Te Rīpoata ā-Tau 2022/2023
o Te Kaunihera o Tāmaki Makaurau

Auckland Council

Annual Report 2022/2023

Volume 3

Te Wāhanga 3: Ngā Tauākī Pūtea

Volume 3: Financial Statements

Auckland Council
Te Kaunihera o Tāmaki Makaurau

Mihi

**Noho mai rā Tāmaki Makaurau,
moana waipiata,
maunga kākāriki.
Mai i ngā wai kaukau o ngā tūpuna,
ki ngā puke kawe i ngā reo o te tini,
i puta ai te kī mōu.
Tū ana he maunga,
takoto ana he raorao,
heke ana he awaawa.
Ko ō wahapū te ataahua,
ō tāhuna te mahora,
te taiao e whītiki nei i a koe he taonga tuku iho.
Tiakina kia meinga tonu ai koe
ko 'te tāone taioreore nui o te ao,
manakohia e te iwi pūmanawa'.
Tāmaki Mākaurau tirohia te pae tawhiti
he whakairinga tūmanako
mō ngā uri whakaheke o āpōpō,
te toka herenga mō te hunga ka takahi ake
mā ō tomokanga,
te piriti e whakawhiti ai
tō iwi ki ngā huarahi o te ora.
Tāmaki Mākaurau e toro whakamua,
hīkina te mānuka.
Tērā te rangi me te whenua te tūtaki.
Maranga me te rā, he mahi māu me tīmata,
ka nunumi ana ki te pō,
whakatārewahia ō moemoeā ki ngā whetū.
Ko te oranga mutunga mōu
kei tua i te taumata moana.
Whakatuwherahia ō ringa, kūmea mai k i tō uma.
Tāmaki Makaurau
he tāone ūmanga kurupounamu koe;
tukua tō rongo kia rere i te ao.**

**Tāmaki Makaurau
who bestrides shimmering seas,
and verdant mountains.
From the bathing waters of our forebears,
and hills that echo with voices
that acclaim.
Your mountains stand lofty,
your valleys spread from them
and your streams run freely.
Your harbours are majestic,
your beaches widespread,
the environment that surrounds you is a legacy.
Take care of it so that you will always be known
as 'the world-class city
where talent wants to be'.
Tāmaki Makaurau looking to the future,
repository of our hopes
for generations to come,
anchor stone for those who venture
through your gateway,
and the bridge that connects
your citizens to life.
Tāmaki Makaurau moving on,
accepting all challenges.
Where even heaven and earth might meet.
Rise with the sun as there is work to be done
and when evening comes,
allow your dreams to glide among the stars.
Perpetual health and growth
is beyond the horizon of cresting waves.
Open your arms and pull them to your embrace.
Tāmaki Makaurau, you are a city
where valued business and enterprise thrives;
let your good name traverse the world.**

◀ Runners on Westhaven Path

▲ Auckland's West Coast

Te Rārangi Kaupapa

Contents

Nau mai ki ngā kōrero mō mātou

Welcome to our story

The **Financial Statements** and **Notes to the Financial Statements** sections outline our financial performance, financial position and cash flows for the year ended 30 June 2023 compared to the Annual Budget 2022/2023 and the prior year. It also includes details of the accounting policies, judgements and estimates applied in preparing the financial statements.

To assist with comparability to other entities, the **Main Differences between IFRS and PBE Accounting Standards** section summarises the most significant differences between IFRS and the standards applied in preparing the financial statements.

The **Funding Impact Statement section** contains a summary of how we funded our services and capital expenditure for the year ended 30 June 2023 compared to the Annual Budget 2022/2023.

Volume 1

Volume 1: Overview and service performance

An overview of the financial and non-financial performance of the group.

Volume 2

Volume 2: Local board reports

A collection of individual annual reports for each of the 21 local boards, reporting financial and non-financial performance.

21 volumes

Volume 3

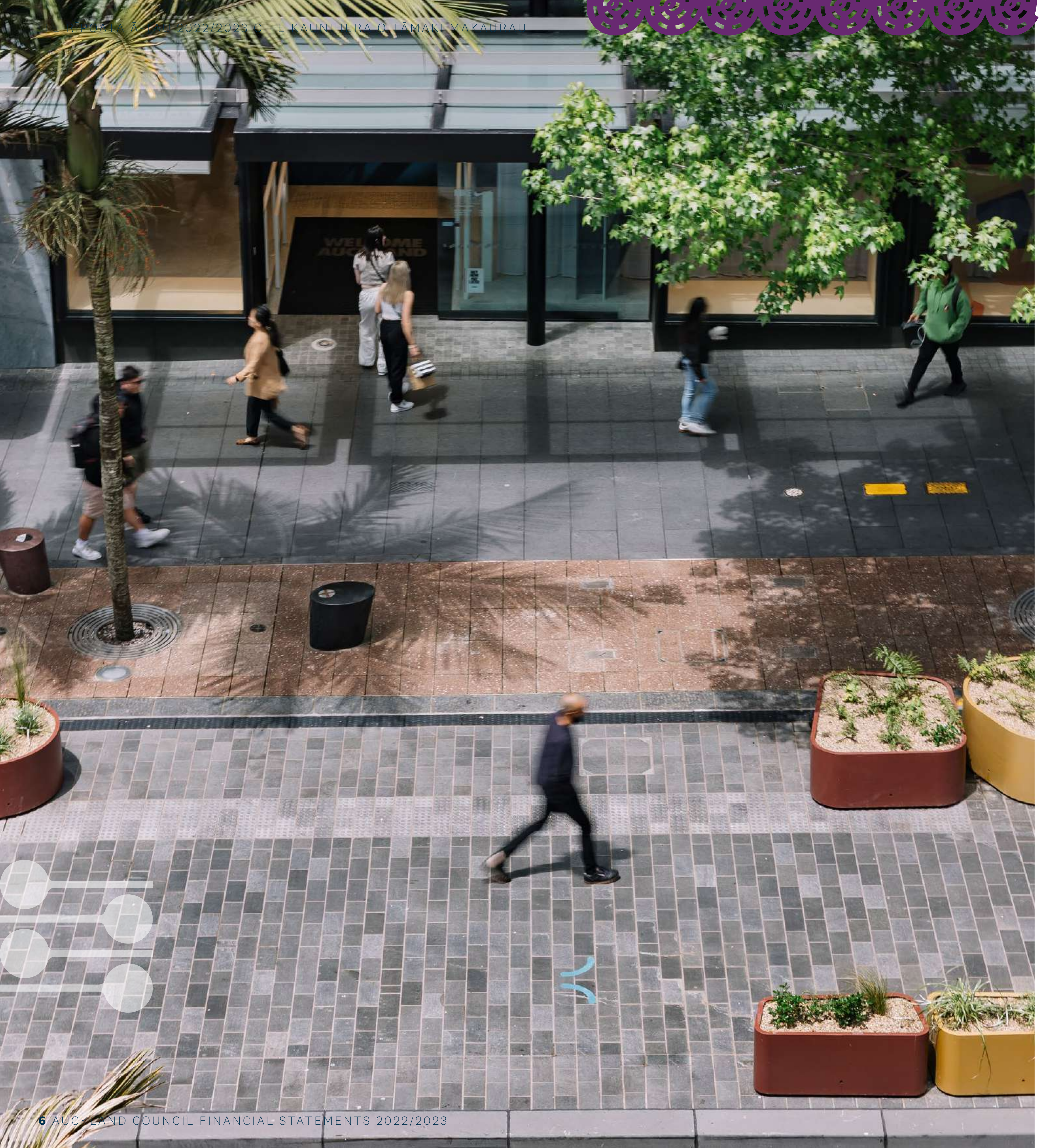
Volume 3: Financial statements

The financial statements of the Auckland Council Group and Auckland Council for the year ended 30 June 2023.

Volume 4

Volume 4: Climate risk statement

A summary of the group's climate-related financial risks and opportunities.



Tauākī āheitanga me te kawenga

Statement of compliance and responsibility

The Governing Body and management of Auckland Council confirm that all the statutory requirements in relation to this annual report have been met including those outlined in the Local Government Act 2002, Local Government (Financial Reporting and Prudence) Regulations 2014 and the Financial Markets Conduct Act 2013.

