

Te Pūrongo ā-Tau

Annual Report

2022/23

*Volume 2: Financial Statements for
Council and Group*

Ihirangi | Contents

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Statement of Compliance and Responsibility

Reporting entity

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

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

The reported Council figures include the results and operations of Wellington City Council and the Council's interests as disclosed in *Note 36: Joint operations* (pg X).

The reported Group figures include the Council, its controlled entities as disclosed in *Note 20: Investments in controlled entities* (pg X) and the Council's equity accounted interest in the associates and joint venture as disclosed in *Note 21: Investments in associates and joint venture* (pg X). A diagram of the Council and Group is included on page X.

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 LGA 2002, including the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) have been complied with. Reporting obligations in relation to the Local Government (Financial Reporting and Prudence) Regulations 2014 have been met.

The financial statements have been prepared to comply with Public Sector Public Benefit Entity Accounting Standards (PBE Accounting Standards) for a Tier 1 entity¹ and were authorised for issue by the Council on 25 October 2023

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 period ended 30 June 2023 fairly reflects the financial position, results of operations and service performance achievements of Wellington City Council and Group.

Tory Whanau
Mayor

25 October 2023

Barbara McKerrow
Chief Executive

25 October 2023

Andrea Reeves
Chief Financial Officer

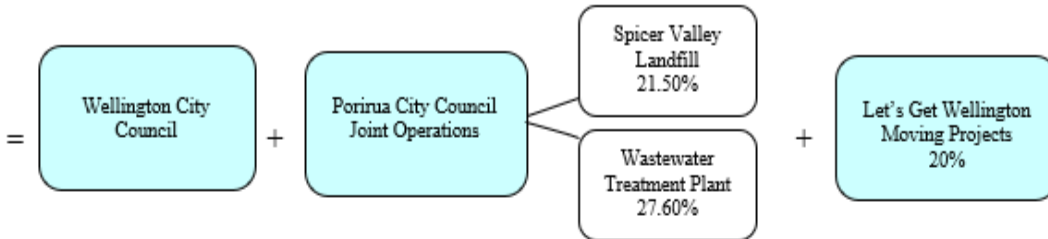
25 October 2023

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

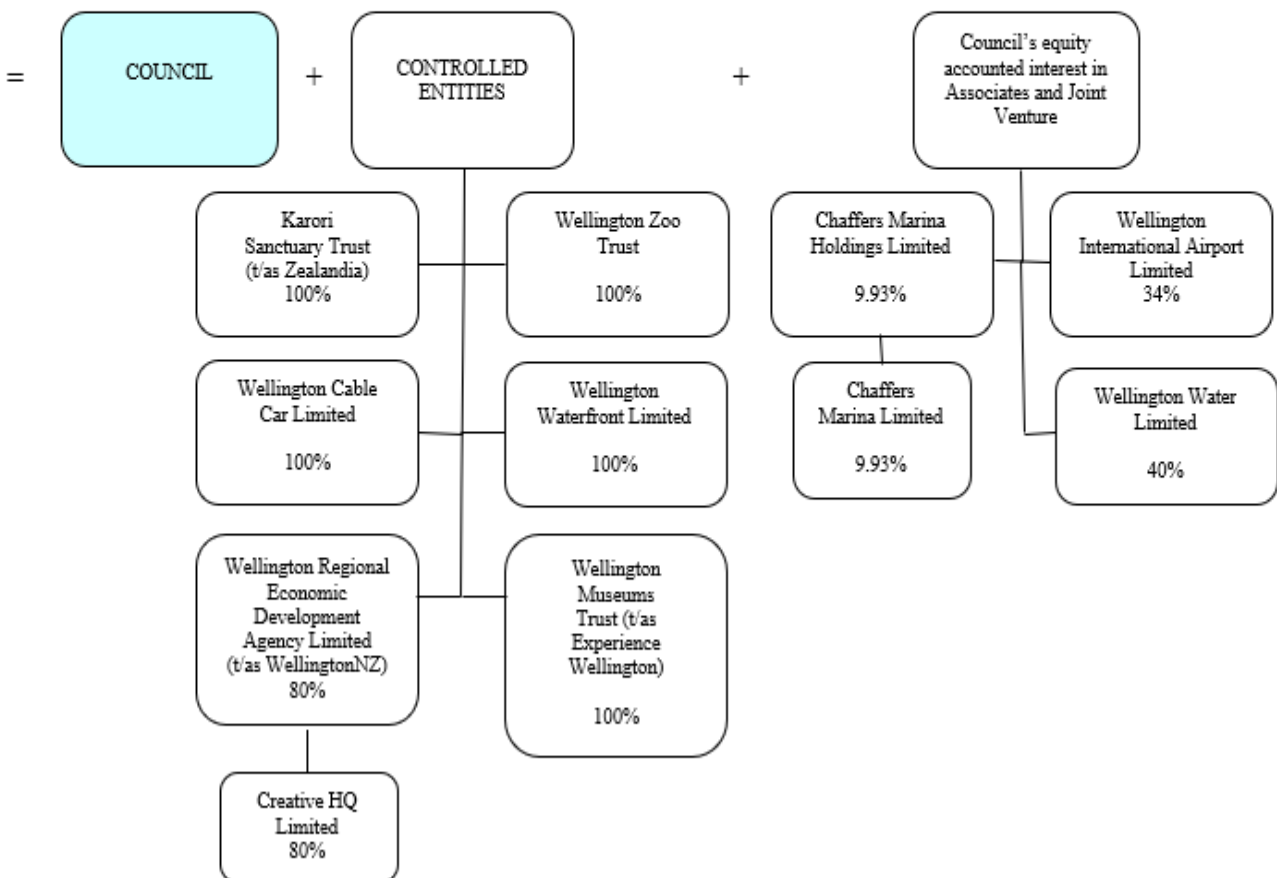
Council and Group structure

Figure 1: Reporting entity structures

Wellington City Council Reporting Entity (Council)



Wellington City Council Group Reporting Entity (Group)



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

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

Basis of Consolidation

Joint arrangements

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

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

In the Council's financial statements, the investments in joint ventures are carried at cost. In the Group financial statements, the Council's share of the assets, liabilities, 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 investments in controlled entities are carried at cost. In the Group financial statements, controlled entities are accounted for using the purchase method where assets, liabilities, revenue 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 Council and organisation on page X to X. The Council has made appointments to other organisations, which make them Council organisations (as defined in the LGA 2002), but they are not Council controlled or part of the Group.

Other consolidated entities

Te Toi Mahana (TTM), a Community Housing Provider (CHP), was established by the Wellington City Council with the Trust Deed signed on 16 February 2023.

TTM is not a Council-controlled Organisation under the LGA 2002, however it does require consolidation into the Group under *PBE IPSAS 35 – Consolidated Financial Statements*. In the Group financial statements, TTM is accounted for using the purchase method where assets, liabilities, revenue and expenditure are added on a line-by-line basis.

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

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 (for 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.

Foreign currency balances and transactions

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

Change of accounting policies

There are no accounting policies changes applicable for the current year other than changes to accounting standards as detailed below.

Changes to PBE accounting standards

Standards previously issued and now effective, and now adopted

The following accounting standards, having been issued with mandatory effect for this accounting period, are now adopted in these financial statements.

- *PBE FRS 48 – Service Performance Reporting*

The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report. There is no financial impact from the adoption of this standard.

- *PBE IPSAS 41 - Financial Instruments*

In March 2019, the External Reporting Board (XRB) issued *PBE IPSAS 41- Financial Instruments*, which supersedes both *PBE IFRS 9 - Financial Instruments* and *PBE IPSAS 29 - Financial Instruments: Recognition and Measurement*. The Council has adopted *PBE IPSAS 41* and the main changes between *PBE IPSAS 29* and *PBE IPSAS 41* are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses
- Revised hedge accounting requirements to better reflect the management of risks.

Information about the transition to *PBE IPSAS 41* is disclosed in *Note 40 – Adoption of PBE IPSAS 41 – Financial Instruments* (pg XX). The adoption will not result in any significant impact on the Group financial statements.

Standards issued and not yet effective, and not early adopted

- Disclosure of Fees for Audit Firm’s Services (Amendments to *PBE IPSAS 1 – Presentation of Financial Reports*)

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

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 2022/23 Annual Plan (AP) budget figures included in these financial statements are for the Council as a separate entity. The AP figures do not include budget information relating to controlled entities 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 AP process. These figures do not include any additional expenditure subsequently approved by the Council outside the LTP process. The AP 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.

Statement of Comprehensive Revenue and Expense

Table 1: Statement of Comprehensive Revenue and Expense for the year ended 30 June 2023		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2023	2023	2022	2023	2022
Note	\$000	\$000	\$000	\$000	\$000	
Revenue						
Rates	1	424,990	426,357	388,176	424,990	388,176
Revenue from operating activities						
Development contributions	2	4,739	3,500	3,743	4,739	3,743
Grants, subsidies and reimbursements	2	38,463	40,277	53,636	47,533	62,604
Other operating activities	2	168,419	167,489	143,958	185,061	159,291
Investments revenue	3	33,040	12,294	11,109	12,640	11,109
Vested assets and other revenue	4	21,360	1,101	85,530	21,372	85,768
Fair value movements - gains	5	68	7,046	20,645	171	20,645
Finance revenue	6	8,041	13	2,991	8,869	3,166
Total revenue		699,120	658,077	709,788	705,375	734,502
Expense						
Fair value movements - losses	5	(13,607)	-	(35)	(13,607)	(40)
Finance expense	6	(52,085)	(41,375)	(29,296)	(52,097)	(29,305)
Expenditure on operating activities	7	(511,336)	(497,220)	(446,534)	(535,864)	(471,190)
Depreciation and amortisation expense	8	(196,318)	(187,605)	(146,488)	(197,032)	(147,615)
Total expense		(773,346)	(726,200)	(622,353)	(798,600)	(648,150)
Operating surplus/(deficit)		(74,226)	(68,123)	87,435	(93,225)	86,352
Share of equity accounted surplus/(deficit) from associates and joint venture	9	-	-	-	7,627	2,213
Net surplus/(deficit) before taxation		(74,226)	(68,123)	87,435	(85,598)	88,565
Income tax credit/(expense)	10	20	-	-	(304)	56
NET SURPLUS/(DEFICIT) for the year		(74,206)	(68,123)	87,435	(85,902)	88,621
Net surplus/(deficit) attributable to:						
Wellington City Council and Group		(74,206)	(68,123)	87,435	(85,811)	88,699
Non-controlling interest		-	-	-	(91)	(78)
		(74,206)	(68,123)	87,435	(85,902)	88,621

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

Table 1: Statement of Comprehensive Revenue and Expense - continued	Refer	Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2023	2023	2022	2023	2022
		\$000	\$000	\$000	\$000	\$000
Net surplus/(deficit) for the year		(74,206)	(68,123)	87,435	(85,902)	88,621
Other comprehensive revenue and expense ¹						
<i>Items that will be reclassified to surplus/(deficit)</i>						
Cash flow hedges:						
Fair value movement - net	SCIE ²	15,556	-	104,646	15,556	104,646
Share of other comprehensive revenue and expense of associates and joint venture						
Fair value movement - net	SCIE	-	-	-	1,588	1,167
Fair value through other comprehensive revenue and expense:						
Fair value movement - net	SCIE	34	-	825	(205)	1,327
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Revaluations:						
Fair value movement - property, plant and equipment - net	SCIE	(59,615)	-	1,854,026	(59,615)	1,854,026
Share of other comprehensive revenue and expense of associates and joint venture						
Fair value movement - property, plant and equipment - net	SCIE	-	-	-	33,015	21,535
Total other comprehensive revenue and expense		(44,025)	-	1,959,497	(9,661)	1,982,701
TOTAL COMPREHENSIVE REVENUE and EXPENSE for the year		(118,231)	(68,123)	2,046,932	(95,563)	2,071,322
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group		(118,231)	(68,123)	2,046,932	(95,472)	2,071,400
Non-controlling interest		-	-	-	(91)	(78)
		(118,231)	(68,123)	2,046,932	(95,563)	2,071,322

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

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

Statement of Comprehensive Revenue and Expense - Major budget variations

Budget figures are for Council only and not the Group.

Significant variations from budgeted revenues and expenses are as follows:

Revenues were \$41.043m higher than budgeted. The major variances included:

- Investment revenues were \$20.746m higher than budget. This is primarily due to the receipt of Wellington International Airport Limited dividend of \$20.400m.
- Vested assets and other revenues were \$20.259m higher than budget. This is primarily due to due to recognition of \$13.995m of unbudgeted vested assets. We recognised vested assets revenue for Let's Get Wellington Moving partnership contributions towards roading assets of \$7.347m, water assets of \$2.504m, other roading assets of \$1.864m and land assets of \$1.160m. We do not budget for vested asset revenue. See Note 4 for further information.
- Fair value movement gains were \$6.978m lower than budget. This is primarily due to the budgeted investment property revaluation increase. The actual result was a revaluation decrease.
- Finance revenues were \$8.028m higher than budgeted. This is due to unbudgeted interest revenue of \$8.041m. In the budget, net interest costs are recorded under finance expense.

Expenses were \$47.146m higher than budgeted. The major variances included:

- Fair value movement losses were \$13.607m higher than budget. This is primarily due to investment property revaluation decreases of \$13.341m. This was budgeted as a revaluation increase.
- Finance expenses were \$10.710m higher than budget. This is due to higher actual interest rates than budgeted.
- Expenditure on operating activities were \$14.116m higher than budgeted. This is due to a range of factors including higher than budgeted insurance, higher inflation than expected and expenditure relating to weather-related events.
- Depreciation and amortisation expenses were \$8.713 higher than budget. This is primarily due to the significant upward revaluation of infrastructure assets at the end of the prior year, after the 2022/23 budget was set, which resulted in higher actual depreciation than budgeted

Net finance expense was \$2.682m higher than budgeted reflecting higher interest rates.

Other comprehensive revenue and expense was \$44.025m lower than budgeted. The major variances included:

- \$15.556m of unrealised fair value gain on cash flow hedges due to higher floating interest rates compared to the fixed swap rates held via interest rate derivatives. We do not budget for this item.
- \$32.451m fair value movement losses due to the decrease in the revaluation of operational land and building assets which was originally scheduled for revaluation on 30 June 2024 and therefore not budgeted for in 2022/23.
- \$28.065m fair value movement losses due to impairment of water assets and revaluation adjustments on roading assets. We do not budget for this item.

Note 1: Rates revenue

Table 2: Rates revenue	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
General rates	267,087	226,129	267,087	226,129
Targeted rates	138,633	146,622	138,633	146,622
Metered water supply	17,441	15,026	17,441	15,026
Penalties and adjustments	1,829	399	1,829	399
TOTAL RATES REVENUE	424,990	388,176	424,990	388,176

The total amount of rates charged on Council-owned properties that have not been eliminated from revenue and expenditure is \$17.191m (2022: \$14.353m). For the Group, rates of \$17.265m (2022: \$14.435m) 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 3: Rates revenue billing basis	As at 30 June 2022	As at 30 June 2021
Number of rating units	81,155	81,030
Total capital value of rating units	\$123,408.750m	\$80,608.516m
Total land value of rating units	\$78,970.993m	\$41,041.846m

The property revaluations that occurred in September 2021 have been applied for the rates billed for the 2022/23 year.

Rates remissions

Revenue from rates is shown net of rates remissions. The Council's Rates Remission and Postponement Policies provide for general rates to be partially remitted for rural open space; land used principally for games or sport and in special circumstances (where the rating policy is deemed to unfairly disadvantage an individual ratepayer). A remission of the Downtown targeted rate may also be granted to provide rates relief for downtown commercial property temporarily not fit for the purpose due to the property undergoing development and therefore not receiving the benefits derived by contributing to the Downtown targeted rate. The Council committed itself at the start of the year to certain remissions, which for the reporting period ended 30 June 2023 totalled \$2.223m (2022: \$1.320m).

Non-rateable land

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

Relevant significant accounting policies

Rates are set annually by resolution from the Council and relate to a particular financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised in full at the date when rate assessment notices are sent to the ratepayers. Rates are a tax as they are payable under the Local Government (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 4: Revenue from operating activities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Development contributions	4,739	3,743	4,739	3,743
Grants, subsidies and reimbursements				
Operating	9,244	21,667	17,020	29,602
Capital	29,219	31,969	30,513	33,002
Total grants, subsidies and reimbursements	38,463	53,636	47,533	62,604
Other operating activities				
Fines and penalties	6,532	4,962	6,532	4,962
Rendering of services	154,505	131,556	165,309	143,480
Sale of goods	7,382	7,440	13,220	10,849
Total other operating activities	168,419	143,958	185,061	159,291
TOTAL REVENUE FROM OPERATING ACTIVITIES	211,621	201,337	237,333	225,638

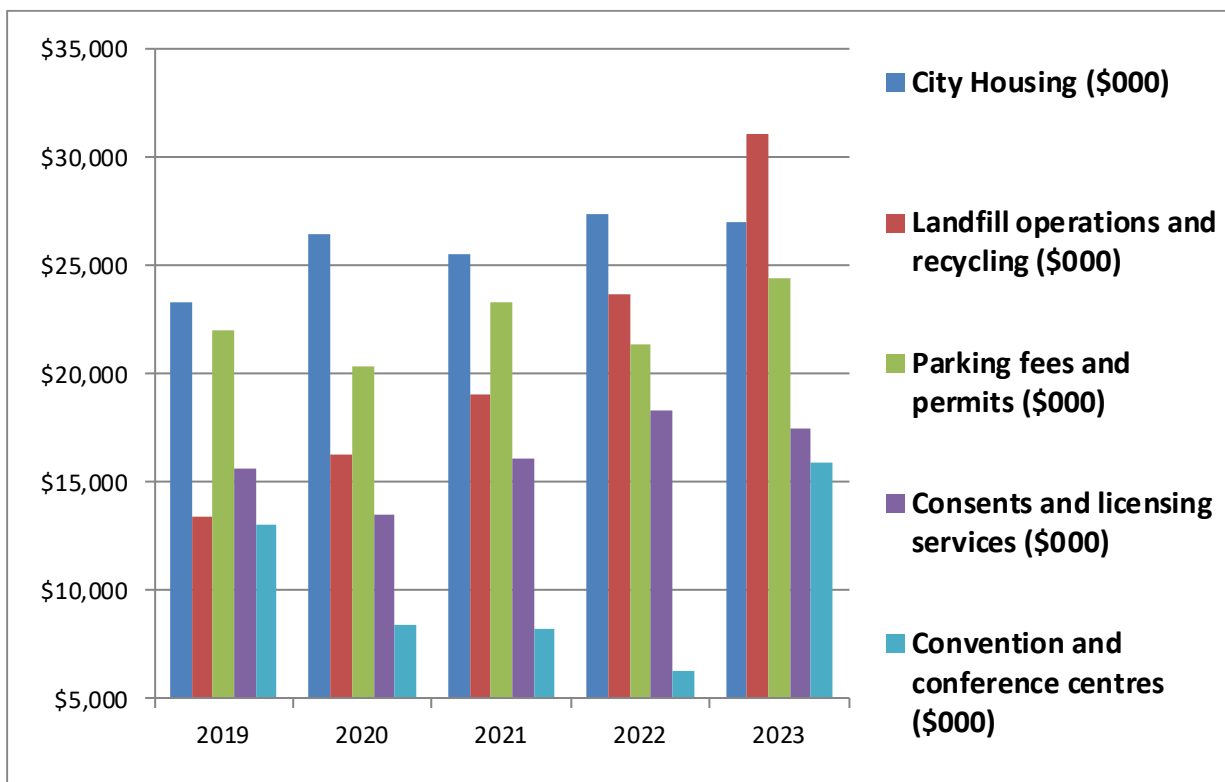
For the Council, the principal grants and reimbursements are from Waka Kotahi - NZ Transport Agency (Waka Kotahi), which reimburses part of the Council's costs for maintaining the local roading and cycling infrastructure. The capital reimbursements recognised from Waka Kotahi of \$26.272m (2022: \$23.032m) and operating reimbursements of \$6.963m (2022: \$7.951m) are for costs already incurred and there are no unfulfilled conditions or other contingencies relating to the reimbursements.

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

- City housing - \$26.988m (2022: \$27.416m)
- Landfill operations and recycling - \$31.120m (2022: \$23.654m) – including unbudgeted revenue from the joint operation with Porirua City Council \$2.613m (2022: \$2.395m).
- Parking fees and permits - \$24.412m (2022: \$21.360m)
- Consents and licensing services - \$17.461m (2022: \$18.284m)
- Convention and conference centres – \$15.913m (2022: \$6.246m)

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

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



Five-year trend analysis commentary

City Housing

Historically, revenue trends have increased year on year, but in 2022/23 revenue has reduced by \$0.500m from 2021/22 levels primarily due to the loss of rental income on the Granville Flats leases which have ceased as at September 2022. The Granville Flats has been set for demolition in December 2023 which has resulted in the continued decanting of tenants from Granville. Additionally, there are Kainga Ora and Atareira leases which have ceased due to the transition to Te Toi Mahana.

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

Landfill Operations and Recycling

The revenue increase in 2022/23 was largely due to the increase in the fee per tonne for contaminated soil received at the landfill, which increased by 40 percent from 1 July 2022 and an additional 53 percent on 1 January 2023. Actual tonnage of contaminated soil delivered at site was ~ 20,000 tonnes less than the previous year.

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

Parking fees and permits

2019/2020 saw a reduction in Parking revenue mainly due to the COVID-19 pandemic. Revenue increased the following year to levels higher than pre-COVID-19 because the price per hour had been increased in 2020. In 2021/22 there was a 12 percent reduction in the number of parking bays available aligned to the LGWM campaign which resulted in a \$1.933m decrease in parking revenue compared to 2020/21. In 2022/23, despite the number of parking bays reducing by a further 15 percent, the effect of the \$0.50 per hour fee increase was the main driver of the \$3.052m increase in revenue to \$24.412m.

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

Consents and Licensing Services

Revenue has varied over the last five years, dropping in 2019/20 due to COVID-19 before picking up immediately following. Fee increases applied in 2021/22, drove the revenue higher. In 2022/23, revenue has decreased as volumes of Building Consents and Resource Consents declined by 23 percent and 28 percent respectively.

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

Convention and Conference centres

COVID-19 had significant impact on revenue in recent years as performances were reduced. Also impacting was the unavailability of the St James Theatre owing to its redevelopment. That trend has been reversed this year with revenue increasing significantly (up 155 percent on the previous year) to levels prior to COVID-19 as events and performances returned to venues.

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

Relevant significant accounting policies

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

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

See *Note 13: Receivables and recoverables* (pg X), 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, Waka Kotahi 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) is recognised when infringement notices are issued or when the fines/penalties are otherwise imposed. The fair value of parking related fines is recorded as the amounts due, less an allowance for expected credit losses (ECL).

Rendering of services

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

or on a full cost recovery basis (for example, parking fees) and these are classified as exchange revenue.

Sale of goods

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

Note 3: Investment revenue

Table 5: Investment revenue	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Dividend from associates	20,400	-	-	-
Dividend from equity investments	91	64	91	64
Investment property revenues	12,549	11,045	12,549	11,045
TOTAL INVESTMENT REVENUE	33,040	11,109	12,640	11,109

Dividends

The 2022/23 dividend from the Council’s 34 percent shareholding in Wellington International Airport Limited, was higher than budgeted. 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* (pg X).

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* (pg X).

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 6: Vested assets and other revenue	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Vested assets	13,995	82,488	13,995	82,488
Other revenue	7,365	3,042	7,377	3,280
TOTAL VESTED ASSETS AND OTHER REVENUE	21,360	85,530	21,372	85,768

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

The breakdown of principal vested assets received is:

- Roothing - \$9.211m (2022: \$3.864m) – Includes LGWM vested asset revenue of \$7.347m representing Waka Kotahi's contribution to Wellington City Council's portion of the capital delivery programme.
- Drainage, water and waste - \$2.504m (2022: \$74.116m). The significant amount in the 2021/22 year was 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 - \$1.160m (2022: \$3.610m).
- Carbon credits - \$1.118m (2022: \$0.898m).

Other revenue consisted mainly of:

- Gains on disposal of assets - \$3.189m (2022: \$0.322m)
- Recovered capital expenditure \$3.141m (\$0.241m)
- Fuel tax - \$0.944m (2022: \$1.024m)

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 Otari-Wilton's Bush guiding and planting). Due to the difficulty in determining the precise value of these donated services with sufficient reliability, donated services are not recognised in these financial statements. More information on the network of volunteers can be found on page X of Volume 1.

Note 5: Fair value movements

Table 7: Fair value movements	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Investment property revaluation increase	-	20,614	-	20,614
Amortisation of loans to related parties	68	31	68	31
Fair value adjustment to loan	-	-	103	-
TOTAL FAIR VALUE MOVEMENTS - GAINS	68	20,645	171	20,645
<i>Less</i>				
Investment property revaluation decrease	13,341	-	13,341	-
Fair value adjustment to loan	-	35	-	40
LGFA - borrower note movement	266	-	266	-
TOTAL FAIR VALUE MOVEMENTS - LOSSES	13,607	35	13,607	40
TOTAL NET FAIR VALUE MOVEMENTS	(13,539)	20,610	(13,436)	20,605

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* (pg X).

In May 2021, Wellington Regional Stadium Trust made an initial drawdown of a joint loan facility, between Wellington City Council and Greater Wellington Regional Council (GWRC), which was made available as part of a COVID-19 response. Two further drawdowns were made during 2021/22 to fully utilise the \$2.100m facility from the Council. As the initial two-year period was interest free, adjustments to reflect fair value were required for each drawdown. For more information refer to *Note 15: Other financial assets* (pg X).

Relevant significant accounting policies

Investment properties

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

Note 6: Finance revenue and expense

Table 8: Finance revenue, expense and net finance cost	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Interest on borrowings	51,433	28,798	51,445	28,802
Interest on finance leases	-	-	-	5
Re-discounting of interest on provisions	652	498	652	498
TOTAL FINANCE EXPENSE	52,085	29,296	52,097	29,305
<i>Less</i>				
Interest earned	8,041	2,991	8,869	3,166
TOTAL FINANCE REVENUE	8,041	2,991	8,869	3,166
NET FINANCE COST	44,044	26,305	43,228	26,139

An increase in interest rates during the year, as a result of increases in the Official Cash Rate (OCR) totalling 3.5 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 a portion of borrowings on fixed interest rates to avoid total exposure to volatility in its interest expense as interest rates change. To achieve this, it uses interest rate swaps (which effectively changes floating rate debt to fixed rate debt) along with fixed rate debt.

