
ORDINARY MEETING

OF

FINANCE, AUDIT AND RISK SUBCOMMITTEE

AGENDA

Time: 9:30am
Date: Tuesday, 24 March 2020
Venue: Ngake (16.09)
Level 16, Tahiwī
113 The Terrace
Wellington

MEMBERSHIP

Mayor Foster
Councillor Calvert (Deputy Chair)
Councillor Condie
Councillor Pannett
Councillor Paul
Councillor Rush

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8334, emailing public.participation@wcc.govt.nz or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

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

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

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

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

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

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

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

1.3 Conflict of Interest Declarations

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

1.4 Confirmation of Minutes

1.5 Items not on the Agenda

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

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

The Chairperson shall state to the meeting:

1. The reason why the item is not on the agenda; and

2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

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

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

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

1.6 Public Participation

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

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

2. General Business

DRAFT 2019/20 ANNUAL REPORT FORMAT INCLUDING FINANCIAL STATEMENTS AND PROPOSED SIGN-OFF PROCESS

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to agree to the broad approach to the Council's 2019/20 Annual Report and Summary Annual Report format, including the format and disclosures for the Financial Statements.

Recommendations

That the Finance, Audit and Risk Subcommittee:

1. Receives the information.
2. Note the approach and structure for the 2019/20 Annual Report (and Summary Annual Report) is similar to the 2018/19 Annual Report. This is subject to:
 - a. The performance story for actual full year results; and
 - b. The key messages for the summary story for the year.
3. Approve the proposed format and disclosures for the 2019/20 financial statements subject to:
 - a. Consideration of the implications of any changes in NZ GAAP arising up to 30 June 2020 which may be required to be applied retrospectively;
 - b. The determination and disclosure of the final results of operations, cash-flows and financial position for the year ending 30 June 2020 (and any subsequent impact on the notes to the financial statements); and
 - c. Receiving final clearance from Audit New Zealand.
4. Approve the sign-off process and timetable for the 2019/20 financial statements.

Background

2. Section 98 of the Local Government Act (LGA) 2002 requires the Council to prepare and adopt an Annual Report containing specified disclosures within four months after the end of the financial year. Section 111 of the LGA 2002 requires Council to comply with generally accepted accounting practice (GAAP) in preparing the Annual Report.
3. Council officers propose to prepare the 2019/20 Annual Report for adoption on the 30 September 2020. In order to achieve this timeframe, there will be two workshops with the subcommittee and open to all Councillors to attend. This will provide Councillors with the opportunity to review and provide feedback on the draft Annual Report prior to the FARS's meeting of the 16 September 2020.
4. In 2019, after taking feedback from the Australasian Reporting Awards, we established an Annual Report structure that could be used for subsequent years. The 2019/20

Annual Report will reflect this structure - subject to any additional feedback from the Judges.

5. The 8 September 2020 workshop focuses on the Council's service performance and summary sections ("summary of our year" and "our performance in detail") of the Annual Report.
6. The second workshop on 10 September 2020 will focus on the financial statements, underlying assumptions and judgements made. The final review of the document that is available to Councillors prior to adoption will be the FARS's meeting of 21 September 2020.
7. To assist in the Annual Report process, a draft template has been prepared for the Subcommittee's review which identifies the proposed financial statement format and disclosures which will be used for the Annual Report.
8. The financial statements template is currently being reviewed by Audit New Zealand. Their feedback will be incorporated into the attached draft financial statements and any material changes will be explained at the Annual Report workshop on the 10 September 2020.

Discussion

Overview of Annual Report and Summary documents

9. The Annual Report will comprise of five sections (plus appendices): Our City, Summary of our year, Our performance in detail, Governance and management and Financial Statements.
10. The Summary Annual Report comprises of an introduction, an overview, highlights of the year of our financial and non-financial performance, an overview of the financial result (with reference to the Financial Statements in the full Annual Report), and independent auditors report.
11. No change is proposed to the Annual Report or the Summary Annual Report structure from the 2017/18 and 2018/19 Annual Reports
12. The near-final draft of the Annual Report will be circulated at the Annual Report workshop on 10th September 2020 for feedback.
13. The Summary Annual Report will be made publically available within one month of the adoption of the Annual Report.

Overview of our performance

14. As per the 2018/19 Annual Report, Section 2 provides an overview of our performance. This comprises of:
 - Introductions by the Mayor and Chief Executive, General highlights of the year (interesting facts & figures) summary of what we do the services we deliver.
 - "Summary of our performance" – how we performed during the year, including outcome indicators and key performance measure results against targets, plus high level financial against Strategic areas
 - "Our finances" The "the numbers" - which is a series of key messages on the Council's financial performance. It will include key headline messages and short explanatory narratives. This will be supported by graphs on revenue, expenditure and capital expenditure as well as an explanation on the "underlying operating result". We will include an explanation of how the capital expenditure programme

has performed during the 2019/20 year and key influences. Where the money comes from (income) and where the money goes (expenses) and the allocation of rates income.

15. Section three covers “Our performance in detail”. This summarises key aspects of non-financial performance for the year in each activity area (Governance, Environment, Economic Development etc). The commentary also includes the year’s actual performance against each activity areas’ performance measures (or KPIs - key performance indicators). The commentary will include case studies to provide a concise non-technical performance story for activity area.
16. The overall aim is in plain english to make it easier for the ordinary reader to understand how the Council has performed for the year - in non-technical terms.
17. The Summary Annual Report is designed to be a “lift-out” from the full Annual Report (Sections “Our City” and “Summary of our year”). The Summary also contains summarised financial statements. For those who wish to delve into detail, the summary information will reference where the detail can be found in the full Annual Report. The Summary also includes an Independent Auditor’s report.
18. The visual and layout elements of both the full Annual Report and The Summary will support a concise overall performance story and a structure that is intuitive and easily navigated – for a variety of different readers. As in previous Annual Reports we will continue to use Te reo headings and translations of the Mayor’s and Chief Executive’s Statements.

Overview of Financial Statements

19. The financial overview and financial statements template has been drafted by the Council’s Financial Accounting team, who are mindful of the Subcommittee desire to enhance the presentation of the financial overview and statements to increase readability to a wide range of readers.
20. The draft financial statements contained in Attachment 1 will undergo further presentational format changes, such as colour coding various financial sections e.g. Statement of Comprehensive Revenue and Expense, Statement of Financial Position etc in the published Annual Report.
21. The financial statements have been prepared where possible using plain english explanations but given the complexity of Council operations and the requirements of accounting standards, they will include technical explanations that only experienced readers of financial statements will understand.
22. It is important to note that the financial statements template reflects applicable PBE accounting standards as at the date of preparation and any subsequent changes to accounting standards will be updated at the next Subcommittee meeting.
23. These changes in format are subject to Audit NZ review and any changes / recommendations arising from that review will be incorporated into the financial statements to be presented at the workshop on 10 September 2020.

Key changes in the financial statements template

FINANCE, AUDIT AND RISK SUBCOMMITTEE

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24. The attached financial statements template have only had minor editorial changes made and follows the same format and principles of the previous two years Annual Report.
25. There are changes to the financial statements arising from new PBE standards that have been reflected in these draft statements and the impact of these are outlined in a separate paper to the Subcommittee.
26. The impact of proposed new or revised PBE standards will be outlined under a separate paper to the Subcommittee.

Proposed sign-off process for the 2019/20 financial statements

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

Date:	Action:
11 March 2020	<i>Finance, Audit and Risk Subcommittee meeting</i> Subcommittee to review and conditionally approve draft format for the 2019/20 Annual Report including financial statements and the proposed sign-off process.
24 August 2020 (scheduled)	Audit New Zealand commence final audit fieldwork.
8 September 2020 (scheduled)	Workshop 1 - Finance, Audit and Risk Subcommittee briefing on performance in detail and issues.
10 September 2020 (scheduled)	Workshop 2 - Finance, Audit and Risk Subcommittee briefing on financial results, key judgements, major provisions and issues.
21 September 2020 (scheduled)	<i>Finance, Audit and Risk Subcommittee meeting</i> Subcommittee to review draft Annual Report including consolidated draft financial statements, encompassing results of operations and cash-flows for the year ending 30 June 2020, financial position as at 30 June 2020 and financial overview, subject to final Audit New Zealand clearance. Subcommittee to also review Statements of Service Performance including reports on CCOs and mana whenua partnership. Audit New Zealand to provide update as to whether an unqualified, or qualified audit opinion will be issued. Subcommittee to recommend adoption of 2019/20 financial statements to Strategy and Policy Committee and the letter of representation.

30 September 2020 (scheduled)	<i>Strategy and Policy Committee meeting</i> Committee to recommend adoption of 2019/20 financial statements to Council.
30 September 2020 (scheduled)	<i>Council meeting</i> Council to adopt 2019/20 financial statements. Management Letter of Representation issued to Audit New Zealand. Audit New Zealand sign audit opinion. Media release – financial results for the year ending 30 June 2020.
30 October 2020	Release of published Annual Report and Summary Annual Report.

Attachments

Attachment 1. Draft 2019/20 Financial Statements template [↓](#) 

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

SUPPORTING INFORMATION

Engagement and Consultation

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

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

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

Risks / legal

There are no new risks or legal implications arising from this paper.

Climate Change impact and considerations

There is no climate change implications arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There are no impacts on Health and Safety.

**Wellington City Council and Group
Consolidated Financial Statements
For the year ended 30 June 2020**

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

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Statement of Compliance and Responsibility

Reporting entity

Wellington City Council is a territorial local authority governed by the Local Government Act 2002.

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

The reported Council figures includes the results and operations of Wellington City Council and the Council's interests as disclosed in Note 35: Joint operations (page XX).

The reported Group figures includes the Council (as defined above), its controlled entities as disclosed in Note 19 (page XX) and the Council's equity accounted interest in the associates and a joint venture as disclosed in Note 20 (page XX). A structural diagram of the Council and Group is included on the following page.

Compliance

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

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity¹ and were authorised for issue by the Council on 30 September 2020.

Responsibility

The Council and management accept responsibility for the preparation of the annual financial statements and judgements used in them. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management, the Annual Report for the year ended 30 June 2020 fairly reflect the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Andy Foster

Mayor

30 September 2020

Barbara McKerrow

Chief Executive

30 September 2020

TBA

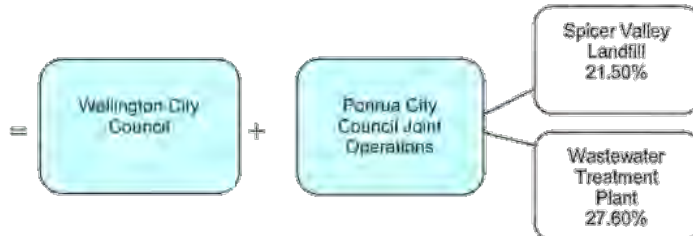
Chief Financial Officer

30 September 2020

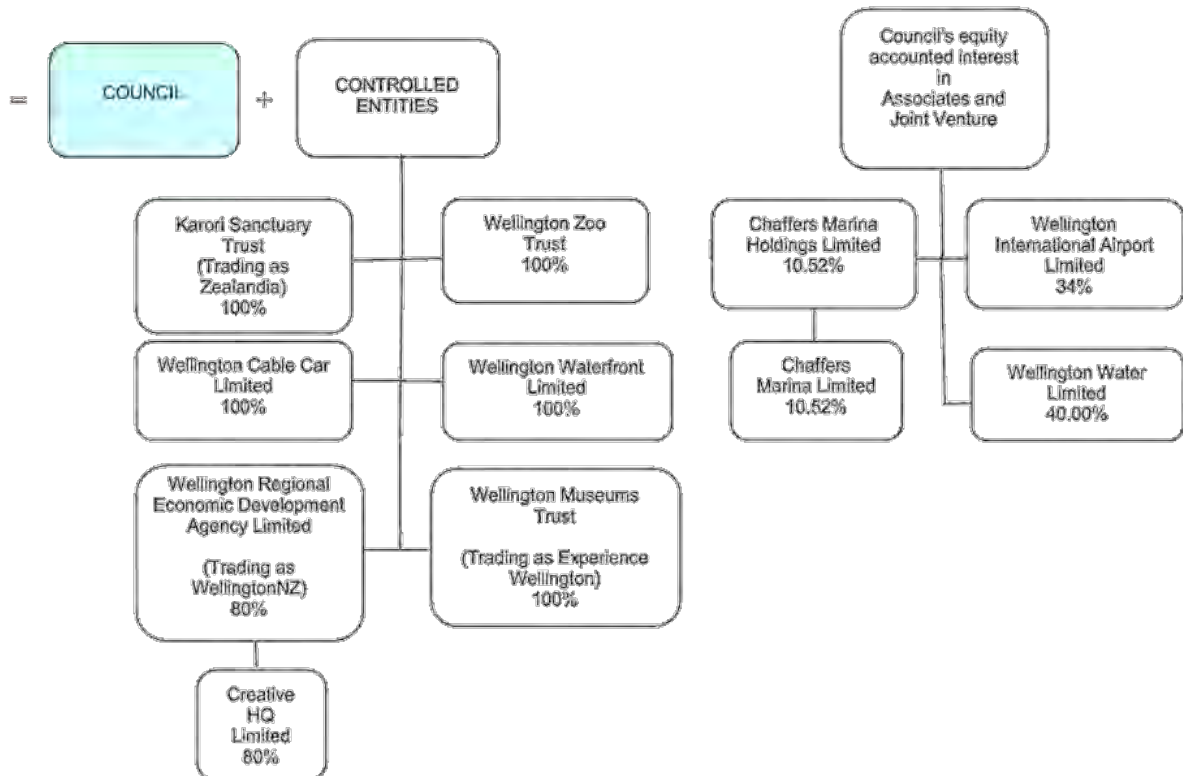
1. A Tier 1 entity is defined as being either, publicly accountable or large (ie. expenses over \$30m). Council exceeds the expenses threshold.

Council and Group Structure

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



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

The percentages above represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group. Refer to Notes 19 and 20 (pages **XX to XX**) for more information

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Basis of Consolidation

The Council and Group have adopted the new group standards, PBE IPSAS 34 to 38, in preparing these financial statements. In adopting these new standards, the Council and Group have updated the accounting policies for their investments in controlled entities, associates and joint ventures. Disclosures have also been updated for the new disclosure requirements of PBE IPSAS 38.

Joint arrangements

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

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

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

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For a joint operation the Council has a liability in respect of its share of joint ventures' operational deficits and liabilities, and shares in any operational surpluses and assets.

The Council's proportionate interest (ie. 21.5% of the Spicer Valley landfill) in the assets, liabilities, revenue and expenditure of joint operations is included in the financial statements of the Council and Group on a line-by-line basis.

Controlled entities

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

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

All significant transactions between Group entities, other than rates, are eliminated on consolidation. Rates are charged on an arm's length basis and are not eliminated to ensure that reported costs and revenues are consistent with the Council's Annual Plan.

Associates

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

Draft Financial Statements

Council Controlled Organisations

The Council has established several Council Controlled Organisations (CCO's) and Council Controlled Trading Organisations (CCTO's) to help it achieve its goals for Wellington. These organisations were set up to independently manage Council facilities, or deliver specific services and developments on behalf of Wellington residents. A report on these organisations is found on page XX. Council has made appointments to other organisations, which make them Council Organisations (as defined in the Local Government Act 2002) but they are not Council controlled or part of the Group.

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

	Note	Council			Group		
		Actual	Budget	Actual	Actual	Actual	
		2020	2020	2019	2020	2019	
		\$000	\$000	\$000	\$000	\$000	
Revenue							
Rates	1		325,857	309,887		309,887	
Revenue from operating activities							
Development contributions	2		2,000	2,897		2,897	
Grants, subsidies and reimbursements	2		32,367	38,496		49,217	
Other operating activities	2		146,386	143,878		163,983	
Investments revenue	3		25,861	25,946		12,065	
Vested assets and other revenue	4		7,337	17,460		17,682	
Fair value gains	5		8,672	18,458		18,890	
Finance revenue	6		13	2,879		3,158	
Total revenue			-	548,493	559,901	-	577,779
Expense							
Finance expense	6		(24,902)	(25,719)		(25,725)	
Expenditure on operating activities	7		(407,555)	(391,406)		(419,327)	
Depreciation and amortisation expense	8		(124,573)	(116,121)		(117,619)	
Total expense			-	(557,030)	(533,246)	-	(562,671)
Operating surplus before Civic Precinct impairment			(8,537)	26,655		15,108	
Civic Precinct impairment			-	(50,522)		(50,522)	
Share of equity accounted surplus/(deficit) from associates and joint venture	9		-	-		16,332	
Net surplus before taxation			-	(8,537)	(23,867)	-	(19,082)
Income tax credit/(expense)	10		-	-		(187)	
NET SURPLUS for the year			-	(8,537)	(23,867)	-	(19,269)
Net surplus attributable to:							
Wellington City Council and Group			-	(8,537)	(23,867)		(19,553)
Non-controlling interest			-	-	-		284
			-	(8,537)	(23,867)	-	(19,269)

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

Draft Financial Statements

**Statement of Comprehensive Revenue and Expense
- continued**

For the year ended 30 June 2020

	Refer	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2020	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000
Net surplus for the year		-	(8,537)	(23,867)	-	(19,269)
Other comprehensive revenue and expense ¹						
<i>Items that will be reclassified to surplus/(deficit)</i>						
Cash flow hedges:						
Fair value movement - net	SCIE ²		-	(42,776)		(42,094)
Fair value through other comprehensive revenue and expense						
Fair value movement - net	SCIE		-	546		492
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Non-controlling interest:						
Movement in non-controlling interest			-	-		
Revaluations:						
Fair value movement - property, plant and equipment - net	SCIE		204,856	(3,256)		(3,256)
Share of other comprehensive revenue and expense of associates and joint venture						
Fair value movement - property, plant and equipment - net	SCIE		-	-		4,761
Total other comprehensive revenue and expense		-	204,856	(45,486)	-	(40,097)
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year		-	196,319	(69,353)	-	(59,366)
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		-	196,319	(69,353)	-	(59,650)
Non-controlling interest		-	-	-	-	284
		-	196,319	(69,353)	-	(59,366)

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

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

Draft Financial Statements

Statement of Comprehensive Revenue and Expense - Major budget variations

Significant variations from budgeted revenues and expenses are as follows:

Revenues were \$XXm higher than budgeted, major variances included:

Expenses were \$XXm higher than budgeted, major variances included:

Net finance expense was \$XXm lower than budgeted reflecting the lower than planned capital expenditure, which is debt funded, resulting in lower interest charges.

Note 1: Rates revenue

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
General rates		175,031	-	175,031
Targeted rates		118,168	-	118,168
Metered water supply		15,605	-	15,605
Penalties and adjustments		1,083	-	1,083
TOTAL RATES REVENUE	-	309,887	-	309,887

The total amount of rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$XXm (2019: \$14.520m). For the Group, rates of \$XXm (2019: \$14.604m) have not been eliminated.

The revenue from rates for Wellington City Council was billed on the following rating information held as at 30 June 2019.

The number of rating units: 79,211 (30 June 2018: 78,724).

Value of rating units	2020	2019
	\$000	\$000
Total capital value of rating units	78,630,323	56,296,956
Total land value of rating units	40,454,135	23,453,009

Rates remissions

Revenue from rates is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting period ended 30 June 2020 totalled \$XXm (2019: \$1.331m).

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 as at the date when rate assessment notices are sent to the ratepayers. Rates are a tax as they are payable under the Local Government Ratings Act 2002 and therefore meet the definition of non-exchange.

Water rates by meter are regulated in the same way as other rates and are taxes that use a specific charging mechanism to collect the rate. However, as the rates charged are primarily based on a per unit of consumption basis, water rates by meter are considered to be more in the nature

of an exchange transaction. Revenue from water rates by meter is recognised on an accrual basis based on usage.

Note 2: Revenue from operating activities

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Development contributions		2,897		2,897
Grants, subsidies and reimbursements				
Operating		9,214		18,441
Capital		29,282		30,776
Total grants, subsidies and reimbursements	-	38,496	-	49,217
Other operating activities				
Fines and penalties		6,285		6,285
Rendering of services		130,740		145,758
Sale of goods		6,853		11,940
Total other operating activities	-	143,878	-	163,983
TOTAL REVENUE FROM OPERATING ACTIVITIES	-	185,271	-	216,097

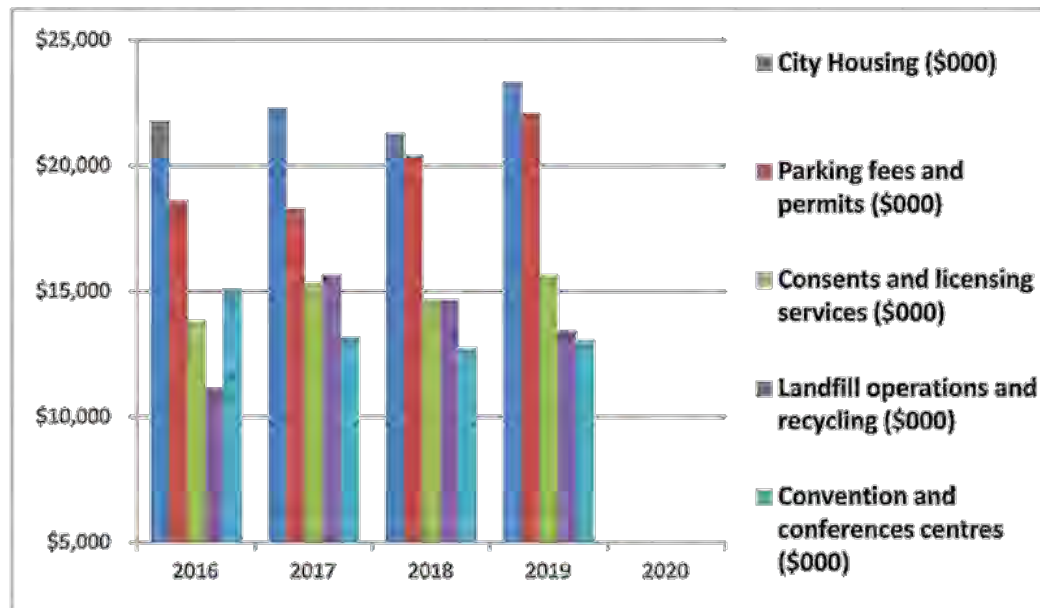
For the Council, the principal grants and reimbursements are from the New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs for maintaining the local roading and cycling infrastructure. The capital reimbursements recognised from NZTA of \$XXm (2019: \$29.331m) and operating reimbursements of \$XXm (2019: \$7.983m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

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

- City housing - \$XXm (2019: \$23.310m)
- Parking fees and permits - \$XXm (2019: \$22.067m)
- Consents and licensing services - \$XXm (2019: \$15.609m)
- Landfill operations and recycling - \$XXm (2019: \$13.422m) – including unbudgeted revenue from the joint ventures with Porirua City Council \$XXm (2019: \$1.780m).
- Convention and conferences centres – \$XXm (2019: \$13.037)

See *Figure 1* for a 5-year trend analysis of these major revenue streams.

Figure 1: 5-year trend for major revenue streams (\$000)



5-year Trend analysis

City Housing –

.

Parking fees and permits –

Consents and licensing services –

Landfill operations and recycling –

Convention and conference centres –

Relevant significant accounting policies

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

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

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

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Development contributions

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

Grants, subsidies and reimbursements

Grants, subsidies and reimbursements are initially recognised at their fair value where there is reasonable assurance that the monies will be received and all attaching conditions will be complied with. Grants and subsidies received in relation to the provision of services are recognised on a percentage of completion basis. Reimbursements (e.g. NZ Transport Agency roading claim payments) are recognised upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Fines and penalties

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

Rendering of services

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

Sale of goods

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

Note 3: Investment revenue

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Dividend from associates		13,881		-
Dividend from equity investments		537		537
Investment property revenues		11,528		11,528
TOTAL INVESTMENT REVENUE	-	25,946	-	12,065

Dividends

The dividend from associates was from Council's 34% holding in Wellington International Airport Limited. (See Figure 2 below)

The higher equity investment dividend received in 2018/19 was largely the \$0.441m from Civic Financial Services Limited, following the sale of its building, Civic Assurance House.

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

Figure 2: Dividends (\$000) - Wellington International Airport Limited



For further information refer to Note 20: Investment in associates and joint venture (page XX).

Investment properties

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

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

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Relevant significant accounting policies

Dividends

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

Investment property lease rentals

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

Note 4: Vested assets and other revenue

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Vested assets		13,411		13,411
Other revenue	-	4,049	-	4,271
TOTAL VESTED ASSETS AND OTHER REVENUE	-	17,460	-	17,682

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

The breakdown of principal vested assets received is:

- Drainage, waste and water - \$XXm (2019: \$8.082m).
(The 2018/19 amount included \$3.161m from the Crown in relation to emergency water stations to add to the resilience of the city.)
- Roothing - \$XXm (2019: \$4.148m)
- Outer Greenbelt land - \$XXm (2019: \$1.118m).

Other revenue consisted of:

- Fuel tax - \$XXm (2019: \$1.139m)

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.

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Gains

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

Donated services

The Council benefits from the voluntary service of many Wellingtonians in the delivery of its activities and services (eg. beach cleaning and Otari-Wilton's Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements.

Note 5: Fair value movements

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Investment property revaluation		18,454		18,454
Amortisation of loans to related parties		4		10
Fair value gain on investments		-		426
TOTAL FAIR VALUE MOVEMENTS	-	18,458	-	18,890

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

Relevant significant accounting policies**Gains**

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

Investment properties

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

Derivatives

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

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Note 6: Finance expense

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Interest on borrowings		25,056		25,060
Interest on finance leases		-		2
Re-discounting of interest on provisions		663		663
TOTAL FINANCE EXPENSE	-	25,719	-	25,725
<i>Less</i>				
Finance revenue - interest earned	-	2,879	-	3,158
NET FINANCE COST	-	22,840	-	22,567

Relevant significant accounting policies

Interest on borrowings

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

Re-discounting of interest

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

Interest earned

Interest earned is recognised using the effective interest rate method.

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Note 7: Expenditure on operating activities

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Governance and employment				
Elected member remuneration		1,649		1,649
Independent directors/trustees fees for controlled entities		-		451
Employee benefits expense:				
- Remuneration		92,056		119,804
- Superannuation contributions (including KiwiSaver)		2,701		3,321
Other personnel costs		4,501		5,374
Impairments				
Bad debts written off not previously provided for		132		136
Increase in provision for impairment of receivables and recoverables		497		497
Impairment of property, plant and equipment		50,603		50,603
Impairment of investments		49		95
Insurance				
Insurance premiums		15,528		16,105
Insurance reserve costs - net		1,709		1,709
General				
Administration Costs		6,269		20,373
Auditor's remuneration:		461		733
Contractors		4,633		7,728
Contracts, services and materials		147,962		149,468
Grants		38,516		13,193
Information and communication technology		16,336		17,343
Loss on disposal of intangibles		225		225
Loss on disposal of property, plant and equipment		766		833
Operating lease - minimum lease payments		4,460		5,672
Professional costs		20,856		21,446
Reassessment of weather/tight provision		2,794		2,794
Utility costs		29,225		30,299
Total expenditure on operating activities including Civic Precinct impairment	-	441,928	-	469,849
Less: Civic Precinct impairments		(50,522)		(50,522)
TOTAL EXPENDITURE ON OPERATING ACTIVITIES	-	391,406	-	419,327

Governance and employment

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

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

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During the year \$XXm (2019: \$0.684m) of termination benefits were incurred by the Council and \$XXm (2019: \$0.945m) by the Group. Termination benefits include all payments relating to the end of employment other than unpaid salary and leave entitlements. Termination benefits include both contractual (eg redundancy, in lieu of notice) and non-contractual (eg severance) payments.

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

Impairments

The primary impairments for the previous year were due to the Civic Precinct. For more detailed information on these impairments see Note 18: Property, plant and equipment (page XX)

General

Auditor's remuneration:	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Audit services - Audit New Zealand - Financial Statements		301		499
Audit services - Audit New Zealand - LTP and LTP Amendment		148		148
Audit services - Audit New Zealand - other		12		12
Audit services - Other Auditors		-		74
	-	461	-	733

During the period Audit New Zealand provided other services to the Council, namely assurance services relating to the Clifton Terrace Carpark managed by the Council on behalf of the New Zealand Transport Agency and assurance services relating to Council's debenture trust deed compliance (see Table XX above).

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

Grants include the operating grants to Council's controlled entities (refer to Note 36: Related Party disclosures for a breakdown (page XX)). Other major grants include the funding to the Museum of New Zealand, Te Papa Tongarewa \$XXm (2019: \$2.250m).

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

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

Utility costs are those relating to the use of electricity, gas, and water. It also includes the payment of rates and water meter charges of \$XXm (2019: \$14.521m) on Council owned properties.

Relevant significant accounting policies

Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (eg. cash or physical assets) to another entity or individual in return for compliance with certain conditions relating to the operating activities of that entity. It includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of the Council. Grants and sponsorships are distinct from donations which are discretionary or charitable

gifts. Where grants and sponsorships are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled.

Cost allocation

The Council has derived the cost of service for each significant activity (as reported within the Statements of Service Performance). Direct costs are expensed directly to the activity. Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. These indirect costs are allocated as overheads across all activities

Research and Development

Research costs are expensed as incurred. Development expenditure on individual projects is capitalised and recognised as an asset when it meets the definition and criteria for capitalisation as an asset and it is probable that the Council will receive future economic benefits from the asset. Assets which have finite lives are stated at cost less accumulated amortisation and are amortised on a straight-line basis over their useful lives.

Note 8: Depreciation and amortisation

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Depreciation				
Buildings		30,938		31,091
Civic Precinct		2,732		2,732
Restricted buildings		1,578		1,578
Drainage, waste and water infrastructure		35,512		35,512
Landfill post closure		12		12
Library collections		2,142		2,142
Plant and equipment		9,909		11,145
Roading infrastructure		29,569		29,569
Total depreciation	-	112,392	-	113,781
Amortisation				
Computer software		3,729		3,838
Total amortisation	-	3,729	-	3,838
TOTAL DEPRECIATION AND AMORTISATION	-	116,121	-	117,619

Depreciation (amortisation) is an expense charged each year to reflect the estimated cost of using our assets over their lives. Amortisation relates to 'intangible' assets such as software (as distinct from physical assets, which are covered by the term depreciation).

Relevant significant accounting policies

Depreciation

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

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

Amortisation

The amortisation of intangible assets is charged on a straight-line basis over the estimated useful life of the associated assets. (See *Table XX*)

Table XX: Estimated useful lives of tangible assets

	2020
Asset Category	Useful Life (years)
Land	unlimited
Buildings	2 - 150
Civic Precinct	2 - 67
Plant and equipment	1 - 296
Library collection	4 - 11
Restricted assets (excluding buildings)	unlimited
Infrastructure assets:	
Land (including land under roads)	unlimited
Roading	2 - 266
Drainage, waste and water	7 - 402

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

Table XX: Estimated useful lives of intangible assets

	2020
Asset Category	Useful Life (years)
Computer software	2 - 11

Computer software has a finite economic life and amortisation is charged to surplus or deficit on a straight-line basis over the estimated useful life of the asset.