Responsibility

The Governing Body and management of Auckland Council accept responsibility for the preparation and completion of the annual report and the related assumptions, estimates and judgements.

The Governing Body and management adopted the annual report as presented here on 28 September 2023.

The Governing Body, the management of Auckland Council and the Auckland Council Group accept responsibility for establishing and maintaining systems of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and performance reporting.

In the opinion of Auckland Council, the group annual report, for the year ended 30 June 2023, fairly presents the financial performance, financial position, cash flows and service performance of the Auckland Council Group and Auckland Council.

Wayne Brown
Mayor of Auckland
28 September 2023

Phil Wilson
Acting Chief Executive
28 September 2023

◀ Queen Street upgrades

He kōrero mō tēnei wāhanga

About this volume

This volume of the annual report contains the financial statements of Auckland Council Group (the group) and Auckland Council (the council) for the year ended 30 June 2023. The group includes the council, its subsidiaries (council-controlled organisations and Port of Auckland Limited), associates and joint ventures.

The Auckland Council Annual Report 2022/2023 was adopted by Auckland Council on 28 September 2023.

The references to documents and information on the council's and other websites are provided solely for the convenience of readers who might require more detailed information and are not part of the Auckland Council Annual Report 2022/2023.

For the clarity and usefulness of this report, this volume has the following sections:

- Primary Group Financial Statements
- Section A: Results of the year
- Section B: Long-term assets
- Section C: Borrowings and financial instruments
- Section D: Working capital and equity
- Section E: Financial risk management
- Section F: Other disclosures
- Section G: Financial reporting and prudence benchmarks
- Group Funding Impact Statement
- Funding Impact Statements of each Group of Activities
- Main differences between IFRS and PBE Accounting Standards

The notes to the financial statements contain detailed financial information as well as the relevant accounting policies, explanations of significant variances against budget and local government disclosures.

The funding impact statements have been prepared in conformance with Schedule 10, sections 26 and 30 of the Local Government Act 2002.

Signposting has been used throughout this volume to provide a clearer understanding of key information.

▶ Weymouth Wharf has been totally rebuilt for a new generation of bombers and swimmers. A new jetty has also been completed at Waimahia.

SIGNPOSTS	EXPLANATION
	Accounting policy
	Significant judgements and estimates
	Explanation of significant variances against budget
	Local government disclosures

Ngā tauākī ā-pūtea

Financial statements

◀ Puhoi River, Wenderholm Regional Park

Te tauākī mō te tōtōpūtanga o ngā pūtea whiwhi, o ngā whakapaunga pūtea hoki

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2023

$Million	Note	Group Actual 2023	Group Budget 2023	Group Actual 2022	Auckland Council Actual 2023	Auckland Council Budget 2023	Auckland Council Actual 2022
Revenue							
Rates		2,280	2,277	2,122	2,290	2,290	2,133
Fees and user charges		1,472	1,477	1,269	337	327	315
Grants and subsidies		1,176	1,096	793	171	220	35
Development and financial contributions		240	265	236	240	265	236
Other revenue		871	686	662	300	264	242
Vested assets		616	448	582	173	107	297
Finance revenue measured using effective interest method		15	2	11	37	31	36
Other finance revenue		3	1	1	129	116	101
Total revenue excluding other gains	**A1**	**6,673**	**6,252**	**5,676**	**3,677**	**3,620**	**3,395**
Expenditure							
Employee benefits expense	A3	1,121	1,087	1,051	609	620	566
Depreciation and amortisation	A4	1,268	1,141	1,073	328	327	306
Grants, contributions and sponsorship	A2	187	177	219	1,167	1,217	1,081
Other operating expenses	A2	2,225	2,200	1,944	809	825	729
Finance costs	A5	523	505	438	505	486	424
Total expenditure excluding other losses		**5,324**	**5,110**	**4,725**	**3,418**	**3,475**	**3,106**
Operating surplus before gains and losses		**1,349**	**1,142**	**951**	**259**	**145**	**289**
Net other gains and losses	A6	(163)	-	997	(197)	-	1,039
Share of net deficit in associates and joint ventures		(114)	(9)	(187)	(118)	(11)	(190)
Surplus/(deficit) before income tax		**1,072**	**1,133**	**1,761**	**(56)**	**134**	**1,138**
Income tax expense	A7	62	89	37	-	-	-
Surplus/(deficit) after income tax		**1,010**	**1,044**	**1,724**	**(56)**	**134**	**1,138**
Other comprehensive revenue/(expenditure)							
Net gain/(loss) on revaluation of property, plant and equipment	B1	198	184	8,218	(915)	-	3,108
Impairment losses on revalued property, plant and equipment	B1	(29)	-	-	(19)	-	-
Tax on revaluation of property, plant and equipment		(258)	-	(298)	-	-	-
Movement in cash flow hedge reserve		(1)	-	6	-	-	-
Tax on cash flow hedge		-	-	(2)	-	-	-
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure		357	-	(22)	363	-	(19)
Total other comprehensive revenue/(expenditure)		**267**	**184**	**7,902**	**(571)**	**-**	**3,089**
Total comprehensive revenue/(expenditure)		**1,277**	**1,228**	**9,626**	**(627)**	**134**	**4,227**

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements. They include explanations of significant variances against budget.

Te tauākī mō te tūāhua pūtea

Statement of financial position

As at 30 June 2023

$Million	Note	Group Actual 2023	Group Budget 2023	Group Actual 2022	Auckland Council Actual 2023	Auckland Council Budget 2023	Auckland Council Actual 2022
Assets							
Current assets							
Cash and cash equivalents	D1	84	100	229	45	80	166
Receivables and prepayments	D2	720	591	665	355	327	437
Derivative financial instruments	C2	110	1	1	110	1	1
Other financial assets	C3	110	77	60	117	82	64
Inventories		39	52	57	-	17	19
Income tax receivable		-	4	2	-	-	-
Non-current assets held-for-sale	F1	989	174	86	988	174	86
Total current assets		**2,052**	**999**	**1,100**	**1,615**	**681**	**773**
Non-current assets							
Receivables and prepayments	D2	54	78	51	37	39	20
Derivative financial instruments	C2	626	452	527	626	452	527
Other financial assets	C3	1,524	2,080	2,049	5,068	5,343	5,052
Property, plant and equipment	B1	66,076	58,899	64,273	20,440	18,674	21,142
Intangible assets	B2	467	802	486	211	265	219
Investment property	B3	655	704	729	520	562	593
Investment in subsidiaries^	F3	-	-	-	20,008	19,693	19,957
Investment in associates and joint ventures	F3	1,490	1,838	1,160	1,487	1,834	1,158
Other non-current assets		9	10	9	1	4	3
Total non-current assets		**70,901**	**64,863**	**69,284**	**48,398**	**46,866**	**48,671**
Total assets		**72,953**	**65,862**	**70,384**	**50,013**	**47,547**	**49,444**
Liabilities							
Current liabilities							
Bank overdraft	D1	4	-	3	-	-	-
Payables and accruals	D3	1,096	1,069	1,141	1,025	1,001	1,123
Employee benefits	D4	121	122	112	59	66	56
Borrowings	C1	2,403	1,292	994	2,402	1,302	993
Derivative financial instruments	C2	2	2	3	2	1	2
Provisions	D5	196	97	208	174	65	187
Total current liabilities		**3,822**	**2,582**	**2,461**	**3,662**	**2,435**	**2,361**
Non-current liabilities							
Payables and accruals	D3	192	232	185	179	175	176
Employee benefits	D4	5	6	5	1	1	1
Borrowings	C1	10,054	10,784	10,369	9,882	10,288	9,911
Derivative financial instruments	C2	568	683	637	568	680	637
Provisions	D5	270	297	282	259	278	269
Deferred tax liabilities	F2	2,491	1,995	2,171	-	-	-
Total non-current liabilities		**13,580**	**13,997**	**13,649**	**10,889**	**11,422**	**10,994**
Total liabilities		**17,402**	**16,579**	**16,110**	**14,551**	**13,857**	**13,355**
Net assets		**55,551**	**49,283**	**54,274**	**35,462**	**33,690**	**36,089**
Equity							
Contributed equity	D6	26,693	26,732	26,693	26,539	26,578	26,539
Accumulated funds	D6	6,803	7,204	5,812	382	760	492
Reserves	D6	22,055	15,347	21,769	8,541	6,352	9,058
Total equity		**55,551**	**49,283**	**54,274**	**35,462**	**33,690**	**36,089**

^Total investment in council-controlled organisations and entities listed in Local Government Act 2002 section 6(4) of Auckland Council for 2023 is $20 billion (2022: $20 billion).

