

Huinga 2 | Volume 2

2021/2022

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

Financial Statements  
for Council and Group

# Te Pūrongo ā-Tau Annual Report



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Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements within the Annual Report were prepared in accordance with and comply with New Zealand Generally Accepted Accounting Principles (GAAP) and comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity. The financial statements are denominated in New Zealand dollars.

# Tauāki Tūtohu me te Takohanga

## 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 include the results and operations of Wellington City Council and the Council's interests as disclosed in Note 36: Joint operations (page 108).

The reported Group figures include the Council (as defined above), its controlled entities as disclosed in Note 20 (page 59) and the Council's equity accounted interest in the associates and joint venture as disclosed in Note 21 (page 60). A diagram of the Council and Group is included page O3.

### Compliance

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

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity<sup>1</sup> and were authorised for issue by the Council on 15 December 2022.

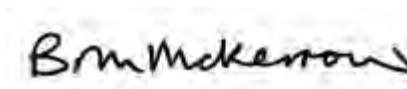
### Responsibility

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 2022 fairly reflects the financial position, results of operations and service performance achievements of Wellington City Council and Group.



**Tory Whanau,**  
**Mayor**  
15 December 2022



**Barbara McKerrow,**  
**Chief Executive**  
15 December 2022



**Sara Hay,**  
**Chief Financial Officer**  
15 December 2022

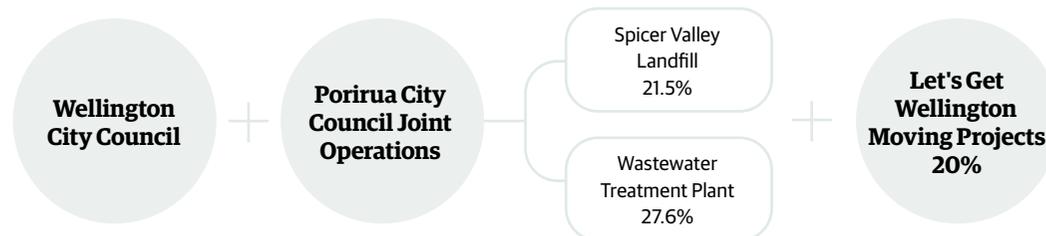
1. A Tier 1 entity is defined as being either, publicly accountable or large (ie expenses over \$30m). Council exceeds the expenses threshold.

# Council and Group structure

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

The percentages in the figures above, represent the Council's interest and/or ownership (for accounting purposes) in each of the entities in the Group. Refer to Notes 20, 21 and 36 (page 59, 60 and 108) for more information.

## Wellington City Council reporting entity (Council)



## Wellington City Council Group reporting entity (Group)

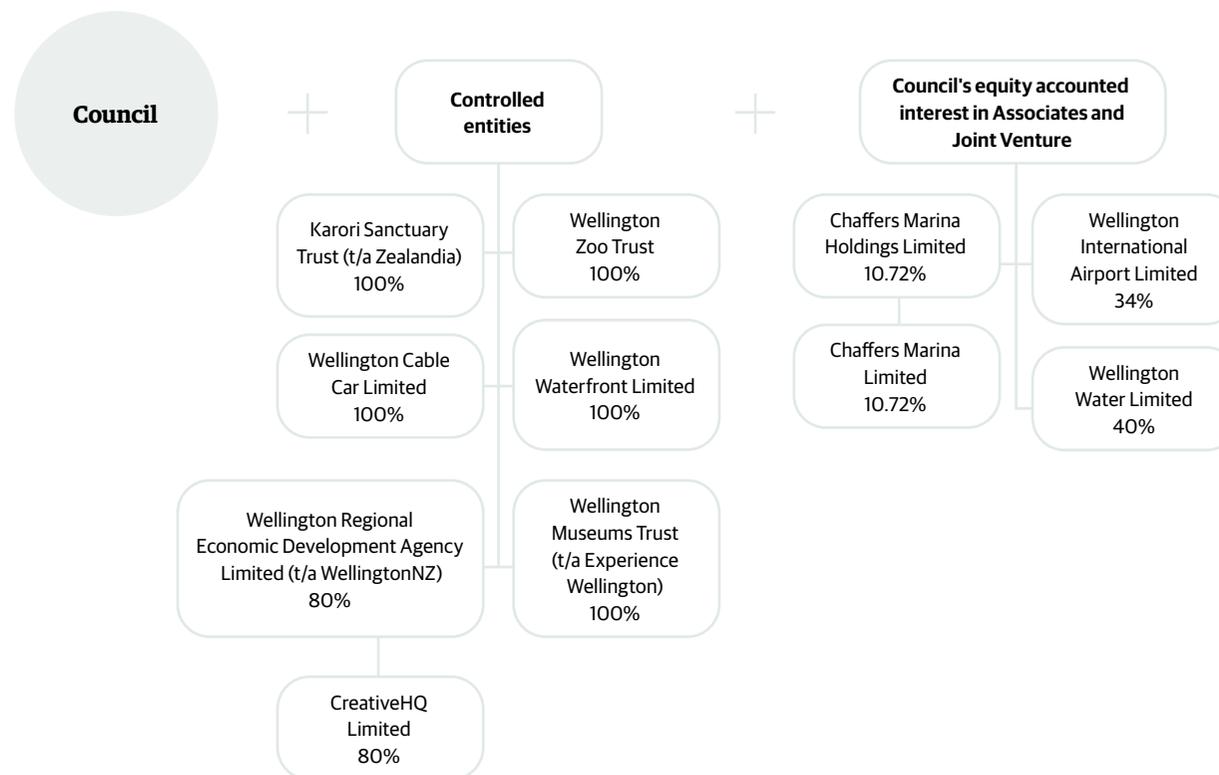


Figure 1: Reporting entity structures

## Basis of consolidation

### Joint arrangements

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

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

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

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

The Council's proportionate interest 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 can 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 is 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 Long-term Plan (LTP) or Annual Plan.

### Associates

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

### Council controlled organisations

The Council has established several Council-controlled organisations (CCO) and Council-controlled trading organisations (CCTO) to help it achieve its goals for Wellington. These organisations were set up to independently manage Council facilities or deliver specific services and developments on behalf of Wellington residents. The performance of each CCO is reported on in Volume 1 of the report in Section 5: Our leadership and our people on page 124 to page 153. The Council has made appointments to other organisations, which make them Council organisations (as defined in the Local Government Act 2002), but they are not Council controlled or part of the Group.

## Other significant accounting policies

The following accounting policies are additional to the disclosures and accounting policies included within the relevant specific notes that form 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 the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction

#### Approximately equal value

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

Most of the services that the Council provides, for a fee, are subsidised by rates (or example, 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.

## Other significant accounting policies

– continued

### Change of accounting policies

During the year the accounting policy in relation to the recognition of zoo animals was changed from holding them at an estimated replacement cost, to not being recognised at all. This reflects customary practice that zoo animals are generally not recorded due to the difficulty of assigning a value.

### Changes to PBE accounting standards

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

- *PBE IPSAS 39 Employee benefits*, primarily relates to changes in Defined Benefit plans, which are not relevant to the Council. There is no financial impact to these financial statements.
- *PBE IPSAS 40 PBE Combinations*, primarily relates to amalgamations or acquisitions, which may be relevant in the future, but have no impact on these financial statements.

### 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 March 2019, the XRB issued *PBE IPSAS 41 Financial Instruments*, with an effective date for reporting periods after 1 January 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*.

The Council and Group has assessed the effects of the new PBE IPSAS 41 as follows:

#### *Transition to PBE IPSAS 41 – Financial Instruments*

A new accounting standard, *PBE IPSAS 41 Financial Instruments*, is applicable for this LTP amendment 2022–32 and supersedes the former *PBE IPSAS 29 Financial instruments: Recognition and Measurement*.

The main differences between *PBE IPSAS 29* and *PBE IPSAS 41* relate to the classification of financial assets and liabilities, impairment and hedge accounting. The Council does not consider that the financial information will be materially different under this new standard.

#### *Classification of financial assets and liabilities*

The Council has completed a detailed assessment of its financial assets and financial liabilities as at 1 July 2022, the date of transition to this new standard. Table 1 (page 07) shows the original classification under *PBE IPSAS 29* and the new classification under *PBE IPSAS 41*.

#### *Impairment*

*PBE IPSAS 41* prescribes an expected credit loss model instead of the previous incurred loss model meaning that it is no longer necessary to have an impairment trigger event before recognising impairment losses. The required change in impairment model is immaterial to the Council as impairments are not usually significant when considering prospective financial statements.

## Other significant accounting policies

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**Table 1: Classification changes**

Financial asset / liability	Measurement category		Value at 1 July 2022	
	Current treatment under PBE IPSAS 29	New treatment under PBE IPSAS 41	Original measurement under PBE IPSAS 29	New measurement under PBE IPSAS 41
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Amortised cost	26,575	26,575
Bank deposits > 3 months	Amortised cost	Amortised cost	101,000	101,000
LGFA borrower notes	Amortised cost	Amortised cost	19,868	19,868
Loans to related parties	Amortised cost	Amortised cost	2,088	2,088
Equity investment – civic financial services	FVTOCRE	FVTOCRE	524	524
Equity investment – LGFA	FVTOCRE	FVTOCRE	8,674	8,674
Trade receivables and recoverables	Amortised cost	Amortised cost	58,401	58,401
Accrued revenue	Amortised cost	Amortised cost	19,715	19,715
Sundry receivables	Amortised cost	Amortised cost	8,239	8,239
Other financial assets	Amortised cost	Amortised cost	58,407	58,407
<b>Total financial assets</b>			<b>303,491</b>	<b>303,491</b>
<b>Financial liabilities</b>				
Borrowings	Amortised cost	Amortised cost	1,071,158	1,071,158
Trade payables and accruals	Amortised cost	Amortised cost	74,358	74,358
Interest payable	Amortised cost	Amortised cost	5,262	5,262
Sundry payables	Amortised cost	Amortised cost	5,574	5,574
GWRC rates	Amortised cost	Amortised cost	8,063	8,063
Other	Amortised cost	Amortised cost	3,071	3,071
Interest rate swaps – cash flow hedges	FVTOCRE	FVTOCRE	783	783
<b>Total financial liabilities</b>			<b>1,168,269</b>	<b>1,168,269</b>

### Hedge accounting

PBE IPSAS 41 introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. There is no change for the Council when applying this new model as all of our swaps are currently hedged therefore hedging requirements under PBE IPSAS 41 can be continued as they were under PBE IPSAS 29.

- In November 2019, the XRB issued *PBE FRS 48 Service Performance Reporting*, 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. An amendment in 2020 has extended the effective date to periods beginning on or after 1 January 2022. There will be no financial impact from the eventual adoption of this standard.

## Other significant accounting policies

– continued

### 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, except for 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 2021–31 Long-term Plan (LTP) budget figures included in these financial statements are for the Council as a separate entity. The LTP 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 LTP or Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the LTP process. The LTP 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.

## COVID-19 financial impact

An assessment of the main impacts of COVID-19 on the Council's financial statements for the year ending 30 June 2022 is outlined in Table 2 with reference to the relevant Note to the financial statements where the impact is included.

**Table 2: COVID-19 financial impact assessment**

Item	Financial impact	2022	2021	2020	Total	Note
		\$000	\$000	\$000	\$000	
<b>Revenue</b>						
Revenue	Lost revenue for facilities being unable to operate, revenue forgone (eg Parking, Rent) and general uncertainty (eg Event planning), particularly operations of the Wellington Venues facilities.	12,527	5,592	13,577	31,696	2
Revenue	Wellington International Airport Limited - approximate dividend not declared for distribution, although already excluded from the Annual Plan for 2020/21 and LTP 2021-31.	14,000	14,000	-	28,000	3
Rates postponement	Deferral of certain Quarter 4 commercial rates for 2021/22, Quarter 1 rates instalment payments for 2020/21 and Quarter 4 instalment for 2019/20.	154	1,908	2,182	4,244	1
<b>Total Revenue Lost</b>		<b>26,681</b>				
<b>Expenditure</b>						
Expenditure	Net increase/(reduction) in costs, particularly extra security costs - \$1.048m, but reduced costs of \$1.060m relating to events not held (see separate grant costs).	513	(3,140)	(257)	(2,884)	7
Protest relief payments to affected businesses	Business recovery fund.	804	-	-	804	7
CCO support grants	Budgeted additional grant funding to Council controlled entities (unbudgeted in 2020) Wellington Cable Car Limited (\$977), Wellington Museums Trust (\$469), Wellington Zoo Trust (\$509) for COVID-19 relief.	1,955	2,318	504	4,777	34
CCO support	Budgeted additional grant funding to Wellington Regional Stadium Trust for COVID-19 relief.	1,500	-	-	1,500	34
CCO support	Drawdown on the joint loan facility agreed between Council and Greater Wellington Regional Council for the Wellington Regional Stadium Trust.	1,200	900	-	2,100	34
Other entity support	Funding agreement with WOW to provide access to financial relief in the event of a Government announced COVID-19 lockdown up to a maximum of \$5.000m.	3,622	-	-	3,622	34
City Recovery fund	Utilisation of the of City Recovery Fund (CRF).	-	2,940	-	2,940	30
<b>Total extra Expenditure incurred</b>		<b>9,594</b>				
<b>Other</b>						
CCO support	Provision of shareholder support to Wellington International Airport Limited if required, expired at 30 June 2022. No actual financial impact was incurred.	25,758	25,758	25,758	-	34
Revaluations	Valuation reports for investment property, operational or infrastructure assets contain statements around the heightened uncertainty relating to COVID-19.	N/A	N/A	N/A	-	19, 28
Payment terms	Reduction in payment timeframes from 20 to 5 working days maintained.	N/A	N/A	N/A	-	

# Tauākī o ngā Moni Whiwhi me ngā Whakapaunga Whānui

## Statement of Comprehensive Revenue and Expense

**Table 3: Statement of  
Comprehensive Revenue and Expense  
for the year ended 30 June 2022**

	Note	Council		Group		
		Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000	Actual 2022 \$000	Actual 2021 \$000
<b>Revenue</b>						
Rates	1	388,176	392,812	341,914	388,176	341,914
Revenue from operating activities						
Development contributions	2	3,743	3,500	3,689	3,743	3,689
Grants, subsidies and reimbursements	2	53,636	49,667	41,472	62,604	54,006
Other operating activities	2	143,958	154,615	141,916	159,291	156,461
Investments revenue	3	11,109	10,503	11,065	11,109	11,065
Vested assets and other revenue	4	85,530	1,100	13,053	85,768	13,470
Fair value movements - gains	5	20,645	10,386	20,501	20,645	20,501
Finance revenue	6	2,991	13	2,114	3,166	2,228
<b>Total revenue</b>		<b>709,788</b>	<b>622,596</b>	<b>575,724</b>	<b>734,502</b>	<b>603,334</b>
<b>Expense</b>						
Fair value movements - losses	5	(35)	-	(52)	(40)	(53)
Finance expense	6	(29,296)	(23,323)	(25,490)	(29,305)	(25,509)
Expenditure on operating activities	7	(446,534)	(436,870)	(406,090)	(471,190)	(430,787)
Depreciation and amortisation expense	8	(146,488)	(146,736)	(136,635)	(147,615)	(138,325)
<b>Total expense</b>		<b>(622,353)</b>	<b>(606,929)</b>	<b>(568,267)</b>	<b>(648,150)</b>	<b>(594,674)</b>
<b>Operating surplus/(deficit)</b>		<b>87,435</b>	<b>15,667</b>	<b>7,457</b>	<b>86,352</b>	<b>8,660</b>
Share of equity accounted surplus/(deficit) from associates and joint venture	9	-	-	-	2,213	(3,891)
Net surplus/(deficit) before taxation		87,435	15,667	7,457	88,565	4,769
Income tax credit/(expense)	10	-	-	-	56	(482)
<b>Net surplus/(deficit) for the year</b>		<b>87,435</b>	<b>15,667</b>	<b>7,457</b>	<b>88,621</b>	<b>4,287</b>
<b>Net surplus/(deficit) attributable to:</b>						
Wellington City Council and Group		87,435	15,667	7,457	88,699	4,136
Non-controlling interest		-	-	-	(78)	151
		<b>87,435</b>	<b>15,667</b>	<b>7,457</b>	<b>88,621</b>	<b>4,287</b>

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

# Tauākī o ngā Moni Whiwhi me ngā Whakapaunga Whānui

## Statement of Comprehensive Revenue and Expense

- continued

**Table 3: Statement of  
Comprehensive Revenue and Expense  
for the year ended 30 June 2022**

	Note	Council		Group		
		Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000	Actual 2022 \$000	Actual 2021 \$000
<b>Net surplus/(deficit) for the year</b>		<b>87,435</b>	<b>15,667</b>	<b>7,457</b>	<b>88,621</b>	<b>4,287</b>
<b>Other comprehensive revenue and expense<sup>2</sup></b>						
<i>Items that will be reclassified to surplus/(deficit)</i>						
<b>Cash flow hedges:</b>						
Fair value movement - net	SCIE <sup>3</sup>	104,646	-	60,019	104,646	60,019
<b>Share of other comprehensive revenue and expense of associates and joint venture</b>						
Fair value movement - net	SCIE	-	-	-	1,167	(573)
<b>Fair value through other comprehensive revenue and expense</b>						
Fair value movement - net	SCIE	825	-	944	1,327	556
<i>Items that will not be reclassified to surplus/(deficit)</i>						
<b>Revaluations:</b>						
Fair value movement - property, plant and equipment - net	SCIE	1,854,026	-	284,092	1,854,026	284,092
<b>Share of other comprehensive revenue and expense of associates and joint venture</b>						
Fair value movement - property, plant and equipment - net	SCIE	-	-	-	21,535	26,359
<b>Total other comprehensive revenue and expense</b>		<b>1,959,497</b>	<b>-</b>	<b>345,055</b>	<b>1,982,701</b>	<b>370,453</b>
<b>Total comprehensive revenue and expense for the Year</b>		<b>2,046,932</b>	<b>15,667</b>	<b>352,512</b>	<b>2,071,322</b>	<b>374,740</b>
<b>Total comprehensive revenue and expense attributable to:</b>						
Wellington City Council and Group		2,046,932	15,667	352,512	2,071,400	374,589
Non-controlling interest		-	-	-	(78)	151
		<b>2,046,932</b>	<b>15,667</b>	<b>352,512</b>	<b>2,071,322</b>	<b>374,740</b>

2. Other comprehensive revenue or expense is non-cash in nature and only reflects changes in equity.

3. Statement of Changes in Equity - see page 81.

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

# Tauākī o ngā Moni Whiwhi me ngā Whakapaunga Whānui Statement of Comprehensive Revenue and Expense

## Major budget variations

### Significant variations from budgeted revenues and expenses are as follows:

Revenues were \$87.192m higher than budgeted with major variances included of:

- \$4.636m lower rates against a non-adjusted \$5.000m budget reduction in water rates.
- \$6.445m lower revenue from operating activities, with \$3.969m higher grants, offset by lower other operating activities revenue of \$10.657m. Grants, subsidies and reimbursements are higher than budget due to the Government stimulus funding recognised in relation to the Three Waters reform of \$15.472m. This is offset by lower than budgeted grants and reimbursements from Waka Kotahi due to the underspend in the Capital Programme. Other operating revenue is lower than budget due to less parking revenue due to the impact of COVID-19 and the resulting lockdown. See Note 2 for further information.
- \$84.4m higher Vested assets and other revenue due to recognition of \$72.396m of wastewater lateral connections as Council assets following a decision agreed through the 2021-31 Long-term Plan - that the Council take ownership of, and be responsible for, maintaining and renewing wastewater laterals in public road in Wellington.

- Previously, these laterals were considered as being the responsibility of building owners. We also recognised Vested asset revenue for Land of \$3.610m and Roading of \$3.864m. We do not budget for Vested asset revenue. See Note 4 for further information.
- \$10.259m higher fair value movements due to higher-than-expected investment property revaluations.
- \$2.978m higher interest revenue.

Expenses were \$15.424m higher than budgeted with major variances included of:

- \$5.973m higher Finance expense due to higher-than-expected interest rates.
- \$9.664m higher expenditure on operating activities due to higher utility costs and the utilisation of the unbudgeted \$15.472m of the Government stimulus funding package for the Three Waters Reform.

Net finance expense was \$2.995m higher than budgeted reflecting higher interest rates.

Other comprehensive revenue and expense was \$1,959.497m higher than budgeted with major variances included of:

- \$1,854.206m increase in the revaluation of Infrastructure assets which were scheduled for revaluation on 30 June 2023 and therefore not budgeted for in 2021/22. Significant increases in costs related to infrastructure asset replacement resulting in a significant variance between estimated fair value and the carrying value on the balance sheet triggering an off-cycle revaluation.
- \$104.646m of unbudgeted positive fair value movements in cash flow hedges due to higher swap interest rates in comparison to swap rates held.
- \$0.825m of unbudgeted increase in the fair value of equity investments, primarily Council's shareholding in the Local Government Funding Agency (LGFA).

## Note 1: Rates revenue

### 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 2022 totalled \$1.320m (2021: \$1.246m).

**Table 4: Rates revenue**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
General rates	226,129	193,878	226,129	193,878
Targeted rates	146,622	128,783	146,622	128,783
Metered water supply	15,026	18,044	15,026	18,044
Penalties and adjustments	399	1,209	399	1,209
<b>Total rates revenue</b>	<b>388,176</b>	<b>341,914</b>	<b>388,176</b>	<b>341,914</b>

The total amount of rates charged on Council-owned properties that have not been eliminated from revenue and expenditure is \$16.342m (2021: \$14.926m). For the Group, rates of \$16.424m (2021: \$15.009m) have not been eliminated.

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

**Table 5: Rates revenue billing basis**

	As at 30 June 2021	As at 30 June 2020
Number of rating units	81,030	79,811
Total capital value of rating units	\$80,608.516m	\$79,212.775m
Total land value of rating units	\$41,041.846m	\$40,577.366m

The property revaluations that occurred in September 2021 will apply for the rates billed for the 2022/23 year.

### Non-rateable land

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

### COVID-19

On 24 February 2022, the Council approved a \$2.300m Pandemic Response Plan including fourth quarter rates deferral for hospitality and retail businesses, who own their building, without penalty for six months. As at 30 June 2022, \$0.154m had been approved for deferral.

### Relevant significant accounting policies

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

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

## Note 2: Revenue from operating activities

**Table 6: Revenue from  
operating activities**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Development contributions</b>	<b>3,743</b>	<b>3,689</b>	<b>3,743</b>	<b>3,689</b>
<b>Grants, subsidies and reimbursements</b>				
Operating	21,667	13,234	29,602	25,254
Capital	31,969	28,238	33,002	28,752
<b>Total grants, subsidies and reimbursements</b>	<b>53,636</b>	<b>41,472</b>	<b>62,604</b>	<b>54,006</b>
<b>Other operating activities</b>				
Fines and penalties	4,962	6,961	4,962	6,961
Rendering of services	131,556	128,298	143,480	139,406
Sale of goods	7,440	6,657	10,849	10,094
<b>Total other operating activities</b>	<b>143,958</b>	<b>141,916</b>	<b>159,291</b>	<b>156,461</b>
<b>Total revenue from operating activities</b>	<b>201,337</b>	<b>187,077</b>	<b>225,638</b>	<b>214,156</b>

For the Council, the principal grants and reimbursements are from Waka Kotahi 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 \$23.032m (2021: \$28.173m) and operating reimbursements of \$7.951m (2021: \$8.111m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

The Council applied for and received \$10.100m (2021: \$10.100m) of Government stimulus funding in relation to the Three Waters Reform package. \$15.472m (2021: \$4.730m) has been recognised above based on costs already incurred.

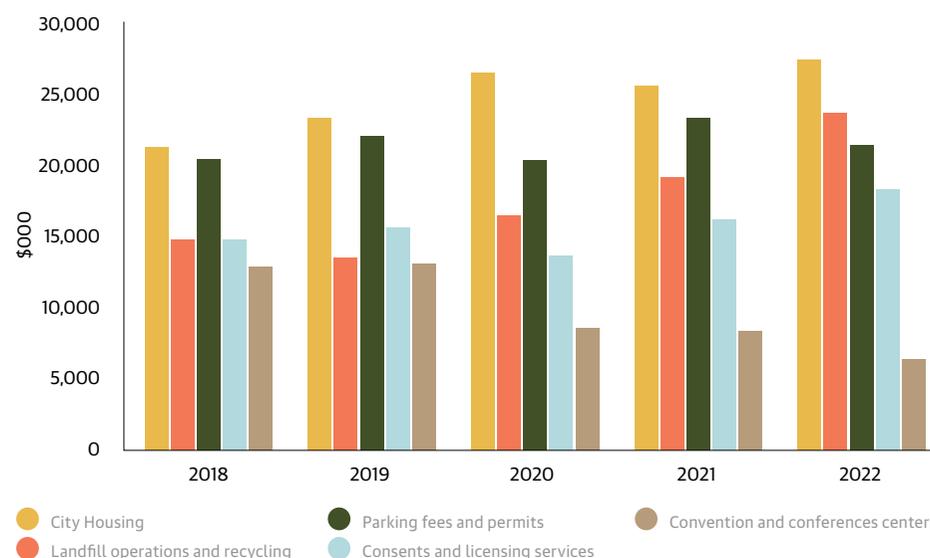
For revenue from other operating activities of the Council, the five major contributors were:

- City housing - \$27.416m (2021: \$25.553m)
- Parking fees and permits - \$21.360m (2021: \$23.293m)
- Landfill operations and recycling - \$23.654m (2021: \$19.089m) - including unbudgeted revenue from the joint operation with Porirua City Council \$2.395m (2021: \$1.758m)
- Consents and licensing services - \$18.284m (2021: \$16.116m)
- Convention and conferences centres - \$6.246m (2021: \$8.259m)

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

**Note 2:**  
**Revenue from operating activities**  
 – continued

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



**5-year trend analysis commentary**

**City Housing**

Annual rent increases during the year in line with market movements led to higher revenue in 2021/2022. This was somewhat mitigated by several properties being sold privately or being held for sale to partners.

For further information – refer to the Statement of service performance strategy area 5.2 – Community support (Volume 1, page 94).

**Parking fees and permits**

Parking revenue was down in 2021/22 from the previous year due to the impact of the COVID-19 Omicron variant and the resulting lockdown. Following the lifting of the lockdown, the Council approved a COVID Recovery Plan which offered discounted parking to encourage residents to return to the city, further reducing revenue earned in the year.

For further information – refer to the Statement of service performance strategy area 7.2 – Parking (Volume 1, page 117).

**Consents and Licensing Services**

Volumes have varied over the last five years, dropping in 2019/20 due to COVID-19 before picking up immediately following. They were in turn lower again in 2022 however fee increases applied in that year drove the revenue higher.

For further information – refer to the Statement of service performance strategy area 6.2 – Building and development control (Volume 1, page 107).

**Landfill Operations**

Revenue increase in 2021/22 due largely to ~60 000 tonnes more than anticipated in the budget for contaminated soil received at the landfill. The increase is largely driven by increased construction activity over the past year and a lower-than-expected impact of the COVID-19 lockdowns on activity. Around \$1m increase in rubbish bags sales driven by 73k more bags sold and a price increase of 18.5 percent from 1 July 2021.

For further information – refer to the Statement of service performance strategy 2.2 – Waste reduction and energy conservation (Volume 1, page 59).

**Convention and Conference centres**

COVID-19 has had significant impact on revenues in recent years as performances were reduced. That continued to be the case last year as well as the unavailability of the St James Theatre owing to its redevelopment.

For further information – refer to the Statement of service performance strategy 3.1 – City promotions and business support (Volume 1, page 77).

## Note 2: Revenue from operating activities

- continued

### 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 34), for an explanation of exchange and non-exchange transactions, transfers and taxes.

#### Development contributions

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

#### Grants, subsidies and reimbursements

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

#### Fines and penalties

Revenue from fines and penalties (for example, traffic and parking infringements and library overdue book fines) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed. 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 (for example, building consent fees) is recognised by reference to the stage of completion of the transaction, based on the actual service provided as a percentage of the total services to be provided. Under this method, revenue is recognised in the accounting periods in which the services are provided. Some services are provided at a market rate or on a full cost recovery basis (for example, Parking fees) and these are classified as exchange.

#### Sale of goods

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

### Note 3: Investment revenue

**Table 7: Investment revenue**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Dividend from associates	-	-	-	-
Dividend from equity investments	64	66	64	66
Investment property revenues	11,045	10,999	11,045	10,999
<b>Total investment revenue</b>	<b>11,109</b>	<b>11,065</b>	<b>11,109</b>	<b>11,065</b>

#### Dividends

The budget for 2021/22 did not include dividend revenue from the Council's 34 percent shareholding in Wellington International Airport Limited as the financial impact from COVID-19 was well forecasted.

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

For further information refer to Note 21: Investment in associates and joint venture (page 60).

#### Investment properties

The revenues from investment properties are primarily from ground leases around the central city 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 18: Investment properties (page 43).