Note 9: Share of associates' and joint venture's surplus or deficit

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

	Group	
	2020	2019
	\$000	\$000
Associates		
Chaffers Marina Holdings Limited		(6)
Wellington International Airport Limited		16,327
Joint venture		
Wellington Water Limited		11
TOTAL SHARE OF ASSOCIATES' AND JOINT VENTURE'S SURPLUS OR (DEFICIT)		16,332

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

Relevant significant accounting policies

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

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

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Note 10: Income tax expense

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Current tax expense				
Current year	-	-		132
Prior period adjustment	-	-		(99)
Total current tax expense	-	-	-	33
Deferred tax expense				
Origination and reversal of temporary differences		3		154
Change in unrecognised temporary differences		(3)		-
Recognition of previously unrecognised tax losses		-		-
Total deferred tax expense	-	-	-	154
TOTAL INCOME TAX EXPENSE / (CREDIT)	-	-	-	187
Reconciliation of tax on the surplus / (deficit) and tax expense				
	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Surplus / (deficit) for the period before taxation		(23,867)	-	(19,082)
Prima facie income tax based on domestic tax rate - 28%		(6,683)	-	(5,343)
Effect of non-deductible expenses and tax exempt income		6,683		4,610
Effect of tax losses utilised		-		-
Current years loss for which no deferred tax asset was recognised		3		104
Recognition of prior year loss		-		3
Previously unrecognised tax losses now utilised		-		-
Change in unrecognised temporary differences		-		(84)
Prior period adjustment		(3)		(103)
Share of income tax of equity accounted associates		-		1,000
Under / (over) provision of income tax in previous period		-		0
TOTAL INCOME TAX EXPENSE / (CREDIT)	-	-	-	187
Imputation credits			Group	
			2020 \$000	2019 \$000
Imputation credits available in subsequent periods				281

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Relevant significant accounting policies

Council, as a local authority is only liable for income tax on the surplus or deficit for the year derived from any council controlled trading organisations. Other members of the Group are subject to normal taxation unless they have tax exempt status as charitable trusts.

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

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

Statement of Financial Position

As at 30 June 2020

	Note	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2020	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	11		10,660	135,246		149,089
Receivables and recoverables	13		54,581	53,962		55,911
Other financial assets	14		120,000	9,320		10,570
Prepayments			22,130	18,203		19,387
Inventories			1,617	998		1,386
Non-current assets classified as held for sale	15		-	19,744		19,744
Total current assets			208,988	237,473		256,087
Non-current assets						
Derivative financial assets	12		-	-		-
Other financial assets	14		14,667	14,844		16,983
Intangibles	16		26,709	25,204		25,458
Investment properties	17		263,740	255,478		255,478
Property, plant and equipment	18		7,566,684	7,223,566		7,239,892
Investment in controlled entities	19		5,998	5,071		-
Investment in associates and joint venture	20		19,465	19,465		195,773
Total non-current assets			7,897,263	7,543,628		7,733,584
TOTAL ASSETS			8,106,251	7,781,101		7,989,671
LIABILITIES						
Current liabilities						
Derivative financial liabilities	12		-	985		985
Exchange transactions and transfers payable	21		63,734	65,366		70,452
Taxes payable	21		-	6,599		6,780
Revenue in advance	22		15,277	14,073		17,395
Borrowings	23		126,000	125,039		125,068
Employee benefit liabilities and provisions	24		9,528	7,692		9,735
Provision for other liabilities	25		11,546	10,890		10,890
Total current liabilities			226,085	230,644		241,305
Non-current liabilities						
Derivative financial liabilities	12		62,495	67,153		67,153
Exchange transactions and transfers payable	21		-	231		231
Borrowings	23		676,962	563,917		563,965
Employee benefit liabilities and provisions	24		1,227	782		849
Provision for other liabilities	25		32,129	48,209		48,209
Deferred tax	26		-	-		1,014
Total non-current liabilities			772,813	680,292		681,421
TOTAL LIABILITIES			998,898	910,936		922,726

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

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Statement of Financial Position – continued

	Note	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2020	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000
EQUITY						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,835,960	3,795,806		3,799,312
Revaluation reserves	27		2,045,106	1,854,208		2,017,583
Hedging reserve	28		(62,495)	(68,138)		(67,757)
Fair value through other comprehensive revenue and expense reserve	29		3,744	4,290		5,328
Non-controlling interest			-	-		284
Restricted funds	30		15,904	14,865		19,033
TOTAL EQUITY			7,107,353	6,870,165		7,066,945
TOTAL EQUITY AND LIABILITIES			8,106,251	7,781,101		7,989,671

Statement of Financial Position - Major budget variations**Significant variations from budget are as follows:**

Current assets are \$XX m higher than budgeted, major variances included:

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

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

Draft Financial Statements

Note 11: Cash and cash equivalents

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash at bank		2,229		12,201
Cash on hand		17		34
Short term bank deposits up to 3 months		133,000		136,854
TOTAL CASH AND CASH EQUIVALENTS	-	135,246	-	149,089

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

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

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

Note 12: Derivative financial instruments

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Assets				
Non-current assets				
Interest rate swaps - cash flow hedges	-	-	-	-
Interest rate cap	-	-	-	-
Total non-current assets	-	-	-	-
TOTAL DERIVATIVE FINANCIAL INSTRUMENT ASSETS	-	-	-	-
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges		985		985
Total current liabilities	-	985	-	985
Non-current liabilities				
Interest rate swaps - cash flow hedges		67,153		67,153
Total non-current liabilities	-	67,153	-	67,153
TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	-	68,138	-	68,138

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

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

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

Relevant significant accounting policies

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

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

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

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Note 13: Receivables and recoverables

Receivables and recoverables	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current		53,962		55,911
Non-Current	-	-	-	-
TOTAL RECEIVABLES AND RECOVERABLES - NET	-	53,962	-	55,911

Receivables and recoverables	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Trade receivables and recoverables - debtors - net		17,684		17,671
Trade recoverables - fines - net		3,782		3,782
Accrued revenue		10,692		11,652
Sundry receivables		4,075		4,641
GST recoverable		6,121		6,557
Rates recoverable		11,608		11,608
TOTAL RECEIVABLES AND RECOVERABLES - NET	-	53,962	-	55,911

Current trade, rates and sundry receivables and recoverables are non-interest bearing and receipt is generally on 30 day terms, therefore the carrying value approximates their fair value.

Receivables and recoverables	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Receivables and recoverables from related parties				
- Controlled entities		1,113		-
- Associates and jointly controlled entity		212		212
Total receivables and recoverables from related parties	-	1,325	-	212

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

Provision for impairment of total receivables and recoverables	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		6,952		6,952
New provisions made		497		497
Release of unused provision		(565)		(565)
Amount of provision utilised		(46)		(46)
Provision for impairment of total receivables and recoverables - closing balance	-	6,838	-	6,838

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

Council	2020			2019		
	Gross	Impaired	Net	Gross	Impaired	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Trade and other receivables and recoverables						
Not past due				35,504	(223)	35,281
Past due 0-3 months				7,219	(62)	7,157
Past due 3-6 months				4,312	(250)	4,062
Past due more than 6 months				13,765	(6,303)	7,462
TOTAL RECEIVABLES AND RECOVERABLES	-	-	-	60,800	(6,838)	53,962
Group	2020			2019		
	Gross	Impaired	Net	Gross	Impaired	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Trade and other receivables and recoverables						
Not past due				37,248	(223)	37,025
Past due 0-3 months				7,407	(62)	7,345
Past due 3-6 months				4,328	(250)	4,078
Past due more than 6 months				13,766	(6,303)	7,463
TOTAL RECEIVABLES AND RECOVERABLES	-	-	-	62,749	(6,838)	55,911

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

Relevant significant accounting policies

Receivables from exchange transactions

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

Recoverables from non-exchange transactions

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

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

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Note 14: Other financial assets

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Represented by:				
Current		9,320		10,570
Non-current		14,844		16,983
TOTAL OTHER FINANCIAL ASSETS	-	24,164	-	27,553
Comprised of:				
Financial assets at fair value through other comprehensive revenue and expense				
Equity investments:				
- Civic Financial Services Ltd		477		477
- NZ Local Government Funding Agency (LGFA)		6,156		6,156
- Creative HQ shareholdings		-		1,864
- Legacy investment - Wgtn Museums Trust		-		252
Loans and deposits				
Bank deposits - term greater than 3 months		9,000		10,250
LGFA - borrower notes		8,496		8,496
Loans to related parties		35		35
Loans to external organisations		-		23
TOTAL OTHER FINANCIAL ASSETS	-	24,164	-	27,553

Equity investments

Civic Financial Services Limited is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.78% (2019: 4.78%) shareholding in this entity and has no present intention to sell.

The New Zealand Local Government Funding Agency Limited (LGFA), which commenced in December 2011 is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8% shareholding of the paid-up capital and as a shareholder will benefit from a return on its investment and as a borrower from lower borrowing costs. The LGFA has an AA+ (domestic long term) credit rating from Standard and Poors.

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

Deposits and loans

Any bank term deposits with maturities greater than 3 months are categorised as investments. These longer term deposits are largely due to pre-funding of debt repayments.

As part of the borrowing arrangements through the LGFA, Council is required to leave 1.6% of any debt drawdown with the LGFA as a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest once the related borrowing is repaid or no longer owed to the LGFA.

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Loans to related parties				
<i>Wellington Regional Stadium Trust</i>				
<i>(nominal value \$15,394,893)</i>				
Opening balance		31		31
Amortisation of fair value adjustment		4		4
Closing balance at fair value	-	35	-	35
Loans to other external organisations				
Opening balance		244		276
Loan repayments received		(244)		(259)
Amortisation of fair value adjustment		-		6
Closing balance at fair value	-	-	-	23
TOTAL LOANS	-	35	-	58

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

Wellington Regional Stadium Trust

Council holds a \$15m limited recourse loan to WRST, which is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished. The amortisation rate applicable to the WRST loan is 12.710%.

On maturity of the initial WRST membership underwrite, the unpaid interest was converted to a \$0.395m advance repayable after all other advances made by the Council and Greater Wellington Regional Council. The current expected repayment of the loan and the advance back to the Council, as advised by WRST, is in 2070.

Further information on the related parties is disclosed in Note 36: Related party disclosures (page XX).

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance	-	-	-	-
Additions	-	19,744	-	19,744
Disposals	-	-	-	-
TOTAL NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	-	19,744	-	19,744

The additions to non-current assets classified as held for sale in 2018/19 primarily related to the Arlington sites 1 and 3 that were subject to a signed long-term lease to Kainga Ora (formerly Housing New Zealand) going unconditional in the 2019/20 period. This unconditional status was achieved in March 2020 and for accounting purposes this transaction is treated as a sale.

Relevant significant accounting policies

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

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

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

A non-current asset classified as held for sale is recognised at the lower of its carrying amount or fair value less costs to sell. Impairment losses on initial classification are included within surplus or deficit.

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Note 16: Intangibles

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Computer software				
Cost - opening balance		59,625		60,808
Accumulated amortisation		(38,534)		(39,595)
Computer software opening balance		21,091		21,213
Acquired by direct purchase		203		444
Amortisation		(3,729)		(3,838)
Net disposals		-		-
Transfer between classes		-		-
Total computer software - closing balance	-	17,565	-	17,819
Cost		59,825		60,753
Accumulated amortisation		(42,260)		(42,934)
Total computer software - closing balance	-	17,565	-	17,819
Work in progress				
Computer software		3,543		3,543
Total work in progress	-	3,543	-	3,543
Carbon credits				
Cost - Opening Balance		2,864		2,864
Additions		1,490		1,490
Net disposals		(258)		(258)
Total Carbon credits - closing balance	-	4,096	-	4,096
TOTAL INTANGIBLES	-	25,204	-	25,458

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

As part of the Emissions Trading Scheme (ETS) the Council receives carbon credits from Central Government in recognition of the carbon absorbed by a portion of the Council's green belt. For the year ending 30 June 2020 the Council received XX credits (2019: 986).

The Council purchased XX credits (2019: 41,800) in the market to cover the expected liabilities associated with landfill operations. Due to upward movements in the market price for carbon credits a decision was made to use the fixed price payment method to meet the Council's ETS obligations for the 2019 calendar year. As a result XX credits were surrendered in 2020 (2019: Nil).

A further 16,000 credits (2019: 17,000) were purchased to offset sales made to Air New Zealand for them to offer as credits to offset their passenger air miles.

Due to previously over estimated carbon forest estimates, which are performed 5-yearly, Council was required to repay 40,543 units to the Crown in the 2018/19 year.

During the period ending 30 June 2020, 30,000 units were sold to Air New Zealand.

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At 30 June 2020 the total liability relating to landfill carbon emissions is \$XXm (2019: \$0.928m).

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

The movement in units held is as follows in Table XX.

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		382,017	-	382,017
Additions - Allocated from the Crown		986	-	986
Additions - Purchases		58,800	-	58,800
Disposals - Surrendered to the Crown		-	-	-
Disposals - Repayments to the Crown		(40,543)	-	(40,543)
Disposals - Sales		(6,900)	-	(6,900)
TOTAL CARBON CREDITS		394,360		394,360

Relevant significant accounting policies

Computer software

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

Typically, the estimated useful life of these assets is as follows in Table XX.

Asset Category	2020
	Useful Life (years)
Computer software	2 - 11

Carbon Credits

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

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

Note 17: Investment properties

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Ground leases, other land and buildings				
Opening balance		236,485		236,485
Additions by acquisition		73		73
Disposals		-		-
Fair value revaluation movements taken to surplus/(deficit)		18,454		18,454
Transfer to property, plant and equipment		-		-
Total ground leases, other land and buildings	-	255,012	-	255,012
Work in progress				
Other land and buildings		466		466
Total work in progress	-	466	-	466
TOTAL INVESTMENT PROPERTIES	-	255,478	-	255,478

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2020 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for CBRE Limited.

The Council's total investment properties comprise ground leases of \$XXm (2019: \$205.192m) and land and buildings (including work in progress) of \$XXm (2019: \$49.820m) held for investment purposes.

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

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

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

Relevant significant accounting policies

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

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

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

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

Note 18: Property, plant and equipment

Summary	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Property, plant and equipment - Opening balance		7,226,974		7,242,418
Additions		198,241		200,251
Disposals		(4,562)		(4,835)
Depreciation expense		(112,392)		(113,781)
Impairment losses		(50,603)		(50,603)
Revaluation adjustment		-		-
Revaluation movement		-		-
Transfer between asset classes		-		-
Transfer to non-current assets held for sale		(19,744)		(19,744)
Movement in work in progress		(14,348)		(13,814)
TOTAL PROPERTY, PLANT AND EQUIPMENT	-	7,223,566	-	7,239,892

Relevant significant accounting policies

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

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

Restricted assets include art and cultural assets, zoo animals, restricted buildings, parks and reserves and the Town Belt. These assets provide a benefit or service to the community and in most cases cannot be disposed of because of legal or other restrictions (for example, land declared as a reserve under the Reserves Act 1977.) The use of the asset may also be restricted such as the donated Basin Reserve land which must be retained for the purposes of providing a cricket and recreation ground with no permitted thoroughfare.

Infrastructure assets include the roading network, water, waste and drainage reticulation networks, service concession arrangement assets and infrastructure land (including land under roads). Each asset type includes all items that are required for the network to function.

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

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

Recognition

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

Measurement

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

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

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

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

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

Library Collections

Library collections are valued at depreciated replacement cost on a three-year cycle by the Council's library staff in accordance with guidelines outlined in *Valuation Guidance for Cultural and Heritage Assets*, published by the Treasury Accounting Team, November 2002.

Operational Land & Buildings

Operational land and buildings are valued at fair value on a regular basis or, whenever the carrying amount differs materially to fair value, by independent registered valuers. Where the information is available, land and buildings are valued based on market evidence. The majority of 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.

Buildings that comprise the Social Housing portfolio have been valued on market based approach with the associated land value being established through analysis of sales and market evidence.

Restricted assets

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

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Infrastructure assets

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

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

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

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

Other Assets

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

Impairment

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

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

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

Disposal

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

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Work in progress

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

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

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	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Operational assets				
Land				
Land - at cost - opening balance		-		-
Land - at valuation - opening balance		293,414		293,414
Total land - opening balance		293,414		293,414
Additions		259		259
Transfer to non-current assets held for sale		(13,803)		(13,803)
Total land - closing balance		279,870		279,870
Land - at cost - closing balance		259		259
Land - at valuation - closing balance		279,611		279,611
Total land - closing balance		279,870		279,870
Buildings				
Buildings - at cost - opening balance		-		-
Buildings - at valuation - opening balance		746,623		754,983
Total cost/valuation		746,623		754,983
Accumulated depreciation		-		(4,235)
Total buildings - opening balance		746,623		750,748
Additions		58,390		58,829
Depreciation expense		(30,938)		(31,091)
Disposals		(3,697)		(3,706)
Impairment		(53)		(53)
Transfer between asset classes		1,545		1,545
Transfer to non-current assets held for sale		(4,969)		(4,969)
Total buildings - closing balance		766,901		771,303
Buildings - at cost - closing balance		58,390		58,390
Buildings - at valuation - closing balance		739,656		749,010
Total cost/valuation		798,046		807,400
Accumulated depreciation		(31,145)		(36,097)
Total buildings - closing balance		766,901		771,303
Landfill post closure costs¹				
Landfill post closure - at cost - opening balance		4,174		4,174
Accumulated depreciation		(2,997)		(2,997)
Total landfill post closure costs - opening balance		1,177		1,177
Depreciation expense		(12)		(12)
Movement in post closure costs		3,843		3,843
Total landfill post closure costs - closing balance		5,008		5,008
Landfill post closure - at cost - closing balance		8,017		8,017
Accumulated depreciation		(3,009)		(3,009)
Total landfill post closure costs - closing balance		5,008		5,008

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

Disposals and transfers are reported net of accumulated depreciation

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	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Civic Precinct				
Civic Precinct - at cost - opening balance		163,833		163,833
Accumulated depreciation		(68,524)		(68,524)
Total Civic Precinct - opening balance	-	97,309	-	97,309
Additions		3,210		3,210
Depreciation expense		(2,732)		(2,732)
Impairment		(50,522)		(50,522)
Total Civic Precinct- closing balance	-	47,265	-	47,265
Civic Precinct - at cost - closing balance	-	167,043	-	167,043
Accumulated depreciation and impairment	-	(119,778)	-	(119,778)
Total Civic Precinct- closing balance	-	47,265	-	47,265
Plant and equipment				
Plant and equipment - at cost - opening balance		175,029		192,696
Accumulated depreciation		(101,311)		(112,824)
Total plant and equipment - opening balance	-	73,718	-	79,872
Additions		21,620		23,191
Depreciation expense		(9,909)		(11,145)
Disposals		(303)		(567)
Impairment		(28)		(28)
Transfer between asset classes		(1,382)		1,218
Total plant and equipment - closing balance	-	83,716	-	92,541
Plant and equipment - at cost	-	194,261	-	214,846
Accumulated depreciation	-	(110,545)	-	(122,305)
Total plant and equipment - closing balance	-	83,716	-	92,541
Library collections				
Library collections - at cost - opening balance		2,629		2,629
Library collections - at valuation - opening balance		14,841		14,841
Total cost/valuation	-	17,470	-	17,470
Accumulated depreciation		(1,767)		(1,767)
Total library collections - opening balance	-	15,703	-	15,703
Additions		2,080		2,080
Depreciation expense		(2,142)		(2,142)
Total library collections - closing balance	-	15,641	-	15,641
Library collections - at cost - closing balance	-	4,709	-	4,709
Library collections - at valuation - closing balance	-	14,841	-	14,841
Total cost/valuation	-	19,550	-	19,550
Accumulated depreciation	-	(3,909)	-	(3,909)
Total library collections - closing balance	-	15,641	-	15,641
Total operational assets	-	1,198,401	-	1,211,628

Disposals and transfers are reported net of accumulated depreciation

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	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Infrastructure assets				
Drainage, waste and water				
Drainage, waste and water - at cost - opening balance		16,748		16,748
Drainage, waste and water - at valuation - opening balance		2,973,091		2,973,091
Total cost/valuation		2,989,839		2,989,839
Accumulated depreciation		(1,539,435)		(1,539,435)
Total drainage, water and waste - opening balance		1,450,404		1,450,404
Additions		45,754		45,754
Depreciation expense		(35,512)		(35,512)
Disposals		-		-
Revaluation adjustment		-		-
Transfer between asset classes		16		16
Total drainage, water and waste - closing balance		1,460,662		1,460,662
Drainage, waste and water - at cost - closing balance		62,502		62,502
Drainage, waste and water - at valuation - closing balance		2,973,091		2,973,091
Total cost/valuation		3,035,593		3,035,593
Accumulated depreciation		(1,574,931)		(1,574,931)
Total drainage, water and waste - closing balance		1,460,662		1,460,662
Roading				
Roading - at cost - opening balance		33,365		33,365
Roading - at valuation - opening balance		1,452,141		1,454,741
Total cost/valuation		1,485,506		1,488,106
Accumulated depreciation		(465,735)		(465,735)
Total roading - opening balance		1,019,771		1,022,371
Additions		60,283		60,283
Depreciation expense		(29,569)		(29,569)
Disposals		(479)		(479)
Revaluation adjustment		-		-
Transfer between asset classes		(179)		(2,779)
Total roading - closing balance		1,049,827		1,049,827
Roading - at cost - closing balance		93,648		93,648
Roading - at valuation - closing balance		1,451,232		1,451,232
Total cost/valuation		1,544,880		1,544,880
Accumulated depreciation		(495,053)		(495,053)
Total roading - closing balance		1,049,827		1,049,827
Infrastructure land				
Infrastructure land - at cost - opening balance		-		-
Infrastructure land - at valuation - opening balance		39,256		39,256
Total infrastructure land - opening balance		39,256		39,256
Transfer between asset classes		-		-
Transfer to non-current assets held for sale		(727)		(727)
Total infrastructure land - closing balance		38,529		38,529
Infrastructure land - at cost - closing balance		-		-
Infrastructure land - at valuation - closing balance		38,529		38,529
Total infrastructure land - closing balance		38,529		38,529

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	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Land under roads				
Land under roads - at cost - opening balance		2,955,803		2,955,803
Additions		87		87
Disposals		(83)		(83)
Transfer between asset classes		-		-
Transfer to non-current assets held for sale		(191)		(191)
Land under roads - closing balance	-	2,955,616	-	2,955,616
Total infrastructure assets	-	5,504,634	-	5,504,634
Restricted assets ²				
Art and cultural assets				
Art and cultural assets - at cost - opening balance		8,872		11,211
Additions		21		21
Art and cultural assets - closing balance	-	8,893	-	11,232
Restricted buildings				
Restricted buildings - at cost - opening balance		42,198		42,198
Accumulated depreciation		(13,648)		(13,648)
Total restricted buildings - opening balance	-	28,550	-	28,550
Additions		94		94
Depreciation expense		(1,578)		(1,578)
Restricted buildings - closing balance	-	27,066	-	27,066
Restricted buildings - at cost - closing balance		42,292		42,292
Accumulated depreciation		(15,226)		(15,226)
Total restricted buildings - closing balance	-	27,066	-	27,066
Parks and reserves				
Parks and reserves - at cost - opening balance		210,673		210,673
Additions		2,600		2,600
Transfer to non-current assets held for sale		(54)		(54)
Parks and reserves - closing balance	-	213,219	-	213,219
Town Belt				
Town Belt - at cost - opening balance		89,232		89,232
Town Belt - at cost	-	89,232	-	89,232
Zoo animals - at cost		500		500
Total restricted assets	-	338,910	-	341,249
Work in progress		181,621		182,381
TOTAL PROPERTY, PLANT AND EQUIPMENT	-	7,223,566	-	7,239,892

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

Disposals and transfers are reported net of accumulated depreciation

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Revaluation of property, plant and equipment

The Council's operational land and buildings were valued as at 30 June 2018, and infrastructural land as at 30 June 2020 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

Library collections were valued as at 30 June 2020 by the Council's library staff. The revaluation was carried out in accordance with guidelines outlined in Valuation Guidance for Cultural and Heritage Assets published by the Treasury Accounting Team, November 2002.

The drainage, waste and water infrastructure and roading networks and the service concession assets were valued with effect from 30 June 2020 by John Vessey (MIPENZ), Partner of WSP New Zealand Limited.

Assets are valued at regular intervals by independent registered valuers or whenever the carrying amount differs materially to fair value. In the years which an asset class is not revalued, the Group assesses whether there has been any material change in the value of that asset class. The movement in asset values between 30 June 2018 and 30 June 2020 for operational land and building assets were assessed using appropriate indices. The increase in asset value of 2.2% of Total Assets was not considered material by management and accordingly the assets were not revalued for 30 June 2020.

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

Significant acquisitions and replacements of assets

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

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Core Assets

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

Council	2020			
	Closing book value	Additions		Replacement Cost
		Constructed	Vested	
	\$000	\$000	\$000	\$000
Water supply				
- treatment plants and facilities				
- other assets				
Sewerage				
- treatment plants and facilities				
- other assets				
Stormwater drainage				
Flood protection and control works				
Roads and footpaths				
TOTAL CORE ASSETS	-	-	-	-
Council	2019			
	Closing book value	Additions		Replacement Cost
		Constructed	Vested	
	\$000	\$000	\$000	\$000
Water supply				
- treatment plants and facilities	-	-	-	-
- other assets	352,610	12,346	4,039	942,263
Sewerage				
- treatment plants and facilities	168,751	113	-	241,523
- other assets	516,079	13,055	1,292	1,119,042
Stormwater drainage	423,223	12,158	2,751	874,802
Flood protection and control works	-	-	-	-
Roads and footpaths	1,050,017	56,136	4,148	1,640,049
TOTAL CORE ASSETS	2,510,680	93,808	12,230	4,817,681

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

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Service concession arrangements

A new contract for the operation and management of these assets has been entered into with Veolia Water Services, through Wellington Water Limited, with a business as usual (BAU) transition date of 24 February 2020. This new contract expires 30 June 2030 with two rights of renewal for further subsequent terms of three and two years respectively.

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

The carrying value of these service concession assets for the Group is \$XXm (2019: \$148.632m)

(To be updated)

As asset owner, the Council incurs all associated operating expenses, namely management fees, depreciation and finance costs. In accordance with section 100 of the Local Government Act 2002, the Council does not fully rates fund the plant's depreciation expenditure.

Veolia's monthly management fee is determined by.....The contract's right of renewal resides with the Council.

Insurance of assets

	Council	
	2020	2019
	\$000	\$000
Total value of property, plant and equipment	-	7,223,566
less assets (primarily land) excluded from insurance contracts	-	(3,758,087)
Value of assets covered by insurance contracts	-	3,465,479
The maximum amount to which assets are insured under Council insurance policies	-	1,074,000

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

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

An insurance reserve of \$XXm (2019: \$11.198m) exists to meet the cost of claims that fall below deductible limits under Council insurance policies. The reserve is funded annually through rates by \$1.500m (2019: \$1.500m). The net cost of claims applied to the reserve during the year amounted to \$XXm (2019: \$1.708m). Of this, \$XXm (2019: \$1.064m) was related to earthquake repairs and relocation costs.

Civic Precinct redevelopment (To be updated)

The Civic Precinct is made up of a number of different buildings situated around Civic Square -Te Ngākau. The primary functions of these buildings have been to house and provide various Council services such as Council Administration, library services, art and cultural event venues and Civic Chambers for the Mayor and Councillors.

There are a number of buildings in the Civic Precinct that need varying degrees of work to make them safer when future earthquakes occur. Some of this work was already known before the Kaikoura earthquake in November 2016 and some has arisen either directly because of this event or because of new guidelines issued from the Ministry of Business, Innovation and Employment (MBIE) in November 2018 on pre-cast concrete flooring systems.

An impairment is recognised when the fair value of a building is less than its carrying value in the financial statements. Every year Council reviews and assesses its assets for impairment as per its accounting policy. For assets that are held at revalued amounts which are considered impaired, impairments would generally be recognised in the revaluation reserve within equity. However, the Civic Precinct assets are a class of assets that are not revalued and therefore any impairment must be recognised in the Statement of Comprehensive Revenue and Expense. This expense is non-cash in nature and does not affect rates in the current year.

The Civic Precinct buildings that have been impaired in previous years are: the Town Hall and the Civic Administration building (CAB), with the latter occurring after it was damaged during the Kaikoura earthquake in November 2016 and was subsequently vacated.

During the 2018/19 period a full review of the Civic Precinct assets was performed and the following were impaired:

- Central Library and underground car park: impairment of \$30.210m which brought the book value down to zero. This arose due to their closure in March 2019 following an engineering report which identified structural vulnerabilities that mean it may not perform well in the event of a significant earthquake. Council is considering its options with the Central Library as part of a review of the whole Civic Precinct and the likely cost to rectify structural issues.
- Town Hall: further impairment of \$7.213m which brought the book value down to zero. Once the strengthening work on the Town Hall has been completed the full project value of \$112.400m will be capitalised as an asset.
- Municipal Office Building (MOB): building was impaired by \$10.177m. The MOB building has been vacated due to the strengthening work on the Town Hall.
- CAB: further impairment of \$0.655m which brought the book value down to zero. The CAB building is still subject to an insurance claim and its future is undecided
- Capital E: an impairment of \$2.267m which brought the book value down to zero.

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Note 19: Investment in controlled entities

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

Investment in controlled entities	Council	
	2020 \$000	2019 \$000
Wellington Cable Car Limited		3,809
Wellington Regional Economic Development Agency Limited (WREDA)		1,262
TOTAL INVESTMENT IN CONTROLLED ENTITIES	-	5,071

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to controlled entities. The Council has only made equity investments as shareholders as noted in the table above. Nominal settlement amounts (i.e. \$100) made in respect of Trusts, for which Council is the settlor, have not been recognised due to their materiality or are considered as equity investments.

Information on inter-company transactions is included in the Note 36: Related party disclosures (page XX).

The following, *Table XX*, lists the controlled entities of Council:

Controlled entities	Accounting Interest 2020	Accounting Interest 2019	Nature of business
Karori Sanctuary Trust (Trading as Zealandia)	100%	100%	Owens and manages the activities of the urban eco-sanctuary in Karori.
Wellington Cable Car Limited	100%	100%	Owens and manages the Cable Car.
Wellington Museums Trust (Trading as Experience Wellington)	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Nairn Street Cottage, the Space Place (Carter Observatory), the Wellington Museum and the NZ Cricket Museum
Wellington Regional Economic Development Agency Limited (WREDA) (Trading as WellingtonNZ) - Creative HQ Limited	80%	80%	Manages the Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
	80%	80%	Business incubators
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Waterfront project
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

The reporting period end date for all controlled entities is 30 June. Full copies of their financial statements can be obtained directly from their offices. Further information on the structure, objectives, the nature and scope of activities, and the performance measures and targets of the entities can be found in the relevant sections of the Statements of Service Provision.