Returns on investment deposits are also exposed to market movements, 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* (pg X) and *Note 26: Provision for other liabilities* (pg X).

Interest earned

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

Note 7: Expenditure on operating activities

Table 9: Expenditure on operating activities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Governance and employment				
Elected member remuneration	2,009	1,955	2,009	1,955
Independent directors/trustees fees for controlled entities	-	-	743	445
Employee benefits expense:	-	-	-	-
- Remuneration	132,897	118,767	165,685	148,407
- Superannuation contributions (including KiwiSaver)	4,012	3,560	4,819	4,279
Other personnel costs	4,609	4,501	5,977	5,899
Impairments				
Bad debts written off not previously provided for	180	133	180	133
Increase in provision for impairment of receivables and recoverables	2,616	205	2,616	206
Impairment of property, plant and equipment	377	4,414	377	4,414
Insurance				
Insurance premiums	21,205	16,585	22,107	17,431
Insurance reserve costs - net	1,068	605	1,068	605
General costs				
Administration costs	7,204	5,661	20,264	16,976
Auditor's remuneration	592	610	946	912
Contractors	7,440	5,086	9,221	7,838
Contracts, services and materials	185,439	161,099	182,782	163,086
Grants	47,596	45,947	16,559	16,362
Information and communication technology	18,112	16,101	19,763	17,670
Loss on disposal of intangibles	25	518	25	518
Loss on disposal of property, plant and equipment	352	2,713	944	2,746
Operating lease - minimum lease payments	15,703	10,292	17,031	11,524
Professional costs	18,755	11,286	20,481	12,300
Reassessment of weathertight provision	1,208	-	1,208	-
Utility costs	39,937	36,496	41,059	37,484
TOTAL EXPENDITURE ON OPERATING ACTIVITIES	511,336	446,534	535,864	471,190

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/trustees 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 \$0.559m (2022: \$0.394m) of termination benefits were incurred by the Council and \$0.611m (2022: \$0.610m) 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 exclude retirement payments already provided for.

For further information refer to *Note 38: Remuneration and staffing* (pg X).

General costs

Table 10: Auditor's remuneration:	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Audit New Zealand - Financial Statements	514	380	514	582
Audit New Zealand - Long-term Plan amendment	-	130	-	130
Audit New Zealand - Wellington Waterfront Project	46	40	46	40
Audit New Zealand - Other assurances	20	14	20	14
Audit New Zealand - Other services	12	46	12	46
Other Auditors - Financial Statements	-	-	354	100
	592	610	946	912

During the period ending 30 June 2023, Audit New Zealand provided as included in Table above:

- Other assurances - assurance on the Council's debenture trust deed compliance and the Clifton Terrace Carpark managed by the Council on behalf of Waka Kotahi (2022: Council's debenture trust deed compliance and the Clifton Terrace Carpark managed by the Council on behalf of Waka Kotahi)
- Other services - probity assurance over the tender process for Tākina facilities maintenance (2022: Probity advice and assurance over procurement - Te Matapihi (Central Library) and assurance over City Housing tender process).

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 (pg X)). Other major grants include the funding to the Museum of New Zealand Te Papa Tongarewa \$2.250m (2022: \$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 all rates and water meter charges of \$19.783m (2022: \$16.342m) on Council-owned properties.

Relevant significant accounting policies

Grants and sponsorships

Expenditure is classified as a grant or sponsorship if it results in a transfer of resources (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, for further information – refer to Section 4: Our performance in detail (Volume 1, pages X to X).

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 11: Depreciation and amortisation	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Depreciation				
Buildings	32,558	31,461	32,683	31,646
Civic Precinct	1,429	1,254	1,429	1,254
Drainage, water and waste infrastructure	87,914	53,295	87,914	53,295
Landfill post closure	(3)	102	(3)	102
Library collections	2,278	2,057	2,278	2,057
Plant and equipment	18,733	16,854	19,307	17,751
Restricted buildings	2,052	1,854	2,052	1,854
Roading infrastructure	44,903	34,258	44,903	34,258
Total depreciation	189,864	141,135	190,563	142,217
Amortisation				
Computer software	6,454	5,353	6,469	5,398
TOTAL DEPRECIATION AND AMORTISATION	196,318	146,488	197,032	147,615

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, investment properties and assets under construction (work in progress). Depreciation is calculated on a straight-line basis, to allocate the cost or value of the asset (less any assessed residual value) over its remaining useful life. (See Table 12).

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

Amortisation

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

Table 12: Estimated remaining useful lives of property, plant and equipment assets	2023
	Remaining useful life (years)
Asset Category	
Operational assets	
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
Infrastructure assets	
Land (including land under roads)	unlimited
Roading:	
Road pavement	10 - 46
Retaining / sea walls	5 - 198
Kerb and channel	5 - 36
Structures - other sea defences	100 - 250
Tunnels - structure and services	55 - 250
Bridges	5 - 104
Drainage, waste and water:	
Pipes	30 - 52
Reservoirs	30 - 140
Pump stations	48 - 91
Fittings	31 - 56
Restricted assets (excluding buildings)	unlimited

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

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

Table 13: Estimated remaining useful lives of intangible assets	2023
	Remaining useful life (years)
Asset Category	
Computer software	2 - 11

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 14*.

Table 14: Share of associates' and joint venture's surplus or deficit	Group	
	2023	2022
	\$000	\$000
Associates		
Chaffers Marina Holdings Limited	(20)	(44)
Wellington International Airport Limited	8,583	958
Joint venture		
Wellington Water Limited	(936)	1,299
TOTAL SHARE OF ASSOCIATES' AND JOINT VENTURE'S SURPLUS OR (DEFICIT)	7,627	2,213

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

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 15: Income Tax	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Current tax expense/(credit)				
Current year	-	-	32	28
Prior period adjustment	-	-	26	2
Total current tax expense/(credit)	-	-	58	30
Deferred tax expense/(credit)				
Origination and reversal of temporary differences	(20)	3	434	(86)
Change in unrecognised temporary differences	-	-	-	-
Recognition of previously unrecognised tax losses	-	(3)	-	-
Prior period adjustment	-	-	(188)	-
Total deferred tax expense/(credit)	(20)	-	246	(86)
TOTAL INCOME TAX EXPENSE/(CREDIT)	(20)	-	304	(56)

Table 16: Reconciliation of tax on the surplus/(deficit) and tax expense/(credit)	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Surplus/(deficit) for the period before taxation	(74,226)	87,435	(85,598)	88,565
Prima facie income tax based on domestic tax rate - 28%	(20,783)	24,482	(23,967)	24,798
Effect of non-deductible expenses and tax exempt income	20,757	(24,485)	26,538	(23,975)
Effect of tax losses utilised	-	-	-	(305)
Current years loss for which no deferred tax asset was recognised	6	3	-	3
Previously unrecognised tax losses now utilised	-	-	-	19
Prior period adjustment	-	-	(163)	(2)
Overseas withholding tax - non-reclaimable	-	-	32	26
Share of income tax of equity accounted associates	-	-	(2,136)	(620)
TOTAL INCOME TAX EXPENSE/(CREDIT)	(20)	-	304	(56)

Relevant significant accounting policies

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

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

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

Statement of Financial Position

Table 17: Statement of Financial Position as at 30 June 2023		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2023	2023	2022	2023	2022
		Note	\$000	\$000	\$000	\$000
ASSETS						
Current assets						
Cash and cash equivalents	11	68,529	26,481	26,575	87,707	40,727
Derivative financial assets	12	196	-	216	196	216
Receivables and recoverables	13	77,185	69,915	86,355	79,726	87,755
Prepayments	14	8,011	19,123	18,294	8,333	18,773
Other financial assets	15	42,744	112,500	102,856	46,815	109,556
Inventories		1,013	787	944	1,813	1,534
Non-current assets classified as held for sale	16	696	-	13,366	696	13,366
Total current assets		198,374	228,806	248,606	225,286	271,927
Non-current assets						
Derivative financial assets	12	72,984	7,821	58,191	72,984	58,191
Other financial assets	15	33,834	19,581	29,298	37,980	31,578
Intangibles	17	40,589	41,617	38,211	41,129	38,238
Investment properties	18	300,002	296,513	300,108	300,002	300,108
Property, plant and equipment	19	10,395,259	10,492,077	10,278,248	10,410,612	10,292,099
Investment in controlled entities	20	5,071	5,998	5,071	-	-
Investment in associates and joint venture	21	19,383	19,474	19,473	279,947	258,206
Total non-current assets		10,867,122	10,883,081	10,728,600	11,142,654	10,978,420
TOTAL ASSETS		11,065,496	11,111,887	10,977,206	11,367,940	11,250,347
LIABILITIES						
Current liabilities						
Derivative financial liabilities	12	-	1,798	260	-	260
Exchange transactions and transfers payable	22	113,309	71,886	84,963	117,018	84,503
Taxes payable	22	11,707	-	11,134	12,047	11,459
Deferred revenue	23	17,048	19,751	16,670	28,328	25,645
Borrowings	24	205,500	111,816	209,001	205,500	209,001
Employee benefit liabilities and provisions	25	8,929	13,116	7,840	11,114	10,033
Provision for other liabilities	26	6,007	5,551	5,481	6,007	5,481
Total current liabilities		362,500	223,918	335,349	380,014	346,382
Non-current liabilities						
Derivative financial liabilities	12	-	53,045	523	-	523
Exchange transactions and transfers payable	22	231	-	231	231	231
Borrowings	24	1,044,986	1,362,430	862,157	1,046,483	863,757
Employee benefit liabilities and provisions	25	676	1,246	624	723	662
Provision for other liabilities	26	35,358	44,727	37,696	35,358	37,696
Deferred tax	27	-	-	-	838	590
Total non-current liabilities		1,081,251	1,461,448	901,231	1,083,633	903,459
TOTAL LIABILITIES		1,443,751	1,685,366	1,236,580	1,463,647	1,249,841

Table 17: Statement of Financial Position		Council			Group	
as at 30 June 2023		Actual	Budget	Actual	Actual	Actual
		2023	2023	2022	2023	2022
Note		\$000	\$000	\$000	\$000	\$000
EQUITY						
Accumulated funds		1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings		3,828,987	3,741,728	3,903,366	3,826,006	3,911,964
Revaluation reserves	28	4,424,407	4,437,653	4,484,022	4,677,956	4,704,556
Hedging reserve	29	73,180	(47,022)	57,624	75,316	58,172
Fair value through other comprehensive revenue and expense reserve	30	6,888	6,029	6,854	7,778	7,983
Non-controlling interest		-	-	-	718	797
Restricted funds	31	19,149	18,999	19,626	23,357	23,872
TOTAL EQUITY		9,621,745	9,426,521	9,740,626	9,904,293	10,000,506
TOTAL EQUITY AND LIABILITIES		11,065,496	11,111,887	10,977,206	11,367,940	11,250,347

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

Statement of Financial Position - Major budget variations

Budget figures are for Council only and not the Group.

Significant variations from budget are as follows:

Current assets were \$30.432m lower than budgeted. The major variances included:

- Cash and cash equivalents were \$42.048m higher than budget.
- Prepayments were \$11.112m lower than budget, mainly due to timing of paying insurance invoices.
- Other financial assets were \$69.756m lower than budget, which is offset by a lower borrowings amount than budgeted.

Non-current assets were \$15.959m lower than budgeted. The major variances included:

- Derivative financial assets were \$65.163m higher than budget due to higher floating interest rates when compared to fixed swap rates held via interest rate derivatives.
- Other financial assets were \$14.253 higher than budget.
- Investment properties were \$3.489m higher than budget. This is due to purchase of new investment properties additions, partially offset by decrease from investment properties revaluation.
- Property, plant and equipment were \$96.818m lower than budget. This is due to the revaluation of operational land and buildings that was originally scheduled for 30 June 2024, other asset impairments and lower capital expenditure than budgeted.

Total liabilities were \$241.615m lower than budgeted. The major variances included:

- Exchange transactions and transfers payable were \$41.423m higher than budget. This is primarily due to current payables and the timing of invoicing for work completed.
- Derivative financial liabilities were \$54.843m lower than budgeted. The budget was struck when the fixed interest rate of the derivative financial instruments was higher than floating rates leading to a budgeted liability position. The actual result at reporting date resulted in an

asset position because floating interest rates were, at that time, higher than the fixed rate under the derivative financial instruments.

- Borrowings were \$223.760m lower than budget. This is due to a range of factors including lower capital program delivery than budgeted and offset by lower other financial assets than budgeted.

Note 11: Cash and cash equivalents

Table 18: Cash and cash equivalents	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Cash at bank	48,514	6,560	66,618	19,189
Cash on hand	15	15	30	29
Short-term bank deposits of up to 3 months at acquisition	20,000	20,000	21,059	21,509
TOTAL CASH AND CASH EQUIVALENTS	68,529	26,575	87,707	40,727

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

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

Relevant significant accounting policies

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

Foreign currency cash and cash equivalents are translated into NZD using the spot rates at balance date. (\$nil held at 30 June 2023).

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

Note 12: Derivative financial instruments

Table 19: Derivative financial instruments	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Assets				
Current assets				
Interest rate swaps - cash flow hedges	196	216	196	216
Total current assets	196	216	196	216
Non-current assets				
Interest rate swaps - cash flow hedges	72,984	58,191	72,984	58,191
Total non-current assets	72,984	58,191	72,984	58,191
TOTAL DERIVATIVE FINANCIAL INSTRUMENT ASSETS	73,180	58,407	73,180	58,407
Liabilities				
Current liabilities				
Interest rate swaps - cash flow hedges	-	260	-	260
Total current liabilities	-	260	-	260
Non-current liabilities				
Interest rate swaps - cash flow hedges	-	523	-	523
Total non-current liabilities	-	523	-	523
TOTAL DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	-	783	-	783

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 20*.

Table 20: Nominal value and weighted average fixed rate of live interest rate swaps	Council				Group			
	2023		2022		2023		2022	
	\$000	%	\$000	%	\$000	%	\$000	%
<i>Interest rate swaps - cash flow hedges</i>								
Not later than one year	47,000	4.24%	109,000	3.61%	47,000	4.24%	109,000	3.61%
Later than one year and not later than five years	172,500	3.88%	148,000	4.06%	172,500	3.88%	148,000	4.06%
Later than five years	336,500	2.69%	196,000	3.03%	336,500	2.69%	196,000	3.03%
Total interest rate swaps - cash flow hedges	556,000	3.19%	453,000	3.50%	556,000	3.19%	453,000	3.50%

The Council and Group also has forward start swaps with a total nominal value of \$183 million (2022: \$395 million) maturing later than five years. The weighted average fixed rate of all interest rate swaps (including forward starts) is 3.07% (2022: 3.14%).

The Council and Group currently have no fair value hedges.

For further information on the Council's interest rate swaps please refer to *Note 29: Hedging reserve* (pg X) and *Note 33: Financial instruments* (pg X).

Relevant significant accounting policies

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

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

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

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

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

Cash flow hedges

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

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

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

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to surplus or deficit.

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

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

Hedge ineffectiveness

Hedge ineffectiveness in a hedge relationship can arise from:

- Differences in the timing of cash flows of the hedged items and hedging instruments.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

Note 13: Receivables and recoverables

Table 21: Receivables and recoverables	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Current	77,185	86,355	79,726	87,755
Non-current	-	-	-	-
TOTAL RECEIVABLES AND RECOVERABLES - NET	77,185	86,355	79,726	87,755
Trade receivables and recoverables - debtors - net	19,335	23,448	20,593	24,613
Trade recoverables - fines - net	4,020	3,657	4,020	3,657
Accrued revenue	22,627	19,715	22,628	19,738
Sundry receivables	1,157	8,239	2,278	8,659
GST recoverable	5,787	5,052	5,948	4,844
Rates recoverable	24,259	26,244	24,259	26,244
TOTAL RECEIVABLES AND RECOVERABLES - NET	77,185	86,355	79,726	87,755

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 22: Receivables and recoverables from related parties	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Receivables and recoverables from related parties				
- Controlled entities	2,913	217	-	-
- Associates and jointly controlled entity	-	168	-	168
Total receivables and recoverables from related parties	2,913	385	-	168

Table 23: Movements in the allowance for expected credit losses	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Balance under <i>PBE IPSAS 29</i>	6,731	6,943	6,732	6,943
ECL adjustment due to adoption of <i>PBE IPSAS 41</i>	94	-	94	-
Opening balances for credit losses	6,825	6,943	6,826	6,943
New provisions made	2,616	205	2,618	206
Release of unused provision	(67)	(312)	(67)	(312)
Amount of provision utilised	(151)	(105)	(151)	(105)
Movements in the allowance for expected credit losses - closing balance	9,223	6,731	9,226	6,732

Relevant significant accounting policies

Receivables from exchange transactions

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

Recoverables from non-exchange transactions

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

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

Expected credit losses

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

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

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

Previous accounting policy

In the previous year, under *PBE IPSAS 29* the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

Rates receivable

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

Ratepayers can apply for payment plan options in special circumstances.

Other receivables

In measuring ECL, all receivables have been grouped based on shared risk characteristics and the days overdue. The ECL rates for other receivables at 1 July 2022 and 30 June 2023 are based on the payment profile of revenue on credit over the prior three years at balance date. A provision matrix is then established based on historical, current and forward-looking information specific to each class of debtors and the macroeconomic environment affecting the ability of customers to settle their debt.

There have been no changes since 1 July 2022 in the estimation methodology or significant assumptions in measuring the loss allowance.

The allowance for ECL on total receivables and recoverables based on Council and the Group's credit loss matrix is shown in Table 24.

Table 24: Debt aging profile and expected credit loss matrix	2023				2022			
	Gross	Expected Credit Loss Rate	Lifetime ECL	Net	Gross	Expected Credit Loss Rate	Lifetime ECL	Net
	\$000	%	\$000	\$000	\$000	%	\$000	\$000
Council								
Receivables and recoverables								
Not past due	45,990	0.26%	(120)	45,870	49,338	0.31%	(152)	49,186
Past due 0-3 months	10,683	1.34%	(143)	10,540	17,460	0.45%	(79)	17,381
Past due 3-6 months	8,953	3.03%	(271)	8,682	8,193	0.61%	(50)	8,143
Past due more than 6 months	20,782	41.81%	(8,689)	12,093	18,095	35.65%	(6,450)	11,645
TOTAL RECEIVABLES AND RECOVERABLES	86,408		(9,223)	77,185	93,086		(6,731)	86,355
Group								
Receivables and recoverables								
Not past due	48,242	0.25%	(123)	48,119	50,646	0.30%	(153)	50,493
Past due 0-3 months	10,886	1.31%	(143)	10,743	17,537	0.45%	(79)	17,458
Past due 3-6 months	8,998	3.01%	(271)	8,727	8,208	0.61%	(50)	8,158
Past due more than 6 months	20,826	41.72%	(8,689)	12,137	18,096	35.64%	(6,450)	11,646
TOTAL RECEIVABLES AND RECOVERABLES	88,952		(9,226)	79,726	94,487		(6,732)	87,755

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

Note 14: Prepayments

Table 25: Prepayments	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Insurance	1,304	12,982	1,303	13,021
3 Waters reform stimulus funding	-	1,010	-	1,010
Information and communications technology	2,560	1,876	2,560	1,876
Waterfront operations	949	995	949	995
Property pre-sale costs	929	275	929	275
Other	2,269	1,156	2,592	1,596
TOTAL PREPAYMENTS	8,011	18,294	8,333	18,773

The Council's significant material damage insurance policies renew at the end of May each year. The payment for the 2023/24 insurance period did not occur until July 2023. Hence, the prepayment for insurance is considerably lower in the period ending 30 June 2023 compared to the previous period.

Note 15: Other financial assets

Table 26: Other financial assets	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Represented by:				
Current	42,744	102,856	46,815	109,556
Non-current	33,834	29,298	37,980	31,578
TOTAL OTHER FINANCIAL ASSETS	76,578	132,154	84,795	141,134
Comprised of:				
Equity investments:				
Civic Financial Services Limited	476	524	476	524
Local Government Funding Agency (LGFA)	8,756	8,674	8,756	8,674
Creative HQ shareholdings - available-for-sale	-	-	1,696	1,879
Endowment fund - Wellington Museums Trust	-	-	291	274
Gifted investment - Karori Sanctuary Trust	-	-	131	126
Debt securities investments				
LGFA - borrower notes	25,190	19,868	25,190	19,868
Deposits and loans				
Bank term deposits - greater than 3 months	40,000	101,000	46,098	107,700
Loans to related parties	2,156	2,088	2,156	2,088
Loans to external organisations	-	-	1	1
TOTAL OTHER FINANCIAL ASSETS	76,578	132,154	84,795	141,134

Equity investments

Civic Financial Services Limited is the trading name for the New Zealand Local Government Insurance Corporation Limited. The Council holds a 4.68 percent (2022: 4.68 percent) shareholding in this entity and has no present intention to sell. The fair value of the investment is determined by reference to the net equity amount from their most recent Annual Report.

The LGFA is an alternative debt provider majority owned by and operated for local authorities. The Council holds an 8.30 percent (2022: 8.30 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 (pg X). The fair value of the investment is determined by reference to the net equity amount from their most recent unaudited fourth quarter report.

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

Debt securities investments

Borrower notes

As part of the borrowing arrangements through the LGFA, the Council is required to leave 2.5 percent of any debt drawdown with the LGFA, as an investment, in the form of a borrower note. Borrower notes are subordinated convertible debt instruments, which will be repaid with interest to the Council once the related borrowing is repaid or no longer owed to the LGFA. The maturity profile of these notes matches the related debt maturity profile (1 February 2024 to 15 October 2033).

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

Deposits and loans

Bank term deposits

Bank term deposits with maturities greater than three 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.

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

Loans to related parties

The loans to related parties are concessionary in nature since the loans have been granted on interest free terms for all or part of the life of the loan. The movements in the loans are shown in *Table 27*.

Table 27: Loans	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Loans to related parties				
<i>Wellington Regional Stadium Trust</i>				
<i>(Build and membership underwrite - \$15,394,893)</i>				
Opening balance	50	44	50	44
Amortisation of fair value adjustment	6	6	6	6
Closing balance at fair value	56	50	56	50
<i>Wellington Regional Stadium Trust</i>				
<i>(COVID-19 support - \$2,100,000)</i>				
Opening balance	2,038	848	2,038	848
Drawn down	-	1,200	-	1,200
Fair value adjustment	-	(35)	-	(35)
Amortisation of fair value adjustment	62	25	62	25
Closing balance at fair value	2,100	2,038	2,100	2,038
Loans to other external organisations				
Opening balance	-	-	1	15
New loan	-	-	-	1
Loan repayments received	-	-	-	(15)
Closing balance at fair value	-	-	1	1
TOTAL LOANS	2,156	2,088	2,157	2,089

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

Wellington Regional Stadium Trust (WRST)

The Council holds a \$15.000m 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.

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

The amortisation rate applicable to the WRST loan is 12.71 percent.

Agreed in 2019/20, a new joint loan facility of \$4.200m shared between the Council and GWRC was further drawn down by WRST from the Council (\$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 Council's share of the unsecured loan is \$2.100m with a fixed interest rate of 3.00 percent and was interest free for the first two years commencing from the date of the first drawdown in December 2020. The first six-monthly accrued interest payment was received in June 2023, with the loan due to be fully repaid by the end of the 2030/31 reporting period.

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

Relevant significant accounting policies

Initial recognition

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

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

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

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

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

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

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

Initial recognition of concessionary loans

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

Subsequent measurement of financial assets at amortised cost

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

Subsequent measurement of financial assets at FVTOCRE

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

Subsequent measurement of financial assets at FVTSD

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

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

Expected credit loss allowance (ECL)

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

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

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

Previous accounting policy (summarised)

In the previous year, other financial assets were classified into the following categories:

- loans and receivables at amortised cost (included term deposits, related party loans, and community loans).
- held-to-maturity investments at amortised cost (included debt securities investments); and
- fair value through other comprehensive revenue and expense (included equity investments).

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

Table 28: Non-current assets classified as held for sale	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Buildings	-	5,889	-	5,889
Land	696	7,477	696	7,477
TOTAL NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	696	13,366	696	13,366

Relevant significant accounting policies

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

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

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

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

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

Note 17: Intangibles

Table 29: Intangibles	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Computer software				
Cost - opening balance	73,015	72,823	73,575	73,419
Accumulated amortisation	(55,420)	(50,870)	(55,953)	(51,392)
Carrying amount - opening balance	17,595	21,953	17,622	22,027
Acquired by direct purchase	7,916	1,517	8,452	1,517
Amortisation	(6,454)	(5,353)	(6,478)	(5,398)
Impairment	-	(3)	-	(3)
Net disposals	(25)	(518)	(25)	(521)
Total computer software - closing balance	19,032	17,595	19,572	17,622
Cost	80,110	73,015	80,959	73,575
Accumulated amortisation and Impairment	(61,078)	(55,420)	(61,387)	(55,953)
Total computer software - closing balance	19,032	17,595	19,572	17,622
Work in progress				
Computer software	8,373	7,645	8,373	7,645
Total work in progress	8,373	7,645	8,373	7,645
Carbon credits				
Cost - opening balance	12,971	14,049	12,971	14,049
Additions	1,118	898	1,118	898
Net disposals	(905)	(1,976)	(905)	(1,976)
Total carbon credits - closing balance	13,184	12,971	13,184	12,971
TOTAL INTANGIBLES	40,589	38,211	41,129	38,238

Disposals and transfers are reported net of accumulated amortisation.

Carbon credits

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

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

At 30 June 2023 the total liability relating to landfill carbon emissions for the first six months of the 2023 calendar year is \$0.553m (2022: \$1.171m).

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

The movement in units held by the Council are shown in *Table 30*.

Table 30: Carbon credits	Council		Group	
	2023	2022	2023	2022
	Units	Units	Units	Units
Opening balance	539,385	601,177	539,385	601,177
Additions - Allocated from the Crown	13,171	14,004	13,171	14,004
Additions - Purchases	-	-	-	-
Disposals - Surrendered to the Crown	(29,125)	(75,796)	(29,125)	(75,796)
TOTAL CARBON CREDITS	523,431	539,385	523,431	539,385

Relevant significant accounting policies

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.

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

Note 18: Investment properties

Table 31: Investment properties	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Ground leases, other land and buildings				
Opening balance	299,712	279,036	299,712	279,036
Additions by acquisition	13,123	-	13,123	-
Fair value revaluation movements taken to surplus/(deficit)	(13,341)	20,614	(13,341)	20,614
Transfer between asset classes	-	62	-	62
Total ground leases, other land and buildings	299,494	299,712	299,494	299,712
Work in progress				
Other land and buildings	508	396	508	396
Total work in progress	508	396	508	396
TOTAL INVESTMENT PROPERTIES	300,002	300,108	300,002	300,108

Wellington City Council's investment properties including the waterfront investment properties were valued as at 30 June 2023 by an independent valuer, William Bunt (FNZIV, FPINZ), registered valuer and Director of Valuation and Advisory Services for CBRE Limited.