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements. They include explanations of significant variances against budget.

Te tauākī mō ngā panonitanga o te tūtanga

Statement of changes in equity

For the year ended 30 June 2023

Group $Million	Note	Contributed equity	Accumulated funds	Reserves	Total equity	Budget
Balance as at 1 July 2021		**26,693**	**4,088**	**13,867**	**44,648**	**44,774**
Surplus after income tax		-	1,724	-	1,724	827
Other comprehensive revenue		-	-	7,902	7,902	2,454
Total comprehensive revenue		**-**	**1,724**	**7,902**	**9,626**	**3,281**
Transfers (from)/to reserves	D6	-	-	-	-	-
Balance as at 30 June 2022	**D6**	**26,693**	**5,812**	**21,769**	**54,274**	**48,055**
Balance as at 1 July 2022		**26,693**	**5,812**	**21,769**	**54,274**	**48,055**
Surplus after income tax		-	1,010	-	1,010	1,044
Other comprehensive revenue		-	-	267	267	184
Total comprehensive revenue		**-**	**1,010**	**267**	**1,277**	**1,228**
Transfers (from)/to reserves	D6	-	(19)	19	-	-
Balance as at 30 June 2023	**D6**	**26,693**	**6,803**	**22,055**	**55,551**	**49,283**

Auckland Council $Million	Note	Contributed equity	Accumulated funds	Reserves	Total equity	Budget
Balance as at 1 July 2021		**26,539**	**(610)**	**5,933**	**31,862**	**31,924**
Surplus after income tax		-	1,138	-	1,138	54
Other comprehensive revenue		-	-	3,089	3,089	1,578
Total comprehensive revenue		**-**	**1,138**	**3,089**	**4,227**	**1,632**
Transfers (from)/to reserves	D6	-	(36)	36	-	-
Balance as at 30 June 2022	**D6**	**26,539**	**492**	**9,058**	**36,089**	**33,556**
Balance as at 1 July 2022		**26,539**	**492**	**9,058**	**36,089**	**33,556**
Surplus/(deficit) after income tax		-	(56)	-	(56)	134
Other comprehensive expenditure		-	-	(571)	(571)	-
Total comprehensive (expenditure)/revenue		**-**	**(56)**	**(571)**	**(627)**	**134**
Transfers (from)/to reserves	D6	-	(54)	54	-	-
Balance as at 30 June 2023	**D6**	**26,539**	**382**	**8,541**	**35,462**	**33,690**

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

Te tauāki mō te whiwhinga mai me te whakapaunga o te moni

Statement of cash flows

For the year ended 30 June 2023

		Group			Auckland Council		
$Million	**Note**	**Actual 2023**	**Budget 2023**	**Actual 2022**	**Actual 2023**	**Budget 2023**	**Actual 2022**
Cash flows from operating activities							
Receipts from rates, grants and other services		5,753	5,742	5,124	3,297	3,299	2,953
Interest received		17	3	11	166	147	134
Dividends received		4	9	4	36	18	12
Payments to suppliers and employees		(3,479)	(3,478)	(3,213)	(2,601)	(2,557)	(2,352)
Income tax refund/(paid)		10	-	(8)	-	-	-
Interest paid		(493)	(503)	(459)	(473)	(485)	(440)
Net cash inflow from operating activities	**F6**	**1,812**	**1,773**	**1,459**	**425**	**422**	**307**
Cash flows from investing activities							
Repayment of loans to related parties		-	-	-	720	-	454
Advances to related parties		-	-	-	(1,327)	(258)	(726)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		47	106	74	45	106	73
Proceeds from sale of businesses, net of cash acquired		3	-	17	-	-	17
Acquisition of property, plant and equipment, investment property and intangible assets		(2,323)	(2,167)	(1,804)	(600)	(575)	(420)
Acquisition of other financial assets		(60)	(7)	(886)	(39)	(7)	(890)
Proceeds from sale of other financial assets		26	-	899	26	-	899
Investment in joint ventures		(449)	(514)	(428)	(454)	(514)	(428)
Advances from/(to) external parties		3	-	(2)	-	-	(4)
Proceeds from community loan repayments		-	3	-	-	2	-
Net cash outflow from investing activities		**(2,753)**	**(2,579)**	**(2,130)**	**(1,629)**	**(1,246)**	**(1,025)**
Cash flows from financing activities							
Proceeds from borrowings		3,421	2,012	3,524	3,295	2,126	2,782
Repayment of borrowings		(2,603)	(1,206)	(2,910)	(2,191)	(1,302)	(2,146)
Receipts from derivative financial instruments		396	-	1,092	396	-	1,092
Payments for derivative financial instruments		(418)	-	(1,100)	(417)	-	(1,101)
Repayment of finance lease principal		(1)	-	(3)	-	-	-
Net cash inflow from financing activities	**F6**	**795**	**806**	**603**	**1,083**	**824**	**627**
Net (decrease)/increase in cash and cash equivalents and bank overdraft		(146)	-	(68)	(121)	-	(91)
Opening cash and cash equivalents and bank overdraft		226	100	294	166	80	257
Closing cash and cash equivalents and bank overdraft	**D1**	**80**	**100**	**226**	**45**	**80**	**166**

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

He pito kōrero mō ngā tauākī pūtea

Notes to the Financial Statements

◀ Matheson Bay, Rodney

Te pūtake o te pūrongo

Basis of reporting

This section contains the significant accounting policies of the Auckland Council Group and Auckland Council that relate to the financial statements as a whole. Significant accounting policies relating to specific account balances are included in the related note disclosures. They also include explanations of significant variances against budget.

Auckland Council is a local authority domiciled in New Zealand and governed by the following legislation:

- Local Government Act 2002 (LGA 2002);
- Local Government (Auckland Council) Act 2009 (LGACA 2009); and
- Local Government (Rating) Act 2002.

Auckland Council is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 (FMCA 2013).

Auckland Council's principal address is 135 Albert Street, Auckland Central, New Zealand.

The Auckland Council Group (the group) consists of Auckland Council (the council), its subsidiaries, associates and joint ventures. A list of significant subsidiaries (including substantive council-controlled organisations, or CCOs[1]) is provided in the following pages. Other significant investees that are not controlled by the group or the council are listed in Note F3. All these entities are domiciled in New Zealand.

The primary objective of the group and the council is to provide services and facilities to the Auckland community for social benefit rather than to make a financial return. Accordingly, the council has designated itself and the group as public benefit entities (PBEs) and applies New Zealand Tier 1 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

Basis of preparation

The financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the LGA 2002, the LGACA 2009 and the Local Government (Financial Reporting and Prudence) Regulations 2014 and comply with PBE Accounting Standards;
- on a historical cost basis, except for certain financial instruments which have been measured at fair value (Notes C2 and C3), certain classes of property, plant and equipment (Note B1) and investment property (Note B3) which have been subsequently measured at fair value;
- on a going concern basis and the accounting policies have been applied consistently throughout the period; and
- in New Zealand dollars (NZD), rounded to the nearest million dollars, unless otherwise stated.

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST.

The budget figures presented in the financial statements are those included in the Annual Budget 2022/2023.

[1] Section 4(1) of the LGACA 2009 defines substantive CCOs as a CCO that is either wholly owned or wholly controlled by Auckland Council and either is responsible for the delivery of a significant service or activity on behalf of Auckland Council or owns or manages assets with a value of more than $10 million. It includes Auckland Transport and excludes entities exempted from CCO status.

Significant judgements and estimates

The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the particular circumstances. Judgements and estimates which are considered material to understand the performance of the group and the council are found in the following notes:
Note A8: Impacts of significant weather events
Note B1: Property, plant and equipment
Note C2: Derivative financial instruments
Note D5: Provisions
Note F1: Non-current assets held for sale
Note F3: Investment in other entities

Basis of consolidation

The consolidated financial statements comprise the financial statements of the council and its CCOs and subsidiaries as at 30 June 2023.