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Note 20: Investment in associates and joint venture

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

Investment in associates and joint venture	Council	
	2020	2019
	\$000	\$000
Chaffers Marina Holdings Limited		1,290
Wellington International Airport Limited		17,775
Wellington Water Limited		400
TOTAL INVESTMENT IN ASSOCIATES AND JOINT VENTURE	-	19,465

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

Associates and Joint venture	Accounting Interest 2020	Accounting Interest 2019	Nature of business
Chaffers Marina Holdings Limited	10.52%	10.52%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	10.52%	10.52%	Owens and manages the marina.
Wellington International Airport Limited	34%	34%	Owens and manages Wellington International Airport facilities and services.
Wellington Water Limited	40.00%	42.11%	Manages all water services for Wellington, Lower Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the Greater Wellington Regional Council.
Basin Reserve Trust	0% (See below)	0%	Manages, operates and maintains the Basin Reserve
Wellington Regional Stadium Trust	0% (see below)	0%	Owens and manages the Sky Stadium.

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

Associates**Chaffers Marina**

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2020 Council held a 10.52% interest in Chaffers Marina Holdings Limited (2019: 10.52%) which has been recognised in the Group financial statements on an equity accounting basis reflecting the special rights (as set out in Chaffers Marina Limited's Constitution) which attach to the golden share that it holds in Chaffers Marina Limited.

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Wellington International Airport Limited

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

Basin Reserve Trust

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

The Council does not consider that this Trust meets the requirements of PBE IPSAS 36 *Investments in Associates and Joint Ventures* to enable consolidation on an equity accounted basis due to its lack of ownership interest. The Trust is still identified as an associate given the Council's level of influence and financial support but the Council has not included the Trust in the Group financial statements.

Wellington Regional Stadium Trust

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

The Council does not consider that this Trust meets the requirements of PBE IPSAS 36 *Investments in Associates and Joint Ventures* to enable consolidation on an equity accounted basis due to its lack of ownership interest. The Trust is still identified as an associate given the Council's level of influence and financial support but the Council has not included the Trust in the Group financial statements.

Joint venture

Wellington Water Limited

Jointly created with Hutt City Council on 9 July 2003 the company has expanded its operations and ownership to include Upper Hutt and Porirua City Councils from 1 November 2013, the Greater Wellington Regional Council from 16 September 2014 and the South Wairarapa District Council from 26 September 2019.

The company has a reporting period ending 30 June and has a dual share structure comprising A class shares (voting rights) and B Class shares (financial entitlements).

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The structure is as follows:

Council	Class A shares (voting rights)	Class B Shares (financial entitlements)	Ownership interest
Wellington City	150	200	40%
Hutt City	150	100	20%
Upper Hutt City	150	40	8%
Porirua City	150	60	12%
Greater Wellington Regional	150	75	15%
South Wairarapa District Council	150	25	5%
Total shares on issue	900	500	100%

The Class A shares represent voting rights and are split evenly between the six Councils. The Class B shares confer the level of contributions and ownership benefits of each council. 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 Council uses equity accounting to recognise its 40% (2019: 42.11%) ownership interest as determined by the proportionate value of Class B shares held.

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Value of the investments

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

Value of investment in associates and joint venture	Group	
	2020	2019
	\$000	\$000
Chaffers Marina Holdings Limited		
Opening balance		855
Change in shares during the year		-
Change in equity due to changed shareholding		-
Equity accounted earnings of associate		(6)
Closing balance - investment in Chaffers Marina Holdings Limited	-	849
Wellington International Airport Limited		
Opening balance		186,313
Dividends		(13,881)
Equity accounted earnings of associate		16,327
Share of net revaluation of property, plant and equipment - movement		4,760
Share of hedging reserve - movement		682
Closing balance - investment in Wellington International Airport Limited	-	194,201
Wellington Water Limited		
Opening balance		712
Change in equity due to changed shareholding		-
Equity accounted earnings of joint venture		11
Closing balance - investment in Wellington Water Limited	-	723
TOTAL VALUE OF INVESTMENT IN ASSOCIATES AND JOINT VENTURE	-	195,773

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

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Summary of Financial Position and Performance of associatesFinancial information relating to the Council's associates is provided in *Tables XX* and *XX* below:

Chaffers Marina Holdings Limited	2020	2019
	\$000	\$000
Council		
Investment in Chaffers Marina Holdings Limited (at cost)		1,290
Group		
Dividends received		-
Summarised financial information of associate		
Current assets		999
Non-current assets		4,624
Current liabilities		(154)
Non-current liabilities		(1,660)
Net assets		3,809
Revenue		1,671
Tax expense		-
Surplus / (deficit) after tax		(36)
Other comprehensive income and expense		-
Total comprehensive income and expense		(36)
Reconciliation to equity accounted carrying amount		
Net assets		3,809
Group's share %		10.52%
Group's share \$000		401
Other consolidation adjustments		448
Equity accounted carrying amount		849
Risks associated with the Council's investment in the associate		
Share of contingent liabilities		-

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Wellington International Airport Limited	2020	2019
	\$000	\$000
Council		
Investment in Wellington International Airport Limited (at cost)		17,775
Group		
Dividends received		13,881
Summarised financial information of associate		
Current assets		43,943
Non-current assets		1,216,550
Current liabilities		(114,952)
Non-current liabilities		(541,875)
Net assets		603,666
Revenue		137,889
Tax expense		(234)
Surplus / (deficit) after tax		23,541
Other comprehensive income and expense		7,339
Total comprehensive income and expense		30,880
Reconciliation to equity accounted carrying amount		
Net assets		603,666
Group's share %		34%
Group's share \$000		205,246
Dividends received not in WIAL annual report		(13,881)
Difference on adoption of IFRS 9		2,947
Other consolidation adjustments		(112)
Equity accounted carrying amount		194,201
Risks associated with the Council's investment in the associate		
Share of contingent liabilities		-

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Summary of Financial Position and Performance of joint ventureFinancial information relating to the Council's joint venture is provided in *Table XX* below:

Wellington Water Limited	2020	2019
	\$000	\$000
Council		
Investment in Wellington Water Limited (at cost)		400
Group		
Dividends received		-
Summarised financial information of joint venture		
Current assets		
Cash and cash equivalents		13,537
Other current assets		4,881
Total current assets		18,418
Non-current assets		2,585
Current liabilities		
Financial liabilities (excluding accounts payable)		-
Other current liabilities		(19,016)
Total current liabilities		(19,016)
Non-current liabilities		
Financial liabilities (excluding accounts payable)		-
Other non-current liabilities		(269)
Total non-current liabilities		(269)
Net assets		1,718
Revenue, excluding interest		135,818
Interest revenue		291
Depreciation and amortisation		(1,039)
Interest expense		(19)
Tax expense		(9)
Surplus / (deficit) after tax		30
Other comprehensive income and expense		-
Total comprehensive income and expense		30
Reconciliation to equity accounted carrying amount		
Net assets		1,718
Group's share %		42.11%
Group's share \$000		723
Other consolidation adjustments		-
Equity accounted carrying amount		723
Risks associated with the Council's investment in the joint venture		
Shareholder funding commitments for the next three years		-
Share of contingent liabilities		-

Note 21: Exchange transactions, transfers and taxes payable

Exchange transactions, transfers and taxes payable	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Exchange transactions and transfers payable		65,366		70,452
Taxes payable		6,599		6,780
Non-current				
Exchange transactions and transfers payable		231		231
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	-	72,196	-	77,463

Comprised of:

Exchange transactions and transfers payable	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Trade payables and accruals		56,177		61,168
Interest payable		3,805		3,805
Sundry payables		5,615		5,710
Total exchange transactions and transfers payable	-	65,597	-	70,683
Taxes payable				
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
GWRC rates		4,290		4,290
Other		2,309		2,490
Total taxes payable	-	6,599	-	6,780
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	-	72,196	-	77,463

Exchange transactions, transfers and payable to related parties	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Controlled entities		379		-
Associates and jointly controlled entity		1,754		1,754
Total exchange transactions, transfers and payable to related parties	-	2,133	-	1,754

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

Note 22: Revenue in advance

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Exchange				
Lease rentals		2,300		2,300
Other		-		858
Taxes				
Rates		1,239		1,239
Transfers				
Wellington Venues operations		1,218		1,218
Inspection and licensing fees		4,084		4,084
Other		1,252		1,894
Liabilities recognised under conditional transfer agreements		3,980		5,802
TOTAL REVENUE IN ADVANCE	-	14,073	-	17,395

Relevant significant accounting policies

Liabilities recognised under conditional transfer agreements

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

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

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Note 23: Borrowings

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

Gross Borrowings

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Bank loans - term		39		39
Commercial paper		85,000		85,000
Debt securities - fixed rate bonds		5,000		5,000
Debt securities - floating rate notes		35,000		35,000
Finance leases		-		29
Total current	-	125,039	-	125,068
Non-current				
Bank loans - term		5,417		5,417
Debt securities - fixed rate bonds		40,000		40,000
Debt securities - floating rate notes		518,500		518,500
Finance leases		-		48
Total non-current	-	563,917	-	563,965
TOTAL GROSS BORROWINGS	-	688,956	-	689,033

Net Borrowings

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Total gross borrowings	-	688,956	-	689,033
Less				
Cash and cash equivalents (see Note 11)	-	(135,246)	-	(149,089)
Term deposits > 3 months < 12 Months		(9,000)		(10,250)
TOTAL NET BORROWINGS	-	544,710	-	529,694

The Council's borrowing strategy is to minimise liquidity risk by avoiding concentration of debt maturity dates and to ensure there is long term access to funds. Further information on the liquidity

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and market risks associated with borrowings is contained in Note 32: Financial instruments (page XX).

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

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

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

Security

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

Internal Borrowings

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

Ring fenced funds

The Council holds \$XXm (2019: \$42.755m) of funds that may only be used for a specified purpose. These funds are not held in cash but are utilised against borrowings until required. The specified uses for these funds are as follows:

Housing upgrade project

As part of the agreement with the Crown for the Housing Upgrade Project an amount of \$XXm (2019: \$32.556m), representing the accumulated surpluses and deficits from the Housing activity, has been ring fenced for future investment in the Council's social housing assets.

Waste reduction and energy

An amount of \$XXm (2019: \$10.199m) related to accumulated surpluses and deficits from the Waste Reduction and Energy Conservation activity which, under the Waste Minimisation Act 2008, must be ring fenced for future investment in waste activities. Council is committed to a number of waste minimisation projects that will utilise these funds.

Note 24: Employee benefit liabilities and provisions

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Current				
Short-term benefits				
Payroll accruals		2,152		2,851
Holiday leave		5,521		6,865
Total short-term benefits		7,673		9,716
Termination benefits				
Other contractual provisions		19		19
Total termination benefits		19		19
Total current		7,692		9,735
Non-current				
Long-term benefits				
Long service leave provision		-		67
Retirement gratuities provision		782		782
Total long-term benefits		782		849
TOTAL EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS		8,474		10,584

Relevant significant accounting policies - general

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

Holiday leave

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

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

Retirement gratuities provision	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		772		772
Movement in required provision		27		27
Release of unused provision		-		-
Rediscounting of interest		13		13
Amount utilised		(30)		(30)
Retirement gratuities - closing balance	-	782	-	782

Background

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

Relevant significant accounting policies - specific

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

Estimation

The gross retirement gratuities provision (inflation adjusted at 1.86%) as at 30 June 2020, before discounting, is \$XXm (2019: \$0.897m). The discount factor of 4.30% is based on the Treasury risk-free rate.

Other contractual provisions	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		220		220
New provision		19		19
Release of unused provision		-		-
Amount utilised		(220)		(220)
Other contractual provisions - closing balance	-	19	-	19

Background

The above provision is to cover estimated redundancy costs as at 30 June 2020 resulting from current restructuring within the Council.

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Relevant significant accounting policies - specific

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

Note 25: Provisions for other liabilities

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Current				
Landfill post closure costs		1,518		1,518
Weathertight homes		9,372		9,372
Total current	-	10,890	-	10,890
Non-current				
Landfill post closure costs		19,459		19,459
Weathertight homes		28,750		28,750
Total non-current	-	48,209	-	48,209
TOTAL PROVISIONS FOR OTHER LIABILITIES	-	59,099	-	59,099

Relevant significant accounting policies - general

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

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

Landfill post closure costs	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Opening balance		19,171		19,171
Movement in provision		2,312		2,312
Re-discounting of interest		649		649
Amount utilised		(1,155)		(1,155)
Landfill post closure costs - closing balance	-	20,977	-	20,977
Current		1,518		1,518
Non-current		19,459		19,459
Landfill post closure costs - closing balance	-	20,977	-	20,977

Background

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

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

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

Post closure responsibilities include:

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

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

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

Relevant significant accounting policies - specific

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

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

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

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

Estimations

The long term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Future cash flows are discounted using the Treasury risk free rate of 2.65%. The gross provision (inflation adjusted at 2.68%), before discounting, is \$XXm

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(2019: \$24.393m). 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 XX m³ (2019: 554,940 m³) and is expected to close in 2022. These estimates have been made by the Council's engineers based on expected future and historical volume information.

The Council's provision includes a proportionate share of the Spicer Valley Landfill provision for post closure costs. The Spicer Valley Landfill has a remaining life out to 2052.

Weathertight homes	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		46,275		46,275
Additional or increased provision made		2,794		2,794
Amount utilised		(10,947)		(10,947)
Weathertight homes - closing balance	-	38,122	-	38,122
Current		9,372		9,372
Non-current		28,750		28,750
Weathertight homes - closing balance	-	38,122	-	38,122

Background

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes an amount of \$XXm (2019: \$11.906m) as a provision for future claims relating to weathertightness issues not yet identified or not yet reported.

Movement in the provision

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

Estimation

The Council has provided for the expected future costs of reported claims. The provision for active claims is based on the best estimate of the Council's expected future costs to settle these claims and is reviewed on a case by case basis. The estimate for claims which have been notified and are not yet actively managed and unreported claims is based on actuarial assessments and other information on these claims. The nature of the liability means there are significant inherent uncertainties in estimating the likely costs that will be incurred in the future. This represents the

Council's best estimate of the amount required to settle the obligation at the estimated time of the cash outflow. Future cash flows are inflation adjusted and discounted using the Treasury's risk-free rate. The provision is net of any third-party contributions including insurance, where applicable.

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

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

Amount claimed

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

Settlement amount

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

Amount expected to be paid by the Council

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

Percentage of homeowners who will make a successful claim

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

Sensitivity

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

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Council and Group	2020	
	\$000	
	+10%	-10%
Assumption	Effect on Surplus or Deficit	
Amount claimed		
Settlement level award		
Council contribution to settlement		
Change in percentage of homeowners who will make a successful claim		
	+2%	-2%
Assumption	Effect on Surplus or Deficit	
Discount rate		

Funding of weathertight homes settlements

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

Funding for weathertight homes liability	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		(31,132)		(31,132)
Rates funding for weathertight homes liability		7,447		7,447
Total amounts paid		(10,947)		(10,947)
Interest allocation		(1,404)		(1,404)
Closing balance funded through borrowings	-	(36,036)	-	(36,036)

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Note 26: Deferred tax**Recognised temporary differences and tax losses**

Deferred tax asset / (liability)	Group	
	2020	2019
	\$000	\$000
Opening balance		
Property, plant and equipment		(1,071)
Intangible assets		(22)
Employee entitlements		188
Other provisions		14
Tax losses		9
Total opening balance	-	(882)
Charged to surplus or deficit		
Property, plant and equipment		(135)
Intangible assets		2
Employee entitlements		5
Other provisions		(1)
Tax losses		(3)
Total charged to surplus or deficit	-	(132)
Closing balance		
Property, plant and equipment		(1,206)
Intangible assets		(20)
Employee entitlements		193
Other provisions		13
Tax losses		6
TOTAL CLOSING BALANCE	0	(1,014)

Unrecognised tax losses

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

There is an unrecognised deferred tax asset in respect of the tax losses for the Council of \$XXm (2019: \$0.134m).

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

Relevant significant accounting policies

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the assets and liabilities, and the unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Statement of changes in equity

For the year ending 30 June 2020

	Note	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2020	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000
EQUITY - Opening balances						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,844,497	3,819,629		3,818,478
Revaluation reserves			1,840,250	1,857,464		2,016,078
Hedging reserve			(62,495)	(25,362)		(25,663)
Fair value through other comprehensive revenue and expense reserve			3,744	3,744		4,836
Non-controlling interest			14,909	-		284
Restricted funds				14,909		19,136
TOTAL EQUITY - Opening balance			6,910,039	6,939,518		7,126,311
CHANGES IN EQUITY						
Retained earnings						
Net surplus / (deficit) for the year			(8,537)	(23,867)		(19,269)
Transfer to restricted funds			-	(3,267)		(4,300)
Transfer from restricted funds			-	3,311		4,403
Transfer from revaluation reserves			-	-		-
Revaluation reserves	27					
Fair value movement - property, plant and equipment - net			204,856	(3,256)		1,505
Transfer to retained earnings			-	-		-
Hedging reserve	28					
Movement in hedging reserve			-	(42,776)		(42,094)
Fair value through other comprehensive revenue and expense reserve	29					
Movement in fair value - Equity investments			-	546		546
Movement in fair value - Available for sale equities			-	-		(54)
Non-controlling interest						
Movement of non-controlling interest			-	-		-
Restricted funds	30					
Transfer to retained earnings			(1,006)	(3,311)		(4,403)
Transfer from retained earnings			2,001	3,267		4,300
Total comprehensive revenue and expense			197,314	(69,353)		(59,366)
EQUITY - Closing balances						
Accumulated funds			1,269,134	1,269,134		1,293,162
Retained earnings			3,835,960	3,795,806		3,799,312
Revaluation reserves			2,045,106	1,854,208		2,017,583
Hedging reserve			(62,495)	(68,138)		(67,757)
Fair value through other comprehensive revenue and expense reserve			3,744	4,290		5,328
Non-controlling interest			-	-		284
Restricted funds			15,904	14,865		19,033
TOTAL EQUITY - Closing balance			7,107,353	6,870,165		7,066,945

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	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2020	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000
<i>Total comprehensive revenue and expense attributable to:</i>					
Wellington City Council and Group	-	197,314	(69,353)	-	(59,650)
Non-controlling interest	-	-	-	-	284
	-	197,314	(69,353)	-	(59,366)

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

Statement of changes in equity – Major budget variations

Significant variations from budgeted changes in equity are as follows:

Opening equity is \$XXm over budget. This is largely due to timing differences arising from the recognition of property, plant and equipment revaluations in 2018/19. These revaluations were only finalised after the Annual Plan budget for 2019/20 was approved by Council.

Closing equity is \$XXm higher than budget due to:

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Equity

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is broken down and classified into a number of components to enable clearer identification of the specified uses of equity within the Council and the Group.

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

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

Equity management

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

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

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

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Note 27: Revaluation reserves

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Land - opening balance		203,103		203,103
Revaluation recognised in other comprehensive revenue		-		-
Transfer between classes		-		-
Revaluations adjustment		-		-
Land - closing balance	-	203,103	-	203,103
Buildings - opening balance		362,445		362,445
Revaluation recognised in other comprehensive revenue and expense		-		-
Impairment taken from revaluation reserve		(3,256)		(3,256)
Transfer to retained earnings on disposal of assets		-		-
Buildings - closing balance	-	359,189	-	359,189
Library collections - opening balance		8,392		8,392
Library collections - closing balance	-	8,392	-	8,392
Drainage, waste and water - opening balance		764,153		764,153
Prior year revaluation adjustments		-		-
Drainage, waste and water - closing balance	-	764,153	-	764,153
Infrastructure land - opening balance		18,858		18,858
Transfer between classes		-		-
Infrastructure land - closing balance	-	18,858	-	18,858
Roading - opening balance		500,513		500,513
Prior year revaluation adjustments		-		-
Roading - closing balance	-	500,513	-	500,513
Associates' revaluation reserves - opening balance		-		158,614
Revaluation recognised in other comprehensive revenue and expense		-		4,761
Associates' revaluation reserves - closing balance	-	-	-	163,375
Total revaluation reserves - closing balance	-	1,854,208	-	2,017,583

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These revaluation reserves are represented by:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		1,857,464		2,016,078
Revaluation recognised in other comprehensive revenue and expense		-		4,761
Impairment taken from revaluation reserve		(3,256)		(3,256)
Transfer to retained earnings on disposal of assets		-		-
TOTAL REVALUATION RESERVES	-	1,854,208	-	2,017,583

The revaluation reserves are used to record accumulated increases and decreases in the fair value of certain asset classes. The impairment of buildings in 2018/19 related to two earthquake prone Social Housing sites and Arlington site 1, which was subject to a signed long-term lease agreement going unconditional in March 2020 and subsequent redevelopment by Kainga Ora.

For the period ending 30 June 2020 Council has revalued its investment properties, which are revalued annually – refer to Note 17 – Investment properties, for more information (page XX).

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

Relevant significant accounting policies

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

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

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

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

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Note 28: Hedging reserve

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		(25,362)		(25,663)
Cash flow hedge net movement recognised in other comprehensive revenue and expenses		(42,776)		(42,094)
TOTAL HEDGING RESERVE	-	(68,138)	-	(67,757)

The hedging reserve shows accumulated fair value changes for interest rate swaps which satisfy the criteria for hedge accounting and have operated as effective hedges during the period.

The Council uses interest rate swaps to fix interest rates on floating rate debt (floating rate notes and commercial paper) to give it certainty over interest costs.

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

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

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Opening balance		3,744		4,836
Movements:				
Civic Financial Services Limited		(272)		(272)
Local Government Funding Agency		818		818
Creative HQ shareholdings - available for sale		-		(54)
TOTAL FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE	-	4,290	-	5,328

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Financial Services Limited (Civic) and the Local Government Funding Agency. The decrease in the Civic investment is due to the payment of a special dividend following the sale of Civic Assurance House. For further information on equity investments refer to Note 14: Other financial assets (page XX).

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

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Note 30: Restricted funds

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Special reserves and funds		14,387		17,629
Trusts and bequests		478		1,404
TOTAL RESTRICTED FUNDS		14,865		19,033

Special reserves and funds	Opening Balance	Additional Funds	Funds Utilised	Closing Balance
	2020	2020	2020	2020
	\$000	\$000	\$000	\$000
Council				
City growth fund	2,407			
Reserve purchase and development fund	782			
Insurance reserve	11,198			
Total Council	14,387			
Controlled entities' reserve funds	3,242			
Total Group - Special reserves and funds	17,629			

Nature and purpose, funding and utilisation

City growth fund

This fund is part of an integrated approach to fostering growth in the economy. Funding of \$1.750m (2019: \$1.750m) was provided from previous surpluses and \$XXm (2019: \$1.603m) was utilised during the year.

Reserve purchase and development fund

This fund is used to purchase and develop reserve areas within the city. During the year no purchases were made.

Insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the cost of claims that fall below deductible limits under Council's insurance policies. Annual additions to the reserve of \$1.500m (2019: \$1.500m) are funded through rates as identified in the Annual Plan. During the year \$XXm (2019: \$1.708m) was used to meet under-excess insurance costs. Of this, \$XXm (2019: \$1.064m) related to earthquake repairs and relocation costs.

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Controlled entities' reserve funds

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

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

Analysis of movements in trusts and bequests**Additional Funds and utilisation**

Trusts and bequests receiving additional funds during the year were only those where interest totalling \$XXm (2019: \$0.017m) has been applied in accordance with the original terms and conditions. No funds were utilised during the year.

Nature and purpose

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

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

Charles Plimmer Bequest

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

The value of the funds held by the Public Trust is approximately \$XXm (2019: \$16.680m) 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 - \$nil
- Funds utilised towards the Newlands Park upgrade - \$nil, but \$1.530m is expected to be spent over the next two years.

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Statement of cash flows

For the year ending 30 June 2020

	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2020	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from rates - Council		326,123	308,800		308,800
Receipts from rates - Greater Wellington Regional Council		68,912	67,067		67,067
Receipts from activities and other revenue		120,915	150,295		192,299
Receipts from grants and subsidies - Operating		6,886	9,214		4,822
Receipts from grants and subsidies - Capital		25,481	30,201		31,004
Receipts from investment property lease rentals		11,215	11,528		11,528
Cash paid to suppliers and employees		(353,846)	(357,387)		(417,167)
Rates paid to GWRC		(68,912)	(67,488)		(67,488)
Grants paid		(39,476)	(38,516)		(11,722)
Income tax paid		-	-		(123)
Net GST (paid) / received		-	(938)		(1,196)
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	97,298	112,776	-	117,824
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		14,646	14,418		14,418
Interest received		13	2,879		3,110
Loan repayments		-	244		259
Proceeds from sale of property, plant and equipment		-	814		818
Proceeds from sale of intangibles		13,000	195		195
(Increase) / decrease in investments		-	(1,192)		(1,261)
Purchase of investment properties		-	(73)		(73)
Purchase of intangibles		(6,031)	(3,092)		(3,268)
Purchase of property, plant and equipment		(242,851)	(170,049)		(172,119)
NET CASH FLOWS FROM INVESTING ACTIVITIES	-	(221,223)	(155,856)	-	(157,921)
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings		244,462	154,742		154,742
Repayment of borrowings		(125,000)	(47,930)		(47,930)
Interest paid on borrowings		(24,902)	(24,482)		(24,482)
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	94,560	82,330	-	82,330
Net increase/(decrease) in cash and cash equivalents		(29,365)	39,250		42,233
Cash and cash equivalents at beginning of year		160,025	95,996		106,856
CASH AND CASH EQUIVALENTS AT END OF YEAR	-	130,660	135,246	-	149,089

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

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

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

The Council has ring fenced funds of \$XXm (2019: \$42.755m) relating to the housing upgrade project and waste activities. For more information see Note 23: Borrowings (page XX).

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

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

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

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

Statement of cash flows – Major budget variations

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

Significant variations from the cash flow budgets are as follows:

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

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

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

Note 31: Reconciliation of net surplus / (deficit) to net cash flows from operating activities

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Net surplus / (deficit) for the period		(23,867)		(19,269)
Add/(deduct) non-cash items:				
Vested assets		(13,110)		(13,110)
Bad debts written off not previously provided for		132		136
Depreciation and amortisation		116,121		117,504
Impairment of property, plant and equipment		50,603		50,603
Fair value changes in investment properties		(18,454)		(18,454)
Other fair value changes		46		116
Movement in provision for impairments of doubtful debts		(114)		(114)
Tax expense/(credit)		-		250
Non-cash movement in provisions		1,111		1,104
Total non-cash items	-	136,335	-	138,035
Add/(deduct) movement in working capital: ¹				
Exchange receivables and non-exchange recoverables		781		2,483
Prepayments		(2,982)		(3,491)
Inventories		287		215
Exchange transactions, taxes and transfers payables		5,976		4,656
Revenue in advance		(2,111)		(426)
Employee benefit liabilities		(197)		188
Provision for other liabilities		(9,306)		(9,235)
Total working capital movement	-	(7,552)	-	(5,610)
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment		613		458
Net (gain)/loss on disposal of intangibles		225		225
Net (gain)/loss on disposal of investment property		(163)		(163)
Dividends received		(14,418)		(537)
Interest received		(2,879)		(3,025)
Tax paid and subvention receipts		-		(356)
Interest paid on borrowings		24,482		24,482
Share of equity accounted surplus in associates		-		(16,416)
Total investing and financing activities	-	7,860	-	4,668
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	112,776	-	117,824

1. Excluding non-cash items

Note 32: Financial instruments

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

Relevant significant accounting policies

Financial instruments are initially recognised on trade-date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Group.

Financial Assets

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

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

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

Receivables and recoverables have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.

Loans and deposits include loans to other entities (including controlled entities and associates), and bank deposits with maturity dates of more than three months.

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

Financial assets at fair value through other comprehensive revenue and expense primarily relate to equity investments that are held by the Group for long-term strategic purposes and therefore are not intended to be sold. Within the Group, small shareholdings are held in start-up companies, which are available for sale, until the companies mature or cease operations. Financial assets at fair value through other comprehensive revenue and expense are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within surplus or deficit.

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Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of ownership.

Financial Liabilities

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

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

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Financial assets				
Loans and receivables				
Cash and cash equivalents	-	135,246	-	149,089
Receivables and recoverables	-	53,962	-	55,911
Other financial assets	-	17,531	-	19,056
Total loans and receivables	-	206,739	-	224,056
Financial assets at fair value through other comprehensive revenue and expense				
Other financial assets	-	6,633	-	8,497
Total financial assets at fair value through other comprehensive revenue and expense	-	6,633	-	8,497
Hedged derivative financial instruments				
Derivatives designated as cash flow hedges	-	-	-	-
Total hedged derivative financial instruments	-	-	-	-
Total financial assets	-	213,372	-	232,553
Total non-financial assets	-	7,567,729	-	7,757,118
TOTAL ASSETS	-	7,781,101	-	7,989,671
Financial liabilities				
Financial liabilities at amortised cost				
Exchange transactions and transfers payable	-	65,597	-	70,683
Taxes payable	-	6,599	-	6,780
Borrowings	-	688,956	-	689,033
Total financial liabilities at amortised cost	-	761,152	-	766,496
Derivative financial instruments				
Derivatives designated as cash flow hedges	-	68,138	-	68,138
Total derivative financial instruments	-	68,138	-	68,138
Total financial liabilities	-	829,290	-	834,634
Total non-financial liabilities	-	81,646	-	88,092
TOTAL LIABILITIES	-	910,936	-	922,726

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Fair value

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

Fair value hierarchy

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

Level 1 - Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.

Level 2 - Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 - Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

Group	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets						
Financial assets at fair value through other comprehensive revenue and expense	-	-	-	-	-	8,749
Derivative financial instruments						
- Cash flow hedges	-	-	-	-	-	-
Financial liabilities						
Derivative financial instruments						
- Cash flow hedges	-	-	-	-	68,138	-
Reconciliation of fair value movements in Level 3			Council		Group	
			2020	2019	2020	2019
			\$000	\$000	\$000	\$000
Financial assets at fair value through other comprehensive revenue and expense						
- Equity investments						
Opening balance - 1 July				6,137		8,167
Purchases				-		252
Disposals				-		(95)
Impairment				-		(46)
Gains or losses recognised in other comprehensive revenue and expense				496		471
Closing balance - 30 June				6,633		8,749

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The level 3 equity investments comprise the Group's shareholdings in the Local Government Funding Agency \$XXm (2019: \$6.156m), Civic Assurance \$XXm (2019: \$0.477m), the Creative HQ shareholdings \$XXm (2019: \$1.864m) and a legacy investment by Wellington Museum's Trust of \$XXm (2019:0.252m). Refer to Note 14: Other financial assets (page XX) for more details.

Financial risk management

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

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer Note 34: Contingencies (page XX)). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

The Group's maximum exposure to credit risk at the end of the reporting period is detailed in the following, Table XX:

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Financial instruments with credit risk				
Cash and cash equivalents	-	135,246	-	149,089
Derivative financial instrument assets	-	-	-	-
Receivables and recoverables	-	53,962	-	55,911
Other financial assets				
- Bank deposits - term > 3 months	-	9,000	-	10,250
- LGFA borrower notes	-	8,496	-	8,496
- Loans to related parties - other organisations	-	35	-	35
- Loans to external organisations	-	-	-	23
Total financial instruments with credit risk	-	206,739	-	223,804

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

The Group is exposed to credit risk as a guarantor of the LGFA's borrowings. Further information about this exposure is explained in Note 34: Contingencies (page XX).