Table 32: Investment property by type	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Ground leases	263,097	260,782	263,097	260,782
Other land and buildings (including WIP)	36,905	39,326	36,905	39,326
TOTAL INVESTMENT PROPERTIES	300,002	300,108	300,002	300,108

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 where the lease revenue is incidental to the purpose for holding the property. Such properties include the Council's social housing assets, which are held within operational assets in property, plant and equipment.

Relevant significant accounting policies

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

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

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

Investment properties are measured initially at cost and subsequently measured at fair value, determined annually by an independent registered valuer. Any gain or loss arising is recognised within 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 33: Summary of property, plant and equipment	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Property, plant and equipment - opening balance	10,278,248	8,203,230	10,292,099	8,217,301
Additions	380,657	209,157	382,671	210,025
Disposals	(1,180)	(6,846)	(1,209)	(6,946)
Depreciation expense	(189,863)	(141,135)	(190,563)	(142,217)
Impairment losses	(1,145)	(10,615)	(1,145)	(10,615)
Revaluation movement	(58,845)	1,859,025	(58,845)	1,859,027
Transfer between asset classes	-	(69)	-	(69)
Movement of non-current assets held for sale	12,669	1,336	12,669	1,336
Movement of work in progress	(25,282)	164,164	(25,065)	164,257
TOTAL PROPERTY, PLANT AND EQUIPMENT	10,395,259	10,278,248	10,410,612	10,292,099

Relevant significant accounting policies

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

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

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

Infrastructure assets include: the roading network, drainage, water and waste 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.

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

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

Recognition

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

Measurement

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

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

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

Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement with an efficient modern equivalent making allowance for 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 and 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.

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

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. Since 2021/22, the value of Zoo animals were derecognised due to the difficulty of assigning a value.

Infrastructure assets

Infrastructure assets (the roading network, drainage, water and waste reticulation networks including service concession arrangement assets (wastewater treatment plants)) are valued at optimised depreciated replacement cost on a regular basis or, whenever the carrying amount differs materially to fair value, by an independent registered valuer. Infrastructure valuations are based on the physical attributes of the assets, their condition and their remaining lives based on 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, and intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an asset's, or class of assets', recoverable service amount is materially less than its carrying amount it will be reported at its recoverable service amount and an impairment loss will be recognised.

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

Disposal

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

Work in progress

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

The movements according to the individual classes of assets are as shown in *Table 34*

Table 34: Property, plant and equipment by category and class of asset	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Operational assets				
Land				
Land - at cost - opening balance	3,202	3,161	3,202	3,161
Land - at valuation - opening balance	362,306	365,343	362,306	365,343
Total land - opening balance	365,508	368,504	365,508	368,504
Additions	-	41	-	41
Disposals	-	(2,425)	-	(2,425)
Impairment	(430)	-	(430)	-
Revaluation movement	(15,819)	-	(15,819)	-
Revaluation adjustment	-	605	-	605
Transfer between asset classes	(7,821)	-	(7,821)	-
Movements of non-current assets held for sale	6,342	(1,217)	6,342	(1,217)
Total land - closing balance	347,780	365,508	347,780	365,508
Land - at cost - closing balance	3,202	3,202	3,202	3,202
Land - at valuation - closing balance	344,578	362,306	344,578	362,306
Total land - closing balance	347,780	365,508	347,780	365,508
Buildings				
Buildings - at cost - opening balance	136,410	115,761	136,410	115,761
Buildings - at valuation - opening balance	1,006,704	1,009,833	1,015,328	1,019,356
Total cost/valuation	1,143,114	1,125,594	1,151,738	1,135,117
Accumulated depreciation and impairment	(363,996)	(327,406)	(368,938)	(332,782)
Total buildings - opening balance	779,118	798,188	782,800	802,335
Additions	225,154	19,816	225,207	19,868
Depreciation expense	(32,557)	(31,461)	(32,683)	(31,646)
Disposals	-	(2,211)	-	(2,543)
Impairment	(715)	(6,289)	(715)	(6,289)
Revaluation movement	(16,641)	-	(16,641)	-
Transfer between asset classes	15,288	1,277	15,288	1,277
Movements of non-current assets held for sale	5,889	(202)	5,889	(202)
Total buildings - closing balance	975,536	779,118	979,145	782,800
Buildings - at cost - closing balance	361,450	136,410	361,449	136,410
Buildings - at valuation - closing balance	1,089,401	1,006,704	1,098,025	1,015,328
Total cost/valuation	1,450,851	1,143,114	1,459,474	1,151,738
Accumulated depreciation and impairment	(475,315)	(363,996)	(480,329)	(368,938)
Total buildings - closing balance	975,536	779,118	979,145	782,800

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Landfill post closure costs ¹				
Landfill post closure - at cost - opening balance	3,851	4,404	3,851	4,404
Accumulated depreciation	(3,643)	(3,541)	(3,643)	(3,541)
Total landfill post closure costs - opening balance	208	863	208	863
Depreciation expense	3	(102)	3	(102)
Movement in post closure costs	(1,734)	(553)	(1,734)	(553)
Total landfill post closure costs - closing balance	(1,523)	208	(1,523)	208
Landfill post closure - at cost - closing balance	2,097	3,851	2,097	3,851
Accumulated depreciation	(3,620)	(3,643)	(3,620)	(3,643)
Total landfill post closure costs - closing balance	(1,523)	208	(1,523)	208
Civic Precinct				
Civic Precinct - at cost - opening balance	183,635	182,590	183,635	182,590
Accumulated depreciation and impairment	(133,378)	(132,317)	(133,378)	(132,317)
Total Civic Precinct - opening balance	50,257	50,273	50,257	50,273
Additions	2,719	1,425	2,719	1,425
Depreciation expense	(1,429)	(1,254)	(1,429)	(1,254)
Disposals	(62)	(187)	(62)	(187)
Total Civic Precinct- closing balance	51,485	50,257	51,485	50,257
Civic Precinct - at cost - closing balance	197,809	183,635	197,809	183,635
Accumulated depreciation and impairment	(146,324)	(133,378)	(146,324)	(133,378)
Total Civic Precinct- closing balance	51,485	50,257	51,485	50,257
Plant and equipment				
Plant and equipment - at cost - opening balance	311,883	295,203	332,129	315,162
Accumulated depreciation and impairment	(179,739)	(169,216)	(192,978)	(182,319)
Total plant and equipment - opening balance	132,144	125,987	139,151	132,843
Additions	20,454	25,931	22,414	26,747
Depreciation expense	(18,733)	(16,854)	(19,307)	(17,751)
Disposals	(527)	(728)	(556)	(496)
Transfer between asset classes	(13,967)	(2,193)	(13,967)	(2,193)
Total plant and equipment - closing balance	119,371	132,144	127,735	139,151
Plant and equipment - at cost	281,942	311,883	298,879	332,129
Accumulated depreciation and impairment	(162,571)	(179,739)	(171,144)	(192,978)
Total plant and equipment - closing balance	119,371	132,144	127,735	139,151

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

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Library collections				
Library collections - at cost - opening balance	1,718	1,569	1,718	1,569
Library collections - at valuation - opening 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)
Total library collections - opening balance	14,510	14,849	14,510	14,849
Additions	33	1,718	33	1,718
Depreciation expense	(2,278)	(2,057)	(2,278)	(2,057)
Revaluation movement	1,680	-	1,680	-
Total library collections - closing balance	13,945	14,510	13,945	14,510
Library collections - at cost - closing balance	33	1,718	33	1,718
Library collections - at valuation - closing balance	13,912	16,711	13,912	16,711
Total cost/valuation	13,945	18,429	13,945	18,429
Accumulated depreciation	-	(3,919)	-	(3,919)
Total library collections - closing balance	13,945	14,510	13,945	14,510
Total operational assets	1,506,594	1,341,745	1,518,567	1,352,434
Infrastructure assets				
Drainage, water and waste				
Drainage, water and waste - at cost - opening balance	109,934	79,225	109,934	79,225
Drainage, water and waste - at valuation - opening 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)
Total drainage, water and waste - opening balance	3,497,873	1,891,186	3,497,873	1,891,186
Additions	81,180	110,659	81,180	110,659
Depreciation expense	(87,914)	(53,295)	(87,914)	(53,295)
Revaluation movement	(11,630)	1,548,475	(11,630)	1,548,475
Transfer between asset classes	(2,061)	848	(2,061)	848
Total drainage, water and waste - closing balance	3,477,448	3,497,873	3,477,448	3,497,873
Drainage, water and waste - at cost - closing balance	79,564	109,934	79,564	109,934
Drainage, water and waste - at valuation - closing balance	7,634,605	7,531,028	7,634,605	7,531,028
Total cost/valuation	7,714,169	7,640,962	7,714,169	7,640,962
Accumulated depreciation	(4,236,721)	(4,143,089)	(4,236,721)	(4,143,089)
Total drainage, water and waste - closing balance	3,477,448	3,497,873	3,477,448	3,497,873

Disposals and transfers are reported net of accumulated depreciation.

	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Roading				
Roading - at cost - opening balance	38,203	50,828	38,203	50,828
Roading - at valuation - opening 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)
Total roading - opening balance	1,600,879	1,304,024	1,600,879	1,304,024
Additions	43,424	38,203	43,424	38,203
Depreciation expense	(44,903)	(34,258)	(44,903)	(34,258)
Revaluation movement	-	292,910	-	292,910
Revaluation adjustment	(16,435)	-	(16,435)	-
Transfer between asset classes	711	-	711	-
Total roading - closing balance	1,583,676	1,600,879	1,583,676	1,600,879
Roading - at cost - closing balance	43,424	38,203	43,424	38,203
Roading - at valuation - closing balance	2,474,101	2,470,888	2,474,101	2,470,888
Total cost/valuation	2,517,525	2,509,091	2,517,525	2,509,091
Accumulated depreciation	(933,849)	(908,212)	(933,849)	(908,212)
Total roading - closing balance	1,583,676	1,600,879	1,583,676	1,600,879
Infrastructure land				
Infrastructure land - at cost - opening balance	4,635	-	4,635	-
Infrastructure land - at valuation - opening balance	56,012	44,177	56,012	44,177
Total infrastructure land - opening balance	60,647	44,177	60,647	44,177
Additions	40	4,365	40	4,365
Impairment	-	(4,330)	-	(4,330)
Revaluation movement	-	17,038	-	17,038
Transfer between asset classes	-	12	-	12
Movements of non-current assets held for sale	595	(615)	595	(615)
Total infrastructure land - closing balance	61,282	60,647	61,282	60,647
Infrastructure land - at cost - closing balance	60,687	4,635	60,687	4,635
Infrastructure land - at valuation - closing balance	595	56,012	595	56,012
Total infrastructure land - closing balance	61,282	60,647	61,282	60,647
Land under roads				
Land under roads - at cost - opening balance	2,958,135	2,955,234	2,958,135	2,955,234
Additions	185	207	185	207
Disposals	(545)	(772)	(545)	(772)
Transfer between asset classes	47	123	47	123
Movements of non-current assets held for sale	(157)	3,343	(157)	3,343
Land under roads - closing balance	2,957,665	2,958,135	2,957,665	2,958,135
Total infrastructure assets	8,080,071	8,117,533	8,080,071	8,117,534

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Restricted assets ²				
Art and cultural assets				
Art and cultural assets - at cost - opening balance	8,893	8,872	11,232	11,211
Additions	8	34	8	34
Transfer between asset classes	-	(13)	-	(13)
Art and cultural assets - closing balance	8,901	8,893	11,240	11,232
Buildings on restricted land				
Buildings on restricted land - at cost - opening balance	51,164	47,381	51,164	47,381
Accumulated depreciation and impairment	(20,170)	(18,266)	(20,170)	(18,266)
Total buildings on restricted land - opening balance	30,994	29,115	30,994	29,115
Additions	6,721	3,729	6,720	3,729
Depreciation expense	(2,052)	(1,850)	(2,052)	(1,850)
Impairment	-	-	-	-
Total buildings on restricted land - closing balance	35,662	30,994	35,662	30,994
Buildings on restricted land - at cost - closing balance	57,857	51,164	57,857	51,164
Accumulated depreciation and impairment	(22,195)	(20,170)	(22,195)	(20,170)
Total buildings on restricted land - closing balance	35,662	30,994	35,662	30,994
Parks and reserves				
Parks and reserves - at cost - opening balance	209,648	213,309	209,648	213,309
Additions	2,475	3,579	2,475	3,579
Disposals	(46)	(10)	(46)	(10)
Transfer between asset classes	7,803	(7,257)	7,803	(7,257)
Movements of non-current assets held for sale	-	27	-	27
Parks and reserves - closing balance	219,880	209,648	219,880	209,648
Town Belt				
Town Belt - at cost - opening balance	96,353	89,232	96,353	89,232
Transfer between asset classes	-	7,121	-	7,121
Town Belt - at cost - closing balance	96,353	96,353	96,353	96,353
Zoo animals				
Zoo animals - opening balance	-	500	-	500
Disposals	-	(500)	-	(500)
Zoo animals - closing balance	-	-	-	-
Total restricted assets	360,796	345,888	363,135	348,227

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

Disposals and transfers are reported net of accumulated depreciation

	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Work in progress				
Land	5,773	1,625	5,773	1,625
Buildings	194,809	291,894	195,849	292,718
Civic Precinct	2,015	3,945	2,015	3,945
Plant and equipment	135,985	71,745	135,985	71,745
Library collection	2,411	-	2,411	-
Drainage, water and waste	20,302	48,774	20,302	48,774
Roading	85,928	54,723	85,928	54,723
Other	575	374	576	374
Total work in progress	447,798	473,080	448,839	473,904
TOTAL PROPERTY, PLANT AND EQUIPMENT	10,395,259	10,278,248	10,410,612	10,292,099

Revaluation of property, plant and equipment

Operational land and buildings

The operational land and building assets were valued with effect from 30 June 2023 by William Bunt (FNZIV, FPINZI), registered valuer and Director of Valuation Services for CBRE Limited.

This revaluation would normally be performed in 2023/24 in line with the 3-yearly cycle. In late 2022, an initial assessment was performed which indicated a material change in the value of the assets. This resulted in the need to perform a full revaluation.

There was an uplift in values for operational buildings of approximately 22.6% and decrease in value for operational land of approximately 4.3%. The key factors that have contributed to the movements in fair value of these assets are as below:

- 1) Rapid interest rate rises instigated by central banks to combat high inflation and increased outgoings for multi-units have caused a decrease in value in the housing portfolio.
- 2) Construction price increases post COVID-19 and on-going shortage of input materials and specialised skilled overseas labour and supply chain disruptions have resulted in an increase in the value of specialised non-housing portfolio.
- 3) Significant new projects like Tākina, St. James and Araheke apartments have also contributed to the overall increase in value to the operational building asset class
- 4) Generally, land values for housing assets have also reduced in line with the reduction in values for the buildings, exceptions are where the land has been rezoned to a higher use or better development potential under the new zonings under the Proposed District Plan. In sub-urban locations there has been a higher value change due to new zoning allowing greater height limits.

Library collection

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

Infrastructure assets

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 the fair value of infrastructure assets between 30 June 2022 and 30 June 2023 were assessed by independent valuer WSP and the increase in value of these asset classes was not considered material by management and accordingly these assets did not require a revaluation for 30 June 2023.

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

Significant acquisitions and replacements of assets

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

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 \$146.085m (2022: \$155.062m).

Core Assets

Included within the infrastructure assets above (*Table 34*) are the Council's core assets as shown in *Table 35*.

Table 35: Council's core assets	2023			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	\$000	\$000	\$000	\$000
Water supply				
Treatment plants and facilities	-	-	-	-
Other assets	914,280	61,658	996	2,005,544
Sewerage				
Treatment plants and facilities	169,710	1,617	-	296,070
Other assets	1,253,818	11,757	1,366	3,062,431
Stormwater drainage	1,139,640	3,645	143	2,321,230
Flood protection and control works	-	-	-	-
Roads and footpaths	1,583,676	41,560	9,211	2,517,525
TOTAL CORE ASSETS	5,061,124	120,237	11,716	10,202,800
	2022			
	Closing book value	Constructed Additions	Vested Additions	Replacement Cost
	\$000	\$000	\$000	\$000
Water supply				
Treatment plants and facilities				
Other assets	876,576	9,765	503	1,943,886
Sewerage				
Treatment plants and facilities	177,583	2,674	-	296,070
Other assets	1,274,888	16,243	73,115	3,058,648
Stormwater drainage	1,168,826	7,701	661	2,317,584
Flood protection and control works	-	-	-	-
Roads and footpaths	1,600,879	37,369	834	2,509,091
TOTAL CORE ASSETS	5,098,752	73,752	75,112	10,125,278

Drainage, water, waste and roading assets were revalued for the prior period ending 30 June 2022, by WSP New Zealand Limited, as part of an off-cycle revaluation required due to estimated material movements in the fair value of the assets.

Insurance of assets

Table 36: Insurance of assets	Council	
	2023	2022
	\$000	\$000
Total value of property, plant and equipment	10,395,259	10,278,248
/less assets (primarily land) excluded from insurance contracts	(4,130,758)	(4,163,371)
Value of assets covered by insurance contracts	6,264,501	6,114,877
Maximum amount to which assets are insured under Council insurance policies	724,195	728,260
Total value of assets that are self-insured	203,762	200,767

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 below ground infrastructure (drainage, water and waste assets) subject to eligibility considerations. Also, Waka Kotahi, 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 \$14.262m (2022: \$13.835m) 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 2023 an amount of \$1.495mm (2022: \$1.461m) was added to the reserve. The net cost of claims applied to the reserve during the year amounted to \$1.068m (2022: \$0.605m).

For insurance purposes, the 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 of \$3.0b (2022: \$4.0b),
- Above ground infrastructure (declared replacement value of \$8.9b (2022: \$2.3b)
- Housing (declared replacement value of \$1.0b (2022: \$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, the internal Insurance reserve (described above), balance sheet headroom (approved via the 2021-31 LTP) and a conservative level of assumed promissory allocation of Crown 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 shown in *Table 37*.

Table 37: Cost of Investment in controlled entities	Council	
	2023	2022
	\$000	\$000
Wellington Cable Car Limited	3,809	3,809
Wellington Regional Economic Development Agency Limited (WREDA)	1,262	1,262
TOTAL COST OF INVESTMENT IN CONTROLLED ENTITIES	5,071	5,071

The equity investment represents the cost of the investment to the Council and includes all capital contributions made by the Council to controlled entities. The Council has only made equity investments as shareholders as noted in *Table 37*. Nominal settlement amounts (i.e. \$100) made in respect of Trusts, for which Council is the settlor, have not been recognised due to their materiality and are not considered as equity investments.

Information on inter-company transactions is included in the *Note 37: Related party disclosures* (pg X).

The controlled entities of the Council are listed as shown in *Table 38*.

Table 38: Controlled entities	Accounting Interest 2023	Accounting Interest 2022	Nature of business
Karori Sanctuary Trust (Trading as Zealandia)	100%	100%	Owns and manages the activities of the urban eco-sanctuary in Karori.
Wellington Cable Car Limited	100%	100%	Owns and operates the Cable Car.
Wellington Museums Trust (Trading as Experience Wellington)	100%	100%	Administers: Cable Car Museum, Capital E, City Gallery, Nairn Street Cottage, Space Place (Carter Observatory), Wellington Museum and the NZ Cricket Museum
Wellington Regional Economic Development Agency Limited (WREDA) (Trading as WellingtonNZ) - Creative HQ Limited	80%	80%	Manages Wellington Venues Project and creates economic and social benefit by marketing the city with the private sector as a tourism destination.
	80%	80%	Business incubators.
Wellington Waterfront Limited	100%	100%	Acts as bare trustee for the Waterfront project.
Wellington Zoo Trust	100%	100%	Manages and guides the future direction of the Wellington Zoo.

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

Note 21: Investment in associates and joint venture

The cost of the Council's investment in associates and joint venture is reflected in the Council financial statements as shown in *Table 39*.

Table 39: Cost of investment in associates and joint venture	Council	
	2023	2022
	\$000	\$000
Chaffers Marina Holdings Limited	1,208	1,298
Wellington International Airport Limited	17,775	17,775
Wellington Water Limited	400	400
TOTAL COST OF INVESTMENT IN ASSOCIATES AND JOINT VENTURE	19,383	19,473

The Council has significant influence over the following entities as listed in *Table 40*. All of these are domiciled and operate in New Zealand.

Table 40: Associates and Joint venture	Accounting Interest 2023	Accounting Interest 2022	Nature of business
Chaffers Marina Holdings Limited	9.93%	10.72%	Holding company for Chaffers Marina Limited.
- Chaffers Marina Limited	9.93%	10.72%	Owens and manages the marina.
Wellington International Airport Limited	34%	34%	Owens and manages Wellington International Airport facilities and services.
Wellington Water Limited	40%	40%	Manages all water services for Wellington, Hutt, Upper Hutt and Porirua city councils, the South Wairarapa District Council and the GWRC.

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

Associates

Chaffers Marina

Chaffers Marina Holdings Limited and Chaffers Marina Limited have a reporting period end date of 30 June. The shares in Chaffers Marina Holdings Limited are held by Wellington Waterfront Limited in a fiduciary capacity. As at 30 June 2023 the Council held a 9.93 percent (2022: 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).

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 41*.

Table 41: Shareholding Councils	Class A shares (voting rights)	Class B Shares (financial entitlements)	Ownership interest
Wellington City	150	200	40%
Hutt City	150	100	20%
Upper Hutt City (from 1/11/2013)	150	40	8%
Porirua City (from 1/11/2013)	150	60	12%
Greater Wellington Regional (from 16/9/2014)	150	75	15%
South Wairarapa District (from 26/9/2019)	150	25	5%
Total shares on issue	900	500	100%

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

The Class B shares confer the level of contributions and ownership benefits of each council. The Council uses equity accounting to recognise its 40 percent (2022: 40 percent) ownership interest.

Value of the investments

The investment in associates and the joint venture in the Group financial statements represents the Council's share of the net assets of the associates and the joint venture. This is reflected in the Group financial statements as shown in *Table 42*:

Table 42: Value of investment in associates and joint venture	Group	
	2023	2022
	\$000	\$000
Chaffers Marina Holdings Limited		
Opening balance	812	856
Change in shares during the year	-	-
Change in equity due to changed shareholding	(90)	-
Equity accounted earnings of associate	(20)	(44)
Closing balance - investment in Chaffers Marina Holdings Limited	702	812
Wellington International Airport Limited		
Opening balance	255,248	231,589
Dividends	(20,400)	-
Equity accounted earnings of associate	8,583	958
Share of net revaluation of property, plant and equipment - movement	33,016	21,535
Share of hedging reserve - movement	1,588	1,166
Closing balance - investment in Wellington International Airport Limited	278,035	255,248
Wellington Water Limited		
Opening balance	2,146	847
Equity accounted earnings of joint venture	(936)	1,299
Closing balance - investment in Wellington Water Limited	1,210	2,146
TOTAL VALUE OF INVESTMENT IN ASSOCIATES AND JOINT VENTURE	279,947	258,206

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

Summary of Financial Position and Performance of associates

Financial information relating to the Council's associates is provided in *Tables 43 and 44*.

Table 43: Chaffers Marina Holdings Limited	2023	2022
	\$000	\$000
Council		
Investment in Chaffers Marina Holdings Limited (at cost)	1,208	1,298
Group		
<i>Summarised financial information of associate</i>		
Current assets	1,037	963
Non-current assets	4,929	5,050
Current liabilities	(204)	(235)
Non-current liabilities	(2,498)	(2,317)
Net assets	3,264	3,461
Revenue	1,833	1,773
Tax expense	-	-
	-	-
Surplus / (deficit) after tax	(197)	(403)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(197)	(403)
<i>Reconciliation to equity accounted carrying amount</i>		
Net assets	3,264	3,461
Group's share %	9.93%	10.72%
Group's share \$000	323	371
Other consolidation adjustments	379	441
Equity accounted carrying amount	702	812
<i>Risks associated with the Council's investment in the associate</i>		
Share of contingent liabilities	-	-

Table 44: Wellington International Airport Limited	2023	2022
	\$000	\$000
Council		
Investment in Wellington International Airport Limited (at cost)	17,775	17,775
Group		
Dividends received	20,400	-
Summarised financial information of associate		
Current assets	148,155	55,975
Non-current assets	1,652,568	1,474,737
Current liabilities	(105,104)	(17,623)
Non-current liabilities	(818,012)	(762,496)
Net assets	877,607	750,593
Revenue	139,828	95,577
Tax credit /(expense)	(6,293)	(2,474)
Surplus / (deficit) after tax	25,243	3,043
Other comprehensive revenue and expense	101,771	75,048
Total comprehensive revenue and expense	127,014	78,091
Reconciliation to equity accounted carrying amount		
Net assets	877,607	750,593
Group's share %	34%	34%
Group's share \$000	298,386	255,202
Dividends received not in WIAL annual report	(20,400)	-
Difference on adoption of IFRS 9	-	46
Other consolidation adjustments	49	-
Equity accounted carrying amount	278,035	255,248
Risks associated with the Council's investment in the associate		
Share of contingent liabilities	-	-

Summary of Financial Position and Performance of joint venture

Financial information relating to the Council's joint venture is provided in *Table 45*.