CCOs and subsidiaries are entities controlled by the group. Control is achieved when the group has the power to govern their financial and operating policies. To establish control, the controlling entity has either exercisable power to govern decision-making to be able to benefit from, or predetermined rights to direct the relevant activities of the other entity.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements from the date the group gains control until the date the group ceases to control the subsidiary.

The accounting policies of controlled entities are consistent with the policies adopted by the controlling entity, or if not, adjustments are made to the consolidated financial statements to bring alignment with the group's accounting policies. All intra-group balances, transactions, income, expenses, and cash flows between members of the group are eliminated in full on consolidation.

The significant subsidiaries in the group are:

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage of ownership/ control	
			2023	2022
Auckland Transport	Owns the public transport network and manages the transport infrastructure and services in Auckland. **Auckland Transport is a body corporate with perpetual succession and is treated under the LGACA 2009 as if Auckland Council is its sole shareholder.*	Yes	100*	100*
Eke Panuku Development Auckland Limited	Facilitates the development and rejuvenation of urban locations including the Auckland waterfront. Optimises the council's property portfolio.	Yes	100	100
Port of Auckland Limited	Owns and operates Auckland's port which provides container bulk cargo handling, freight hubs, cruise industry facilities and other related services.	Yes	100	100
Tātaki Auckland Unlimited Limited	Manages projects for economic development, tourism and events promotion in the Auckland region.	Yes	100	100
Tātaki Auckland Unlimited Trust	Supports and promotes the arts, culture, heritage, leisure, sports and entertainment, and owns and manages the venues for these activities. *^Tātaki Auckland Unlimited Trust is a charitable trust of which Tātaki Auckland Unlimited Limited, a 100% owned subsidiary of Auckland Council, is the sole trustee.*	Yes	100^	100^
Watercare Services Limited	Provides water and wastewater services and owns and operates the water and wastewater infrastructure.	Yes	100	100

Basis of reporting (continued)

Significant restrictions

Despite Auckland Council's ability to control its subsidiaries, there are significant restrictions on accessing the assets of Tātaki Auckland Unlimited Trust and Watercare Services Limited.

- Tātaki Auckland Unlimited Trust is a charitable trust, and as a result, Auckland Council is unable to access its assets.
- In accordance with the Local Government (Auckland Council) Act 2009 section 57(1)(b), Auckland Council may not receive a dividend or distribution of surpluses from Watercare Services Limited.

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, reliable, and affordable water services. This will be achieved by establishing ten publicly-owned water services entities, from 1 July 2024 to 1 July 2026. These entities will be responsible for the delivery of drinking water, wastewater and stormwater services across New Zealand instead of 67 councils who currently provide these services. The reform is enacted by three pieces of legislation.

- The Water Services Entities Act 2022 contains the water entities' ownership, governance, and accountability arrangements. This act received royal assent on 14 December 2022 and an accompanying amendment bill received royal assent on 22 August 2023 and came into effect the following day.

  It establishes ten water services entities based on existing regional boundaries. It also provides for every territorial authority to be represented on the regional representative group of their entity, together with an equal number of mana whenua representatives, and introduces a staggered approach to establish the entities, with all entities going live between 1 July 2024 and 1 July 2026. It provides for an operational establishment date of 1 July 2024 for the Northland and Auckland Water Services Entity.
- The Water Services Legislation Act provides water services entities with the necessary legislative functions, responsibilities, and powers to be fully operational from their 'go live' date. It received royal assent on 30 August 2023 and came into effect the following day.
- The Water Services Economic Efficiency and Consumer Protection Act provides the economic regulation and consumer protection frameworks for water services. It received royal assent on 30 August 2023. 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.

The group will be impacted by the transfer of the urban stormwater network and some associated functions from Auckland Council, as well as the transfer of the assets and operations of Watercare Services Limited (Watercare). The exact assets and functions that will be transferred are still unclear, particularly in relation to stormwater.

The National Transition Unit within the Department of Internal Affairs issued draft transfer principles and associated guidance in December 2022. These principles may be amended with the passing of the three acts mentioned above. Due to the timing of these legislative changes, the lack of clarity of which assets and functions will transfer and a range of decisions still to be made under the new legislation the financial impact of the transfers cannot be determined with certainty.

Given the uncertainty around the transfer of stormwater assets and operations, management has not yet estimated the impacts of the transfer of stormwater functions. However, the impacts of the transfer of water supply and wastewater treatment and disposal (i.e. Watercare's) assets and operations have been estimated to the best of management's ability by applying some broad assumptions to the 30 June 2023 balances and the results of the 2022/2023 financial year. No attempt has been made to project forward to the "go live" date and all numbers may change materially over the next 12 months. The values of assets have not been adjusted to reflect their transfer value. It will only be possible to reliably determine transfer values once decisions have been made around exactly which functions, assets, liabilities and employees will transfer and what methodologies that will be applied to these transfers. The numbers below represent the values attributable to Watercare as part of the group. They differ from the numbers in Watercare's annual report mainly due to eliminations of intragroup transactions and balances, and the application of Watercare's accounting policies which in some cases differ from group accounting policies.

Basis of reporting (continued)

Impact on the group's statement of financial position as at 30 June 2023 related to services provided by Watercare

Description	30 June 2023	Assumptions and uncertainty
Infrastructure assets	$15 billion	Watercare balance is made up of the following assets: • Water and wastewater of $12 billion • Machinery of $2 billion • Operational land and buildings of $1 billion • Other operational assets of $0.1 billion • Intangible assets of $0.1 billion
Debt attributable to Watercare assets	$3 billion	The debt incurred to construct the infrastructure assets to be transferred is assumed to also transfer. The amount of debt is yet to be agreed and the discussions are progressing between the Minister of Local Government, the establishment chief executive, Watercare and Auckland Council, however the amount of the debt has not yet been determined. The debt is expected to be settled within five years from the establishment date of 1 July 2024. For avoidance of doubt, the amount of water services related debt is unrelated to payments received under the central government funded "better off" funding.

Impact on the group's statement of financial performance for the year ended 30 June 2023 related to services provided by Watercare

Description	30 June 2023	Assumptions and uncertainty
Water revenue	$0.9 billion	Watercare's revenue is its total operating revenue for the year ended 30 June 2023, excluding vested assets (due to its unpredictability), assuming all of Watercare's revenue relates to the provision of water services.
Expenses (excluding interest)	$697 million	Watercare's expenses represent total operating expenses for the year ended 30 June 2023, assuming all the expenses relate to the provision of water services.
Interest	$123 million	Interest costs will depend on the debt to be transferred. It is assumed that the council will issue new debt to the new water services entity equivalent to the existing debt attributable to water services. As a result, there will be no cost associated with terminating or transferring debt or derivatives.

Impact on the group's other measures as at 30 June 2023 related to services provided by Watercare

Description	30 June 2023	Assumptions and uncertainty
Capital commitments to be transferred	$587 million	Commitments are stated as at 30 June 2023, so will change by "go live" date of 1 July 2024.
Lease commitments to be transferred	$83 million	Commitments are stated as at 30 June 2023, so will change by "go live" date of 1 July 2024.
Non-cancellable operating lease receivables to be transferred	$15 million	Lease receivables are stated as at 30 June 2023, so will change by "go live" date of 1 July 2024.
Full-time equivalents (FTE) to be transferred	1,215	FTE are stated as at 30 June 2023, so will change by "go live" date of 1 July 2024. It is assumed that all Watercare employees will transfer.

Basis of reporting (continued)

Key components that require clarification for a reasonably reliable estimate of the impact of this transfer are:

- the determination of what functions of the group will transfer to the new entity within the scope of the legislation, and
- decisions related to the transfer of water infrastructure assets and debt to the new water services entity.

Once the impact of the transfer is clarified, the group will need to consider any implications on the future funding of the group.

Implementation of new accounting standards

PBE IPSAS 41 *Financial Instruments*

PBE IPSAS 41 *Financial Instruments* was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The group has adopted PBE IPSAS 41 Financial Instruments, and the adoption did not result in any significant impact on the group financial statements.