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Credit quality of financial assets

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

Counterparties with credit ratings	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash - registered banks				
AA-	-	2,229	-	12,201
Short term deposits - registered banks				
AA-	-	121,000	-	124,854
A	-	12,000	-	12,000
Term deposits (greater than 3 months) - registered banks				
AA-	-	4,000	-	5,250
A	-	5,000	-	5,000
Term deposits - borrower notes - NZ LGFA				
AA+	-	8,496	-	8,496
Derivative financial instrument assets				
AA-	-	-	-	-

Liquidity risk

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

Contractual maturity

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

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	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months		210,370		215,665
1-2 years		79,430		79,478
2-5 years		260,958		260,958
More than 5 years		271,870		271,870
Total contractual cash flows of financial liabilities excluding derivatives	-	822,628	-	827,971
Represented by:				
Carrying amount as per the Statement of Financial Position		761,151		766,494
Future interest payable		61,477		61,477
Total contractual cash flows of financial liabilities excluding derivatives	-	822,628	-	827,971

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

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Contractual cash flows of derivative financial liabilities				
0-12 months		10,894	-	10,894
1-2 years		10,698	-	10,698
2-5 years		27,468	-	27,468
More than 5 years		24,146	-	24,146
Total contractual cashflow of derivative financial liabilities	-	73,206	-	73,206
Represented by:				
Future interest payable	-	73,206	-	73,206
Total contractual cash flows of derivative financial liabilities	-	73,206	-	73,206

In addition to cash to be received in 2020/21 the Group currently has \$120.000m (2019: \$120.000m) in unutilised committed bank facilities available to settle obligations as well as \$XXm (2019: \$205.000m) of cash, cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Group is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its obligations when they fall due. Information about this exposure is explained in Note 34: Contingencies (page **XX**).

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

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Liquidity funding risk			
Period	Minimum	Maximum	Actual
0 - 3 years	15%	60%	
3 - 5 years	15%	60%	
More than 5 years	15%	60%	

Market risk

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

Cash flow and fair value interest rate risk

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

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

The proportion of gross borrowing at a fixed interest rate for the period ending 30 June 2020 is XX%.

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents	-	135,246	-	149,089
Bank deposits - term greater than 3 months	-	9,000	-	10,250
Commercial paper	-	(85,000)	-	(85,000)
Debt securities - floating rate notes	-	(553,500)	-	(553,500)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	-	(494,254)	-	(479,161)
Effect of interest rate swaps in reducing interest rate volatility				
Effect of Cash flow interest rate swaps - hedged		459,000		459,000
Effect of Cash flow interest rate swaps - non-hedged			-	
Total effect of interest rate swaps in reducing interest rate volatility	-	459,000	-	459,000
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	-	(35,254)	-	(20,161)

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements; instead the fair value of these interest rate swaps is recognised. This represents the difference between the forecast current floating interest rate and the fixed swap interest rate discounted back to present value. At 30 June 2020 the fair value of the interest rate swaps was -\$XXm (2019: -\$68.138m). The liability represents the forecast extra cash flows the Council is expected to pay from locking in fixed interest rates higher than current market rates

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

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Weighted effective interest rates	Council		Group	
	2020	2019	2020	2019
	%	%	%	%
Investments				
Cash and cash equivalents		2.16		2.06
Bank deposits - term		2.57		2.64
LGFA - borrower notes		2.31		2.31
Loans to related parties		-		-
Borrowings				
Bank loans		7.00		7.00
Commercial paper		1.75		1.75
Debt securities - fixed		3.91		3.91
Debt securities - floating		2.36		2.36
Derivative financial instruments - hedged		3.83		3.83
Derivative financial instruments - non-hedged		-		-

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

Sensitivity analysis

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

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

Group		2020			
		\$000			
		+1%	-1%	+1%	-1%
		Effect on Surplus or Deficit		Effect on Other Comprehensive Revenue and Expense	
Interest rate risk	Note				
Financial assets					
Cash and cash equivalents	a				
LGFA - borrower notes					
Term deposits > 3 months					
Financial liabilities					
Derivatives - interest rate swaps - hedged	b				
Debt securities - floating rate notes	c				
Debt securities - fixed rate bonds	d				
Bank term loans	e				
Commercial paper	f				
Finance leases					
Total sensitivity to interest rate risk					

a. Cash and cash equivalents

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

b. Derivatives - hedged interest rate swaps

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

c. Debt securities – floating rate notes

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

d. Debt Securities – fixed rate bonds

The Group has \$40.000m of fixed rate bonds which are not exposed to interest rate changes.

e. Bank Loan

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

f. Commercial paper

The Group has a Commercial Paper programme which is subject to floating rates and totals \$100.000m of which only \$58.000m is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has \$XXm of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1% has an effect on the interest expense of \$XXm accordingly.

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Note 33: Commitments

Capital commitments	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Approved and contracted - property, plant and equipment		184,264		184,264
Approved and contracted - investment properties		-		-
Approved and contracted - intangibles		-		-
Approved and contracted - share of associates		-		4
Approved and contracted - share of joint ventures		-		-
TOTAL CAPITAL COMMITMENTS	-	184,264	-	184,268

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

The contracts will often span more than one financial year and may include capital expenditure carried forward from 2019/20 to future years.

Lease commitments

Operating leases – Group as lessee

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

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

The amount of minimum payments for non-cancellable operating leases is recognised as an expense in Note 7: Expenditure on operating activities (page XX).

Relevant significant accounting policies

Leases where the lessor retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised within surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised within surplus or deficit over the term of the lease as they form an integral part of the total lease payment.

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The future expenditure committed by these leases is analysed as follows in *Table XX*:

Non-cancellable operating lease commitments as lessee	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Plant and equipment				
Not later than one year		-		135
Later than one year and not later than five years		-		154
Later than five years		-		-
Land and buildings				
Not later than one year		4,774		7,138
Later than one year and not later than five years		13,304		16,246
Later than five years		75		75
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSEE		18,153		23,748

Operating leases – Group as lessor

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

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

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

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

Relevant significant accounting policies

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

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The committed revenues expected from these lease portfolios are analysed as follows in *Table XX*.

Non-cancellable operating lease commitments as lessor	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Investment properties				
Not later than one year		10,391		10,391
Later than one year and not later than five years		35,488		35,488
Later than five years		52,012		52,012
Land and buildings				
Not later than one year		5,683		5,683
Later than one year and not later than five years		10,204		10,204
Later than five years		10,401		10,401
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSOR		124,179		124,179

Commitments to related parties

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

Note 34: Contingencies

Contingent liabilities	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Uncalled capital - LGFA		1,866		1,866
Other legal proceedings		299		299
Share of associates' and jointly controlled entity's contingent liabilities		-		-
Share of joint ventures' contingent liabilities		-		-
TOTAL CONTINGENT LIABILITIES		2,165		2,165

Contingent assets

The Council and Group have no contingent assets that can be quantified as at 30 June 2020 (2019: \$Nil)

Relevant significant accounting policies

Contingent liabilities and contingent assets

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

NZ Local Government Funding Agency Limited (LGFA)

Council is one of 64 local authority shareholder, borrower and guarantor councils of the LGFA. Any non-shareholder council that borrows in aggregate NZ\$20m or more from LGFA must be a guarantor. In this regard Council has uncalled capital of \$1.866m. When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all of LGFA's borrowings. At 30 June 2020, LGFA had borrowings totalling \$XXm (2019: \$9,531m).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that we are not aware of any local authority, which is a member of the LGFA, that has had debt default events in New Zealand; and local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required. Council considers that even if it was called upon to contribute the cost would not be material.

Other legal proceedings

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

Unquantified contingent liabilities

Defective product

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

Structural defect claim

In February 2019, Council entered into a standstill agreement in respect of a large claim alleging a breach of duty to a tenant of a commercial building. A claim was filed in August 2019. Due to the

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nature of the issues, the uncertainty of the outcome and the novel legal claim, Council is unable to conclude on potential liability and claim quantum, if any.

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.

Unquantified contingent asset

As at 30 June 2020, the Council had a contingent asset for insurance recoveries. The insurance claim related to the Civic Administration Building (CAB), which covers both the repair costs and the relocation costs, is still in progress. The Council's preliminary assessment of earthquake repairs is in the region of \$36.6m. However, the Council continues to investigate the damage in the building to prepare options for repair. The indemnity value of CAB under Council's insurance value is \$48.7m. The insurance policy has a deductible of \$5.0m. While an estimate of the repair costs has been obtained by the Council and provided to the insurer there are still a significant number of uncertainties in the numbers and it is still subject to discussion and agreement with the insurer. This means that the amount that the Council will receive cannot be reliably measured.

Note 35: Joint Operations

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

Joint Operation	Interest 2020	Interest 2019	Nature of business
Wastewater treatment plant – Porirua City Council	27.60%	27.60%	Owns and operates a wastewater treatment plant and associated trunk sewers and pumping stations that provide services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the capacity of the plant allocated to the two councils.
Spicer Valley Landfill – Porirua City Council	21.50%	21.50%	Owns and operates a sanitary landfill that provides services to Wellington City's northern suburbs. Ownership of the assets is in proportion to the ratio of the populations of Porirua City and the area of the former Tawa Borough.

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

Relevant significant accounting policies

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

The Council's and Group's share of the joint operations' capital commitments is \$Nil (2019: \$Nil) and contingent liabilities is \$Nil (2019: \$Nil).

Note 36: Related party disclosures

Relevant significant accounting policies

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

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

Key management personnel

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

Remuneration paid to key management personnel	Council	
	2020	2019
	\$	\$
Council Members		
Remuneration		1,611,660
Chief Executive and Executive Leadership Team		
Remuneration		2,017,449
TOTAL REMUNERATION PAID TO KEY MANAGEMENT PERSONNEL	-	3,629,109

As at 30 June 2020 key management personnel comprised of 21 individuals: 15 elected members or 15 fulltime equivalents (2019: 15) and 5 executive leaders or 5 fulltime equivalents (2019: 6).

For further disclosure of the remuneration payable to the Mayor, Councillors and the Chief Executive refer to Note 37: Remuneration and staffing (page **XX**).

Material related party transactions – key management personnel

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

A member of key management personnel purchased their Council vehicle following the decision to remove all full private use vehicles from the Council's fleet. The vehicle was purchased for its market value.

These transactions were on normal commercial terms. Except for these transactions no key management personnel have entered into related party transactions with the Group.

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

There are no commitments from Council to key management personnel.

Material related party transactions – other organisations

Basin Reserve Trust (BRT)

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

The Council considers the Trust does not meet the requirements of PBE IPSAS 36 *Investments in Associates and Joint Ventures* to enable continued consolidation on an equity accounted basis. The Trust is still identified as an associate given the Council's level of influence and financial support but due to the lack of an equity investment the Council believes it is not appropriate to include the Trust in the Group financial statements.

During the year ending 30 June 2020 Council contributed \$XXm (2019: \$0.417m) to fund the core operations of the Trust and \$0.250m (2019: \$0.250m) for turf management services.

NZ Local Government Funding Agency Limited (LGFA)

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

Wellington Regional Stadium Trust (WRST)

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

The Council considers the Trust does not meet the requirements of PBE IPSAS 36 *Investments in Associates and Joint Ventures* to enable continued consolidation on an equity accounted basis. The Trust is still identified as an associate given the Council's level of influence and financial support but due to the lack of an equity investment the Council believes it is not appropriate to include the Trust in the Group financial statements.

Council holds a \$15m limited recourse loan to WRST which, is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished. On maturity of the initial WRST membership underwrite, the unpaid interest was converted to a \$0.395m advance repayable after all other advances made by the Council and Greater Wellington Regional Council.

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During the year ending 30 June 2020 Council transacted directly with WRST to the amount of \$XXm (2019: \$0.840m) as part of the original \$5.000m funding grant recognised in 2016/17 for the upgrade of the concourse. To date Council has paid \$XXm.

Intra group transactions and balances

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

Intra group transactions and balances - Jointly controlled assets	2020	2019
	\$000	\$000
Expenditure incurred by the Council to fund the operation and management of:		
Porirua - waste water treatment plant		2,016

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

Intra group transactions and balances - Controlled entities		2020	2019
		\$000	\$000
Revenue received by Council for services provided to:			
	Karori Sanctuary Trust		42
	Wellington Cable Car Limited		172
	Wellington Museums Trust		1,440
	Wellington Regional Economic Development Agency		117
	Wellington Zoo Trust		908
			2,679
Grant funding paid by Council for the operations and management of:			
	Karori Sanctuary Trust		1,007
	Wellington Museums Trust		9,110
	Wellington Regional Economic Development Agency		12,178
	Wellington Zoo Trust		3,320
			25,615
Expenditure payments made by Council for services provided by:			
	Karori Sanctuary Trust		17
	Wellington Cable Car Limited		71
	Wellington Museums Trust		68
	Wellington Regional Economic Development Agency		6,055
	Wellington Zoo Trust		1,902
			8,113
Current receivables and recoverables owing to the Council from:			
	Karori Sanctuary Trust		2
	Wellington Cable Car Limited		52
	Wellington Museums Trust		156
	Wellington Regional Economic Development Agency		1
	Wellington Zoo Trust		902
			1,113
Current payables owed by the Council to:			
	Karori Sanctuary Trust		-
	Wellington Cable Car Limited		27
	Wellington Museums Trust		5
	Wellington Regional Economic Development Agency		238
	Wellington Zoo Trust		109
			379

Current receivables, recoverables and payables

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

Payments to controlled entities

The total payments to controlled entities are \$XXm (2019: \$33.728m) when the grant funding of \$XXm (2019: \$25.615m) and expenditure for services provided to Council of \$XXm (2019: \$8.113m) are combined.

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

Intra group transactions and balances - Associates and joint venture		2020	2019
		\$000	\$000
Dividend received from:			
Wellington International Airport Limited			13,881
Revenue received by Council for services provided to:			
Wellington International Airport Limited			89
Wellington Water Limited			839
			928
Expenditure payments made by Council for services provided by:			
Wellington International Airport Limited			32
Wellington Water Limited			57,965
			57,997
Current receivables and recoverables owing to the Council from:			
Wellington International Airport Limited			-
Wellington Water Limited			212
			212
Current payables owed by the Council to:			
Wellington Water Limited			2,267

Current receivables, recoverables and payables

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

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Note 37: Remuneration and staffing

Mayoral and Councillor remuneration

Remuneration

The following people held office as elected members of the Council's governing body, during the reporting period. The total remuneration attributed to the Mayor and Councillors during the year from 1 July 2019 to 30 June 2020 was \$XXm (2019: \$1,611,660) and is broken down and classified as follows in Table XX.

Council Member	Monetary Remuneration		Non-monetary Remuneration	Total 2020
	Salary	Allowances		
	\$	\$	\$	\$
Present Council members				
Foster, Andy (Mayor)				
Calvert, Diane				
Condie, Jenny				
Day, Jill				
Fitzsimons, Fleur				
Foon, Laurie				
Free, Sarah				
Matthews, Rebecca				
O'Neill, Teri				
Pannett, Iona				
Paul, Tamatha				
Rush, Sean				
Sparrow, Malcolm				
Wolf, Simon				
Young, Nicola				
Previous Council members				
Lester, Justin (former Mayor)				
Calvi-Freeman, Chris				
Dawson, Brian				
Gilberd, Peter				
David, Lee				
Marsh, Simon				
TOTAL REMUNERATION PAID TO COUNCIL MEMBERS	-	-	-	-
			Total monetary remuneration	-
			Total non- monetary remuneration	-

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the Local Government Act 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2019/20 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

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Allowances – internet services and mobile phones

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

The payment of a communication allowance of \$400 per annum (applicable from the start of the new triennium) or the reimbursement of any Council related communication costs, over and above any communication costs they would normally incur, payable on receipt of the appropriate documentation required under the provisions of the Remuneration Authority's determination.

The level of all allowances payable to the Council's elected members has been approved by the Remuneration Authority and is reviewed by the Authority on an annual basis. The Remuneration Authority does permit Council to provide the Mayor with a vehicle for full private use, which is a taxable benefit and the current Mayor has taken up this option.

Non-monetary

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

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

Relevant significant accounting policies

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

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Community Boards

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

Community Board Member	Salary	Allowances	Other	Total 2020
	\$	\$	\$	\$
TAWA COMMUNITY BOARD				
Present Board members				
Herbert, Richard (Deputy Chair)				
Hansen, Graeme				
Knight, Steph				
Lacy, Jackson				
Parkinson, Robyn (Chair)				
Scott, Anna				
Day, Jill (see Councillor remuneration above)				
Sparrow, Malcolm (see Councillor remuneration above)				
Previous Board members				
Lucas, Margaret (Deputy Chair)				
Langham, Liz				
Marshall, Jack (includes Youth Council attendance fee)				
MAKARA-OHARIU COMMUNITY BOARD				
Present Board members				
Apanowicz, John (Chair)				
Grace, Christine (Deputy Chair)				
Hoskins, Darren				
Renner, Chris				
Rudd, Wayne				
Todd, Hamish				
Previous Board members				
Liddell, Judy				
TOTAL REMUNERATION TO COMMUNITY BOARD MEMBERS	-	-	-	-

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

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Chief Executive's remuneration

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

Table XX below shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2020.

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

Remuneration of the Chief Executive	Council	
	2020	2019
	\$	\$
Short-term employee benefits		
Kevin Lavery (to 29 February 2020)		
Salary		425,160
Motor vehicle park		3,000
Barbara McKerrow (from 1 March 2020)		
Salary		-
TOTAL REMUNERATION OF THE CHIEF EXECUTIVE	-	428,160

Severances

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

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

For the year ending 30 June 2020 the Council made severance payments to XX employees totalling \$XXm (2019: 21 employees, \$444,991).

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

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Employee numbers and remuneration bands

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

	Council	
	2020	2019
Full-time and full-time equivalent employee numbers		
Full-time employees (based on a 40 hour week) as at 30 June		1,080
Full-time equivalents for all other non full-time employees		260
Remuneration bands		
The number of employees receiving total annual remuneration of less than \$60,000 Of the 1,050 employees in this band, 678 are part-time or casual		1,050
The number of employees receiving total annual remuneration of more than \$60,000 in bands of \$20,000		
\$60,000 - \$79,999.99		260
\$80,000 - \$99,999.99		223
\$100,000 - \$119,999.99		116
\$120,000 - \$139,999.99		70
\$140,000 - \$159,999.99		35
\$160,000 - \$179,999.99		19
\$180,000 - \$199,999.99		10
\$200,000 - \$239,999.99*		6
\$240,000 - \$339,999.99*		6
\$340,000 - \$419,999.99*		2
TOTAL EMPLOYEES	-	1,797

Of the XX (2019: 1,797) individual employees, XX (2019: 717) work part-time or casually.

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

*If the number of employees for any band was 5 or less then we are legally required to combine it with the next highest band. This means that some rows span different bands across the two years shown.

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

Grade	Salary Range	2020
	(1 July 2019 – 30 June 2020)	
Q (Living Wage)		
9		

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

Note 38: Events after the end of the reporting period

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

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Other Significant Accounting Policies

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

Basis of preparation

Measurement base

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

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

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

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

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

Exchange and non-exchange transactions

Revenue from exchange transactions

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

Revenue from non-exchange transactions

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

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

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

Approximately equal value

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

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

Change of accounting policies

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

Changes to PBE accounting standards

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

- In April 2017, the XRB issued *Impairment of Revalued Assets*, which now scopes in revalued property, plant and equipment into the impairment accounting standards PBE IPSASs 21 and 26, which will require Council to assess at each reporting date whether there is any indication that an asset may be impaired. However, where an impairment loss is recognised for an asset or group of assets, that is revalued, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset, or group of assets, belongs. This amendment is effective for periods beginning on or after 1 January 2019.
- In January 2017, the XRB issued the following new standards for interest in other entities effective for periods beginning on or after 1 January 2019:
 - PBE IPSAS 34 *Separate financial statements*
 - PBE IPSAS 35 *Consolidated financial statements*
 - PBE IPSAS 36 *Investments in Associates and Joint Ventures*
 - PBE IPSAS 37 *Joint Arrangements*
 - PBE IPSAS 38 *Disclosures of interests in other entities*

These replace accounting standards PBE IPSAS 6 – 8.

There are a number of significant differences between the two sets of standards, including:

- A new definition of control and joint control (including a link between power and benefits).
- New classifications of joint arrangements (joint ventures and joint operations). Specifically, the previous jointly controlled assets (Joint ventures with Porirua City Council) are now classed as joint operations and Wellington Water Limited, previously a jointly controlled entity, is now a joint venture. There has been no resulting change to the Council and Group's methods of accounting for the respective joint arrangements.
- Proportionate consolidation is no longer permitted for those joint arrangements that are classified as joint ventures. No resulting change for Council or the Group as the equity method of accounting was already used for the interest in Wellington Water Limited.

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- Additional disclosure requirements including more detailed disclosure of financial category totals and reconciliation between the recorded equity accounted value and the percentage of investment in the entity.

- In November 2018, the XRB issued 2018 Omnibus amendments to PBE standards. These amendments are largely effective for periods beginning on or after 1 January 2019. There are no significant accounting implications for Council and the Group.

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

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

- In January 2017, the XRB also issued *PBE IFRS 9 Financial Instruments* to replace *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. With an effective date for annual periods beginning on or after 1 January 2021, but with early adoption permitted, the intention is not to adopt at this stage while the effects on Council and the Group are more thoroughly assessed. The main changes under *PBE IFRS 9* are:
 - New financial asset classifications requirements for determining whether an asset is measured at fair value or amortised cost.
 - A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
 - Revised hedge accounting requirements to better reflect the management of risks.
- In March 2019, the XRB subsequently issued Effective date of PBE IFRS 9, which delayed the effective date out to 1 January 2022.
- In March 2019, the XRB issued *PBE IPSAS 41 Financial Instruments*, with an effective date for reporting periods after 1 Jan 2022. This new standard supersedes most of *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. *PBE IPSAS 41* also supersedes *PBE IFRS 9 Financial Instruments above*.
- In November 2019, the XRB issued *PBE FRS 48 Service Performance Reporting*, with an effective date of 30 June 2022, for periods beginning on or after 1 January 2021. The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.

Judgements and estimations

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

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include landfill post-closure costs, asset revaluations, impairments, certain fair value calculations and provisions.

Goods and Services Tax (GST)

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

Budget figures

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

Comparatives

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

- where classifications have changed between periods;
- where the Council has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required; and
- where there has been a change of accounting policy (There has been no change in the 2019/20 year).

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FINANCIAL PRUDENCE

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

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

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

Annual report disclosure statement for year ending 30 June 2020

What is the purpose of this statement?

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

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

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

(Graphs to be updated after 30 June 2020)

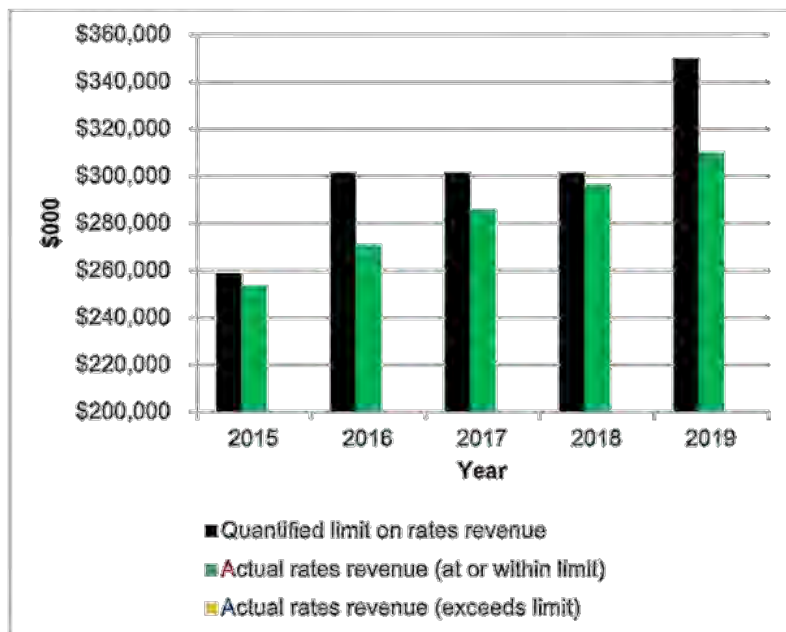
Rates affordability benchmark

The council meets the rates affordability benchmark if—

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

Rates (revenue) affordability

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

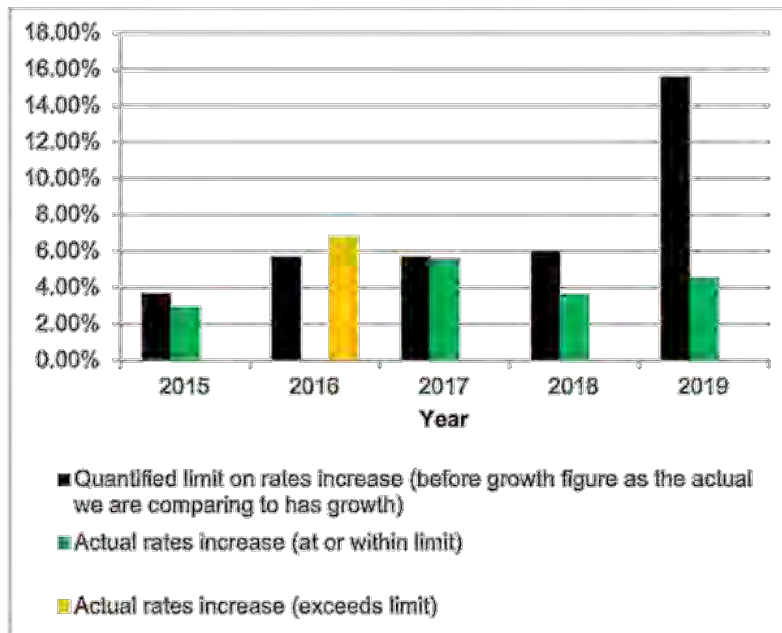


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Rates (increases) affordability

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

The quantified limit for 2018/19 is 15.6% although the actual rates increase set for the 2018/19 year was significantly lower than this limit. The rates increase proposed in the 2018-28 LTP is equivalent to an average rates increase of 3.5% over the first three years, which encompasses the financial years 2018/19; 2019/20 and 2020/21.

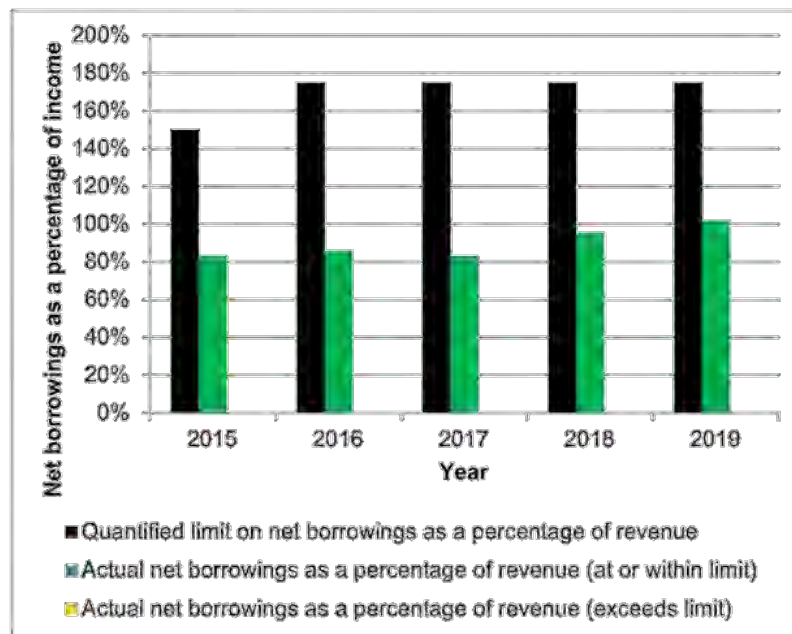


Debt affordability benchmark

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

Net borrowing as a percentage of income¹

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

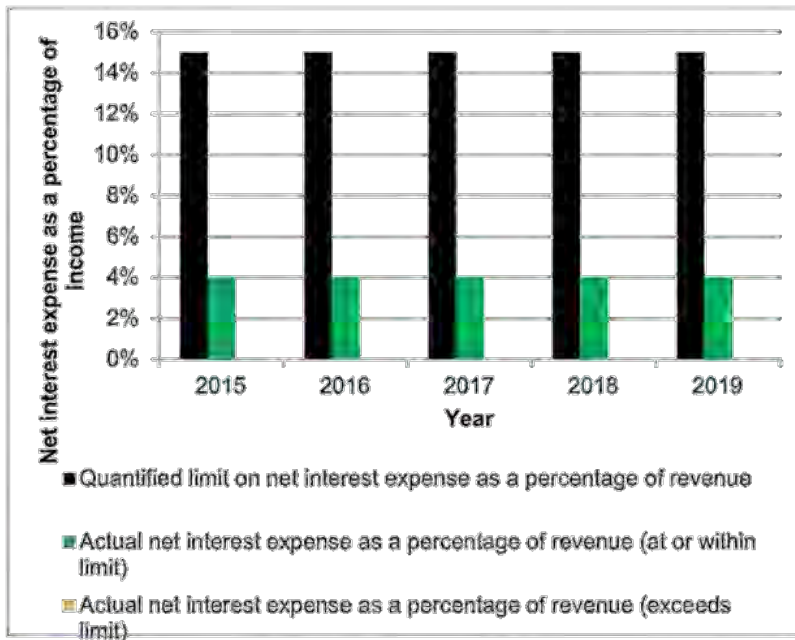


¹ The income figure used for this calculation of Net Borrowing as percentage of Income and Net Interest as a percentage of Income is Total Income less Vested Assets and Development Contribution Income. The Council has also deducted variable capital grants it receives for social housing from these calculations.