Table 45: Wellington Water Limited	2023	2022
	\$000	\$000
Council		
Investment in Wellington Water Limited (at cost)	400	400
Group		
Summarised financial information of joint venture		
Current assets		
Cash and cash equivalents	31,871	21,241
Other current assets	28,172	34,309
Total current assets	60,043	55,550
Non-current assets	5,075	5,648
Current liabilities		
Financial liabilities (excluding accounts payable)	-	-
Other current liabilities	(62,069)	(55,724)
Total current liabilities	(62,069)	(55,724)
Non-current liabilities		
Financial liabilities (excluding accounts payable)	-	-
Other non-current liabilities	(25)	(111)
Total non-current liabilities	(25)	(111)
Net assets	3,024	5,363
Revenue, excluding interest	382,880	302,385
Interest revenue	1,031	214
Depreciation and amortisation	(1,619)	(1,252)
Interest expense	-	-
Tax expense	-	-
Surplus / (deficit) after tax	(1,894)	3,374
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(1,894)	3,374
Reconciliation to equity accounted carrying amount		
Net assets	3,024	5,363
Group's share %	40%	40%
	-	-
Group's share \$000	1,210	2,145
Other consolidation adjustments	-	1
Equity accounted carrying amount	1,210	2,146
Risks associated with the Council's investment in the joint venture		
Shareholder funding commitments for the next three years	-	-
Share of contingent liabilities	-	-

Note 22: Exchange transactions, transfers and taxes payable

Table 46: Exchange transactions, transfers and taxes payable	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Current				
Exchange transactions and transfers payable	113,309	84,963	117,018	84,503
Taxes payable	11,707	11,134	12,047	11,459
Non-current				
Exchange transactions and transfers payable	231	231	231	231
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	125,247	96,328	129,296	96,193

Comprised of:

Table 47: Exchange transactions and transfers payable	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Trade payables and accruals	93,891	74,358	97,605	73,898
Interest payable	9,523	5,262	9,523	5,262
Sundry payables	10,126	5,574	10,121	5,574
Total exchange transactions and transfers payable	113,540	85,194	117,249	84,734

Table 48: Taxes payable	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
GWRC rates	9,069	8,063	9,069	8,063
Other	2,638	3,071	2,978	3,396
Total taxes payable	11,707	11,134	12,047	11,459
TOTAL EXCHANGE TRANSACTIONS, TRANSFERS AND TAXES PAYABLE	125,247	96,328	129,296	96,193

Table 49: Exchange transactions, transfers and taxes payable to related parties	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Controlled entities	3,124	3,539	-	-
Associates and joint venture	10,145	2,763	10,145	2,763
Total exchange transactions, transfers and taxes payable to related parties	13,269	6,302	10,145	2,763

Payables under exchange transactions, transfers and taxes payable are non-interest bearing and 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 50: Deferred revenue	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Exchange transactions				
Lease rentals	2,060	2,051	2,060	2,051
Other	44	40	10,718	7,115
Transfers				
Wellington Venues operations	568	1,637	568	1,637
Inspection and licensing fees	6,172	5,983	6,172	5,983
Other	2,750	1,055	2,896	1,168
Taxes				
Rates	3,122	2,078	3,122	2,078
Liabilities recognised under conditional transfer agreements	2,332	3,826	2,792	5,613
TOTAL DEFERRED REVENUE	17,048	16,670	28,328	25,645

Relevant significant accounting policies

Liabilities recognised under conditional transfer agreements

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

These liabilities relate to:

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

Note 24: Borrowings

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

Gross Borrowings

The gross borrowings, based on maturity, are comprised as shown in *Table 51*.

Table 51: Gross borrowings	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Current				
Bank loans - term	-	1	-	1
Commercial paper	68,000	68,000	68,000	68,000
Debt securities - fixed rate bonds	5,000	-	5,000	-
Debt securities - floating rate notes	112,500	141,000	112,500	141,000
Debt securities - floating rate notes - GSS loans*	20,000	-	20,000	-
Total current	205,500	209,001	205,500	209,001
Non-current				
Bank loans - term	10,486	10,157	11,983	11,757
Debt securities - fixed rate bonds	100,000	105,000	100,000	105,000
Debt securities - floating rate notes	834,500	697,000	834,500	697,000
Debt securities - floating rate notes - GSS loans*	100,000	50,000	100,000	50,000
Total non-current	1,044,986	862,157	1,046,483	863,757
TOTAL GROSS BORROWINGS	1,250,486	1,071,158	1,251,983	1,072,758

*GSS loans are Green, Social and Sustainability loans. For the Council, these loans are linked to Takina as a 5-Star green building. Reporting obligations for these loans begin in the next reporting period. We receive a 5-basis point discount on this lending compared to a vanilla instrument.

Net Borrowings

When the cash position of the Council and the Group is considered, the net borrowings position is comprised as shown in *Table 52*.

Table 52: Net borrowings	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Total gross borrowings	1,250,486	1,071,158	1,251,983	1,072,758
Less				
Cash and cash equivalents (see Note 11)	(68,529)	(26,575)	(87,707)	(40,727)
Bank term deposits - greater than 3 months (see Note 15)	(40,000)	(101,000)	(46,098)	(107,700)
TOTAL NET BORROWINGS	1,141,957	943,583	1,118,178	924,331

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* (pg X).

Table 53 shows the utilisation of the borrowing facilities available to the Group at the end of the reporting period. The table also indicates the current applicable maturity and interest rate ranges.

Table 53: Group borrowing facilities	Available	Utilised	Maturities	Interest
	2023	2023		Rate Range
	\$000	\$000		%
Bank overdraft - committed	1,900	-		
Bank facilities - short-term - uncommitted	5,000	-		
Bank facilities - long-term - committed	130,000	-		
LGFA facilities - long-term - committed	80,000	-		
Bank loans - term	11,983	11,983	2025 - 2057	3.000
Commercial paper	100,000	68,000	9/08/2023 - 18/09/2023	5.675 - 5.740
Debt securities - fixed rate bonds	105,000	105,000	31/07/2023 - 14/04/2033	1.050 - 5.365
Debt securities - floating rate notes	947,000	947,000	1/02/2024 - 15/10/2033	5.740 - 6.595
Debt securities - floating rate notes - GSS loans	120,000	120,000	15/05/2024 - 30/06/2031	5.949 - 6.491
Total	1,500,883	1,251,983		

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 \$88.630m (2022: \$80.486m) 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 \$67.644m (2022: \$66.806m), 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 \$20.986m (2022: \$13.679m) related to accumulated surpluses and deficits from the Waste reduction and energy conservation - Activity 2.2, which under the Waste Minimisation Act 2008, must be ring-fenced for future investment in waste activities. The Council is committed to several waste minimisation projects that will utilise these funds.

Relevant significant accounting policies

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

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

Note 25: Employee benefit liabilities and provisions

Table 54: Employee benefit liabilities and provisions	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Current				
Short-term benefits				
Payroll accruals	671	136	1,109	605
Holiday leave	8,205	7,704	9,952	9,428
Other contractual provisions	53	-	53	-
Total current benefits	8,929	7,840	11,114	10,033
Non-current				
Long-term benefits				
Long service leave provision	-	-	47	38
Retirement gratuities provision	676	624	676	624
Total non-current benefits	676	624	723	662
TOTAL EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS	9,605	8,464	11,837	10,695

Relevant significant accounting policies - general

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

Holiday leave

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

Movements in specific employee benefit provisions above are analysed in *Tables 55 and 56*.

Table 55: Other contractual provisions	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	-	-	-	-
New provision	53	-	53	-
Release of unused provision	-	-	-	-
Amount utilised	-	-	-	-
Other contractual provisions - closing balance	53	-	53	-

Background to Other contractual provisions

The above provision is to cover estimated redundancy costs, if any, as at 30 June 2023 resulting from current restructuring within the Council.

Relevant significant accounting policies – Other contractual provisions specific

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

Table 56: Retirement gratuities provision	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	624	724	624	724
Movement in required provision	46	12	46	12
Release of unused provision	-	(4)	-	(4)
Rediscounting of interest	6	2	6	2
Amount utilised	-	(110)	-	(110)
Retirement gratuities provision - closing balance	676	624	676	624

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.

Relevant significant accounting policies – retirement gratuities provision specific

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

Estimation

The gross retirement gratuities provision (inflation adjusted at 2.15 percent (2022: 1.90 percent) as at 30 June 2023, before discounting, is \$0.746m (2022: \$0.689m). The discount factor of 4.46 percent is based on the Treasury risk-free rate.

Note 26: Provisions for other liabilities

Table 57: Provisions for other liabilities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Current				
Landfill post-closure costs	997	728	997	728
Weathertight homes	5,010	4,753	5,010	4,753
Total current	6,007	5,481	6,007	5,481
Non-current				
Landfill post-closure costs	16,369	17,843	16,369	17,843
Weathertight homes	18,989	19,853	18,989	19,853
Total non-current	35,358	37,696	35,358	37,696
TOTAL PROVISIONS FOR OTHER LIABILITIES	41,365	43,177	41,365	43,177

Relevant significant accounting policies - general

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

Movements in material provisions above are analysed in *Tables 58 and 59*.

Table 58: Landfill post-closure costs	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	18,571	19,608	18,571	19,608
Movement in provision	(1,638)	(763)	(1,638)	(763)
Re-discounting of interest	647	495	647	495
Amount utilised	(214)	(769)	(214)	(769)
Landfill post-closure costs - closing balance	17,366	18,571	17,366	18,571

Background to the Landfill post-closure costs 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.
- completing facilities for post-closure responsibilities.

Post-closure responsibilities include:

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

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

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

Relevant significant accounting policies – 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.

Estimations

The long-term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated using known changes to legal requirements and known improvements in technology. Future cash flows are discounted using the Treasury risk free rate of 4.58 percent for open landfills and between 4.37 and 4.47 percent depending on how long landfills have been closed. The gross provision (inflation adjusted at 1.98 percent for open landfills and between 2.05 and 2.14 percent for closed landfills, before discounting, is \$22.297m (2022: \$23.009m). 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 240,000m³ (2022: 357,614m³) 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 21.5% proportionate share of the Spicer Valley Landfill provision for post-closure costs. The Spicer Valley Landfill has a remaining life out to 2053.

Table 59: Weathertight homes	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	24,606	33,161	24,606	33,161
Additional or increased provision made	1,208	-	1,208	-
Release of unused provision	-	(909)	-	(909)
Amount utilised	(1,815)	(7,646)	(1,815)	(7,646)
Weathertight homes - closing balance	23,999	24,606	23,999	24,606

Background to the Weathertight homes provision

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

A provision has been recognised for the potential net settlement of all known claims, including those claims that are being actively managed by the Council as well as claims lodged with WHRS but not yet being actively managed. The provision also includes a net amount of \$13.006m (2022: \$12.840m) as a provision for unreported claims relating to weathertight issues, which have not yet been notified to the Council.

Movement in the provision

During the year \$1.815m (2022: \$7.646m) was paid as either part or full settlement of claims. \$1.208m was added to (2022: \$0.909m was removed from) the provision after an actuarial re-

assessment of the likely future costs to be incurred as explained below. The current/non-current split in *Table 57* 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 weathertight homes provision was assessed as at 30 June 2023 by an independent actuary, Craig Lough, (Fellow of the NZ Society of Actuaries) for Melville Jessup Weaver.

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

Amount claimed

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

Settlement amount

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

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, bankrupt or have limited funds and be unable to contribute to settlement.

Percentage of homeowners who will make a successful claim

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

Sensitivity

Table 60 illustrates the potential impact on surplus or deficit of changes in some of the assumptions listed above.

Table 60: Weathertight homes provision sensitivity		2023		2022	
		\$000		\$000	
		+10%	-10%	+10%	-10%
Assumption		Surplus or Deficit		Surplus or Deficit	
Amount claimed		2,400	(2,400)	2,461	(2,461)
Settlement amount awarded		2,400	(2,400)	2,461	(2,641)
Council contribution to settlement		2,400	(2,400)	2,461	(2,641)
Change in percentage of homeowners who will make a successful claim		1,301	(1,301)	1,284	(1,284)
Assumption		+2%	-2%	+2%	-2%
Assumption		Surplus or Deficit		Surplus or Deficit	
Discount rate		(1,851)	2,176	(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 61: Funding for weathertight homes liability		Council		Group	
		2023	2022	2023	2022
		\$000	\$000	\$000	\$000
Opening balance		(41,493)	(37,475)	(41,493)	(37,475)
Rates funding for weathertight homes liability		4,686	4,686	4,686	4,686
Total amounts paid		(1,815)	(7,646)	(1,815)	(7,646)
Interest allocation		(1,311)	(1,058)	(1,311)	(1,058)
Closing balance funded through borrowings		(39,933)	(41,493)	(39,933)	(41,493)

Note 27: Deferred tax

Recognised temporary differences and tax losses

Table 62: Deferred tax assets and liabilities	Group	
	2023	2022
	\$000	\$000
Opening balance		
Property, plant and equipment	(1,060)	(893)
Intangible assets	(4)	(8)
Employee benefits	191	169
Other provisions	6	9
Tax losses	277	43
Total opening balance	(590)	(680)
Charged to surplus or deficit		
Property, plant and equipment	(103)	(167)
Intangible assets	(147)	4
Employee benefits	19	22
Other provisions	7	(3)
Tax losses	(24)	234
Total charged to surplus or deficit	(248)	90
Closing balance		
Property, plant and equipment	(1,163)	(1,060)
Intangible assets	(151)	(4)
Employee benefits	210	191
Other provisions	13	6
Tax losses	253	277
TOTAL CLOSING BALANCE	(838)	(590)

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 \$0.126m (2022: \$0.108m).

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

Relevant significant accounting policies

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

unused tax losses using tax rates enacted or substantively enacted at the end of the reporting period. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Statement of Changes in Equity

Table 63: Statement of Changes in Equity for the year ended 30 June 2023		Council			Group	
		Actual 2023	Budget 2023	Actual 2022	Actual 2023	Actual 2022
	Note	\$000	\$000	\$000	\$000	\$000
EQUITY - Opening balances						
Accumulated funds		1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings		3,903,366	3,809,865	3,815,363	3,911,964	3,822,663
Effect of new accounting standard adoption - PBE IPSAS 41 *		(650)	-	-	(650)	-
Revaluation reserves		4,484,022	4,437,653	2,631,206	4,704,556	2,830,205
Hedging reserve		57,624	(47,022)	(47,022)	58,172	(47,641)
Fair value through other comprehensive revenue and expense reserve		6,854	6,029	6,029	7,983	6,656
Non-controlling interest		-	-	-	797	781
Restricted funds		19,626	18,985	18,985	23,872	23,358
TOTAL EQUITY - Opening balance		9,739,976	9,494,644	7,693,695	9,999,856	7,929,184
CHANGES IN EQUITY						
Retained earnings						
Net surplus / (deficit) for the year		(74,206)	(68,123)	87,435	(85,902)	88,621
Transfer to restricted funds		(3,444)	(3,439)	(3,359)	(3,874)	(3,462)
Transfer from restricted funds		3,921	3,425	2,718	4,389	2,948
Transfer from revaluation reserves		-	-	1,210	-	1,210
Transfer to non-controlling interest		-	-	-	79	(16)
Revaluation reserves 28						
Fair value movement - property, plant and equipment - net		(59,615)	-	1,854,026	(26,600)	1,875,561
Transfer to retained earnings		-	-	(1,210)	-	(1,210)
Hedging reserve 29						
Movement in hedging reserve		15,556	-	104,646	17,144	105,813
Fair value through other comprehensive revenue and expense reserve 30						
Movement in fair value - Equity investments		34	-	825	56	854
Movement in fair value - Available-for-sale equities		-	-	-	(261)	473
Non-controlling interest						
Transfer from retained earnings		-	-	-	(79)	16
Restricted funds 31						
Movements in restricted funds		-	-	-	3	-
Transfer to retained earnings		(3,921)	(3,425)	(2,718)	(4,389)	(2,948)
Transfer from retained earnings		3,444	3,439	3,359	3,871	3,462
Total comprehensive revenue and expense		(118,231)	(68,123)	2,046,932	(95,563)	2,071,322

Table 63: Statement of Changes in Equity for the year ended 30 June 2023 - continued		Council			Group	
		Actual	Budget	Actual	Actual	Actual
		2023	2023	2022	2023	2022
Note	\$000	\$000	\$000	\$000	\$000	
EQUITY - Closing balances						
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162	
Retained earnings	3,828,987	3,741,728	3,903,366	3,826,006	3,911,964	
Revaluation reserves	4,424,407	4,437,653	4,484,022	4,677,956	4,704,556	
Hedging reserve	73,180	(47,022)	57,624	75,316	58,172	
Fair value through other comprehensive revenue and expense reserve	6,888	6,029	6,854	7,778	7,983	
Non-controlling interest	-	-	-	718	797	
Restricted funds	19,149	18,999	19,626	23,357	23,872	
TOTAL EQUITY - Closing balance	9,621,745	9,426,521	9,740,626	9,904,293	10,000,506	
Total comprehensive revenue and expense attributable to:						
Wellington City Council and Group	(118,231)	(68,123)	2,046,932	(95,472)	2,071,400	
Non-controlling interest	-	-	-	(91)	(78)	
	(118,231)	(68,123)	2,046,932	(95,563)	2,071,322	

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

*Due to the adoption of the accounting standard *PBE IPSAS 41 – Financial Instruments*, an adjustment to the opening fair value of LGFA borrower notes was required.

Statement of changes in equity – Major budget variations

Budget figures are for Council only and not the Group.

Significant variations from budgeted changes in equity are as follows:

Opening equity is \$245.332m higher than budgeted. The major variances included:

- Opening revaluation reserves were \$46.369m higher than budget. This is due to the increase in revaluation reserves as a result of the infrastructure asset revaluation in 2021/22.
- Opening hedging reserves were \$104.646m higher than budget due to the fair value movement gains on cash flow hedges in 2021/22.
- Opening retained earnings were \$93.501m higher than budget due to a higher net surplus than budgeted for 2021/22.

Changes in equity were \$50.108m lower than budgeted. The major variances included:

- Retained earnings decrease of \$5.592m mainly due to higher net deficit than budgeted.
- Revaluation reserve decrease of \$59.615m due to the revaluation of operational land and building assets and other asset impairment and revaluation adjustments.
- Hedging reserve increase of \$15.556m due to higher floating interest rates compared to the fixed swap rates held via interest rate derivatives.

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

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

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

Note 28: Revaluation reserves

Table 64: Revaluation reserves	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Land - opening balance	288,226	288,200	288,226	288,200
Revaluation recognised in other comprehensive revenue and expense	(15,820)	-	(15,820)	-
Transfer to retained earnings due to disposal of assets	-	(579)	-	(579)
Revaluations adjustment	(430)	605	(430)	605
Land - closing balance	271,976	288,226	271,976	288,226
Buildings - opening balance	509,846	515,432	509,846	515,432
Revaluation recognised in other comprehensive revenue and expense	(16,631)	-	(16,631)	-
Revaluation adjustment	(349)	(4,955)	(349)	(4,955)
Transfer to retained earnings due to disposal of assets	-	(631)	-	(631)
Buildings - closing balance	492,866	509,846	492,866	509,846
Library collections - opening balance	8,592	8,592	8,592	8,592
Revaluation recognised in other comprehensive revenue and expense	1,680	-	1,680	-
Library collections - closing balance	10,272	8,592	10,272	8,592
Drainage, water and waste - opening balance	2,716,214	1,167,739	2,716,214	1,167,739
Revaluation recognised in other comprehensive revenue and expense	-	1,548,475	-	1,548,475
Revaluation adjustment	(11,630)	-	(11,630)	-
Drainage, water and waste - closing balance	2,704,584	2,716,214	2,704,584	2,716,214
Infrastructure land - opening balance	41,618	24,580	41,618	24,580
Revaluation recognised in other comprehensive revenue and expense	-	17,038	-	17,038
Infrastructure land - closing balance	41,618	41,618	41,618	41,618
Roading - opening balance	919,526	626,663	919,526	626,663
Revaluation recognised in other comprehensive revenue and expense	-	292,863	-	292,863
Revaluation adjustment	(16,435)	-	(16,435)	-
Roading - closing balance	903,091	919,526	903,091	919,526
Associates' revaluation reserves - opening balance	-	-	220,534	198,999
Revaluation recognised in other comprehensive revenue and expense	-	-	33,015	21,535
Associates' revaluation reserves - closing balance	-	-	253,549	220,534
Total revaluation reserves - closing balance	4,424,407	4,484,022	4,677,956	4,704,556

These revaluation reserve movements are represented by:

Table 65: Summary of revaluation reserve movements	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	4,484,022	2,631,206	4,704,556	2,830,205
Revaluation recognised in other comprehensive revenue and expense	(30,771)	1,858,376	2,244	1,879,911
Revaluations adjustment	(28,844)	(4,350)	(28,844)	(4,350)
Transfer to retained earnings due to disposal of assets	-	(1,210)	-	(1,210)
TOTAL REVALUATION RESERVES	4,424,407	4,484,022	4,677,956	4,704,556

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

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

Relevant significant accounting policies

The result of any revaluation of the Group's property, plant and equipment is recognised within other comprehensive revenue and expense and taken to the asset revaluation reserve. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is included in the surplus or deficit. Any subsequent increase on revaluation that offsets a previous decrease in value recognised within 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 66: Hedging reserve	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	57,624	(47,022)	58,172	(47,641)
Cash flow hedge net movement recognised in other comprehensive revenue and expense	15,556	104,646	17,144	105,813
TOTAL HEDGING RESERVE	73,180	57,624	75,316	58,172

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 volatility in interest rates 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 67: Fair value through other comprehensive revenue and expense reserve	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance	6,854	6,029	7,983	6,656
Movements:				
Civic Financial Services Limited	(48)	17	(48)	17
Local Government Funding Agency (LGFA)	82	808	82	808
Creative HQ shareholdings - available-for-sale	-	-	(261)	473
Legacy investment - Wellington Museum Trust	-	-	17	13
Gifted investment - Karori Sanctuary Trust	-	-	5	16
TOTAL FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE RESERVE	6,888	6,854	7,778	7,983

This reserve reflects the accumulated fair value movement in the Council's investment in Civic Financial Services Limited and the LGFA.

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

Note 31: Restricted funds

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

Table 68: Restricted funds	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Special reserves and funds	18,635	19,131	21,941	22,188
Trusts and bequests	514	495	1,416	1,684
TOTAL RESTRICTED FUNDS	19,149	19,626	23,357	23,872

Table 69: Special reserves and funds	Opening	Additional	Utilised	Closing
	Balance	Funds	Funds	Balance
	2023	2023	2023	2023
	\$000	\$000	\$000	\$000
Council				
City Growth fund	4,514	1,930	(2,853)	3,591
Reserve purchase and development fund	782	-	-	782
Insurance reserve	13,835	1,495	(1,068)	14,262
Total Council	19,131	3,425	(3,921)	18,635
Controlled entities' reserve funds	3,057	430	(181)	3,306
TOTAL GROUP - SPECIAL RESERVES AND FUNDS	22,188	3,855	(4,102)	21,941

Nature and purpose, funding and utilisation

City Growth fund

The City Growth fund has a closing balance of \$3.591m (2022: \$4.514m) with funding for the year of \$1.930m (2022: \$1.885m) provided from rates. During the year \$2.853m (2022: \$2.113m) 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 (2022: \$nil)

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

\$1.495m (2022: \$1.461m) were funded through rates as identified in the LTP. During the year \$1.068m (2022: \$0.605m) 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: Capital reserve, Capital E reserve, Nairn Street Cottage collection reserve, Wellington Museums collection reserve, City Gallery reserve and Wellington Museum Plimmer reserve. The two collection reserves are for the purpose of future museum acquisitions.
- The Wellington Zoo Trust has two reserves; Animal Transfer Fund specifically for the transfer of animals and Conservation Fund to specifically support field conservation.

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 \$0.019m (2022: \$0.013m) has been applied in accordance with the original terms and conditions.

Nature and purpose

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

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

<https://wellingtonzoo.com/about-us/about-our-zoo/>

Charles Plimmer Bequest

This bequest is held and administered by the Public Trust and is primarily used for major beautification projects. As the sole beneficiary, 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 2022, the value of the estate held by the Public Trust was \$20.203m (31 August 2021: \$20.852m), but the distributions to the beneficiary are only available from an agreed percentage of revenue generated. The distributions are only drawn down as required.

During the year:

- Distributions recognised as revenue - \$nil
- Funds utilised - \$nil

Statement of Cash Flows

Table 70: Statement of Cash Flows for the year ended 30 June 2023	Council			Group	
	Actual	Budget	Actual	Actual	Actual
	2023	2023	2022	2023	2022
	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from rates - Council	427,236	427,313	378,439	427,236	378,439
Receipts from rates - GWRC	107,469	89,736	77,127	107,469	77,127
Receipts from activities and other revenue	184,431	169,761	134,206	204,656	152,128
Receipts from grants and subsidies - Operating	9,243	9,558	20,657	17,818	31,621
Receipts from grants and subsidies - Capital	27,793	32,014	32,396	31,222	32,845
Receipts from investment property lease rentals	12,549	10,394	11,045	12,549	11,045
Cash paid to suppliers and employees	(427,896)	(444,333)	(388,785)	(486,035)	(446,294)
Rates paid to GWRC	(106,463)	(89,736)	(77,621)	(106,463)	(77,621)
Grants paid	(47,596)	(48,944)	(45,947)	(14,057)	(17,215)
Income tax paid	-	-	-	(276)	(126)
Net GST (paid) / received	759	-	(797)	126	(1,014)
NET CASH FLOWS FROM OPERATING ACTIVITIES	187,525	155,763	140,720	194,245	140,935
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received	20,491	1,900	64	20,491	64
Interest received	8,041	13	2,991	8,808	3,150
Decrease in bank investments	-	-	-	4	235
Proceeds from sale of property, plant and equipment	4,197	5,400	5,749	4,236	5,753
Proceeds from sale of Investments	96	-	-	96	-
Loan advances made	-	-	(1,200)	-	(1,200)
(Increase) / decrease in investments	54,856	-	(44,466)	55,458	(50,137)
Purchase of investment properties	(13,123)	-	(62)	(13,123)	(62)
Purchase of intangibles	(8,856)	(5,038)	(5,053)	(9,392)	(5,053)
Purchase of property, plant and equipment	(343,429)	(399,420)	(291,758)	(345,991)	(292,658)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(277,727)	(397,145)	(333,735)	(279,413)	(339,908)
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings	320,328	507,234	249,343	320,328	250,281
Repayment of borrowings	(141,000)	(209,000)	(86,837)	(141,000)	(86,858)
Interest paid on borrowings	(47,172)	(41,375)	(27,265)	(47,180)	(27,265)
NET CASH FLOWS FROM FINANCING ACTIVITIES	132,156	256,859	135,241	132,148	136,158
Net increase/(decrease) in cash and cash equivalents	41,954	15,477	(57,774)	46,980	(62,815)
Cash and cash equivalents at the beginning of the year	26,575	11,004	84,349	40,727	103,542
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	68,529	26,481	26,575	87,707	40,727

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

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

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

The Council has ring-fenced funds of \$88.630m (2022: \$80.486m) relating to the City Housing and Waste reduction and energy conservation activities. For more information see *Note 24: Borrowings* (pg X).

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

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

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

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

Statement of Cash Flows – Major budget variations

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

Significant variations from the cash flow budgets are as follows:

Net cash flows from operating activities were \$31.762m higher than budget, including major variances of:

- \$17.733m higher cash inflows from receipts from rates collected on behalf of GWRC than budgeted.
- \$14.670m higher cash inflows from receipts from activities and other revenue particularly landfill operations & recycling and convention & conference centres activities.
- \$16.437m lower cash outflows from cash paid to suppliers and employees due to timing.
- \$16.727m higher cash outflows from rates paid to GWRC than budgeted.

