice date. Most of the Council’s payables are exchange transactions as they are directly with another party on an arm’s-length basis and are of approximately equal value. Non-exchange payables are classified as either transfers payable (for example, Council grants) or taxes (for example, PAYE).

## Note 23: Deferred revenue



### Relevant significant accounting policies

##### Liabilities recognised under conditional transfer agreements

The Council and the Group have received non-exchange transfer monies for specific purposes, which apply to periods beyond the current year, with conditions that would require the return of the monies if they were not able to fulfil the agreement. The revenue from these agreements will only be recognised as the conditions are fulfilled over time.

These liabilities relate to:

* naming rights agreement that the Council has with third parties for buildings.
* various grants.

## Note 24: Borrowings

The Council maintains a prudent borrowings position in relation to our equity and annual revenue. Borrowings are primarily used to fund the purchase of new assets or upgrades to existing assets that are approved through the AP and LTP processes.

### Gross borrowings



#### Debt security

Floating rate notes include Green, Social and Sustainability (GSS) loans and climate action loans (CALs). For the Council, the GSS loans are linked to Tākina as a 5-Star green building. We receive a 5-basis point discount on this lending compared to a vanilla instrument.

The balance of GSS loans as at 30 June 2024 is $120m non-current (2023: $20m current, $100m non-current).

The balance of CALs as at 30 June 2024 is $60m (fixed rate) non-current and $234m (floating rate) non-current (2023: nil). We receive a 2-basis point discount on this lending compared to a vanilla instrument.

### Net borrowings



The Council's borrowing strategy is to minimise liquidity risk by avoiding concentration of debt maturity dates and to ensure there is long-term access to funds. Further information on the liquidity and market risks associated with borrowings is contained in *Note 33: Financial instruments* (page 100).

*Table 52* 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.



The bank overdraft facilities are $1.5m for the Council and $0.4m for WREDA.

In addition to the above facilities, the Council operates purchase cards to efficiently facilitate the purchase of low value goods and services. The cards are paid in full on a monthly basis. An aggregate credit limit of $2.0m for all cards applies across the Council.

### Security

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

### Internal borrowings

The Council borrows on a consolidated level and as such does not use internal borrowing.

### Ring-fenced funds

The Council holds $74.3m (2023: $88.6m) of funds that may only be used for a specified purpose. These funds are not held in cash but are utilised against borrowings until required. The main specified uses for these funds are as follows:

#### City Housing

As part of the agreement with the Crown for the Housing Upgrade Project an amount of $49.7m (2023: $67.6m), representing the accumulated surpluses and deficits from the City Housing activity, has been ring-fenced for future investment in the Council's social housing assets.

#### Waste reduction and energy conservation

An amount of $24.6m (2023: $21.0m) related to accumulated surpluses and deficits from the Waste reduction and energy conservation - Activity 2.2, which under the Waste Minimisation Act 2008, must be ring-fenced for future investment in waste activities. The Council is committed to several waste minimisation projects that will utilise these funds.

### Relevant significant accounting policies

Borrowings on normal commercial terms are initially recognised at amortised cost. Interest due on the borrowings is subsequently accrued.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

## Note 25: Employee benefit liabilities and provisions



### Relevant significant accounting policies

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

### Holiday leave

Holiday leave includes annual leave, long service leave, 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.

### Holidays Act remediation provision

A number of New Zealand’s public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003. During 2019/20, the Council completed its own review of payroll processes which identified instances of non-compliance with the Holidays Act 2003. This review resulted in the Council engaging a third party to calculate the remediation required to rectify the non-compliance.

This provision covers both current and former employees and covers the period going back six years plus one from August 2020. This provision includes any remediation costs for Council-controlled entities where the Council was responsible for processing their payroll.

## Note 26: Provisions for other liabilities



### Relevant significant accounting policies - general

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

Movements in material provisions above are analysed in *Tables 55 and 56*.



### *Background to the landfill post-closure costs provision*

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

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

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

Post-closure responsibilities include:

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

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

### Relevant significant accounting policies – landfill post-closure costs 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 technological improvements.

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

### Estimations

The long-term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known changes to legal requirements and known technological improvements. Future cash flows are discounted using the Treasury risk free rate of 5.2 percent for open landfills and between 4.9 and 5.0 percent for closed landfills depending on how long landfills have been closed. The gross provision (inflation adjusted at 2.1 percent for both open and closed landfills), before discounting, is $20.7m (2023: $22.3m). This represents the Council’s projection of the amount required to settle the obligation at the estimated time of the cash outflow.

Stage 3 of the Southern Landfill has an estimated remaining capacity of 407,000m3 (2023: 240,000m3) and is expected to close in 2026 when its resource consent expires. The increased capacity results from a reassessment of the available space for waste. These estimates have been made by the Council’s contracted engineers based on expected future and historical volume information.

The Spicer Valley Landfill has a remaining life out to 2053.