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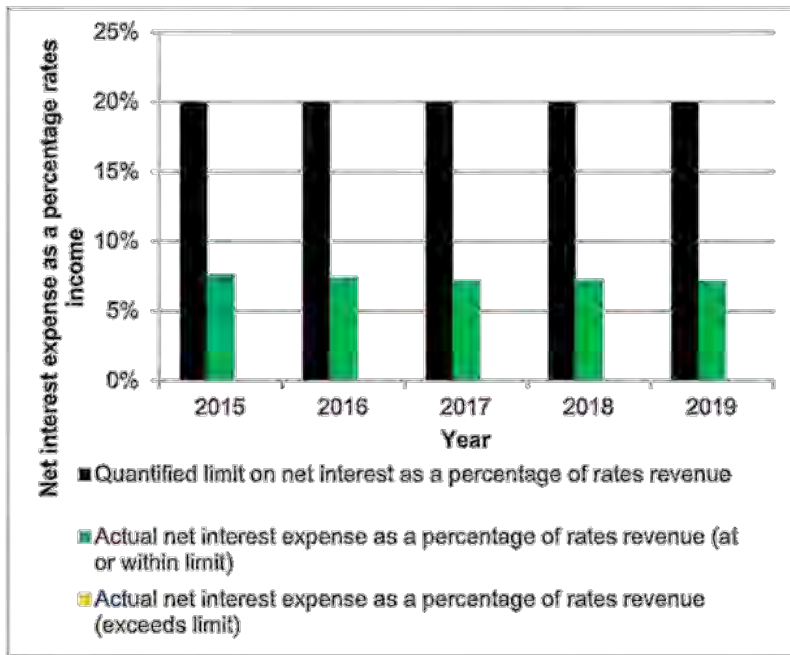
Net interest as a percentage of income¹

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



Net interest as a percentage of annual rates income

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

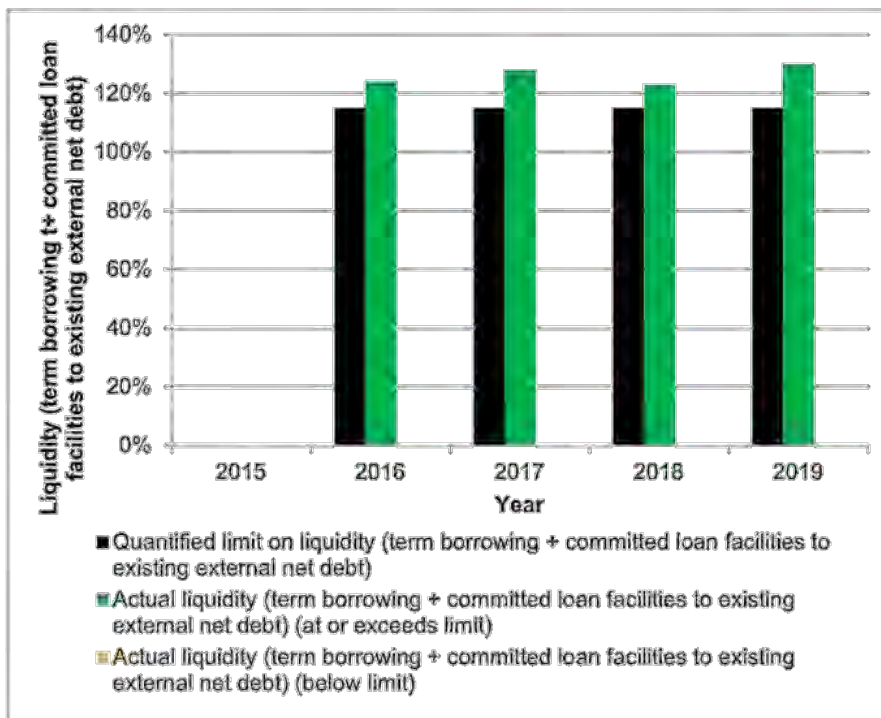


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Liquidity (term borrowing + committed loan facilities to existing external net debt)

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

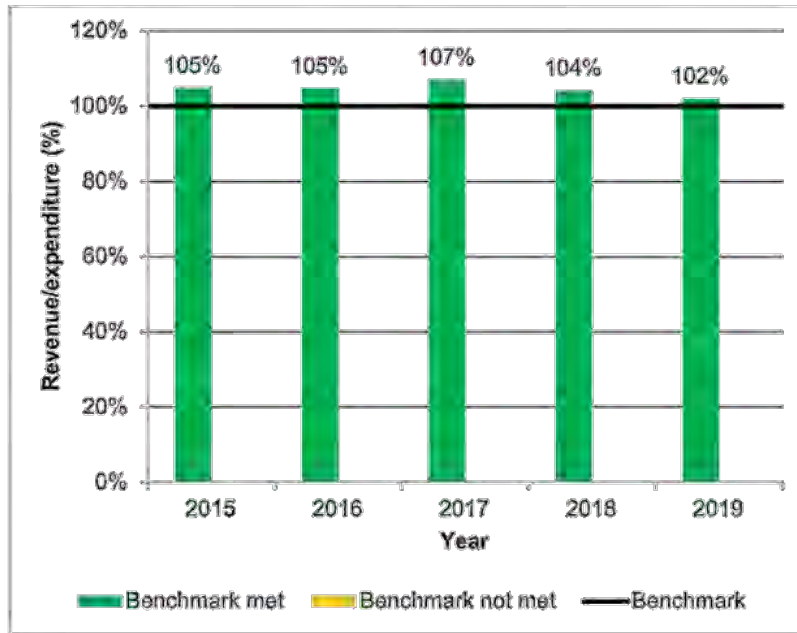
NOTE: this measure was introduced in the 2015/16 financial year.



Balanced budget benchmark

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

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

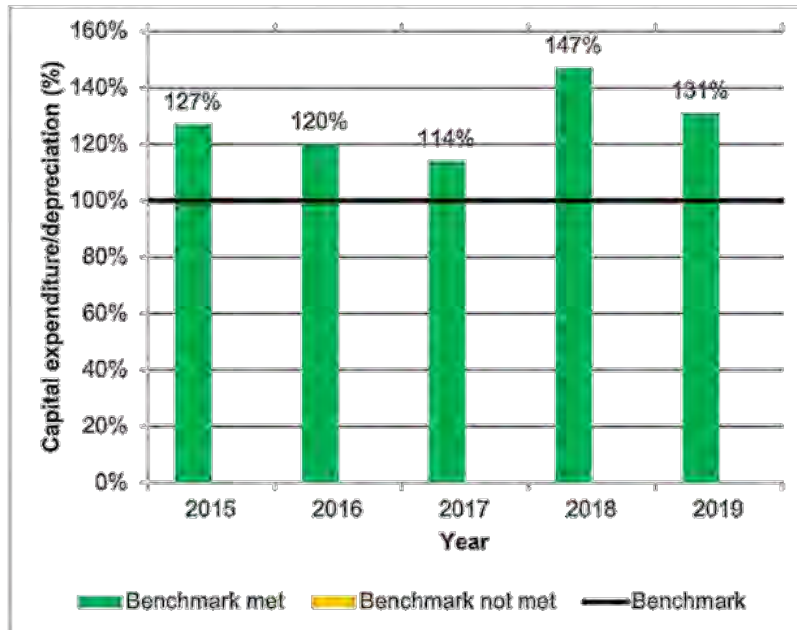


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Essential services benchmark

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

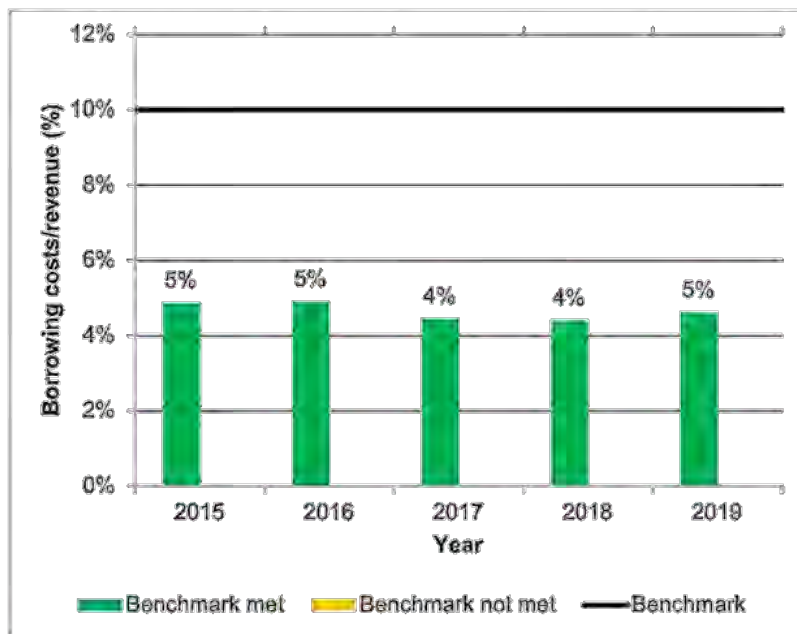
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

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

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



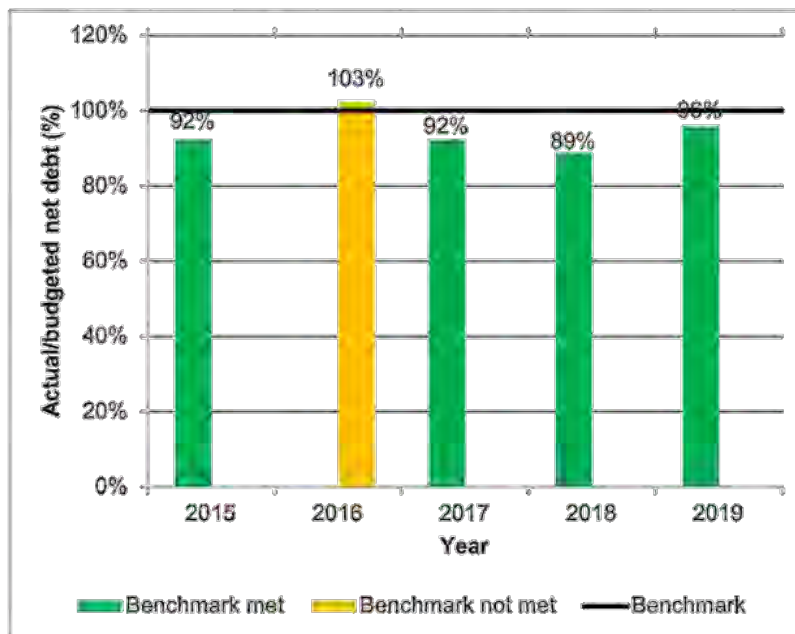
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Debt control benchmark

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

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

The calculation of net debt includes derivative (non-cash) financial instruments, predominantly cash flow hedges. The 2015/16 net debt was impacted by the valuation of the Council's cash flow hedge liabilities being higher than planned as a result of interest rate volatility during the financial year. Actual net borrowings at \$396.5m were lower than planned net borrowings of \$415.0m and well below other benchmarks.

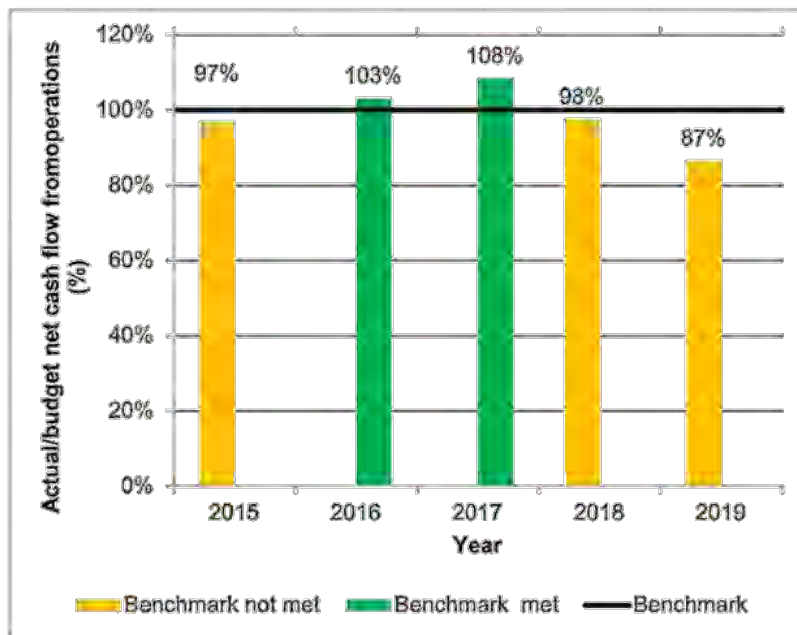


Operations control benchmark

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

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

A number of assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with variances in the 2014/15, 2017/18 and 2018/19 years explained by the timing difference in the receipt of revenues compared to budget that lead to the "not met" outcome for this measure.



Funding Impact Statements
(TO BE UPDATED AFTER 30 JUNE 2020)

Funding impact statement for 1 July 2018 to 30 June 2019 for Whole of Council					
	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	172,610	170,671	170,476	176,468	176,119
Targeted rates	129,872	126,135	125,933	134,237	133,768
Subsidies and grants for operating purposes	6,942	9,601	7,615	6,673	9,214
Fees and charges	128,271	134,003	131,425	146,430	134,271
Interest and Dividends from investments	11,113	11,294	14,315	12,994	17,188
Local authorities fuel tax, fines, infringement fees, and other receipts	9,679	8,963	8,064	8,850	8,290
Total operating funding (A)	458,487	460,667	457,828	485,652	478,654
Applications of operating funding					
Payments to staff and suppliers	289,293	302,602	307,439	327,074	335,275
Finance costs	32,365	25,420	23,765	24,918	25,411
Internal charges and overheads applied	41,891	39,653	39,975	39,276	34,469
Internal charges and overheads recovered	(41,891)	(39,653)	(39,975)	(39,276)	(34,469)
Other operating funding applications	43,112	45,889	51,818	39,042	42,091
Total applications of operating funding (B)	364,770	373,911	383,022	391,034	402,780
Surplus (deficit) of operating funding (A - B)	93,717	86,756	74,806	94,618	76,074
Sources of capital funding					
Subsidies and grants for capital expenditure	21,637	46,313	45,146	34,035	31,311
Development and financial contributions	2,000	2,000	3,305	2,000	2,898
Increase (decrease) in debt	55,232	50,522	19,025	94,144	59,985
Gross proceeds from sales of assets	18,350	10,350	146	2,000	820
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	97,219	109,185	67,622	132,179	105,014
Applications of capital funding					
Capital expenditure					
- to meet additional demand	8,126	1,810	410	1,843	1,775
- to improve the level of service	104,294	79,445	55,321	109,468	72,085
- to replace existing assets	93,876	101,217	117,209	131,989	97,242
Increase (decrease) in reserves	(15,360)	13,469	(30,512)	(16,523)	9,886
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	190,936	195,941	142,428	226,797	181,088
Surplus (deficit) of capital funding (C - D)	(93,717)	(86,756)	(74,806)	(94,618)	(76,074)
Funding balance ((A - B) + (C - D))	-	-	-	-	0
Expenses for this activity grouping include the following					
depreciation/amortisation charge	108,742	106,417	106,614	117,158	115,423

Draft Financial Statements

Funding impact statement for 1 July 2018 to 30 June 2019 for Governance, Information and Engagement					
1.1	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	17,175	18,122	18,122	17,209	17,209
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	528	536	497	535	511
Internal charges and overheads recovered	-	-	158	-	2
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	17,703	18,658	18,775	17,744	17,722
Applications of operating funding					
Payments to staff and suppliers	10,100	11,265	9,867	10,416	9,868
Finance costs	21	15	13	15	14
Internal charges and overheads applied	7,517	7,309	7,432	7,262	7,692
Other operating funding applications	10	10	11	10	11
Total applications of operating funding (B)	17,648	18,599	17,323	17,703	17,585
Surplus (deficit) of operating funding (A - B)	55	59	1,452	41	137
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(55)	(59)	(38)	10	(37)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(55)	(59)	(38)	10	(37)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	8	51	-
Increase (decrease) in reserves	-	-	1,406	-	100
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	-	-	1,414	51	100
Surplus (deficit) of capital funding (C - D)	(55)	(59)	(1,452)	(41)	(137)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	55	59	46	41	37

Draft Financial Statements

Funding impact statement for 1 July 2018 to 30 June 2019 for Maori and Mana Whenua partnerships					
1.2	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	296	300	300	306	300
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	-	-	4	-	45
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	296	300	304	306	351
Applications of operating funding					
Payments to staff and suppliers	281	272	275	277	327
Finance costs	1	1	1	1	1
Internal charges and overheads applied	12	15	25	16	31
Other operating funding applications	-	10	1	10	0
Total applications of operating funding (B)	294	298	302	304	359
Surplus (deficit) of operating funding (A - B)	2	2	2	2	(8)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(2)	(2)	(2)	(2)	(2)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(2)	(2)	(2)	(2)	(2)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	-	-	-	-	(10)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	-	-	-	-	(10)
Surplus (deficit) of capital funding (C - D)	(2)	(2)	(2)	(2)	8
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	2	2	2	2	2

Draft Financial Statements

Funding impact statement for 1 July 2018 to 30 June 2019 for Gardens, beaches and green open spaces					
2.1	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	32,087	35,994	35,994	38,056	38,056
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	764	671	870	966	1,133
Fees and charges	1,494	1,825	2,267	2,097	2,281
Internal charges and overheads recovered	5,311	5,287	4,914	5,719	4,834
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	1
Total operating funding (A)	39,656	43,777	44,045	46,838	46,305
Applications of operating funding					
Payments to staff and suppliers	20,249	20,806	21,480	22,553	23,144
Finance costs	2,716	2,443	1,964	2,818	2,130
Internal charges and overheads applied	12,635	13,528	13,777	14,454	14,865
Other operating funding applications	101	115	182	165	185
Total applications of operating funding (B)	35,701	36,892	37,403	39,990	39,910
Surplus (deficit) of operating funding (A - B)	3,955	6,885	6,642	6,848	6,395
Sources of capital funding					
Subsidies and grants for capital expenditure	50	-	215	-	18
Development and financial contributions	183	183	281	183	400
Increase (decrease) in debt	(315)	(2,931)	(2,959)	(314)	1,224
Gross proceeds from sales of assets	-	-	-	-	50
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(82)	(2,748)	(2,463)	(131)	1,892
Applications of capital funding					
Capital expenditure					
- to meet additional demand	395	-	-	-	-
- to improve the level of service	1,082	50	1,870	3,675	3,840
- to replace existing assets	2,396	4,087	2,265	3,042	2,608
Increase (decrease) in reserves	-	-	44	-	1,642
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	3,873	4,137	4,179	6,717	8,087
Surplus (deficit) of capital funding (C - D)	(3,955)	(6,885)	(6,642)	(6,848)	(6,395)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	3,955	7,058	6,598	6,670	8,632

Draft Financial Statements

Funding impact statement for 1 July 2018 to 30 June 2019 for Waste reduction and energy conservation					
2.2	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	499	982	882	708	708
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	25
Fees and charges	13,599	13,632	17,462	15,833	10,347
Internal charges and overheads recovered	-	-	-	-	252
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	8	-	1
Total operating funding (A)	14,098	14,614	18,352	16,541	17,331
Applications of operating funding					
Payments to staff and suppliers	12,814	12,786	15,280	14,104	17,250
Finance costs	663	665	1,048	742	739
Internal charges and overheads applied	25	544	1,070	1,054	1,812
Other operating funding applications	105	210	(15)	180	98
Total applications of operating funding (B)	13,607	14,205	17,383	16,080	19,708
Surplus (deficit) of operating funding (A - B)	491	409	969	461	(2,375)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	92	-	(77)
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	5,391	1,662	378	5,201	3,578
Gross proceeds from sales of assets	-	-	-	-	0
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	5,391	1,662	470	5,201	3,501
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	15	-	-
- to replace existing assets	5,882	2,071	2,429	5,662	1,398
Increase (decrease) in reserves	-	-	(1,005)	-	(270)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	5,882	2,071	1,439	5,662	1,128
Surplus (deficit) of capital funding (C - D)	(491)	(409)	(969)	(461)	2,375
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	491	409	648	461	640

Draft Financial Statements

Funding Impact statement for 1 July 2018 to 30 June 2019 for Water					
2.3	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	42,493	41,713	41,713	45,330	45,330
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	36	35	72	37	61
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	42,529	41,748	41,785	45,367	45,391
Applications of operating funding					
Payments to staff and suppliers	25,234	24,257	24,059	25,783	25,731
Finance costs	2,712	2,039	2,029	2,342	2,152
Internal charges and overheads applied	1,406	1,912	1,720	1,923	2,268
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	29,352	28,208	27,808	30,048	30,151
Surplus (deficit) of operating funding (A - B)	13,177	13,540	13,977	15,319	15,240
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	671	671	761	671	677
Increase (decrease) in debt	1,562	1,319	(194)	2,436	(2,963)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	2,233	1,990	567	3,107	(2,286)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	639	501	-	-	-
- to improve the level of service	5,187	4,747	7,718	9,553	4,565
- to replace existing assets	9,584	10,282	7,284	8,873	7,504
Increase (decrease) in reserves	-	-	(438)	-	785
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	15,410	15,530	14,544	18,426	12,954
Surplus (deficit) of capital funding (C - D)	(13,177)	(13,540)	(13,977)	(15,319)	(15,240)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	13,177	13,540	14,415	15,319	14,456

Draft Financial Statements

Funding impact statement for 1 July 2018 to 30 June 2019 for Wastewater					
2.4	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	40,857	39,540	39,540	43,333	43,333
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	1,281	1,293	829	1,237	1,059
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	42,138	40,833	40,369	44,570	44,392
Applications of operating funding					
Payments to staff and suppliers	23,178	21,123	20,652	23,205	21,431
Finance costs	4,372	3,427	4,042	4,046	3,865
Internal charges and overheads applied	3,533	5,166	5,160	5,095	6,770
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	31,083	29,716	29,854	32,346	32,066
Surplus (deficit) of operating funding (A - B)	11,055	11,117	10,515	12,224	12,326
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	245
Development and financial contributions	549	549	876	549	720
Increase (decrease) in debt	1,715	3,826	1,504	(4,035)	(3,015)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	2,264	4,375	2,380	(3,486)	(2,050)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	319	375	-	-	-
- to improve the level of service	1,620	2,801	1,716	3,406	3,439
- to replace existing assets	11,380	12,316	12,182	5,332	6,068
Increase (decrease) in reserves	-	-	(1,003)	-	769
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	13,319	15,492	12,895	8,738	10,276
Surplus (deficit) of capital funding (C - D)	(11,055)	(11,117)	(10,515)	(12,224)	(12,326)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	14,439	14,470	13,428	14,134	13,467

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Funding impact statement for 1 July 2018 to 30 June 2019 for Stormwater					
2.5	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	18,953	17,986	17,986	19,097	19,097
Subsidies and grants for operating purposes	148	131	139	153	127
Fees and charges	10	10	3	10	4
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	19,111	18,127	18,128	19,260	19,228
Applications of operating funding					
Payments to staff and suppliers	7,260	6,993	7,280	6,973	8,842
Finance costs	3,929	2,707	2,187	2,493	2,339
Internal charges and overheads applied	1,470	1,938	1,692	1,857	2,185
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	12,659	11,638	11,159	11,323	11,366
Surplus (deficit) of operating funding (A - B)	6,452	6,489	6,969	7,937	7,862
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	58	58	73	58	55
Increase (decrease) in debt	1,142	874	1,699	3,343	1,503
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	1,200	932	1,772	3,401	1,558
Applications of capital funding					
Capital expenditure					
- to meet additional demand	243	236	-	-	-
- to improve the level of service	4,660	4,524	5,218	7,729	3,151
- to replace existing assets	2,749	2,661	4,030	3,609	5,900
Increase (decrease) in reserves	-	-	(507)	-	363
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	7,652	7,421	8,741	11,338	9,420
Surplus (deficit) of capital funding (C - D)	(6,452)	(6,489)	(6,969)	(7,937)	(7,862)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	6,452	6,489	7,476	7,937	7,899

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Funding impact statement for 1 July 2018 to 30 June 2019 for Conservation attractions					
2.6	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	6,899	6,970	6,970	6,829	6,829
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes					
Fees and charges	-	-	-	-	2
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	6,899	6,970	6,970	6,829	6,831
Applications of operating funding					
Payments to staff and suppliers	225	187	194	171	178
Finance costs	1,000	721	609	627	604
Internal charges and overheads applied	289	-	2	-	1
Other operating funding applications	9,832	4,303	4,220	4,327	4,327
Total applications of operating funding (B)	11,346	5,211	5,025	5,125	5,111
Surplus (deficit) of operating funding (A - B)	(4,447)	1,759	1,945	1,704	1,720
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	5,290	(918)	(950)	(554)	236
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	5,290	(918)	(950)	(554)	236
Applications of capital funding					
Capital expenditure	-	-	-	-	-
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	843	841	720	1,150	1,896
Increase (decrease) in reserves	-	-	275	-	60
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	843	841	995	1,150	1,956
Surplus (deficit) of capital funding (C - D)	4,447	(1,759)	(1,945)	(1,704)	(1,720)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	1,553	1,759	1,670	1,704	1,660

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Funding impact statement for 1 July 2018 to 30 June 2019 for City promotions and business support					
3.1	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	7,948	4,982	4,982	4,865	4,865
Targeted rates	16,115	15,253	15,253	14,160	14,160
Subsidies and grants for operating purposes	-	2,090	659	-	748
Fees and charges	14,925	13,587	413	14,643	346
Internal charges and overheads recovered	-	-	-	-	35
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	38,988	35,912	21,307	33,668	20,154
Applications of operating funding					
Payments to staff and suppliers	24,140	18,870	8,016	17,784	3,837
Finance costs	856	1,771	961	1,323	1,013
Internal charges and overheads applied	955	1,230	939	1,292	693
Other operating funding applications	12,298	20,013	12,549	14,252	14,384
Total applications of operating funding (B)	38,249	41,884	22,465	34,651	20,127
Surplus (deficit) of operating funding (A - B)	739	(5,972)	(1,158)	(983)	26
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	172	-	753
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	614	10,988	2,359	4,340	(323)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	614	10,988	2,531	4,340	430
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	2,777	-	-	-
- to replace existing assets	1,353	2,239	599	3,357	738
Increase (decrease) in reserves	-	-	774	-	(282)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	1,353	5,016	1,373	3,357	456
Surplus (deficit) of capital funding (C - D)	(739)	5,972	1,158	983	(26)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	1,814	1,628	1,705	1,713	1,808

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Funding impact statement for 1 July 2018 to 30 June 2019 for Arts and Culture activities					
4.1	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	13,769	14,272	14,272	15,761	15,761
Targeted rates	5,474	5,599	5,599	5,979	5,979
Subsidies and grants for operating purposes	426	924	70	424	99
Fees and charges	600	599	676	602	711
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	0
Total operating funding (A)	20,269	21,394	20,617	22,766	22,550
Applications of operating funding					
Payments to staff and suppliers	4,269	5,195	4,635	6,359	6,954
Finance costs	574	260	224	260	270
Internal charges and overheads applied	1,075	1,208	1,308	1,385	1,516
Other operating funding applications	13,627	14,030	14,334	14,012	14,768
Total applications of operating funding (B)	19,545	20,693	20,501	22,016	22,508
Surplus (deficit) of operating funding (A - B)	724	701	116	750	42
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	9,311	557	(147)	156	4,573
Gross proceeds from sales of assets	-	-	1	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	9,311	557	(146)	156	4,573
Applications of capital funding					
Capital expenditure	-	-	-	-	-
- to meet additional demand	-	-	-	-	-
- to improve the level of service	10,024	1,247	443	759	4,130
- to replace existing assets	11	11	-	147	15
Increase (decrease) in reserves	-	-	(473)	-	470
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	10,035	1,258	(30)	906	4,615
Surplus (deficit) of capital funding (C - D)	(724)	(701)	(116)	(750)	(42)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	724	667	755	750	760

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Funding impact statement for 1 July 2018 to 30 June 2019 for Recreation promotion and support					
5.1	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	25,655	27,963	27,963	29,449	29,449
Targeted rates	1,341	1,325	1,325	1,330	1,330
Subsidies and grants for operating purposes	209	187	232	184	203
Fees and charges	12,002	11,523	11,477	11,557	11,770
Internal charges and overheads recovered	1,160	1,192	1,046	1,076	1,156
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	40,366	42,190	42,043	43,596	43,910
Applications of operating funding					
Payments to staff and suppliers	19,047	19,955	20,118	20,365	20,319
Finance costs	3,814	3,330	2,694	2,748	2,651
Internal charges and overheads applied	9,478	10,336	11,352	11,308	11,949
Other operating funding applications	694	696	670	864	840
Total applications of operating funding (B)	33,033	34,317	34,834	35,285	35,759
Surplus (deficit) of operating funding (A - B)	7,333	7,873	7,209	8,311	8,151
Sources of capital funding					
Subsidies and grants for capital expenditure	-	50	71	50	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(1,644)	672	(1,827)	(434)	(1,984)
Gross proceeds from sales of assets	-	-	2	-	7
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(1,644)	722	(1,754)	(384)	(1,977)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,335	2,502	1,560	646	46
- to replace existing assets	4,354	6,093	4,968	7,281	7,140
Increase (decrease) in reserves	-	-	(1,073)	-	(1,014)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	5,689	8,595	5,455	7,927	6,174
Surplus (deficit) of capital funding (C - D)	(7,333)	(7,873)	(7,209)	(8,311)	(8,151)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	7,333	7,873	8,282	8,311	9,166

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Funding impact statement for 1 July 2018 to 30 June 2019 for Community support					
5.2	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	26,887	24,653	24,653	26,086	26,086
Targeted rates	4,606	4,624	4,624	5,008	5,008
Subsidies and grants for operating purposes	937	937	570	-	111
Fees and charges	25,429	24,042	22,404	23,761	24,334
Internal charges and overheads recovered	600	917	317	450	150
Local authorities fuel tax, fines, infringement fees, and other receipts	526	516	497	545	322
Total operating funding (A)	58,784	55,689	53,065	55,850	56,228
Applications of operating funding					
Payments to staff and suppliers	26,914	26,821	26,939	28,136	40,617
Finance costs	(1,083)	(1,983)	(1,545)	(868)	(1,025)
Internal charges and overheads applied	12,392	11,592	13,696	13,714	14,117
Other operating funding applications	4,766	4,902	4,452	4,582	4,340
Total applications of operating funding (B)	42,989	41,332	43,542	45,544	57,449
Surplus (deficit) of operating funding (A - B)	15,795	14,357	9,523	10,306	(1,221)
Sources of capital funding					
Subsidies and grants for capital expenditure	200	11,790	14,636	-	-
Development and financial contributions	-	-	10	-	26
Increase (decrease) in debt	5,025	(397)	9,452	19,093	23,211
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	5,225	11,393	24,098	19,093	23,237
Applications of capital funding					
Capital expenditure					
- to meet additional demand	1,270	694	-	-	-
- to improve the level of service	9,802	7,641	3,271	13,978	13,260
- to replace existing assets	9,748	5,625	29,454	15,421	7,879
Increase (decrease) in reserves	200	11,790	898	-	677
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	21,020	25,750	33,621	29,399	22,016
Surplus (deficit) of capital funding (C - D)	(15,795)	(14,357)	(9,523)	(10,306)	1,221
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	17,594	17,259	13,526	16,624	17,144