Standard issued but not yet effective

The group will adopt the following accounting standard in the reporting period after the effective date.

2022 Omnibus Amendments to PBE Standards, issued June 2022

The 2022 Omnibus Amendments include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards. The revised PBE standards are effective from the year ending 30 June 2024. They are not expected to have any significant impact on the group financial statements.

PBE IFRS 17 *Insurance Contracts*

PBE IFRS 17 *Insurance Contracts* for public sectors was issued in June 2023. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group has not assessed in detail the effect of the new standard.

Te Wehenga A:
Ngā hua o te tau
Section A: Results of the year

This section focuses on the financial performance of the Auckland Council Group and Auckland Council during the year. It outlines significant accounting policies adopted in the recognition of revenue and expenditure and provides detail about rates and other revenue, as well as significant expenditure such as employee benefits, goods and services purchased, depreciation, amortisation, and other costs.

The notes in the section are as follows:

◀ Hobsonville Point Bridge Cycleway

A1 Revenue

Accounting policy

The Auckland Council Group (the group) and Auckland Council (the council) receive their revenue from exchange and non-exchange transactions. Exchange transaction revenue arises when the group and the council provide goods or services directly to a third party and receive approximately equal value in return. Non-exchange transaction revenue arises when the group and the council receive value from another party without having to directly provide goods or services of equal value. Non-exchange revenue comprises rates and transfer revenue. Transfer revenue includes grants, subsidies, fees and user charges derived from activities that are partially funded by rates. The group and the council's significant items of revenue are recognised and measured as follows:

Type	Recognition and measurement
Rates	Rates are set annually by resolution of the council and relate to a particular financial year in accordance with the Local Government (Rating) Act 2002. Rates comprise general and targeted rates and are stated net of rates remissions. Rates revenue is recognised at the date of issuance of ratings notice and is measured at the present value of cash received or receivable.
Grants and subsidies	Grants and subsidies are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grants and subsidies are not met. If there is such an obligation, the grants and subsidies are initially recorded in the statement of financial position when received at fair value as grants and subsidies received in advance. As the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue.
Development contributions	Development contributions are charged for new property developments to contribute to the group's costs of building supporting infrastructure such as stormwater, roads and footpaths. Revenue is recognised at the later of, the point when the group is entitled to issue an invoice to developers for the contribution in accordance with milestones set out in the group's development contributions policy, and the point when the group can provide the service for which the contribution was charged. The timing of recognition is dependent on the type of consent granted and the nature of the development.
Vested assets	Vested asset revenue represents infrastructure received from property developers who construct the infrastructure as a condition of development. Vested asset revenue is recognised when control of the asset is transferred to the group and/or the council and is measured at the fair value of the asset received.
Finance revenue	Finance revenue comprises interest revenue. Revenue is recognised using the effective interest method.
Dividend revenue	Dividend revenue is recognised when the group and the council's right to receive the dividend is established.
Fees and user charges	
Water and wastewater	Water revenue comprises the amounts received and receivable at balance date for water supplied to customers in the ordinary course of business. Wastewater revenue is a combination of a fixed charge and a volumetric charge based on a percentage of water used. Water and wastewater revenue includes estimated unbilled amounts for unread meters at balance date. As meter reading is cyclical, management applies judgement when estimating the daily average water consumption of customers between meter readings. Unbilled amounts from the last bill reading date to the end of the month are recognised as revenue.
Sale of goods	Sales revenue is recognised when the substantial risks and rewards of ownership have been passed to the buyer.

A1 Revenue (continued)

Type	Recognition and measurement
Port operations	Revenue from port operations includes revenue from marine services, ship exchange, berthage, goods wharfage, and collection and transport of containers. Revenue is recognised when the services are provided, by reference to the stage of completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.
Consents	Building consents provide approval for specific building works on a specific site, and resource consents provide approval for projects that impact the environment or others. Consent revenue is recognised when consents are provided at the fair value of the amount receivable.
Licences and permits	Revenue is recognised on receipt of application as they are non-refundable.
Other revenue	
Infrastructure growth charge revenue	Infrastructure growth charge revenue is recognised when payment is received for approved connections.
Regional fuel tax	Regional fuel tax is a tax of 10 cents per litre of fuel (plus GST) which is collected to fund transport projects. Revenue is recognised when the supply of fuel occurs in the Auckland region at the fair value of the amount received or receivable.

The split of exchange and non-exchange revenue is disclosed below:

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Revenue from non-exchange transactions:				
Revenue from rates				
General	1,950	1,852	1,960	1,862
Targeted	308	249	308	250
Penalties	29	25	29	25
Rates remissions	(5)	(4)	(5)	(4)
Discounts	(2)	-	(2)	-
Total revenue from rates	**2,280**	**2,122**	**2,290**	**2,133**
Revenue from transfers				
Sales of goods and services	225	156	88	71
Vested assets	616	582	173	297
Fines and infringements	52	39	3	2
Consents, licences and permits	250	244	246	241
Capital grants and subsidies	506	295	45	8
Operating grants and subsidies*	670	498	126	27
Regional fuel tax revenue	152	138	152	138
Donated artwork (Note B1)	184	-	-	-
Other transfer revenue	168	126	68	49
Total revenue from transfers	**2,823**	**2,078**	**901**	**833**
Total revenue from non-exchange transactions	**5,103**	**4,200**	**3,191**	**2,966**

*Operating grants and subsidies include receipt of $98 million Affordable Waters Better-off funding from the central government in the current year for both the group and the council.

A1 Revenue (continued)

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Revenue from exchange transactions:				
Water and wastewater	601	552	-	-
Sales of goods and services	39	27	1	1
Port operations	305	251	-	-
Development and financial contributions	240	236	240	236
Finance revenue	18	12	166	137
Dividends received	2	2	27	6
Infrastructure growth charges	180	240	-	-
Other exchange revenue	185	156	52	49
Total revenue from exchange transactions	**1,570**	**1,476**	**486**	**429**
Total revenue	**6,673**	**5,676**	**3,677**	**3,395**

For the purposes of the Local Government Funding Agency Limited (LGFA) Guarantee and Indemnity Deed disclosure, the council's annual rates revenue for the year ended 30 June 2023 is $2.3 billion (2022: $2.1 billion). Refer to Note F4 for further information on the LGFA guarantees and indemnities. Refer to Note F7 for further information on Regional Fuel Tax revenue and its use during the year.

Local government disclosures

The council's rating base information relating to the preceding financial year as at 30 June 2022 is as follows:

	2022
Number of rating units	599,722
Total capital value of rating units (in $million)	1,014,129
Total land value of rating units (in $million)	711,425

There was no write-off of rates during the year:

$Thousand	2023	2022
Rates written off for Māori freehold land	-	3,551
Total rates written off	**-**	**3,551**

A1 Revenue (continued)

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Total revenue	6,673	6,252	3,677	3,620

Group

Revenue was higher than budget by $421 million. The most significant reasons were as follows:

- Other revenue includes an unbudgeted $184 million for donated artworks. The largest donation was a collection received from the estate of philanthropist, Julian Robertson – a prestigious collection of 19th century and early 20th century international artworks valued at $178 million.
- Vested assets were $168 million above budget of which $91 million was from developers at Milldale, Hobsonville, Pukekohe, Drury, Massey developments. In addition, $38 million of assets was received from City Rail Link Limited (CRLL).
- Grants and subsidies were higher than budget by $80 million mainly due to higher than planned subsidies from Waka Kotahi NZ Transport Agency:
  - $63 million for half price fares
  - $28 million for repairs following weather events.

The above favourable revenues were partly offset by development and financial contributions which were $25 million below budget due to the general slowdown in the property development market.

The remaining variances against budget were individually insignificant.

Auckland Council

Revenue was higher than budget by $57 million. The largest contributors to this were:

- Vested asset revenue which was $66 million higher than budget, and included assets received from CRLL and developers.
- Other revenue was $36 million higher than budget, comprising mainly an unbudgeted interim dividend from Port of Auckland Limited of $15 million and rental revenues that were $16 million higher than budget mainly due to unbudgeted revenues from Bledisloe House and Auckland Film Studio.