#### Relevant significant accounting policies

##### Dividends

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

##### Investment property lease rentals

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

## Note 4: Vested assets and other revenue

**Table 8: Vested assets  
and other revenue**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Vested assets	82,488	9,411	82,488	9,411
Other revenue	3,042	3,642	3,280	4,059
<b>Total vested assets and other revenue</b>	<b>85,530</b>	<b>13,053</b>	<b>85,768</b>	<b>13,470</b>

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 - \$74.116m (2021: \$4.891m). The significant increase in the 2021/22 year is due to recognition of \$72.396m of wastewater lateral connections as Council assets. Previously, these laterals were considered as being the responsibility of building owners.
- Land - \$3.610m (2021: Nil)
- Roading - \$3.864m (2021: \$4.430m)

Other revenue consisted mainly of:

- Gains on disposal of assets - \$0.322m (2021: \$0.959m)
- Restricted funds - \$0.509m (2021: \$0.992m)
- Fuel tax - \$1.024m (2021: \$1.116m)
- Release of unused provisions - \$0.913m (2021: Nil).

### Relevant significant accounting policies

#### Donated, subsidised or vested assets

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

#### Gains

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

#### Donated services

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

## Note 5: Fair value movements

**Table 9: Fair value movements**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Investment property revaluation	20,614	20,496	20,614	20,496
Amortisation of loans to related parties	31	5	31	5
<b>Total fair value gains</b>	<b>20,645</b>	<b>20,501</b>	<b>20,645</b>	<b>20,501</b>
<i>Less</i>				
Fair value adjustment to loan	35	52	40	52
Currency exchange loss	-	-	-	1
<b>Total fair value losses</b>	<b>35</b>	<b>52</b>	<b>40</b>	<b>53</b>
<b>Total fair value movements</b>	<b>20,610</b>	<b>20,449</b>	<b>20,605</b>	<b>20,448</b>

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 land and buildings, including the Wellington Waterfront investment properties. For more information refer to Note 18: Investment properties (page 43).

In May 2021, Wellington Regional Stadium Trust made an initial drawdown of a joint loan facility, between Wellington City Council and GWRC, which was made available as part of a COVID-19 response. Two further drawdowns

were made during 2021/22 to fully utilise the facility. As the initial two-year period is interest free, a further adjustment to reflect fair value was required. The value of this adjustment was \$0.035m, which is non-cash in nature, has no effect on rates and will be amortised back up to full value over the next two years. The loan will become interest bearing in year 3, with annual principal repayments and the final repayment by the end of 2030/31.

For more information refer to Note 15: Other financial assets (page 38).

### Relevant significant accounting policies

#### Gains

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

#### Investment properties

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

#### Derivatives

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

## Note 6: Finance revenue and expense

**Table 10: Finance revenue,  
expense and net finance cost**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Interest on borrowings	28,798	25,140	28,802	25,153
Interest on finance leases	-	-	5	6
Re-discounting of interest on provisions	498	350	498	350
<b>Total finance expense</b>	<b>29,296</b>	<b>25,490</b>	<b>29,305</b>	<b>25,509</b>
<i>Less</i>				
Interest earned	2,991	2,114	3,166	2,228
<b>Total finance revenue</b>	<b>2,991</b>	<b>2,114</b>	<b>3,166</b>	<b>2,228</b>
<b>Net finance cost</b>	<b>26,305</b>	<b>23,376</b>	<b>26,139</b>	<b>23,281</b>

An increase in interest rates during the year, as a result of increases in the Official Cash Rate (OCR) totalling 1.75 percent, has increased average borrowing costs. Coupled with a higher level of borrowings, the interest expense has increased compared to the previous year. The Council's policy is to have the majority of borrowings on

fixed interest rates to avoid volatility in its interest expense as interest rates change. To achieve this, it uses interest rate swaps, which effectively changes floating rate debt to fixed rate debt.

Returns on investment deposits are also market related so have increased accordingly as interest rates have risen.

### 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 25: Employee benefit liabilities and provisions (page 72) and Note 26: Provision for other liabilities (page 75).

#### Interest earned

Interest earned is recognised using the effective interest rate method.

## Note 7: Expenditure on operating activities

### Governance and employment

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

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

During the year \$0.394m (2021: \$0.462m) of termination benefits were incurred by the Council and \$0.610m (2021: \$0.753m) for the Group. Termination benefits include all payments relating to the end of employment other than unpaid salary and leave entitlements. Termination benefits include contractual (for example, redundancy, in lieu of notice) and non-contractual (for example, severance) payments but excludes retirement payments already provided for.

For further information refer to Note 38: Remuneration and staffing levels (page 117).

**Table 11: Expenditure on operating activities**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Governance and employment</b>				
Elected member remuneration	1,867	1,855	1,867	1,855
Independent directors/trustees fees for controlled entities	-	-	445	527
Employee benefits expense:				
Remuneration	118,767	106,162	148,407	134,369
Superannuation contributions (including KiwiSaver)	3,560	3,160	4,279	3,804
Other personnel costs	4,501	3,415	5,899	4,594
<b>Impairments</b>				
Bad debts written off not previously provided for	133	65	133	65
Increase in provision for impairment of receivables and recoverables	205	190	206	190
Impairment of property, plant and equipment	4,414	1,848	4,414	1,848
<b>Insurance</b>				
Insurance premiums	16,585	17,431	17,431	18,171
Insurance reserve costs – net	605	1,017	605	1,017
<b>General</b>				
Administration Costs	5,661	5,230	16,976	17,098
Auditor's remuneration:	536	570	838	795
Contractors	5,086	3,300	7,838	6,226
Contracts, services and materials	161,099	146,838	163,086	148,690
Grants	45,947	46,901	16,362	18,160
Information and communication technology	16,101	16,966	17,670	18,471
Loss on disposal of intangibles	518	-	518	-
Loss on disposal of property, plant and equipment	2,713	281	2,746	287
Loss on disposal of investment property	-	564	-	564
Loss on investments	-	-	-	2
Operating lease – minimum lease payments	10,380	8,141	11,612	9,905
Professional costs	11,360	9,060	12,374	10,326
Reassessment of weathertight provision	-	669	-	669
Utility costs	36,496	32,427	37,484	33,154
<b>Total expenditure on operating activities</b>	<b>446,534</b>	<b>406,090</b>	<b>471,190</b>	<b>430,787</b>

## Note 7: Expenditure on operating activities

- continued

### General

**Table 12: Auditor's remuneration**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Audit New Zealand - Financial Statements	352	362	554	507
Audit New Zealand - Long-term Plan amendment	130	154	130	154
Audit New Zealand - Wgtn Waterfront Project	40	40	40	40
Audit New Zealand - other assurances	14	14	14	14
Audit services - other Auditors	-	-	100	80
	<b>536</b>	<b>570</b>	<b>838</b>	<b>795</b>

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 NZTA and assurance services relating to Council's debenture trust deed compliance (see Table 12 above). In addition, probity advice over the Central Library project (Te Matapihi) of \$0.012m, assurance over the procurement process for Te Matapihi of \$0.025m and assurance over the tender process for the City Housing healthy homes main contractor Request for Proposal of \$0.009m were provided and have been added to work in progress pending completion of the projects.

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 the Council's controlled entities (refer to Note 37: Related Party disclosures, for a breakdown (page 109). Other major grants include the funding to the Museum of New Zealand, Te Papa Tongarewa \$2.250m (2021: \$2.250m).

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

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 \$16.342m (2021: \$14.926m) on Council-owned properties.

### COVID-19: Expenditure impacts

The effect on expenditure related mainly to additional security measures around vaccine pass checking, health and safety costs in regard to Personal Protection Equipment (PPE), and grant support for Council-controlled entities namely, Wellington Cable Car Limited, Wellington Museums Trust and Wellington Regional Stadium Trust (refer to Note 37: Related party disclosures (page 109)). In addition, the Council was required to meet its funding agreement with the World of WearableArt (WOW) when organisers were compelled to cancel the show in September 2021. This higher expenditure was offset by a significant reduction in costs relating to events not being held, due to continued alert level changes and then the introduction of traffic lights restrictions.

## **Note 7:** Expenditure on operating activities

- continued

### **Relevant significant accounting policies**

#### **Grants and sponsorships**

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

#### **Cost allocation**

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

#### **Research and Development**

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

## Note 8: Depreciation and amortisation

**Table 13: Depreciation  
and amortisation**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Depreciation</b>				
Buildings	31,461	20,542	31,646	21,008
Civic Precinct	1,254	1,252	1,254	1,252
Drainage, waste and water infrastructure	53,295	49,257	53,295	49,257
Landfill post closure	102	260	102	260
Library collections	2,057	1,862	2,057	1,862
Plant and equipment	16,854	23,322	17,751	24,497
Restricted buildings	1,854	1,881	1,854	1,881
Roading infrastructure	34,258	33,282	34,258	33,282
<b>Total depreciation</b>	<b>141,135</b>	<b>131,658</b>	<b>142,217</b>	<b>133,299</b>
<b>Amortisation</b>				
Computer software	5,353	4,977	5,398	5,026
<b>Total depreciation and amortisation</b>	<b>146,488</b>	<b>136,635</b>	<b>147,615</b>	<b>138,325</b>

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 14.)

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 15.)

## Note 8: Depreciation and amortisation

- continued

**Table 14: Estimated useful lives of tangible assets**

Asset Category	2022 Useful Life (years)
<b>Operational assets</b>	
Land	unlimited
Buildings:	
Structure	7-87
Roof	6-50
Interior	5-50
Services	5-47
Civic Precinct	5-66
Plant and equipment	5-100
Library collection	6-10
<b>Infrastructure assets:</b>	
Land (including land under roads)	unlimited
Roading:	
Road pavement	10-40
Retaining / sea walls	50-100
Kerb and channel	10-60
Structures - other sea defences	100-250
Tunnels - structure and services	20-175
Bridges	90-110
Drainage, waste and water:	
Pipes	60-110
Reservoirs	25-90
Pump stations	32-105
Fittings	25-70
<b>Restricted assets (excluding buildings)</b>	unlimited

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

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

**Table 15: Estimated useful lives of intangible assets**

Asset Category	2022 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 (WIAL) and Wellington Water Limited is as shown in Table 16.

**Table 16: Share of associates' and joint venture's surplus or deficit**

	Group	
	2022	2021
	\$000	\$000
<b>Associates</b>		
Chaffers Marina Holdings Limited	(44)	52
Wellington International Airport Limited	958	(4,183)
<b>Joint venture</b>		
Wellington Water Limited	1,299	240
<b>Total share of associates' and joint venture's surplus or (deficit)</b>	<b>2,213</b>	<b>(3,891)</b>

Further information on the cost and value of the above investments is found in Note 21: Investments in Associates and Joint Venture (page 60).

**COVID-19:** For 2021/22 the financial impacts for the Council were primarily that no WIAL dividend was declared for distribution to the Council and the 34 percent share of the return to surplus from the WIAL operations.

The Council also agreed in 2020/21 to extend the term of the underwrite for its share of a potential equity raising. For more information refer to Note 35: Contingencies (page 106).

### Relevant significant accounting policies

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

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

## Note 10: Income tax

**Table 17: Income tax**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Current tax expense/(credit)</b>				
Current year	-	-	28	112
Prior period adjustment	-	-	2	346
<b>Total current tax expense/(credit)</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>458</b>
<b>Deferred tax expense/(credit)</b>				
Origination and reversal of temporary differences	3	37	(86)	24
Change in unrecognised temporary differences	-	-	-	-
Recognition of previously unrecognised tax losses	(3)	(37)	-	-
<b>Total deferred tax expense/(credit)</b>	<b>-</b>	<b>-</b>	<b>(86)</b>	<b>24</b>
<b>Total income tax expense/(credit)</b>	<b>-</b>	<b>-</b>	<b>(56)</b>	<b>482</b>

**Table 18: Reconciliation of tax on the surplus/(deficit) and tax expense/(credit)**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Surplus/(deficit) for the period before taxation	87,435	7,457	88,565	4,769
Prima facie income tax based on domestic tax rate - 28%	24,482	2,088	24,798	1,335
Effect of non-deductible expenses and tax exempt income	(24,485)	(2,125)	(23,975)	(342)
Effect of tax losses utilised	-	-	(305)	-
Current years loss for which no deferred tax asset was recognised	3	37	3	37
Previously unrecognised tax losses now utilised	-	-	19	(49)
Change in unrecognised temporary differences	-	-	-	65
Prior period adjustment	-	-	(2)	346
Reintroduction of tax depreciation on buildings	-	-	-	-
Overseas withholding tax - non-reclaimable	-	-	26	20
Share of income tax of equity accounted associates	-	-	(620)	(930)
<b>Total income tax expense/(credit)</b>	<b>-</b>	<b>-</b>	<b>(56)</b>	<b>482</b>

### Relevant significant accounting policies

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

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

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

# Tauāki o te Tūnga Pūtea

## Statement of Financial Position

**Table 19: Statement of Financial Position  
as at 30 June 2022**

	Note	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2022	2022	2021	2022	2021
		\$000	\$000	\$000	\$000	\$000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	11	26,575	21,419	84,349	40,727	103,542
Derivative financial assets	12	216	-	-	216	-
Receivables and recoverables	13	86,355	64,708	57,656	87,755	58,919
Prepayments	14	18,294	14,379	21,337	18,773	21,647
Other financial assets	15	102,856	209,000	62,684	109,556	63,786
Inventories		944	1,549	787	1,534	1,394
Non-current assets classified as held for sale	16	13,366	-	14,703	13,366	14,703
<b>Total current assets</b>		<b>248,606</b>	<b>311,055</b>	<b>241,516</b>	<b>271,927</b>	<b>263,991</b>
<b>Non-current assets</b>						
Derivative financial assets	12	58,191	-	7,821	58,191	7,821
Receivables and recoverables	13	-	-	3,400	-	3,400
Other financial assets	15	29,298	16,131	22,982	31,578	24,747
Intangibles	17	38,211	84,353	39,031	38,238	39,105
Investment properties	18	300,108	274,309	279,082	300,108	279,082
Property, plant and equipment	19	10,278,248	8,182,726	8,203,230	10,292,099	8,217,301
Investment in controlled entities	20	5,071	5,998	5,071	-	-
Investment in associates and joint venture	21	19,473	19,033	19,473	258,206	233,291
<b>Total non-current assets</b>		<b>10,728,600</b>	<b>8,582,550</b>	<b>8,580,090</b>	<b>10,978,420</b>	<b>8,804,747</b>
<b>Total assets</b>		<b>10,977,206</b>	<b>8,893,605</b>	<b>8,821,606</b>	<b>11,250,347</b>	<b>9,068,738</b>

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

# Tauāki o te Tūnga Pūtea

## Statement of Financial Position

- continued

**Table 19: Statement of Financial Position  
as at 30 June 2022**

	Note	Council			Group	
		Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000	Actual 2022 \$000	Actual 2021 \$000
<b>Liabilities</b>						
<b>Current liabilities</b>						
Derivative financial liabilities	12	260	709	1,798	260	1,798
Exchange transactions and transfers payable	22	84,963	64,761	71,877	84,503	74,211
Taxes payable	22	11,134	-	10,887	11,459	11,211
Deferred revenue	23	16,670	16,092	20,884	25,645	26,533
Borrowings	24	209,001	209,000	154,523	209,001	154,544
Employee benefit liabilities and provisions	25	7,840	12,262	7,044	10,033	8,973
Provision for other liabilities	26	5,481	4,058	2,279	5,481	2,279
<b>Total current liabilities</b>		<b>335,349</b>	<b>306,882</b>	<b>269,292</b>	<b>346,382</b>	<b>279,549</b>
<b>Non-current liabilities</b>						
Derivative financial liabilities	12	523	106,331	53,045	523	53,045
Exchange transactions and transfers payable	22	231	-	231	231	231
Borrowings	24	862,157	1,070,401	754,129	863,757	754,792
Employee benefit liabilities and provisions	25	624	1,174	724	662	767
Provision for other liabilities	26	37,696	34,995	50,490	37,696	50,490
Deferred tax	27	-	-	-	590	680
<b>Total non-current liabilities</b>		<b>901,231</b>	<b>1,212,901</b>	<b>858,619</b>	<b>903,459</b>	<b>860,005</b>
<b>Total liabilities</b>		<b>1,236,580</b>	<b>1,519,783</b>	<b>1,127,911</b>	<b>1,249,841</b>	<b>1,139,554</b>
<b>Equity</b>						
Accumulated funds		1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings		3,903,366	3,775,023	3,815,363	3,911,964	3,822,663
Revaluation reserves	28	4,484,022	2,415,427	2,631,206	4,704,556	2,830,205
Hedging reserve	29	57,624	(107,041)	(47,022)	58,172	(47,641)
Fair value through other comprehensive revenue and expense reserve	30	6,854	5,085	6,029	7,983	6,656
Non-controlling interest		-	-	-	797	781
Restricted funds	31	19,626	16,194	18,985	23,872	23,358
<b>Total equity</b>		<b>9,740,626</b>	<b>7,373,822</b>	<b>7,693,695</b>	<b>10,000,506</b>	<b>7,929,184</b>
<b>Total equity and liabilities</b>		<b>10,977,206</b>	<b>8,893,605</b>	<b>8,821,606</b>	<b>11,250,347</b>	<b>9,068,738</b>

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

# Tauākī o te Tūnga Pūtea Statement of Financial Position

## Major budget variations

### Significant variations from budget are as follows:

Current assets are \$62.449m lower than budgeted with major variances included of:

- \$5.156m more cash held than budgeted.
- \$21.647m higher Receivables and recoverables due to late LGWM reimbursement billing, a movement from non-current debtors and higher unpaid rates due to COVID-19 financial pressures.
- \$106.144m less Other financial assets which is offset by lower borrowings than budgeted.
- \$13.366m land and buildings re-classified as held for sale.

Non-current assets are \$2,146.050m higher than budget with major variances included of:

- \$58.191m of unbudgeted Derivative financial assets due to increased swap interest rates.
- \$13.167m higher Other financial assets than budgeted.
- \$46.142m less Intangibles than budgeted due to the budget being overstated resulting from a classification error of \$51.743m, which should have been part of Property, plant and equipment.
- \$25.799m higher Investment properties than budgeted due to higher revaluation.
- \$2,095.521m higher Property, plant and equipment due to the revaluation of Infrastructure assets that was originally scheduled for 30 June 2023 (see Note 19 for further information).

Total liabilities are \$283.203m lower than budget, with major variances included of:

- \$20.201m higher current payables, partly due to timing of invoicing for work completed.
- \$105.808m lower Derivative financial liabilities due to increased swap interest rates.
- \$208.244m lower Non-current borrowings due to lower capital expenditure than budgeted and offset by reduced Other financial assets.

**Note 11:**  
Cash and  
cash equivalents

**Table 20: Cash and cash equivalents**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Cash at bank	6,560	84,333	19,189	97,021
Cash on hand	15	16	29	33
Short-term bank deposits of up to 3 months at acquisition	20,000	-	21,509	6,488
<b>Total cash and cash equivalents</b>	<b>26,575</b>	<b>84,349</b>	<b>40,727</b>	<b>103,542</b>

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

The Council holds short term deposits as part of its overall liquidity risk management programme. This programme enables the 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 the Council's cost of funds.

## Note 12: Derivative financial instruments

**Table 21: Derivative  
financial instruments**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Assets</b>				
<b>Current assets</b>				
Interest rate swaps - cash flow hedges	216	-	216	-
<b>Total current liabilities</b>	<b>216</b>	<b>-</b>	<b>216</b>	<b>-</b>
<b>Non-current assets</b>				
Interest rate swaps - cash flow hedges	58,191	7,821	58,191	7,821
<b>Total non-current assets</b>	<b>58,191</b>	<b>7,821</b>	<b>58,191</b>	<b>7,821</b>
<b>Total derivative financial instrument assets</b>	<b>58,407</b>	<b>7,821</b>	<b>58,407</b>	<b>7,821</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Interest rate swaps - cash flow hedges	260	1,798	260	1,798
<b>Total current liabilities</b>	<b>260</b>	<b>1,798</b>	<b>260</b>	<b>1,798</b>
<b>Non-current liabilities</b>				
Interest rate swaps - cash flow hedges	523	53,045	523	53,045
<b>Total non-current liabilities</b>	<b>523</b>	<b>53,045</b>	<b>523</b>	<b>53,045</b>
<b>Total derivative financial instrument liabilities</b>	<b>783</b>	<b>54,843</b>	<b>783</b>	<b>54,843</b>

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

Interest rate swaps (Cash flow hedges) are used to fix interest rates on floating rate debt (floating rate notes or commercial paper). The swaps are held until maturity and have no cash impact or effect on the rates requirements. The timing of the maturities of the active swaps, their nominal values and their weighted average fixed interest rates are shown in Table 22 following.

## Note 12: Derivative financial instruments

- continued

**Table 22: Nominal value and weighted average fixed rate of live interest rate swaps**

	Council		2021		Group		2021	
	2022		2022		2022		2021	
	\$000	%	\$000	%	\$000	%	\$000	%
<b>Interest rate swaps - hedge accounted</b>								
Not later than one year	109,000	3.61%	114,500	3.84%	109,000	3.61%	114,500	3.84%
Later than one year and not later than five years	148,000	4.06%	210,000	3.84%	148,000	4.06%	210,000	3.84%
Later than five years	196,000	3.03%	124,500	3.28%	196,000	3.03%	124,500	3.28%
<b>Total interest rate swaps - hedge accounted</b>	<b>453,000</b>	<b>3.50%</b>	<b>449,000</b>	<b>3.69%</b>	<b>453,000</b>	<b>3.50%</b>	<b>449,000</b>	<b>3.69%</b>

For further information on the Council's interest rate swaps please refer to Note 29: Hedging Reserve (page 85) and Note 33: Financial instruments (page 92).

### Relevant significant accounting policies

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

Recognition of fair value gains or losses on derivatives that qualify for hedge accounting depends on the

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

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

### Note 13: Receivables and recoverables

**Table 23: Receivables  
and recoverables**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Current	86,355	57,656	87,755	58,919
Non-Current	-	3,400	-	3,400
<b>Total receivables and recoverables - net</b>	<b>86,355</b>	<b>61,056</b>	<b>87,755</b>	<b>62,319</b>
Trade receivables and recoverables - debtors - net	23,448	14,108	24,613	14,640
Trade recoverables - fines - net	3,657	3,808	3,657	3,808
Accrued revenue	19,715	14,065	19,738	14,740
Sundry receivables	8,239	7,884	8,659	8,050
GST recoverable	5,052	5,051	4,844	4,941
Rates recoverable	26,244	16,140	26,244	16,140
<b>Total receivables and recoverables - net</b>	<b>86,355</b>	<b>61,056</b>	<b>87,755</b>	<b>62,319</b>

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.

**Table 24: Receivables and  
recoverables from related parties**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Receivables and recoverables from related parties</b>				
Controlled entities	217	794	-	-
Associates and jointly controlled entity	168	26	168	26
<b>Total receivables and recoverables from related parties</b>	<b>385</b>	<b>820</b>	<b>168</b>	<b>26</b>

### Note 13: Receivables and recoverables

- continued

The movement in the provision for impairment of total receivables and recoverables is analysed as follows in Table 25.

**Table 25: Provision for impairment of total receivables and recoverables**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	6,943	6,999	6,943	7,028
New provisions made	205	223	206	223
Release of unused provision	(312)	(229)	(312)	(256)
Amount of provision utilised	(105)	(50)	(105)	(52)
<b>Provision for impairment of total receivables and recoverables – closing balance</b>	<b>6,731</b>	<b>6,943</b>	<b>6,732</b>	<b>6,943</b>

### Ageing of debt

The ageing profile of total net receivables and recoverables at the reporting date is as follows in Table 26.

**Table 26: Debt aging profile**

	2022			2021		
	Gross	Impaired	Net	Gross	Impaired	Net
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council</b>						
<b>Trade and other receivables and recoverables</b>						
Not past due	49,338	(152)	49,186	35,924	(100)	35,824
Past due 0-3 months	17,460	(79)	17,381	11,481	(133)	11,348
Past due 3-6 months	8,193	(50)	8,143	5,048	(271)	4,777
Past due more than 6 months	18,095	(6,450)	11,645	15,546	(6,439)	9,107
<b>Total receivables and recoverables</b>	<b>93,086</b>	<b>(6,731)</b>	<b>86,355</b>	<b>67,999</b>	<b>(6,943)</b>	<b>61,056</b>
<b>Group</b>						
<b>Trade and other receivables and recoverables</b>						
Not past due	50,646	(153)	50,493	36,830	(100)	36,730
Past due 0-3 months	17,537	(79)	17,458	11,833	(133)	11,700
Past due 3-6 months	8,208	(50)	8,158	5,053	(271)	4,782
Past due more than 6 months	18,096	(6,450)	11,646	15,546	(6,439)	9,107
<b>Total receivables and recoverables</b>	<b>94,487</b>	<b>(6,732)</b>	<b>87,755</b>	<b>69,262</b>	<b>(6,943)</b>	<b>62,319</b>

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

## Note 13: Receivables and recoverables

- continued

### 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 the Council and will receive approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange). Examples of exchange transactions include parking services and metered water rates.

#### Recoverables from non-exchange transactions

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

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

## Note 14: Prepayments

**Table 27: Prepayments**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Insurance	12,982	10,922	13,021	10,951
3 Waters reform stimulus funding	1,010	5,370	1,010	5,370
Information and communications technology	1,876	1,505	1,876	1,505
Waterfront operations	995	1,041	995	1,041
Other	1,431	2,499	1,871	2,780
<b>Total prepayments</b>	<b>18,294</b>	<b>21,337</b>	<b>18,773</b>	<b>21,647</b>

## Note 15: Other financial assets

**Table 28: Other financial assets**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<i>Represented by:</i>				
Current	102,856	62,684	109,556	63,786
Non-current	29,298	22,982	31,578	24,747
<b>Total other financial assets</b>	<b>132,154</b>	<b>85,666</b>	<b>141,134</b>	<b>88,533</b>
<i>Comprised of:</i>				
<b>Equity investments:</b>				
Civic Financial Services Ltd	524	507	524	507
NZ Local Government Funding Agency (LGFA)	8,674	7,865	8,674	7,865
Creative HQ shareholdings	-	-	1,879	1,490
Legacy investment - Wellington Museums Trust	-	-	274	260
Gifted investment - Karori Sanctuary Trust	-	-	126	-
<b>Deposits and loans</b>				
Bank Term deposits - greater than 3 months	101,000	61,500	107,700	62,602
LGFA - borrower notes	19,868	14,902	19,868	14,902
Loans to related parties	2,088	892	2,088	892
Loans to external organisations	-	-	1	15
<b>Total other financial assets</b>	<b>132,154</b>	<b>85,666</b>	<b>141,134</b>	<b>88,533</b>

### Equity investments

Civic Financial Services Limited is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.78 percent (2021: 4.78 percent) shareholding in this entity and has no present intention to sell.

The New Zealand Local Government Funding Agency Limited (LGFA), is an alternative debt provider majority owned by and operated for local authorities. The

Council holds an 8 percent shareholding of the paid-up capital and as a shareholder will benefit from a return on its investment and as a borrower from lower borrowing costs. Refer to Note 37: Related party disclosures, for more information (page 109).

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

### Deposits and loans

#### Bank deposits

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

#### Borrower notes

As part of the borrowing arrangements through the LGFA, the Council is required to leave 2.5 percent of any debt drawdown with the LGFA, as an investment, in the form of a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest to the Council, once the related borrowing is repaid or no longer owed to the LGFA. The maturity profile of these notes matches the related debt maturity profile (31 December 2022 to 16 April 2033).

#### Loans to related parties

The loans to related parties are concessionary in nature since the loans have been granted on interest free terms for all or part of the life of the loan. The movements in the loans are shown in Table 29.

## Note 15: Other financial assets

- continued

**Table 29: Loans**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Loans to related parties</b>				
<b>Wellington Regional Stadium Trust (Build and membership underwrite - \$15,394,893)</b>				
Opening balance	44	39	44	39
Amortisation of fair value adjustment	31	5	31	5
<b>Closing balance at fair value</b>	<b>75</b>	<b>44</b>	<b>75</b>	<b>44</b>
<b>Wellington Regional Stadium Trust (COVID-19 support up to \$2,100,000)</b>				
Opening balance	848	-	848	-
Draw down	1,200	900	1,200	900
Fair value adjustment	(35)	(52)	(35)	(52)
<b>Closing balance at fair value</b>	<b>2,013</b>	<b>848</b>	<b>2,013</b>	<b>848</b>
<b>Loans to other external organisations</b>				
Opening balance	-	-	15	15
New loan	-	-	1	-
Loan repayments received	-	-	(15)	-
<b>Closing balance at fair value</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>15</b>
<b>Total loans</b>	<b>2,088</b>	<b>892</b>	<b>2,089</b>	<b>907</b>

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

The Council holds a \$15.000m limited recourse loan to WRST, which is unsecured, with no specified maturity and at no interest. The loan is not repayable until all other debts are extinguished.