### *Background to the Weathertight homes provision*

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes a net amount of $13.8m (2023: $13.0m) as a provision for unreported claims relating to weathertightness issues, which have not yet been notified to the Council.

### Movement in the provision

During the year $0.9m (2023: $1.8m) was paid as either part or full settlement of claims. $1.7m was released from the provision (2023: $1.2m 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 in *Table 54* reflects the expected timing of payments but is reassessed each year to take account of delays in claim negotiations and any mediation outcomes.

### Estimations

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council’s expected future costs to settle these claims and is reviewed on a case-by-case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the Council’s best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cash flows are inflation adjusted and discounted using the Treasury’s risk-free rate. The provision is net of any third-party contributions including insurance, where applicable.

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

The weathertight homes provision was assessed as at 30 June 2024 by an independent actuary, Craig Lough, (Fellow of the NZ Society of Actuaries) for Melville Jessup Weaver.

The significant assumptions used in the calculation of the weathertight homes provision are as follows:

#### Amount claimed

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

#### Settlement amount

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

#### Council contribution to settlement

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

#### Percentage of homeowners who will make a successful claim

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

### Sensitivity

*Table 57* illustrates the potential impact on the surplus or deficit of changes in some of the assumptions listed above.



### Funding of weathertight homes settlements

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

****

## Note 27: Deferred tax

### Recognised temporary differences and tax losses



### Unrecognised tax losses

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

The Council has tax losses to carry forward of $0.2m (2023: $0.1m) for which no deferred tax asset has been recognised.

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



The notes on page 14 to 122 form part of and should be read in conjunction with the financial statements.





The notes on page 14 to 122 form part of and should be read in conjunction with the financial statements.

## Statement of Changes in Equity – Major budget variations

Budget figures are for the Council only and not the Group.

#### Significant variations from budgeted changes in equity are as follows:

Opening equity is $195.0m below budget. The major variances included:

* Opening revaluation reserves were $213.4m below budget. This was due to previous years’ property, plant and equipment revaluations.
* Opening hedging reserves were $15.6m above budget due to fair value movement gains on cash flow hedges in 2022/23. No budget is assumed for fair value movements on cash flow hedges.

Changes in equity were $650.2m above budget. The major variances included:

* An increase in the revaluation reserve of $713.8m driven from the revaluation of infrastructure assets during the year. These revaluations were completed in year 2 of the normal 3-yearly cycle and therefore not budgeted for.
* A decrease in retained earnings of $53.9m mainly due to the lower surplus than budget.
* A decrease in hedging reserves of $7.9m resulting from movements in the fair value of cash flow hedges.

### Equity

Equity is the community’s interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is broken down and classified into several components including:

* accumulated funds and retained earnings
* revaluation reserves
* hedging reserve
* fair value through other comprehensive revenue and expense reserve
* non-controlling interest; 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 or Group, and that may not be revised without reference to the Courts or third parties. Transfers from these reserves may be made only for specified purposes or when certain specified conditions are met.

#### Equity management

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA 2002 and applied by the Council. Intergenerational equity requires today’s ratepayers to meet the costs of utilising the Council’s assets but does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has asset management plans in place for major classes of assets, detailing renewal and programmed maintenance. These plans ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA 2002 requires the Council to make adequate and effective provision in its LTP and in its AP (where applicable) to meet the expenditure needs identified in those plans. The LGA 2002 sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council’s LTP.

Note 28: Revaluation reserves



These revaluation reserve movements are represented by:

****

The revaluation reserves are used to record accumulated increases and decreases in the fair value of the relevant asset classes.

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

### Relevant significant accounting policies

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

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

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

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

## Note 29: Hedging reserve



Movements in the hedging reserve show accumulated fair value changes for interest rate swaps which satisfy the criteria for hedge accounting and have operated as effective hedges during the period. Any ineffective portion of the gain or loss on the hedging instrument is recognised directly in the surplus or deficit and transfers are made for discontinued hedges. The Council uses interest rate swaps to fix interest rates on floating rate debt (floating rate notes and commercial paper) to give it certainty over interest costs.

The Council uses hedge accounting to recognise any fair value fluctuations in these swaps through this reserve within equity. Using hedge accounting prevents any significant volatility in interest rates significantly affecting the Council’s ability to meet its balanced budget requirements.

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

## Note 30: Fair value through other comprehensive revenue and expense reserve



For the Council, this reserve reflects the accumulated fair value movement in the Council’s investment in Civic Financial Services Limited and the LGFA.

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

## Note 31: Restricted funds

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



#### Special reserves and funds

****

#### Nature and purpose

#### City Growth fund

The City Growth fund is used for economic development growth within Wellington city.

#### Reserve purchase and development fund

This fund is used to purchase and develop the Taputeranga reserve area around Island Bay.

#### Insurance reserve

This reserve allows the Council to meet the cost of claims that fall below deductible limits under the Council’s insurance policies.