The favourable results above were partly offset by:

- Grants and subsidies revenue which was $49 million lower than budget due to the timing of receipt of Better-off Funding from central government and reduced Shovel-ready funding from Crown Infrastructure Partners for the Te Whau Pathway, for which construction was paused.
- Development and financial contributions which was $25 million lower than budget for the reasons mentioned above.

The remaining variances against budget were individually insignificant.

A2 Operating expenses

Accounting policy

Grants, contributions and sponsorship

Discretionary grants, contributions and sponsorship are recognised as expenses when the group and the council have advised their decision to pay and when the attached conditions, if any, are satisfied. Non-discretionary grants are recognised as expenses on receipt of an application that meets the specified criteria.

A2 Operating expenses (continued)

Operating expenses include the following items.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Grants, contributions and sponsorship:				
Funding to CCOs	-	-	1,010	925
Other grants	187	219	157	156
Total	187	219	1,167	1,081
Other operating expenses include:				
Outsourced works and services	402	308	273	228
Goods and services	648	513	12	13
Consultancy and professional services	121	143	42	45
Repairs and maintenance	394	321	265	198
Utilities and occupancy	72	70	40	35
Rental and lease	151	145	20	20
Net impairment of receivables	11	7	5	5
Fees paid to elected members	12	12	12	12
Fees paid to auditors	5	4	2	2

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Other operating expenses	2,225	2,200	809	825

Group

Other operating expenses were higher than budget by $25 million. Several items contributed to this:

- To manage demand and clear a backlog of consents, and in response to the recent weather events, outsourced works were $45 million higher than budget.
- Provisions for remediation of contaminated land and weathertightness increased by $39 million. Due to the uncertainty surrounding these costs, they are not included in the budget.

These were partly offset by savings from efficiencies, controls over discretionary spend and postponement of a number of projects resulting in other direct expenses being $50 million lower than budget, and consultancy and professional services expenses being $17 million lower than budget.

The remaining variances against budget were individually insignificant.

Auckland Council

Other operating expenses were below budget by $16 million mainly due to savings on professional services costs from efficiencies, controls over discretionary spend and postponement of a number of projects.

A2 Operating expenses (continued)

Local government disclosures

Other financial contributions (presented under 'Grant, contributions and sponsorship')

As required by the Auckland War Memorial Museum Act 1996, Museum of Transport and Technology Act 2000 and Auckland Regional Amenities Funding Act 2008, the council confirms the following financial contributions made during the year.

$Million	Auckland Council 2023	Auckland Council 2022
Auckland War Memorial Museum	32	32
Museum of Transport and Technology	19	16
Auckland Regional Amenities Funding Board	17	15

Fees paid to auditors

The following fees were charged for the services provided by the auditors of the group and the council:

$Thousand	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Audit of financial statements	**4,151**	**3,697**	**1,410**	**1,263**
Other audit or assurance engagements required by legislation				
Review of interim financial statements	363	330	136	127
10-year Budget amendment	75	-	75	-
Assurance engagement related to foreign borrowings	44	44	44	44
Assurance engagement related to debenture trust deed	18	16	18	16
Other assurance related services	34	-	-	-
	534	**390**	**273**	**187**
Other services:				
Enterprise model probity	-	173	-	-
Review of the management plan of the Central Interceptor project	-	109	-	-
Other services	17	17	-	-
	17	**299**	**-**	**-**
Total fees to auditors	**4,702**	**4,386**	**1,683**	**1,450**

A3 Employee benefits expense

Accounting policy

Employee entitlements for salaries and wages, annual leave, long service leave and other similar benefits are recognised as expenditure and liabilities when they accrue to employees.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Salaries and wages	1,029	971	576	537
Contributions to defined contribution schemes	33	30	17	15
Termination benefits	16	5	4	1
Other	43	45	12	13
Total employee benefits expense	**1,121**	**1,051**	**609**	**566**

Refer to Note D4 for the employee benefit liability as at 30 June 2023 and 30 June 2022 and Note F5 for further information on the remuneration of key management personnel and elected representatives.

A3 Employee benefits expense (continued)

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Employee benefits expense	1,121	1,087	609	620

Group

Employee benefits were higher than budget by $34 million for several reasons:

- The budget overestimated the amount of staff time that could be capitalised against projects by $26 million, particularly for Watercare Services Limited (Watercare).
- Organisational restructures resulted in $15 million of redundancy costs. Redundancy costs were not budgeted for.
- Port of Auckland Limited's (POAL) budget assumed that staff costs would reduce as a result of the automation project being complete, however, the project was abandoned, and the savings in staff costs were not realised. After being offset by savings from vacancies and an organisational restructure, the impact on staff costs was a surplus of $12 million over budget.
- Less annual leave was taken at POAL than was expected giving rise to employee entitlements being over budget by $8 million.

Auckland Council

Employee benefits were lower than budget by $11 million mainly from vacancies, particularly in areas where that require specialised skills, and a reduction in staff training costs.

A4 Depreciation and amortisation

Accounting policy

Depreciation is provided on all property, plant and equipment except for land, works of art and specified cultural heritage assets. Depreciation is calculated to write down the cost or revalued amount of the assets on a straight-line basis over their useful economic lives. Refer to Note B1 for the estimated useful lives of each class of property, plant and equipment.

Amortisation is provided on intangible assets, except rights to acquire, and is calculated to write down the cost of the assets on a straight-line basis over their useful economic lives. Refer to Note B2 for the estimated useful lives of each class of intangible assets.

Local government disclosures

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014, the group's depreciation and amortisation by group of activities is as follows:

Group of activity $Million	Group 2023	Group 2022
Roads and footpaths	420	299
Public transport and travel demand management	107	108
Water supply	162	158
Wastewater	155	123
Stormwater	88	67
Local council services	4	3
Regionally delivered council services	255	255
Council controlled services	77	60
Total depreciation and amortisation	**1,268**	**1,073**

A4 Depreciation and amortisation (continued)

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Depreciation and amortisation	1,268	1,141	328	327

Group

The unfavourable variance of $127 million is due to last year's upward revaluation of roading, water supply and wastewater assets after the budget was set, and the flow-on impact on depreciation.

A5 Finance costs

Accounting policy

Finance costs include interest expense, amounts paid or payable on interest rate swaps, amortised borrowing costs, net realised gains and losses on the early close-out of derivatives and costs directly incurred in managing funding. Interest on debt and finance leases is recognised using the effective interest method.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Interest expense on debt and finance leases using the effective interest method	349	215	328	197
Interest expense on provisions	(9)	(36)	(8)	(31)
Total interest expense	**340**	**179**	**320**	**166**
Interest on derivative financial instruments	177	253	177	252
Other finance costs	6	6	8	6
Total finance costs	**523**	**438**	**505**	**424**

Refer to Note E1 for information about interest rate risk management.

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Finance costs	523	505	505	486

Group and Auckland Council

The unfavourable variance is mainly due to higher interest rates on unhedged debt than budgeted.

A6 Net other gains and losses

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Financial instruments				
Net gains/(losses) on change in fair value of derivative financial instruments:				
Net gains attributable to foreign exchange movements	254	54	251	56
Net gains attributable to interest rate movements	25	1,077	25	1,077
	279	1,131	276	1,133
Net foreign exchange losses recognised in surplus/(deficit) on financial instruments held at amortised cost	(251)	(56)	(251)	(56)
Net increase/(decrease) in financial instruments designated at fair value through surplus/(deficit)	3	(1)	(65)	(71)
Property, plant and equipment				
Net losses on disposal of property, plant and equipment and intangible assets	(72)	(64)	(47)	(11)
Impairment of property, plant and equipment and intangible assets	(16)	(77)	(10)	(7)
Investments				
Net (decrease)/increase in fair value of investment property and non-current assets held for sale	(108)	56	(100)	42
Impairment of investment in subsidiaries, associates and joint ventures	1	(1)	-	-
Other				
Net gains on sale of division	1	9	-	9
Total net other gains and losses	**(163)**	**997**	**(197)**	**1,039**

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Net other gains and losses	(163)	-	(197)	-

Group and Auckland Council

Due to the uncertain nature of these gains and losses, they are not budgeted.