The amortisation rate applicable to the WRST loan is 12.710 percent.

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

**COVID-19:** Agreed in 2019/20, the new joint loan facility between the Council and Greater Wellington Regional Council was further drawn down (\$1.200m) during 2021/22. The loan facility is to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. The loan is an unsecured facility of up to \$4.200m divided equally between the lenders with a fixed interest rate of 3.0 percent and is interest free for the first two years commencing from the date of the first drawdown.

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

**Table 30: Non-current assets  
classified as held for sale**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Non-current assets held for sale are:				
Buildings	5,889	5,688	5,889	5,688
Land	7,477	9,015	7,477	9,015
<b>Total non-current assets classified as held for sale</b>	<b>13,366</b>	<b>14,703</b>	<b>13,366</b>	<b>14,703</b>

Properties still unsold or expected to sell within the next 12 months are generally either as a result of road stopping, or housing stock that will be re-invested in better suited social housing developments.

### Relevant significant accounting policies

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

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

- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.
- a plan to sell the asset is in place and an active programme to locate a buyer has been initiated.
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value.

- the sale is expected to occur within one year or beyond one year where a delay has occurred which is caused by events beyond the Group's control and there is sufficient evidence the Group remains committed to sell the asset; and
- actions required to complete the sale indicate it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

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

## Note 17: Intangibles

**Table 31: Intangibles**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Computer software</b>				
Cost - opening balance	72,823	64,079	73,419	64,826
Accumulated amortisation	(50,870)	(45,813)	(51,392)	(46,446)
Computer software opening balance	21,953	18,266	22,027	18,380
Acquired by direct purchase	1,517	8,664	1,517	8,707
Amortisation	(5,353)	(4,977)	(5,398)	(5,026)
Impairment	(3)	-	(3)	-
Net disposals	(518)	-	(521)	(34)
<b>Total computer software - closing balance</b>	<b>17,595</b>	<b>21,953</b>	<b>17,622</b>	<b>22,027</b>
Cost	73,015	72,823	73,575	73,419
Accumulated amortisation and Impairment	(55,420)	(50,870)	(55,953)	(51,392)
<b>Total computer software - closing balance</b>	<b>17,595</b>	<b>21,953</b>	<b>17,622</b>	<b>22,027</b>
<b>Work in progress</b>				
Computer software	7,645	3,029	7,645	3,029
<b>Total work in progress</b>	<b>7,645</b>	<b>3,029</b>	<b>7,645</b>	<b>3,029</b>
<b>Carbon credits</b>				
Cost - opening balance	14,049	5,299	14,049	5,299
Additions	898	8,756	898	8,756
Net disposals	(1,976)	(6)	(1,976)	(6)
<b>Total Carbon credits - closing balance</b>	<b>12,971</b>	<b>14,049</b>	<b>12,971</b>	<b>14,049</b>
<b>Total intangibles</b>	<b>38,211</b>	<b>39,031</b>	<b>38,238</b>	<b>39,105</b>

Disposals and transfers are reported net of accumulated amortisation.

## Note 17: Intangibles

- continued

### 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 2022 the Council received 14,004 units (2021: No units).

The Council purchased no units (2021: 215,347 units) to cover the expected liabilities associated with landfill operations as it had acquired additional units in 2021. The Council surrendered 75,796 units (2021: No units) for the 2021 calendar year liability. For the 2020 calendar year liability, no units were surrendered as the fixed price payment option was utilised.

**Table 32: Carbon credits**

	Council		Group	
	2022	2021	2022	2021
	Units	Units	Units	Units
Opening balance	601,177	388,830	601,177	388,830
Additions - Allocated from the Crown	14,004	-	14,004	-
Additions - Purchases	-	215,347	-	215,347
Disposals - Surrendered to the Crown	(75,796)	-	(75,796)	-
Disposals - Sales	-	(3,000)	-	(3,000)
<b>Total carbon credits</b>	<b>539,385</b>	<b>601,177</b>	<b>539,385</b>	<b>601,177</b>

During the period ending 30 June 2022, no units (2021: 3,000 units) were sold.

At 30 June 2022 the total liability relating to landfill carbon emissions is \$1.171m (2021: \$1.053m).

More information on carbon credits can be found in the Statements of service provision under activity 2.2: Waste reduction and energy conservation (Volume 1, page 59).

The movement in units held are shown in Table 32.

### Relevant significant accounting policies

#### Computer software

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

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

#### Carbon Credits

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

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

## Note 18: Investment properties

**Table 33: Investment properties**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Ground leases, other land and buildings</b>				
Opening balance	279,036	258,512	279,036	258,512
Additions by acquisition	-	28	-	28
Disposals	-	(4,100)	-	(4,100)
Fair value revaluation movements taken to surplus/(deficit)	20,614	20,496	20,614	20,496
Transfer (to)/from non-current assets classified as held for sale	-	4,100	-	4,100
Transfer between asset classes	62	-	62	-
<b>Total ground leases, other land and buildings</b>	<b>299,712</b>	<b>279,036</b>	<b>299,712</b>	<b>279,036</b>
<b>Work in progress</b>				
Other land and buildings	396	46	396	46
<b>Total work in progress</b>	<b>396</b>	<b>46</b>	<b>396</b>	<b>46</b>
<b>Total investment properties</b>	<b>300,108</b>	<b>279,082</b>	<b>300,108</b>	<b>279,082</b>

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2022 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation Services for CBRE Limited.

**Note 18:**  
Investment  
properties  
- continued

**Table 34: Investment  
property by type**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Ground leases	260,782	236,997	260,782	236,997
Other land and buildings (including WIP)	39,326	42,085	39,326	42,085
<b>Total investment properties</b>	<b>300,108</b>	<b>279,082</b>	<b>300,108</b>	<b>279,082</b>

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.

The valuation reports for the revaluations performed as at 30 June 2022 for investment properties contain statements around the risks relating to COVID-19. While the immediate impact of COVID-19 on both the real estate market and construction costs appears to have been limited, the longer-term impact is unknown which has resulted in heightened uncertainty within the valuations.

The valuation report from CBRE highlight that the market is now in a transitional phase whereby many vendors' expectations are aligned to 2021 pricing levels, yet purchasers are now impacted by interest rates that are significantly higher than those applicable during the same period. Many large-scale purchasers who were active in recent times are now largely inactive. This expectation gap has resulted in a significant drop in the volume of commercial property transactions, and it may be some time (potentially late 2022) before expectations align and transaction volumes increase.

**Note 18:**  
**Investment**  
**properties**  
- continued

**Relevant significant accounting policies**

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

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

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

Investment properties are measured initially at cost and subsequently measured at fair value, determined annually by an

independent registered valuer. Any gain or loss arising is recognised within surplus or deficit. Investment properties are not depreciated.

Certain ground leases on the waterfront and within the central city have, for accounting purposes, been treated as sold assets due to the very long-term nature of the lease and peppercorn rentals.

At a future point in time, prior to the asset being returned to the Council ownership, the Council will begin to incrementally re-recognise the value of the asset. The amortisation of the estimated future value will reflect the prevalent economic situation and will be more relevant in terms of both the estimated value and materiality.

## Note 19: Property, plant and equipment

**Table 35: Summary of property, plant and equipment**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Property, plant and equipment - opening balance	8,203,230	7,809,894	8,217,301	7,825,777
Additions	209,157	173,773	210,025	174,416
Disposals	(6,846)	(1,957)	(6,946)	(2,297)
Depreciation expense	(141,135)	(131,658)	(142,217)	(133,299)
Impairment losses	(10,615)	(2,024)	(10,615)	(2,024)
Revaluation movement	1,859,025	284,268	1,859,027	284,267
Transfer between asset classes	(69)	-	(69)	-
Movement of non-current assets held for sale	1,336	(12,387)	1,336	(12,387)
Movement of work in progress	164,164	83,321	164,257	82,848
<b>Total property, plant and equipment</b>	<b>10,278,248</b>	<b>8,203,230</b>	<b>10,292,099</b>	<b>8,217,301</b>

### 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, restricted buildings, parks and reserves, Zoo animals 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 (for

example, infrastructure assets constructed by developers and transferred to the Council on completion of a subdivision). Vested assets are recognised within their respective asset classes 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.

## Note 19: Property, plant and equipment – continued

### Recognition

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

### Measurement

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

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

After initial recognition, certain classes of property, plant and equipment are revalued to fair value. Where there is no active market for an asset, fair value is determined by 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 obsolescence 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. Most of the Council's land and buildings are of a 'non-tradeable' or specialist nature and the value is based on the fair value of the land plus the optimised depreciated replacement cost of the buildings.

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

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

#### *Restricted assets*

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

#### *Infrastructure assets*

Infrastructure assets (the roading network, water, waste and drainage reticulation networks including service concession arrangement assets (wastewater treatment plants)) are valued at optimised depreciated replacement cost on a regular basis or, whenever the carrying amount differs materially to fair value, by an independent registered valuer.

## Note 19: Property, plant and equipment – continued

Infrastructure valuations are based on the physical attributes of the assets, their condition and their remaining lives based on the Council's best information reflected in its asset management plans. The costs are based on current quotes from actual suppliers. As such, they include ancillary costs such as breaking through seal, traffic control and rehabilitation. Between valuations, expenditure on asset improvements is capitalised at cost.

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

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

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

### Other Assets

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

### Impairment

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

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

The carrying amounts of non-cash generating property, plant and equipment assets are reviewed at least annually to

determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable service amount is less than its carrying amount it will be reported at its recoverable service amount and an impairment loss will be recognised.

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

### Disposal

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

### Work in progress

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

**Note 19:**  
Property, plant  
and equipment  
- continued

The movements according to the individual classes of assets are as follows in Table 36.

**Table 36: Property, plant and equipment  
by category and class of asset**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Operational assets</b>				
<b>Land</b>				
Land - at cost - opening balance	3,161	2,205	3,161	2,205
Land - at valuation - opening balance	365,343	284,601	365,343	284,601
<b>Total land - opening balance</b>	<b>368,504</b>	<b>286,806</b>	<b>368,504</b>	<b>286,806</b>
Additions	41	956	41	956
Disposals	(2,425)	(445)	(2,425)	(445)
Revaluation movement	-	85,524	-	85,524
Revaluation adjustment	605	-	605	-
Movements of non-current assets held for sale	(1,217)	(4,337)	(1,217)	(4,337)
<b>Total land - closing balance</b>	<b>365,508</b>	<b>368,504</b>	<b>365,508</b>	<b>368,504</b>
Land - at cost - closing balance	3,202	3,161	3,202	3,161
Land - at valuation - closing balance	362,306	365,343	362,306	365,343
<b>Total land - closing balance</b>	<b>365,508</b>	<b>368,504</b>	<b>365,508</b>	<b>368,504</b>
<b>Buildings</b>				
Buildings - at cost - opening balance	115,761	107,591	115,761	104,300
Buildings - at valuation - opening balance	1,009,833	606,587	1,019,356	618,430
<b>Total cost/valuation</b>	<b>1,125,594</b>	<b>714,178</b>	<b>1,135,117</b>	<b>722,730</b>
Accumulated depreciation and impairment	(327,406)	(91,301)	(332,782)	(95,617)
<b>Total buildings - opening balance</b>	<b>798,188</b>	<b>622,877</b>	<b>802,335</b>	<b>627,113</b>
Additions	19,816	12,329	19,868	12,706
Depreciation expense	(31,461)	(20,542)	(31,646)	(21,008)
Disposals	(2,211)	(265)	(2,543)	(265)
Impairment	(6,289)	(176)	(6,289)	(176)
Revaluation movement	-	198,744	-	198,744
Transfer between asset classes	1,277	(9,749)	1,277	(9,749)
Movements of non-current assets held for sale	(202)	(5,030)	(202)	(5,030)
<b>Total buildings - closing balance</b>	<b>779,118</b>	<b>798,188</b>	<b>782,800</b>	<b>802,335</b>
Buildings - at cost - closing balance	136,410	115,761	136,410	115,761
Buildings - at valuation - closing balance	1,006,704	1,009,833	1,015,328	1,019,356
<b>Total cost/valuation</b>	<b>1,143,114</b>	<b>1,125,594</b>	<b>1,151,738</b>	<b>1,135,117</b>
Accumulated depreciation	(363,996)	(327,406)	(368,938)	(332,782)
<b>Total buildings - closing balance</b>	<b>779,118</b>	<b>798,188</b>	<b>782,800</b>	<b>802,335</b>

Disposals and transfers are reported net of accumulated depreciation.

## Note 19: Property, plant and equipment

- continued

**Table 36: Property, plant and equipment  
by category and class of asset**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Landfill post closure costs<sup>4</sup></b>				
Landfill post closure - at cost - opening balance	4,404	6,613	4,404	6,613
Accumulated depreciation	(3,541)	(3,280)	(3,541)	(3,280)
<b>Total landfill post closure costs - opening balance</b>	<b>863</b>	<b>3,333</b>	<b>863</b>	<b>3,333</b>
Depreciation expense	(102)	(260)	(102)	(260)
Movement in post closure costs	(553)	(2,210)	(553)	(2,210)
<b>Total landfill post closure costs - closing balance</b>	<b>208</b>	<b>863</b>	<b>208</b>	<b>863</b>
Landfill post closure - at cost - closing balance	3,851	4,404	3,851	4,404
Accumulated depreciation	(3,643)	(3,541)	(3,643)	(3,541)
<b>Total landfill post closure costs - closing balance</b>	<b>208</b>	<b>863</b>	<b>208</b>	<b>863</b>
<b>Civic Precinct</b>				
Civic Precinct - at cost - opening balance	182,590	180,303	182,590	180,303
Accumulated depreciation and impairment	(132,317)	(129,217)	(132,317)	(129,217)
<b>Total Civic Precinct - opening balance</b>	<b>50,273</b>	<b>51,086</b>	<b>50,273</b>	<b>51,086</b>
Additions	1,425	2,287	1,425	2,287
Depreciation expense	(1,254)	(1,252)	(1,254)	(1,252)
Disposals	(187)	-	(187)	-
Impairment	-	(1,848)	-	(1,848)
<b>Total Civic Precinct - closing balance</b>	<b>50,257</b>	<b>50,273</b>	<b>50,257</b>	<b>50,273</b>
Civic Precinct - at cost - closing balance	183,635	182,590	183,635	182,590
Accumulated depreciation and impairment	(133,378)	(132,317)	(133,378)	(132,317)
<b>Total Civic Precinct - closing balance</b>	<b>50,257</b>	<b>50,273</b>	<b>50,257</b>	<b>50,273</b>

4. 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.

## Note 19: Property, plant and equipment

- continued

### Table 36: Property, plant and equipment by category and class of asset

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Plant and equipment</b>				
Plant and equipment - at cost - opening balance	295,203	217,906	315,162	237,613
Accumulated depreciation and impairment	(169,216)	(115,274)	(182,319)	(126,876)
Total plant and equipment - opening balance	125,987	102,632	132,843	110,737
Additions	25,931	23,564	26,747	23,830
Depreciation expense	(16,854)	(23,322)	(17,751)	(24,497)
Disposals	(728)	(726)	(496)	(1,066)
Transfer between asset classes	(2,193)	23,839	(2,193)	23,839
<b>Total plant and equipment - closing balance</b>	<b>132,144</b>	<b>125,987</b>	<b>139,151</b>	<b>132,843</b>
Plant and equipment - at cost	311,883	295,203	332,129	315,162
Accumulated depreciation	(179,739)	(169,216)	(192,978)	(182,319)
<b>Total plant and equipment - closing balance</b>	<b>132,144</b>	<b>125,987</b>	<b>139,151</b>	<b>132,843</b>
<b>Library collections</b>				
Library collections - at cost - opening balance	1,569	-	1,569	-
Library collections - at valuation - opening balance	15,143	15,143	15,143	15,143
Total cost/valuation	16,712	15,143	16,712	15,143
Accumulated depreciation	(1,863)	-	(1,863)	-
Total library collections - opening balance	14,849	15,143	14,849	15,143
Additions	1,718	1,568	1,718	1,568
Depreciation expense	(2,057)	(1,862)	(2,057)	(1,862)
<b>Total library collections - closing balance</b>	<b>14,510</b>	<b>14,849</b>	<b>14,510</b>	<b>14,849</b>
Library collections - at cost - closing balance	1,718	1,569	1,718	1,569
Library collections - at valuation - closing balance	16,711	15,143	16,711	15,143
Total cost/valuation	18,429	16,712	18,429	16,712
Accumulated depreciation	(3,919)	(1,863)	(3,919)	(1,863)
<b>Total library collections - closing balance</b>	<b>14,510</b>	<b>14,849</b>	<b>14,510</b>	<b>14,849</b>
<b>Total operational assets</b>	<b>1,341,745</b>	<b>1,358,664</b>	<b>1,352,434</b>	<b>1,369,667</b>

Disposals and transfers are reported net of accumulated depreciation.

**Note 19:**  
Property, plant  
and equipment  
- continued

**Table 36: Property, plant and equipment  
by category and class of asset**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Infrastructure assets</b>				
<b>Drainage, waste and water</b>				
Drainage, waste and water - at cost - opening balance	79,225	-	79,225	-
Drainage, waste and water - at valuation - opening balance	3,944,936	3,947,514	3,944,936	3,947,514
Total cost/valuation	4,024,161	3,947,514	4,024,161	3,947,514
Accumulated depreciation	(2,132,975)	(2,083,716)	(2,132,975)	(2,083,716)
Total drainage, water and waste - opening balance	1,891,186	1,863,798	1,891,186	1,863,798
Additions	110,659	79,478	110,659	79,478
Depreciation expense	(53,295)	(49,257)	(53,295)	(49,257)
Revaluation movement	1,548,475	-	1,548,475	-
Transfer between asset classes	848	(2,833)	848	(2,833)
<b>Total drainage, water and waste - closing balance</b>	<b>3,497,873</b>	<b>1,891,186</b>	<b>3,497,873</b>	<b>1,891,186</b>
Drainage, waste and water - at cost - closing balance	109,934	79,225	109,934	79,225
Drainage, waste and water - at valuation - closing balance	7,531,028	3,944,936	7,531,028	3,944,936
Total cost/valuation	7,640,962	4,024,161	7,640,962	4,024,161
Accumulated depreciation	(4,143,089)	(2,132,975)	(4,143,089)	(2,132,975)
<b>Total drainage, water and waste - closing balance</b>	<b>3,497,873</b>	<b>1,891,186</b>	<b>3,497,873</b>	<b>1,891,186</b>
<b>Roading</b>				
Roading - at cost - opening balance	50,828	-	50,828	-
Roading - at valuation - opening balance	1,904,216	1,915,727	1,904,216	1,915,727
Total cost/valuation	1,955,044	1,915,727	1,955,044	1,915,727
Accumulated depreciation	(651,020)	(617,817)	(651,020)	(617,817)
Total roading - opening balance	1,304,024	1,297,910	1,304,024	1,297,910
Additions	38,203	50,829	38,203	50,829
Depreciation expense	(34,258)	(33,282)	(34,258)	(33,282)
Revaluation movement	292,910	-	292,910	-
Transfer between asset classes	-	(11,433)	-	(11,433)
<b>Total roading - closing balance</b>	<b>1,600,879</b>	<b>1,304,024</b>	<b>1,600,879</b>	<b>1,304,024</b>
Roading - at cost - closing balance	38,203	50,828	38,203	50,828
Roading - at valuation - closing balance	2,470,888	1,904,216	2,470,888	1,904,216
Total cost/valuation	2,509,091	1,955,044	2,509,091	1,955,044
Accumulated depreciation	(908,212)	(651,020)	(908,212)	(651,020)
<b>Total roading - closing balance</b>	<b>1,600,879</b>	<b>1,304,024</b>	<b>1,600,879</b>	<b>1,304,024</b>

Disposals and transfers are reported net of accumulated depreciation.

**Note 19:**  
Property, plant  
and equipment  
- continued

**Table 36: Property, plant and equipment  
by category and class of asset**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Infrastructure land</b>				
Infrastructure land - at cost - opening balance	-	-	-	-
Infrastructure land - at valuation - opening balance	44,177	44,323	44,177	44,323
<b>Total infrastructure land - opening balance</b>	<b>44,177</b>	<b>44,323</b>	<b>44,177</b>	<b>44,323</b>
Additions	4,365	-	4,365	-
Disposals	-	(234)	-	(234)
Impairment	(4,330)	-	(4,330)	-
Revaluation movement	17,038	-	17,038	-
Transfer between asset classes	12	88	12	88
Movements of non-current assets held for sale	(615)	-	(615)	-
<b>Total infrastructure land - closing balance</b>	<b>60,647</b>	<b>44,177</b>	<b>60,647</b>	<b>44,177</b>
Infrastructure land - at cost - closing balance	4,635	-	4,635	-
Infrastructure land - at valuation - closing balance	56,012	44,177	56,012	44,177
<b>Total infrastructure land - closing balance</b>	<b>60,647</b>	<b>44,177</b>	<b>60,647</b>	<b>44,177</b>
<b>Land under roads</b>				
Land under roads - at cost - opening balance	2,955,234	2,955,495	2,955,234	2,955,495
Additions	207	3,143	207	3,143
Disposals	(772)	(286)	(772)	(286)
Transfer between asset classes	123	(83)	123	(83)
Movements of non-current assets held for sale	3,343	(3,035)	3,343	(3,035)
<b>Land under roads - closing balance</b>	<b>2,958,135</b>	<b>2,955,234</b>	<b>2,958,135</b>	<b>2,955,234</b>
<b>Total infrastructure assets</b>	<b>8,117,534</b>	<b>6,194,621</b>	<b>8,117,534</b>	<b>6,194,621</b>

Disposals and transfers are reported net of accumulated depreciation.

**Note 19:**  
Property, plant  
and equipment  
- continued

**Table 36: Property, plant and equipment  
by category and class of asset**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Restricted assets<sup>5</sup></b>				
<b>Art and cultural assets</b>				
Art and cultural assets – at cost – opening balance	8,872	8,872	11,211	11,211
Additions	34	-	34	-
Transfer between asset classes	(13)	-	(13)	-
<b>Art and cultural assets – closing balance</b>	<b>8,893</b>	<b>8,872</b>	<b>11,232</b>	<b>11,211</b>
<b>Buildings on restricted land</b>				
Buildings on restricted land – at cost – opening balance	47,381	45,465	47,381	45,465
Accumulated depreciation	(18,266)	(16,385)	(18,266)	(16,385)
Total buildings on restricted land – opening balance	29,115	29,080	29,115	29,080
Additions	3,729	1,739	3,729	1,739
Depreciation expense	(1,854)	(1,881)	(1,854)	(1,881)
Impairment	4	-	4	-
Transfer between asset classes	-	177	-	177
<b>Total buildings on restricted land – closing balance</b>	<b>30,994</b>	<b>29,115</b>	<b>30,994</b>	<b>29,115</b>
Buildings on restricted land – at cost – closing balance	51,164	47,381	51,164	47,381
Accumulated depreciation	(20,170)	(18,266)	(20,170)	(18,266)
<b>Total buildings on restricted land – closing balance</b>	<b>30,994</b>	<b>29,115</b>	<b>30,994</b>	<b>29,115</b>
<b>Parks and reserves</b>				
Parks and reserves – at cost – opening balance	213,309	213,210	213,309	213,210
Additions	3,579	91	3,579	91
Disposals	(10)	(1)	(10)	(1)
Transfer between asset classes	(7,257)	(6)	(7,257)	(6)
Movements of non-current assets held for sale	27	15	27	15
<b>Parks and reserves – closing balance</b>	<b>209,648</b>	<b>213,309</b>	<b>209,648</b>	<b>213,309</b>

5. 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.

## Note 19: Property, plant and equipment

- continued

**Table 36: Property, plant and equipment  
by category and class of asset**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Town Belt</b>				
Town Belt - at cost - opening balance	89,232	89,232	89,232	89,232
Transfer between asset classes	7,121	-	7,121	-
<b>Town Belt - at cost - closing balance</b>	<b>96,353</b>	<b>89,232</b>	<b>96,353</b>	<b>89,232</b>
<b>Zoo animals</b>				
Zoo animals - opening balance	500	500	500	500
Disposals	(500)	-	(500)	-
<b>Zoo animals - opening balance</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>Total restricted assets</b>	<b>345,888</b>	<b>341,028</b>	<b>348,227</b>	<b>343,367</b>
<b>Work in progress</b>				
Land	1,625	5,015	1,625	5,015
Buildings	291,894	185,209	292,718	185,938
Civic Precinct	3,945	2,933	3,945	2,933
Plant and equipment	71,745	29,509	71,745	29,509
Drainage, waste and water	48,774	44,306	48,774	44,306
Roading	54,723	41,265	54,723	41,265
Other	374	680	374	680
<b>Total work in progress</b>	<b>473,081</b>	<b>308,917</b>	<b>473,904</b>	<b>309,646</b>
<b>Total property, plant and equipment</b>	<b>10,278,248</b>	<b>8,203,230</b>	<b>10,292,099</b>	<b>8,217,301</b>

Disposals and transfers are reported net of accumulated depreciation.

### Revaluation of property, plant and equipment

The Council's operational land and buildings were valued as at 30 June 2021 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.

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

The movement in asset values between 30 June 2021 and 30 June 2022 for operational land and building assets was assessed using appropriate indices. The increase in asset value of total property, plant and equipment assets was not considered material by management and accordingly these assets were not revalued for 30 June 2022.

### Infrastructure assets

The drainage, waste and water infrastructure and roading networks and the service concession assets were valued with effect from 30 June 2022 by John Vessey (MIPENZ), Partner of WSP New Zealand Limited. This revaluation would normally be performed in 2022/23 in line with the 3-year cycle. In late 2020 (during year one of the 3-year cycle) an initial assessment was performed and the predicted increase in fair values did not indicate the need to perform a full valuation for the 2020/21 year. In late 2021 (during year two) a similar exercise indicated a more material increase was expected and a full valuation was carried out in year two of the 3-year cycle. The results for roading network and the service concession assets were within expected levels.

However, there was a substantial uplift of the 3 Waters infrastructure assets, of approximately 93%. The reasons for this abnormally high increase were due to various factors such as:

- significant increases in Earthwork costs (particularly material disposal costs and import fill material costs) which comprise 66% of pipe unit rates
- up to 20% increases in Preliminary and General costs (P&G) (particularly due to Health and safety and traffic management costs). P&G costs constitute about 17% of the unit rate.
- COVID-19 related cost increases. The combination of strong demand and capacity constraints is driving a sharp increase in costs in the construction sector. Border restrictions are exacerbating labour shortages, with firms unable to hire overseas skilled labour to keep up with the demand. Firms are also finding it hard to source building materials given the continued COVID-19 related supply chain disruptions.

### Sustainable Market Conditions

Based on the above cost issues, and high interest rate environment it is very unlikely that there will be any reversal of current construction costs in the short to medium term. Hence the current cost rates reflect a sustainable market condition in the short to medium term.

### Infrastructural land

The infrastructure land assets were valued as at 30 June 2022 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

While not likely to differ greatly to fair value they were revalued to maintain alignment with the early revaluation of infrastructure networks.

The valuation report for the revaluations performed as at 30 June 2022 for infrastructural land assets contain statements around the risks relating to COVID-19. While the immediate impact of COVID-19 on both the real estate market and construction costs appears to have been limited, the longer-term impact is unknown which has resulted in heightened uncertainty within the valuations.

The valuation report from CBRE highlight that the market is now in a transitional phase whereby many vendors' expectations are aligned to 2021 pricing levels, yet purchasers are now impacted by interest rates that are significantly higher than those applicable during the same period. Many large-scale purchasers who were active in recent times are now largely inactive. This expectation gap has resulted in a significant drop in the volume of commercial property transactions, and it may be some time (potentially late 2022) before expectations align and transaction volumes increase.

Further information on revaluation reserves and movements is contained in Note 28: Revaluation reserves (page 83).

### 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.

### Service concession arrangements

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

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

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

The carrying value of these service concession assets for the Council and Group is \$155.062m (2021: \$121.584m).

## Note 19: Property, plant and equipment

- continued

### Core Assets

Included within the infrastructure assets above (Table 36) are the core Council assets shown in Table 37.

**Table 37: Council's core assets**

	2022			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	\$000	\$000	\$000	\$000
<b>Water supply</b>				
treatment plants and facilities	-	-	-	-
other assets	876,576	9,765	503	1,943,886
<b>Sewerage</b>				
treatment plants and facilities	177,583	2,674	-	296,070
other assets	1,274,888	16,243	73,115	3,058,648
<b>Stormwater drainage</b>	1,168,826	7,701	661	2,317,584
<b>Flood protection and control works</b>	-	-	-	-
<b>Roads and footpaths</b>	1,600,879	37,369	834	2,509,091
<b>Total core assets</b>	<b>5,098,752</b>	<b>73,752</b>	<b>75,112</b>	<b>10,125,278</b>
	2021			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	\$000	\$000	\$000	\$000
<b>Water supply</b>				
treatment plants and facilities	-	-	-	-
other assets	500,285	36,360	2,735	1,136,474
<b>Sewerage</b>				
treatment plants and facilities	143,877	253	-	231,502
other assets	636,993	23,149	923	1,319,448
<b>Stormwater drainage</b>	610,032	14,825	1,233	1,189,585
<b>Flood protection and control works</b>	-	-	-	-
<b>Roads and footpaths</b>	1,304,024	46,399	4,430	2,015,702
<b>Total core assets</b>	<b>3,195,211</b>	<b>120,986</b>	<b>9,321</b>	<b>5,892,711</b>

Drainage, waste, water and roads assets were revalued for the year ending 30 June 2022 by WSP New Zealand Limited as part of a required revaluation due to estimated material movements.