#### Controlled entities’ reserve funds

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

* The Wellington Museums Trust has six reserves: Capital reserve, Capital E reserve, Nairn Street Cottage collection reserve, Wellington Museums collection reserve, City Gallery reserve and Wellington Museum Plimmer reserve. The two collection reserves are for the purpose of future museum acquisitions.
* The Wellington Zoo Trust has two reserves; Animal Transfer Fund specifically for the transfer of animals and Conservation Fund to specifically support field conservation.

### Trusts and bequests

#### Additional funds and utilisation

Trusts and bequests receiving additional funds during the year were only those where interest totalling $0.02m (2023: $0.02m) has been applied in accordance with the original terms and conditions.

#### Nature and purpose

The Council’s trusts and bequests have been generally provided for library, educational or environmental purposes.

The Wellington Zoo Trust has several trusts, bequests and capital grants made to it for specific purposes, which are held as restricted funds until utilised. Further information on these can be found in the Wellington Zoo Trust annual report published on their website.

#### 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, the Council applies for distribution of available funds for particular projects after consultation with the Plimmer family. The receipt and use of these funds are disclosed separately to record the generous contribution the bequest makes to the benefit of the city.

As at 31 August 2023, the value of the estate held by the Public Trust was $20.2m (31 August 2022: $20.2m), but the distributions to the beneficiary are only available from an agreed percentage of revenue generated. The distributions are only drawn down as required.

During the year:

* Distributions recognised as revenue - $0.1m.
* Funds utilised - $0.1m for the Kilbirnie Park project.

# Statement of Cash Flows



The notes on page 14 to 122 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.

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

Cash and cash equivalents for the purposes of the Statement of Cash Flows comprises cash at bank, cash on hand and short-term deposits with a maturity of up to 3 months at acquisition. The Statement of Cash Flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all non-financial revenue sources of the Council and Group and record the cash payments made for the supply of goods and services.

Investing activities relate to the acquisition and disposal of assets and investment revenue.

Financing activities relate to activities that change the equity and debt capital structure of the Council and Group and financing costs.

## Statement of Cash Flows – Major budget variations

Cash flow budgeting is performed using various assumptions around the timing of events and any departure from these timings will affect the outcome against budget. Budget figures are for the Council only and not the Group.

#### Significant variations from the cash flow budgets are as follows:

Net cash flows from operating activities were $10.0m higher than budget. The major variances included:

* Receipts from rates were $17.1m below budget due to a higher level of debtors for rates recoverable at year end than budgeted.
* Receipts from rates for GWRC were $25.7m higher than budget. This was offset by higher corresponding rates paid to GWRC of $24.5m than budget.
* Receipts from capital grants and subsidies were $84.4m higher than budget. This is due to the grant funding received from Sludge Finance LP for the construction of Te Whare Wai Para Nuku, the Sludge Minimisation Facility (SMF) located at Moa Point.
* Cash paid to suppliers and employees were $66.1m higher than budget. This is mainly due to the payments to suppliers for the construction of the SMF, offset by a small increase in operational expenditure. In the budget, the cash flows from grant funding for the SMF has been offset against the cash flows paid to suppliers for the construction of the SMF.
* Grants paid were $12.4m below budget. The budget assumed a higher level of grants paid than in recent years but that did not materialise.

Net cash flows from investing activities were $121.3m higher than budget. The major variances included:

* Interest received was $14.0m higher than budget. The budget includes only the net interest paid on borrowings.
* The net cash outflows from other financial assets were $126.9m higher than budget. This largely relates to the purchases of term investments to pre-fund upcoming debt maturities on borrowings.

Net cash flows from financing activities were $92.6m higher than budget. The major variances included:

* The net cash inflow from borrowings was $104.1m higher than budget. This is mainly due to the pre-funding of upcoming debt maturities – see corresponding $126.9m variance in the increase of other financial assets above. This is partially offset by a lower level of capital programme spend compared to budget.
* Interest paid on borrowings was $11.5m higher than budget. As noted above in interest received, the budget includes the net interest paid or received. The net interest paid was only $2.5m below budget.

## Note 32: Reconciliation of cash flows



1. Excluding non-cash items



# Other Disclosures

## Note 33: Financial instruments

For the purpose of measurement, the Council’s and Group’s financial assets and liabilities are classified into categories according to the purpose for which the financial assets and liabilities were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

### Relevant significant accounting policies

Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement and the treatment of gains or losses depends upon their classification as shown below in *Table 70*.

|  |  |  |
| --- | --- | --- |
| **Table 70: Classification of financial instruments** | | |
| **Financial asset category** | **Subsequent measurement** | **Treatment of gains and losses** |
| Financial assets at amortised cost | Amortised cost using the effective interest rate method | Surplus or deficit |
| Financial assets at fair value through surplus or deficit | Fair value | Surplus or deficit |
| Financial assets at fair value through other comprehensive revenue and expense | Fair value | Other comprehensive revenue and expense |
| **Financial liability category** | **Subsequent measurement** | **Treatment of gains and losses** |
| Financial liabilities at amortised cost | Amortised cost using the effective interest rate method | Surplus or deficit |
| Financial liabilities at fair value through other comprehensive revenue and expense | Fair value | Other comprehensive revenue and expense |

##### Financial Assets

Financial assets comprise the following categories and components:

**Financial assets at amortised cost**

* Cash and cash equivalents include cash balances and bank deposits with maturity dates of up to 3 months at acquisition.
* Receivables and recoverables which 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 which include loans to other entities (including controlled entities and associates), and bank deposits with maturity dates of more than 3 months at acquisition.