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Funding impact statement for 1 July 2018 to 30 June 2019 for Public health and safety					
5.3	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	10,045	11,765	11,765	12,246	12,246
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	26	-	12	-	14
Fees and charges	4,189	4,151	4,304	4,440	4,100
Internal charges and overheads recovered	690	687	629	705	593
Local authorities fuel tax, fines, infringement fees, and other receipts	40	39	22	79	23
Total operating funding (A)	14,990	16,642	16,732	17,470	16,972
Applications of operating funding					
Payments to staff and suppliers	9,438	9,917	9,840	9,418	9,572
Finance costs	118	128	119	135	134
Internal charges and overheads applied	4,528	5,767	6,077	6,669	6,401
Other operating funding applications	131	54	47	54	80
Total applications of operating funding (B)	14,215	15,866	16,083	16,276	16,187
Surplus (deficit) of operating funding (A - B)	775	776	649	1,194	785
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	1,346	1,354	(85)	1,172	486
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	1,346	1,354	(85)	1,172	486
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	253	44	100	603	271
- to replace existing assets	1,868	2,086	899	1,763	1,427
Increase (decrease) in reserves	-	-	(435)	-	(427)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	2,121	2,130	564	2,366	1,271
Surplus (deficit) of capital funding (C - D)	(775)	(776)	(649)	(1,194)	(785)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	775	776	1,084	1,194	1,212

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Funding impact statement for 1 July 2018 to 30 June 2019 for Urban planning, heritage and public spaces development					
6.1	2017/18 LTP \$000	2017/18 AP \$000	2017/18 Actual \$000	2018/19 LTP \$000	2018/19 Actual \$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	6,937	7,632	7,632	11,044	11,044
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	10	-	(10)
Fees and charges	21	21	49	21	173
Internal charges and overheads recovered	-	42	(1)	309	(1)
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	6,958	7,695	7,690	11,374	11,206
Applications of operating funding					
Payments to staff and suppliers	2,438	4,137	4,336	7,961	6,813
Finance costs	20	14	14	15	15
Internal charges and overheads applied	3,439	2,483	2,314	2,907	2,925
Other operating funding applications	1,050	1,050	1,629	450	285
Total applications of operating funding (B)	6,947	7,684	8,293	11,333	10,038
Surplus (deficit) of operating funding (A - B)	11	11	(603)	41	1,168
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	1,850	141	15,427	12,222	6,000
Gross proceeds from sales of assets	3,250	3,250	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	5,100	3,391	15,427	12,222	6,000
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	383	1,585	1,210
- to improve the level of service	3,424	1,683	9,263	8,841	3,394
- to replace existing assets	1,687	1,719	2,637	1,837	1,433
Increase (decrease) in reserves	-	-	2,541	-	1,122
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	5,111	3,402	14,824	12,263	7,168
Surplus (deficit) of capital funding (C - D)	(11)	(11)	603	(41)	(1,168)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following					
depreciation/amortisation charge	11	11	45	41	46

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Funding impact statement for 1 July 2018 to 30 June 2019 for Building and development control					
6.2	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	9,893	8,705	8,705	7,466	7,466
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	11,908	12,922	13,521	13,210	13,711
Internal charges and overheads recovered	-	-	-	191	-
Local authorities fuel tax, fines, infringement fees, and other receipts	25	24	1	24	10
Total operating funding (A)	21,826	21,651	22,227	20,891	21,187
Applications of operating funding					
Payments to staff and suppliers	12,538	13,254	13,341	12,549	12,484
Finance costs	2	3	-	2	0
Internal charges and overheads applied	8,979	8,114	7,547	8,165	7,797
Other operating funding applications	137	135	34	35	208
Total applications of operating funding (B)	21,656	21,506	20,922	20,751	20,499
Surplus (deficit) of operating funding (A - B)	170	145	1,305	140	688
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	54	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	25,938	17,227	7,021	31,867	8,431
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	25,938	17,227	7,075	31,867	8,431
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	26,108	17,372	5,901	19,090	6,638
- to replace existing assets	-	-	1,316	12,917	1,866
Increase (decrease) in reserves	-	-	1,163	-	585
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	26,108	17,372	8,380	32,007	9,129
Surplus (deficit) of capital funding (C - D)	(170)	(145)	(1,305)	(140)	(688)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	170	145	142	140	132

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Funding impact statement for 1 July 2018 to 30 June 2019 for Transport					
7.1	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	37,015	37,626	37,721	39,479	39,479
Targeted rates	33	95	33	-	-
Subsidies and grants for operating purposes	4,433	4,576	5,033	4,946	6,828
Fees and charges	2,121	1,996	2,649	2,215	3,576
Internal charges and overheads recovered	-	0	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	43,602	44,293	45,436	46,640	49,883
Applications of operating funding					
Payments to staff and suppliers	12,253	13,842	14,251	16,013	17,350
Finance costs	6,854	5,232	5,523	6,491	5,930
Internal charges and overheads applied	6,317	6,742	7,013	7,515	7,882
Other operating funding applications	260	260	239	-	(9)
Total applications of operating funding (B)	25,684	26,076	27,026	30,019	30,953
Surplus (deficit) of operating funding (A - B)	17,918	18,217	18,410	16,621	18,930
Sources of capital funding					
Subsidies and grants for capital expenditure	21,387	34,473	29,483	26,110	30,370
Development and financial contributions	539	539	1,305	539	1,019
Increase (decrease) in debt	13,184	6,721	4,216	30,031	7,849
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	35,110	41,733	34,984	56,680	39,238
Applications of capital funding					
Capital expenditure					
- to meet additional demand	5,260	4	-	258	130
- to improve the level of service	24,572	18,793	16,463	38,317	19,206
- to replace existing assets	23,196	41,153	38,703	34,726	34,156
Increase (decrease) in reserves	-	-	(1,772)	-	4,677
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	53,028	59,950	53,394	73,301	58,169
Surplus (deficit) of capital funding (C - D)	(17,918)	(18,217)	(18,410)	(16,621)	(18,930)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	25,292	26,600	28,159	32,840	29,012

Draft Financial Statements

Funding Impact statement for 1 July 2018 to 30 June 2019 for Parking					
7.2	2017/18	2017/18	2017/18	2018/19	2018/19
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	(15,442)	(14,875)	(14,875)	(15,474)	(15,474)
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	21,023	21,385	21,345	23,821	23,000
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	8,038	7,334	6,404	7,102	6,795
Total operating funding (A)	13,619	13,844	12,874	15,449	14,401
Applications of operating funding					
Payments to staff and suppliers	10,776	10,970	10,257	11,044	11,271
Finance costs	770	4	12	18	13
Internal charges and overheads applied	2,013	2,816	3,192	3,581	3,716
Other operating funding applications	1	1	(12)	1	(384)
Total applications of operating funding (B)	13,560	13,791	13,449	14,644	14,636
Surplus (deficit) of operating funding (A - B)	59	53	(575)	805	(235)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	239	244	(546)	219	27
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	239	244	(546)	219	27
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	114	113	116	171	48
- to replace existing assets	184	184	183	853	773
Increase (decrease) in reserves	-	-	(1,420)	-	(1,030)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	298	297	(1,121)	1,024	(209)
Surplus (deficit) of capital funding (C - D)	(59)	(53)	575	(805)	236
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	59	53	845	805	794

Draft Financial Statements

Capital Expenditure by Strategy					
Strategy	2017/18 LTP \$000	2017/18 AP \$000	2017/18 Actual \$000	2018/19 LTP \$000	2018/19 Actual \$000
Governance:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	8	51	-
Governance Total	-	-	8	51	-
Environment:					
- to meet additional demand	1,596	1,112	-	-	-
- to improve the level of service	12,549	12,122	16,537	24,363	15,095
- to replace existing assets	32,834	32,258	28,890	27,668	25,376
Environment Total	46,979	45,492	45,427	52,031	40,471
Economic Development:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	2,777	-	-	-
- to replace existing assets	1,353	2,239	599	3,357	738
Economic Development Total	1,353	5,016	599	3,357	738
Cultural Well-being					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	10,024	1,247	443	759	4,130
- to replace existing assets	11	11	0	147	15
Cultural Wellbeing Total	10,035	1,258	443	906	4,145
Social and Recreation:					
- to meet additional demand	1,270	694	-	-	-
- to improve the level of service	11,390	10,187	4,932	15,227	13,580
- to replace existing assets	15,970	13,804	35,321	24,465	10,446
Social and Recreation Total	28,630	24,685	40,253	39,692	30,025
Urban Development:					
- to meet additional demand	-	-	383	1,585	1,219
- to improve the level of service	29,532	19,055	15,165	27,931	10,092
- to replace existing assets	1,687	1,719	3,953	14,754	3,299
Urban Development Total	31,219	20,774	19,501	44,270	14,610
Transport:					
- to meet additional demand	5,260	4	-	258	130
- to improve the level of service	24,686	18,906	16,579	38,488	19,253
- to replace existing assets	23,380	41,337	38,886	35,579	34,929
Transport Total	53,326	60,247	55,465	74,325	54,313
Council organisation					
- to meet additional demand	-	-	26	-	425
- to improve the level of service	16,113	15,151	1,666	2,720	10,535
- to replace existing assets	18,641	9,849	9,553	25,968	16,441
Council organisation Total	34,754	25,000	11,245	28,688	27,401
Total Council:					
- to meet additional demand	8,126	1,810	410	1,843	1,775
- to improve the level of service	104,294	79,445	55,321	109,488	72,685
- to replace existing assets	93,876	101,217	117,209	131,989	97,242
TOTAL COUNCIL	206,296	182,472	172,940	243,320	171,702

HEALTH & SAFETY REPORT

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to review the Council's health and safety performance for the period 1 July 2019 to 31 December 2019 and including the activities for the period 1 October 2019 to 31 December 2019.
2. The Report provides information that aligns with the Officer due diligence steps under the Health and Safety at Work Act 2015 (HSWA), specifically having:
 - Knowledge of work health and safety matters
 - An understanding of the nature of operations and the hazards and associated risks
 - Appropriate resources and processes to eliminate or minimise risk
 - Appropriate resources to receive and consider information
 - Verification of the provision and use of resources and processes
 - Processes for compliance with duties or obligations under HSWA.

Summary

3. This report comprises qualitative commentary on activities that have occurred in the last twelve months, and are presented in three categories;
 - Risks
 - Relationships
 - Resources.
4. The December 2019 Half Year Dashboard (Attachment 1) provides quantitative lead and lag indicators. Lag indicators are backward looking and relate to incidents, hazard source, incident profiles and risk assessment. The lead indicators as reported in the Dashboard are positive performance indicators that measure activities within Council that promote the Council's health and safety systems and practices.

This style of reporting is based on the Business Leader's Health and Safety Forum: 'Monitoring what matters in Health and Safety' – a guide for CEOs, which was published in May 2016. The Council is a member of the Business Leader's Forum.

Recommendation/s

That the Finance, Audit and Risk Subcommittee:

1. Receive the information.
2. Recommend to the Strategy and Policy Committee to receive the information at its meeting of 16 April 2020.

Risks

Risk Profiles

5. The Council's Safety, Security and Wellbeing team focusses on the Council's top nine priority hazard/risk controls, as presented to FARMS in September 2018. The top nine are identified as key components of the 2018/20 Safety, Security and Wellbeing plan.

Category	ELT Lead
Personal Confrontation	Meredith Blackler
Work at Height	Barbara McKerrow
Vehicle Traffic Mobile Equipment	Paul Andrews (Acting ELT Member)
Health and Impairment	Stephen McArthur
Asset Failure	Andy Matthews
Work with or in the Vicinity of Services	Moana Mackey (Acting ELT Member)
Extreme Natural Events	Moana Mackey (Acting ELT Member)
Work Related Health Hazards	Meredith Blackler
Ignition Sources	Stephen McArthur

Specific Areas of Risk

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

Critical Hazard Collaboration Group

7. During the past six months, the Council's Safety, Security and Wellbeing team held two critical hazard collaboration group workshops, engaging staff from the business and representatives of significant contractors to discuss improvement opportunities to strengthen the controls for our critical hazards.

A workshop focussed on the 'Work at Height' hazard identified four key areas for improvement including greater control of access to ladders; ensuring the risks of working at height is articulated to workers most at risk; areas for sharing of knowledge and learnings; and, more consistent signage.

The workshop focussed on 'Respiratory Health' identified three key areas for improvement including reviewing current hazardous substances used and looking at alternative safer alternatives; education around respiratory equipment; incorporating respiratory hazards in early stages of work planning; and, reviewing all current respiratory equipment to check that it is fit for purpose. All key improvements are being implemented and being led by representatives of the Collaboration group in their areas of influence and monitored for completion by the Safety, Security and Wellbeing team.

SafePlus Report update

8. During the year, the Council's Safety, Security and Wellbeing team have continued to implement the recommendations of the 2018 SafePlus Assessment. SafePlus Assessments are undertaken by independent assessors who evaluate 10 Health and Safety performance requirements which are organised under three key elements (Leadership; Worker Engagement; and, Risk Management) and provides for a three-

level maturity scale to be applied to it (Developing, Performing and Leading). The Council's performance in five of the requirements were rated at 'Leading' and five of the requirements were rated at 'Performing'. The Council are committed to improving the results of it's assessment and recommendations are being implemented and monitored for completion by the Safety, Security and Wellbeing team and reported to ELT. A recommendation status update has been provided (Attachment 2).

Incident Investigations

9. During the past six month reporting period, four incidents were of a serious nature where full investigations have been undertaken. Two investigations are yet to be completed and reported.

The two incidents where investigation reports have been completed have been presented to the Council's Health and Safety Steering Group. Each investigation involved Contractors' staff and human factors as overarching themes. Insufficient hazard controls were identified during the investigations and appropriate actions assigned and agreed to improve the control environment. The table below provides a brief description of the reported incident investigation.

Hazard Category	Person Involved	Description	Business Unit
Personal Confrontation	Security Guard	Assault on Security Guard whilst removing stereo equipment following a noise complaint	Public health
Vehicle Traffic Mobile Equipment	Contractors Worker (Truck Driver)	Unmanned truck tipping waste at Southern landfill site rolled forward due to park brake not being engaged	Waste Operations

Reporting on the monitoring of completed actions for all investigations is provided to the Council's Health and Safety Steering Group.

Relationships

Construction Client Group

10. Council continue to participate in the Construction Clients Group forums. This is a national forum that brings stakeholders together to develop consistent practice for health and safety across the construction industry. The forum provides us with an opportunity to network and have access to national and internationally recognised practices. Of particular interest to the Council are improved systems and practices around 'safety-in-design' principles which assist in the risk management of asset failure.

Government Health & Safety Lead

11. The Council participates in the Government Health and Safety Lead Practitioners' Forum. The forum meets regularly during the year with a focus on specific health, safety and wellbeing subjects of interest. A recent topic for the group has been in understanding what areas of improvement agencies are working on currently and

identify opportunities where other agencies can learn from this work i.e. a joined up approach.

CCOs

12. The Safety, Security and Wellbeing team have met with three CCOs where Health and Safety advice and support has been sought from us. We continue to build our relationships with CCO's in providing advice and guidance.

Resources

Mental Health and Wellbeing

13. Mental Health First Aid training commenced in the last six months with 50 leaders from across Council undertaking training. The course assists leaders to identify early warning signals where staff may be suffering with mental health issues. Managers are enabled to support their staff and guide them to various professionals who are qualified to support them. We have received positive feedback from participants that the course had enlightened them around mental health and that they felt more prepared to support their staff.

Elected Members Due Diligence

14. Early this year, the Safety, Security and Wellbeing team met with ELT's Executive Assistants to improve our processes around ELT and Elected Members health and safety site visits. These visits allow members to engage with staff in a health and safety conversation and gain insight into the operational hazards that staff are exposed to in their environment. We will provide ongoing updates on Elected Member 'due diligence' activity in this report. The information below outlines the legislative due diligence requirement.

Legislative Due Diligence Requirement

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

Attachments

- Attachment 1. Safety Security & Wellbeing Dashboard - 31 Dec 2019 [↓](#)  Page 161
- Attachment 2. SafePlus Recommendation Status Update [↓](#)  Page 163

Author	Paku Edwards, Safety, Security and Wellbeing Manager
Authoriser	Meredith Blackler, Director, Human Resources

SUPPORTING INFORMATION

Engagement and Consultation

N/A

Treaty of Waitangi considerations

N/A

Financial implications

N/A

Policy and legislative implications

This information to ELT and Councillors assists them to discharge their Officer due diligence obligations under the health and Safety at Work Act 2015.

Risks / legal

N/A

Climate Change impact and considerations

N/A

Communications Plan

N/A

Health and Safety Impact considered

N/A

Safety, Security and Wellbeing Dashboard – Period 1 July 2019 to 31 December 2019

LAG + LEAD INDICATORS

Hazard Source – incidents reported against Council’s “Nasty Nine” H&S critical hazards

The table below represents the number of incidents reported against our top 9 critical hazards. Council have 29 hazard categories and 9 critical H&S hazards “the nasty nine” for Quarter 2 (1st Oct to 31 Dec).

Critical Hazards	19/20 Q2	18/19 Q2	YTD 19/20
Personal confrontation	129	118	257
Vehicles, Traffic and Mobile Equipment	69	52	134
Asset failure	31	19	54
Health and Impairment	30	22	48
Work at height	3	2	7
Extreme natural events	10	4	11
Work related health hazards	10	6	15
Ignition sources	2	5	3
Work with or in the vicinity of services	0	2	1

KEY: Orange = an increase in Quarter 2 incidents from 2018-19; Green = a decrease in Quarter 2 incidents from 2018-19.

Incident Profile

Key person involved	YTD 19/20	YTD 18/19
Worker	NM 464	NM 391
	FA 152	FA 121
	MT 59	MT 78
	NE/LTI 1	NE/LTI 1
Public	NM 331	NM 465
	FA 206	FA 373
	MT 45	MT 72
	NE/LTI 0	NE/LTI 0
Tenant	NM 0	NM 4
	FA 0	FA 0
	MT 1	MT 0

Key:
 NM – Near Miss
 FA – First Aid
 MT – Medical Treatment
 NE/LTI – Notifiable Event or Lost Time Injury

MT & NE/LTI Commentary:
 The medical treatment incidents involved Medical Professionals providing treatment to staff allowing them to return to work quickly. The Worker lost time injury relates to an incident where a staff member suffered from concussion

There has been an increase in worker near miss and first aid incidents and a corresponding decrease in incidents reported by members of the public. We continue to encourage and have seen an increase in staff reporting near miss incidents. This enables us to identify focus areas where we can either remove the risk or implement improvements to reduce the probability of harm occurring. Team Leaders and Managers continue to monitor and address and close out incidents in areas they are responsible for and the SSW team have oversight over all incidents and provide advice and guidance. The results also show that there has been a reduction in Medical Treatment incidents (Refer to MT & NE/LTI Commentary above).

Incident Risk Score



Risk Score Commentary: High Risk Incidents - 3 incidents involved vehicles driven by members of the public and not relating to staff, 2 incidents involved slip hazards with minor impact, 1 heat exposure at Begonia house in relation to change in season and 1 incident where a non compliant electrical switchboard was discovered & fixed.

Annual leave

As at 31/12/2019 186 employees had 25 days or more of annual leave owing which represents a reduction in comparison to the same time last year where 211 employees had 25 days or more. Ensuring that we monitor and encourage staff to take their holidays throughout the year is an important way of ensuring that staff keep well and maintain a healthy work/life balance.

Personal Confrontation incident analysis

Business unit	YTD 19/20	YTD 18/19	Total 18/19
Community Networks - Parking	120	118	206
Parks Sport and Recreation	57	52	117
Community Networks - Libraries / Community	30	21	42
City Housing	20	10	12
City Consenting and Compliance	9	3	7
Customer Service, Innovation and Smart Council	8	2	14
Communications and Engagement	2		
Community Networks - Community Services	5	4	8
Resilience and Sustainability	1		
Human Resources (includes security)	3	1	1
City Design and Place Planning		3	4
Governance		3	3
Property	2		1
Transport		1	1
TOTAL	257	218	417

KEY: Orange = an increase in reported incidents from 2018-19. Green = equal to or a decrease in reported incidents from 2018-19;

Business Units with notable increase:

City Housing – The Manager City Housing has recently encouraged staff to report personal confrontation incidents versus normalising adverse behaviour. The number is now a better reflection of the types of incidents her staff face including tenants verbal abuse towards staff, which can often be attributed to socio economic disadvantage or complex health issues.
Libraries/Community Centres – Continue to attract a number of transient members of the public who have typically complex health issues and can sometimes play out in their interactions with staff and other patrons.

Security Update

	YTD 19/20	YTD 18/19	Total 18/19
Trespass notices issued*	1	2	3
Incidents reported to Police	62	53	107

60% of incidents reported to the Police were for personal confrontation including reporting threats, and 18% for criminal activity such as theft, suspicious behaviour. * Trespass notices are issued as a reasonable step the Council can take to minimise the risk of harm. A threshold must be met prior to the issuing of a Trespass notice. Trespass notices are in place for two-years and are monitored by the Council’s Security Team. All trespass incidents involved Council workers or public being exposed to a sustained risk of harm as a result of personal confrontation by these individuals, or theft.

Injury Management

	YTD 19/20	YTD 18/19	Total 18/19
Work Related ACC Injury Claim Total	45	48	80
Claim costs to date	\$28,772	\$32,491	\$88,652
Number of work-days lost	52.7	46.3	162.5
Non-work claims WellNZ managed	3	8	
ACC Partnership Programme Accreditation	Tertiary	Tertiary	Tertiary

KEY: Green = on track for a decrease in reported incidents this year; Orange = tracking towards an equal or slight increase in reported incidents this year; Red = significant increase likely.

Core H+S Training	YTD	YTD 18/19	Total 18/19
H&S REP TRAINING	15	15	24
FIRST AID	99	118	178
MENTAL HEALTH FIRST AID	50	N/A	N/A
MANAGEMENT OF ACTUAL OR POTENTIAL AGGRESSION	79	68	87
RESILIENCE	40	52	69
Recognition	YTD	YTD 18/19	Total 18/19
HEALTH AND SAFETY HEROES	4	2	6
ELT Observations	YTD	YTD 18/19	Total 18/19
HEALTH AND SAFETY OBSERVATIONS (ELT)	2	1	1
D+A Test Results	YTD	YTD 18/19	Total 18/19
DRUG AND ALCOHOL TESTING - Pass	73	92	140
DRUG AND ALCOHOL TESTING - Fail	0	3	7
EI and EAP Referrals	YTD	YTD 18/19	Total 18/19
EARLY INTERVENTION PHYSIOTHERAPY REFERRALS	23	24	29
EAP HOURS	281	368	529

- Management of Actual or Potential Aggression is an international training methodology and delivers knowledge and techniques for our ‘front-facing’ staff to help them recognise and respond safely to customers and public who may be acting in a defensive and/or threatening way. MAPA training is identified as an established mitigation/control in the Council’s hazard/risk register for ‘PERSONAL CONFRONTATION’.
 - In 2019 the Council have embarked on trainings it’s leaders on Mental Health First Aid to ensure they are equipped with identifying and providing appropriate support to staff that are suffering from mental health issues.
 - Resilience training continues as a core training programme to assist staff to build and enhance existing resilience skills as well as provide new techniques to help better handle challenges in the workplace and in life.
 - Acknowledging the positive health and safety behaviours demonstrated by our staff is rewarded through the Health and Safety Hero cards – all of which are signed off by the Chief Executive and presented to staff.
 - Visible health and safety leadership is measured through ELT completing safety observations.
 - Failed drug and alcohol results in disciplinary action in addition to requiring employees to attend compulsory rehabilitation which includes six random drug and alcohol tests over a subsequent two-year period.
 - Early intervention referrals to a physio assist employees with discomfort who have not had an accident. Intention to prevent pain becoming an ACC claim.
 - Council offer free EAP services to employees. This offer is widely used by all business units (a positive sign). Personal relationships, anxiety, and depression are the lead reason for people Accessing EAP.
- Employee Participation**
- Total number of trained H&S Reps (Level 1 Training and above) is 59 with a further 39 to undertake induction or Level 1 training
 - H&S Reps newly elected onto the Health & Safety Steering group have attended 1 Steering group meeting and have provided feedback to the rep forum about information tabled at the Steering group meeting.
 - The third 2019-20 quarterly Council H&S Rep forum is scheduled for May.

November 2018

SafePlus Assessment Recommendation Status Report Update (Feb 2020)

CONTEXT

WHAT IT IS

SafePlus includes a framework of 10 performance requirements, which are organised under three key elements: Leadership, Worker Engagement, and Risk Management. Each performance requirement has four or five indicators, which explore how the business performs against the requirements in more detail. Each performance requirement also has a three-level maturity scale applied to it: Developing, Performing and Leading.

Continuous improvement underpins all the requirements. Performance is measured against each requirement.



ASSESSMENT FOCUS

The assessment approach is evaluative and behaviour-based with a focus on:

- *people*
- *behaviours*
- *culture*
- *values*
- *attitudes*
- *systems*
- *practices.*

WELLINGTON CITY COUNCIL

ASSESSMENT

This SafePlus assessment was carried out between 1 November and 23 November 2018. The assessor visited the Wellington City Council (WCC) office and

work sites between 5 and 9 November. The assessor engaged with a cross-section of people across most business units and including members of the Executive Leadership Team, managers, workers and contractors.

The assessment included a review of:

- Leadership for health and safety
- Worker engagement
- Risk management.

The assessment included a Deep Dive assessment on two of the Council's top nine critical risks and controls:

- Asset Failure
- Work at Height

SCOPE OF THE ASSESSMENT

The assessment report reflects a slice in time and should not be extrapolated beyond the scope noted above. Out of scope was a full technical review of all documentation, work processes, and other risks.

Illustration of Performance

Three levels of performance are used to determine your current health and safety strengths and areas for improvement – Developing, Performing and Leading. Performance is measured against each of the 10 performance requirements and the overall outcome is based on these results.

OUTCOMES BY PERFORMANCE REQUIREMENTS:



OVERALL OUTCOME:

The following assessment requirements are set out in the SafePlus assessment guide.

For WCC's overall outcome to be Performing, it needed to be assessed at least as Performing in every requirement. If the ten requirement outcomes are a mix of Performing and Leading then the overall outcome could be either of these. If eight or above of the requirements are assessed as Leading (and there are no requirements that are Developing) then the overall outcome will be Leading. If one to seven requirements are assessed as Leading (and there are no requirements that are Developing) then the overall outcome will be Performing.

WCC scored five of the Performance Requirements as Leading and five as Performing. Its overall assessment was therefore Performing.

Recommendation Progress Report:				Active Recommendation Status	
Recommendations	Total	Complete	Active	Due Date Extended	# On-track
Leadership	4	0	4	3	1
Worker Engagement	2	2	0	N/A	N/A
Risk Management	4	2	2	1	1
Deep Dive Asset Failure & Work at Height	2	0	2	1	1
Total	12	4	8	5	3

AUDIT NZ 2019 GOVERNING BODY REPORT

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to receive the Audit New Zealand Report to Council on the 2018/19 Annual Report audit. This report contains audit recommendations from Audit New Zealand related to the 2018/19 Annual Report and progress against recommendations made in prior years.

Recommendations

That the Finance, Audit and Risk Subcommittee:

1. Receives the information.
2. Note the content of the Report to Council on the audit of 2018/19 Annual Report from Audit New Zealand.

Background

2. Every year after the completion of the audit of the annual report, Council auditors, Audit New Zealand produce a report to the Council on the audit conducted, and within the report provide a number of recommendations on matters that they believe will strengthen the Council's control environment, or enable greater efficiencies or effectiveness.
3. The report outlines their recommendations and officers response to those recommendations. The progress of implementing these recommendations will be monitored and reported on by Internal Audit.

Discussion

4. The key findings from Audit NZ audit of the 2018/19 Annual Report are:
 - An unmodified audit opinion issued on the Council parent and group's annual report on 25th September 2019.
 - The Council's control environment continues to operate effectively
5. There are two new recommendations on which officers have provided comments, that cover the following areas:
 - Management of system access for leavers.
 - Performance measures for assurance of customer complaints.
6. The report also has an update on the status of ten previous outstanding recommendations, four of which were implemented or closed.

**FINANCE, AUDIT AND RISK
SUBCOMMITTEE**
24 MARCH 2020**Attachments**Attachment 1. Audit NZ Governing Body Report [↓](#) 

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

SUPPORTING INFORMATION

Engagement and Consultation

There is no requirement to consult on the issues raised in this paper or report.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

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

Risks / legal

There are no new risks or legal implications arising from this paper.

Climate Change impact and considerations

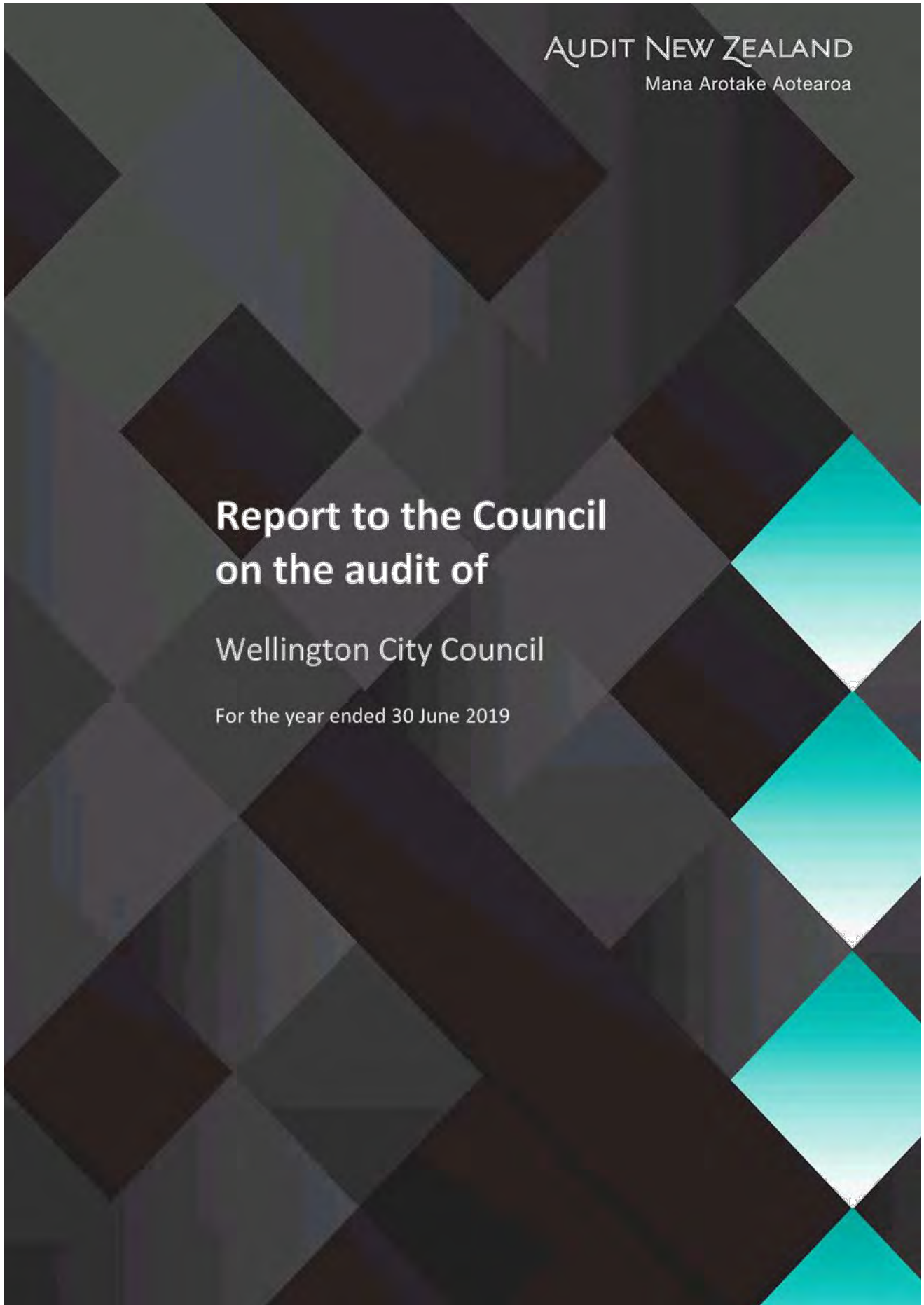
There is no climate change implications arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There is no Health and Safety implications arising from this paper.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**Report to the Council
on the audit of**

Wellington City Council

For the year ended 30 June 2019

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Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where Wellington City Council (the City Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We have issued an unmodified audit opinion dated 25 September 2019.