## Note 19: Property, plant and equipment

- continued

### Insurance of assets

**Table 38: Insurance of assets**

	Council	
	2022	2021
	\$000	\$000
Total value of property, plant and equipment	10,278,248	8,203,230
less assets (primarily land) excluded from insurance contracts	(4,163,371)	(3,979,373)
<b>Value of assets covered by insurance contracts</b>	<b>6,114,877</b>	<b>4,223,857</b>
The maximum amount to which assets are insured under Council insurance policies	728,260	713,000

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

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

An insurance reserve of \$13.836m (2021: \$12.979m) exists to meet the cost of claims that fall below deductible limits under the Council insurance policies. The reserve is funded annually through rates. For the year ending 30 June 2022 an amount of \$1.461m (2021: \$1.505m) was added to the reserve.

The net cost of claims applied to the reserve during the year amounted to \$0.605m (2021: \$1.017m).

For insurance purposes, Wellington City Council take a "Sum insured" approach to managing most risks, including for damage from a significant natural disaster. This approach recognises the wide-ranging location and type of assets in the portfolio.

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

- Below ground infrastructure (declared replacement value \$4.0b pending revaluation),
- Above ground infrastructure (declared replacement value of \$2.3b)
- Housing (declared replacement value \$0.8b).

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

The required insurance values are met by cover in place from various sources, including purchased material damage insurance, an internal Insurance reserve, balance sheet headroom (approved via the 2021-31 Long-term Plan) and a conservative level of assumed promissory allocation of Government funded rebuild capacity.

## Note 20: 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 39.

	Council	
	2022	2021
	\$000	\$000
Wellington Cable Car Limited	3,809	3,809
Wellington Regional Economic Development Agency Limited (WREDA)	1,262	1,262
<b>Total cost of investment in controlled entities</b>	<b>5,071</b>	<b>5,071</b>

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to controlled entities. The Council has only made equity investments as shareholders as noted in Table 39 above. Nominal settlement amounts (ie. \$100) made in respect of Trusts, for which Council is the settlor, have not been recognised due to their materiality and are not considered as equity investments.

Information on inter-company transactions is included in the Note 37: Related party disclosures (page 109).

The controlled entities of the Council are listed as shown in Table 40.

	Accounting Interest	Accounting Interest	Nature of business
	2022	2021	
Karori Sanctuary Trust (Trading as Zealandia)	100%	100%	Owns and manages the activities of the urban eco-sanctuary in Karori.
Wellington Cable Car Limited	100%	100%	Owns and operates the Cable Car.
Wellington Museums Trust (Trading as Experience Wellington)	100%	100%	Administers the Cable Car Museum, Capital E, the City Gallery, the Nairn Street Cottage, the Space Place (Carter Observatory), the Wellington Museum and the NZ Cricket Museum.
Wellington Regional Economic Development Agency Limited (WREDA) (Trading as WellingtonNZ)	80%	80%	Manages the Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
- Creative HQ Limited	80%	80%	Business incubators.
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Waterfront project.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

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

## Note 21: Investment in associates and joint venture

The cost of the Council's investment in associates and the joint venture is reflected in the Council financial statements as follows in Table 41.

**Table 41: Cost of investment  
in associates and joint venture**

	Council	
	2022	2021
	\$000	\$000
Chaffers Marina Holdings Limited	1,298	1,298
Wellington International Airport Limited	17,775	17,775
Wellington Water Limited	400	400
<b>Total cost of investment in associates and joint venture</b>	<b>19,473</b>	<b>19,473</b>

The Council has significant influence over the following entities as listed in Table 42. All of these are domiciled and operate in New Zealand:

**Table 42: Associates and Joint venture**

	Accounting	Accounting	Nature of business
	Interest	Interest	
	2022	2021	
Chaffers Marina Holdings Limited	10.72%	10.72%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	10.72%	10.72%	Owns and manages the marina.
Wellington International Airport Limited	34.00%	34.00%	Owns and manages Wellington International Airport facilities and services.
Wellington Water Limited	40.00%	40.00%	Manages all water services for Wellington, Lower Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the Greater Wellington Regional Council.

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

## **Note 21:** Investment in associates and joint venture

- continued

### **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 2022 the Council held a 10.72 percent (2021: 10.72 percent) interest in Chaffers Marina Holdings Limited which has been recognised in the Group financial statements on an equity accounting basis, reflecting the special rights (as set out in Chaffers Marina Limited's Constitution), which attach to the golden share that it holds in Chaffers Marina Limited.

#### **Wellington International Airport Limited**

Wellington International Airport Limited has a reporting period end date of 31 March. The ultimate majority owner, Infratil Limited, has determined a different end of reporting period to the Council, which is legislatively required to use 30 June. The Council owns 34 percent of the company, with the remaining 66 percent owned by NZ Airports Limited (which is wholly owned by Infratil Limited). The Council agreed on 23 April 2020 to underwrite additional equity, if required. For more information refer to Note 35: Contingencies (page 106).

## Note 21: Investment in associates and joint venture

- continued

### Joint venture

#### Wellington Water Limited

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

The company has a reporting period ending 30 June and has a dual share structure as shown in Table 43.

**Table 43: Shareholding Councils**

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

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

The Class B shares confer the level of contributions and ownership benefits of each council. The Council uses equity accounting to recognise its 40 percent (2021: 40 percent) ownership interest.

## Note 21: Investment in associates and joint venture

- continued

### 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 in Table 44.

**Table 44: Value of investment  
in associates and joint venture**

	Council	
	2022	2021
	\$000	\$000
<b>Chaffers Marina Holdings Limited</b>		
Opening balance	856	363
Change in shares during the year	-	441
Change in equity due to changed shareholding	-	-
Equity accounted earnings of associate	(44)	52
<b>Closing balance - investment in Chaffers Marina Holdings Limited</b>	<b>812</b>	<b>856</b>
<b>Wellington International Airport Limited</b>		
Opening balance	231,589	209,986
Dividends	-	-
Equity accounted earnings of associate	958	(4,183)
Share of net revaluation of property, plant and equipment - movement	21,535	26,359
Share of hedging reserve - movement	1,166	(573)
<b>Closing balance - investment in Wellington International Airport Limited</b>	<b>255,248</b>	<b>231,589</b>
<b>Wellington Water Limited</b>		
Opening balance	847	607
Change in equity due to changed shareholding	-	-
Equity accounted earnings of joint venture	1,299	240
<b>Closing balance - investment in Wellington Water Limited</b>	<b>2,146</b>	<b>847</b>
<b>Total value of investment in associates and joint venture</b>	<b>258,206</b>	<b>233,293</b>

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 26).

**Note 21:**  
Investment in  
associates and  
joint venture

- continued

**Summary of Financial Position and Performance of associates**

Financial information relating to the Council's associates is provided in Tables 45 and 46 below:

**Table 45: Chaffers Marina Holdings Limited**

	Council	
	2022	2021
	\$000	\$000
<b>Council</b>		
Investment in Chaffers Marina Holdings Limited (at cost)	1,298	1,298
<b>Group</b>		
<b>Summarised financial information of associate</b>		
Current assets	963	1,393
Non-current assets	5,050	4,788
Current liabilities	(235)	(182)
Non-current liabilities	(2,317)	(2,125)
<b>Net assets</b>	<b>3,461</b>	<b>3,874</b>
Revenue	1,773	2,093
Tax expense	-	-
Surplus/(deficit) after tax	(403)	437
Other comprehensive revenue and expense	-	-
<b>Total comprehensive revenue and expense</b>	<b>(403)</b>	<b>437</b>
<b>Reconciliation to equity accounted carrying amount</b>		
Net assets	3,461	3,874
Group's share %	10.72%	10.72%
Group's share \$000	371	415
Other consolidation adjustments	441	441
<b>Equity accounted carrying amount</b>	<b>812</b>	<b>856</b>
<b>Risks associated with the Council's investment in the associate</b>		
Share of contingent liabilities	-	-

**Note 21:**  
Investment in  
associates and  
joint venture  
- continued

**Table 46: Wellington International Airport Limited**

	Council	
	2022	2021
	\$000	\$000
<b>Council</b>		
Investment in Wellington International Airport Limited (at cost)	17,775	17,775
<b>Group</b>		
Dividends received	-	-
<b>Summarised financial information of associate</b>		
Current assets	55,975	96,806
Non-current assets	1,474,737	1,399,164
Current liabilities	(17,623)	(117,977)
Non-current liabilities	(762,496)	(705,266)
<b>Net assets</b>	<b>750,593</b>	<b>672,727</b>
Revenue	95,577	68,787
Tax credit/(expense)	(2,474)	12,404
Surplus/(deficit) after tax	3,043	(48,120)
Other comprehensive revenue and expense	75,048	79,573
<b>Total comprehensive revenue and expense</b>	<b>78,091</b>	<b>31,453</b>
<b>Reconciliation to equity accounted carrying amount</b>		
Net assets	750,593	672,727
Group's share %	34%	34%
Group's share \$000	255,202	228,727
Dividends received not in WIAL annual report	-	-
Difference on adoption of IFRS 9	46	2,860
Other consolidation adjustments	-	2
<b>Equity accounted carrying amount</b>	<b>255,248</b>	<b>231,589</b>
<b>Risks associated with the Council's investment in the associate</b>		
Share of contingent liabilities	-	-

**Note 21:**  
Investment in  
associates and  
joint venture

- continued

**Summary of Financial Position and Performance of joint venture**

Financial information relating to the Council's joint venture is provided in Table 47.

**Table 47: Wellington Water Limited**

	Council	
	2022	2021
	\$000	\$000
<b>Council</b>		
Investment in Wellington Water Limited (at cost)	400	400
<b>Group</b>		
<b>Summarised financial information of associate</b>		
Current assets		
Cash and cash equivalents	21,241	29,959
Other current assets	34,309	22,754
<b>Total current assets</b>	<b>55,550</b>	<b>52,713</b>
<b>Non-current assets</b>	<b>5,648</b>	<b>2,543</b>
Current liabilities		
Financial liabilities (excluding accounts payable)	-	-
Other current liabilities	(55,724)	(53,019)
<b>Total current liabilities</b>	<b>(55,724)</b>	<b>(53,019)</b>
Non-current liabilities		
Financial liabilities (excluding accounts payable)	-	-
Other non-current liabilities	(111)	(119)
<b>Total non-current liabilities</b>	<b>(111)</b>	<b>(119)</b>
<b>Net assets</b>	<b>5,363</b>	<b>2,118</b>
Revenue, excluding interest	302,385	226,288
Interest revenue	214	60
Depreciation and amortisation	(1,252)	(1,217)
Interest expense	-	-
Tax expense	-	-
Surplus/(deficit) after tax	3,374	542
Other comprehensive revenue and expense	-	-
<b>Total comprehensive revenue and expense</b>	<b>3,374</b>	<b>542</b>

**Note 21:**  
Investment in  
associates and  
joint venture  
- continued

**Table 47: Wellington Water Limited**

	Council	
	2022	2021
	\$000	\$000
<b>Reconciliation to equity accounted carrying amount</b>		
Net assets	5,363	2,118
Group's share %	40%	40%
Group's share \$000	2,145	847
Other consolidation adjustments	1	-
<b>Equity accounted carrying amount</b>	<b>2,146</b>	<b>847</b>
<b>Risks associated with the Council's investment in the associate</b>		
Shareholder funding commitments for the next three years	-	-
Share of contingent liabilities	-	-

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

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Current</b>				
Exchange transactions and transfers payable	84,963	71,877	84,503	74,211
Taxes payable	11,134	10,887	11,459	11,211
<b>Non-current</b>				
Exchange transactions and transfers payable	231	231	231	231
<b>Total exchange transactions, transfers and taxes payable</b>	<b>96,328</b>	<b>82,995</b>	<b>96,193</b>	<b>85,653</b>

Comprised of:

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Trade payables and accruals	74,358	64,790	73,898	67,124
Interest payable	5,262	3,729	5,262	3,729
Sundry payables	5,574	3,589	5,574	3,589
<b>Total exchange transactions and transfers payable</b>	<b>85,194</b>	<b>72,108</b>	<b>84,734</b>	<b>74,442</b>

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
GWRC rates	8,063	6,693	8,063	6,693
Other	3,071	4,194	3,396	4,518
<b>Total taxes payable</b>	<b>11,134</b>	<b>10,887</b>	<b>11,459</b>	<b>11,211</b>
<b>Total exchange transactions, transfers and taxes payable</b>	<b>96,328</b>	<b>82,995</b>	<b>96,193</b>	<b>85,653</b>

**COVID-19:** On 9 April 2020, the Council agreed to proactively support business cashflows by temporarily changing its terms of trade payment dates. This reduced the payment timeframes for payments to suppliers who provide goods and services to the Council down from 20 to 5 working days for valid authorised invoices. This practice is still in place as at 30 June 2022 to ensure that suppliers were able to maintain their own cashflows by receiving prompt payment.

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

- continued

**Table 51: Exchange transactions,  
transfers and payable to related parties**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Controlled entities	3,539	1,769	-	-
Associates and jointly controlled entity	2,763	14,397	2,763	14,397
<b>Total exchange transactions, transfers and payable to related parties</b>	<b>6,302</b>	<b>16,166</b>	<b>2,763</b>	<b>14,397</b>

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

## Note 23: Deferred revenue

**Table 52: Deferred revenue**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Exchange transactions</b>				
Lease rentals	2,051	2,088	2,051	2,088
Other	40	495	7,115	5,077
<b>Transfers</b>				
Wellington Venues operations	1,637	1,176	1,637	1,176
Inspection and licensing fees	5,983	4,791	5,983	4,791
Other	1,055	1,207	1,168	1,340
<b>Taxes</b>				
Rates	2,078	2,014	2,078	2,014
<b>Liabilities recognised under conditional transfer agreements</b>	<b>3,826</b>	<b>9,113</b>	<b>5,613</b>	<b>10,047</b>
<b>Total revenue in advance</b>	<b>16,670</b>	<b>20,884</b>	<b>25,645</b>	<b>26,533</b>

### Relevant significant accounting policies

#### Liabilities recognised under conditional transfer agreements

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

These liabilities relate to:

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

## Note 24: Borrowings

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

### Gross Borrowings

The gross borrowings are comprised as follows in Table 53 below:

**Table 53: Gross borrowings**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Current</b>				
Bank loans – term	1	23	1	23
Commercial paper	68,000	68,000	68,000	68,000
Debt securities – floating rate notes	141,000	86,500	141,000	86,500
Finance leases	-	-	-	21
<b>Total current</b>	<b>209,001</b>	<b>154,523</b>	<b>209,001</b>	<b>154,544</b>
<b>Non-current</b>				
Bank loans – term	10,157	7,129	11,757	7,792
Debt securities – fixed rate bonds	105,000	105,000	105,000	105,000
Debt securities – floating rate notes	697,000	642,000	697,000	642,000
Debt securities – floating rate notes – Green	50,000	-	50,000	-
<b>Total non-current</b>	<b>862,157</b>	<b>754,129</b>	<b>863,757</b>	<b>754,792</b>
<b>Total gross borrowings</b>	<b>1,071,158</b>	<b>908,652</b>	<b>1,072,758</b>	<b>909,336</b>

### Net Borrowings

When the cash position of the Council and the Group is considered the net borrowings position is comprised as follows in Table 54 below.

**Table 54: Net borrowings**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Total gross borrowings	1,071,158	908,652	1,072,758	909,336
<i>Less</i>				
Cash and cash equivalents (see Note 11)	(26,575)	(84,349)	(40,727)	(103,542)
Term deposits > 3 months	(101,000)	(61,500)	(107,700)	(62,602)
<b>Total net borrowings</b>	<b>943,583</b>	<b>762,803</b>	<b>924,331</b>	<b>743,192</b>

The Council's borrowing strategy is to minimise liquidity risk by avoiding concentration of debt maturity dates and to ensure there is long term access to funds. Further information on the liquidity and market risks associated with borrowings is contained in Note 33: Financial instruments (page 92).

## Note 24: Borrowings

- continued

Table 55, as follows, shows the utilisation of the borrowing facilities available to the Group at the end of the reporting period. The table also indicates the current applicable maturity and interest rate ranges.

	Available	Utilised	Maturities	Interest Rate Range
	\$000	\$000		%
Bank overdraft - committed	1,900	-		
Bank facilities - short term - uncommitted	5,000	-		
Bank facilities - long term - committed	210,000	-		
Bank loans - term	11,758	11,758	2023-2057	3.000
Commercial paper	68,000	68,000	09/8/2022-16/9/2022	2.154-2.790
Debt securities - fixed rate bonds	105,000	105,000	31/7/2023-14/4/2033	1.050-5.365
Debt securities - floating rate notes	838,000	838,000	15/8/2022-16/4/2033	2.100-3.750
Debt securities - floating rate notes - Green	50,000	50,000	15/10/30	2.330-2.502
<b>Total</b>	<b>1,289,658</b>	<b>1,072,758</b>		

The bank overdraft facilities are \$1.500m for the Council and \$0.400m for WREDA.

In addition to the above facilities, the 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 the Council.

### Security

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

### Internal Borrowings

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

### Ring-fenced funds

The Council holds \$80.486m (2021: \$66.596m) of funds that may only be used for a specified purpose. These funds are not held in cash but are utilised against borrowings until required. The main specified uses for these funds are as follows:

#### City Housing

As part of the agreement with the Crown for the Housing Upgrade Project an amount of \$66.806m (2021: \$53.632m), representing the accumulated surpluses and deficits from

the City Housing activity, has been ring-fenced for future investment in the Council's social housing assets.

#### Waste reduction and energy

An amount of \$13.679m (2021: \$12.964m) 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. The Council is committed to several waste minimisation projects that will utilise these funds.

**Note 25:**  
Employee benefit  
liabilities and provisions

**Table 56: Employee benefit liabilities and provisions**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Current</b>				
<b>Short-term benefits</b>				
Payroll accruals	136	108	605	512
Holiday leave	7,704	6,936	9,428	8,461
<b>Total short-term benefits</b>	<b>7,840</b>	<b>7,044</b>	<b>10,033</b>	<b>8,973</b>
<b>Non-current</b>				
<b>Long-term benefits</b>				
Long service leave provision	-	-	38	43
Retirement gratuities provision	624	724	624	724
<b>Total long-term benefits</b>	<b>624</b>	<b>724</b>	<b>662</b>	<b>767</b>
<b>Total employee benefit liabilities and provisions</b>	<b>8,464</b>	<b>7,768</b>	<b>10,695</b>	<b>9,740</b>

### 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. Please refer to Note 35: Contingencies (page 106) for more information on an unquantified contingent liability relating to holiday pay.

### 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.

**Note 25:**  
Employee benefit liabilities and provisions

- continued

Movements in specific employee benefit provisions above are analysed in Tables 57 and 58 below.

**Table 57: Other contractual provisions**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	-	104	-	127
New provision	-	-	-	-
Release of unused provision	-	-	-	-
Amount utilised	-	(104)	-	(127)
<b>Other contractual provisions - closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Background to other contractual provisions**

The above provision is to cover estimated redundancy costs, if any, as at 30 June 2022 resulting from current restructuring within the Council.

**Relevant significant accounting policies – Other contractual provisions specific**

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

## Note 25: Employee benefit liabilities and provisions

- continued

**Table 58: Retirement  
gratuities provision**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Opening balance	724	764	724	764
Movement in required provision	12	8	12	8
Release of unused provision	(4)	-	(4)	-
Rediscounting of interest	2	1	2	1
Amount utilised	(110)	(49)	(110)	(49)
<b>Retirement gratuities - closing balance</b>	<b>624</b>	<b>724</b>	<b>624</b>	<b>724</b>

### Background to the retirement gratuity provision

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

### Estimation

The gross retirement gratuities provision (inflation adjusted at 1.90 percent) as at 30 June 2022, before discounting, is \$0.689m (2021: \$0.770m). The discount factor of 3.88 percent is based on the Treasury risk-free rate.

### Relevant significant accounting policies – retirement gratuities provision specific

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

## Note 26: Provisions for other liabilities

**Table 59: Provisions  
for other liabilities**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Current</b>				
Landfill post closure costs	728	1,798	728	1,798
Weathertight homes	4,753	481	4,753	481
<b>Total current</b>	<b>5,481</b>	<b>2,279</b>	<b>5,481</b>	<b>2,279</b>
<b>Non-current</b>				
Landfill post closure costs	17,843	17,810	17,843	17,810
Weathertight homes	19,853	32,680	19,853	32,680
<b>Total non-current</b>	<b>37,696</b>	<b>50,490</b>	<b>37,696</b>	<b>50,490</b>
<b>Total provisions for other liabilities</b>	<b>43,177</b>	<b>52,769</b>	<b>43,177</b>	<b>52,769</b>

Movements in material provisions above are analysed in the Tables 60 and 61 following.

**Table 60: Landfill post closure costs**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	19,608	21,795	19,608	21,795
Movement in provision	(763)	(2,179)	(763)	(2,179)
Re-discounting of interest	495	327	495	327
Amount utilised	(769)	(335)	(769)	(335)
<b>Landfill post closure costs - closing balance</b>	<b>18,571</b>	<b>19,608</b>	<b>18,571</b>	<b>19,608</b>

### 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.

## Note 26: Provisions for other liabilities

- continued

### Background to the Landfill post-closure provision

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

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

- final cover application and vegetation.
- incremental drainage control features; 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.

### 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 4.18 percent for open landfills and between 3.69 and 3.88 percent depending on how long landfills have been closed. The gross provision (inflation adjusted at 1.95 percent for open landfills and between 2.03 and 2.13 percent for closed landfills, before discounting, is \$23.009m (2021: \$22.905m). 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 357,614m<sup>3</sup> (2021: 435,094 m<sup>3</sup>) and is expected to close in 2026 when its resource consent expires. These estimates have been made by the Council's contracted 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 2053.

### Relevant significant accounting policies – Landfill post-closure specific

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

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and known improvements in technology.

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.

## Note 26: Provisions for other liabilities

- continued

### Background to the Weathertight homes provision

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes a net amount of \$12.840m (2021: \$11.649m) as a provision for future claims relating to weathertightness issues not yet identified or not yet reported.

### Movement in the provision

During the year \$7.646m (2021: \$6.869m) was paid as either part or full settlement of claims. \$0.909m was removed from the provision after an actuarial re-assessment of the likely future costs to be incurred as

**Table 61: Weathertight homes**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	33,161	39,361	33,161	39,361
Additional or increased provision made	-	669	-	669
Release of unused provision	(909)	-	(909)	-
Amount utilised	(7,646)	(6,869)	(7,646)	(6,869)
<b>Weathertight homes - closing balance</b>	<b>24,606</b>	<b>33,161</b>	<b>24,606</b>	<b>33,161</b>

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.

## Note 26: Provisions for other liabilities

- continued

### Sensitivity

Table 62 below illustrates the potential impact on surplus or deficit of changes in some of the assumptions listed above.

**Table 62: Weathertight provision sensitivity**

	2022 \$000	
	+10%	-10%
<b>Assumption</b>	<b>Effect on Surplus or Deficit</b>	
Amount claimed	2,461	(2,461)
Settlement level award	2,461	(2,641)
Council contribution to settlement	2,461	(2,641)
Change in percentage of homeowners who will make a successful claim	1,284	(1,284)
	<b>+2%</b>	<b>-2%</b>
<b>Assumption</b>	<b>Effect on Surplus or Deficit</b>	
Discount rate	(1,847)	2,163

### Funding of weathertight homes settlements

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

**Table 63: Funding for  
weathertight homes liability**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Opening balance	(37,475)	(32,928)	(37,475)	(32,928)
Rates funding for weathertight homes liability	4,686	3,950	4,686	3,950
Total amounts paid	(7,646)	(6,869)	(7,646)	(6,869)
Interest allocation	(1,058)	(1,628)	(1,058)	(1,628)
<b>Closing balance funded through borrowings</b>	<b>(41,493)</b>	<b>(37,475)</b>	<b>(41,493)</b>	<b>(37,475)</b>

## Note 27: Deferred tax

### Recognised temporary differences and tax losses

**Table 64: Deferred tax assets and liabilities**

	Group	
	2022 \$000	2021 \$000
<b>Opening balance</b>		
Property, plant and equipment	(893)	(709)
Intangible assets	(8)	6
Employee entitlements	169	179
Other provisions	9	12
Tax losses	43	204
<b>Total opening balance</b>	<b>(680)</b>	<b>(308)</b>
<b>Charged to surplus or deficit</b>		
Property, plant and equipment	(167)	(184)
Intangible assets	4	(14)
Employee entitlements	22	(10)
Other provisions	(3)	(3)
Tax losses	234	(161)
<b>Total charged to surplus or deficit</b>	<b>90</b>	<b>(372)</b>
<b>Closing balance</b>		
Property, plant and equipment	(1,060)	(893)
Intangible assets	(4)	(8)
Employee entitlements	191	169
Other provisions	6	9
Tax losses	277	43
<b>Total closing balance</b>	<b>(590)</b>	<b>(680)</b>

### 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 \$0.108m (2021: \$0.184m).

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.

# Tauākī o ngā panoni tunga pūtea

## Statement of Changes in Equity

**Table 65: Statement of Changes in Equity  
for the year ending 30 June 2022**

	Council			Group	
	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000	Actual 2022 \$000	Actual 2021 \$000
<b>Equity - Opening balances</b>					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,815,363	3,759,368	3,809,762	3,822,663	3,821,257
Revaluation reserves	2,631,206	2,415,427	2,348,061	2,830,205	2,520,701
Hedging reserve	(47,022)	(107,041)	(107,041)	(47,641)	(107,087)
Fair value through other comprehensive revenue and expense reserve	6,029	5,085	5,085	6,656	6,100
Non-controlling interest	-	-	-	781	284
Restricted funds	18,985	16,182	16,182	23,358	20,027
<b>Total equity - opening balance</b>	<b>7,693,695</b>	<b>7,358,155</b>	<b>7,341,183</b>	<b>7,929,184</b>	<b>7,554,444</b>
<b>Changes in Equity</b>					
<b>Retained earnings</b>					
Net Surplus/(deficit) for the year	87,435	15,667	7,457	88,621	4,287
Transfer to restricted funds	(3,359)	(3,346)	(6,760)	(3,462)	(7,990)
Transfer from restricted funds	2,718	3,358	3,957	2,948	4,659
Transfer from revaluation reserves	1,210	-	947	1,210	947
Transfer to non-controlling interest	-	-	-	(16)	(497)
<b>Revaluation reserves</b>					
Fair value movement - property, plant and equipment - net	1,854,026	-	284,092	1,875,561	310,451
Transfer to retained earnings	(1,210)	-	(947)	(1,210)	(947)
<b>Hedging reserve</b>					
Movement in hedging reserve	104,646	-	60,019	105,813	59,446
<b>Fair value through other comprehensive revenue and expense reserve</b>					
Movement in fair value - Equity investments	825	-	944	854	944
Movement in fair value - Available for sale equities	-	-	-	473	(388)
<b>Non-controlling interest</b>					
Transfer from retained earnings	-	-	-	16	497
<b>Restricted funds</b>					
Transfer to retained earnings	(2,718)	(3,358)	(3,957)	(2,948)	(4,659)
Transfer from retained earnings	3,359	3,346	6,760	3,462	7,990
<b>Total comprehensive revenue and expense</b>	<b>2,046,932</b>	<b>15,667</b>	<b>352,512</b>	<b>2,071,322</b>	<b>374,740</b>

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

# Tauāki o ngā panoni tunga pūtea

## Statement of Changes in Equity

- continued

**Table 65: Statement of Changes in Equity  
for the year ending 30 June 2022**

	Council			Group	
	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000	Actual 2022 \$000	Actual 2021 \$000
<b>Equity - Closing balances</b>					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,903,366	3,775,023	3,815,363	3,911,964	3,822,663
Revaluation reserves	4,484,022	2,415,427	2,631,206	4,704,556	2,830,205
Hedging reserve	57,624	(107,041)	(47,022)	58,172	(47,641)
Fair value through other comprehensive revenue and expense reserve	6,854	5,085	6,029	7,983	6,656
Non-controlling interest	-	-	-	797	781
Restricted funds	19,626	16,194	18,985	23,872	23,358
<b>Total equity - closing balance</b>	<b>9,740,626</b>	<b>7,373,822</b>	<b>7,693,695</b>	<b>10,000,506</b>	<b>7,929,184</b>
<b>Total comprehensive revenue and expense attributable to:</b>					
Wellington City Council and Group	2,046,932	15,667	352,512	2,071,400	374,589
Non-controlling interest	-	-	-	(78)	151
	<b>2,046,932</b>	<b>15,667</b>	<b>352,512</b>	<b>2,071,322</b>	<b>374,740</b>

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

# Tauākī o ngā panoni tunga pūtea Statement of Changes in Equity

## Major budget variations

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

Opening equity is \$355.540m over budget. This is largely due to:

- \$215.779m increase in Revaluation Reserves due to higher than budgeted revaluation of Property, plant and equipment in 2020/21.
- \$60.019m reduction in Hedging Reserve due to the fair value movement in Cash flow hedges in 2020/21.
- \$55.995m increase in Retained earnings due to a higher surplus than budgeted in 2020/21.