Initial recognition at 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 initially recognised at their nominal value as an estimate of fair value.

**Financial assets at fair value through surplus or deficit (FVTSD)**

* LGFA borrower notes, as the LGFA has the ability to repay the investment before the original maturity date.

**Financial assets at fair value through other comprehensive revenue and expense (FVTOCRE)**

* Derivatives (interest rate swaps) that qualify for hedge accounting.
* Equity investments, 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 are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### Financial Liabilities

Financial liabilities comprise the following categories and components:

**Financial liabilities at amortised cost**

* Payables under exchange transactions
* Transfers payable
* Taxes payable
* Borrowings

Financial liabilities with a duration of less than 12 months are initially recognised at their nominal value as an estimate of fair value.

**Financial liabilities at fair value through other comprehensive revenue and expense (FVTOCRE).**

* Derivatives (interest rate swaps) that qualify for hedge accounting.

*Table 71* provides an analysis of the Group’s financial assets and financial liabilities by reporting category as described in the accounting policies:



### Fair value

The fair values of all financial instruments equate to or are approximate to the carrying amount recognised in the Statement of Financial Position.

#### Fair value hierarchy

For those financial instruments recognised at fair value in the Statement of Financial Position, the fair values are determined according to the following hierarchy:

* **Level 1**: Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.
* **Level 2**: Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
* **Level 3**: Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.



*Table 73* summarises the reconciliation of movements in Level 3 financial instuments.



Refer to *Note 15: Other financial assets* (page 38) for details of what investments make up the above balances.

### Financial risk management

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

#### Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer *Note 35: Contingencies* (page 108)). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

The Group’s maximum exposure to credit risk at the end of the reporting period is detailed in *Table 74*.



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

The Group is exposed to credit risk as a guarantor of the LGFA’s borrowings. Further information about this exposure is explained in *Note 35: Contingencies* (page 108).

##### Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard and Poor’s credit ratings (or otherwise as stated) as shown in *Table 75*.



#### Liquidity risk

Liquidity risk refers to the situation where the Group may encounter difficulty in meeting obligations associated with financial liabilities. The Group maintains sufficient funds to cover all obligations as they fall due. Facilities are maintained in accordance with the Council’s Liability Management Policy to ensure the Group can access required funds.

##### Contractual maturity

The following maturity analysis in *Table 76* sets out the contractual cash flows for all financial liabilities excluding derivatives that are settled on a gross cash flow basis. Contractual cash flows for financial liabilities include the nominal amount and interest payable.



Contractual cash flows for derivative financial liabilities are settled on a net cash flow basis and are the future interest payable. However, due to favourable interest rate movements all derivatives (cash flow hedges) were assets at 30 June 2023 and 2024.

In addition to cash to be received in 2024/25 the Group currently has $241.9m (2023: $211.9m) in unutilised committed bank facilities available to settle obligations as well as $205.3m (2023: $167.4m) of cash, cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Group is exposed to liquidity risk as a guarantor of all LGFA’s borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its obligations when they fall due. Information about this exposure is explained in *Note 35: Contingencies* (page 108).

The Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits as shown in *Table 77.*



These profiles demonstrate how the Council must spread and smooth repricing to avoid large concentrations of repricing risk in any given annual period.

#### Market risk

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

##### Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Council and Group’s exposure to changes in market interest rates primarily arises from borrowings issued at variable interest rates.

Generally, the Council raises long-term borrowings at floating rates. The Liability Management Policy requires that at least 50 percent of borrowings are at fixed rates of interest. To achieve this, the Council uses interest rate swaps. Interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates to provide longer term certainty of funding costs than what would be achievable under floating rates. Under the interest rate swaps, the Council agrees with other parties to exchange at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

For material financial liability exposures, the Council has policy settings within the Liability Management Policy that determine how the repricing of interest rate risks must be managed. For the year ended 30 June 2024, the material exposures were Borrowings and Derivative financial instruments (interest rate swaps). Refer to *Note 12: Derivatives*, for further information (page 32).

The proportion of gross borrowing at a fixed interest rate (after taking into effect the interest rate swaps) for the year ended 30 June 2024 is 56 percent (2023: 53 percent).

*Table 78 shows* the effect of the interest rate swaps at reducing the Council’s and Group’s exposure to interest rate risk.