There are no uncorrected financial and non-financial performance misstatements.

Matters identified during the audit

The control environment is effective. We placed reliance on the City Council's controls for the audit, where it was efficient to do so.

The City Council was prepared for the audit which enabled the audit of the financial statements and performance information to be conducted efficiently. The financial statements and statement of service performance received for audit were of a good quality.

There were no material errors or deficiencies identified that were not corrected in the final version of the annual report.

We reviewed the City Council's impairment assessment of certain Civic Centre complex buildings, some of which are being earthquake strengthened and/or have other engineering issues. We concluded that the City Council's impairment assessments complied with the requirements of the relevant accounting standard. The City Council has recognised an impairment of \$50.5 million for Civic Square buildings. We are satisfied that the impairments have been appropriately accounted for within the financial statements. Appropriate disclosures regarding these impairments have been made in the financial statements.

The Kaikoura earthquake has had a continuing impact on the City Council and its financial statements. We have reviewed the City Council's assessment of potential damage caused to the City Council's assets due to Kaikoura earthquake, and assessment of the status of the insurance claim pertaining to damage caused by the Kaikoura earthquake and the resulting business interruption. We agree with management's assessment that due to the significant uncertainties, the City Council is unable to reliably measure the insurance receivable no insurance recovery receivable has been recognised as at 30 June 2019. The financial impacts and contingent asset are appropriately disclosed in the financial statements.

We have reported in section 3 on the business issues and risks included in our 2018 Audit Plan to the Council.

We have performed a follow up on prior year on the status of previous recommendations in Appendix 2.

Thank you

We would like to thank the City Council, management and staff for their assistance in completing the audit, for their preparedness for the audit, and for their engagement with us.

Karen Young

Karen Young
Appointed Auditor
19 December 2019

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Leavers accounts still active Business units should communicate leavers to Information Communication and Technology on a timely basis to ensure that the users' account is deactivated.	4.1.1	Necessary
Performance measure - assurance over customer complaints To ensure that calls logged by the City Council are being addressed by Wellington Water, we recommend that the City Council obtain assurance over the integration of CONFIRM with Maximo, the system used by Wellington Water's Alliance partner Fulton Hogan from 1 July 2019.	4.2	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			Total
	Urgent	Necessary	Beneficial	
Open:				
• With City Council to action	-	3	1	4
• With Audit New Zealand to action in November 2019 before status can be determined	-	2	-	2
Implemented and/or closed	-	4	-	4
Total	-	9	1	10

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 25 September 2019. This means we were satisfied that the financial statements and statement of service performance present fairly the City Council's activity for the year and its financial position at the end of the year.

2.2 Uncorrected financial misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There are no uncorrected misstatements.

2.3 Uncorrected performance reporting misstatements

The statement of service performance is free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There are no uncorrected misstatements.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 12 December 2018. This included the dates we required the information to be provided to us.

The draft financial statements and performance information we received for audit was of a good standard.

Information which was requested was received in a timely manner and was of good quality.

We were able to work collaboratively with Council, management and staff.

3 Matters raised in the Audit Plan



In our Audit Plan, we identified the following matters as the main audit risks and issues:

Audit risk/issue	How we addressed this matter and outcome
3.1 Valuation of the City Council's weathertightness liabilities	
<p>The City Council's liability for weathertightness claims remains significant, totalling \$46 million at 30 June 2018. There is a high degree of judgement and estimation in the calculation of the liability.</p>	<p>The City Council's liability for weathertightness claims is \$38.1 million as at 30 June 2019. The provision increased by \$2.7 million during 2018/19, which was partially offset by \$10.9 million as claims have been settled.</p> <p>As in previous years, the City Council engaged external valuer, Melville Jessup Weaver, to perform the valuation.</p> <p>We reviewed the valuer's work, their valuation methodology and the key assumptions.</p> <p>We are satisfied that these are appropriate and the liability is fairly stated in the City Council's financial statements as at 30 June 2019.</p> <p>We have reviewed the related disclosures in the financial statements. We are satisfied these are accurate and comply with the relevant accounting standard.</p>

Audit risk/issue	How we addressed this matter and outcome
3.2 Impact of the November 2016 earthquakes	
<p>The November 2016 earthquakes caused damage to several City Council properties.</p> <p>In 2016/17 the City Council has assessed the damage to the Civic Administration Building (CAB) which resulted in an impairment loss of \$11.446 million being recognised. CAB has remained closed since the earthquake.</p> <p>The insurance claim related to CAB, which covers both the repair cost and the relocation cost is still in progress. The City Council relocated to a new premises in December 2018.</p> <p>The accounting treatment for any insurance claims need to be considered carefully. We have provided our view on the accounting transactions that may arise. These views are available on Audit New Zealand’s website and can be found by searching for “earthquake accounting issues paper”.</p>	<p>The City Council is still in discussion with its insurer and loss adjuster in respect to the CAB insurance claim. A significant difference still exists between the City Council’s restoration cost estimates and those of the insurer. This has meant the parties have not been able to reach an agreement on the insurance recoveries amount.</p> <p>Given the uncertainty on the amount the City Council will receive, the City Council has recognised an unquantified contingent asset in their financial statements.</p> <p>We have reviewed the relevant disclosures and concluded they fairly reflect the position of the insurance claim as at 30 June 2019.</p>

Audit area/issue	How we addressed this matter and outcome
3.3 Valuation of property, plant and equipment	
<p>The City Council revalues its operational assets and infrastructure assets on a three year rolling cycle. This year, the City Council is not scheduled to revalue any of its assets.</p> <p>In non-revaluation years, PBE IPAS 17 <i>Property, Plant and Equipment</i> requires the City Council to consider whether the fair value of an asset class has moved significantly compared with its current carrying value. If a significant movement has occurred, a full revaluation of the asset class becomes necessary.</p> <p>Operational assets were last revalued as at 30 June 2018.</p> <p>Infrastructural assets were last revalued at 30 June 2017. Management performed a fair value assessment as at 30 June 2018 by applying cost indices obtained from BERL. BERL cost indices may not reflect the cost pressures that exist within New Zealand and Wellington’s construction industry and the limited availability of resources in the sector (including various trades and project managers).</p>	<p>The City Council performed an in-house fair value assessment of whether the revalued asset classes’ fair value had significantly changed compared with its carrying value.</p> <p>We have reviewed this assessment as well as the methodology and key assumptions applied and are comfortable that carrying value and fair value of both operational and infrastructure assets as at 30 June 2019 remain materially consistent.</p> <p>We are satisfied that the City Council has not performed a full revaluation of its operational and infrastructure assets as at 30 June 2019.</p> <p>We note that the City Council’s assessment was completed using indices provided by BERL. We have previously recommended that the City Council’s methodology could be improved by:</p> <ul style="list-style-type: none"> • factoring in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing infrastructure construction projects, this should be factored into the analysis; and • consulting with its Valuers who performed the latest valuations, as they will have localised construction cost data available which will further improve the City Council’s assessment. <p>To address our concerns, the City Council applied a further factor on top of BERL indices to prevent any understatement of fair value. We have accepted this approach. However, we continue to recommend that the City Council further refine its fair value assessments by factoring in the above recommendations.</p>

Audit risk/issue	How we addressed this matter and outcome
3.4 Impairment of property, plant and equipment held at cost	
<p>The Civic Square complex had a carrying value of \$97 million as at 30 June 2018. This asset class is measured at historical cost less accumulated depreciation.</p> <p>There are ongoing seismic issues at a number of the assets within the Civic Square complex, such as the Town Hall, Civic Administration Building, Central Library, City to Sea Bridge, Capital E. Seismic and/or engineering issues can be considered an indicator of potential impairment in PBE IPSAS 21 – <i>Impairment of non-cash generating assets</i>.</p> <p>PBE IPSAS 21 requires the City Council at 30 June 2019 to consider if there is any indication that an asset may be impaired. If any such indication exists, the City Council is required to estimate the recoverable service amount of the asset. If this is less than the asset’s carrying amount, an impairment loss must be recognised.</p>	<p>The City Council has performed an impairment assessment of the Civic Square complex. As a result of this review, the City Council has recognised an impairment expense of \$50.5 million. This is comprised of:</p> <ul style="list-style-type: none"> • Central Library: \$30.2 million • Municipal Office Building: \$10.2 million • Town Hall: \$7.2 million • Capital E: \$2.3 million • Civic Administration Building: \$0.7 million <p>We have reviewed the City Council’s impairment review. We are satisfied that it complies with the requirements of PBE IPSAS 21 – <i>Impairment of non-cash generating assets</i>.</p> <p>We are satisfied that the impairments have been appropriately accounted for within the financial statements. Appropriate disclosures regarding these impairments have been made in the financial statements.</p>

Audit risk/issue	How we addressed this matter and outcome
3.5 Accounting matters	
<p>Arrangements with government and non-government organisations</p> <p>To deliver on the City Council’s Strategic Housing Development Plan, the City Council has entered into partnerships with central government and non-government organisations. Some of the partnerships we are aware of are for central city apartment conversions and the Arlington site housing development. The <i>Let’s Get Wellington Moving</i> initiative will also involve partnerships with government and non-government organisations, operating models and investment vehicles.</p> <p>It is important that the accounting treatment for these contractual arrangements are considered early on. The City Council may have to obtain external accounting advice on the tax implications and accounting treatment in its financial statements. The City Council should engage with us early, provide position papers on each matter which includes sufficient support (for example, external accounting advice) for the accounting treatment chosen.</p>	<p>The City Council received accounting advice from PwC on how to account for the transfer of Arlington Sites 1 and 3 to Housing New Zealand as part of the LTP amendment which was passed earlier this year. We reviewed this accounting advice as part of our audit of the LTP amendment and were satisfied that the proposed accounting treatment complied with the relevant accounting standards.</p> <p>The City Council has recognised the Arlington sites as non-current assets held for sale as at 30 June 2019. We have reviewed this accounting treatment and satisfied it complies with PBE IFRS 5 – <i>Non-current assets held for sale and discontinued operations</i>.</p> <p>The <i>Let’s Get Wellington Moving</i> initiative is in its early stages and therefore no accounting entries have been required for it in the financial statements as at 30 June 2019. We will continue to monitor developments in this project as part of our 2020 audit and consider the potential accounting implications.</p>
<p>Mixed group (for-profit and public benefit entity) issues – refer also to the section on Group audits in this Audit Plan</p> <p>We have assessed the Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit. WIAL is a for-profit entity and the City Council group is a public benefit entity. Newly effective for the year ended 30 June 2019, there are two accounting standards that apply to WIAL but not the City Council. There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.</p>	<p>The two accounting standards that applied to WIAL for the first time this year are NZ IFRS 9 <i>Financial Instruments</i> and NZ IFRS 15 <i>Revenue from Contracts with Customers</i>.</p> <p>As the City Council is a public benefit entity, these accounting standards do not apply to it.</p> <p>We have liaised with WIAL’s auditors (KPMG). WIAL have adopted both standards and KPMG have confirmed to us that WIAL’s financial statements appropriately comply with them.</p> <p>KPMG outlined any adjustments made on transition. No material adjustments were identified which would impact on the City Council group’s financial statements.</p>

Audit risk/issue	How we addressed this matter and outcome
3.6 Information technology general controls review and Smart Council	
<p>The City Council is dependent on its information technology systems, and it also manages the Shared Services Office. The City Council has reviewed its information technology environment and delivery model to ensure that it is able to support its organisational goals in Our Plan for a Smarter Council, the Long-Term Plan 2018-28 and Smart City 2040 Vision.</p>	<p>The information technology general controls review has been completed. We have not identified any significant deficiencies in internal control with regard to the entity's IT governance process.</p> <p>Overall, we are satisfied activity controls have remained design and operationally effective. Therefore, we can place reliance on these for the purposes of our audit.</p> <p>We performed data analysis on selected business processes, such as journals, and test automated information technology application controls, such as for payroll and expenditure. We followed up on the progress made against our recommendations in prior years. We will report on the status of these recommendations in the final management report.</p> <p>We noted the new Smart Council organisation structure has been established to continuously improve the Council's business and customers experience through the smart use of technology, information & data, applications, service design, and digitisation. This new business unit is currently working on a cloud and internet-centric architecture, initial data architecture, and a case-by-case analysis of technology options by taking into account fitness-for-purpose, cost, and integration.</p> <p>We will keep a watching brief on the progress made to deliver the above initiatives that will enable the Council to move towards "Our Plan for a Smarter Council".</p>

Audit risk/issue	How we addressed this matter and outcome
3.7 New performance framework and performance measures	
<p>As part of the development of the 2018-28 Long-Term Plan, the City Council reviewed its performance framework and its performance measures. These new performance measures will need to be reported on in the City Council's 2018/19 annual report.</p> <p>To ensure the integrity and efficiency of reporting, we recommended that the City Council:</p> <ul style="list-style-type: none"> • develop a measure reference dictionary; • define each measure, to ensure there is a common understanding of what the measure is intended to measure; • ensures that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and • consider what level of verification or independent review/quality assurance is appropriate. 	<p>We have:</p> <ul style="list-style-type: none"> • reviewed the systems, processes and controls in place to report and collate performance data; • considered how clearly these processes and key definitions are documented and whether they have been appropriately communicated to staff. – We note the reference dictionary is work in progress and has been drafted for all outcomes and most KPI's; • considered how clearly these processes and key definitions are documented and whether they have been appropriately communicated to staff; and • considered whether the level of verification or independent review/quality assurance that the City Council is seeking is appropriate. <p>We have recommended that the City Council obtain assurance over the Integration of CONFIRM, with Maximo – the system used by Wellington Water's Alliance partner Fulton Hogan, to ensure that calls logged by the City Council are being addressed by Wellington Water.</p> <p>There are no other matters that require your attention.</p>

Audit area/issue	How we addressed this matter and outcome
	<p>For the performance measures we have assessed as significant:</p> <ul style="list-style-type: none"> • we have performed testing to confirm that the reported performance in the statement of service provision is fairly reflected; • reviewed the reasons for any significant variation between the levels of service achieved and the intended level of service; and • considered the effectiveness of the overall performance story in communicating the City Council's achievements for the 2018/19 financial year. <p>There are no significant issues that requires your attention.</p>
3.7 Procurement, project management and contract management	
A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought.	We intend to issue the findings from our review of procurement, project management and contract management in a separate report in early 2020. We intend to present this to the first meeting of the Finance, Audit and Risk Management committee in 2020.
3.9 The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Audit matter/issue	How we addressed this matter and outcome
	<ul style="list-style-type: none"> Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. We particularly considered the fair value assessment for revalued Property, Plant and Equipment and the valuation of the Weathertightness provision – as discussed above. Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment, and other information obtained during the audit. <p>From our testing we did not identify any issues that indicated management override.</p> <p>We previously reported that we were concerned that control over journals is not in line with good practice.</p> <p>We are pleased to report that the City Council will independently review non-reversing general ledger journals with transaction lines over \$50,000. From an audit perspective we have highlighted the fraud and misstatement risk to management, and management have implemented a review process and accept any residual risk. Therefore, we consider that our recommendation has been implemented by the City Council and this matter is considered closed.</p>

Areas of interest for all local authorities

Audit risk/issue	Outcome
3.10 Reporting bribery and corruption	
<p>The OAG are interested in the controls in place to reduce the risk of wrongdoing, particularly bribery and corruption in the public sector so they can consider whether they need to do additional work to address the Finance and Expenditure Committee's interest in the effectiveness of corruption detection and prevention processes.</p> <p>Ultimately this helps the OAG to provide assurance to Parliament and the public.</p>	<p>We have performed an assessment on the controls in place to reduce the risk of wrongdoing, particularly bribery and corruption in the public sector.</p> <p>Our findings are:</p> <ul style="list-style-type: none"> • there is an appropriate code of conduct or ethical guidelines that encompasses bribery and corruption; • the codes of conduct and ethical guidelines, are visible and the City Council ensures that the codes of conduct and ethical guidelines are known about and used; • the City Council satisfies itself that there are adequate controls in place to mitigate the risks of bribery and corruption; and • there are processes in place for notifying and dealing with breaches of codes of conduct and ethical guidelines, or incidents of bribery and corruption.
3.11 Local government elections	
<p>With the Election in October 2019, the City Council needs to be careful that the content of the annual report and summary annual report (as well as any other publications issued by the City Council) cannot be seen as electioneering.</p> <p>We encourage the City Council to consider how it will manage the need to maintain ordinary business and continue to carry out its statutory responsibilities, while ensuring that its resources are not used, or perceived as being used, to give electoral advantage.</p>	<p>We have reviewed the annual and summary reports to ensure they are appropriate in light of it being an election year.</p> <p>There are no matters to bring to your attention.</p>

Audit item/issue	Outcome
3.12 Elected members' remuneration and allowances	
<p>The Local Government Act 2002 gives the Remuneration Authority (the Authority) responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a local authority's policy on allowances and expenses.</p> <p>The City Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We have assessed the City Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p> <p>We confirmed whether the payments are within the Determination set by the Authority.</p> <p>There are no matters to bring to your attention.</p>

4 Matters identified from the audit



During our audit, we identified the following matters to bring to the attention of the City Council.

4.1 Information technology general controls

As part of our 2019 audit we performed an IT General Controls review (ITGC). This review consisted of two parts. The first is a high-level assessment on IT Governance effectiveness. We considered the overall attitude, awareness, and actions of the Chief Information Officer (CIO) and ICT Management in establishing and maintaining effective management procedures and internal controls.

We have not identified any significant deficiencies in internal control with regard to the entity's IT governance process.

The second part is an assessment as to the design effectiveness and operation of Activity Level controls. These control areas cover the organisation's ability to manage risk and include the following areas: *Manage Security Services, Manage Changes, Change Acceptance and Transitioning, Manage Service Requests and Incidents, Manage Continuity, Manage Availability and Capacity, and Manage Suppliers.*

Overall, we are satisfied activity controls have remained design and operationally effective. Therefore, we can place reliance on these for the purposes of our audit.

We acknowledge the progress made by the City Council to address audit recommendations made in the previous year on management of local administrator rights and patch management process improvement. As detailed in Appendix 1, there are matters yet to be fully resolved.

The work performed also highlighted the following matter:

4.1.1 Leavers accounts still active

There are formalised procedures in place for the deactivation of users from the network and from applications. During our audit work we randomly selected 20 users from the Human Resources leaver list and found that seven accounts had not been disabled and still showed as active accounts.

Without timely removal of a user from the system, there is a risk that:

- the user could continue to access information even though they are no longer employed by the organisation; and
- another user may use the account to access information for which they do not have authorisation.

We **recommend** that all business units should communicate leavers to ICT on a timely basis to ensure that the users' account is deactivated.

Management comment

This is the current requirement that will be recommunicated with the Business Units to ensure it is followed.

4.2 Performance Measures: Controls over customer complaints to be implemented

The City Council receives complaints from customers in respect of water, wastewater and stormwater. These are logged by the City Council in the CONFIRM system and reported to Wellington Water. Wellington Water engage with the customer to resolve any logged calls.

We were unable to select a sample of complaints and test that these had been sent to Wellington Water and addressed.

To ensure that calls logged by the City Council are being addressed by Wellington Water, we **recommend** that the City Council obtain assurance over the integration of CONFIRM, with Maximo the system (effective from 1 July 2019) used by Wellington Water's Alliance partner Fulton Hogan.

This relates to the following performance measures:

Activity 2.3: Water supply

Number of complaints about the drinking water's clarity, taste, odour, pressure or flow, continuity of supply, and supplier responsiveness, expressed per 1000 connections.

Activity 2.4 Wastewater

Number of complaints about the wastewater odour, system faults, blockages, and supplier responsiveness, expressed per 1000 connections.

Activity 2.5 Stormwater

Number of complaints about stormwater system performance per 1000 connections.

Management comment

Management has requested Wellington Water Limited to improve their reporting capabilities on these measures.

4.3 Balanced budget benchmark

During the year, the City Council recognised an expense for the impairment of Civic Precinct Buildings of \$50.5 million. These assets are measured at cost less impairment in the financial statements.

The City Council has propose excluding this asset impairment expense from operating expenses in the Balanced budget benchmark calculation and resultant graph.

The City Council were of the view that the intention of the Balanced budget benchmark is to demonstrate whether it has balanced its budget, that is, that it has enough revenue to fund its expenditure. Therefore, it has excluded from the calculation, items that the City Council does not fund. These items include those specifically listed in the calculation (revaluation of property, plant and equipment) and those similar in vein to them – in the City Council's view, asset impairments.

Based on our reading and interpretation of the Balanced budget benchmark disclosure requirements as set out in the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations), we are of the view that asset impairments should be included in operating expenses. Our reason for this view is the regulations are prescriptive and rules based on what items are excluded from revenue and expenses in calculating the balanced budget benchmark. That is, only items that are specifically identified in the regulations can be excluded from the calculation. This was confirmed with the Department of Internal Affairs.

The **matter was resolved** with the City Council complying with the Regulations, and in particular, Schedule 5 Balanced budget benchmark disclosure by including the impairment expense in the calculation.

In complying with the requirements, the balanced budget benchmark was not be met in 2018/19. The City Council explained by way of narrative why that is.

Management comment

Management still are of the belief that the correct calculation of the measure should be to exclude the impairments. This approach was confirmed by the writer of the regulations at Department of Internal Affairs (DIA), however, they also confirmed that a literal interpretation of the benchmark regulations must be followed. Management has done this.

Council has also offered to assist DIA in any reviews or further development of the benchmarks.

5 Public sector audit



The City Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the City Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the City Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the City Council carrying out its activities effectively and efficiently;
- the City Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We did not identify any issues.

6 Group audit



The group comprises:

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

We have not identified any of the following during our audit for the year ended 30 June 2019:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

Appendix 1: Status of previous recommendations

Table A: Open recommendations

Recommendation	First raised	Status
Necessary		
New performance framework and performance measures		
<p>To ensure the integrity and efficiency of reporting, we recommended that the City Council:</p> <ul style="list-style-type: none"> develop a data dictionary; define each measure, to ensure there is a common understanding of what the measure is intended to measure; ensures that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and considers what level of verification or independent review/quality assurance is appropriate. 	2018	<p>In progress.</p> <p>The City Council has drafted a reference dictionary which is intended to address the points we have raised in this recommendation. The draft dictionary currently covers all outcomes and most of the KPIs.</p> <p>We will review the City Council's progress in finalising this dictionary as part of our 2020 audit.</p> <p>Management comment</p> <p><i>Council will continue to draft the reference dictionary.</i></p>
Procurement		
<p>Procurement strategy</p> <p>The City Council documents an overall procurement strategy. This should be a long term strategy that has been approved at service management level.</p>	2014	<p>Audit New Zealand to report in November 2019</p> <p>We will report on progress made against our recommendations as part of the separate report on procurement in November 2019.</p>
<p>Procurement policy</p> <p>We recommended:</p>	2018	

RECOMMENDATION	FIRST PUBLISHED	STATUS
<ul style="list-style-type: none"> • The City Council add brief policy statements (or provide links to separate policy) on: <ul style="list-style-type: none"> ◊ receipt of gifts or hospitality by staff; ◊ the need to carefully control communications with potential suppliers during a procurement process; ◊ tender closing and in particular how to handle late tenders; ◊ the need for debriefs to be offered to unsuccessful tenderers. We find that this is useful to help manage relations with the market; and ◊ the need to ensure a smooth transition from one contract to another to ensure continuous supply where this is necessary. • The City Council provide clear guidance, either within the policy or separately, on how the economic development principle is given effect, and how this can be done consistently with the other principles to which the City Council has signed up. 		
Patch management process can be improved		
<p>We acknowledge that the Shared Services Office (SSO) have now provided the City Council and other participating agencies with a Patching Compliance Report detailing the patching status and remedial work (if any). This compliance status report is presented within SSO monthly report.</p> <p>We reviewed reported patch compliance status for June 2018 and found patch compliance is very low (8 %) for all agencies' servers and 1.14% for the City Councils desktops (overall 2.27% for all agency desktops). We also noted the City Council has engaged external consultant to perform penetration test of systems. The test report recognised an underlying problem with existing Dimension Data patch management process. This cause a low patch compliance rate.</p>	<p>2018</p>	<p>In progress.</p> <p>We reviewed patching reports for September 2018 and March 2019. The compliance rates were 85% and 77% respectively.</p> <p>Overall we saw evidence that patching compliance rates are better than in June 2018 but can still be improved further to achieve 90% compliance rates.</p>

Recommendation	First raised	Status
<p>We understand Dimension Data (that is SSO IT services suppliers) is currently working through monitoring configuration and patching process including documentation. It was decided that patching is placed on hold and to be resumed in August 2018 for all agencies.</p> <p>Patches have the particularly important role of fixing security holes. The low rate patch compliance increases the risk of unauthorised access to sensitive organisation data using security holes for which patches were not applied. It leads to the risk of accidental or deliberate access, alteration, corruption and deletion of data.</p> <p>We recommended the City Council actively monitor the finalisation of the improved patch management policy and processes and strongly request SSO and Dimension Data to implement good patching processes as soon as possible.</p>		<p>Management comment</p> <p><i>Council will continue to ensure that patching compliance is undertaken in a timely manner.</i></p>
<p>High number of local administrator rights for staff</p>		
<p>The City Council:</p> <ul style="list-style-type: none"> • Perform a risk assessment and review users with local administrator rights, reconsider their appropriateness, and block such access unless it is absolutely necessary. • When local administrator rights are deemed as appropriate, provide user education. There is no technical replacement for common sense. The first line of defence is to educate users on the best practices for securing their data and raising awareness of the potential risks involved with public internet access – especially when they have local administrator rights to their PC. 	<p>2017</p>	<p>In progress.</p> <p>As at 30 June 2019, the follow up of local administrators and the implementation of mitigating controls are still ongoing.</p> <p>From discussion with the Shared Services Office (SSO) Delivery Manager, we noted that implementation of Windows 10 environment is still in progress. This activity will remove a number of local administrators in Windows 7 who require this role due to current legacy application constraints and the need to access local drives on Laptops. Currently the completion date of Windows 7 removal is planned to be in late 2019.</p>

RECOMMENDATION	FIRST RAISED	STATUS
		Management comment <i>Management is on track with the implementation of this requirement.</i>
Assessment of fair value of property, plant and equipment in a non-revaluation year		
<p>In between revaluations, the City Council is required to make a fair value assessment at each reporting date to ensure that that the carrying value of assets is not materially different to the fair value, and if it is it will be required to revalue its assets.</p> <p>To strengthen the 2019 fair value assessment, we recommend that management:</p> <ul style="list-style-type: none"> factor in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing infrastructure construction projects, this should be factored into the analysis; and consult with its Valuers who performed the valuation in 2017, as they will have localised construction cost data available which will further improve the City Council's assessment. <p>The City Council should also consider if it would be useful to have the assessment reviewed by an independent valuer.</p>	2018	<p>In progress.</p> <p>In response to our concerns that the use of BERL indices could lead to the City Council understating the fair value of their revalued asset classes, the City Council applied a further factor on top of BERL indices to prevent any understatement of fair value.</p> <p>Whilst we have accepted this approach, we do continue to believe that the implementation of this recommendation would improve the accuracy of the City Council's fair value assessments. We encourage the City Council to consider implementing this recommendation in future years.</p> <p>Management comment</p> <p><i>Management has adopted a more effective low cost alternative approach to the one suggested by Audit New Zealand. Council performs a sensitivity analysis to the revalued asset classes and found that even if the BERL indices were 50% incorrect, there would be no material change to the value of Council's revalued assets.</i></p>

Recommendation	First raised	Status
Beneficial		
Compliance with the Holidays Act 2003		
<p>The City Council ensure that cash-out payments are added to the average weekly earnings calculation. Before doing so, the City Council may wish to take some legal advice in this area.</p> <p>To ensure that the Council and the City Council's management team and sighted on the City Council's compliance with the Act, we recommend that management report a summary of the approach that it has taken, the positive assurance it has gained, the source of the assurance, and any resultant risks and how it plans to address them.</p>	<p>2018</p>	<p>No progress made.</p> <p>There is no progress on this matter.</p> <p>We are interested in what legal advice was obtained around cash-out payments, what actions the City Council as accordingly taken and whether management has identified any further risks in regards to compliance with the legislation.</p> <p>Management comment</p> <p><i>Council will undertake a further review on Council's compliance with the Act in early 2020. Council will then decide on what further actions to take at that point.</i></p>

Table B: Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Review of journals – non-accounts receivable and accounts payable journals		
The City Council independently review non-accounts receivable and accounts payable journals before they are input into the general ledger.	Interim 2016	<p>Recommendation implemented. Matter is closed.</p> <p>The City Council will independently review non-reversing general ledger journals with transaction lines over \$50,000.</p> <p>From an audit perspective we have highlighted the fraud and misstatement risk to management, and management have implemented a review process and accept any residual risk.</p> <p>Therefore, we consider that our recommendation has been implemented by the City Council and this matter is considered closed.</p>
Update fixed asset register		
<p>The Fixed Asset Register (FAR) module in Technology One (the general ledger) has not been updated since 1 July 2018. There have been delays in processing transactions in Technology One as a result of staffing changes. As a result, no additions and disposals have been recognised in the FAR.</p> <p>As a result we were not able to complete our review of the system and perform a walk through.</p> <p>We recommended that all additions/disposals for 2018/19 are reflected in the FAR, and the FAR is fully reconciled to the general ledger at 30 June 2019.</p>	Interim 2019	<p>Recommendation implemented. Matter is closed.</p> <p>The FAR has been updated with all additions and disposals were fully reconciled to the General Ledger as at 30 June 2019.</p>