Changes in equity were \$2,031.265m higher than budget with major variances of:

- \$1,854.026m increase in Revaluation Reserve due to the revaluation of Infrastructure assets that were scheduled for revaluation on 30 June 2023.
- \$72.325m increase in Retained earnings due to higher net surplus than budgeted. Mainly due to unbudgeted Vested assets revenue of \$82.488m.
- \$104.646m increase in Hedging reserve due to favourable movement in swap interest rates.

Closing equity is \$2,366.804m higher than budget with major variances of:

- \$2,068.595m higher Revaluation reserve due to the \$1,854.026m higher revaluation and the flow-on effect of the \$215.779m higher opening reserve balance.
- \$164.665m higher Hedging reserve following a \$104.646m favourable movement in swap interest rates.
- \$128.234m higher Retained earnings from the higher net surplus above and the flow on effect of the \$55.995m higher opening balance.

## Equity

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

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

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

## Equity management

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

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

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

## Note 28: Revaluation reserves

Table 66: Revaluation reserves

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Land - opening balance</b>	288,200	203,103	288,200	203,103
Revaluation recognised in other comprehensive revenue and expense	-	85,524	-	85,524
Transfer to retained earnings due to disposal of assets	(579)	(427)	(579)	(427)
Revaluations adjustment	605	-	605	-
<b>Land - closing balance</b>	<b>288,226</b>	<b>288,200</b>	<b>288,226</b>	<b>288,200</b>
<b>Buildings - opening balance</b>	515,432	316,901	515,432	316,901
Revaluation recognised in other comprehensive revenue and expense	-	198,744	-	198,744
Revaluation adjustment	(4,955)	(176)	(4,955)	(176)
Transfer between assets classes	-	261	-	261
Transfer to retained earnings due to disposal of assets	(631)	(298)	(631)	(298)
<b>Buildings - closing balance</b>	<b>509,846</b>	<b>515,432</b>	<b>509,846</b>	<b>515,432</b>
<b>Library collections - opening balance</b>	8,592	8,592	8,592	8,592
Revaluation recognised in other comprehensive revenue and expense	-	-	-	-
<b>Library collections - closing balance</b>	<b>8,592</b>	<b>8,592</b>	<b>8,592</b>	<b>8,592</b>
<b>Drainage, waste and water - opening balance</b>	1,167,739	1,167,739	1,167,739	1,167,739
Revaluation recognised in other comprehensive revenue and expense	1,548,475	-	1,548,475	-
<b>Drainage, waste and water - closing balance</b>	<b>2,716,214</b>	<b>1,167,739</b>	<b>2,716,214</b>	<b>1,167,739</b>
<b>Infrastructure land - opening balance</b>	24,580	24,802	24,580	24,802
Revaluation recognised in other comprehensive revenue and expense	17,038	-	17,038	-
Transfer to retained earnings due to disposal of assets	-	(222)	-	(222)
<b>Infrastructure land - closing balance</b>	<b>41,618</b>	<b>24,580</b>	<b>41,618</b>	<b>24,580</b>
<b>Roading - opening balance</b>	626,663	626,924	626,663	626,924
Revaluation recognised in other comprehensive revenue and expense	292,863	-	292,863	-
Transfer between assets classes	-	(261)	-	(261)
<b>Roading - closing balance</b>	<b>919,526</b>	<b>626,663</b>	<b>919,526</b>	<b>626,663</b>
<b>Associates' revaluation reserves - opening balance</b>	-	-	198,999	172,640
Revaluation recognised in other comprehensive revenue and expense	-	-	21,535	26,359
<b>Associates' revaluation reserves - closing balance</b>	<b>-</b>	<b>-</b>	<b>220,534</b>	<b>198,999</b>
<b>Total revaluation reserves - closing balance</b>	<b>4,484,022</b>	<b>2,631,206</b>	<b>4,704,556</b>	<b>2,830,205</b>

## Note 28: Revaluation reserves

- continued

These revaluation reserve movements are represented by:

**Table 67: Summary of revaluation reserve movements**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	2,631,206	2,348,061	2,830,205	2,520,701
Revaluation recognised in other comprehensive revenue and expense	1,858,376	284,268	1,879,911	310,627
Revaluations adjustment	(4,350)	(176)	(4,350)	(176)
Transfer to retained earnings due to disposal of assets	(1,210)	(947)	(1,210)	(947)
<b>Total revaluation reserves</b>	<b>4,484,022</b>	<b>2,631,206</b>	<b>4,704,556</b>	<b>2,830,205</b>

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

For the period ending 30 June 2022 the Council has revalued its investment properties, which are revalued annually – refer to Note 18: Investment properties, for more information (page 43).

Due to significant increases in the cost of materials and other construction components, the Council brought forward the revaluation of its infrastructure networks and land by one year. Not to do so would mean under-depreciating the assets in 2022/23 and a substantial compounded increase in depreciation charges through rates in 2023/24. Refer to Note 19: Property, Plant and Equipment, for more information (page 46).

Revaluation movements are non-cash in nature and represent the restating of the Council's assets, subject to revaluation, into current dollar values after considering the condition and remaining 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 the assets is not visible and must therefore be estimated. Any revaluation risk is minimised by performing a combination of physical inspections and condition modelling assessments.

## Note 29: Hedging reserve

**Table 68: Hedging reserve**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	(47,022)	(107,041)	(47,641)	(107,087)
Cash flow hedge net movement recognised in other comprehensive revenue and expense	104,646	60,019	105,813	59,446
<b>Total hedging reserve</b>	<b>57,624</b>	<b>(47,022)</b>	<b>58,172</b>	<b>(47,641)</b>

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

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

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

The Group movement reflects the hedging related to Wellington International Airport Limited but adjusted to align with the Groups' accounting policies.

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

**Table 69: Fair value through other comprehensive revenue and expense reserve**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Opening balance	6,029	5,085	6,656	6,100
Movements:				
Civic Financial Services Limited	17	17	17	17
Local Government Funding Agency	808	927	808	927
Creative HQ shareholdings - available for sale	-	-	473	(388)
Legacy investment - Wellington Museum Trust	-	-	13	-
Gifted investment - Karori Sanctuary Trust	-	-	16	-
<b>Total fair value through other comprehensive revenue and expense reserve</b>	<b>6,854</b>	<b>6,029</b>	<b>7,983</b>	<b>6,656</b>

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

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

## Note 31: Restricted funds

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

**Table 70: Restricted funds**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Special reserves and funds	19,131	18,503	22,188	21,652
Trusts and bequests	495	482	1,684	1,706
<b>Total restricted funds</b>	<b>19,626</b>	<b>18,985</b>	<b>23,872</b>	<b>23,358</b>

**Table 71: Special reserves and funds**

	Opening	Additional	Utilised	Closing
	Balance	Funds	Funds	Balance
	2022	2022	2022	2022
	\$000	\$000	\$000	\$000
<b>Council</b>				
City Growth Fund	4,742	1,885	(2,113)	4,514
Reserve purchase and development fund	782	-	-	782
Insurance reserve	12,979	1,461	(605)	13,835
<b>Total Council</b>	<b>18,503</b>	<b>3,346</b>	<b>(2,718)</b>	<b>19,131</b>
Controlled entities' reserve funds	3,149	96	(188)	3,057
<b>Total Group - Special reserves and funds</b>	<b>21,652</b>	<b>3,442</b>	<b>(2,906)</b>	<b>22,188</b>

## Note 31: Restricted funds

- continued

### Nature and purpose, funding and utilisation

#### City Growth fund

The City Growth fund has a closing balance of \$4.514m (2021: \$4.742m) with funding for the year of \$1.885m (2021: \$5.241m) provided from rates. During the year \$2.113m (2021: \$2.940m) was utilised.

#### Reserve purchase and development fund

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

#### Insurance reserve

This reserve came into effect in 2001 and allows the Council to meet the cost of claims that fall below deductible limits under the Council's insurance policies. Additions to the reserve of \$1.461m (2021: \$1.505m) were funded through rates as identified in the LTP. During the year \$0.605m (2021: \$1.017m) was used to meet under-excess insurance costs.

### Controlled entities' reserve funds

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

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

### Analysis of movements in trusts and bequests

#### Additional funds and utilisation

Trusts and bequests receiving additional funds during the year were only those where interest totalling \$0.013m (2021: \$0.014m) has been applied in accordance with the original terms and conditions.

### Nature and purpose

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

The Wellington Zoo Trust has several 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 - [wellingtonzoo.com/about-us/about-our-zoo](http://wellingtonzoo.com/about-us/about-our-zoo)

#### Charles Plimmer Bequest

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

As at 31 August 2021, the value of the estate held by the Public Trust was \$20.852m (31 August 2020: \$18.639m), but the distributions to the beneficiary are only available from an agreed percentage of revenue generated. The distributions are only drawn down as required.

During the year:

- Distributions recognised as revenue - \$0.495m
- Funds utilised towards the Pukehuia Park (Newlands) upgrade - \$0.495m.

# Tauāki o ngā rerenga moni

## Statement of Cash flows

Table 72: Statement of Cash flows

	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2022	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>					
Receipts from rates – Council	378,439	391,452	342,909	378,439	342,909
Receipts from rates – Greater Wellington Regional Council	77,127	82,205	72,795	77,127	72,795
Receipts from activities and other revenue	134,206	154,314	179,056	152,128	197,139
Receipts from grants and subsidies – Operating	20,657	8,616	18,604	31,621	31,413
Receipts from grants and subsidies – Capital	32,396	44,551	27,118	32,845	28,025
Receipts from investment property lease rentals	11,045	10,376	10,999	11,045	10,999
Cash paid to suppliers and employees	(388,785)	(380,985)	(362,803)	(446,294)	(420,323)
Rates paid to GWRC	(77,621)	(82,205)	(71,428)	(77,621)	(71,428)
Grants paid	(45,947)	(49,052)	(46,901)	(17,215)	(19,266)
Income tax paid	-	-	-	(126)	183
Net GST (paid)/received	(797)	-	5,128	(1,014)	5,742
<b>Net cash flows from operating activities</b>	<b>140,720</b>	<b>179,272</b>	<b>175,477</b>	<b>140,935</b>	<b>178,188</b>
<b>Cash flows from investing activities</b>					
Dividends received	64	127	66	64	66
Interest received	2,991	13	2,114	3,150	2,246
Decrease in bank investments	-	-	-	235	-
Proceeds from sale of property, plant and equipment	5,749	2,000	2,163	5,753	2,848
Proceeds from sale of Intangibles	-	-	109	-	109
Proceeds from sale of Investment property	-	-	500	-	500
Loan advances made	(1,200)	-	(900)	(1,200)	(900)
(Increase)/decrease in investments	(44,466)	-	(36,690)	(50,137)	(35,788)
Purchase of investment properties	(62)	-	(1,092)	(62)	(1,092)
Purchase of intangibles	(5,053)	(4,252)	(18,277)	(5,053)	(18,277)
Purchase of property, plant and equipment	(291,758)	(331,760)	(245,489)	(292,658)	(246,070)
<b>Net cash flows from investing activities</b>	<b>(333,735)</b>	<b>(333,872)</b>	<b>(297,496)</b>	<b>(339,908)</b>	<b>(296,358)</b>
<b>Cash flows from financing activities</b>					
New borrowings	249,343	325,565	250,721	250,281	251,385
Repayment of borrowings	(86,837)	(132,000)	(118,000)	(86,858)	(118,028)
Interest paid on borrowings	(27,265)	(23,323)	(24,930)	(27,265)	(24,930)
<b>Net cash flows from financing activities</b>	<b>135,241</b>	<b>170,242</b>	<b>107,791</b>	<b>136,158</b>	<b>108,427</b>
Net increase/(decrease) in cash and cash equivalents	(57,774)	15,642	(14,228)	(62,815)	(9,743)
Cash and cash equivalents at beginning of year	84,349	5,777	98,577	103,542	113,285
<b>Cash and cash equivalents at end of year</b>	<b>26,575</b>	<b>21,419</b>	<b>84,349</b>	<b>40,727</b>	<b>103,542</b>

The notes on page 13 to 126 form part of and should be read in conjunction with the financial statements.

## Tauākī o ngā rerenga moni Statement of Cash flows

- continued

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

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

The Council has ring-fenced funds of \$80.486m (2021: \$66.596m) relating

to the City Housing and Waste activities. For more information see Note 24: Borrowings (page 70).

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.

## Tauākī o ngā rerenga moni 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 \$38.552m lower than budget, including main variances of:

- \$13.013m lower rates received. \$5.000m relates to water rates not invoiced. Total rates debtors are \$10.104m higher than 2021
- \$20.108m less from activities and other revenue, particularly Parking \$7.364m, Parks, Sports and Recreation \$ 2.258m and Wellington Venues \$2.500m
- \$12.041m higher operating grants mainly due to the \$12.839m of unbudgeted Government Stimulus funding
- \$12.155m lower capital grants and subsidies received largely due to lower Waka Kotahi (NZTA) reimbursements due to capital programme underspends

- \$7.800m higher overall payments to suppliers as \$13.090m Government Stimulus funding passed to Wellington Water.

Net cash flows from investing activities were only \$0.137m lower than budget, including main variances of:

- \$2.978m higher than budgeted interest revenue as budgeted as net interest expense
- \$3.749m of additional proceeds from assets sales due to timing of sales
- \$1.200m of an unbudgeted loan advance to WRST
- \$44.466m of higher investments due to timing of maturities and prefunding decisions

- \$39.139m of lower spend on new assets due to lower than budgeted work undertaken.

Net cash flows from financing activities were \$35.001m lower than budget, including main variances of:

- \$31.059m lesser increase in net borrowings due to lower than budgeted capital expenditure
- \$3.942m higher gross interest expense due to higher interest rates. However, this reduces when netted against the \$2.978m interest revenue to \$0.964m.

## Note 32: Reconciliation of cash flows

**Table 73: Reconciliation of net  
Surplus/(deficit) to net cash flows  
from operating activities**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Net Surplus/(deficit) for the period</b>	<b>87,435</b>	<b>7,457</b>	<b>88,621</b>	<b>4,287</b>
<b>Add/(deduct) non-cash items:</b>				
Vested assets	(82,488)	(9,411)	(82,488)	(9,411)
Bad debts written off not previously provided for	133	76	133	79
Depreciation and amortisation	146,488	136,635	147,615	138,324
Impairment of property, plant and equipment	4,415	1,849	4,415	1,849
Fair value changes in investment properties	(20,614)	(20,496)	(20,614)	(20,496)
Other fair value changes	3	48	(375)	(23)
Movement in provision for impairments of doubtful debts	(317)	(95)	(317)	(122)
Tax expense/(credit)	-	-	(64)	30
Non-cash movement in provisions	(930)	830	(816)	977
<b>Total non-cash items</b>	<b>46,690</b>	<b>109,436</b>	<b>47,489</b>	<b>111,207</b>
<b>Add/(deduct) movement in working capital:<sup>6</sup></b>				
Exchange receivables and non-exchange recoverables	(25,380)	34,229	(23,088)	34,767
Prepayments	3,043	(12,620)	2,874	(12,423)
Inventories	(157)	762	(141)	854
Exchange transactions, taxes and transfers payables	13,523	14,245	8,081	12,960
Revenue in advance	(4,214)	6,582	(486)	7,190
Employee benefit liabilities	668	(276)	1,110	(588)
Provision for other liabilities	(8,007)	(6,974)	(8,163)	(6,625)
<b>Total working capital movement</b>	<b>(20,524)</b>	<b>35,948</b>	<b>(19,813)</b>	<b>36,135</b>
<b>Add/(deduct) investing and financing activities:</b>				
Net (gain)/loss on disposal of property, plant and equipment	2,391	(552)	2,424	(548)
Net (gain)/loss on disposal of intangibles	518	(126)	518	(126)
Net (gain)/loss on disposal of investment property	-	564	-	564
Dividends received	(64)	(66)	(310)	(66)
Interest received	(2,991)	(2,114)	(3,165)	(2,186)
Tax paid and subvention receipts	-	-	110	94
Interest paid on borrowings	27,265	24,930	27,274	24,936
Share of equity accounted (surplus)/deficit in associates	-	-	(2,213)	3,891
<b>Total investing and financing activities</b>	<b>27,119</b>	<b>22,636</b>	<b>24,638</b>	<b>26,559</b>
<b>Net cash flows from operating activities</b>	<b>140,720</b>	<b>175,477</b>	<b>140,935</b>	<b>178,188</b>

6. Excluding non-cash items

## Note 32: Reconciliation of cash flows

- continued

**Table 74: Reconciliation of liabilities  
arising from financing activities**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Opening balance</b>				
Current borrowings	154,523	186,000	154,544	186,028
Non-current borrowings	754,129	589,931	754,792	589,951
Hedges held against borrowings:				
Interest rate swaps - cash flow hedges	47,022	107,041	47,641	107,087
<b>Total opening balance</b>	<b>955,674</b>	<b>882,972</b>	<b>956,977</b>	<b>883,066</b>
<b>Cash flow movements - current</b>				
Repayment of borrowings - current	(86,836)	(118,000)	(86,857)	(118,028)
Movement from non-current to current borrowings	141,313	86,523	141,313	86,544
<b>Cash flow movements - non-current</b>				
New borrowings	249,342	250,721	250,279	251,385
Movement from non-current to current borrowings	(141,313)	(86,523)	(141,313)	(86,544)
<b>Total Cash movements</b>	<b>162,506</b>	<b>132,721</b>	<b>163,422</b>	<b>133,357</b>
<b>Non-cash flow movements</b>				
Interest rate swaps - cash flow hedges	(104,646)	(60,019)	(105,813)	(59,446)
<b>Total movements</b>	<b>57,860</b>	<b>72,702</b>	<b>57,609</b>	<b>73,911</b>
<b>Closing balance</b>				
Current borrowings	209,001	154,523	209,001	154,544
Non-current borrowings	862,157	754,129	863,757	754,792
Hedges held against borrowings:				
Interest rate swaps - cash flow hedges	(57,624)	47,022	(58,172)	47,641
<b>Total closing balance</b>	<b>1,013,534</b>	<b>955,674</b>	<b>1,014,586</b>	<b>956,977</b>

# Ētahi atu whākitanga

## Other disclosures

### Note 33: Financial instruments

Financial instruments include financial assets (loans and receivables or recoverables and financial assets at fair value through other comprehensive revenue and expense), financial liabilities (payables and borrowings) and derivative financial instruments.

Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

#### Relevant significant accounting policies

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

#### Financial Assets

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

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

- Cash and cash equivalents comprise cash balances and bank deposits with maturity dates of three months or less.
- Receivables and recoverables have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.
- Loans and deposits include loans to other entities (including controlled entities and associates), and bank deposits with maturity dates of more than three months.

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

Financial assets at fair value through other comprehensive revenue and expense primarily relate to equity investments that are held by the Group for long-term strategic purposes and therefore are not intended to be sold. Within the Group, small shareholdings are held in start-up companies, which are available for sale, until the companies mature or cease operations. Financial assets at fair value through other comprehensive revenue and expense

are initially recorded at fair value plus transaction costs. They are subsequently measured at fair value and changes, other than impairment losses, are recognised directly in a reserve within equity. On disposal, the cumulative fair value gain or loss previously recognised directly in other comprehensive revenue and expense is recognised within surplus or deficit.

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

**Note 33:**  
**Financial**  
**instruments**  
 – continued

Table 75 below, provides an analysis of the Group's financial assets and financial liabilities by reporting category as described in the accounting policies:

<b>Table 75: Financial instruments by category</b>	<b>Council</b>		<b>Group</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	26,575	84,349	40,727	103,542
Receivables and recoverables	86,355	61,056	87,755	62,319
Other financial assets	122,956	77,294	129,657	78,411
<b>Total loans and receivables</b>	<b>235,886</b>	<b>222,699</b>	<b>258,139</b>	<b>244,272</b>
<b>Financial assets at fair value through other comprehensive revenue and expense</b>				
Other financial assets	9,198	8,372	11,477	10,122
<b>Total financial assets at fair value through other comprehensive revenue and expense</b>	<b>9,198</b>	<b>8,372</b>	<b>11,477</b>	<b>10,122</b>
<b>Hedged derivative financial instruments</b>				
Derivatives designated as cash flow hedges	58,407	7,821	58,407	7,821
<b>Total hedged derivative financial instruments</b>	<b>58,407</b>	<b>7,821</b>	<b>58,407</b>	<b>7,821</b>
<b>Total financial assets</b>	<b>303,491</b>	<b>238,892</b>	<b>328,023</b>	<b>262,215</b>
Total non-financial assets	10,673,715	8,582,714	10,922,324	8,806,523
<b>Total assets</b>	<b>10,977,206</b>	<b>8,821,606</b>	<b>11,250,347</b>	<b>9,068,738</b>
<b>Financial liabilities</b>				
<b>Financial liabilities at amortised cost</b>				
Exchange transactions and transfers payable	85,194	72,108	84,734	74,442
Taxes payable	11,134	10,887	11,459	11,211
Borrowings	1,071,158	908,652	1,072,758	909,336
<b>Total financial liabilities at amortised cost</b>	<b>1,167,486</b>	<b>991,647</b>	<b>1,168,951</b>	<b>994,989</b>
<b>Derivative financial instruments</b>				
Derivatives designated as cash flow hedges	783	54,843	783	54,843
<b>Total derivative financial instruments</b>	<b>783</b>	<b>54,843</b>	<b>783</b>	<b>54,843</b>
<b>Total financial liabilities</b>	<b>1,168,269</b>	<b>1,046,490</b>	<b>1,169,734</b>	<b>1,049,832</b>
Total non-financial liabilities	68,311	81,421	80,107	89,722
<b>Total liabilities</b>	<b>1,236,580</b>	<b>1,127,911</b>	<b>1,249,841</b>	<b>1,139,554</b>

## Note 33: Financial instruments

- continued

### Fair value

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

#### Fair value hierarchy

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

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

**Table 76:**  
**Group hierarchy**

	2022			2021		
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Financial assets</b>						
Financial assets at fair value through other comprehensive revenue and expense	-	-	11,475	-	-	10,122
Derivative financial instruments						
Cash flow hedges	-	58,407	-	-	7,821	-
<b>Financial liabilities</b>						
Derivative financial instruments						
Cash flow hedges	-	783	-	-	54,843	-

**Note 33:**  
**Financial**  
**instruments**  
 - continued

**Table 77: Reconciliation of fair value movements in Level 3**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Financial assets at fair value through other comprehensive revenue and expense</b>				
<b>Equity investments</b>				
Opening balance - 1 July	8,372	7,428	10,122	9,258
Purchases	-	-	156	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Loss on investment	-	-	(53)	(2)
Gains or losses recognised in other comprehensive revenue and expense	825	944	1,250	866
<b>Closing balance - 30 June</b>	<b>9,197</b>	<b>8,372</b>	<b>11,475</b>	<b>10,122</b>

The Level 3 equity investments comprise the Group's shareholdings in the Local Government Funding Agency \$8.673m (2021: \$7.865m), Civic Assurance \$0.524m (2021: \$0.507m), the Creative HQ shareholdings \$1.878m (2021: \$1.490m), a legacy investment for Wellington Museum's Trust of \$0.274m (2021: \$0.260m) and a new gifted investment for the Karori Sanctuary Trust of \$0.126m. Refer to Note 15: Other financial assets (page 38) for more details.

## Note 33: Financial instruments

- continued

### 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 as follows:

#### Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is

not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer Note 35: Contingencies (page 106)). There is currently no liability recognised for these guarantees as the Group does not expect to be called upon for payment.

The Group's maximum exposure to credit risk at the end of the reporting period is detailed in Table 78 below.

**Table 78: Financial instruments with credit risk**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Cash and cash equivalents	26,560	84,349	40,698	103,542
Derivative financial instrument assets	58,407	7,821	58,407	7,821
Receivables and recoverables	86,355	61,056	87,755	62,319
Other financial assets				
Bank deposits - term > 3 months	101,000	61,500	107,700	62,602
LGFA borrower notes	19,868	14,902	19,868	14,902
Loans to related parties - other organisations	2,088	892	2,088	892
Loans to external organisations	-	-	1	15
<b>Total financial instruments with credit risk</b>	<b>294,278</b>	<b>230,520</b>	<b>316,517</b>	<b>252,093</b>

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

The Group is exposed to credit risk as a guarantor of the LGFA's borrowings. Further information about this exposure is explained in Note 35: Contingencies (page 106).

### Note 33: Financial instruments

- continued

#### Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard and Poor's credit ratings (or otherwise as stated) in Table 79 as follows.

**Table 79: Counterparties  
with credit ratings**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Cash - registered banks</b>				
AA-	6,560	84,333	19,189	97,021
<b>Short-term deposits (less than 3 months) - registered banks</b>				
AA (Fitch)	20,000	-	21,509	2,988
<b>Term deposits (greater than 3 months) - registered banks</b>				
AA-	65,000	39,000	71,700	43,602
AA (Fitch)	20,000	22,500	20,000	22,500
<b>Term deposits - borrower notes - NZ LGFA</b>				
AAA	19,868	14,902	19,868	14,902

## Note 33: Financial instruments

- continued

### Liquidity risk

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

### Contractual maturity

The following maturity analysis in Table 80 sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis. Contractual cash flows

for financial liabilities include the nominal amount and interest payable.

**Table 80: Contractual cash flows of financial liabilities excluding derivatives**

	Council		Group	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Contractual cash flows of financial liabilities excluding derivatives</b>				
0-12 months	330,254	247,233	329,794	250,195
1-2 years	155,960	153,422	155,960	153,422
2-5 years	320,180	291,207	321,924	291,930
More than 5 years	578,307	396,933	578,307	396,933
<b>Total contractual cash flows of financial liabilities excluding derivatives</b>	<b>1,384,701</b>	<b>1,088,795</b>	<b>1,385,985</b>	<b>1,092,480</b>
<b>Represented by:</b>				
Carrying amount as per the Statement of Financial Position	1,156,352	991,719	1,157,492	995,344
Future interest payable	228,349	97,076	228,493	97,136
<b>Total contractual cash flows of financial liabilities excluding derivatives</b>	<b>1,384,701</b>	<b>1,088,795</b>	<b>1,385,985</b>	<b>1,092,480</b>

### Note 33: Financial instruments

- continued

The following maturity analysis in Table 81, 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	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Contractual cash flows of derivative financial liabilities</b>				
0-12 months	1,586	14,192	1,586	14,192
1-2 years	84	11,521	84	11,521
2-5 years	44	21,519	44	21,519
More than 5 years	6	12,464	6	12,464
<b>Total contractual cashflow of derivative financial liabilities</b>	<b>1,720</b>	<b>59,696</b>	<b>1,720</b>	<b>59,696</b>
<b>Represented by:</b>				
Future interest payable	1,720	59,696	1,720	59,696
<b>Total contractual cashflows of financial liabilities excluding derivatives</b>	<b>1,720</b>	<b>59,696</b>	<b>1,720</b>	<b>59,696</b>

In addition to cash to be received in 2022/23 the Group currently has \$210.000m (2021: \$130.000m) in unutilised committed bank facilities available to settle obligations as well as \$132.982m (2021: \$162.460m) of cash, cash equivalents and receivables and is expected to have sufficient cash to meet all contractual liabilities as they fall due.

The Group is exposed to liquidity risk as a guarantor of all LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its obligations when they fall due. Information about this exposure is explained in Note 35: Contingencies (page 106).

The Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits as shown in Table 82.

	Minimum	Maximum	Actual
<b>Period</b>			
0-3 years	15%	60%	25%
3-5 years	15%	60%	32%
More than 5 years	15%	60%	43%

## Note 33: Financial instruments

- continued

### Market risk

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

### Cash flow and fair value interest rate risk

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

The Group manages its cash flow interest rate risk by using interest rate swaps. These have the economic effect of converting borrowings from floating rates to fixed rates.

The Group uses interest rate swaps to maintain a required proportion of borrowing between fixed and floating interest rates, using a corridor policy, as specified in the liability management policy.