Net cash flows from investing activities were \$119.418m lower than budgeted, including major variances of:

- \$18.591m higher cash inflows from dividends received than budgeted mainly relating to the investment in Wellington International Airport Limited.
- \$8.028m higher cash inflows from interest received due to increasing interest rates.
- \$54.856m lower cash outflows from lower investments.
- \$13.123m higher cash outflow from the purchase of investment properties mainly relating to the purchase of carparks at 140 Tory St.
- \$55.991m lower cash outflows from the purchase of property, plant and equipment due to lower capital expenditure than budgeted.

Net cash flows from financing activities were \$124.703m lower than budgeted, including major variances of:

- \$186.906m lower cash inflows on new borrowings partly due to lower budgeted capital expenditure.
- \$68.000m lower cash outflows on repayment of borrowings.

Note 32: Reconciliation of cash flows

Table 71: Reconciliation of net surplus / (deficit) to net cash flows from operating activities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Net surplus/(deficit) for the period	(74,206)	87,435	(85,902)	88,621
Add/(deduct) non-cash items:				
Vested assets	(13,995)	(82,488)	(13,995)	(82,488)
Bad debts written off not previously provided for	186	133	186	133
Depreciation and amortisation	196,318	146,488	197,032	147,615
Impairment of property, plant and equipment	377	4,415	377	4,415
Fair value changes in investment properties	13,341	(20,614)	13,341	(20,614)
Other fair value changes	198	3	95	(375)
Movement in provision for impairments of doubtful debts	2,245	(317)	2,245	(317)
Tax expense/(credit)	(20)	-	346	(64)
Non-cash movement in provisions	1,163	(930)	1,071	(816)
Total non-cash items	199,813	46,690	200,698	47,489
Add/(deduct) movement in working capital: ¹				
Exchange receivables and non-exchange recoverables	7,483	(25,380)	10,685	(23,088)
Prepayments	10,283	3,043	10,487	2,874
Inventories	(69)	(157)	(277)	(141)
Exchange transactions, transfers and taxes payable	24,418	13,523	20,852	8,081
Revenue in advance	378	(4,214)	5,159	(486)
Employee benefit liabilities	606	668	901	1,110
Provision for other liabilities	(1,264)	(8,007)	(1,082)	(8,163)
Total movement in working capital	41,835	(20,524)	46,725	(19,813)
Add/(deduct) investing and financing activities:				
Net (gain)/loss on disposal of property, plant and equipment	(2,837)	2,391	(2,248)	2,424
Net (gain)/loss on disposal of intangibles	25	518	25	518
Net (gain)/loss on disposal of investments	(6)	-	(15)	-
Dividends received	(20,491)	(64)	(91)	(310)
Interest received	(8,041)	(2,991)	(8,869)	(3,165)
Tax paid and subvention receipts	-	-	104	110
Interest paid on borrowings	51,433	27,265	51,445	27,274
Share of equity accounted (surplus)/deficit in associates	-	-	(7,627)	(2,213)
Total investing and financing activities	20,083	27,119	32,724	24,638
NET CASH FLOWS FROM OPERATING ACTIVITIES	187,525	140,720	194,245	140,935

1. Excluding non-cash items

Table 72: Reconciliation of liabilities arising from financing activities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Opening balance				
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)
Total opening balance	1,128,782	861,630	1,130,930	861,695
Cash flow movements - current				
Repayment of borrowings - current	(141,000)	(86,836)	(141,000)	(86,857)
New borrowings	-	-	-	-
Movement from non-current to current borrowings	137,499	141,313	137,499	141,313
Cash flow movements - non-current				
New borrowings	320,328	249,342	320,328	250,279
Movement from non-current to current borrowings	(137,499)	(141,313)	(137,499)	(141,313)
Total Cash movements	179,328	162,506	179,328	163,422
Non-cash flow movements				
- Interest rate swaps - cash flow hedges	15,556	104,646	17,144	105,813
- Fair value adjustment to borrowings	-	-	(103)	-
Total movements	194,884	267,152	196,369	269,235
Closing balance				
Current borrowings	205,500	209,001	205,500	209,001
Non-current borrowings	1,044,986	862,157	1,046,483	863,757
Hedges held against borrowings:				
- Interest rate swaps - cash flow hedges	73,180	57,624	75,316	58,172
Total closing balance	1,323,666	1,128,782	1,327,299	1,130,930

Other disclosures

Note 33: Financial instruments

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

Relevant significant accounting policies

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

Financial Assets

Financial assets are classified as: amortised cost, fair value through surplus or deficit (FVTSD), or fair value through other comprehensive revenue and expense (FVTOCRE).

Amortised cost

Financial assets at amortised cost comprises cash and cash equivalents, receivables, recoverables and loans and deposits.

- Cash and cash equivalents include cash balances and bank deposits with maturity dates of three months or less at acquisition.
- 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 at acquisition.

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.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit comprise LGFA borrower notes, which are subsequently revalued through surplus or deficit, as LGFA has the ability to repay the investment before the original maturity date.

Financial assets at fair value through other comprehensive revenue and expense

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

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

Table 73 provides an analysis of the Group's financial assets and financial liabilities by reporting category as described in the accounting policies:

Table 73: Financial Instruments by category	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	68,529	26,575	87,707	40,727
Receivables and recoverables	77,185	86,355	79,726	87,755
Bank term deposits - greater than 3 months	40,000	101,000	46,098	107,700
Loans to related parties and external organisations	2,156	2,088	2,157	2,089
LGFA - borrower notes	-	19,868	-	19,868
Total financial assets at amortised cost	187,870	235,886	215,688	258,139
Financial assets at FVTSD				
LGFA - borrower notes	25,190	-	25,190	-
Total financial assets at FVTSD	25,190	-	25,190	-
Financial assets at FVTOCRE				
Interest rate swaps - cash flow hedges	73,180	58,407	73,180	58,407
Equity investments	9,232	9,198	11,350	11,477
Total financial assets at FVTOCRE	82,412	67,605	84,530	69,884
Total financial assets	295,472	303,491	325,408	328,023
Total non-financial assets	10,770,024	10,673,715	11,042,532	10,922,324
TOTAL ASSETS	11,065,496	10,977,206	11,367,940	11,250,347
Financial liabilities at amortised cost				
Exchange transactions and transfers payable	113,540	85,194	117,249	84,734
Taxes payable	11,707	11,134	12,047	11,459
Borrowings	1,250,486	1,071,158	1,251,983	1,072,758
Total financial liabilities at amortised cost	1,375,733	1,167,486	1,381,279	1,168,951
Financial liabilities at fair value through other comprehensive revenue and expense				
Interest rate swaps - cash flow hedges	-	783	-	783
Total financial liabilities at fair value through other comprehensive revenue and expense	-	783	-	783
Total financial liabilities	1,375,733	1,168,269	1,381,279	1,169,734
Total non-financial liabilities	68,018	68,311	82,368	80,107
TOTAL LIABILITIES	1,443,751	1,236,580	1,463,647	1,249,841

LGFA borrower notes changed classification to FVTSD for the 2022/23 period. In *Table 73* above the comparative has remained under Financial assets at amortised cost. See Note 40 – *Adoption of PBE IPSAS 41 – Financial instruments* (pg X) for further explanation. The value of the LGFA borrower notes for 2021/22 would be \$19.312m if FVTSD had applied.

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 74: Group hierarchy	2023			2022		
	Level	Level	Level	Level	Level	Level
	1	2	3	1	2	3
	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets						
Financial assets at FVTSD						
- LGFA - borrower notes	-	25,190	-	-	-	-
Financial assets at FVTOCRE						
- Equity investments	-	-	11,350	-	-	11,477
- Interest rate swaps - Cash flow hedges	-	73,180	-	-	58,407	-
Financial liabilities						
- Interest rate swaps - Cash flow hedges	-	-	-	-	783	-

LGFA borrower notes changed classification to FVTSD for the 2022/23 period. The comparative has remained under Financial assets at amortised cost and is not shown in *Table 74* above. The value of the LGFA borrower notes for 2021/22 would be \$19.312m if FVTSD had applied.

Table 75 summarises the reconciliation of movements in Level 3 financial instruments

Table 75: Reconciliation of fair value movements in Level 3			Council		Group	
			2023	2022	2023	2022
			\$000	\$000	\$000	\$000
Financial assets at FVTOCRE						
- Equity investments						
Opening balance - 1 July			9,198	8,372	11,477	10,122
Purchases			-	-	-	158
Disposals			-	-	-	-
Impairment			-	-	-	-
Loss on investment			-	-	-	(53)
Gains/(Losses) recognised in other comprehensive revenue and expense			34	826	(127)	1,250
Closing balance - 30 June			9,232	9,198	11,350	11,477

The Level 3 equity investments comprise the Group's shareholdings in: LGFA \$8.756m (2022: \$8.674m), Civic Financial Services Limited \$0.476m (2022: \$0.524m), Creative HQ shareholdings \$1.696m (2022: \$1.879m), endowment fund investment for Wellington Museums Trust of \$0.291m (2022: \$0.274m) and a gifted investment for the Karori Sanctuary Trust of \$0.131m (2022: \$0.126m). Refer to *Note 15: Other financial assets* (pg X) for more details.

Financial risk management

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

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk other than its exposure within the Wellington region. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position and the face value of financial guarantees to related parties (refer *Note 35: Contingencies* (pg X)). 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 76*.

Table 76: Financial instruments with credit risk	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Cash and cash equivalents	68,514	26,560	87,677	40,698
Interest rate swaps - Cash flow hedges	73,180	58,407	73,180	58,407
Receivables and recoverables	77,185	86,355	79,726	87,755
Other financial assets				
- Bank term deposits - greater than 3 months	40,000	101,000	46,098	107,700
- LGFA borrower notes	25,190	19,868	25,190	19,868
- Loans to related parties and external organisations	2,156	2,088	2,157	2,089
Total financial instruments with credit risk	286,225	294,278	314,028	316,517

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* (pg X).

Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard and Poor's credit ratings (or otherwise as stated) as shown in *Table 77*.

Table 77: Counterparties with credit ratings	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Cash - NZ registered banks				
AA-	48,514	6,560	66,618	19,189
Short-term deposits (3 months or less) - NZ registered banks				
AA (Fitch)	-	20,000	-	21,509
AA-	20,000	-	21,059	-
Interest rate swaps - NZ registered banks				
AA-	73,180	58,407	73,180	58,407
Term deposits (greater than 3 months) - NZ registered banks				
AA-	40,000	65,000	46,098	71,700
AA (Fitch)	-	36,000	-	36,000
Borrower notes - LGFA				
AAA	25,190	19,868	25,190	19,868

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 78* 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 78: Contractual cash flows of financial liabilities excluding derivatives	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Contractual cash flows of financial liabilities excluding derivatives				
0-12 months	399,945	341,388	404,034	341,253
1-2 years	151,840	155,960	151,888	155,960
2-5 years	507,489	320,180	509,034	321,924
More than 5 years	621,068	578,307	621,068	578,307
Total contractual cash flows of financial liabilities excluding derivatives	1,680,342	1,395,835	1,686,024	1,397,444
Represented by:				
Carrying amount as per the Statement of Financial Position	1,375,733	1,167,486	1,381,279	1,168,951
Future interest payable	304,609	228,349	304,745	228,493
Total contractual cash flows of financial liabilities excluding derivatives	1,680,342	1,395,835	1,686,024	1,397,444

The following maturity analysis in *Table 79*, sets out the contractual cash flows for all financial liabilities that are settled on a net cash flow basis. Contractual cash flows for derivative financial liabilities are the future interest payable.

Table 79: Contractual cash flows of derivative financial liabilities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Contractual cash flows of derivative financial liabilities				
0-12 months	-	1,586	-	1,586
1-2 years	-	84	-	84
2-5 years	-	44	-	44
More than 5 years	-	6	-	6
Total contractual cashflow of derivative financial liabilities	-	1,720	-	1,720
Represented by:				
Future interest payable	-	1,720	-	1,720
Total contractual cash flows of derivative financial liabilities	-	1,720	-	1,720

Due to favourable interest rate movements all derivatives (cash flow hedges) are assets at 30 June 2023.

In addition to cash to be received in 2023/24 the Group currently has \$210.000m (2022: \$210.000m) in unutilised committed bank facilities available to settle obligations as well as \$167.433m (2022: \$128.482m) 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* (pg X).

The Group mitigates exposure to liquidity risk by managing the maturity of its borrowings programme within the following maturity limits as shown in *Table 80*.

Period	Maturing in period \$000	Minimum	Maximum	Actual
0 - 3 years	453,191	15%	60%	36%
3 - 5 years	250,098	15%	60%	20%
More than 5 years	547,197	15%	60%	44%
	1,250,486			

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

Market risk

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

Cash flow and fair value interest rate risk

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

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

For material financial liability exposures, Council has policy settings within the liability management policy that determine how the repricing of interest rate risks must be managed. For the year ended 30 June 2023, the material exposures were Borrowings and Derivative financial instruments (interest rate swaps). Refer to *Note 12: Derivatives*, for further information (pg X)

The proportion of gross borrowing at a fixed interest rate for the period ending 30 June 2023 is 53 percent. (2022: 59 percent)

Table 81 shows the effect of the interest rate swaps at reducing the Council's and Group's exposure to interest rate risk:

Table 81: Interest rate volatility	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Financial instruments subject to interest rate volatility - before effect of interest rate swaps				
Cash and cash equivalents	68,529	26,575	87,707	40,727
Bank term deposits - greater than 3 months	40,000	101,000	46,098	107,700
Commercial paper	(68,000)	(68,000)	(68,000)	(68,000)
Debt securities - floating rate notes	(1,067,000)	(888,000)	(1,067,000)	(888,000)
Total financial instruments subject to interest rate volatility - before effect of interest rate swaps	(1,026,471)	(828,425)	(1,001,195)	(807,573)
Effect of interest rate swaps in reducing interest rate volatility				
Interest rate swaps - cash flow hedges	556,000	453,000	556,000	453,000
Total effect of interest rate swaps in reducing interest rate volatility	556,000	453,000	556,000	453,000
Total financial instruments subject to interest rate volatility - after effect of interest rate swaps	(470,471)	(375,425)	(445,195)	(354,573)

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 2023, the fair value of the interest rate swaps was \$73.180m (2022: \$57.624m). The asset represents the forecast cost savings the Council is expected to receive from locking in fixed interest rates lower than current market rates over the period of the swap contracts versus floating rates.

Interest rate hedge effectiveness

Table 82: Interest rate hedge effectiveness	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Fair value of hedging instruments to determine hedge effectiveness	73,180	57,624	73,180	57,624
Fair value of hedged item to determine hedge effectiveness	73,180	57,624	73,180	57,624

As no designated forecast relationships were no longer expected to occur, there were no reclassifications.

Weighted effective interest rates

Given that the interest rate swaps have settlement dates that coincide with the dates on which interest is payable on the underlying debt (short term bank facilities, commercial paper and debt securities), it is appropriate to include the effect of the interest rate swaps on the borrowings interest rate and present the net effective interest rates for the underlying borrowings as shown in *Table 83*.

Table 83: Weighted effective interest rates	Council		Group	
	2023	2022	2023	2022
	%	%	%	%
Investments				
Cash and cash equivalents	5.39	2.23	4.51	0.59
Bank term deposits - greater than 3 months	5.89	1.99	5.68	1.98
LGFA - borrower notes	5.97	2.32	5.97	2.32
Loans to related parties	3.00	-	3.00	-
Borrowings				
Bank loans	3.00	3.00	3.00	3.00
Commercial paper	5.71	2.53	5.71	2.53
Debt securities - fixed rate bonds	2.02	2.02	2.02	2.02
Debt securities - floating rate notes	6.16	2.60	6.16	2.60
Interest rate swaps - cash flows hedges	3.19	3.50	3.19	3.50

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

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

Sensitivity analysis

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

Table 84 illustrates the potential surplus or deficit impact of a 2 percent change in interest rates based on the Group's exposures at the end of the reporting period:

Table 84: Sensitivity to interest rate risk		Group			
		2023			
		\$000			
		+2%	-2%	+2%	-2%
	Note	Effect on Surplus or Deficit		Effect on Other Comprehensive Revenue and Expense	
Financial assets					
Cash and cash equivalents	a	1,754	(1,754)	-	-
LGFA - borrower notes	b	(938)	795	-	-
Bank term deposits - greater than 3 months	c	922	(922)	-	-
Interest rate swaps - cash flow hedges	d	-	-	68,433	(81,844)
Financial liabilities					
Interest rate swaps - cash flow hedges	d	-	-	-	-
Debt securities - floating rate notes (incl GSS loans)	e	(11,240)	11,240	-	-
Bank loans	f	(240)	240	-	-
Commercial paper	g	(340)	340	-	-
Total sensitivity to interest rate risk		(10,082)	9,939	68,433	(81,844)

a. Cash and cash equivalents

Group funds of \$87.707m (2022: \$40.727m) are 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 2 percent has an effect on interest revenue of \$1.754m (2022: \$0.814m) accordingly.

b. LGFA borrower notes

The Group holds \$25.190m (2022: \$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 2 percent has an effect on interest revenue of - \$0.938m. A movement in interest rates of minus 2 percent has an effect on interest revenue of \$0.795m. As these debt investments are now subject to fair value, the effect of discounting has a greater impact than the increase/decrease in interest earned. No comparative effect is included due to the change in valuation methodology.

c. Bank term deposits > than 3 months

Bank term deposits with maturities greater than 3 months \$46.098m (2022: \$107.700m) are subject to interest rate movement on any subsequent reinvestment. A movement in interest rates of plus or minus 2 percent has an effect on interest revenue of \$0.922m (2022: \$2.154m) accordingly.

d. Interest rate swaps – cash flow hedges

Interest rate swaps have a fair value totalling \$73.180m (2022: \$57.624m). A movement in interest rates of plus 2 percent has an effect on increasing the unrealised value of the interest rate swaps by \$68.433m (2022: \$75.938m). A movement in interest rates of minus 2 percent has an effect on reducing the unrealised value of the interest rate swaps by \$81.844m (2022: \$92.860m)

e. Debt securities – floating rate notes

Debt securities at floating rates total \$1,067.000m (2022: \$888.000m). The full exposure to changes in interest rates has been reduced because the Group has \$505.000m (2022: \$402.000m) of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 2 percent has an effect on the interest expense of \$11.240m (2022: \$9.720m) accordingly.

f. Bank loans

The Group, through the Council's joint operations with Porirua City Council has bank term loans of \$10.486m (2022: \$10.158m). These loans are provided to the joint operations through Porirua City Council borrowing. In addition Karori Sanctuary Trust has a \$1.497m (2022: \$1.600m) loan. A movement in interest rates of plus or minus 2 percent has an effect on the interest expense of \$0.240m (2022: \$0.204m) 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 (2022: \$68.000m) is presently utilised. The full exposure to changes in interest rates has been reduced because the Group has \$51.000m (2022: \$51.000m) of this debt at fixed rates through interest rate swaps. A movement in interest rates of plus or minus 2 percent has an effect on the interest expense of \$0.340m (2022: \$0.340m) accordingly.

Foreign exchange risk

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

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

As at 30 June 2023, the Council and Group does not hold any foreign denominated currency.

Risk management

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

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

Note 34: Commitments

Table 85: Capital commitments	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Approved and contracted				
Property, plant and equipment	172,845	156,815	174,425	158,215
Investment properties	-	-	-	-
Intangibles	-	-	-	-
Share of associates	-	-	1,288	7,444
Share of joint ventures	-	-	-	-
TOTAL CAPITAL COMMITMENTS	172,845	156,815	175,713	165,659

The capital commitments in *Table 85* 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 2022/23 to future years.

Lease commitments

Operating leases – Group as lessee

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

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

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

Relevant significant accounting policies

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

The future expenditure committed by these leases is analysed as shown in *Table 86*.

Table 86: Non-cancellable operating lease commitments as lessee	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Plant and equipment				
Not later than one year	-	-	60	84
Later than one year and not later than five years	-	-	1,156	69
Later than five years	-	-	-	-
Land and buildings				
Not later than one year	17,097	10,815	18,057	13,170
Later than one year and not later than five years	49,289	30,054	54,953	30,722
Later than five years	144,467	47,487	144,652	47,487
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSEE	210,853	88,356	218,878	91,532

Operating leases – Group as lessor

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

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

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

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

Relevant significant accounting policies

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

The committed revenues expected from these lease portfolios are analysed as shown in *Table 87*.

Table 87: Non-cancellable operating lease commitments as lessor	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Investment properties				
Not later than one year	11,049	10,971	11,049	10,971
Later than one year and not later than five years	35,547	38,322	35,547	38,322
Later than five years	50,435	73,020	50,435	73,020
Land and buildings				
Not later than one year	2,256	5,849	2,256	5,849
Later than one year and not later than five years	2,816	4,173	2,816	4,173
Later than five years	8,175	9,093	8,175	9,093
TOTAL NON-CANCELLABLE OPERATING LEASE COMMITMENTS AS LESSOR	110,278	141,428	110,278	141,428

Commitments to related parties

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

Note 35: Contingencies

Table 88: Contingent liabilities	Council		Group	
	2023	2022	2023	2022
	\$000	\$000	\$000	\$000
Uncalled capital - LGFA	1,866	1,866	1,866	1,866
Other legal proceedings	1,625	399	1,625	399
Share of associates' and joint venture's contingent liabilities	-	-	-	-
Share of joint operations' contingent liabilities	-	-	-	-
TOTAL CONTINGENT LIABILITIES	3,491	2,265	3,491	2,265

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 \$20.000m or more from LGFA must be a guarantor. There are 71 guarantor Councils in total. In this regard the Council has uncalled capital of \$1.866m. When aggregated with the uncalled capital of other shareholders, \$20.000m 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 2023, LGFA had borrowings totalling \$17,684m (2022: \$15,789m).

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

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

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

Other legal proceedings

Other legal proceedings are current claims against the Council and Group as a result of past events which are currently being contested. The amounts shown reflect potential liability for financial reporting purposes only and do not represent an admission that any claim is valid. The outcome of these remains uncertain at the end of the reporting period. The maximum exposure to the Group is anticipated to be less than \$1.625m (2022: \$0.399m).

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 does not estimate any further financial exposure for this claim as it is expected to be covered by insurance.

Unquantified contingent liabilities

Riskpool – winding up

Wellington City Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ('Riskpool'). The Scheme is in wind down; however the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of historical claims, diminishes with each year as limitation periods expire.

However, as a result of the Supreme Court decision on 1 August 2023 in *Napier City Council v Local Government Mutual Funds Trustee Limited*, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weathertight defects (in a mixed claim involving both weathertight and non-weathertight defects). Riskpool has advised that it is working through the implications of the Supreme Court decision. At this point any potential liability is unable to be quantified.

Holidays Act 2023

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

This is a significant undertaking and due to this Council decided that the project would be split into two phases; phase one is the rectification of known system configuration and business process issues while phase two is the remediation. Council is near to completing phase one of the project with a completion date estimated to be early 2024.

Council have engaged a third party to undertake the remediation phase of the Holiday Act Project. This is a significant undertaking to calculate all non-compliance. The remediation calculation model has been built and is undergoing user acceptance testing. Due to current progress on the testing, a reliable estimate of the liability cannot be determined at this time. Therefore no provision has been recognised at 30 June 2023. The completion date for Phase 2 is estimated to be mid-2024.

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

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

In June, there was a fire on Council-owned land causing reasonable damage and impact to the surrounding area. WCC has undertaken to complete clean up works with urgency, recognising the significant impact of this event. A reliable estimate of the potential financial exposure cannot be determined at this time and therefore no provision has been recognised at 30 June 2023.

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 2023 (2022: \$Nil).

Relevant significant accounting policies

Contingent liabilities and contingent assets

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

Note 36: Joint operations

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

Table 89: Joint operations	Interest	Interest	Nature of business
	2023	2022	
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	0 - 49%	20.00%	
Early Delivery	0 - 49%	0 - 49%	
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 (2022: \$Nil) and contingent liabilities is \$Nil (2022: \$Nil).

Note 37: Related party disclosures

Relevant significant accounting policies

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

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

Key management personnel

In this section, the Council discloses the remuneration and related party transactions of key management personnel. The remuneration payable to key management personnel of the Group's other entities is disclosed separately within their individual financial statements and is not included in *Table 90*.

Table 90: Remuneration paid to key management personnel	Council	
	2023	2022
	\$	\$
Council Members		
Remuneration	1,907,212	1,854,224
Chief Executive and Executive Leadership Team		
Remuneration	3,081,348	3,034,461
Termination benefits	-	73,644
TOTAL REMUNERATION PAID TO KEY MANAGEMENT PERSONNEL	4,988,560	4,962,329

As at 30 June 2023 key management personnel comprised of 25 individuals: 16 elected members or 16 fulltime equivalents (2022:15) and 9 executive leaders or 9 fulltime equivalents (2022: 9).

The additional elected member is due to the new Te Whanganui-a-tara Māori electoral ward in the Local Government election on 8 October 2022.

Material related party transactions

Material related party transactions – key management personnel

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

A related party of an Executive Leadership Team member provided training services, through a company, to the Council during the year. These services valued at \$23,500 were procured as arm's length transactions on normal commercial terms.

A related party of an Executive Leadership Team member provided sponsorship to the Council during the year. These services valued at \$50,000 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 the Council to key management personnel.

Material related party transactions – structured entities

Local Government Funding Agency Limited (LGFA)

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

During the year ending 30 June 2023 the Council drew down new borrowings of \$320.000m and repaid \$116.000m. Interest expense is paid quarterly in arrears on all borrowings and interest revenue of \$0.279m was received on \$1.856m of maturing borrower notes. The Council borrowings from the LGFA are comprised of \$100.000m (2022:100.000m) of fixed rate bonds and \$1,067.000m (2022: \$863.000m) of floating rate notes, including \$120.000m (2022: \$50.000m) of green, social and sustainability (GSS) loans.

The Council holds a nominal \$26.012m (carrying value \$25.190m) (2022: \$19.868m nominal (carrying value \$19.312m)) of investment borrower notes. During the year Council received a shareholder dividend of \$0.091m (2022: \$0.064m)

Material related party transactions – unstructured entities

Financial information relating to the Council's interests in unstructured entities is provided in *Tables 91 and 92*.