The net losses for the group related to

- $108 million net decrease in the value of investment property
- $72 million net loss on the disposal of property, plant and equipment and intangible assets and a $16 million loss from the impairment of property, plant and equipment and intangible assets.

This was partly offset by movements in the value of derivative financial instruments which are used as hedges against interest rate and foreign exchange movements.

The group uses hedging contract to increase the certainty of interest costs over multiple time periods which enable us to execute our planned expenditure programmes with confidence.

The group uses foreign exchange hedges to lock in foreign currency rates on our borrowings that are denominated in foreign currency, and interest rate hedging contracts to fix interest costs.

Accounting standards require hedging contracts to be recognised at their fair value at the reporting date.

Rising interest rates have resulted in a $25 million unrealised gain from the change in the fair value of our interest rate hedging contracts.

Hedging contracts are generally held to maturity.

A7 Income tax

Accounting policy

Income from the council and some CCOs is exempt from income tax under the Income Tax Act 2007, except for certain income received from CCOs and port-related commercial undertakings.

Income tax comprises current tax and deferred tax calculated using the tax rate that has been enacted or substantively enacted by the balance date. Income tax is charged or credited to the surplus or deficit, except when it relates to items that are recognised in other comprehensive revenue and expenditure or directly in equity.

Current tax is the amount of income tax payable or refundable in the current period, plus any adjustments to income tax payable in respect of prior periods. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Refer to Note F2 for information on deferred tax assets and liabilities.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Components of income tax expense				
Current tax	-	(3)	-	-
Deferred tax	62	40	-	-
Total income tax expense	**62**	**37**	**-**	**-**
Relationship between income tax and accounting surplus/(deficit)				
Net surplus before tax	1,072	1,761	(56)	1,138
(Surplus)/Deficit from non-taxable activities	(810)	(1,534)	56	(1,138)
Taxable surplus	**262**	**227**	**-**	**-**
Prima facie income tax at 28%	73	63	-	-
Tax effect of permanent differences	(12)	(22)	-	-
Associates' income net of tax	(1)	(1)	-	-
Subvention payment	(3)	-	-	-
Other adjustments	5	(3)	-	-
Total income tax expense	**62**	**37**	**-**	**-**

Tax losses and imputation credits

All the group's significant subsidiaries except for Tātaki Auckland Unlimited Trust and Watercare Services Limited, are in an income tax group. Tax losses are offset between entities within the income tax group when the tax return is filed. During the year tax losses were transferred to the group from the council for no consideration.

A7 Income tax (continued)

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Imputation credits available for use in subsequent reporting periods	44	46	-	-

Imputation credits available for use by any member of the income tax group are $3 million (2022: $3 million).

A8 Impacts of significant weather events

Auckland experienced the Auckland Anniversary flood in January 2023 and Cyclone Gabrielle in February 2023. This was followed by a storm event in May. These weather events caused widespread damage to the group's property and infrastructure from flooding, landslides and extreme wind, which in turn resulted in the accumulation of silt, debris, and contamination of sites. Some of the damage to the group's assets will be covered by insurance. The most significant impacts that affected the group included, but were not limited to:

- damage to community buildings, recreation centres, venues for hire, libraries, works of art and reserves from water flows, infiltration, fallen trees and debris
- over 1,300 landslides, with several major ones affecting roads
- the closure of 150 roads and 29 cycleways due to the accumulation of debris, potholes and subsidence
- damage to several bridges, including the Mill Flat Road bridge, and washed-out abutments of Sherwood Drive bridge
- damage to the water catchments, treatment plants, network pipes and electrics of many wastewater pump stations
- water damage to buses and trains.

Auckland Emergency Management, a function of Auckland Council that works in partnership with emergency services and related organisations, provided an emergency response to the communities affected. The response included:

- providing 7,000 building safety assessments
- preparing of 800 to 1,000 parcels a day for welfare support
- disposing of 6,200 tonnes of flood damaged household items
- clearing landslides and debris from roads
- providing geotechnical investigations of unstable land, roads and buildings
- clearing over 3,000 fallen trees on public land
- assessing and prioritising capital spend to repair damage and restore the water and roading networks.

Significant judgements and estimates used in determining the impact of significant weather events

- The most significant assumptions, and associated risks to the estimates provided relate to the extent of the damage to assets, the estimated cost to repair the assets and any changes to useful lives of assets. These judgements and estimates will continue to be reviewed as new information becomes available.
- Judgement has been exercised in determining whether damage to assets should be treated as impairment losses, derecognition of the assets or costs to repair the damage, recognised within other operating expenses.

Accounting implications

Clean-up costs

Costs to clean-up assets are recognised in surplus or deficit within other operating expenses when the clean-up takes place.

A8 Impacts of significant weather events (continued)

Reimbursements of response costs

Reimbursements of recovery costs are recognised in surplus or deficit within other revenue when approval of the recovery is received from a third party.

Damaged or destroyed assets

Damaged or destroyed assets are impaired to their recoverable service amount based on their value in use, using the restoration cost approach. This is determined by reference to the depreciated replacement cost of the assets less the costs to repair the damage.

Asset type	Where impairment loss is recognised
Assets held at cost	Net other gains or losses, in surplus or deficit.
Property, plant and equipment held at revalued amount	Other comprehensive revenue to the extent that it does not exceed the amount in the revaluation surplus for the class of asset. Any excess is recognised in Net other gains or losses, in surplus or deficit.
Investment property	Net other gains or losses, in surplus or deficit.

Costs to repair assets

Costs to repair damaged assets to their original condition are recognised in surplus or deficit within other operating expenses when incurred. Costs that renew the entire asset or improve the economic benefits or service potential of an asset are capitalised. For assets that have been impaired on a restoration cost approach, subsequent costs incurred to restore damaged assets to their original condition is capitalised unless the damage is minor and service potential of the asset values are unaffected.

Insurance proceeds

Insurance proceeds are recognised when recovery is virtually certain. This is when the claim has been accepted by insurers and the group has received confirmation of the reimbursement value. The proceeds are recognised in surplus or deficit within other revenue.

The presentation of insurance proceeds in the statement of cash flow depends on the nature of insured item. The insurance proceeds which relate to damaged or destroyed assets are recognised as cash flows from investing activities. The insurance proceeds which relate to repair and maintenance expenses and normal business interruption are recognised as cash flows from operating activities.

Contingent assets

The ultimate quantum of the insurance proceeds for the significant weather event claims cannot currently be reliably measured as there will continue to be uncertainty around the range of possible outcomes and insufficient information to form a reasonable judgement for a number of years.

Current year financial impacts

The group incurred approximately $83 million in response costs such as clean-up costs. An impairment loss of $39 million was recognised for property, plant and equipment damaged due to flooding and high winds. The recoverable service amount of property, plant and equipment was based on value in use using the restoration cost approach, which was determined by reference to the depreciated replacement cost of the asset less repair costs.

Of this $39 million, $29 million relates to revalued property, plant and equipment. The impairment was recognised as a decrease in revaluation reserves, in Other Comprehensive Revenue and Expense. The remaining $10 million relates to property, plant and equipment which is held at cost. This impairment has been recognised in Net other losses in Surplus or Deficit.

Transport related emergency works were funded by Waka Kotahi NZ Transport Agency at a funding assistance rate of 91 per cent, which equated to $28 million. Eligible welfare costs were funded in full by central government and other eligible response and recovery costs were 60 per cent funded.

An immaterial amount of insurance proceeds was received during the year, the majority is expected to be received in future when there is certainty over the claimable amount.

Te Wehenga B:
Ngā rawa ukiuki

Section B: Long-term assets

This section provides information about the investments the Auckland Council Group and Auckland Council have made in long-term assets to provide services and facilities to the people of Auckland. Long-term assets include physical assets such as infrastructure, land and buildings, parks and reserves and non-physical assets such as computer software.

The notes in this section are as follows:

Jordarn Ratu and Opal Wiley at Te Manawa Library ▶

B1 Property, plant and equipment

Accounting policy

The property, plant and equipment of the Auckland Council Group (the group) and Auckland Council (the council) are classified into three categories:

- **Infrastructure assets** include land under roads and systems and networks integral to the city's water and transport infrastructure. These assets are intended to be maintained indefinitely, even if individual assets or components are replaced or upgraded.
- **Operational assets** include property, plant and equipment used to provide core council services, either as a community service, for administration, or as a business activity. Other operational assets include landfills, motor vehicles, office equipment, library books, furniture and fittings.
- **Restricted assets** include property and improvements where the use or transfer of title outside the group or the council is legally restricted.