The proportion of gross borrowing at a fixed interest rate for the period ending 30 June 2022 is 59 percent. (2021: 73 percent)

Table 83 below shows the effect of the interest rate swaps at reducing the Council's and Group's exposure to interest rate risk:

**Table 83: Interest rate volatility**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Financial instruments subject to interest rate volatility - before effect of interest rate swaps</b>				
Cash and cash equivalents	26,575	84,349	40,727	103,542
Bank deposits - term greater than 3 months	101,000	61,500	107,700	62,602
Commercial paper	(68,000)	(68,000)	(68,000)	(68,000)
Debt securities - floating rate notes	(888,000)	(728,500)	(888,000)	(728,500)
<b>Total financial instruments subject to interest rate volatility - before effect of interest rate swaps</b>	<b>(828,425)</b>	<b>(650,651)</b>	<b>(807,573)</b>	<b>(630,356)</b>
<b>Effect of interest rate swaps in reducing interest rate volatility</b>				
Effect of Cash flow interest rate swaps - hedged	453,000	549,000	453,000	549,000
<b>Total effect of interest rate swaps in reducing interest rate volatility</b>	<b>453,000</b>	<b>549,000</b>	<b>453,000</b>	<b>549,000</b>
<b>Total financial instruments subject to interest rate volatility - after effect of interest rate swaps</b>	<b>(375,425)</b>	<b>(101,651)</b>	<b>(354,573)</b>	<b>(81,356)</b>

### Note 33: Financial instruments

- continued

These interest rate swaps have a nominal value which represents the value of the debt that they are covering (included above). This amount is not recorded in the financial statements. Instead, the fair value of these interest rate swaps is recognised. This represents the difference between the forecast current floating interest rate and the fixed swap interest rate discounted back to present value. As at 30 June 2022 the fair value of the interest rate swaps was \$57.624m (2021: -\$47.022m). The asset represents the forecast extra cash flows the Council is expected to receive from locking in fixed interest rates lower than current market rates.

Given that the interest rate swaps have terms that match with the borrowings (short term bank facilities, commercial paper and debt securities), it is appropriate to include the effect of the interest rate swaps on the borrowings interest rate and present the net effective interest rates for the underlying borrowings in Table 84 as follows.

**Table 84: Weighted effective interest rates**

	Council		Group	
	2022	2021	2022	2021
	%	%	%	%
<b>Investments</b>				
Cash and cash equivalents	2.23	0.25	0.59	0.25
Bank deposits - term	1.99	0.93	1.98	0.93
LGFA - borrower notes	0.53	0.63	0.53	0.63
Loans to related parties	-	-	-	-
<b>Borrowings</b>				
Bank loans	3.00	3.65	3.00	3.65
Commercial paper	2.53	0.36	2.53	0.36
Debt securities - fixed	2.02	2.02	2.02	2.02
Debt securities - floating	2.60	0.97	2.60	0.97
Derivative financial instruments - hedged	3.50	3.69	3.50	3.69

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

The loan facility to WRST for COVID-19 support and further upgrade of the Fran Wilde walkway will be at an interest rate of 3% p.a. but will only be applied two years after the initial drawdown in 2020/21.

## Note 33: Financial instruments

- continued

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

**Table 85: Sensitivity to interest rate risk**

Note	Group 2022 \$000				
	+1%	-1%	+1%	-1%	
	Effect on Surplus or Deficit		Effect on Other Comprehensive Revenue and Expense		
<b>Financial assets</b>					
Cash and cash equivalents	a	407	(407)	-	-
LGFA - borrower notes	b	199	(199)	-	-
Term deposits > 3 months	c	1,077	(1,077)	-	-
Derivatives - interest rate swaps - hedged	d	-	-	37,135	(41,264)
<b>Financial liabilities</b>					
Derivatives - interest rate swaps - hedged	d	-	-	2,722	(2,809)
Debt securities - floating rate notes	e	(4,860)	4,860	-	-
Bank loans	f	(102)	102	-	-
Commercial paper	g	(170)	170	-	-
<b>Total sensitivity to interest rate risk</b>		<b>(3,449)</b>	<b>3,449</b>	<b>39,857</b>	<b>(44,073)</b>

### a. Cash and cash equivalents

Group funds are held in several different registered bank accounts with interest payable on the aggregation of all accounts. While most of the funds are held on short-term deposit, they are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 1 percent has an effect on interest revenue of \$0.407m accordingly.

### b. LGFA borrower notes

The Group holds \$19.868m of borrower notes which are investments held by LGFA as part of their lending policy. They are subject to quarterly interest rate resetting. A movement in interest rates of plus or minus 1 percent has an effect on interest revenue of \$0.199m accordingly.

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

Bank deposits greater with bank maturities greater than 3 months are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 1 percent has an effect on interest revenue of \$1.077m accordingly.

### d. Derivatives - hedged interest rate swaps

Derivatives include hedged interest rate swaps with a fair value totalling \$57.624m. A movement in interest rates of plus 1 percent has an effect on increasing the unrealised value of the hedged interest rate swaps by \$39.857m. A movement in interest rates of minus 1 percent has an effect on reducing the unrealised value of the hedged interest rate swaps by \$44.073m.

### e. Debt securities - floating rate notes

Debt securities at floating rates total \$888.000m. The full exposure to changes in interest rates has been reduced because the Group has \$402.000m of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1 percent has an effect on the interest expense of \$4.860m accordingly.

### f. Bank Loans

The Group, through the Council's joint operations with Porirua City Council has a bank term loans of \$10.158m. This loan consists of various loans provided to the joint operations through Porirua City Council borrowing. A movement in interest rates of plus or minus 1 percent has an effect on the interest expense of \$0.102m accordingly.

### g. Commercial paper

The Group has a Commercial Paper programme which is subject to floating rates and totals \$100.000m of which only \$68.000m is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has \$51.000m of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 1 percent has an effect on the interest expense of \$0.170m accordingly.

## Note 34: Commitments

**Table 86: Capital commitments**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Approved and contracted – property, plant and equipment	156,815	259,227	158,215	259,232
Approved and contracted – investment properties	-	-	-	-
Approved and contracted – intangibles	-	-	-	-
Approved and contracted – share of associates	-	-	7,444	7,244
Approved and contracted – share of joint ventures	-	-	-	-
<b>Total capital commitments</b>	<b>156,815</b>	<b>259,227</b>	<b>165,659</b>	<b>226,476</b>

The capital commitments in Table 86 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 2021/22 to future years.

## Note 34: Commitments

- continued

### 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 and 21 years and the majority of the lease agreements are generally renewable at the end of the lease period at market rates.

The value of minimum payments for non-cancellable operating leases is recognised as an expense in Note 7: Expenditure on operating activities (page 21).

**Table 87: Non-cancellable operating lease commitments as lessee**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Plant and equipment</b>				
Not later than one year	-	-	84	73
Later than one year and not later than five years	-	-	69	82
Later than five years	-	-	-	-
<b>Land and buildings</b>				
Not later than one year	10,815	10,129	13,170	10,714
Later than one year and not later than five years	30,054	19,314	30,722	19,791
Later than five years	47,487	25,120	47,487	25,120
<b>Total non-cancellable operating lease commitments as lessee</b>	<b>88,356</b>	<b>54,563</b>	<b>91,532</b>	<b>55,780</b>

#### 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.

## Note 34: Commitments

- continued

### 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.

The committed revenues expected from these lease portfolios are analysed as follows in Table 88.

**Table 88: Non-cancellable operating lease commitments as lessor**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
<b>Investment properties</b>				
Not later than one year	10,971	8,655	10,971	8,655
Later than one year and not later than five years	38,322	29,404	38,322	29,404
Later than five years	73,020	52,720	73,020	52,720
<b>Land and buildings</b>				
Not later than one year	5,849	4,499	5,849	4,502
Later than one year and not later than five years	4,173	6,622	4,173	6,622
Later than five years	9,093	6,891	9,093	6,891
<b>Total non-cancellable operating lease commitments as lessor</b>	<b>141,428</b>	<b>108,791</b>	<b>141,428</b>	<b>108,794</b>

### Commitments to related parties

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

### Relevant significant accounting policies

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

## Note 35: Contingencies

**Table 89: Contingent liabilities**

	Council		Group	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Uncalled capital – LGFA	1,866	1,866	1,866	1,866
Other legal proceedings	399	585	399	585
WIAL equity underwrite	-	25,760	-	25,760
WRST loan facility	-	1,200	-	1,200
WOW Funding agreement	-	5,000	-	5,000
Share of associates' and joint venture's contingent liabilities	-	-	-	-
Share of joint operations' contingent liabilities	-	-	-	-
<b>Total contingent liabilities</b>	<b>2,265</b>	<b>34,411</b>	<b>2,265</b>	<b>34,411</b>

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

The Council is one of 30 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. There are now 69 guarantor Councils in total. In this regard the 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, the Council is a guarantor of all of LGFA's borrowings. At 30 June 2022, LGFA had borrowings totalling \$15,789m (2021: \$13,609m).

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

### 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.

### Other legal proceedings

Other legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid. The outcome of these remains uncertain at the end of the reporting period. The maximum exposure to the Group is anticipated to be less than \$0.400m.

### Structural defect claim

A large and novel claim alleging a breach of duty to a tenant of a commercial building was filed in August 2019. The claim is at an early stage. The Council's current estimated financial exposure for this claim is \$0.050m being the insurance excess payable, which is included in the total above.

## Note 35: Contingencies

- continued

### COVID-19 support for related parties and other entities

#### Wellington International Airport Limited (WIAL)

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

WIAL have notified the Council that this support is no longer required from 30 June 2022.

#### Wellington Regional Stadium Trust (WRST)

As a direct response to the COVID-19 pandemic, the Council agreed, on 21 July 2020, to a joint loan facility between the Council and Greater Wellington Regional Council to be made available to WRST. If required, the loan facility is to be used, to fund operating deficits resulting from the impact of COVID-19 and to provide funding for the capital works required to continue with the strengthening of the Fran Wilde walkway. This loan is an unsecured facility of up to \$4.200m divided equally between the lenders with a fixed interest rate of 3.0 percent

and is interest free for the first two years upon being drawn down. \$1.200m (2021: \$0.900m) was drawn down from the Council during the period ending 30 June 2022. This facility is now fully drawn down.

### Unquantified contingent liabilities

#### Holiday Pay remediation

Several New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003 ("the Act"). During 2019/20, the Council completed its own review of payroll processes which identified instances of non-compliance with the Act. This review resulted in the Council establishing a project team to further look at system configuration and business processes to better understand the areas of non-compliance with the Act, this work has continued into 2021/22.

This is a significant undertaking and due to this the Council has decided that the project will be split into two phases; phase one is the rectification of known system configuration and business process issues while phase two will be the remediation. The Council is near to completing phase one of the project with a completion date estimated to be late 2022.

The Council has completed an RFP to engage a third party to start work on Phase two of the Holiday Project in the New Year. Phase two has an expected completion date by end 2023.

The Council has agreed to pay any remediation costs for Council Controlled entities where the Council was responsible for processing their payroll.

The Council acknowledges that the potential liability could be significant as the issue affects current and past employees and covers a period going back six years plus one from October 2020.

#### Other claims

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

### Contingent assets

The Council and Group have no contingent assets as at 30 June 2022 (2021: \$Nil).

## Note 36: Joint operations

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

**Table 90:  
Joint Operations**

	Interest 2022	Interest 2021	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.
LGWM Projects			
State Highway improvement	20.00%	20.00%	Joint initiative to develop a transport system that supports future aspirations for the look, feel, and function of Wellington City. These will support Wellington's growth while making it safer and easier to get around.
Mass Rapid Transport	20.00%	20.00%	
City Streets	20.00%	20.00%	
Early Delivery	0-49.00%	20.00%	
Travel Demand Management	20.00%	20.00%	
Integrated Delivery Vehicle	20.00%	20.00%	

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 (for example 21.5 percent of the Spicer Valley landfill) in the assets, liabilities, revenue and expenditure is included in the financial statements of the Council and Group on a line-by-line basis.

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

## Note 37: Related party disclosures

### Key management personnel

In this section, the Council discloses the remuneration and related party transactions of key management personnel. The remuneration payable to key management personnel of the Group's other entities is disclosed separately within their individual financial statements and is not included in Table 91 below.

**Table 91: Remuneration paid to key management personnel**

	Council	
	2022	2021
	\$	\$
<b>Council Members</b>		
Remuneration	1,854,224	1,846,046
<b>Chief Executive and Executive Leadership Team</b>		
Remuneration	3,034,461	2,601,008
Termination benefits	73,644	-
<b>Total remuneration paid to key management personnel</b>	<b>4,962,329</b>	<b>4,447,054</b>

As at 30 June 2022 key management personnel comprised of 24 individuals: 15 elected members or 15 fulltime equivalents (2021: 15) and 9 executive leaders or 9 fulltime equivalents (2021: 8). During the year, the Chief Māori Officer position was added to the Leadership team.

During the year period we continued the recruitment into vacant Executive Leadership roles which had carried over from the prior financial year and made appointments into these roles. During this period of recruitment, we had several senior managers acting in executive leadership roles to provide cover.

### 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.

**Note 37:**  
**Related party disclosures**  
- continued

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

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

A related party of an Executive Leadership Team member provided training services, through a company, to the Council during the year. These services valued at \$9,550 were

procured as arm's length transactions on normal commercial terms. Except for these transactions no key management personnel have entered into related party transactions with the Group.

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

There are no commitments from Council to key management personnel.

**Material related party transactions – structured entities**

**NZ Local Government Funding Agency Limited (LGFA)**

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

During the year ending 30 June 2022 the Council drew down new borrowings of \$246.000m and repaid \$86.500m. Interest expense is paid quarterly in arrears on all borrowings and interest revenue

of \$0.070m was received on \$1.184m of maturing borrower notes. The Council borrowings from the LGFA are comprised of \$100.000m (2021:100.000m) of Fixed Rates Bonds and \$863.000m (2021: \$691.000m) of Floating Rate Notes, including \$50.000m of Green Bonds

The Council holds \$19.868m (2021: \$14.902m) of investment borrower notes and during the year Council received a shareholder dividend of \$0.064m (2021: \$0.066m)

**Wellington International Airport Limited**

**COVID-19:** Support for an underwrite of additional equity, originally provided in 2020/21 and extended in 2021/22 ceased at 30 June 2022 as it was no longer required. For more information refer to Note 34: Contingencies (page 103).

## Note 37: Related party disclosures

- continued

### Material related party transactions – unstructured entities

Financial information relating to the Council's interests in unstructured entities is provided in Tables 92 and 93 below:

**Table 92: Basin Reserve Trust**

	Council	
	2022	2021
	\$000	\$000
<b>Summarised financial information of unstructured entity</b>		
Total assets	913	856
Total liabilities	(309)	(199)
<b>Net assets</b>	<b>604</b>	<b>657</b>
Revenue	1,280	1,212
Expenses	(1,332)	(1,138)
<b>Surplus/(deficit)</b>	<b>(52)</b>	<b>74</b>

#### Basin Reserve Trust (BRT)

The Basin Reserve Trust was established on 24 February 2005 to manage, operate and maintain the Basin Reserve. The Trust was jointly created with Cricket Wellington Incorporated (CWI). Wellington City Council and CWI each appoint two of the four trustees. Wellington City Council does not have an equity investment in the Trust but has influence over the Trust through the appointment of trustees and receives benefits from the complementary activities of the Trust in alignment with the Council's objectives.

During the year ending 30 June 2022 the Council contributed \$0.718m (2021: \$0.695m) to fund the core operations of the Trust.

## Note 37: Related party disclosures

- continued

**Table 93: Wellington Regional Stadium Trust**

	Council	
	2022	2021
	\$000	\$000
<i>Summarised financial information of unstructured entity</i>		
Total assets	95,305	98,527
Total liabilities	(9,431)	(48,503)
<b>Net assets</b>	<b>85,874</b>	<b>50,024</b>
Revenue	7,654	14,485
Expenses	(12,354)	(13,224)
<b>Surplus/(deficit)</b>	<b>(4,700)</b>	<b>1,261</b>

### Wellington Regional Stadium Trust (WRST)

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

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

repayable after all other advances made by the Council and Greater Wellington Regional Council.

During the year ending 30 June 2022 the Council transacted directly with WRST to the amount of \$1.500m (2021: \$2.954m). This payment was made to support the operations of the Trust due to COVID-19 disruptions.

In addition, WRST made further drawdowns on the joint loan facility (WCC and GWRC) for the amount of \$1.200m (2021: \$0.900m). This loan facility was made available for COVID-19 impact support and additional concourse works. This facility is now fully drawn. Refer to Note 15: Other Financial assets (page 38), for more information on this loan.

## Note 37: Related party disclosures

- continued

### Intra group transactions and balances – Joint operations

During the year the Council has entered into transactions with its joint operations partners Porirua City Council and Let's Get Wellington Moving. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows in Table 94.

**Table 94: Intra group transactions and balances – Joint operations**

	Council	
	2022	2021
	\$000	\$000
<b>Share of jointly incurred expenditure</b>		
Porirua – waste water treatment plant	2,620	2,254
Let's Get Wellington Moving	6,660	5,199
	<b>9,280</b>	<b>7,453</b>
<b>Current receivables and recoverables owing to the Council from:</b>		
Let's Get Wellington Moving	<b>5,762</b>	<b>897</b>

## Note 37: Related party disclosures

- continued

### Intra group transactions and balances - Controlled entities

During the year the Council has entered into transactions with its controlled entities. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows in Table 95.

**Table 95: Intra group transactions and balances - Controlled entities**

	Council	
	2022	2021
	\$000	\$000
<b>Revenue received by Council for services provided to:</b>		
Karori Sanctuary Trust	37	31
Wellington Cable Car Limited	103	53
Wellington Museums Trust	1,457	1,444
Wellington Regional Economic Development Agency	41	110
Wellington Zoo Trust	151	611
	<b>1,789</b>	<b>2,249</b>
<b>Grant funding paid by Council for the operations and management of:</b>		
Karori Sanctuary Trust	1,496	1,487
Wellington Museums Trust	9,940	9,963
Wellington Regional Economic Development Agency	12,515	11,463
Wellington Zoo Trust	3,639	3,508
	<b>27,590</b>	<b>26,421</b>
<b>Funding paid by Council for COVID-19 support of:</b>		
Karori Sanctuary Trust	-	-
Wellington Cable Car Limited	977	1,587
Wellington Museums Trust	469	731
Wellington Zoo Trust	509	-
	<b>1,955</b>	<b>2,318</b>
<b>Expenditure payments made by Council for services provided by:</b>		
Karori Sanctuary Trust	10	10
Wellington Cable Car Limited	99	3
Wellington Museums Trust	81	771
Wellington Regional Economic Development Agency	3,883	3,942
Wellington Zoo Trust	3,257	1,777
	<b>7,330</b>	<b>6,503</b>

## Note 37: Related party disclosures

- continued

**Table 95: Intra group transactions  
and balances - Controlled entities**

	Council	
	2022	2021
	\$000	\$000
<b>Current receivables and recoverables owing to the Council from:</b>		
Karori Sanctuary Trust	6	4
Wellington Cable Car Limited	-	-
Wellington Museums Trust	165	175
Wellington Regional Economic Development Agency	-	61
Wellington Zoo Trust	46	554
	<b>217</b>	<b>794</b>
<b>Current payables owed by the Council to:</b>		
Karori Sanctuary Trust	-	-
Wellington Cable Car Limited	287	1,212
Wellington Museums Trust	353	544
Wellington Regional Economic Development Agency	1,381	12
Wellington Zoo Trust	1,518	1
	<b>3,539</b>	<b>1,769</b>

### 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 were \$36.875m (2021: \$35.242m) when the grant funding of \$27.590m (2021: \$26.421m), COVID-19 Support of \$1.955m (2021: \$2.318m) and expenditure for services provided to the Council of \$7.330m (2021: \$6.503m) are combined.

## Note 37: Related party disclosures

- continued

### Intra group transactions and balances – Associates and joint venture

During the year the Council has entered into several transactions with its associates and joint venture. These transactions disclosed are within the normal course of business. The nature of these intra-group transactions and the outstanding balances at the year-end are as follows in Table 96.

**Table 96: Intra group transactions and balances – Associates and joint venture**

	Council	
	2022	2021
	\$000	\$000
<b>Revenue received by Council for services provided to:</b>		
Wellington International Airport Limited	102	56
Wellington Water Limited	571	702
	<b>673</b>	<b>758</b>
<b>Expenditure payments made by Council for services provided by:</b>		
Wellington International Airport Limited	87	64
Wellington Water Limited	107,628	97,774
	<b>107,715</b>	<b>97,838</b>
<b>Current receivables and recoverables owing to the Council from:</b>		
Wellington International Airport Limited	24	-
Wellington Water Limited	144	26
	<b>168</b>	<b>26</b>
<b>Current payables owed by the Council to:</b>		
Wellington Water Limited	<b>2,763</b>	<b>14,397</b>

#### Current receivables, recoverables and payables

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

## Note 38: Remuneration and staffing

### Mayoral and Councillor remuneration

#### Remuneration

The following people held office as elected members of the Council's governing body, during the reporting period. The total remuneration was \$1,854,224 (2021: \$1,846,046) and is broken down and classified as follows in Table 97.

**Table 97: Elected Council member remuneration**

	Monetary Remuneration			Non-monetary Remuneration	Total	
	Remuneration Authority Determination effective from	Remuneration <sup>1</sup> Authority Determination effective from	Total Allowances Salary Pro-rated			
	1 July 2021	29 October 2021				
	\$	\$	\$	\$	2022 \$	
Foster, Andy (Mayor)	180,500	180,500	180,500	250	6,139	186,889
Free, Sarah (Deputy Mayor)	130,227	140,056	136,825	250	6,139	143,214
Calvert, Diane	113,025	121,554	118,750	250	6,139	125,139
Condie, Jenny	113,025	121,554	118,750	250	6,139	125,139
Day, Jill	113,025	121,554	118,750	250	6,139	125,139
Fitzsimons, Fleur	111,225	119,618	116,859	250	6,139	123,248
Foon, Laurie	111,225	119,618	116,859	250	6,139	123,248
Matthews, Rebecca	113,025	121,554	118,750	250	6,139	125,139
O'Neill, Teri	111,225	119,618	116,859	250	6,139	123,248
Pannett, Iona	113,025	121,554	118,750	250	6,139	125,139
Paul, Tamatha	111,225	119,618	116,859	710	6,139	123,708
Rush, Sean	113,025	121,554	118,750	250	6,139	125,139
Sparrow, Malcolm <sup>7</sup> (resigned 8 October 2021)	111,225	-	31,387	250	1,705	33,342
Woolf, Simon	111,225	119,618	116,859	250	6,139	123,248
Young, Nicola	111,225	119,618	116,859	250	6,139	123,248
<b>Total remuneration paid to council members</b>	<b>1,767,452</b>	<b>1,767,588</b>	<b>1,762,363</b>	<b>4,210</b>	<b>87,651</b>	<b>1,854,224</b>
					<b>Total monetary remuneration</b>	<b>1,766,573</b>
					<b>Total non-monetary remuneration</b>	<b>87,651</b>

7. Due the resignation of Councillor Sparrow, with effect from 8 October 2021, his salary was required to be redistributed equally to the other remaining Councillors, as no by-election was required to fill this vacancy. A new salary determination from the Remuneration Authority was required to formalise this process, and the total salaries applicable have been shown individually above and pro-rated accordingly.

## **Note 38: Remuneration and staffing**

- continued

### **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 2021/22 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

### **Mayoral car**

The Remuneration Authority does permit the 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 on-site 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.

## Note 38: Remuneration and staffing

- continued

### 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 98.

**Table 98: Community Board  
Member remuneration**

	Salary	Allowances	Other	Total
	\$	\$	\$	\$
<b>Tawa community board</b>				
Parkinson, Robyn (Chair)	19,092	135	-	19,227
Alexander, Malcolm (resigned from 13 October 2021)	2,746	-	-	2,746
Herbert, Richard (Deputy Chair)	9,546	-	-	9,546
Hansen, Graeme	9,546	-	-	9,546
Fernandez, Janryll (elected from 2 December 2021)	5,518	-	-	5,518
Lacy, Jackson (includes Youth Council attendance fees)	9,546	-	690	10,236
Scott, Anna	9,546	-	-	9,546
Day, Jill (see Councillor remuneration above)	-	-	-	-
<b>Makara-ohariu community board</b>				
Apanowicz, John (Chair)	9,570	180	-	9,750
Grace, Christine (Deputy Chair)	4,784	-	-	4,784
Hoskins, Darren	4,784	-	-	4,784
Renner, Chris	4,784	-	-	4,784
Rudd, Wayne	4,784	-	-	4,784
Todd, Hamish	4,784	-	-	4,784
<b>Total remuneration to community board members</b>	<b>99,030</b>	<b>315</b>	<b>690</b>	<b>100,035</b>

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.

**Note 38:**  
**Remuneration**  
**and staffing**

- continued

**Chief Executive's remuneration**

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

Table 99 below, shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2022.

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

The total remuneration package for the Chief Executive is \$454,130 (2021: \$436,664).

Note that during the period of 1 July to 31 December 2020 the Chief Executive, along with the member of the Executive Leadership team took a 10 percent voluntary salary sacrifice, as a COVID-19 response, which meant her actual remuneration for the year ending 30 June 2021 was \$414,651.

**Table 99: Remuneration of the Chief Executive**

	Council	
	2022	2021
	\$	\$
<b>Barbara McKerrow</b>		
Salary (2021 - amount reflects 10% salary sacrifice to 31 December 2020)	454,130	414,651
<b>Total remuneration of the chief executive</b>	<b>454,130</b>	<b>414,651</b>

**Note 38:**  
**Remuneration  
 and staffing**  
 – continued

**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 2022 the Council made severance payments to 8 employees totalling \$148,068 (2021: 11 employees, \$203,351).

The individual values of each of these Council severance payments are: \$840; \$40,000; \$2,311; \$3,872; \$11,821; \$30,020; \$29,204; \$30,000.

**Employee numbers and remuneration bands**

Table 100 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.

**Table 100: Employee numbers**

	Council	
	2022	2021
<b>Full-time and full-time equivalent employee numbers</b>		
Full-time employees (based on a 40 hour week) as at 30 June	1,251	1,156
Full-time equivalents for all other non full-time employees	295	278

## Note 38: Remuneration and staffing

– continued

Table 101 further identifies the breakdown of remuneration levels of those employees into various bands.

<b>Table 101: Remuneration bands</b>	<b>Council</b>	<b>Table 102: Remuneration bands</b>	<b>Council</b>
	<b>2022</b>		<b>2021</b>
The number of employees receiving total annual remuneration of less than \$60,000	974	The number of employees receiving total annual remuneration of less than \$60,000	965
Of the 974 (2021: 965) employees in this band, 649 (2021: 629) are part-time or casual		Of the 965 (2020: 991) employees in this band, 629 (2020: 640) are part-time or casual	
The number of employees receiving total annual remuneration of more than \$60,000 in bands of \$20,000		The number of employees receiving total annual remuneration of more than \$60,000 in bands of \$20,000	
\$60,000-\$79,999.99	294	\$60,000-\$79,999.99	283
\$80,000-\$99,999.99	254	\$80,000-\$99,999.99	248
\$100,000-\$119,999.99	178	\$100,000-\$119,999.99	160
\$120,000-\$139,999.99	138	\$120,000-\$139,999.99	84
\$140,000-\$159,999.99	52	\$140,000-\$159,999.99	30
\$160,000-\$179,999.99	32	\$160,000-\$179,999.99	25
\$180,000-\$199,999.99	19	\$180,000-\$199,999.99	15
\$200,000-\$219,999.99	9	\$200,000-\$219,999.99	8
\$220,000-\$259,999.99*	9	\$220,000-\$259,999.99*	7
\$280,000-\$339,999.99*	7	\$280,000-\$339,999.99*	7
\$440,000-\$459,999.99*	1	\$440,000-\$459,999.99*	1
<b>Total employees</b>	<b>1,967</b>	<b>Total employees</b>	<b>1,833</b>

Of the 1967 (2021: 1,833) individual employees, 716 (2021: 677) 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.

### Note 38: Remuneration and staffing

- continued

The Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the two lowest remuneration grades as shown in Table 103.

**Table 103: Lowest remuneration grades**

	Salary Range (\$)	2022
Q (Living Wage)	47,450	299
9	47,450-59,925	452

	Salary Range (\$)	2021
Q (Living Wage)	46,094	311
9	46,905-59,160	442

The current living wage rate for the Council was \$22.75 per hour for the period to 30 June 2022. Each year the living wage rate for the Council will be reviewed in accordance with the latest Living Wage rate announced/published by Living Wage Aotearoa.

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

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

The following updates have been included due to their significance.

#### **Weather Impacts**

During August 2022, prolonged and higher than usual rainfall has caused several substantial slips and hundreds of more minor one with many roads being temporarily closed. Many houses are also at risk and several are no longer safe for habitation.

The impacts of these incidents will be ongoing.

#### **Three Waters Reform**

In July 2020, the Government launched the Three Waters Reform Programme – a three-year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The proposed reform programme is being progressed through a partnership-basis approach with the local government sector, alongside iwi/Māori as the Crown's Treaty Partner.