Recommendation	Finalised	Status
If this is not completed by year-end, this significantly increases the risk that property, plant and equipment and intangible asset disclosures within the financial statements are inaccurate or incomplete.		
New performance framework and performance measures		
<p>As set out in the 2018-28 Long-Term Plan, the City Council has implemented a new performance framework and suite of performance measures for 2018/19.</p> <p>We found there were five urban development performance measures (of the 19 performance measures we selected as material) for which management have not yet determined the methodology by which the reported result will be calculated or implemented a system to capture the relevant data for reporting purposes. The measures are set out in the table below.</p> <p>We recommended that the City Council develop a methodology for calculating these measures and ensure there are appropriate systems and controls in place to ensure the underlying data is appropriately collated and processed.</p>	Interim 2019	<p>Recommendation implemented. Matter is closed.</p> <p>Management determined the methodology by which the reported result will be calculated and implemented systems to capture the relevant data for reporting purposes.</p> <p>We have audited the year end results for these measures. We were satisfied that they have been appropriately calculated and reported.</p>
Community housing revenue reconciliations		
<p>We raised in our 2018 interim management report that the City Council was not periodically reconciling Northgate (the community housing revenue system) and the general ledger. This is a key control as periodically reconciling the two systems provides management with comfort that community housing revenue processed in Northgate is fairly reflected in the general ledger.</p> <p>We noted in our 2018 final report to the City Council that management had performed reconciliations for April, May and June 2018 and thus we considered the matter closed.</p> <p>However, since our final 2018 audit, the City Council has not prepared these reconciliations. Changes in staff has prevented this control from being</p>	Interim 2019	<p>Recommendation implemented. Matter is closed.</p> <p>The community housing revenue reconciliations have been performed as at 30 June 2019.</p>

Recommendation	Implemented	Status
<p>performed. We understand that management are review the reconciliation process and are planning to full reconcile the two systems at year end.</p> <p>We recommended that management periodically reconcile the general ledger with Northgate, and that these reconciliations are independently reviewed.</p> <p>As a minimum this should happen each year end. However, we consider it beneficial for management to perform this reconciliation monthly as it allows errors to be identified and rectified in a timely manner prior to year-end.</p>		

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the City Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the City Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The the City Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out engagements in the areas of an audit of an Amendment of the Council's Long-Term Plan 2018-28, performed a limited assurance engagement related to the City Council's debenture trust deed and performed a review of the revenue and expenditure of the Clifton Terrace car park managed by the City Council and Group on behalf of the New Zealand Transport Agency.</p> <p>Other than the audit and these engagements, we have no relationship with or interests in the City Council.</p>

Area	Key messages
Fees	<p>The audit fee for the year is \$301,500 (plus GST) as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are:</p> <ul style="list-style-type: none"> • \$96,000 for the audit of the 2018-28 Long Term Plan; • \$52,000 for the audit of the LTP amendment; • \$4,800 for the assurance review of the Debenture Trust Deed; and • \$6,800 for the review of the revenue and expenditure of the Clifton Terrace Car Park.
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>

Appendix 3: Useful publications

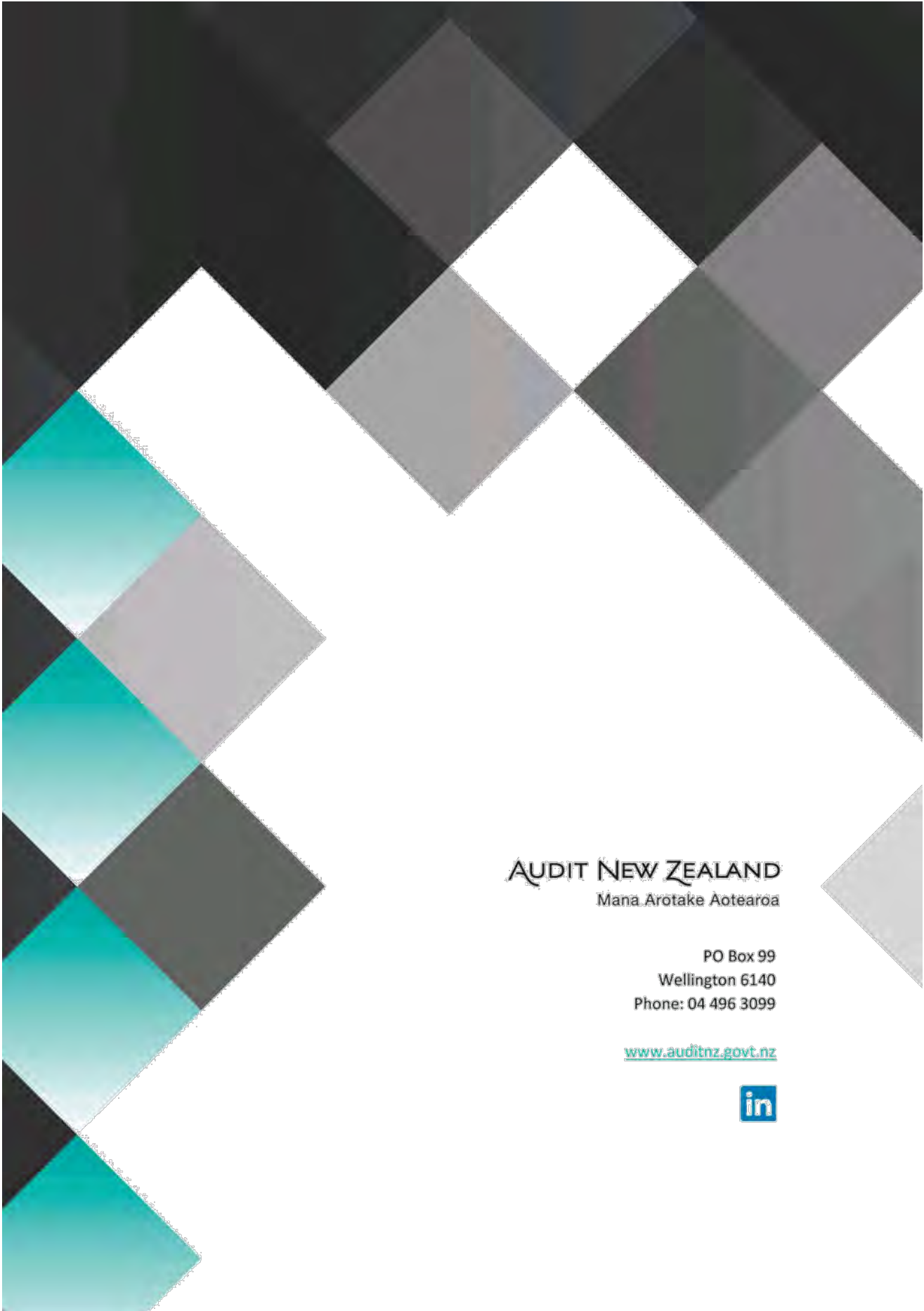


Based on our knowledge of the City Council, we have included some publications that the City Council and management may find useful.

Description	Where to find it
Public accountability: A matter of trust and confidence	
<p>Public accountability is a cornerstone of our system of government. Knowledge on what the public is getting for their taxes and rates, how well that is being spent, and the integrity of the overall system are the basics of public accountability.</p> <p>This discussion paper is the first phase in a programme of work about the future of public accountability.</p> <p>The next phase of our research on public accountability will build on what we have learned here and focus on how well the current public accountability system is positioned to respond to the challenges and opportunities the public sector faces. This research will inform what the Auditor-General's Office does to improve trust and promote value in the public sector.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: public-accountability</p>
Post implementation reviews	
<p>The OAG have recently completed a review of Auckland Council's post implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post implementation review checklist.</p>	<p>On the OAG's website under publications.</p> <p>Link: Post-implementation review process</p>
Inquiry into Waikato District Health Board's procurement of services from HealthTap	
<p>Findings of the inquiry into the decision of Waikato District Health Board in 2015, to enter into a contract with the United States-based company HealthTap Inc to provide "virtual care" services through an online service.</p> <p>There are important lessons about a good procurement process that can be learned and applied to other procurements in the public sector – in particular, when seeking to be innovative.</p> <p>Innovation in the public sector is important. It can lead to new and better services for the public and more efficient ways to deliver current services. However, when public organisations seek to innovate, it is all the more important to respect the disciplines of good procurement. Innovative service delivery and good procurement practice are not mutually exclusive.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: inquiry-waikato-dhb</p>

Description	Where to find it
Inquiry into procurement of work by Westland District Council at Franz Josef	
<p>This report concerns a decision of the Westland District Council to carry out work at Franz Josef to protect the town’s wastewater treatment plant from flooding. The work was carried out on an urgent basis and resulted in the construction of a new 700-metres-long stopbank on the bank of the Waiho River.</p> <p>This report identifies numerous examples of poor decision-making and poor procurement practice. They include the lack of any proper risk analysis or consideration of alternative options, the failure to seek expert advice on either the immediacy of the flood risk or whether building a stopbank was the right response, an inadequate planning and procurement process for a project of this type and scope, an apparent disregard for legislated decision-making requirements, and a failure to consult those affected by the work until the work was already under way.</p>	<p>On OAG’s website under 2019 publications.</p> <p>Link: westland-dc-procurement</p>
Water reports	
<p>A number of reports on water have been released:</p> <ul style="list-style-type: none"> <p>Crown investment in freshwater clean-up</p> <p>The OAG examined how the Ministry for the Environment administered four Crown freshwater clean-up funds for improving lakes, rivers, streams, and wetlands. Our primary objective was to assess whether Crown funding was being used effectively to improve freshwater quality.</p> <p>Observations on Waikato River Authority’s freshwater restoration operations</p> <p>The OAG looked at the operational approach of the Waikato River Authority to restoring and protecting the Waikato and Waipā Rivers for additional insight into how different entities manage Crown funds.</p> <p>Managing freshwater quality: Challenges and opportunities</p> <p>The OAG published a report on how effectively Waikato Regional Council, Taranaki Regional Council, Horizons Regional Council, and Environment Southland managed the effects of land use on freshwater quality in their regions. We found that the effectiveness of the four regional councils’ approaches was variable. In this report, we assess the progress they have made since 2011</p> 	<p>On OAG’s website:</p> <p>Link: freshwater-clean-up</p> <p>Link: wra-freshwater-restoration</p> <p>Link: freshwater-quality</p>

Description	Where to find it
Client updates	
<p>In March 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Good practice	
<p>The OAG’s website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments 	<p>On the OAG’s website under good practice.</p> <p>Link: Good practice</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under publications and resources.</p> <p>Link: Tax Matters</p>
Earthquake accounting matters	
<p>The OAG’s website includes earthquake accounting matters which will be relevant to the City Council.</p>	<p>On our website under publications and resources.</p> <p>Link: Earthquake accounting</p>
Reporting fraud	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG’s website under data.</p> <p>Link: Reporting Fraud</p>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6140
Phone: 04 496 3099

www.auditnz.govt.nz



UPDATE ON PUBLIC BENEFIT ENTITY ACCOUNTING STANDARDS

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to note the likely impact of new Public Benefit Entity (PBE) accounting standards on Council external financial reporting.

Recommendations

That the Finance, Audit and Risk Subcommittee:




1. Receives the information.
2. Agree to recommend for adoption the new Public Benefit standards that have an effective date for periods beginning on or after 1 January 2019 for inclusion in the accounting policies and financial statements of the 30 June 2020 Annual Report.
3. Agree that none of the Public Benefit Entity standards issued but not yet effective will be early adopted for 30 June 2020.

Background

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

Discussion

3. A number of new PBE standards have come into effect for 30 June 2020. These amendments and their impact for the Council are outlined in the table below.
4. A number of standards have amendments effective from 30 June 2020. These amendments and their impact for the Council are outlined in the table below.

Significant Impact	
Minor Impact	
No Impact	

Summary of new standards applicable for 2019/20 and beyond

Standard / Amendments	Summary	Impact	Status

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30 June 2020			
Standard / Amendments	Summary	Impact	Status
PBE IPSAS 34 - 38 Interests in other entities	<p>New suite of standards dealing with interests in other entities to replace PBE IPSAS 6 – 8.</p> <p>Comprises: PBE IPSAS 34 <i>Separate Financial Statements</i> PBE IPSAS 35 <i>Consolidated Financial statements</i> PBE IPSAS 36 <i>Investments in Associates and Joint Ventures</i> PBE IPSAS 37 <i>Joint Arrangements</i> PBE IPSAS 38 <i>Disclosure of Interests in Other Entities</i></p> <p>There are a number of significant differences between the two sets of standards, including:</p> <ul style="list-style-type: none"> - New definition of control and joint control (including a link between power and benefits). - New classifications of joint arrangements (joint ventures and joint operations). - Proportionate consolidation no longer permitted for those joint arrangements that are classified as joint ventures. - Additional disclosure requirements. 	●	<p>This suite of new standards has an impact on the Council.</p> <p>The Council currently has a number of interests in other entities (controlled entities, associates and joint arrangements).</p> <p>The Council has reviewed these new standards in detail and does not believe that there is any significant impact on the way in which these entities are consolidated into the Council and Group numbers.</p> <p>These new standards introduce some additional disclosures, especially for equity accounted associates and joint ventures, which were not present in the old standards. These disclosure requirements have been included in the draft 2019/20 financial statements template.</p>
Impairment of Revalued Assets	Change of scope only to include revalued assets when testing for impairment. However, an impairment loss for a revalued item will not trigger a revaluation of the entire class of assets	●	No significant impact on Council or Group for the 2019/20 financial statements as it just makes for a more explicit understanding of the treatment required.
2018 Omnibus Amendments to PBE	Various minor amendments and editorial corrections to standards with effect from periods beginning on or	●	No significant impact on Council or Group for the 2019/20 financial

Standards	after 1 January 2019, except for amendments to PBE IPSAS 2 <i>Cash Flow Statements</i> applicable for periods beginning on or after 1 January 2021.		statements.
30 June 2021			
PBE Interest Rate Benchmark Reform	Temporary exceptions addressing the potential impact of uncertainty about the long-term viability of some interest rate benchmarks on specific hedge accounting requirements	●	As Council hold all swaps to maturity there is unlikely to be any impact on its financial statements
30 June 2022			
2018 Omnibus Amendments to PBE Standards	Amendments to PBE IPSAS 2 <i>Cash Flow Statements</i> applicable for periods beginning on or after 1 January 2021.	●	The amendments to Cash Flow Statements are not required before 2021/22 and have yet to be fully evaluated and considered for potential early adoption.
PBE FRS 48 Service Performance Reporting	The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.	●	The impact is likely to be minimal but it is yet to be evaluated by the Planning and Reporting team.
30 June 2023			
PBE IFRS 9 <i>Financial Instruments</i>	Originally intended to replace PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i>	●	The new standard will have a significant impact on the Council and Group financial statements.
Effective Date of PBE IFRS 9	Extended effective date of above to accommodate new PBE IPSAS 41 Financial Instruments		The assessment of the full impact of the new standard and the new disclosures required has not been completed.
PBE IPSAS 41 <i>Financial Instruments</i>	New standard superseding PBE IPSAS 29 and PBE IFRS 9 above applicable for periods beginning on or after 1 January 2022. There are a number of significant differences between the old and new standards including: - New classification model for financial assets - More forward-looking asset impairment model.		Financial Accounting will report back to the subcommittee when the new standard has been fully evaluated.

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	- More flexible and less rules based hedge accounting model - Additional disclosure requirements on hedge accounting and impairment		
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5. None of the above standards to be adopted in the 2019/20 year will have any effect on rates or funding.
6. In addition to the work mentioned above on financial instruments, there are a number of projects coming up in the PBE space over the next few years which could have an impact on the Council's financial statements, these include:
 - Non-exchange revenue and expenses
 - Heritage assets
 - Leases
7. Regular updates on the impact of these projects on the Council's financial statements will be provided to the subcommittee.

Attachments

Nil

Authors	Richard Marshall, Manager Financial Accounting & Transactional Services Brendan Murphy, Fin Reprt & Treasury Accountant
Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Engagement and Consultation

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

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

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

Risks / legal

There are no new risks or legal implications arising from this paper.

Climate Change impact and considerations

There is no climate change implications arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There is no Health and Safety implications arising from this paper.

PROJECT GOVERNANCE UPDATE

Purpose

1. This report asks the Finance, Audit and Risk Subcommittee to note the internal project/programmes controls within Council, and how the Council is managing its significant projects.

Summary

2. The purpose of this paper is to provide a summary of the internal project/programmes controls within Council, including the purpose of the Significant Projects Governance Group (SPGG).
3. The high level significant projects report as at 29 February 2020 is included as Appendix B for your information.

Recommendation/s

That the Finance, Audit and Risk Subcommittee:

1. Receives the information.
2. Note the internal project/programmes controls within Council, including the SPGG.
3. Note the appended significant projects report.

Background

4. In early 2019 analysis undertaken by the WCC Legal and Risk team identified the need for an increase in effectiveness of programme and project capability and governance to deliver projects on time, on budget and to expected quality to meet council's strategic objectives.
5. In response, the Project Governance function was formed and the ELT approved the introduction of the Investment Delivery Framework (IDF). The purpose of the IDF is to provide a consistent end- to-end framework for Council, and improve on a traditional project management lifecycle by including an early 'idea' stage (linked to the LTP and Annual Planning processes) through to benefits realisation (post project).
6. The Significant Projects Governance Group (SPGG) was also established to provide oversight of the investment decisions and delivery of significant projects and programmes within WCC.
7. The SPGG operates within a broader governance framework. Remaining cognisant of not duplicating efforts of individual project/programme governance boards, SPGG receives an aggregated monthly report of all significant projects to generate discussion on key risks, issues and trends.

Discussion

8. The Core responsibilities carried out by the SPGG include;

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- Tracking and monitoring of Council's significant investments
 - Providing feedback and direction on connections, opportunities, interdependencies and risks between and across significant projects to ensure they are well managed
 - Ensuring that project/programmes operate within the agreed frameworks, and are resourced correctly to achieve the desired benefits
 - Reviewing evaluation reports/benefits realisation against investment to inform future investment decisions
9. A view of the WCC governance framework is included as Appendix A, and a copy of the aggregated significant projects report for February 2020 is included as Appendix B.

Options

10. N/A

Next Actions

11. ELT are due to review the progress and priorities of the Project Governance work programme in order to agree the forward focus of the Project Governance function within Council.

Attachments

- Attachment 1. Appendix A  
- Attachment 2. Appendix B  

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Author	Helen Gray, Principal Advisor, Project Governance
Authoriser	Stephen McArthur, Director, Strategy and Governance

SUPPORTING INFORMATION

Engagement and Consultation

N/A

Treaty of Waitangi considerations

N/A

Financial implications

N/A

Policy and legislative implications

N/A

Risks / legal

N/A

Climate Change impact and considerations

N/A

Communications Plan

N/A

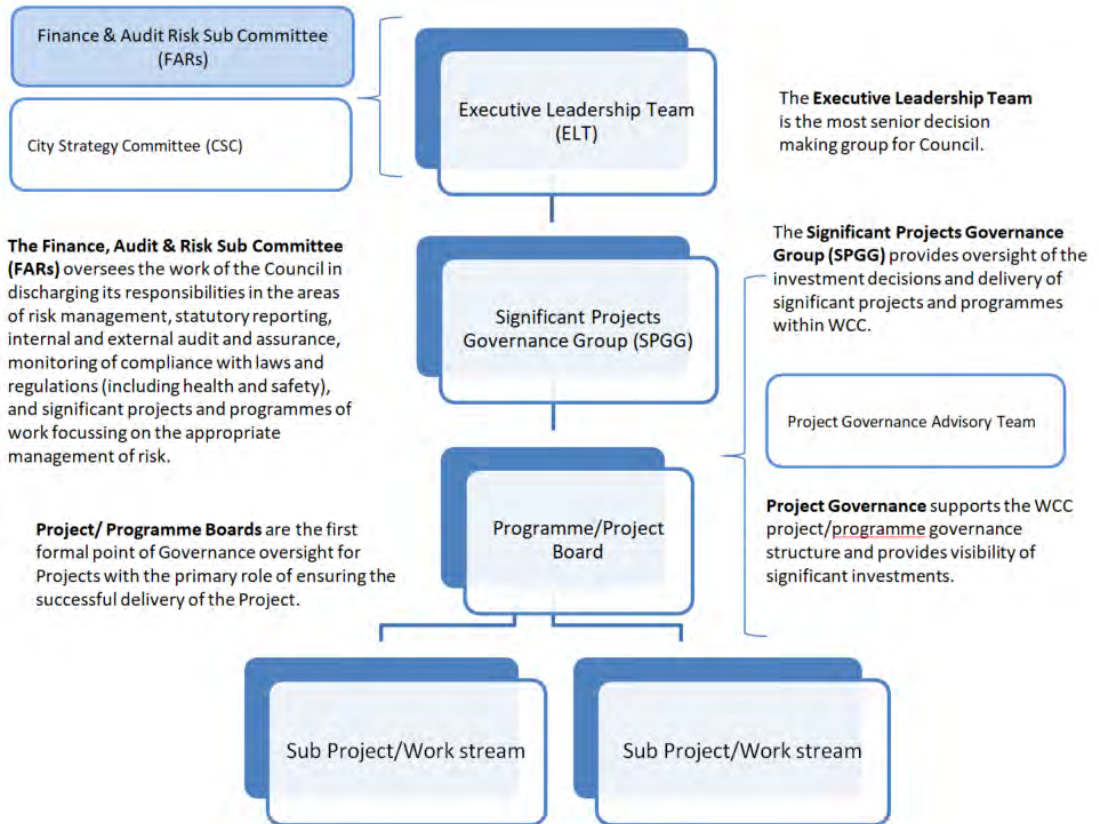
Health and Safety Impact considered

N/A

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APPENDIX A: WCC Project/Programme Governance Framework



WCC Significant Projects Status Update as at 29 Feb 2020

Project / Programme	Investment Delivery Framework Project Delivery Stages	Conceive	Develop	Plan	Deliver	Close	Evaluate
Strategic Area: Environment							
Project Status:							
Southern Landfill extension SRO: Moana Mackey PM: Emily Taylor-Hall							
	"Safety in design" meetings have determined a safer way to construct the landfill than original plans. The new design is still being technically reviewed, indications are that this will mean a much longer phased construction approach. Meeting with GWRC for update/review was positive, still finalising ecological mitigations with both internal and external stakeholders. Delay in consent application lodgement, although not likely to impact opening.						
Strategic Area: Social and Recreation							
Johnsonville Community Hub - Waitohi SRO: Barbara McKerrow PM: Fe Rodriguez Márquez							
	This project is currently in close stage. The project will be closed once a Project Closure report has been received and approved by the SRO.						
Facilities Management SRO: Andy Matthews PM: Brian Davies							
	Memorandum of Understanding executed with chosen provider, Ventia. Transition underway as scheduled. Overall project green and remains on successful path.						
Strategic Area: Economic Development							
Convention & Exhibition Centre SRO: Kevin Lavery PM: Kiri Rasmussen							
	Major milestone this month of signing of the construction contract with LT McGuinness. The project is on schedule with piling works continuing through February and now over three quarters complete. February also saw progress on the operating model discussions with Te Papa and WellingtonNZ, along with the continuation of the branding and identity project with the preferred name for the Centre being presented to SPC in early March.						
Strategic Area: Transport							
Cycleways SRO: Various PM: Various							
	<p>Cobham Drive: The NZTA funding has been approved for the cost scope adjust to undertake coastal protection works. During the detailed phase there is a desire to extend the rock revetment which is being considered.</p> <p>Evans Bay - Stage 1: Part 1 of the project is under construction and progressing well. Part 2 and 3 of the project have Seawalls which require replacement, design consultants will be appointed to undertake the design work for these parts.</p> <p>Kilbernie Connections: Overall the Kilbirnie cycleway network is complete except the Coutts St section which has been put on hold, there is a pending reputational risk associated to this being put on hold.</p> <p>Parade (Island Bay): Project is delayed until the funding (and likely delivery) of Newtown Connections is in place, estimated 2022 at the earliest. The Detailed Business Case (DBC) is</p>						

on hold until funding for Newtown Connections is confirmed. Implementation can occur once the implementation for Newtown Connections is substantially complete.
Newtown Connections: Project is on hold until the parking policy consultation and resulting resolutions in the Newtown area have been approved. After that public consultation for Newtown can occur, likely mid 2020. Interim delivery is being considered on Adelaide Rd between the Basin and John St in tandem with bus priority work.

Strategic Area: Cultural Wellbeing

Te Ngākau	St James Theatre		Structural works have advanced significantly on site. Work is under way to complete the design of upgrade works. Neighbour relations remain positive with noisy works being managed.
	SRO: Andy Matthews PM: Bob Hall		
	Te Ngākau Programme		The Programme is on track with all major milestones, being a workshop with Council on 17 March and a final deliverable to Council on 25 March.
	SRO: TBC PM: Helen Gray		
	Town Hall		The project is on track and work continues with demolition of the West Hall/MOB Annex demolition down to ground level and due to be complete within 2 weeks. Excavator on site for demolition of Wakefield Street Exterior wall. Pressed metal ceiling removal and reinstallation is being investigated with an Australian specialist firm engaged to trial removal.
	SRO: Kevin Lavery PM: Bede Crestani		
Library and CAB		Library: Planning underway as part of overall Te Ngākau Programme. CAB: This project is awaiting an outcome from the insurance claim. In the meantime this is a placeholder in anticipation of a project initiating.	
SRO: TBC PM: TBC			
MOB		This project is yet to progress from the feasibility stage and no budget has been established or agreed by Council. Indicative build costs have now been drafted for developed design and a further value engineering exercise is now being undertaken. Agreement is yet to be reached with future tenants around project costs, feasibility and funding. A Committee Paper for consideration by the Strategy and Policy Committee on whether and how to progress the project is targeted for April. The only funding agreed to date is in respect of building design and East Wall construction works which are being managed by the WTH project.	
SRO: Andy Matthews PM: David Cook			

Strategic Area: Urban Development

Planning for Growth	PfG Programme		Spatial Plan: All sections of the draft Spatial Plan have been written, with these now being finalised ready for engagement at the end of March. A workshop with Councillors was on 26th February to brief them on the key proposals in the draft Spatial Plan. This generated good discussion and a lot of questions. Council approval to engage on the draft Spatial Plan (25th March). Commence engagement 30th March. District Plan Review: Final report on the Assessment and Evaluation of the outer suburb growth areas received. Drafting of provisions for medium density zones underway. Completion of issues and options for Network Utilities chapter review, and draft report for review of Institutional Precincts chapter received. Designations Review underway. Work underway to assess identified areas adjacent to some of the existing pre-1930 character areas to determine whether they warrant character protection. Heritage Assessment work underway.
	SRO: Moana Mackey PM: Kate Pascall		
Earthquake Prone Buildings		Identifying all potential priority EPBs and issuing new EPB notices, with reduced timeframes where appropriate. It was a legislative requirement that these buildings are identified by 1 January 2020. Deadline was met toward the end of Dec 2019. For 2 of the 7 expired EPBs the owners have failed to progress strengthening work within 'reasonable speed.' In Dec 2019 Council filed papers with the District Court seeking orders for Council to carry out seismic work and recover the costs from the owners. This generated some media attention. One of the owners has opposed the order and the other has not engaged a lawyer yet. We expect a hearing later in 2020.	
SRO: Moana Mackey PM: Hayley Moselen			

Te Motu Kairangi		
SRO: Paul Andrews (TBC) PM: David Sole		Completed the scoping for the ecology contract and good progress with scoping the heritage contract. Decision to defer master and reserve planning until LINZ can advise re discussions with the minister and PNBST.
Rooding Maintenance Contract Renewal		
SRO: Moana Mackey PM: Siobhan Procter		Overall status is still amber as there is some reputational risk associated with the mistakes made during the tender process. A probty audit has been initiated to mitigate this risk. Tender period was extended and closed on 24 February. Evaluation is now underway and aims to finish on 27 March with anticipated award of Contract by 10 April 2020.
Strategic Area: Governance		
Smart Council	Right Foundations	
	SRO: James Roberts PM: Ben Pitchforth	Procurement, commercial and engagement tasks have been completed; programme has commenced technical build and testing activity. This is largely as per plan – some projects are slightly ahead of schedule, Smart Workplace is slightly behind. The next major milestones is the trial site for Connect, initial AWS migration for Cumulus, the 'canaries' devices for Smart Workplace and the initial deployment of Fresh Works service desk tool.
	Ci Anywhere	
SRO: James Roberts PM: Tracie Almond	The overall status of the project is AMBER. While we've made progress on identifying scope, the whole is not yet cohesive and some areas still lack transparency.	
Externally Managed Wellington Water Projects		
3 Waters	Omāroro Reservoir	
	SRO: TBA WCC Lead: Derek Baxter	Five tenders were received from two contactors. The offers included conforming, nonconforming and value engineered proposals. Third party evaluations were undertaken of tenders for geotechnical engineering and contract risk. The offers have been evaluated and a preferred tenderer selected. Negotiations on the contract, price and contingencies are underway.
	Wallace Street Pipelines	
SRO: TBA WCC Lead: Derek Baxter	Bulk main pipeline progressing on programme in Wallace Street with works complete in Hargreaves Street. Temporary traffic management established for Wallace Street, diverting traffic along Wright Street. No significant issues and traffic flows are as predicted. Health & Safety incident leading to site meeting in order to review all safety measures and reinforce need to improve performance.	
Karori Network Improvements		
SRO: TBA WCC Lead: Derek Baxter	The Monitoring and Technology Review Report (MTRR) was submitted to GWRC in December. Existing tunnel upgrades underway to create 1000m3 of storage. Karori WW Options network modelling study start up meeting held December 2019. Reviews taking place of flow monitoring data following work to reduce private inflows. A decision has been taken to agree a brief for the project with WCC because there are concerns the budget may not be sufficient to deliver the outcome of a resource consent in 2020	
Jointly Managed Projects - LGWM		
s Get Wellington Moving	LGWM - Overall Programme	

SRO: David Chick
 PM: Gunther Wild

The relationship and funding agreement (RFA) has now been executed by all LGWM partners. The Mass Rapid Transit and Strategic Highway Improvements Indicative Business Cases have had preferred tenderers identified and will shortly commence. This represents an approximate one month delay to those programmes, including the initial design sprints - bringing those key initial outputs closer to the General Election. The support consultants (PwC) are underway developing the operational documents specified in the RFA (Management Plan including RASCI framework for approvals, Procurement Strategy, Terms of Reference for the LGWM Board and Governance Reference Group). The Travel Demand Management work stream is now underway, including scoping tasks. Development of an overall probity framework for the Programme is underway. Development of a risk management framework, including timeframes and priorities for risk reduction and how LGWM updates risks on a timely basis and report change to the Board is underway. Recruitment to key LGWM management positions is underway. The delay in these key appointments is sub-optimal to the speed of programme delivery.

Early Delivery Programme



SRO: David Chick
 PM: Gunther Wild

The Golden Mile project is largely on track and tracking well, Thorndon Quay / Hutt Rd project is slightly delayed, consultants are working to rectify ASAP. LGWM is monitoring the situation very closely. LGWM has advertised for a full-time Project Manager to lead the project and in the meantime is utilising a contractor to back-fill. The central city speed review project is tracking well. Central City Pedestrian Improvements project is tracking well. SH1 East Safer Speeds and Cobham Crossing project is tracking well, although it is anticipated that there might be some delays to the project. This is being actively monitored.

3. Public Excluded

Recommendation

That the Finance, Audit and Risk Subcommittee:

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

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

	has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	
3.3 Council Debtor Report	<p>7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.</p> <p>7(2)(h) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p>	<p>s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>