Table 91: Basin Reserve Trust	2023	2022
	\$000	\$000
Summarised financial information of unstructured entity		
Total assets	851	913
Total liabilities	(561)	(309)
Net assets	290	604
Revenue	1,148	1,280
Expenses	(1,177)	(1,332)
Surplus/(deficit)	(29)	(52)

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). Council and CWI each appoint two of the four trustees. 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 2023 the Council contributed \$0.735m (2022: \$0.718m) to fund the core operations of the Trust.

Table 92: Wellington Regional Stadium Trust	2023	2022
	\$000	\$000
Summarised financial information of unstructured entity		
Total assets	99,722	95,305
Total liabilities	(9,952)	(9,431)
Net assets	89,770	85,874
Revenue	21,296	7,654
Expenses	(17,399)	(12,354)
Surplus/(deficit)	3,897	(4,700)

Wellington Regional Stadium Trust (WRST)

Wellington Regional Stadium Trust was jointly created by Council and GWRC. 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 \$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. 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 GWRC.

During the period ending 30 June 2023, the Council transacted directly with WRST to the amount of \$nil (2022: \$1.500m).

In addition, WRST made the first six-monthly interest payment on the Council's share of the loan made available for COVID-19 impact support and additional concourse works. Refer to *Note 15: Other financial assets* (page X), for more information on this loan.

Intra Group transactions and balances

Intra Group transactions and balances – Joint operations

During the year the Council has entered into transactions with its joint operations partners Porirua City Council and Let's Get Wellington Moving. These transactions disclosed are within the normal course of business. The nature of these intra-Group transactions and the outstanding balances at the year-end are as shown in *Table 93*.

Table 93: Intra group transactions and balances - Joint operations		2023	2022
		\$000	\$000
Share of jointly incurred expenditure			
	Porirua City Council - wastewater treatment plant	3,349	2,620
	Let's Get Wellington Moving	13,369	6,660
		16,718	9,280
Current receivables and recoverables owing to the Council from:			
	Let's Get Wellington Moving	7,337	5,762

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 reporting date are as shown in *Table 94*.

Table 94: Intra group transactions and balances - Controlled entities		2023	2022
		\$000	\$000
Revenue received by Council for services provided to:			
	Karori Sanctuary Trust	46	37
	Wellington Cable Car Limited	80	103
	Wellington Museums Trust	1,458	1,457
	Wellington Regional Economic Development Agency Limited	161	41
	Wellington Zoo Trust	45	151
		1,790	1,789
Grant funding paid by Council for the operations and management of:			
	Karori Sanctuary Trust	1,127	1,496
	Wellington Cable Car Limited	1,642	-
	Wellington Museums Trust	10,624	9,940
	Wellington Regional Economic Development Agency Limited	16,924	12,515
	Te Toi Mahana	1,500	-
	Wellington Zoo Trust	3,752	3,639
		35,569	27,590
Funding paid by Council for COVID-19 support of:			
	Wellington Cable Car Limited	-	977
	Wellington Museums Trust	-	469
	Wellington Zoo Trust	-	509
		-	1,955
Expenditure payments made by Council for services provided by:			
	Karori Sanctuary Trust	15	10
	Wellington Cable Car Limited	2	99
	Wellington Museums Trust	205	81
	Wellington Regional Economic Development Agency Limited	5,100	3,883
	Wellington Zoo Trust	23	3,257
		5,345	7,330
Current receivables and recoverables owing to the Council from:			
	Karori Sanctuary Trust	-	6
	Wellington Museums Trust	145	165
	Wellington Regional Economic Development Agency Limited	68	-
	Wellington Zoo Trust	2,700	46
		2,913	217
Current payables owed by the Council to:			
	Te Toi Mahana	195	-
	Wellington Cable Car Limited	-	287
	Wellington Museums Trust	-	353
	Wellington Regional Economic Development Agency Limited	2,705	1,381
	Wellington Zoo Trust	224	1,518
		3,124	3,539

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 \$40.914m (2022: \$36.875m). Comprising grant funding of \$35.569m (2022: \$27.590m), COVID-19 support of \$Nil (2022: \$1.955m) and expenditure for services provided to the Council of \$5.345m (2022: \$7.330m).

Intra Group transactions and balances – Associates and Joint venture

During the year the Council has entered into several transactions with its associates and joint venture. These transactions disclosed are within the normal course of business. The nature of these intra-Group transactions and the outstanding balances at the year-end are as shown in Table 95.

Table 95: Intra group transactions and balances - Associates and joint venture		2023	2022
		\$000	\$000
Revenue received by Council for services provided to:			
Wellington International Airport Limited		1,446	102
Wellington Water Limited		293	571
		1,739	673
Expenditure payments made by Council for services provided by:			
Wellington International Airport Limited		1,167	87
Wellington Water Limited		110,681	107,628
		111,848	107,715
Current receivables and recoverables owing to the Council from:			
Wellington International Airport Limited		-	24
Wellington Water Limited		-	144
		-	168
Current payables owed by the Council to:			
Wellington Water Limited		10,145	2,763

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 \$1,907,212 (2022: \$1,854,224) and is broken down and classified as shown in *Table 96*.

Table 96: Elected Council member remuneration	Monetary Remuneration					Non-monetary Remuneration	Total 2023
	Remuneration	Remuneration ¹	Remuneration ¹	Total	Allowances		
	Authority	Authority	Authority	Salary			
	determination	determination	determination	Pro-rated			
	effective from	applied from	effective from	to			
	1-Jul-22	15-Oct-22	17-Nov-22	30-Jun-23			
\$	\$	\$	\$	\$	\$	\$	
Current members							
Whanau, Tony (Mayor)	-	183,027	183,027	129,874	-	4,494	134,368
Foon, Laurie (Deputy Mayor from 17/11/2022)	121,293	105,283	126,650	123,162	-	6,292	129,454
Abdurahman, Nureddin	-	105,283	105,283	74,708	-	4,494	79,202
Apanowicz, John	-	105,283	105,283	74,708	-	4,494	79,202
Brown, Tim	-	105,283	105,283	74,708	-	4,494	79,202
Calvert, Diane	123,256	105,283	105,283	110,503	400	6,292	117,195
Chung, Ray	-	105,283	105,283	74,708	-	4,494	79,202
Free, Sarah (Deputy Mayor until 14/10/2022)	142,017	105,283	111,070	119,534	400	6,292	126,226
Matthews, Rebecca	123,256	105,283	116,361	117,362	-	6,292	123,654
McNulty, Ben	-	105,283	105,283	74,708	-	4,494	79,202
O'Neill, Teri	121,293	105,283	116,361	116,792	-	6,292	123,084
Pannett, Iona	123,256	105,283	105,283	110,503	400	6,292	117,195
Paul, Tamatha	121,293	105,283	116,361	116,792	-	6,292	123,084
Randle, Tony	-	105,283	105,283	74,708	-	4,494	79,202
Wi Neera, Nikau	-	105,283	105,283	74,708	-	4,494	79,202
Young, Nicola	121,293	105,283	105,283	109,932	400	6,292	116,624
Previous members							
Foster, Andy (Mayor)	183,027	-	-	53,153	-	1,800	54,953
Condie, Jenny	121,293	-	-	35,225	-	1,800	37,025
Day, Jill	123,256	-	-	35,795	150	1,800	37,745
Fitzsimons, Fleur	121,293	-	-	35,225	400	1,800	37,425
Rush, Sean	123,256	-	-	35,795	-	1,800	37,595
Woolf, Simon	121,293	-	-	35,225	150	1,800	37,175
TOTAL REMUNERATION PAID TO COUNCIL MEMBERS				1,807,824	2,300	97,088	1,907,212
				Total monetary remuneration			1,810,124
				Total non-monetary remuneration			97,088

1. Due to Local Government elections on 8 October 2022 and subsequent changes around the Council table, new Remuneration Authority determinations were enacted. The salaries payable to elected members have been calculated accordingly.

Salary

The Remuneration Authority is responsible for setting the remuneration levels for elected members (Clause 6, Schedule 7 of the LGA 2002). The Council's monetary remuneration (salary) detailed above was determined by the Remuneration Authority. As permitted under the Authority's guidelines the Council has chosen for its elected members to receive an annual salary for the 2022/23 financial year rather than the alternative option of a combination of meeting fee payments and annual salary.

Mayoral car

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

Non-monetary

In addition, the Mayor and Councillors receive non-monetary remuneration (benefit) in relation to 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.

Community Boards

The Council has two community boards – the Tawa Community Board and the Mākara/Ōhāriu Community Board. Remuneration paid to the elected members of these boards is as shown in *Table 97*.

Table 97: Community Board member remuneration	Salary to 14-Oct-22	Salary from 15-Oct-22	Total Salary Pro-rated	Allowances	Total 2023
	\$	\$	\$	\$	\$
TAWA COMMUNITY BOARD					
Current members					
Day, Jill (Chair from 15/10/22, Councillor until 14/10/22)	-	19,359	13,737	-	13,737
Davin, Tim (Deputy Chair from 15/10/22)	-	9,680	6,869	-	6,869
Allan, Rachel	-	9,680	6,869	-	6,869
Fernandez, Janryll	9,546	9,680	9,641	-	9,641
Lacy, Jackson	9,546	9,680	9,641	-	9,641
Moore, Miriam	-	9,680	6,869	-	6,869
McNulty, Ben (Councillor - see remuneration above)	-	-	-	-	-
Randle, Tony (Councillor - see remuneration above)	-	-	-	-	-
Prior members					
Parkinson, Robyn (Chair)	19,092	-	5,545	135	5,680
Herbert, Richard (Deputy Chair)	9,546	-	2,772	-	2,772
Hansen, Graeme	9,546	-	2,772	-	2,772
Scott, Anna	9,546	-	2,772	-	2,772
MAKARA/OHARIU COMMUNITY BOARD					
Current members					
Reed, Mark (Chair from 15/10/22)	-	9,704	6,886	-	6,886
Grace, Christine (Deputy Chair until 14/10/22)	4,784	4,852	4,832	-	4,832
Hoskins, Darren (Deputy Chair from 15/10/22)	4,784	4,852	4,832	-	4,832
Renner, Chris	4,784	4,852	4,832	-	4,832
Rudd, Wayne	4,784	4,852	4,832	-	4,832
Todd, Hamish	4,784	4,852	4,832	-	4,832
Prior member					
Apanowicz, John (Chair until elected to Council from 15/10/22)	9,570	-	2,779	-	2,779
TOTAL REMUNERATION TO COMMUNITY BOARD MEMBERS			101,313	135	101,448

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

Chief Executive’s remuneration

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

Table 97 shows the total remuneration of the Chief Executive paid or payable for the year ended 30 June 2023.

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 detailed in Table 98.

Table 98: Remuneration of the Chief Executive	Council	
	2023	2022
	\$	\$
Barbara McKerrow		
Salary	499,000	454,130
KiwiSaver	14,970	13,624
TOTAL REMUNERATION OF THE CHIEF EXECUTIVE	513,970	467,754

Severances

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

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

For the year ending 30 June 2023 the Council made severance payments to 10 employees totalling \$318,554 (2022: 8 employees, \$148,068).

The individual values of each of these Council severance payments were: \$18,178; \$70,782; \$6,315; \$61,945; \$42,238; \$4,873; \$36,521; \$71,325; \$5,972; \$405.

Employee numbers and remuneration bands

Table 99 identifies the number of full-time employees as at the end of the reporting period and the full-time equivalent number of all other part-time, fixed term and casual employees.

Table 99: Employee numbers	Council	
	2023	2022
Full-time and full-time equivalent employee numbers		
Full-time employees (based on a 40 hour week)	1,312	1,251
Full-time equivalents for all other non full-time employees	172	295

Table 100 further identifies the breakdown of remuneration levels of those employees into various bands.

Table 100: Remuneration bands	Council
	2023
The number of employees receiving total annual remuneration of less than \$60,000	864
Of the 864 employees in this band, 655 are part-time or casual	
The number of employees receiving total annual remuneration of more than \$60,000 in bands of \$20,000	
\$60,000 - \$79,999.99	368
\$80,000 - \$99,999.99	295
\$100,000 - \$119,999.99	195
\$120,000 - \$139,999.99	165
\$140,000 - \$159,999.99	76
\$160,000 - \$179,999.99	35
\$180,000 - \$199,999.99	23
\$200,000 - \$219,999.99	19
\$220,000 - \$239,999.99	6
\$240,000 - \$279,999.99	7
\$300,000 - \$379,999.99*	7
\$500,000 - \$519,999.99*	1
TOTAL EMPLOYEES	2,061

Of the 2,061 (2022: 1,967) individual employees, 731 (2022: 716) are part-time or casual.

Table 101: Remuneration bands		Council 2022
The number of employees receiving total annual remuneration of less than \$60,000		974
Of the 974 employees in this band, 649 are part-time or casual		
The number of employees receiving total annual remuneration of more than \$60,000 in bands of \$20,000		
\$60,000 - \$79,999.99		294
\$80,000 - \$99,999.99		254
\$100,000 - \$119,999.99		178
\$120,000 - \$139,999.99		138
\$140,000 - \$159,999.99		52
\$160,000 - \$179,999.99		32
\$180,000 - \$199,999.99		19
\$200,000 - \$219,999.99		9
\$220,000 - \$259,999.99*		9
\$280,000 - \$339,999.99*		7
\$460,000 - \$479,999.99*		1
TOTAL EMPLOYEES		1,967

* If the number of employees for any band was five 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.

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

The Council has resolved that in addition to legislative requirements to disclose the above bandings it has also included the two lowest remuneration grades as shown in *Table 102*.

Table 102: Lowest remuneration grades	Salary Range	2023	Salary Range	2022
	\$	Employees	\$	Employees
Q (Living Wage)	49,327	54	47,450	299
9	49,327 - 61,766	457	47,450 - 59,925	452

The current Living Wage rate for the Council was \$23.65 (2022: \$22.75) per hour for the period to 30 June 2023. 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.

Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023

Sludge Minimisation Project

To address the issues identified with Wellington wastewater treatment, and achieve the objectives identified, Wellington City Council has entered into an Infrastructure Funding and Financing Administration Agreement (IFFFAAA) on the 2 August 2023. This will enable Wellington City Council to raise up to \$400.000m to fund the construction of the Sludge Minimisation Facility (SMF) at Moa Point.

The funding is provided by a special purpose vehicle (SPV) owned by Crown Infrastructure Partners. The finance raised will stay off Council's balance sheet, providing flexibility to fund other infrastructure and community amenity projects within existing borrowing limits.

The Council is responsible for the construction of the SMF and in July 2023 entered into a contract with a joint venture partnership between McConnell Dowell Constructors Limited and HEB Construction Limited to build the first stage of the sludge minimisation facility at Moa Point. The new facility will 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.

The Infrastructure Funding and Financing (Wellington Sludge Minimisation Facility Levy) Order 2023 has been made and became effective on the 1 October 2023. The order appoints Wellington City Council as the responsible levy authority. This will require Wellington City Council to assess, administer and collect Levy on behalf of the SPV. The levy applies to all properties within the Wellington City Council rating area, excluding protected Māori land. The Levy Period starts 1 July 2024 and ends on the close of 30 June 2057. The levy received will be passed on to the SPV.

Te Toi Mahana (Wellington Community Housing Provider Trust)

The Council made the decision to establish a Community Housing Provider (CHP) called Te Toi Mahana and this was incorporated on 28 April 2023. It received Community Housing Provider status from the Ministry of Housing and Urban Development on 26 July 2023.

On 1 August 2023, Wellington City Council entered into a lease agreement with Te Toi Mahana for the Council's City Housing properties. This allowed Te Toi Mahana to take over the operations of the City Housing division on the same day and Te Toi Mahana now manage the tenancies and maintenance of the building assets.

Note 40: Adoption of PBE IPSAS 41- Financial Instruments

In accordance with the transitional provisions in *PBE IPSAS 41*, the Council and Group have elected not to restate the comparative information. The comparative information continues to be reported under *PBE IPSAS 29* Financial instruments. Adjustments arising from the adoption of *PBE IPSAS 41* are recognised in opening equity at 1 July 2022 (the date of initial application).

The Council and Group transitioned to the hedge accounting requirements of *PBE IPSAS 41* on 1 July 2022. All existing hedge relationships at that date were regarded as continuing hedging relationships under *PBE IPSAS 41*. Hedge accounting documentation was updated for the revised documentation requirements of *PBE IPSAS 41*.

The accounting policies for the year ended 30 June 2023 have been updated to comply with *PBE IPSAS 41*. The main changes to the Council and Group's accounting policies are:

- *Note 13 - Receivables and recoverables* - This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying the simplified ECL model.
- *Note 15 - Others financial assets* - This policy has been updated to reflect:
 - the new classification categories.

On the date of initial of application of *PBE IPSAS 41*, the classification and carrying amounts of financial assets under *PBE IPSAS 41* and *PBE IPSAS 29* is outlined as shown in *Table 103*.

Table 103: Classification and carrying amounts of financial assets and liabilities	Measurement category		Value at 1 July 2022		Adjustment \$000
	Current treatment under PBE IPSAS 29	New treatment under PBE IPSAS 41	Original measurement under PBE IPSAS 29	New measurement under PBE IPSAS 41	
			\$000	\$000	
Financial assets					
Cash and cash equivalents	Amortised cost	Amortised cost	26,575	26,575	-
Bank term deposits- greater than 3 months	Amortised cost	Amortised cost	101,000	101,000	-
LGFA borrower notes	Amortised cost	FVTSD	19,868	19,312	(556)
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	-
Interest rate swaps – cash flow hedges	FVTOCRE	FVTOCRE	58,407	58,407	-
Total financial assets			303,491	302,935	(556)
Financial liabilities					
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	-
Total financial liabilities			1,168,269	1,168,269	-

Additional information in relation to subsequent measurement classification assessment

PBE IPSAS 41 requires equity instruments to be classified at FVTSD. However, it permits entities to make an irrevocable election on transition to *PBE IPSAS 41* to subsequently measure at FVTOCRE if the equity investments are not held for trading. The Council has elected to subsequently measure all of its equity investments at FVTOCRE.

Financial prudence

The Crown 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 2023

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.

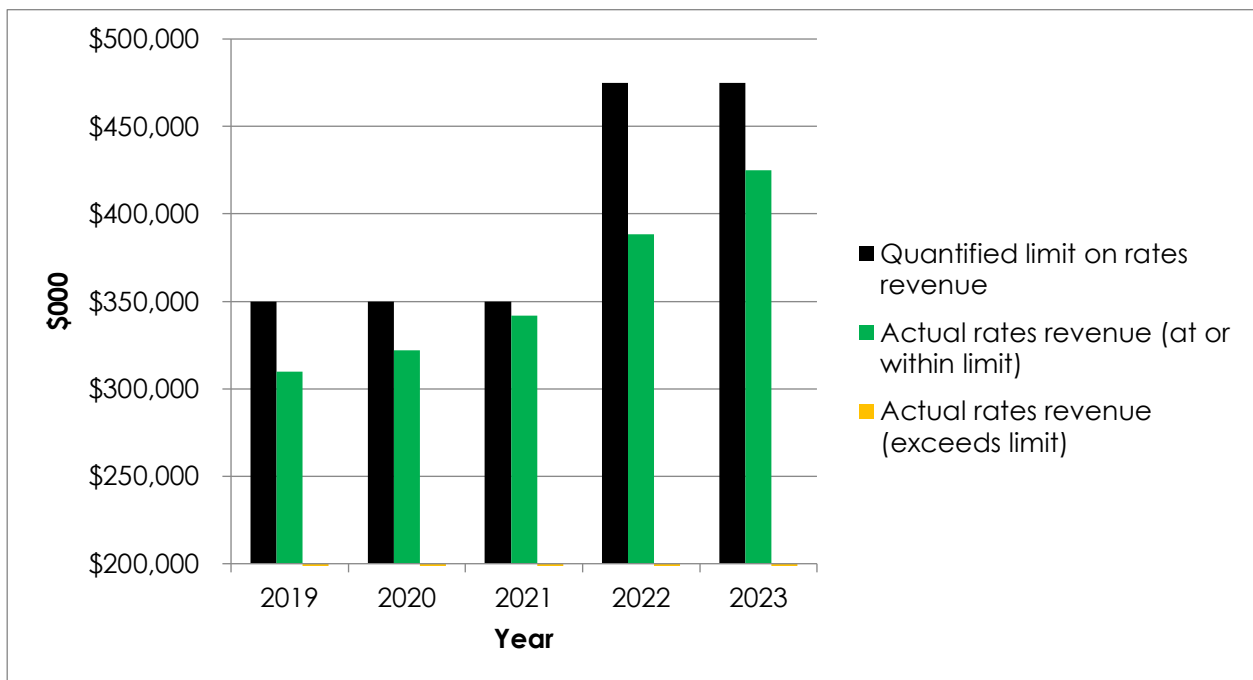
Rates affordability benchmark

The Council meets the rates affordability benchmark if —

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

Rates (revenue) affordability

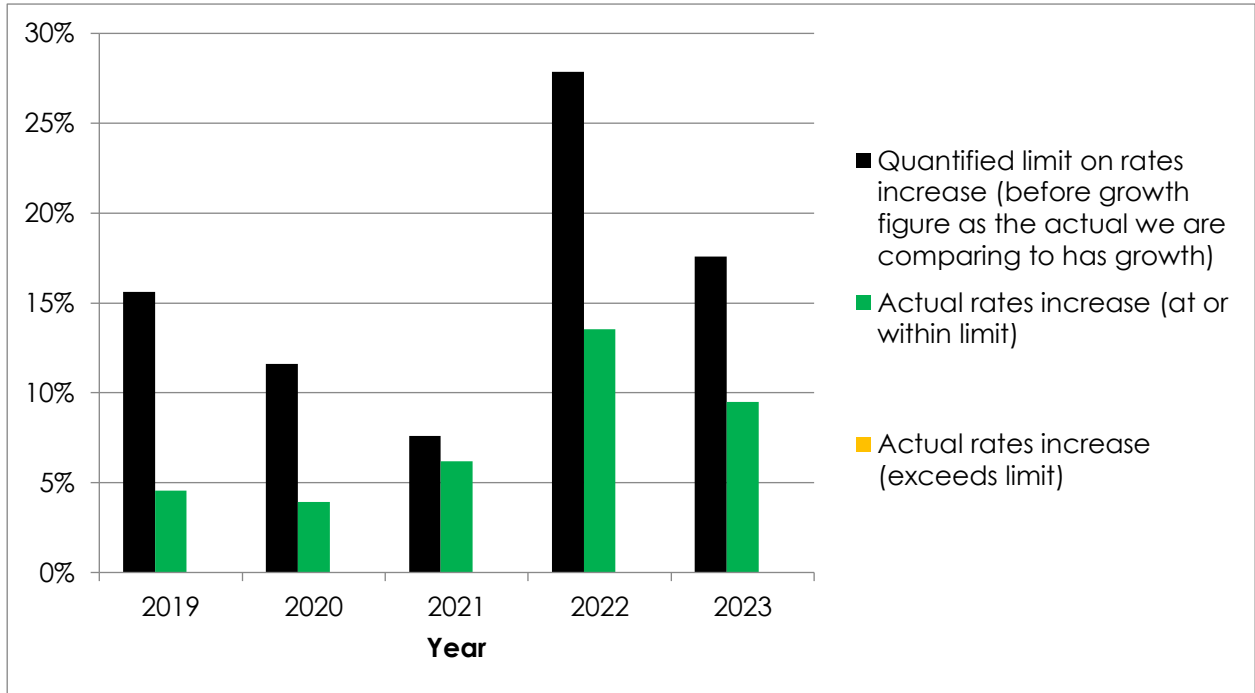
The following graph compares the Council's actual rates revenue with a quantified dollar limit on rates revenue included in the financial strategy in the Council's LTP. The quantified limit for the first three years of the 2021-31 LTP, which encompasses the financial years 2021/22; 2022/23 and 2023/24 is \$475,000,000. This means rates revenue should remain below this limit for each of these years.



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 LTP.

The quantified limit for 2022/23 is 17.6% percent although the actual rates increase set for the 2022/23 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.

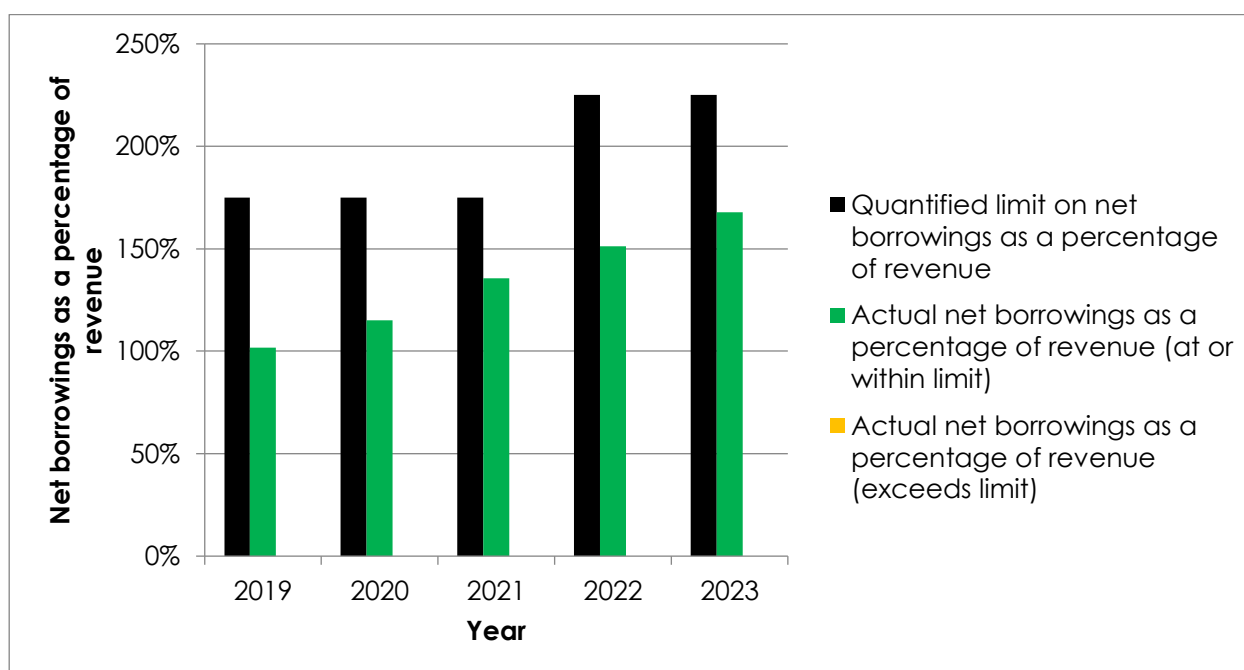


Debt affordability benchmark

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.