During the financial year, further progress has been made towards transitioning three waters assets and delivery services from councils via the establishment of a National Transition Unit (NTU) and the establishment of the four new water entities. It has now been confirmed that Wellington City Council water delivery will be assumed by Entity C along with all eligible assets.

The requisite legislation to enable the new water entities includes the Water Services Entity (WSE) Bill, the Water Services Entities Amendment Bill, and the Water Services Economic and Consumer Protection Bill. The WSE legislation received royal assent from the Governor-General on 14 December 2022.

The two further reform Bills were introduced on 14 December 2022. The WSE Amendment Bill covers how the entities will operate, regarding funding, pricing, customer relations between entities and local authorities. The Water Services Economic and Consumer Protection Bill provides the Commerce Commission with the powers it needs to act as the regulator for the entities' pricing and funding decisions.

There are several compensation packages being provided by the Crown to ensure Wellington City Council is not put in a worse off position post water reform and these are being worked on as more detail becomes available. Wellington City Council have been working alongside the NTU to provide information to support establishment of the new three waters landscape and are providing staff and resources to enable the transition to occur on 1 July 2024.

#### **Sludge Minimisation Project (SMF)**

To address the issues identified with Wellington wastewater treatment, and achieve the objectives identified, Wellington City Council intends to construct a Sludge Minimisation Facility using Lysis-Digestion and Thermal Drying Technology at the Moa Point site to facilitate the disposal of Wellington's sewage sludge. The Council has been working to deliver a reliable and effective new facility to substantially reduce the wastewater treatment sludge volume discharged to the southern landfill. The SMF will play a key role in ensuring that the Council's waste management systems are effective and sustainable and is an important enabler of the Council achieving its emission reduction targets.

Traditional funding and financing of the SMF is not feasible given balance sheet constraints or would require significant reprioritisation of the Council's existing long-term capital expenditure programme to ensure that debt covenants were not exceeded. Furthermore, future headroom to fund strategically important initiatives such as Let's Get Wellington Moving would be unavailable. We have therefore looked to use an alternative funding option based on the new Infrastructure Funding and Financing Act 2020 (IFFA). Using an IFF Levy to fund the SMF will deliver a range of benefits to WCC, its ratepayers and the Crown.

## **Note 39:** Events after the end of the reporting period – continued

### **Let's Get Wellington Moving (LGWM)**

LGWM is a joint initiative between Wellington City Council, Greater Wellington Regional Council, and Waka Kotahi NZ Transport Agency, with support from Mana Whenua partners Taranaki Whānui ki Te Upoko o Te Ika and Ngāti Toa Rangatira.

On July 6th, 2022, Wellington City Council and Greater Wellington Regional Council approved the mass rapid transport option 1 for the LGWM programme, the same option endorsed by Government the week before.

Option 1 introduces mass rapid transit to the South Coast and continuous bus priority to the East and focuses on a new Mt Victoria tunnel with dedicated provision for public transport, walking and cycling, as well as upgrades at the Basin Reserve to improve flows and physically separate movements and extend the Arras tunnel.

The next stage will involve detailed investigations which will test assumptions. Bus rapid transit will also be investigated further as a reserve plan may be appropriate given technological developments.

### **COVID-19**

The financial impact of COVID-19 to the Council in 2021/22 and earlier years is outlined in the separate disclosure on page 09.

From 31 July 2022, New Zealand fully opened its international borders with the world, assuming vaccination requirements are met. Migrant workers and international students are also slowly returning to New Zealand. However many New Zealanders and other non-New Zealand citizens are also leaving with a net migration loss.

The combined effect of this net migration loss and other factors including lingering effects of COVID-19 in the community, and other winter illnesses in particular, is contributing to the lack of staff in various employment sectors. The Council has not been immune to this situation and has been required to close the Tawa Pool to the general public since 25 July 2022 until 30 September 2022 due to a nationwide shortage of lifeguards. Generally, other operations of the Council have been able to continue as usual.

From 13 September 2022, the COVID-19 Protection Framework ended and most restrictions were removed apart from mask requirements in certain healthcare environments such as hospitals. The vaccine requirements previously required for international visitors were also removed.

### **Resource Management Act reform**

In February 2021, the government announced that it would replace the Resource Management Act 1991 (RMA) with a new legislative framework, reflecting that the RMA has not delivered the desired environmental and development outcomes, and does not consistently give effect to Te Tiriti o Waitangi/ the Treaty of Waitangi.

This new legislative framework will include the Natural and Built Environments Act (NBA), Strategic Planning Act (SPA), and Climate Adaptation Act (CAA). The NBA will act as the primary replacement of the RMA, focusing on protecting and restoring the environment while enabling development; the SPA will require spatial planning to be undertaken at a regional level rather than a local level, helping to coordinate and integrate decision making, and the CAA will address issues related to the managed retreat of communities from coastal environments.

Together, the purpose of this new framework is to support the protection and restoration of the environment, guide long-term regional spatial planning, and address issues associated with climate change adaptation.

It is expected that the NBA and SPA will pass early in 2023 with the transition period to the new arrangements extending to the end of the 2020's.

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

From 30 November 2022, it became a legal requirement for local government to 'have regard to' the national adaptation plan and the emissions reduction plan when preparing or changing Resource Management Act 1991 (RMA) regional policy statements, regional plans, and district plans.

### Future for Local Government Review

In 2021, the government appointed a panel to identify how our system of local democracy and governance needs to evolve over the next 30 years to improve the wellbeing of New Zealand communities and the environment, and to actively embody the Treaty partnership.

The scope of this local government review covers all aspects of local government, including the functions, roles, and structures of local government; relationships between local government, central government, iwi, Māori, businesses, communities, and other organisations; the embodiment of Te Tiriti o Waitangi, and funding and financing arrangements.

As a result of the Review Panel's engagement process over the past 12 months, five key shifts for the local government system have been identified.

These shifts consider how to:

- strengthen local democracy
- have a stronger focus on wellbeing

- build and maintain authentic relationships with hapū/iwi/Māori
- have genuine partnership between local and central government
- establish a more equitable funding approach for local government's activities.

The Review into the Future for Local Government published its second draft report, He mata whāriki, he matawhānui on 28 October 2022. The draft report poses recommendations and key questions to shape a more community-focused, citizen-centred local governance system

Submissions and feedback to shape the third and final report are open until 28 February 2023, with the final report to be delivered in June 2023.

### Interest rates

Since 30 June 2022 there have been four subsequent increases in the Official Cash Rate, rising from 2.00% to 4.25% with potential for further increases as the Reserve Bank attempts to control economic issues such as high inflation and the cost of housing. The effect on the Council is primarily increased interest expense on its borrowings, although this is mitigated by the use of cash flow hedging against debt and increased interest revenue on investment deposits.

The increase in interest rates has also seen a positive movement in the unrealised value of the cash flow swaps used for hedging some of the Council's debt portfolio.

### Wellington Community Housing Provider Trust

Council made the decision to establish a Community Housing Provider (CHP) on 30 June 2022, following a statutory process of community consultation and a Long-term Plan amendment.

On 4 August 2022, the Social, Cultural and Economic committee considered a paper on various provisions of the Trust Deed, including the purpose of the Trust, size and composition of the Board and required skills and processes for Trustee appointments. Decisions were also made in regard to the lease and loan agreements between the CHP and Council, support for transferring existing tenants and a transition plan to establish the Trust by July 2023.

On 1 September 2022, the committee considered a second paper on the provisions of the Trust, including Trustee duties and powers, remuneration, terms of office, voting and decision-making thresholds and incorporation of Takai Here principles. Decisions were also made on the components of a relationship management and monitoring framework.

On 16 November 2022, four Council-appointed Trustees were confirmed.

The Council signed-off the Trust Deed on 15 December 2022, with settlement of the Trust anticipated to occur in early 2023.

# Te Whakaaro Whakatūpatō ā-pūtea 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 Council's results with other Councils due to their size, location and provision of services.

## Annual report disclosure statement for year ended 30 June 2022

### 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 2021–31 LTP.

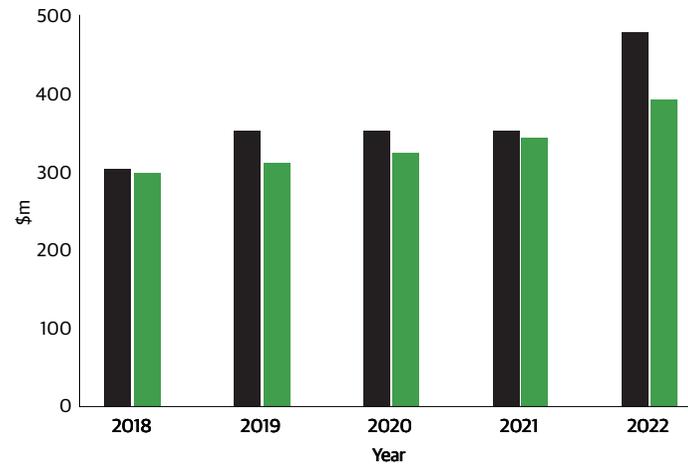
# Te Whakaaro Whakatūpato ā-pūtea Financial prudence

- continued

## Rates affordability benchmark

The Council meets the rates affordability benchmark if -

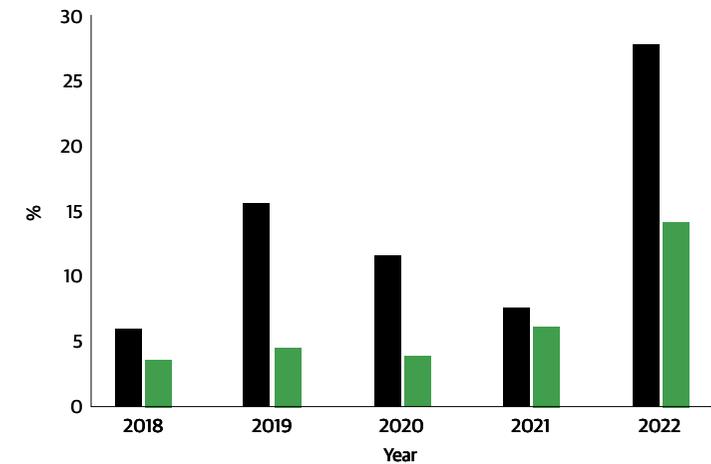
- its actual rates revenue equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.



- Quantified limit on rates revenue
- Actual rates revenue (at or within limit)
- Actual rates revenue (exceeds limit)

## 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 2021-31 LTP, which encompasses the financial years 2021/22; 2022/23 and 2023/24 is \$475,000,000. This means rates revenue should remain below this limit for each of these years.



- Quantified limit on rates increase (before growth figure as the actual we are comparing to has growth)
- Actual rates revenue (at or within limit)
- Actual rates revenue (exceeds limit)

## 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 2021/22 is 27.8 percent although the actual rates increase set for the 2021/22 year was lower than this limit. The rates increase proposed in the 2021-31 LTP is equivalent to an average rates increase of 10.5 percent over the first three years, which encompasses the financial years 2021/22; 2022/23 and 2023/24.

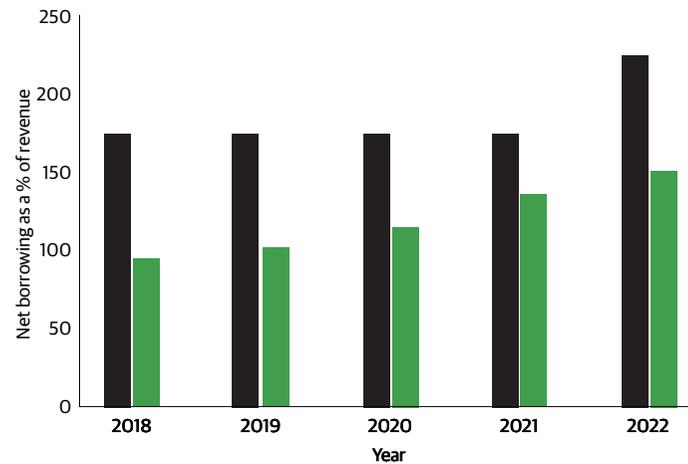
# Te Whakaaro Whakatūpato ā-pūtea Financial prudence

- continued

## 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, PwC Wellington.

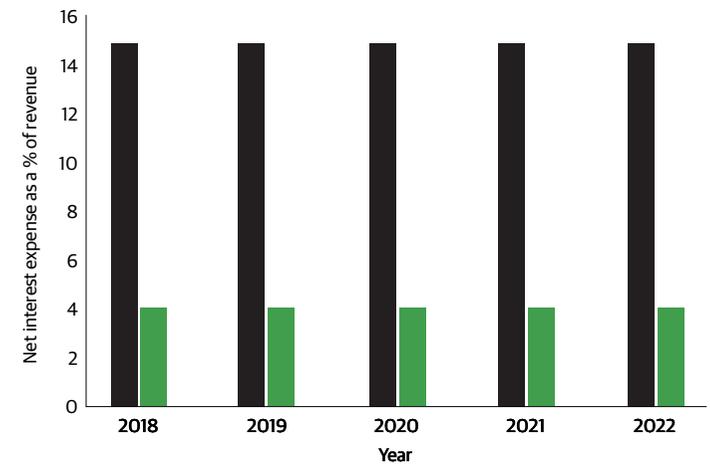
8. The revenue figure used for this calculation of Net Borrowing as percentage of Revenue and Net Interest as a percentage of Revenue is Total Revenue less Vested Assets and Development Contribution Revenue.



- Quantified limit on net borrowing as a percentage of revenue
- Actual net borrowings as a percentage of revenue (as or within limit)
- Actual net borrowing as a percentage of revenue (exceeds limit)

### Net borrowing as a percentage of revenue<sup>8</sup>

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 225 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.



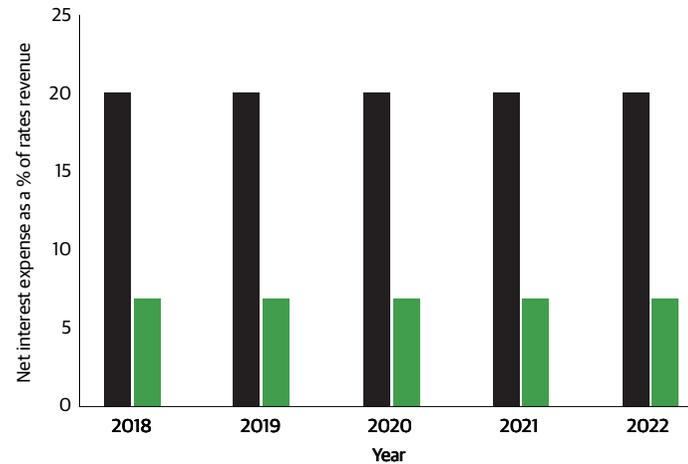
- Quantified limit on net borrowing as a percentage of revenue
- Actual net borrowings as a percentage of revenue (as or within limit)
- Actual net borrowing as a percentage of revenue (exceeds limit)

### Net interest as a percentage of revenue<sup>8</sup>

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

# Te Whakaaro Whakatūpato ā-pūtea Financial prudence

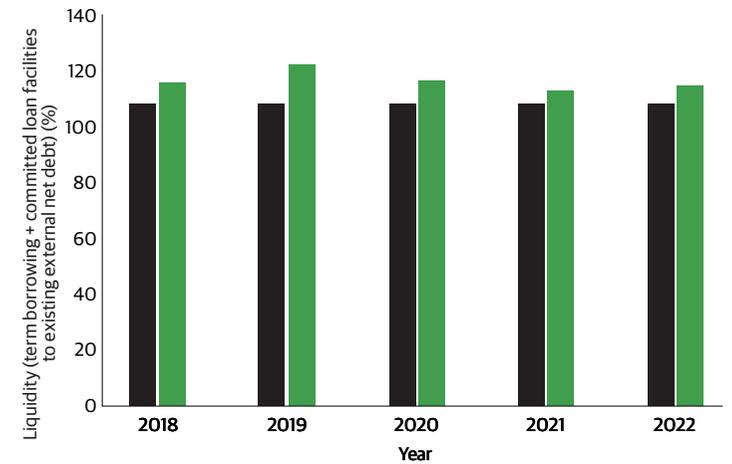
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- Quantified limit on net borrowing as a percentage of revenue
- Actual net borrowings as a percentage of revenue (as or within limit)
- Actual net borrowing as a percentage of revenue (exceeds limit)

## Net interest as a percentage of annual rates revenue

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



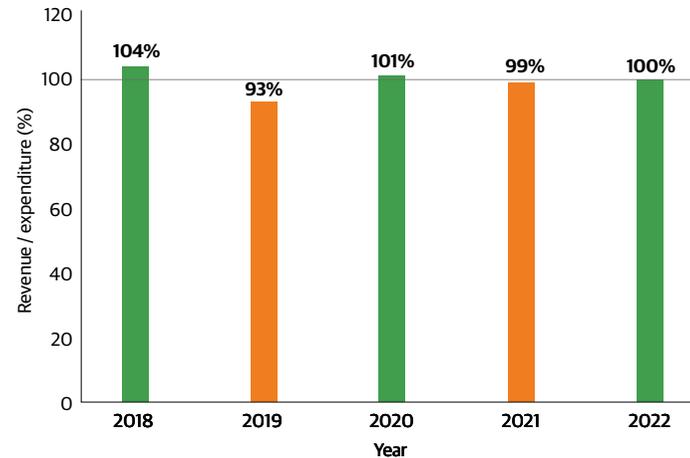
- Quantified limit on liquidity (term borrowing + committed loan facilities to existing external net debt)
- Actual liquidity (term borrowing + committed loan facilities to existing external net debt) (at or exceeds limit)
- Actual liquidity (term borrowing + committed loan facilities to existing external net debt) (below limit)

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

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

# Te Whakaaro Whakatūpatō ā-pūtea Financial prudence

- continued



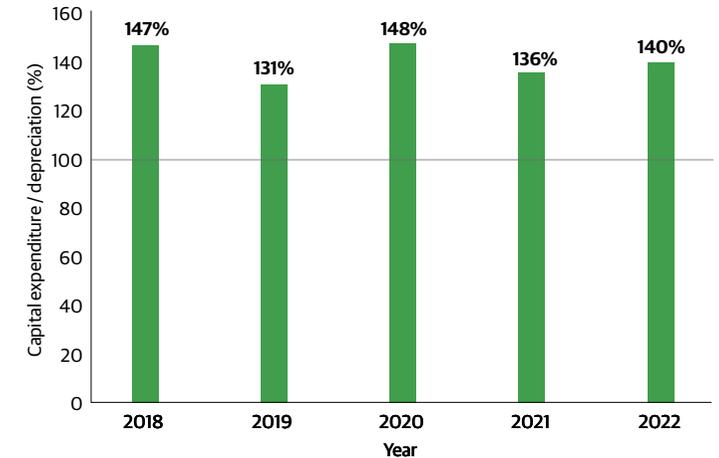
- Benchmark met
- Benchmark not met
- Benchmark

## Balanced budget benchmark

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

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

For the purposes of this benchmark, impairments, which represent a non-cash movement in the valuation of assets, were included in the calculation. These unbudgeted impairments represent asset valuation movements relating to Civic Precinct buildings as disclosed in the financial statements. For 2019, 2020, 2021 and 2022 impairments of \$50.603m, \$10.183m, \$1.848m \$4.414m and were included in the calculation. If these were excluded, the benchmarks for these four years would be 102 percent, 103 percent, 99 percent and 101 percent respectively.



- Benchmark met
- Benchmark not met
- Benchmark

## Essential services benchmark

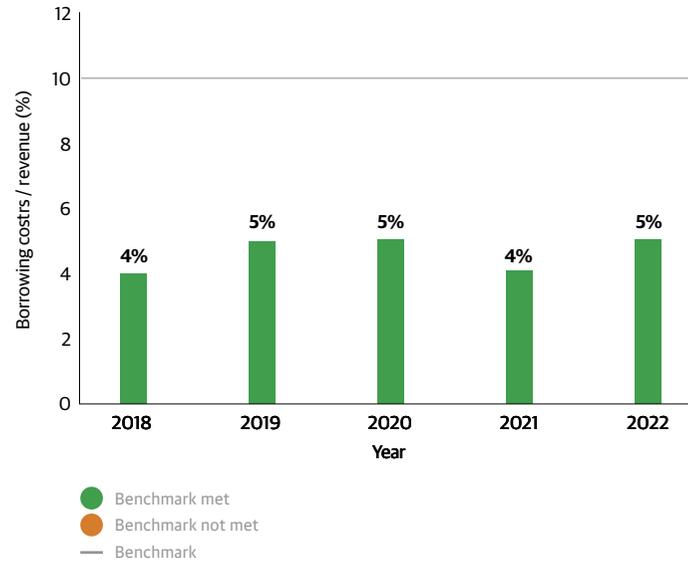
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

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

# Te Whakaaro Whakatūpatō ā-pūtea

## Financial prudence

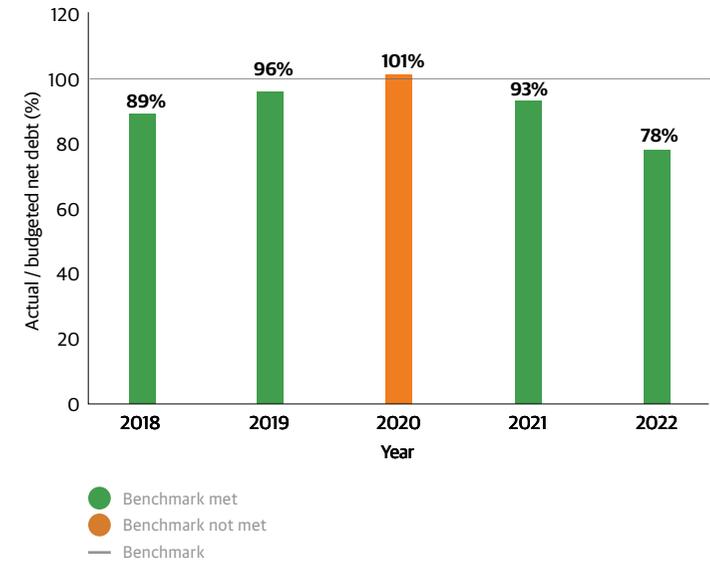
- continued



### Debt servicing benchmark

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

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



### Debt control benchmark

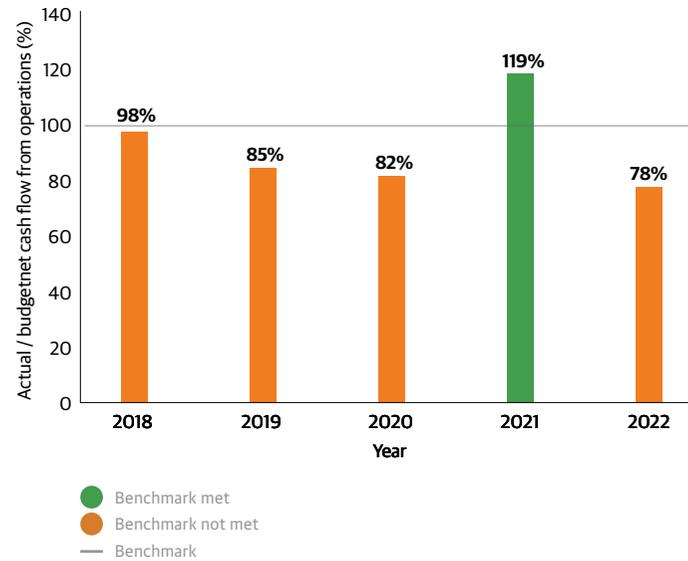
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

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

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

# Te Whakaaro Whakatūpatō ā-pūtea Financial prudence

- continued



## 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.

Several assumptions are made around the timing of events. Any departure from these assumptions can affect the outcome of this measure. The Council is satisfied that it is prudently managing operational cash flow, with variances in the 2017/18, 2018/19, 2019/20 and 2021/22 years explained by the timing difference in the receipt of revenues compared to budget that led to the "not met" outcome for this measure. In 2019/20 and 2021/22 there were also significant revenue losses due to the COVID-19 lockdown which would have impacted this measure.

# **Tauāki panga ā-pūtea** Funding impact statements

## **Annual report disclosure statement for year ended 30 June 2022**

### **What is the purpose of these statements?**

An annual report must include an audited funding impact statement for the financial year to which the report relates. The purpose of the Funding impact statements is to disclose the amount of funds produced from each source of funding, identify how the funds were applied and compare this information against the information included in the 2021/22 LTP.

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

The application of capital funding is summarised in an additional table on page 153.

## Funding impact statement for 1 July 2021 to 30 June 2022 for Whole of Council

	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	200,332	196,248	195,122	227,390	226,129
Targeted rates	147,291	147,738	146,792	165,415	162,047
Subsidies and grants for operating purposes	6,712	8,972	13,003	8,616	21,667
Fees and charges	151,822	147,779	134,467	155,430	140,472
Interest and Dividends from investments	14,921	921	2,156	140	3,017
Local authorities fuel tax, fines, infringement fees, and other receipts	8,748	8,347	8,973	10,662	6,674
<b>Total operating funding (A)</b>	<b>529,826</b>	<b>510,004</b>	<b>500,513</b>	<b>567,653</b>	<b>560,006</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	341,516	376,461	346,809	387,684	384,963
Finance costs	38,175	25,718	25,164	23,323	29,000
Internal charges and overheads applied	42,099	48,490	32,832	37,952	36,719
Internal charges and overheads recovered	(42,099)	(48,490)	(32,832)	(37,952)	(36,719)
Other operating funding applications	45,692	53,671	48,307	49,187	46,217
<b>Total applications of operating funding (B)</b>	<b>425,383</b>	<b>455,850</b>	<b>420,280</b>	<b>460,194</b>	<b>460,180</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>104,443</b>	<b>54,153</b>	<b>80,233</b>	<b>107,459</b>	<b>99,826</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	20,136	26,112	31,793	41,051	33,634
Development and financial contributions	2,000	2,000	3,689	3,500	3,742
Increase (decrease) in debt	133,196	233,417	122,133	188,802	166,711
Gross proceeds from sales of assets	9,500	2,000	2,772	2,000	(5,749)
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>164,832</b>	<b>263,529</b>	<b>160,387</b>	<b>235,353</b>	<b>198,338</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	2,044	7,641	1,343	42,822	28,645
to improve the level of service	150,473	161,666	153,998	173,973	146,163
to replace existing assets	109,331	129,823	111,412	126,228	115,710
Increase (decrease) in reserves	7,427	18,551	(26,133)	(212)	7,646
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>269,275</b>	<b>317,682</b>	<b>240,620</b>	<b>342,812</b>	<b>298,164</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(104,443)</b>	<b>(54,153)</b>	<b>(80,233)</b>	<b>(107,459)</b>	<b>(99,826)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>133,748</b>	<b>137,869</b>	<b>135,722</b>	<b>146,736</b>	<b>145,732</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Governance, information  
and engagement**

1.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	17,684	19,225	19,225	23,676	23,676
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	555	516	487	528	548
Internal charges and overheads recovered	-	-	14	-	239
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>18,239</b>	<b>19,741</b>	<b>19,726</b>	<b>24,204</b>	<b>24,463</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	10,842	11,820	10,303	15,131	13,377
Finance costs	24	15	15	11	16
Internal charges and overheads applied	7,348	7,961	8,893	8,475	8,073
Other operating funding applications	10	5,010	2,451	2,075	2,516
<b>Total applications of operating funding (B)</b>	<b>18,224</b>	<b>24,806</b>	<b>21,662</b>	<b>25,692</b>	<b>23,982</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>15</b>	<b>(5,065)</b>	<b>(1,936)</b>	<b>(1,488)</b>	<b>481</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	13	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(15)	5,065	5,064	2,675	2,677
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(15)</b>	<b>5,065</b>	<b>5,077</b>	<b>2,675</b>	<b>2,677</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	-	-	1,187	1,188
to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	-	-	3,141	-	1,970
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>3,141</b>	<b>1,187</b>	<b>3,158</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(15)</b>	<b>5,065</b>	<b>1,936</b>	<b>1,488</b>	<b>(481)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>15</b>	<b>25</b>	<b>14</b>	<b>6</b>	<b>5</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Māori and Mana  
Whenua partnerships**

1.2	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	320	317	317	3,717	3,717
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	10	-	-
Fees and charges	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>320</b>	<b>317</b>	<b>327</b>	<b>3,717</b>	<b>3,717</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	288	296	304	3,067	1,981
Finance costs	1	1	1	-	1
Internal charges and overheads applied	16	16	7	625	636
Other operating funding applications	10	-	-	20	-
<b>Total applications of operating funding (B)</b>	<b>315</b>	<b>313</b>	<b>312</b>	<b>3,713</b>	<b>2,618</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>5</b>	<b>4</b>	<b>15</b>	<b>4</b>	<b>1,099</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(5)	(4)	(3)	(4)	(1)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(5)</b>	<b>(4)</b>	<b>(3)</b>	<b>(4)</b>	<b>(1)</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	-	-	-	-
to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	-	-	12	-	1,098
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>1,098</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(5)</b>	<b>(4)</b>	<b>(15)</b>	<b>(4)</b>	<b>(1,099)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>1</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Gardens, beaches and  
green open spaces**