These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements. Instead, the fair value of these interest rate swaps is recognised. This represents the difference between the forecast current floating interest rate and the fixed swap interest rate discounted back to present value. As at 30 June 2024, the fair value of the interest rate swaps was $64.4m (2023: $73.2m). The asset represents the forecast cost savings the Council is expected to receive from locking in fixed interest rates lower than current market rates over the period of the swap contracts versus floating rates.

##### Interest rate hedge effectiveness



The fair value of the hedging instruments is no longer the same as the fair value of the hedged items due to a small amount of ineffectiveness introduced during the year. As no designated forecast relationships were no longer expected to occur, there were no reclassifications.

##### Weighted effective interest rates

Given that the interest rate swaps have settlement dates that coincide with the dates on which interest is payable on the underlying debt (short term bank facilities, commercial paper and debt securities), it is appropriate to include the effect of the interest rate swaps on the borrowings interest rate and present the net effective interest rates for the underlying borrowings as shown in *Table 80*.



The original related party loan to WRST for the Stadium construction and membership underwrite advance are on interest free terms.

The loan to WRST for COVID-19 support and further upgrade of the Fran Wilde walkway is at an interest rate of 3 percent p.a. and is now effective as the initial 2-year interest free period has expired.

##### Sensitivity analysis

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

*Table 81* illustrates the potential surplus or deficit impact of a 2 percent change in interest rates based on the Group’s exposures at the end of the reporting period:





###### a. Cash and cash equivalents

Group funds of $100.1m (2023: $87.7m) are in several different registered bank accounts with interest receivable on the aggregation of all accounts. While most of the funds are held on short-term deposit, they are subject to interest rate movement on any subsequent reinvestment.

###### b. LGFA borrower notes

The Group holds $36.0m (2023: $25.2m) of borrower notes which are investments held by LGFA as part of their lending policy. They are subject to quarterly interest rate resetting. As these debt investments are now subject to fair value, the effect of discounting has a greater impact than the increase/decrease in interest earned.

###### c. Bank term deposits > than 3 months at acquisition

Bank term deposits with maturities greater than 3 months at acquisition of $161.6m (2023: $46.1m) are subject to interest rate movement on any subsequent reinvestment.

###### d. Interest rate swaps – cash flow hedges

Interest rate swaps have a fair value totalling $64.4m (2023: $73.2m).

###### e. Debt securities – floating rate notes

Debt securities at floating rates total $1,420.0m (2023: $1,067.0m). The full exposure to changes in interest rates has been reduced because the Group has $679.0m (2023: $505.0m) of this debt at fixed rates through interest rate swaps.

###### f. Bank loans

The Group has a share of the borrowings made by Porirua City Council through the Council’s joint operations. These are disclosed as bank term loans and amount to $25.3m (2023: $10.5m). In addition, Karori Sanctuary Trust has a $1.5m (2023: $1.5m) loan.

###### g. Commercial paper

The Group has a commercial paper programme which is subject to floating rates and totals $100.0m of which only $66.0m (2023: $68.0m) is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has $28.0m (2023: $51.0m) of this debt at fixed rates through interest rate swaps.

#### Foreign exchange risk

Foreign exchange risk is the risk that costs materially exceed budget due to adverse movements in foreign exchange rates.

The Group is exposed to foreign exchange risk when it purchases equipment and services denominated in a foreign currency or has cash holdings denominated in a foreign currency.

The Group has assessed that a reasonably possible change in foreign exchange rates (a 10 percent variance either way) would have a trivial impact on surplus or equity.

##### Risk management

The Group seeks to limit foreign exchange risk by holding foreign currency prior to material foreign currency denominated capital and operating expenditure. Foreign exchange exposure is recognised when the expenditure has been approved and a contract is expected to follow.

The Group does not receive foreign currency revenue in its normal course of business.

## Note 34: Commitments

### Capital commitments



The capital commitments in *Table 82* represent signed contracts in place at the end of the reporting period. The contracts will often span more than one financial year.

The large increase in capital commitments results from the committed expenditure for the SMF at Moa Point and the Te Ngākau Civic Precinct upgrade.

In 2024 we have provided additional information on capital commitments for the three waters network entered into by Wellington Water Limited on the Council’s behalf. For consistency we have also restated the 2023 comparatives. This has resulted in an additional $34.9m capital commitments for 2023 compared to that previously reported.

### Operating lease commitments

##### Council and Group as lessee

The Group leases certain items of plant, equipment, land and buildings under various non-cancellable operating lease agreements. The lease terms are between 2 and 25 years and the majority of the lease agreements are generally renewable at the end of the lease period at market rates.

The minimum lease payments incurred during the period for non-cancellable operating leases is recognised as an expense in *Note 7: Expenditure on operating activities* (page 22) and the future expenditure committed by these leases is analysed as shown in *Table 83*.



The significant increase in the value of non-cancellable operating lease commitments is driven from new property lease agreements for the Te Kāinga affordable rental programme and the Council head office.