Net borrowing as a percentage of revenue²

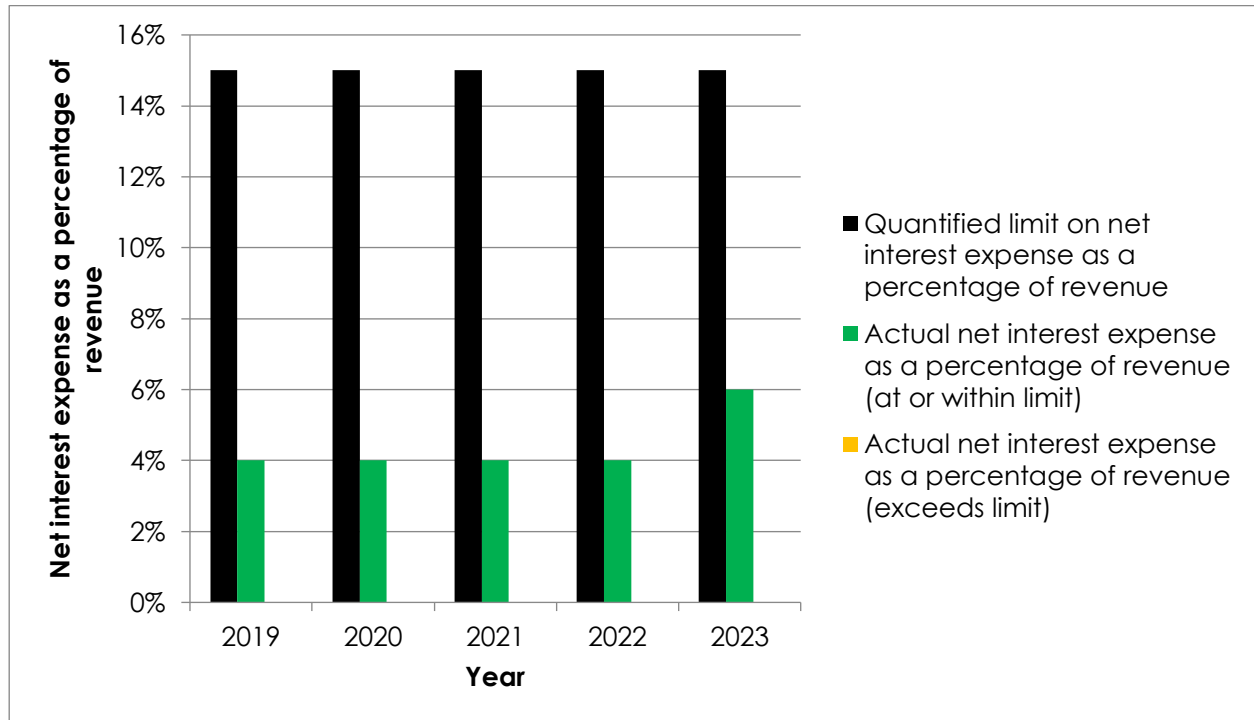
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 225 percent of revenue. For this measure revenue is defined as total revenue less vested assets and development contribution revenue.



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

Net interest as a percentage of revenue³

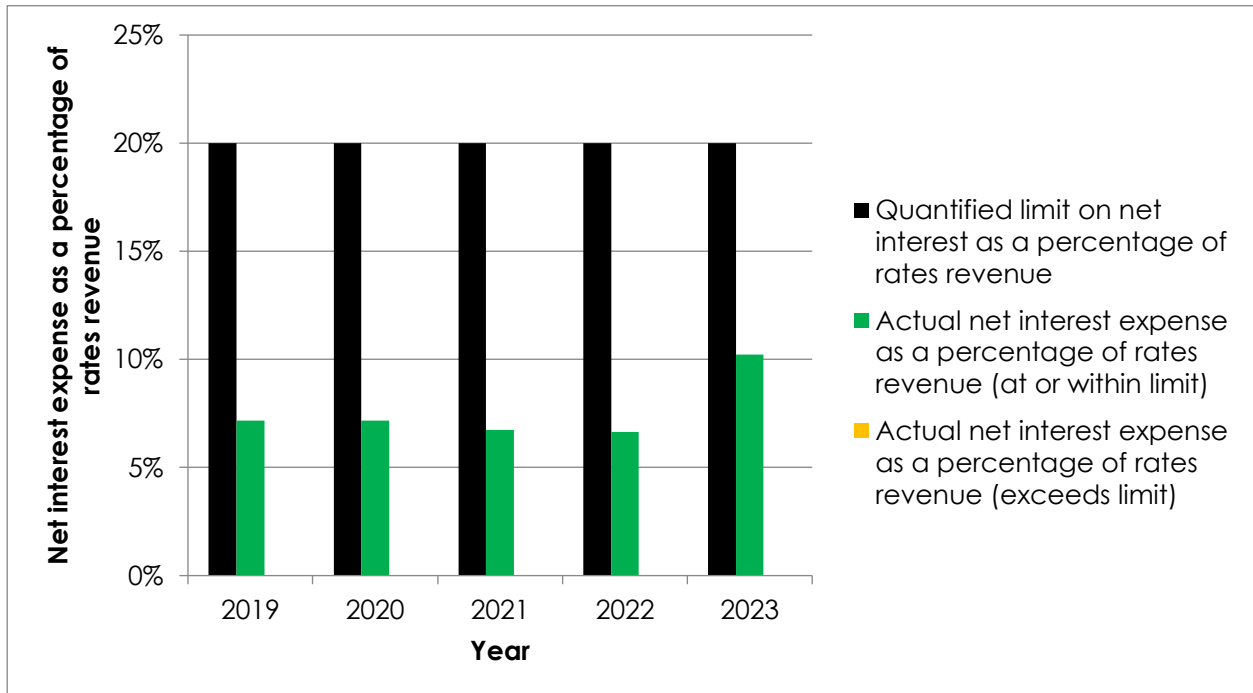
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is net interest, defined as interest expense less interest revenue, being less than or equal to 15 percent of revenue.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



³ The revenue figure used for this calculation of Net Borrowing as percentage of Revenue and Net Interest as a percentage of Revenue is Total Revenue less Vested Assets and Development Contribution Revenue.

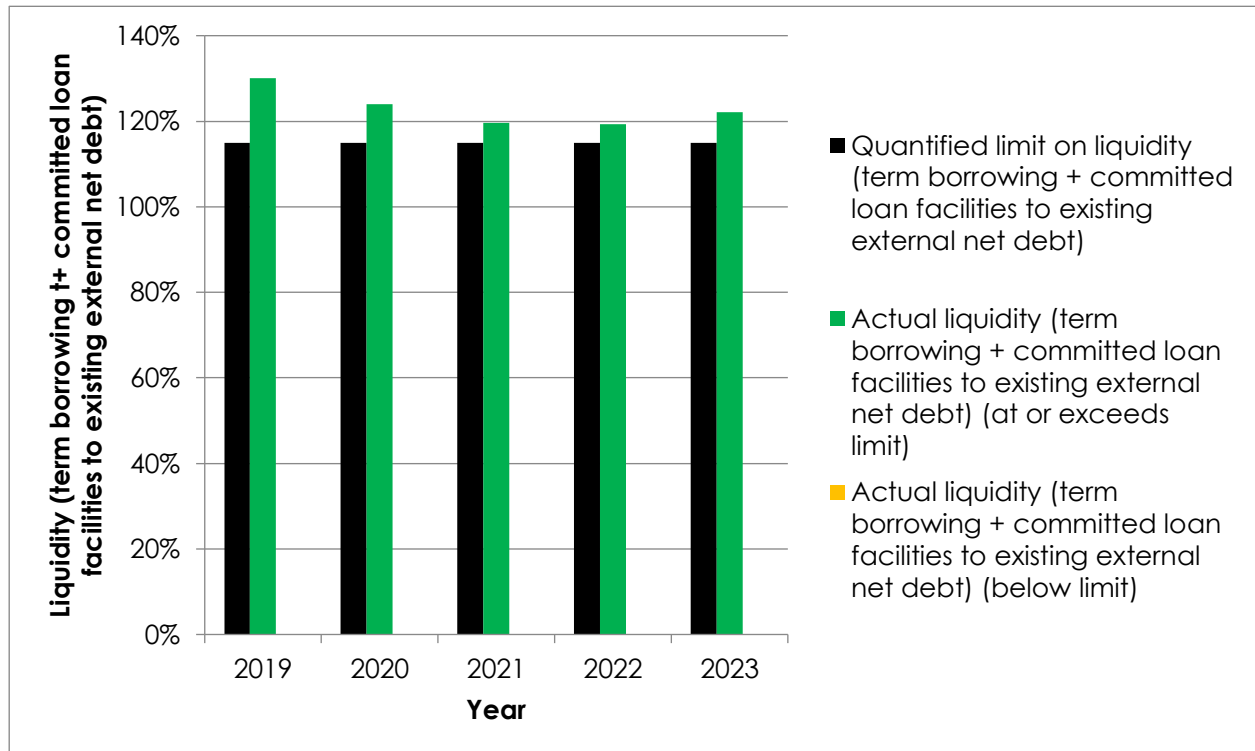
Net interest as a percentage of annual rates revenue

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



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

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



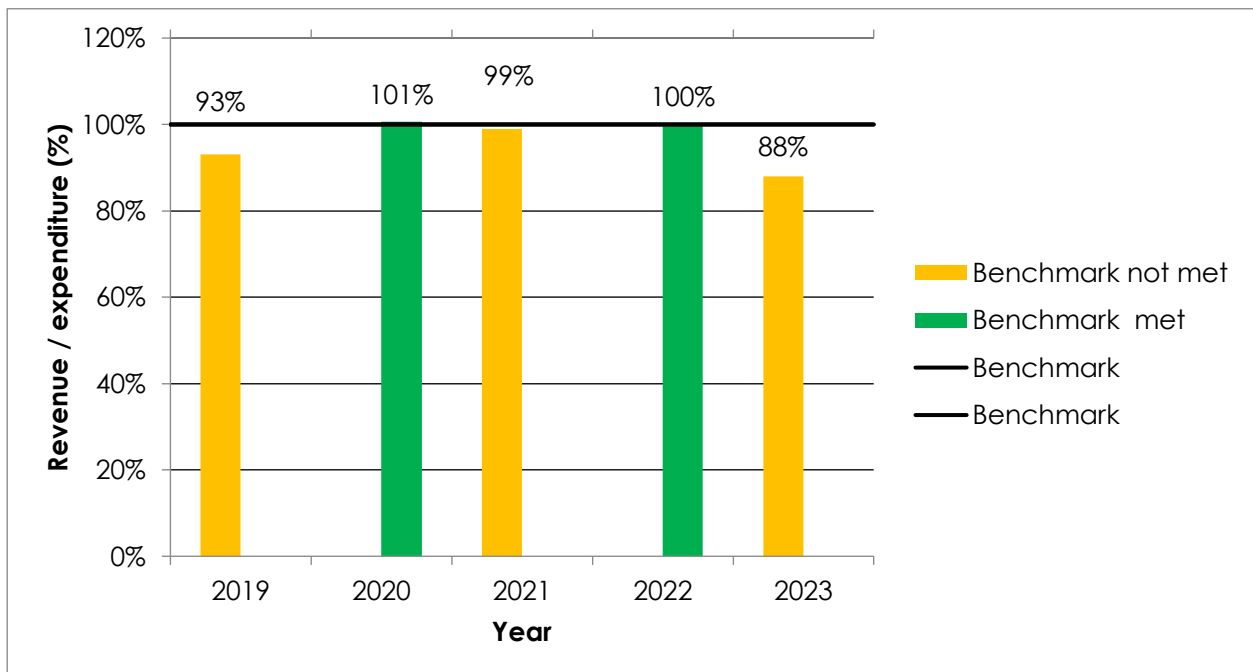
Balanced budget benchmark

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

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

For the purposes of this benchmark, impairments, which represent a non-cash movement in the valuation of assets, were included in the calculation. These unbudgeted impairments represent asset valuation movements relating to Civic Precinct buildings as disclosed in the financial statements. For 2019, 2020, 2021 and 2022 impairments of \$50.603m, \$10.183m, \$1.848m and \$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.

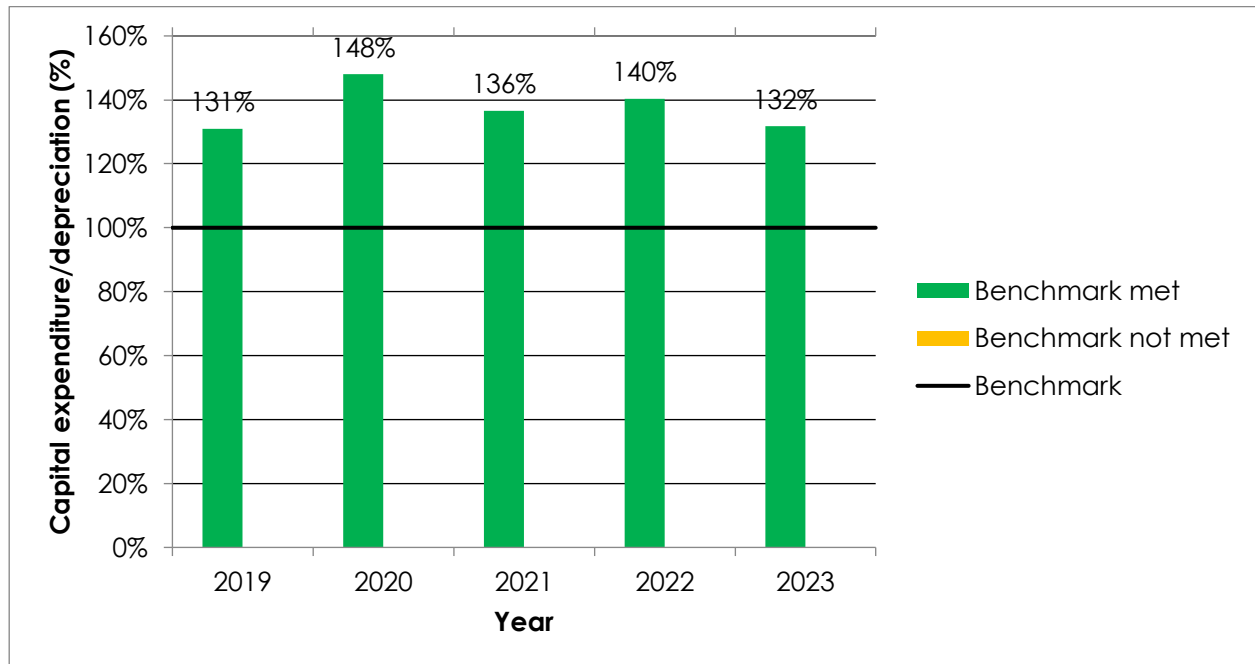
For 2023, the deficit is due to the change in the approach of funding “three waters” depreciation from rates to debt funding of this operational expenditure to an amount equal to the difference between depreciation and capital expenditure renewals. This change in rate funding approach has arisen from the revaluation of water assets which has increased significantly in value and that of depreciation expense. This change was included in and approved as part of the 2022/23 Annual Plan. If this additional depreciation was excluded, the benchmark for 2023 would be 99 percent.



Essential services benchmark

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

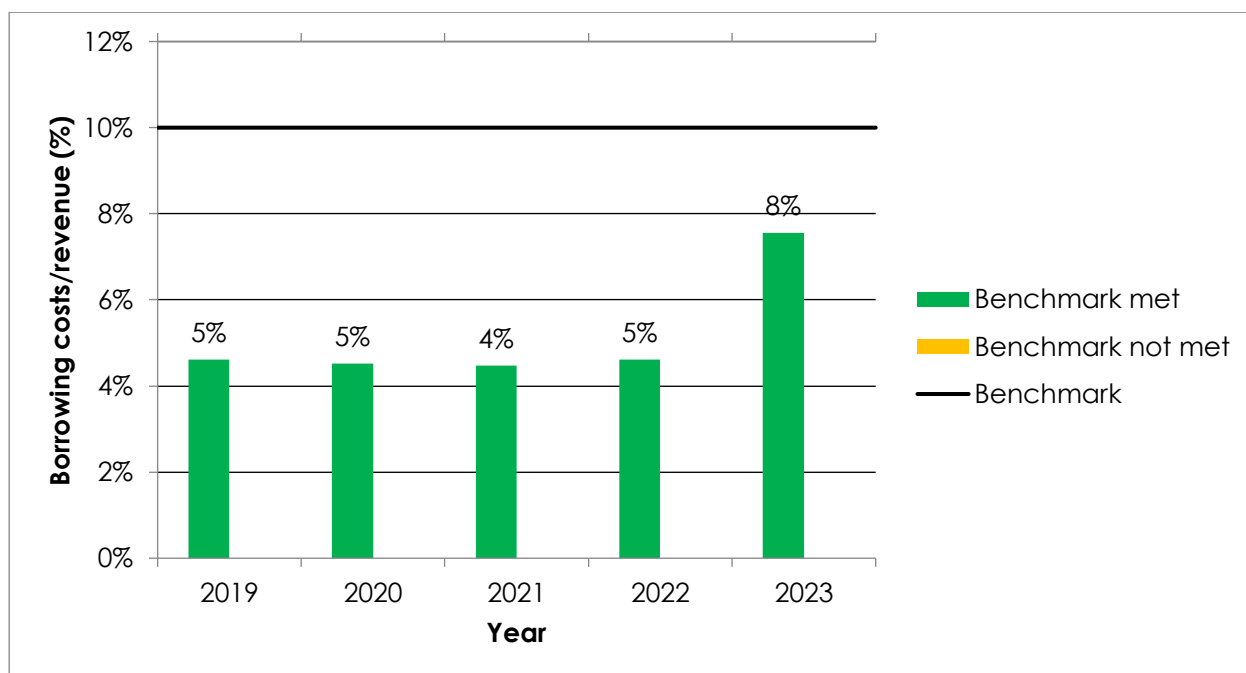
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

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

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

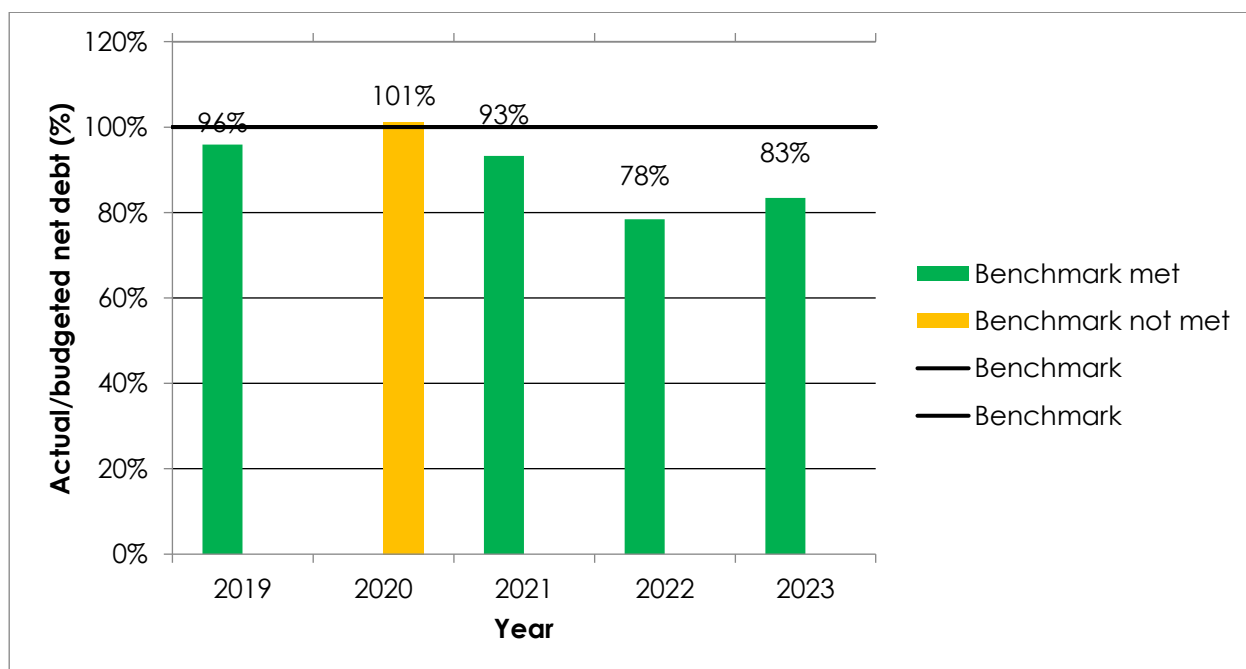


Debt control benchmark

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

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

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

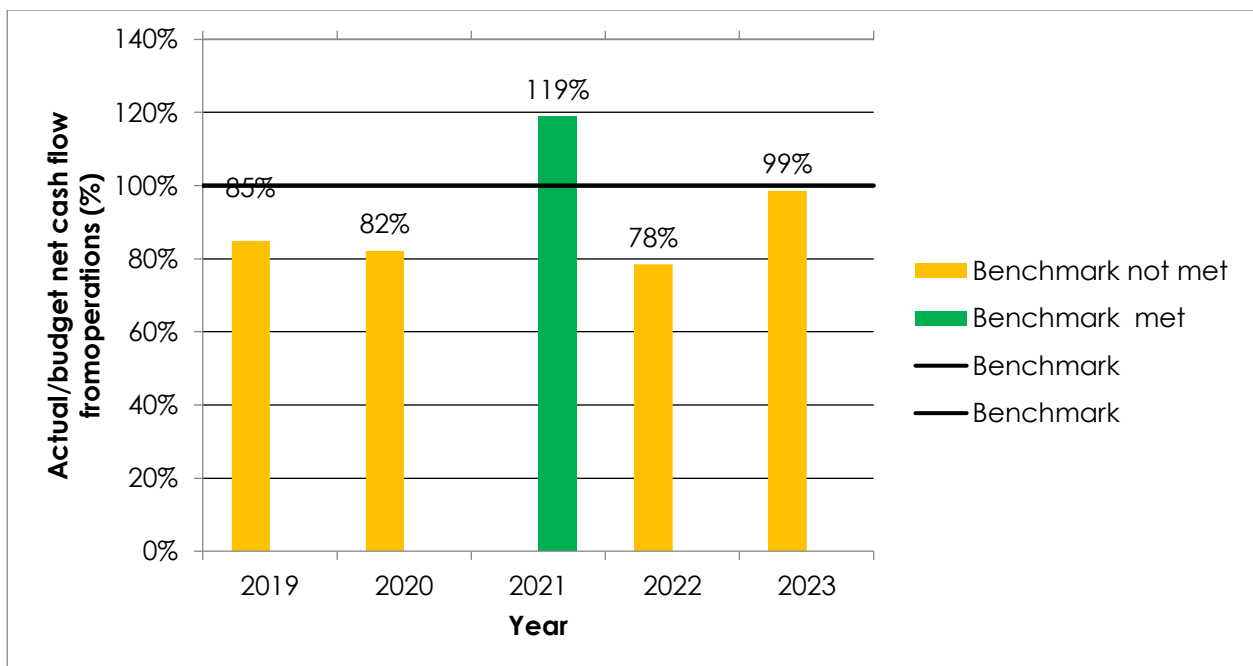


Operations control benchmark

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 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.