2.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	42,443	44,073	44,073	45,362	45,362
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	952	1,180	1,420	1,322	996
Fees and charges	2,030	1,427	1,715	1,844	1,701
Internal charges and overheads recovered	6,185	6,297	4,435	5,758	4,557
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	1	-	-
<b>Total operating funding (A)</b>	<b>51,610</b>	<b>52,977</b>	<b>51,644</b>	<b>54,285</b>	<b>52,616</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	24,718	26,463	23,328	29,759	26,870
Finance costs	4,072	2,082	2,032	2,044	2,883
Internal charges and overheads applied	15,175	16,091	14,079	14,224	13,108
Other operating funding applications	166	147	167	167	194
<b>Total applications of operating funding (B)</b>	<b>44,131</b>	<b>44,783</b>	<b>39,606</b>	<b>46,195</b>	<b>43,055</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>7,479</b>	<b>8,194</b>	<b>12,038</b>	<b>8,091</b>	<b>9,561</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	110	-	1,161
Development and financial contributions	183	183	635	320	353
Increase (decrease) in debt	(527)	(2,037)	13	(4,213)	(2,567)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(344)</b>	<b>(1,854)</b>	<b>758</b>	<b>(3,894)</b>	<b>(1,053)</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	2,029	-	-	177	16
to improve the level of service	2,417	3,036	3,488	408	1,102
to replace existing assets	2,689	3,302	2,357	3,612	5,704
Increase (decrease) in reserves	-	2	6,951	-	1,686
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>7,135</b>	<b>6,340</b>	<b>12,796</b>	<b>4,197</b>	<b>8,508</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(7,479)</b>	<b>(8,194)</b>	<b>(12,038)</b>	<b>(8,091)</b>	<b>(9,561)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>7,479</b>	<b>8,913</b>	<b>8,583</b>	<b>8,787</b>	<b>8,572</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Waste reduction and  
energy conservation**

2.2	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	771	1,228	1,228	815	815
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	16,965	21,053	22,899	22,337	28,511
Internal charges and overheads recovered	-	501	315	618	479
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>17,736</b>	<b>22,782</b>	<b>24,442</b>	<b>23,770</b>	<b>29,805</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	14,936	18,011	18,399	18,449	19,324
Finance costs	808	765	405	995	611
Internal charges and overheads applied	1,052	3,235	2,840	3,448	3,629
Other operating funding applications	120	210	65	6	(181)
<b>Total applications of operating funding (B)</b>	<b>16,916</b>	<b>22,221</b>	<b>21,709</b>	<b>22,899</b>	<b>23,383</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>820</b>	<b>561</b>	<b>2,733</b>	<b>871</b>	<b>6,422</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	8	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	5,097	6,203	6,257	516	(475)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>5,097</b>	<b>6,203</b>	<b>6,265</b>	<b>516</b>	<b>(475)</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	-	-	-	-
to replace existing assets	5,917	6,764	8,979	1,387	1,019
Increase (decrease) in reserves	-	-	19	-	4,928
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>5,917</b>	<b>6,764</b>	<b>8,998</b>	<b>1,387</b>	<b>5,947</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(820)</b>	<b>(561)</b>	<b>(2,733)</b>	<b>(871)</b>	<b>(6,422)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>820</b>	<b>501</b>	<b>932</b>	<b>699</b>	<b>784</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Water

2.3	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	51,090	53,247	53,247	55,579	55,579
Subsidies and grants for operating purposes	-	-	1,969	-	4,031
Fees and charges	39	39	173	45	78
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>51,129</b>	<b>53,286</b>	<b>55,389</b>	<b>55,624</b>	<b>59,688</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	29,167	29,475	30,592	32,658	37,082
Finance costs	3,617	2,383	2,300	2,065	2,476
Internal charges and overheads applied	2,030	2,510	2,262	786	1,192
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>34,814</b>	<b>34,368</b>	<b>35,154</b>	<b>35,510</b>	<b>40,750</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>16,315</b>	<b>18,918</b>	<b>20,235</b>	<b>20,114</b>	<b>18,938</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	5,200	6,014
Development and financial contributions	671	671	822	1,175	916
Increase (decrease) in debt	17,627	6,985	9,434	7,481	12,354
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>18,298</b>	<b>7,656</b>	<b>10,256</b>	<b>13,856</b>	<b>19,284</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	24,389	22,349
to improve the level of service	27,645	19,649	19,221	2,097	1,891
to replace existing assets	6,968	6,926	8,774	7,485	11,291
Increase (decrease) in reserves	-	(1)	2,496	-	2,691
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>34,613</b>	<b>26,574</b>	<b>30,491</b>	<b>33,970</b>	<b>38,222</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(16,315)</b>	<b>(18,918)</b>	<b>(20,235)</b>	<b>(20,114)</b>	<b>(18,938)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>16,315</b>	<b>19,842</b>	<b>18,663</b>	<b>19,929</b>	<b>19,062</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Wastewater

2.4	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	47,081	47,481	47,481	50,551	50,551
Subsidies and grants for operating purposes	-	-	1,942	-	4,804
Fees and charges	1,296	694	902	835	706
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>48,377</b>	<b>48,175</b>	<b>50,325</b>	<b>51,386</b>	<b>56,061</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	24,435	21,767	25,123	23,444	33,843
Finance costs	5,565	3,981	3,894	3,667	4,071
Internal charges and overheads applied	5,348	5,788	5,232	1,751	2,431
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>35,348</b>	<b>31,536</b>	<b>34,249</b>	<b>28,861</b>	<b>40,345</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>13,029</b>	<b>16,639</b>	<b>16,076</b>	<b>22,525</b>	<b>15,716</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	2,217
Development and financial contributions	549	549	981	961	786
Increase (decrease) in debt	(54)	(3,648)	340	1,219	1,785
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>495</b>	<b>(3,099)</b>	<b>1,321</b>	<b>2,180</b>	<b>4,788</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	3,951	1,940
to improve the level of service	2,498	2,501	2,037	2,430	7,933
to replace existing assets	11,026	11,039	15,728	18,325	18,283
Increase (decrease) in reserves	-	-	(368)	-	(7,652)
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>13,524</b>	<b>13,540</b>	<b>17,397</b>	<b>24,705</b>	<b>20,504</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(13,029)</b>	<b>(16,639)</b>	<b>(16,076)</b>	<b>(22,525)</b>	<b>(15,716)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>14,933</b>	<b>20,140</b>	<b>19,722</b>	<b>21,101</b>	<b>21,944</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Stormwater

2.5	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	21,635	21,938	21,938	28,420	28,420
Subsidies and grants for operating purposes	154	193	979	159	4,172
Fees and charges	11	11	34	3	2
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>21,800</b>	<b>22,142</b>	<b>22,951</b>	<b>28,582</b>	<b>32,594</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	7,458	7,383	8,129	13,728	11,562
Finance costs	3,850	2,610	2,550	2,591	2,745
Internal charges and overheads applied	1,975	2,465	2,134	644	848
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>13,283</b>	<b>12,458</b>	<b>12,813</b>	<b>16,964</b>	<b>15,155</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>8,517</b>	<b>9,684</b>	<b>10,138</b>	<b>11,618</b>	<b>17,439</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	58	58	68	102	79
Increase (decrease) in debt	(4,327)	(1,940)	(269)	(6,621)	(6,889)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(4,269)</b>	<b>(1,882)</b>	<b>(201)</b>	<b>(6,519)</b>	<b>(6,810)</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	162	-
to improve the level of service	554	4,101	496	1,115	1,691
to replace existing assets	3,694	3,701	9,485	3,822	3,431
Increase (decrease) in reserves	-	-	(44)	-	5,507
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>4,248</b>	<b>7,802</b>	<b>9,937</b>	<b>5,099</b>	<b>10,629</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(8,517)</b>	<b>(9,684)</b>	<b>(10,138)</b>	<b>(11,618)</b>	<b>(17,439)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>8,517</b>	<b>10,303</b>	<b>10,801</b>	<b>11,494</b>	<b>11,808</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Conservation attractions

2.6	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	7,183	6,988	6,988	7,376	7,376
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>7,183</b>	<b>6,988</b>	<b>6,988</b>	<b>7,376</b>	<b>7,376</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	176	179	182	140	124
Finance costs	762	588	495	451	498
Internal charges and overheads applied	-	-	-	196	88
Other operating funding applications	4,550	4,550	4,943	5,112	5,126
<b>Total applications of operating funding (B)</b>	<b>5,488</b>	<b>5,317</b>	<b>5,620</b>	<b>5,898</b>	<b>5,836</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>1,695</b>	<b>1,671</b>	<b>1,368</b>	<b>1,478</b>	<b>1,540</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	800	280	905	429	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	879	1,903	(828)	970	1,443
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>1,679</b>	<b>2,183</b>	<b>77</b>	<b>1,399</b>	<b>1,443</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	2,463	2,899	617	1,716	1,855
to replace existing assets	911	955	1,393	1,161	1,203
Increase (decrease) in reserves	-	-	(565)	-	(75)
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>3,374</b>	<b>3,854</b>	<b>1,445</b>	<b>2,877</b>	<b>2,983</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(1,695)</b>	<b>(1,671)</b>	<b>(1,368)</b>	<b>(1,478)</b>	<b>(1,540)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>1,695</b>	<b>1,671</b>	<b>1,932</b>	<b>1,858</b>	<b>1,995</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for City promotions and  
business support**

3.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	6,146	8,808	8,808	7,800	7,800
Targeted rates	14,383	12,442	12,442	15,647	15,647
Subsidies and grants for operating purposes	-	-	-	-	200
Fees and charges	15,264	15,277	194	8,326	176
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>35,793</b>	<b>36,527</b>	<b>21,444</b>	<b>31,774</b>	<b>23,823</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	18,801	18,394	4,461	13,472	4,671
Finance costs	3,798	2,623	1,819	2,700	2,797
Internal charges and overheads applied	1,386	2,127	1,297	1,308	948
Other operating funding applications	14,843	15,980	12,581	15,461	15,945
<b>Total applications of operating funding (B)</b>	<b>38,828</b>	<b>39,124</b>	<b>20,158</b>	<b>32,942</b>	<b>24,361</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>(3,035)</b>	<b>(2,597)</b>	<b>1,286</b>	<b>(1,168)</b>	<b>(538)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	3
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	5,005	15,406	5,626	5,000	5,060
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>5,005</b>	<b>15,406</b>	<b>5,626</b>	<b>5,000</b>	<b>5,063</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	521	-	-	1,000	100
to replace existing assets	1,449	12,809	3,388	2,832	2,225
Increase (decrease) in reserves	-	-	3,524	-	2,200
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,970</b>	<b>12,809</b>	<b>6,912</b>	<b>3,832</b>	<b>4,525</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>3,035</b>	<b>2,597</b>	<b>(1,286)</b>	<b>1,168</b>	<b>538</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>1,981</b>	<b>1,609</b>	<b>1,977</b>	<b>2,373</b>	<b>2,303</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Arts and cultural activities**

4.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	15,918	14,522	14,522	17,543	17,543
Targeted rates	5,991	5,689	5,689	5,966	5,966
Subsidies and grants for operating purposes	424	224	-	324	190
Fees and charges	610	552	532	643	515
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>22,943</b>	<b>20,987</b>	<b>20,743</b>	<b>24,476</b>	<b>24,214</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	6,091	4,836	4,923	5,768	5,232
Finance costs	268	89	76	54	66
Internal charges and overheads applied	1,438	898	1,206	1,809	2,054
Other operating funding applications	14,426	14,911	15,112	16,228	16,094
<b>Total applications of operating funding (B)</b>	<b>22,223</b>	<b>20,734</b>	<b>21,317</b>	<b>23,859</b>	<b>23,446</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>720</b>	<b>253</b>	<b>(574)</b>	<b>617</b>	<b>768</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	52,926	52,416	55,709	49,898	54,095
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>52,926</b>	<b>52,416</b>	<b>55,709</b>	<b>49,898</b>	<b>54,095</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	53,646	52,669	55,958	50,495	54,571
to replace existing assets	-	-	-	20	51
Increase (decrease) in reserves	-	-	(823)	-	241
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>53,646</b>	<b>52,669</b>	<b>55,135</b>	<b>50,515</b>	<b>54,863</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(720)</b>	<b>(253)</b>	<b>574</b>	<b>(617)</b>	<b>(768)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>720</b>	<b>715</b>	<b>711</b>	<b>729</b>	<b>639</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Recreation promotion  
and support**

5.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	30,567	31,490	31,490	32,463	32,463
Targeted rates	1,453	1,524	1,524	2,283	2,283
Subsidies and grants for operating purposes	195	15	81	20	40
Fees and charges	11,840	9,333	12,025	12,232	10,060
Internal charges and overheads recovered	1,163	1,155	1,375	1,152	1,308
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>45,218</b>	<b>43,517</b>	<b>46,495</b>	<b>48,150</b>	<b>46,154</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	21,424	22,073	21,896	22,820	22,711
Finance costs	3,065	2,537	2,102	2,359	2,082
Internal charges and overheads applied	11,583	12,703	12,338	12,527	12,795
Other operating funding applications	742	892	892	915	953
<b>Total applications of operating funding (B)</b>	<b>36,814</b>	<b>38,205</b>	<b>37,228</b>	<b>38,622</b>	<b>38,541</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>8,404</b>	<b>5,312</b>	<b>9,267</b>	<b>9,529</b>	<b>7,613</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	750	748	979	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	2,291	4,511	(643)	(563)	1,223
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>3,041</b>	<b>5,259</b>	<b>336</b>	<b>(563)</b>	<b>1,223</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	290	259	476	105	539
to replace existing assets	11,155	10,312	5,439	8,861	11,055
Increase (decrease) in reserves	-	-	3,688	-	(2,593)
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>11,445</b>	<b>10,571</b>	<b>9,603</b>	<b>8,966</b>	<b>9,001</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(8,404)</b>	<b>(5,312)</b>	<b>(9,267)</b>	<b>(9,529)</b>	<b>(7,613)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>8,404</b>	<b>8,578</b>	<b>8,853</b>	<b>9,155</b>	<b>9,832</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Community Support

5.2	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	28,820	31,207	31,207	33,651	33,651
Targeted rates	5,658	5,382	5,382	6,969	6,969
Subsidies and grants for operating purposes	-	-	-	-	246
Fees and charges	25,349	26,838	26,284	27,836	28,071
Internal charges and overheads recovered	490	448	695	870	675
Local authorities fuel tax, fines, infringement fees, and other receipts	443	271	343	407	(167)
<b>Total operating funding (A)</b>	<b>60,760</b>	<b>64,146</b>	<b>63,911</b>	<b>69,734</b>	<b>69,445</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	29,806	32,340	30,512	36,054	35,375
Finance costs	(738)	(1,218)	(1,057)	(612)	(1,355)
Internal charges and overheads applied	14,421	15,424	15,139	16,008	16,256
Other operating funding applications	4,685	5,277	4,995	4,720	4,275
<b>Total applications of operating funding (B)</b>	<b>48,174</b>	<b>51,823</b>	<b>49,589</b>	<b>56,170</b>	<b>54,551</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>12,586</b>	<b>12,323</b>	<b>14,322</b>	<b>13,564</b>	<b>14,894</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	1,211	1,303	300	-
Development and financial contributions	-	-	14	-	-
Increase (decrease) in debt	(4,624)	5,641	(7,959)	7,183	(8,123)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(4,624)</b>	<b>6,852</b>	<b>(6,642)</b>	<b>7,483</b>	<b>(8,123)</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	1,220	1,891	3,378	2,435
to replace existing assets	7,962	17,955	4,315	17,668	4,858
Increase (decrease) in reserves	-	-	1,474	-	(522)
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>7,962</b>	<b>19,175</b>	<b>7,680</b>	<b>21,046</b>	<b>6,771</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(12,586)</b>	<b>(12,323)</b>	<b>(14,322)</b>	<b>(13,564)</b>	<b>(14,894)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>19,531</b>	<b>18,986</b>	<b>18,068</b>	<b>20,509</b>	<b>22,656</b>

### Funding impact statement for 1 July 2021 to 30 June 2022 for Public health and safety

5.3	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	13,229	12,894	12,894	13,725	13,725
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	10	11	12	11
Fees and charges	4,611	3,256	4,373	4,824	4,321
Internal charges and overheads recovered	762	751	600	664	608
Local authorities fuel tax, fines, infringement fees, and other receipts	79	63	22	23	28
<b>Total operating funding (A)</b>	<b>18,681</b>	<b>16,974</b>	<b>17,900</b>	<b>19,247</b>	<b>18,693</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	9,931	10,214	10,295	10,460	11,124
Finance costs	208	152	145	108	156
Internal charges and overheads applied	7,007	7,510	6,709	6,903	7,346
Other operating funding applications	54	55	186	56	15
<b>Total applications of operating funding (B)</b>	<b>17,200</b>	<b>17,931</b>	<b>17,335</b>	<b>17,527</b>	<b>18,641</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>1,481</b>	<b>(957)</b>	<b>565</b>	<b>1,720</b>	<b>52</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	298	4,266	5,495	1,118	263
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>298</b>	<b>4,266</b>	<b>5,495</b>	<b>1,118</b>	<b>263</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	255	1,524	3,293	51	(60)
to replace existing assets	1,524	1,785	1,403	2,788	1,310
Increase (decrease) in reserves	-	-	1,364	-	(935)
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,779</b>	<b>3,309</b>	<b>6,060</b>	<b>2,838</b>	<b>315</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(1,481)</b>	<b>957</b>	<b>(565)</b>	<b>(1,720)</b>	<b>(52)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>1,481</b>	<b>1,340</b>	<b>1,416</b>	<b>1,548</b>	<b>1,297</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Urban planning, heritage  
and public spaces development**

6.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	9,994	9,953	9,953	14,173	14,173
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	22	1,031	564	2,594	1,768
Internal charges and overheads recovered	272	1,156	383	574	402
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>10,288</b>	<b>12,140</b>	<b>10,900</b>	<b>17,340</b>	<b>16,343</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	6,748	8,657	9,573	14,074	11,358
Finance costs	23	26	16	(30)	(11)
Internal charges and overheads applied	2,953	2,828	3,172	3,366	4,284
Other operating funding applications	450	503	869	503	489
<b>Total applications of operating funding (B)</b>	<b>10,174</b>	<b>12,014</b>	<b>13,630</b>	<b>17,913</b>	<b>16,120</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>114</b>	<b>126</b>	<b>(2,730)</b>	<b>(573)</b>	<b>223</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	56	-	79
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	3,636	4,487	2,504	23,840	9,789
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>3,636</b>	<b>4,487</b>	<b>2,560</b>	<b>23,840</b>	<b>9,868</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	455	1,092	7,046	3,543
to improve the level of service	2,602	2,872	392	9,521	4,425
to replace existing assets	1,148	1,286	1,148	6,700	1,260
Increase (decrease) in reserves	-	-	(2,802)	-	863
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>3,750</b>	<b>4,613</b>	<b>(170)</b>	<b>23,267</b>	<b>10,091</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(114)</b>	<b>(126)</b>	<b>2,730</b>	<b>573</b>	<b>(223)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>114</b>	<b>127</b>	<b>73</b>	<b>177</b>	<b>110</b>

**Funding impact statement  
for 1 July 2021 to 30 June 2022  
for Building and  
development control**

6.2	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP \$000	AP \$000	Actual \$000	LTP \$000	Actual \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	8,637	11,378	11,378	11,568	11,568
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	22	-	4
Fees and charges	12,860	10,099	14,204	17,809	18,057
Internal charges and overheads recovered	206	-	-	-	11
Local authorities fuel tax, fines, infringement fees, and other receipts	24	19	3	11	1
<b>Total operating funding (A)</b>	<b>21,727</b>	<b>21,496</b>	<b>25,607</b>	<b>29,388</b>	<b>29,641</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	13,202	16,322	16,893	20,712	17,943
Finance costs	4	1	-	1	-
Internal charges and overheads applied	8,474	10,393	10,295	11,229	11,257
Other operating funding applications	35	536	(24)	21	221
<b>Total applications of operating funding (B)</b>	<b>21,715</b>	<b>27,252</b>	<b>27,164</b>	<b>31,963</b>	<b>29,421</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>12</b>	<b>(5,756)</b>	<b>(1,557)</b>	<b>(2,575)</b>	<b>220</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	28,823	47,727	47,170	40,533	48,484
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>28,823</b>	<b>47,727</b>	<b>47,170</b>	<b>40,533</b>	<b>48,484</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	28,349	37,881	27,901	33,657	29,324
to replace existing assets	486	4,090	13,509	4,300	16,593
Increase (decrease) in reserves	-	-	4,203	-	2,787
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>28,835</b>	<b>41,971</b>	<b>45,613</b>	<b>37,957</b>	<b>48,704</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(12)</b>	<b>5,756</b>	<b>1,557</b>	<b>2,575</b>	<b>(220)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>12</b>	<b>29</b>	<b>24</b>	<b>21</b>	<b>28</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Transport

7.1	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	53,899	42,133	42,133	51,961	51,961
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	4,987	7,070	6,514	6,350	6,907
Fees and charges	2,293	2,357	2,962	3,530	3,202
Internal charges and overheads recovered	-	-	191	-	120
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
<b>Total operating funding (A)</b>	<b>61,179</b>	<b>51,560</b>	<b>51,800</b>	<b>61,841</b>	<b>62,190</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	16,822	25,262	18,789	24,375	19,579
Finance costs	10,150	7,101	6,426	5,325	6,908
Internal charges and overheads applied	7,925	8,733	10,129	9,092	11,327
Other operating funding applications	2,500	2,500	5,133	2,647	81
<b>Total applications of operating funding (B)</b>	<b>37,397</b>	<b>43,596</b>	<b>40,477</b>	<b>41,440</b>	<b>37,895</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>23,782</b>	<b>7,964</b>	<b>11,323</b>	<b>20,401</b>	<b>24,295</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	16,291	25,362	28,406	35,851	23,718
Development and financial contributions	539	539	1,169	942	1,608
Increase (decrease) in debt	7,157	36,411	23,767	28,379	5,436
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>23,987</b>	<b>62,312</b>	<b>53,342</b>	<b>65,173</b>	<b>30,762</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	15	7,186	251	7,097	797
to improve the level of service	14,941	25,763	25,274	48,198	25,403
to replace existing assets	32,813	37,327	30,323	30,277	25,831
Increase (decrease) in reserves	-	-	8,817	-	3,026
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>47,769</b>	<b>70,276</b>	<b>64,665</b>	<b>85,574</b>	<b>55,057</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(23,782)</b>	<b>(7,964)</b>	<b>(11,323)</b>	<b>(20,401)</b>	<b>(24,295)</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>39,703</b>	<b>34,726</b>	<b>32,570</b>	<b>35,780</b>	<b>33,287</b>

## Funding impact statement for 1 July 2021 to 30 June 2022 for Parking

7.2	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charges, rates penalties	(20,164)	(19,037)	(19,037)	(23,531)	(23,531)
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	28,788	22,225	24,419	33,136	21,824
Internal charges and overheads recovered	-	-	-	-	244
Local authorities fuel tax, fines, infringement fees, and other receipts	7,102	6,894	7,432	9,122	5,788
<b>Total operating funding (A)</b>	<b>15,726</b>	<b>10,082</b>	<b>12,814</b>	<b>18,726</b>	<b>4,325</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	11,429	12,752	11,838	13,191	11,372
Finance costs	28	13	10	7	11
Internal charges and overheads applied	3,695	4,023	3,914	4,283	3,906
Other operating funding applications	1	1	(13)	2	20
<b>Total applications of operating funding (B)</b>	<b>15,153</b>	<b>16,789</b>	<b>15,749</b>	<b>17,482</b>	<b>15,309</b>
<b>Surplus (deficit) of operating funding (A - B)</b>	<b>573</b>	<b>(6,707)</b>	<b>(2,935)</b>	<b>1,244</b>	<b>(10,984)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(452)	7,268	7,098	(53)	(369)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(452)</b>	<b>7,268</b>	<b>7,098</b>	<b>(53)</b>	<b>(369)</b>
<b>Applications of capital funding</b>					
Capital expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	121	123	145	181	88
to replace existing assets	-	438	263	1,009	296
Increase (decrease) in reserves	-	-	3,755	-	(11,737)
Increase (decrease) in investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>121</b>	<b>561</b>	<b>4,163</b>	<b>1,191</b>	<b>(11,353)</b>
<b>Surplus (deficit) of capital funding (C - D)</b>	<b>(573)</b>	<b>6,707</b>	<b>2,935</b>	<b>(1,244)</b>	<b>10,984</b>
<b>Funding balance ((A - B) + (C - D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses for this activity grouping include the following depreciation/amortisation charge</b>	<b>573</b>	<b>549</b>	<b>566</b>	<b>353</b>	<b>372</b>

## Capital expenditure by Strategy

	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Governance:</b>					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	-	-	1,187	1,188
to replace existing assets	-	-	-	-	-
<b>Governance Total</b>	-	-	-	<b>1,187</b>	<b>1,188</b>
<b>Environment:</b>					
to meet additional demand	2,029	-	-	28,679	24,305
to improve the level of service	35,577	32,185	25,859	7,766	14,472
to replace existing assets	31,205	32,687	46,716	35,792	40,931
<b>Environment Total</b>	<b>68,811</b>	<b>64,872</b>	<b>72,575</b>	<b>72,237</b>	<b>79,708</b>
<b>Economic Development:</b>					
to meet additional demand	-	-	-	-	-
to improve the level of service	521	-	-	1,000	100
to replace existing assets	1,449	12,809	3,388	2,832	2,225
<b>Economic Development Total</b>	<b>1,970</b>	<b>12,809</b>	<b>3,388</b>	<b>3,832</b>	<b>2,325</b>
<b>Cultural Well-being:</b>					
to meet additional demand	-	-	-	-	-
to improve the level of service	53,646	52,669	55,958	50,495	54,571
to replace existing assets	-	-	-	20	51
<b>Cultural Wellbeing Total</b>	<b>53,646</b>	<b>52,669</b>	<b>55,958</b>	<b>50,515</b>	<b>54,622</b>
<b>Social and Recreation:</b>					
to meet additional demand	-	-	-	-	-
to improve the level of service	545	3,003	5,660	3,534	2,914
to replace existing assets	20,641	30,052	11,157	29,317	17,223
<b>Social and Recreation Total</b>	<b>21,186</b>	<b>33,055</b>	<b>16,817</b>	<b>32,851</b>	<b>20,137</b>
<b>Urban Development:</b>					
to meet additional demand	-	455	1,092	7,046	3,543
to improve the level of service	30,951	40,752	28,293	43,178	33,749
to replace existing assets	1,634	5,375	14,657	11,000	17,854
<b>Urban Development Total</b>	<b>32,585</b>	<b>46,582</b>	<b>44,042</b>	<b>61,224</b>	<b>55,146</b>
<b>Transport:</b>					
to meet additional demand	15	7,186	251	7,097	797
to improve the level of service	15,062	25,887	25,419	48,379	25,490
to replace existing assets	32,813	37,764	30,586	31,286	26,127
<b>Transport Total</b>	<b>47,890</b>	<b>70,837</b>	<b>56,256</b>	<b>86,762</b>	<b>52,414</b>

## Capital expenditure by Strategy

- continued

	2020/21	2020/21	2020/21	2021/22	2021/22
	LTP	AP	Actual	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
<b>Council:</b>					
to meet additional demand	-	-	-	-	-
to improve the level of service	14,171	7,170	12,809	18,434	13,679
to replace existing assets	21,589	11,136	4,908	15,982	11,299
<b>Council Total</b>	<b>35,760</b>	<b>18,306</b>	<b>17,717</b>	<b>34,416</b>	<b>24,978</b>
<b>Total Council:</b>					
to meet additional demand	2,044	7,641	1,343	42,822	28,645
to improve the level of service	150,473	161,666	153,998	173,973	146,163
to replace existing assets	109,331	129,823	111,412	126,228	115,710
<b>Total Council:</b>	<b>261,848</b>	<b>299,130</b>	<b>266,753</b>	<b>343,023</b>	<b>290,518</b>



### **Directory**

The Customer Contact Centre and website are your first points of contact for all Council services, including building and resource consents, complaints and queries, liquor licensing, animal control, food safety, parks and recreation facilities, Council meetings and consultation, cemeteries, landfills, transport issues, rubbish and recycling collection, parking, rates, events, archives and community services.

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**ISSN:** 0114-8362 (Print)  
2324-559X (Online)

Published by Wellington City Council,  
113 The Terrace, Wellington, New Zealand.

Printed in-house on FSC accredited  
(Forest Stewardship Council) paper  
sourced from WMF (Well Managed Forests).  
It has an EMAS certification (Environmental  
Management and Audit Scheme), and is  
produced Elemental Chlorine Free.

The Annual Report 2021/22 was adopted  
by the Council on 15 December 2022 in  
compliance with the Local Government  
Act 2002.