### Relevant significant accounting policies

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases (net of any lease incentives) are recognised on a straight-line basis over the term of the lease.

##### Council and Group as lessor

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

#### Investment properties

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 (included within investment properties) are parcels of land owned by the Group in the central city or on the Wellington 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.

#### Operational land and buildings

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, social housing 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 21 years although a new 35-year lease was signed during the year with Te Toi Mahana.

The committed revenues expected from these lease portfolios are analysed as shown in *Table 84.* Since the Te Toi Mahana lease can be cancelled with 5 years notice, only 5 years of committed revenue is shown.



### Relevant significant accounting policies

Rental revenue (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

## Note 35: Contingencies



### Local Government Funding Agency Limited (LGFA)

The Council is one of 31 shareholders of the LGFA. Any non-shareholder council that borrows in aggregate $20.0m or more from LGFA must also be a guarantor. There are 72 guarantors in total. In this regard the Council has uncalled capital of $1.9m. When aggregated with the uncalled capital of other shareholders, $20.0m is available if an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all LGFA’s borrowings. As at 30 June 2024, LGFA had borrowings totalling $23.0b (2023: $17.7b).

Financial reporting standards require the Council to recognise the guaranteed liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis:

* that we are not aware of any local authority, which is a member of the LGFA, that has had debt default events in New Zealand; and
* local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

The Council considers that even if it was called upon to contribute, the cost would not be material.

### Other legal proceedings

Other legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid. The outcome of these remains uncertain at the end of the reporting period. The maximum exposure to the Group is anticipated to be less than $0.4m (2023: $1.6m).

### Structural defect claim

A large and novel claim alleging a breach of duty to a tenant of a commercial building was filed in August 2019. The Council does not estimate any further financial exposure for this claim as it is expected to be covered by insurance.

### Unquantified contingent liabilities

#### Riskpool – winding up

Wellington City Council was previously a member of the New Zealand Mutual Liability Riskpool

scheme (Riskpool). The Scheme is in wind down; however the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme.

On 1 August 2023 the Supreme Court dismissed Riskpool’s final appeal in Local Government Mutual Funds Trustee Limited v Napier City Council [2023] NZSC 97. This created an immediate liability for Riskpool in relation to that claim, which necessitated a call on members. The amount of the call for the Council was $0.7m and was paid in December 2023.

Riskpool’s wind-down remains a very dynamic situation and there are significant challenges that Riskpool are still working through to be able to quantify the extent of Riskpool’s potential exposure.

#### 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 as at 30 June 2024 (2023: $nil).

### Relevant significant accounting policies

##### Contingent liabilities and contingent assets

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

## Note 36: Joint operations

The Council has significant interests in the following joint operations. These are domiciled and operate in New Zealand. Porirua City Council operates two of the joint operations under an agreement which provides that all assets of the joint operation are owned by the two councils as tenants in common. The remaining joint operations are part of Let’s Get Wellington Moving (LGWM) which was a joint initiative between Wellington City Council, GWRC and NZTA.



1. The LGWM joint operation ceased on 31 March 2024.

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

The Council’s and Group’s share of the joint operations’ capital commitments is $10.6m (2023: $nil) and contingent liabilities is $nil (2023: $nil).

## Note 37: Related party disclosures

### Relevant significant accounting policies

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

Key management personnel include the Mayor and Councillors as elected members of the governing body of the Council reporting entity, the Chief Executive, and all members of the Executive Leadership Team, being key advisors to the Council and Chief Executive.

### Key management personnel

In this section, the Council discloses the remuneration and related party transactions of key management personnel. The remuneration payable to key management personnel of the Group’s other entities is disclosed separately within their individual respective financial statements and is not included in *Table 87*.



As at 30 June 2024 key management personnel comprised of 24 individuals: 16 elected members or 16 fulltime equivalents (2023: 16) and 8 executive leaders or 8 fulltime equivalents (2023: 9).

For consistency we have restated the 2023 comparatives to exclude the non-monetary remuneration (benefit) in relation to a pool of on-site car parking spaces provided as the Council considers it immaterial and not practical to include this information. For further information see *Note 38 Remuneration and staffing* (page 116)

### Material related party transactions

#### Material related party transactions – key management personnel

During the year, key management personnel, as part of normal local authority relationships, were involved in transactions with the Council such as payment of rates and purchases of rubbish bags or other Council services. These transactions were on normal commercial terms.

A related party of an Executive Leadership Team member provided training services, through a company, to the Council during the year. These services valued at $9k (2023: $24k) were procured as arm’s length transactions on normal commercial terms.

A related party of an Executive Leadership Team member paid the Council $50k for sponsorship related activities during the 2022/23 financial year. These services were procured as arm’s length transactions on normal commercial terms. There was no similar payment during the current financial year.

Except for these transactions no key management personnel have entered into related party transactions with the Group.

The Mayor and Councillor’s disclose their personal interests in a register available on the Council website.

There are no commitments from the Council to key management personnel.