Funding impact statements

Annual report disclosure statement for year ended 30 June 2023

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 pg XX

Funding impact statement for 1 July 2022 to 30 June 2023 for Whole of Council					
	2021/22	2021/22	2022/23	2022/23	2022/23
	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	227,390	226,129	254,268	270,117	267,087
Targeted rates	165,415	162,047	175,720	156,236	157,903
Subsidies and grants for operating purposes	8,616	21,667	9,425	9,558	9,244
Fees and charges	155,430	140,472	163,541	167,109	155,949
Interest and Dividends from investments	140	3,017	1,913	1,913	28,472
Local authorities fuel tax, fines, infringement fees, and other receipts	10,662	6,674	11,874	11,874	8,395
Total operating funding (A)	567,653	560,006	616,740	616,807	627,050
Applications of operating funding					
Payments to staff and suppliers	387,684	384,963	431,251	448,360	444,871
Finance costs	23,323	29,000	38,328	41,375	51,497
Internal charges and overheads applied	37,952	36,719	48,893	49,085	44,095
Internal charges and overheads recovered	(37,952)	(36,719)	(38,694)	(42,820)	(44,095)
Other operating funding applications	49,187	46,217	38,694	42,820	50,665
Total applications of operating funding (B)	460,194	460,180	518,472	538,820	547,033
Surplus (deficit) of operating funding (A - B)	107,459	99,826	98,268	77,988	80,017
Sources of capital funding					
Subsidies and grants for capital expenditure	41,051	33,634	28,514	30,719	32,273
Development and financial contributions	3,500	3,742	3,500	3,500	4,739
Increase (decrease) in debt	188,802	166,711	268,881	307,566	249,832
Gross proceeds from sales of assets	2,000	(5,749)	15,400	2,000	4,293
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	235,353	198,338	316,295	343,786	291,137
Applications of capital funding					
Capital expenditure					
- to meet additional demand	42,822	28,645	50,956	61,756	54,846
- to improve the level of service	173,973	146,163	197,329	200,126	195,229
- to replace existing assets	126,228	115,710	166,198	160,040	119,264
Increase (decrease) in reserves	(212)	7,646	81	(148)	1,815
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	342,812	298,164	414,563	421,773	371,154
Surplus (deficit) of capital funding (C - D)	(107,459)	(99,826)	(98,268)	(77,988)	(80,017)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	146,736	145,732	153,004	187,605	195,568

Funding impact statement for 1 July 2022 to 30 June 2023 for Governance, information and engagement					
	2021/22	2021/22	2022/23	2022/23	2022/23
1.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	23,676	23,676	25,219	26,806	26,806
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	528	548	706	755	733
Internal charges and overheads recovered	-	239	70	180	253
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	24,204	24,463	25,995	27,741	27,792
Applications of operating funding					
Payments to staff and suppliers	15,131	13,377	16,769	17,542	16,248
Finance costs	11	16	19	21	30
Internal charges and overheads applied	8,475	8,073	8,333	9,305	9,580
Other operating funding applications	2,075	2,516	10	10	259
Total applications of operating funding (B)	25,692	23,982	25,131	26,878	26,117
Surplus (deficit) of operating funding (A - B)	(1,488)	481	864	863	1,675
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	2,675	2,677	926	926	114
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	2,675	2,677	926	926	114
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,187	1,188	1,655	1,655	625
- to replace existing assets	-	-	134	134	-
Increase (decrease) in reserves	-	1,970	0	(0)	1,164
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	1,187	3,158	1,790	1,789	1,789
Surplus (deficit) of capital funding (C - D)	1,488	(481)	(864)	(863)	(1,675)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	6	5	358	358	5

Funding impact statement for 1 July 2022 to 30 June 2023 for Maori and Mana Whenua partnerships					
1.2	2021/22 LTP \$000	2021/22 Actual \$000	2022/23 LTP \$000	2022/23 AP \$000	2022/23 Actual \$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	3,717	3,717	5,185	4,669	4,669
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	5
Fees and charges	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	3,717	3,717	5,185	4,669	4,674
Applications of operating funding					
Payments to staff and suppliers	3,067	1,981	4,155	3,709	3,182
Finance costs	-	1	1	1	1
Internal charges and overheads applied	625	636	1,008	938	695
Other operating funding applications	20	-	20	20	-
Total applications of operating funding (B)	3,713	2,618	5,183	4,667	3,878
Surplus (deficit) of operating funding (A - B)	4	1,099	2	2	796
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(4)	(1)	(2)	(2)	(1)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(4)	(1)	(2)	(2)	(1)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	-	1,098	-	0	795
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	-	1,098	-	0	795
Surplus (deficit) of capital funding (C - D)	(4)	(1,099)	(2)	(2)	(796)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	4	1	2	2	1

Funding impact statement for 1 July 2022 to 30 June 2023 for Gardens, beaches and green open spaces					
	2021/22	2021/22	2022/23	2022/23	2022/23
2.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	45,362	45,362	49,701	50,640	50,640
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	1,322	996	1,257	1,282	928
Fees and charges	1,844	1,701	1,924	1,924	2,049
Internal charges and overheads recovered	5,758	4,557	5,875	5,875	4,786
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	972
Total operating funding (A)	54,285	52,616	58,757	59,721	59,375
Applications of operating funding					
Payments to staff and suppliers	29,759	26,870	31,511	31,382	29,850
Finance costs	2,044	2,883	3,402	3,670	5,031
Internal charges and overheads applied	14,224	13,108	14,815	15,443	15,043
Other operating funding applications	167	194	167	167	131
Total applications of operating funding (B)	46,195	43,055	49,896	50,663	50,055
Surplus (deficit) of operating funding (A - B)	8,091	9,561	8,862	9,059	9,320
Sources of capital funding					
Subsidies and grants for capital expenditure	-	1,161	-	305	-
Development and financial contributions	320	353	320	320	1,313
Increase (decrease) in debt	(4,213)	(2,567)	(2,631)	(3,136)	(4,079)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(3,894)	(1,053)	(2,311)	(2,511)	(2,766)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	177	16	1,922	1,922	287
- to improve the level of service	408	1,102	576	576	2,465
- to replace existing assets	3,612	5,704	4,052	4,052	5,092
Increase (decrease) in reserves	-	1,686	-	(2)	(1,290)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	4,197	8,508	6,550	6,548	6,554
Surplus (deficit) of capital funding (C - D)	(8,091)	(9,561)	(8,862)	(9,059)	(9,320)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	8,787	8,572	8,808	9,008	10,557

Funding impact statement for 1 July 2022 to 30 June 2023 for Waste reduction and energy conservation					
	2021/22	2021/22	2022/23	2022/23	2022/23
2.2	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	815	815	1,026	914	914
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	22,337	28,511	26,621	27,560	34,917
Internal charges and overheads recovered	618	479	634	634	484
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	23,770	29,805	28,280	29,108	36,315
Applications of operating funding					
Payments to staff and suppliers	18,449	19,324	22,507	23,424	22,637
Finance costs	995	611	1,074	1,093	943
Internal charges and overheads applied	3,448	3,629	3,551	3,789	3,962
Other operating funding applications	6	(181)	191	281	-
Total applications of operating funding (B)	22,899	23,383	27,323	28,587	27,542
Surplus (deficit) of operating funding (A - B)	871	6,422	957	521	8,773
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	516	(475)	3,394	3,830	(5,362)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	516	(475)	3,394	3,830	(5,362)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	8
- to improve the level of service	-	-	-	-	-
- to replace existing assets	1,387	1,019	4,351	4,351	2,952
Increase (decrease) in reserves	-	4,928	0	1	451
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	1,387	5,947	4,351	4,351	3,411
Surplus (deficit) of capital funding (C - D)	(871)	(6,422)	(957)	(521)	(8,773)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	699	784	751	751	995

Funding impact statement for 1 July 2022 to 30 June 2023 for Water					
	2021/22	2021/22	2022/23	2022/23	2022/23
2.3	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	55,579	55,579	58,113	50,216	50,216
Subsidies and grants for operating purposes	-	4,031	-	-	-
Fees and charges	45	78	47	47	1
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	55,624	59,688	58,159	50,262	50,217
Applications of operating funding					
Payments to staff and suppliers	32,658	37,082	32,901	36,576	39,457
Finance costs	2,065	2,476	3,807	4,189	4,588
Internal charges and overheads applied	786	1,192	766	963	1,332
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	35,510	40,750	37,474	41,729	45,377
Surplus (deficit) of operating funding (A - B)	20,114	18,938	20,685	8,533	4,840
Sources of capital funding					
Subsidies and grants for capital expenditure	5,200	6,014	-	-	-
Development and financial contributions	1,175	916	1,175	1,175	337
Increase (decrease) in debt	7,481	12,354	3,958	16,108	63,784
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	13,856	19,284	5,132	17,283	64,121
Applications of capital funding					
Capital expenditure					
- to meet additional demand	24,389	22,349	13,625	13,625	12,698
- to improve the level of service	2,097	1,891	3,843	3,843	3,918
- to replace existing assets	7,485	11,291	8,350	8,350	12,991
Increase (decrease) in reserves	-	2,691	-	(0)	39,353
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	33,970	38,222	25,817	25,816	68,960
Surplus (deficit) of capital funding (C - D)	(20,114)	(18,938)	(20,685)	(8,533)	(4,840)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	19,929	19,062	20,500	33,027	25,422

Funding impact statement for 1 July 2022 to 30 June 2023 for Wastewater					
	2021/22	2021/22	2022/23	2022/23	2022/23
2.4	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	50,551	50,551	58,702	46,906	46,906
Subsidies and grants for operating purposes	-	4,804	-	-	-
Fees and charges	835	706	863	863	650
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	51,386	56,061	59,566	47,770	47,556
Applications of operating funding					
Payments to staff and suppliers	23,444	33,843	29,106	32,060	37,050
Finance costs	3,667	4,071	5,699	6,159	6,447
Internal charges and overheads applied	1,751	2,431	1,675	2,153	2,758
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	28,861	40,345	36,479	40,371	46,255
Surplus (deficit) of operating funding (A - B)	22,525	15,716	23,086	7,399	1,301
Sources of capital funding					
Subsidies and grants for capital expenditure	-	2,217	-	-	-
Development and financial contributions	961	786	961	961	114
Increase (decrease) in debt	1,219	1,785	19,205	45,694	14,921
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	2,180	4,788	20,166	46,655	15,035
Applications of capital funding					
Capital expenditure					
- to meet additional demand	3,951	1,940	4,646	15,446	9,125
- to improve the level of service	2,430	7,933	24,721	24,721	24,294
- to replace existing assets	18,325	18,283	13,885	13,885	23,190
Increase (decrease) in reserves	-	(7,652)	-	0	(40,272)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	24,706	20,504	43,252	54,052	16,337
Surplus (deficit) of capital funding (C - D)	(22,526)	(15,716)	(23,086)	(7,397)	(1,301)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	21,101	21,944	21,662	35,233	40,150

Funding impact statement for 1 July 2022 to 30 June 2023 for Stormwater					
	2021/22	2021/22	2022/23	2022/23	2022/23
2.5	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	-	-	-	-	-
Targeted rates	28,420	28,420	26,726	29,001	29,001
Subsidies and grants for operating purposes	159	4,172	194	194	130
Fees and charges	3	2	3	3	2
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	28,582	32,594	26,922	29,198	29,133
Applications of operating funding					
Payments to staff and suppliers	13,728	11,562	9,923	10,435	10,750
Finance costs	2,591	2,745	4,638	5,104	5,086
Internal charges and overheads applied	644	848	635	736	600
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	16,964	15,155	15,196	16,274	16,436
Surplus (deficit) of operating funding (A - B)	11,618	17,439	11,726	12,923	12,697
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	102	79	102	102	-
Increase (decrease) in debt	(6,621)	(6,889)	(4,083)	(5,281)	(16,238)
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(6,519)	(6,810)	(3,981)	(5,179)	(16,238)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	162	-	168	168	-
- to improve the level of service	1,115	1,691	3,566	3,566	2,553
- to replace existing assets	3,822	3,431	4,012	4,012	2,749
Increase (decrease) in reserves	-	5,507	-	(1)	(8,843)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	5,099	10,629	7,745	7,744	(3,541)
Surplus (deficit) of capital funding (C - D)	(11,618)	(17,439)	(11,726)	(12,923)	(12,697)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	11,494	11,808	11,602	18,984	21,416

Funding impact statement for 1 July 2022 to 30 June 2023 for Conservation attractions					
	2021/22	2021/22	2022/23	2022/23	2022/23
2.6	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	7,376	7,376	7,766	7,794	7,794
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	-	-	-	-	-
Total operating funding (A)	7,376	7,376	7,766	7,794	7,794
Applications of operating funding					
Payments to staff and suppliers	140	124	148	148	189
Finance costs	451	498	530	553	740
Internal charges and overheads applied	196	88	198	203	123
Other operating funding applications	5,112	5,126	4,874	4,874	5,233
Total applications of operating funding (B)	5,898	5,836	5,750	5,777	6,285
Surplus (deficit) of operating funding (A - B)	1,478	1,540	2,016	2,017	1,509
Sources of capital funding					
Subsidies and grants for capital expenditure	429	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	970	1,443	230	230	2,796
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	1,399	1,443	230	230	2,796
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,716	1,855	1,000	1,000	3,892
- to replace existing assets	1,161	1,203	1,246	1,246	1,160
Increase (decrease) in reserves	-	(75)	0	0	(747)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	2,877	2,983	2,246	2,246	4,305
Surplus (deficit) of capital funding (C - D)	(1,478)	(1,540)	(2,016)	(2,016)	(1,509)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	1,858	1,995	1,978	1,978	2,218

Funding impact statement for 1 July 2022 to 30 June 2023 for City promotions and business support					
	2021/22	2021/22	2022/23	2022/23	2022/23
3.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	7,800	7,800	11,288	8,015	8,015
Targeted rates	15,647	15,647	17,479	15,250	15,250
Subsidies and grants for operating purposes	-	200	-	-	74
Fees and charges	8,326	176	10,661	10,661	715
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	31,774	23,823	39,428	33,926	24,054
Applications of operating funding					
Payments to staff and suppliers	13,472	4,671	14,980	14,901	7,839
Finance costs	2,700	2,797	3,175	3,175	3,558
Internal charges and overheads applied	1,308	948	1,215	1,274	1,227
Other operating funding applications	15,461	15,945	15,817	15,819	16,694
Total applications of operating funding (B)	32,942	24,361	35,188	35,169	29,318
Surplus (deficit) of operating funding (A - B)	(1,168)	(538)	4,240	(1,243)	(5,264)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	3	-	1,900	45
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	5,000	5,060	10,391	9,184	2,158
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	5,000	5,063	10,391	11,084	2,203
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,000	100	2,050	2,050	46
- to replace existing assets	2,832	2,225	6,991	7,791	1,897
Increase (decrease) in reserves	-	2,200	5,590	0	(5,004)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	3,832	4,525	14,631	9,841	(3,061)
Surplus (deficit) of capital funding (C - D)	1,168	538	(4,240)	1,243	5,264
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	2,373	2,303	2,530	2,530	3,513

Funding impact statement for 1 July 2022 to 30 June 2023 Arts and cultural activities					
	2021/22	2021/22	2022/23	2022/23	2022/23
4.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	17,543	17,543	18,054	18,192	18,192
Targeted rates	5,966	5,966	5,963	5,968	5,968
Subsidies and grants for operating purposes	324	190	324	324	212
Fees and charges	643	515	657	657	643
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	24,476	24,214	24,998	25,141	25,015
Applications of operating funding					
Payments to staff and suppliers	5,768	5,232	5,541	5,532	5,248
Finance costs	54	66	60	64	90
Internal charges and overheads applied	1,809	2,054	1,747	1,844	2,660
Other operating funding applications	16,228	16,094	17,045	17,095	17,453
Total applications of operating funding (B)	23,859	23,446	24,394	24,536	25,451
Surplus (deficit) of operating funding (A - B)	617	768	604	605	(436)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	49,898	54,095	30,316	32,251	30,843
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	49,898	54,095	30,316	32,251	30,843
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	50,495	54,571	30,920	30,920	30,505
- to replace existing assets	20	51	-	1,935	935
Increase (decrease) in reserves	-	241	(0)	1	(1,033)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	50,515	54,863	30,920	32,856	30,407
Surplus (deficit) of capital funding (C - D)	(617)	(768)	(604)	(605)	436
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	729	639	566	566	559

Funding impact statement for 1 July 2022 to 30 June 2023 for Recreation promotion and support					
	2021/22	2021/22	2022/23	2022/23	2022/23
5.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	32,463	32,463	35,121	36,240	36,240
Targeted rates	2,283	2,283	1,931	1,955	1,955
Subsidies and grants for operating purposes	20	40	20	20	27
Fees and charges	12,232	10,060	12,169	12,169	12,189
Internal charges and overheads recovered	1,152	1,308	1,180	1,180	1,186
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	48,150	46,154	50,421	51,564	51,597
Applications of operating funding					
Payments to staff and suppliers	22,820	22,711	23,574	23,765	26,241
Finance costs	2,359	2,082	2,816	2,912	1,747
Internal charges and overheads applied	12,527	12,795	12,691	13,514	15,309
Other operating funding applications	915	953	932	932	1,004
Total applications of operating funding (B)	38,621	38,541	40,012	41,124	44,301
Surplus (deficit) of operating funding (A - B)	9,529	7,613	10,409	10,441	7,296
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(563)	1,388	4,852	7,920	3,176
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(563)	1,388	4,852	7,920	3,176
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	105	539	412	2,312	2,509
- to replace existing assets	8,861	11,055	14,849	16,049	11,235
Increase (decrease) in reserves	-	(2,593)	-	(0)	(3,272)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	8,966	9,001	15,261	18,361	10,472
Surplus (deficit) of capital funding (C - D)	(9,529)	(7,613)	(10,409)	(10,441)	(7,296)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following					
depreciation/amortisation charge	9,155	9,832	10,036	10,068	10,194

Funding impact statement for 1 July 2022 to 30 June 2023 for Community Support					
	2021/22	2021/22	2022/23	2022/23	2022/23
5.2	LTP	Actual	LTP	LTP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	33,651	33,651	34,804	35,536	35,536
Targeted rates	6,969	6,969	6,806	6,940	6,940
Subsidies and grants for operating purposes	-	246	-	-	71
Fees and charges	27,836	28,071	28,325	28,372	27,662
Internal charges and overheads recovered	870	675	924	924	751
Local authorities fuel tax, fines, infringement fees, and other receipts	407	(167)	-	-	53
Total operating funding (A)	69,733	69,445	70,860	71,772	71,013
Applications of operating funding					
Payments to staff and suppliers	36,054	35,375	38,445	38,815	42,500
Finance costs	(612)	(1,355)	315	393	(1,650)
Internal charges and overheads applied	16,008	16,256	16,022	16,888	20,406
Other operating funding applications	4,720	4,275	4,785	4,785	4,992
Total applications of operating funding (B)	56,170	54,551	59,567	60,881	66,248
Surplus (deficit) of operating funding (A - B)	13,563	14,894	11,292	10,891	4,765
Sources of capital funding					
Subsidies and grants for capital expenditure	300	-	-	-	-
Development and financial contributions	-	-	-	-	414
Increase (decrease) in debt	7,183	(8,123)	24,010	24,411	5,114
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	7,483	(8,123)	24,010	24,411	5,528
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	3,378	2,435	5,479	5,479	4,785
- to replace existing assets	17,668	4,858	29,823	29,823	10,035
Increase (decrease) in reserves	-	(522)	-	-	(4,526)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	21,046	6,771	35,303	35,303	10,294
Surplus (deficit) of capital funding (C - D)	(13,563)	(14,894)	(11,292)	(10,891)	(4,765)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following					
depreciation/amortisation charge	20,509	22,656	23,484	23,484	22,631

Funding impact statement for 1 July 2022 to 30 June 2023 for Public health and safety					
	2021/22	2021/22	2022/23	2022/23	2022/23
5.3	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	13,725	13,725	14,561	15,304	15,304
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	12	11	12	12	-
Fees and charges	4,824	4,321	3,994	3,994	4,246
Internal charges and overheads recovered	664	608	680	680	650
Local authorities fuel tax, fines, infringement fees, and other receipts	23	28	23	23	89
Total operating funding (A)	19,248	18,693	19,270	20,013	20,289
Applications of operating funding					
Payments to staff and suppliers	10,460	11,124	10,560	10,891	12,277
Finance costs	108	156	236	260	290
Internal charges and overheads applied	6,903	7,346	6,903	7,292	8,302
Other operating funding applications	56	15	56	56	167
Total applications of operating funding (B)	17,527	18,641	17,755	18,499	21,036
Surplus (deficit) of operating funding (A - B)	1,721	52	1,515	1,514	(747)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	1,118	263	2,771	3,575	1,525
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	1,118	263	2,771	3,575	1,525
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	51	(60)	58	863	1,244
- to replace existing assets	2,788	1,310	4,228	4,228	1,843
Increase (decrease) in reserves	-	(935)	-	(2)	(2,309)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	2,838	315	4,285	5,089	778
Surplus (deficit) of capital funding (C - D)	(1,720)	(52)	(1,515)	(1,514)	747
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	1,548	1,297	1,295	1,295	1,342

Funding impact statement for 1 July 2022 to 30 June 2023 for Urban planning, heritage and public spaces development					
	2021/22	2021/22	2022/23	2022/23	2022/23
6.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	14,173	14,173	14,902	17,200	17,200
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	547
Fees and charges	2,594	1,768	5,643	5,643	3,267
Internal charges and overheads recovered	574	402	647	731	264
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	17,340	16,343	21,191	23,573	21,278
Applications of operating funding					
Payments to staff and suppliers	14,074	11,358	26,897	20,012	15,481
Finance costs	(30)	(11)	(73)	(71)	(14)
Internal charges and overheads applied	3,366	4,284	4,529	4,795	5,890
Other operating funding applications	503	489	507	507	448
Total applications of operating funding (B)	17,913	16,120	31,860	25,243	21,805
Surplus (deficit) of operating funding (A - B)	(573)	223	(10,670)	(1,670)	(528)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	79	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	23,840	9,789	33,943	24,976	13,830
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	23,840	9,868	33,943	24,976	13,830
Applications of capital funding					
Capital expenditure					
- to meet additional demand	7,046	3,543	9,932	9,932	2,868
- to improve the level of service	9,521	4,425	7,169	7,202	7,068
- to replace existing assets	6,700	1,260	6,172	6,172	2,214
Increase (decrease) in reserves	-	863	-	(1)	1,152
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	23,267	10,091	23,274	23,306	13,302
Surplus (deficit) of capital funding (C - D)	573	(223)	10,670	1,670	528
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge					
	177	110	114	114	104

Funding impact statement for 1 July 2022 to 30 June 2023 for Building and development control					
	2021/22	2021/22	2022/23	2022/23	2022/23
6.2	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	11,568	11,568	11,948	13,183	13,183
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	4	-	-	-
Fees and charges	17,809	18,057	18,232	18,324	16,279
Interest and Dividends from investments					29
Internal charges and overheads recovered	-	11	-	-	141
Local authorities fuel tax, fines, infringement fees, and other receipts	11	1	11	11	-
Total operating funding (A)	29,388	29,641	30,190	31,518	29,632
Applications of operating funding					
Payments to staff and suppliers	20,712	17,943	18,418	21,661	18,863
Finance costs	1	-	2	2	-
Internal charges and overheads applied	11,229	11,257	11,006	12,090	12,973
Other operating funding applications	21	221	21	21	242
Total applications of operating funding (B)	31,963	29,421	29,446	33,774	32,078
Surplus (deficit) of operating funding (A - B)	(2,575)	220	744	(2,257)	(2,446)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	40,533	48,484	32,514	35,514	37,237
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	40,533	48,484	32,514	35,514	37,237
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	33,657	29,324	33,058	33,058	33,801
- to replace existing assets	4,300	16,593	200	200	1,210
Increase (decrease) in reserves	-	2,787	0	(0)	(220)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	37,957	48,704	33,258	33,257	34,791
Surplus (deficit) of capital funding (C - D)	2,575	(220)	(744)	2,257	2,446
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following					
depreciation/amortisation charge	21	28	40	40	69

Funding impact statement for 1 July 2022 to 30 June 2023 for Transport					
	2021/22	2021/22	2022/23	2022/23	2022/23
7.1	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	51,961	51,961	57,279	59,336	59,336
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	6,350	6,907	7,619	7,619	5,970
Fees and charges	3,530	3,202	3,562	3,562	3,096
Internal charges and overheads recovered	-	120	-	-	4,593
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-	-
Total operating funding (A)	61,841	62,190	68,460	70,517	72,995
Applications of operating funding					
Payments to staff and suppliers	24,375	19,579	35,243	35,146	33,692
Finance costs	5,325	6,908	9,504	10,425	12,687
Internal charges and overheads applied	9,092	11,327	8,623	9,052	11,339
Other operating funding applications	2,647	81	1,642	1,642	1,666
Total applications of operating funding (B)	41,440	37,895	55,011	56,265	59,384
Surplus (deficit) of operating funding (A - B)	20,401	24,295	13,449	14,252	13,611
Sources of capital funding					
Subsidies and grants for capital expenditure	35,851	23,718	28,514	28,514	20,223
Development and financial contributions	942	1,608	942	942	59
Increase (decrease) in debt	28,379	5,436	65,068	64,324	37,966
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	65,173	30,762	94,524	93,781	58,248
Applications of capital funding					
Capital expenditure					
- to meet additional demand	7,097	797	20,662	20,662	16,647
- to improve the level of service	48,198	25,403	51,433	51,493	35,177
- to replace existing assets	30,277	25,831	35,878	35,878	28,249
Increase (decrease) in reserves	-	3,026	-	-	(8,214)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	85,574	55,057	107,973	108,033	71,859
Surplus (deficit) of capital funding (C - D)	(20,401)	(24,295)	(13,449)	(14,252)	(13,611)
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	35,780	33,287	37,095	37,984	43,239

Funding impact statement for 1 July 2022 to 30 June 2023 for Parking					
	2021/22	2021/22	2022/23	2022/23	2022/23
7.2	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	(23,531)	(23,531)	(21,975)	(21,094)	(21,094)
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	33,136	21,824	29,212	29,212	24,862
Internal charges and overheads recovered	-	244	55	212	436
Local authorities fuel tax, fines, infringement fees, and other receipts	9,122	5,788	10,741	10,741	7,281
Total operating funding (A)	18,727	4,325	18,033	19,070	11,485
Applications of operating funding					
Payments to staff and suppliers	13,191	11,372	12,644	13,364	12,611
Finance costs	7	11	10	12	20
Internal charges and overheads applied	4,283	3,906	4,103	4,421	4,569
Other operating funding applications	2	20	2	2	449
Total applications of operating funding (B)	17,483	15,309	16,759	17,797	17,649
Surplus (deficit) of operating funding (A - B)	1,244	(10,984)	1,274	1,273	(6,164)
Sources of capital funding					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	(53)	(369)	1,031	1,188	12,641
Gross proceeds from sales of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Total sources of capital funding (C)	(53)	(369)	1,031	1,188	12,641
Applications of capital funding					
Capital expenditure					
- to meet additional demand	-	-	-	-	13,181
- to improve the level of service	181	88	190	190	16
- to replace existing assets	1,009	296	2,115	2,272	705
Increase (decrease) in reserves		(11,737)	-	-	(7,425)
Increase (decrease) in investments	-	-	-	-	-
Total applications of capital funding (D)	1,190	(11,353)	2,305	2,462	6,477
Surplus (deficit) of capital funding (C - D)	(1,243)	10,984	(1,274)	(1,273)	6,164
Funding balance ((A - B) + (C - D))	-	-	-	-	-
Expenses for this activity grouping include the following depreciation/amortisation charge	353	372	332	332	319

Capital expenditure by Strategy					
	2021/22	2021/22	2022/23	2022/23	2022/23
	LTP	Actual	LTP	AP	Actual
	\$000	\$000	\$000	\$000	\$000
Governance:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,187	1,188	1,655	1,655	625
- to replace existing assets	-	-	-	134	-
Governance Total	-	-	-	1,789	625
Environment:					
- to meet additional demand	28,679	24,305	20,361	31,161	22,118
- to improve the level of service	7,766	14,472	33,706	33,706	37,121
- to replace existing assets	35,792	40,931	35,895	35,895	48,134
Environment Total	72,237	79,708	89,962	100,762	107,373
Economic Development:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,000	100	2,050	2,050	46
- to replace existing assets	2,832	2,225	6,991	7,791	1,897
Economic Development Total	3,832	2,325	9,041	9,841	1,943
Cultural Well-being					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	50,495	54,571	30,920	30,920	30,505
- to replace existing assets	20	51	-	1,935	935
Cultural Wellbeing Total	50,515	54,622	30,920	32,855	31,440
Social and Recreation:					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	3,534	2,914	5,949	8,654	8,538
- to replace existing assets	29,317	17,223	48,900	50,100	23,114
Social and Recreation Total	32,851	20,137	54,849	58,754	31,652
Urban Development:					
- to meet additional demand	7,046	3,543	9,932	9,932	2,868
- to improve the level of service	43,178	33,749	40,227	40,260	40,868
- to replace existing assets	11,000	17,854	6,372	6,372	3,424
Urban Development Total	61,224	55,146	56,532	56,564	47,160
Transport:					
- to meet additional demand	7,097	797	20,662	20,662	29,828
- to improve the level of service	48,379	25,490	51,623	51,683	35,193
- to replace existing assets	31,286	26,127	37,993	38,150	28,954
Transport Total	86,762	52,414	110,278	110,495	93,975
Council:					
- to meet additional demand	-	-	-	-	32
- to improve the level of service	18,434	13,679	31,199	31,199	42,334
- to replace existing assets	15,982	11,299	29,913	19,663	12,806
Council Total	34,416	24,978	61,112	50,862	55,172
Total Council:					
- to meet additional demand	42,822	28,645	50,956	61,756	54,846
- to improve the level of service	173,973	146,163	197,329	200,126	195,230
- to replace existing assets	126,228	115,710	166,063	160,039	119,264
TOTAL COUNCIL	343,023	290,518	414,347	421,920	369,340