#### Material related party transactions – structured entities

##### Local Government Funding Agency Limited (LGFA)

The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 30 regional, district and city councils throughout New Zealand that own 80 percent of the issued capital, with the Crown holding the remaining 20 percent. The Council became an establishment shareholder in this Council Controlled Trading Organisation (CCTO) and currently has an investment of $9.2m (2023: $8.8m) representing 8.3 percent (2023: 8.3 percent) of paid-up capital.

During the year ended 30 June 2024 the Council drew down new borrowings of $545.5m and repaid $132.5m. Interest expense is paid quarterly in arrears on all borrowings and interest revenue of $0.3m (2023: $0.3m) was received on $2.8m (2023: $1.9m) of maturing borrower notes. The Council borrowings from the LGFA are comprised of $160.0m (2023: $100.0m) of fixed rate bonds and $1,420.0m (2023: $1,067.0m) of floating rate notes, including $414.0m (2023: $120.0m) of CALs and GSS loans.

The Council holds a $36.9m nominal amount (carrying value $36.0m) (2023: $26.0m nominal amount (carrying value $25.2m)) of investment borrower notes. During the year the Council received a shareholder dividend of $0.1m (2023: $0.1m)

#### Material related party transactions – unstructured entities

Financial information relating to the Council’s interests in unstructured entities is provided in *Tables 88 and 89.*



##### Basin Reserve Trust (BRT)

The BRT was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. The Trust was jointly created with Cricket Wellington Incorporated (CWI). The Council and CWI each appoint two of the four trustees. The 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 ended 30 June 2024 the Council contributed $0.1m (2023: $0.7m) to fund the core operations of the Trust.



##### Wellington Regional Stadium Trust (WRST)

WRST was jointly created by the Council and GWRC. The Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council’s objectives.

Refer to *Note 15: Other financial assets* (page 39), for more information on loans due from WRST.

### Intra-group transactions and balances

#### Intra-group transactions and balances – Joint operations

During the year the Council has entered into transactions with its joint operations partners Porirua City Council and Let’s Get Wellington Moving. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as shown in *Table 90*.



#### Intra-group transactions and balances – Controlled entities

During the year the Council has entered into transactions with its controlled entities. These transactions disclosed are within the normal course of business. Intra-group transactions between Group entities, other than rates, are eliminated in the consolidated financial statements. The nature of these intra-group transactions and the outstanding balances at the reporting date are as shown in T*able 91.*



##### 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.

#### Intra-group transactions and balances – Associates and Joint venture

During the year the Council has entered into several transactions with its associates and joint venture. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as shown in *Table 92.*



##### Current receivables, recoverables and payables

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

## Note 38: Remuneration and staffing

### Mayoral and Councillor remuneration

#### Remuneration

The following people held office as elected members of the Council’s governing body, during the reporting period. The total remuneration was $1.8m (2023: $1.8m) and is broken down and classified as shown in *Table 93.*



#### Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the LGA 2002). The Council’s monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority’s guidelines the Council has chosen for its elected members to receive an annual salary for the 2023/24 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

#### Mayoral car

The Remuneration Authority permits the Council to provide the Mayor with a vehicle for full private use, which is a taxable benefit. Mayor Whanau has chosen not to take up this option.

#### Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration (benefit) in relation to a pool of on-site car parking spaces provided, regardless of whether they elect to use these or not. Some Councillors do not have vehicles and/or do not choose to use these car park spaces. This benefit is excluded from *Table 93* as the Council considers it immaterial and not practical to include this information.

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

### Relevant significant accounting policies

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

### Community Boards

The Council has two community boards – the Tawa Community Board and the Mākara/Ōhāriu Community Board. The total remuneration paid to the elected members of these boards was $0.1m (2023: $0.1m) as shown in *Table 94.*



A technology allowance of $45 per month is available to the Chair of both the Tawa and Mākara/Ōhāriu Community Boards. This allowance can be taken as either an allowance or as an actual expense reimbursement.

### Chief Executive’s remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the LGA 2002.

*Table 95* shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2024.

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



### Severances

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

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

For the year ended 30 June 2024 the Council made severance payments to 7 employees totalling $0.2m (2023: 10 employees, $0.3m).

The individual values of each of these Council severance payments were: $153k, $17k, $16k, $12k, $8k, $7k and $7k.

### Employee numbers and remuneration bands

*Table 96* identifies the number of full-time employees as at the end of the reporting period and the full-time equivalent number of all other part-time, fixed term and casual employees.



*Table 97* further identifies the breakdown of remuneration levels of those employees into various bands.





9. If the number of employees for any band was five or less then we are legally required by the LGA 2002 to combine it with the next highest band. This means that some rows span different bands across the two years shown.

Of the 1,939 (2023: 2,061) individual employees, 601 (2023: 731) are part-time or casual.

Total annual remuneration has been calculated to include any non-financial benefits and other payments in excess of normal remuneration such as the employer KiwiSaver contribution.

The Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the two lowest remuneration grades as shown in *Table 98*.



The current Living Wage rate for the Council is $26.00 (2023: $23.65) per hour. Each year the living wage rate for the Council is reviewed in accordance with the latest Living Wage rate announced/published by Living Wage Aotearoa.

## Note 39: Events after the end of the reporting period

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

The following update has been included due to the significant impact the programme is likely to have on the Council including on all water related infrastructure assets.

### Local Water Done Well

In December 2023, the New Zealand Government announced a new direction for water services (drinking water, wastewater and stormwater services) policy and legislation which it has called Local Water Done Well. This is being implemented in 3 stages namely:

* stage 1 – repealing the previous affordable water reforms (completed in February 2024);
* stage 2 – enacting the Local Government (Water Services Preliminary Arrangements) Act 2024 (the Act) which received Royal Assent on 2 September 2024; and
* stage 3 – implementing further legislative change (expected to be introduced in December 2024 to be passed by mid-2025).

The Act requires the Council to submit a Water Services Delivery Plan (WSDP) to the Secretary of Local Government, by September 2025. In broad terms, a WSDP must identify the current state of the Council’s water services and show how the Council will deliver those services in a way that:

* meets relevant regulatory quality standards for stormwater, wastewater and water supply networks;
* is financially sustainable;
* ensures compliance with drinking water quality standards; and
* supports the council’s housing growth and urban development objectives.

The Council is currently working with other councils in the Greater Wellington region along with the Horowhenua District on a WSDP to reform the region’s water services. The 10 councils, representing more than half a million people, are committed to the process and working at pace to ensure an enduring approach to water management ahead of the local government elections in 2025. The Council is also required to formally consult the community on aspects of the proposed model and arrangements for delivering water services.

The reforms to date have had no effect on the financial statements or performance information for the year ended 30 June 2024.

# Financial Prudence

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

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

### Annual report disclosure statement for year ended 30 June 2024

#### What is the purpose of this statement?

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

The Council is required to include this statement in its annual report in accordance with the 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 current year benchmark is calculated using the financial information from the Council’s 2021 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 above graph compares the Council's actual rates revenue with a quantified dollar limit on rates revenue included in the financial strategy in the Council's LTP.

The quantified limit for the first three years of the 2021 LTP, which encompassed the financial years 2021/22; 2022/23 and 2023/24 was $475m. This means rates revenue remained below this quantified limit for the first two years but exceeded it for 2023/24 as signalled in the 2023/24 AP.

### Rates (increases) affordability

The above graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the Council's LTP.

The quantified limit for 2023/24 was 9.6 percent although the actual rates increase set for the 2023/24 year exceeded this limit. The rates increase proposed in the 2021 LTP was equivalent to an average rates increase of 10.5 percent over the first three years, which encompassed the financial years 2021/22; 2022/23 and 2023/24. This benchmark was signalled to not be met in the 2023/24 AP.

### Debt affordability benchmark

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

### Net borrowing as a percentage of revenue

The above graph compares the Council's actual net borrowings as a proportion of revenue with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP.

The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 225 percent of revenue. For this measure, revenue is defined as total revenue less vested assets and development contribution revenue.

### Net interest as a percentage of revenue

The above graph compares the Council's actual net interest expense as a proportion of revenue with a quantified limit on net interest stated in the financial strategy included in the Council's LTP.

The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 15 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.

### Net interest as a percentage of annual rates revenue

The above graph compares the Council's actual net interest expense as a proportion of annual rates revenue with a quantified limit on net interest stated in the financial strategy included in the Council's LTP.

The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 20 percent of annual rates revenue.

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

The above graph compares the Council's actual liquidity with a quantified limit on liquidity stated in the financial strategy included in the Council's LTP.

The Council minimises its liquidity risk by avoiding concentration of debt maturity dates and by maintaining sufficient liquid assets.

The quantified limit is liquidity being greater than or equal to 115 percent. For debt affordability, liquidity is defined as term borrowing plus committed loan facilities as a percentage of existing net debt. Existing net debt is defined as borrowings less cash and cash equivalents.

### Balanced budget benchmark

The above 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 2022/23 and 2023/24, the deficit is largely due to the change in approach of funding “three waters” depreciation from rates to debt funding of this operational expenditure to an amount equal to the difference between depreciation and capital expenditure renewals. This change in approach arose from the revaluation of water assets which increased significantly in value resulting in increased depreciation expense. This change was included in and approved as part of the 2022/23 and 2023/24 AP.

### Essential services benchmark

The above 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 above 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 above 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 because of interest rate volatility during that financial year.

### Operations control benchmark

The above graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

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

Several assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with variances in the 2019/20, 2021/22, 2022/23 and 2023/24 years explained by the timing difference in the receipt of revenues compared to budget that led to the “not met” outcome for this measure. In 2019/20 and 2021/22 there were also significant revenue losses due to the COVID-19 restrictions which would have impacted this measure.