Initial recognition and subsequent measurement

Property, plant and equipment is initially recognised at cost, unless acquired through a non-exchange transaction, in which case the asset is recognised at fair value at the date of acquisition. The cost of third party constructed assets generally comprises the sum of costs invoiced by the third party. The cost of self-constructed assets comprises purchase costs, time allocations and excludes, where material, any abnormal costs and internal surpluses.

Subsequent costs that extend or expand the asset's future economic benefits and service potential are capitalised. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

Useful lives

The useful lives used to calculate the depreciation of property, plant and equipment are as follows:

Asset class	Estimated useful life (years)
Infrastructure	
Land and road formation	Indefinite
Roads	5 to 100
Water and wastewater	5 to 200
Machinery	5 to 200
Stormwater	12 to 150
Other infrastructure	10 to 69
Operational	
Land	Indefinite
Buildings	10 to 100
Specialised sporting and cultural venues	3 to 100
Train stations	7 to 100

Asset class	Estimated useful life (years)
Operational (continued)	
Bus stations and shelters	10 to 60
Marinas	9 to 45
Rolling stock	14 to 35
Wharves	5 to 100
Works of art	13 to Indefinite
Other operational assets	1 to 50
Restricted	
Parks and reserves	Indefinite
Buildings	5 to 100
Improvements	3 to 87
Specified and cultural heritage assets	Indefinite

Disposals

Gains and losses on the disposal of property, plant and equipment are recognised in surplus or deficit. Any amounts included in the asset revaluation reserve in respect of the disposed assets are transferred to accumulated funds on disposal.

Impairment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of property, plant and equipment exceeds its recoverable amount. Any impairment loss is recognised immediately in surplus or deficit unless the asset is revalued, in which case any impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.

Refer to note A8 for the accounting implications of impacts of significant weather events.

B1 Property, plant and equipment (continued)

Group 2023	Opening balance			Movement	Closing balance		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Movement***	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Roads and formation	15,328	(40)	15,288	166	15,910	(456)	15,454
Water and wastewater	9,725	-	9,725	669	10,394	-	10,394
Machinery	1,748	-	1,748	140	1,888	-	1,888
Stormwater	6,678	-	6,678	105	6,857	(74)	6,783
Land under roads	7,456	-	7,456	359	7,815	-	7,815
Work in progress	2,098	-	2,098	524	2,622	-	2,622
Other	10	-	10	11	21	-	21
	43,043	**(40)**	**43,003**	**1,974**	**45,507**	**(530)**	**44,977**
Operational							
Land and buildings	6,597	(21)	6,576	(83)	6,600	(107)	6,493
Specialised sporting and cultural venues	1,312	(28)	1,284	117	1,429	(28)	1,401
Train stations	865	(45)	820	(25)	795	-	795
Bus stations and shelters	135	(11)	124	24	148	-	148
Marinas	159	-	159	1	166	(6)	160
Rolling stock	592	-	592	(21)	592	(21)	571
Wharves	769	(20)	749	1	784	(34)	750
Works of art	365	(4)	361	230	598	(7)	591
Work in progress	367	-	367	420	787	-	787
Other	1,541	(856)	685	(48)	1,483	(846)	637
	12,702	**(985)**	**11,717**	**616**	**13,382**	**(1,049)**	**12,333**
Restricted							
Parks, reserves and buildings	8,058	-	8,058	(856)	7,208	(6)	7,202
Improvements	1,767	(624)	1,143	(1)	1,849	(707)	1,142
Specified cultural and heritage	151	-	151	-	151	-	151
Work in progress	201	-	201	70	271	-	271
	10,177	**(624)**	**9,553**	**(787)**	**9,479**	**(713)**	**8,766**
Group total	**65,922**	**(1,649)**	**64,273**	**1,803**	**68,368**	**(2,292)**	**66,076**

*Refer to next page for further details.

B1 Property, plant and equipment (continued)

Group 2023	Movement							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Roads and formation	529	-	(417)	-	(3)	57	-	**166**
Water and wastewater	98	-	(211)	-	(9)	39	752	**669**
Machinery	90	-	(83)	-	(4)	-	137	**140**
Stormwater	187	-	(74)	(2)	(6)	-	-	**105**
Land under roads	357	-	-	-	-	2	-	**359**
Work in progress	(1,284)	1,808	-	-	-	-	-	**524**
Other	23	-	(1)	-	-	(11)	-	**11**
	-	**1,808**	**(786)**	**(2)**	**(22)**	**87**	**889**	**1,974**
Operational								
Land and buildings	76	-	(89)	(6)	(60)	(8)	4	**(83)**
Specialised sporting and cultural venues	13	-	(45)	(11)	-	-	160	**117**
Train stations	7	-	(24)	-	-	(2)	(6)	**(25)**
Bus stations and shelters	12	-	(6)	-	-	-	18	**24**
Marinas	7	-	(6)	-	-	-	-	**1**
Rolling stock	-	-	(21)	-	-	-	-	**(21)**
Wharves	16	-	(15)	-	-	-	-	**1**
Works of art	1	184	(3)	-	-	-	48	**230**
Work in progress	(227)	647	-	-	-	-	-	**420**
Other	95	-	(99)	(3)	(3)	(38)	-	**(48)**
	-	**831**	**(308)**	**(20)**	**(63)**	**(48)**	**224**	**616**
Restricted								
Parks, reserves and buildings	79	-	(5)	(16)	(7)	8	(915)	**(856)**
Improvements	88	-	(83)	(6)	-	-	-	**(1)**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(167)	237	-	-	-	-	-	**70**
	-	**237**	**(88)**	**(22)**	**(7)**	**8**	**(915)**	**(787)**
Group total	**-**	**2,876**	**(1,182)**	**(44)**	**(92)**	**47**	**198**	**1,803**

*Includes transfers between asset classes within property, plant and equipment, as well as between property, plant and equipment, intangible assets, investment property and assets held-for-sale.

B1 Property, plant and equipment (continued)

Group 2022	**Opening balance**			**Movement**	**Closing balance**		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Movement***	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Roads and formation	11,329	(292)	11,037	4,251	15,328	(40)	15,288
Water and wastewater	8,853	-	8,853	872	9,725	-	9,725
Machinery	1,393	-	1,393	355	1,748	-	1,748
Stormwater	5,019	(151)	4,868	1,810	6,678	-	6,678
Land under roads	7,290	-	7,290	166	7,456	-	7,456
Work in progress	2,264	-	2,264	(166)	2,098	-	2,098
Other	15	-	15	(5)	10	-	10
	36,163	**(443)**	**35,720**	**7,283**	**43,043**	**(40)**	**43,003**
Operational							
Land and buildings	6,372	(13)	6,359	217	6,597	(21)	6,576
Specialised sporting and cultural venues	1,026	-	1,026	258	1,312	(28)	1,284
Train stations	644	(29)	615	205	865	(45)	820
Bus stations and shelters	117	(5)	112	12	135	(11)	124
Marinas	161	(9)	152	7	159	-	159
Rolling stock	578	(51)	527	65	592	-	592
Wharves	645	(4)	641	108	769	(20)	749
Works of art	362	-	362	(1)	365	(4)	361
Work in progress	417	-	417	(50)	367	-	367
Other	1,517	(777)	740	(55)	1,541	(856)	685
	11,839	**(888)**	**10,951**	**766**	**12,702**	**(985)**	**11,717**
Restricted							
Parks, reserves and buildings	6,850	-	6,850	1,208	8,058	-	8,058
Improvements	1,611	(544)	1,067	76	1,767	(624)	1,143
Specified cultural and heritage	150	-	150	1	151	-	151
Work in progress	146	-	146	55	201	-	201
	8,757	**(544)**	**8,213**	**1,340**	**10,177**	**(624)**	**9,553**
Group total	**56,759**	**(1,875)**	**54,884**	**9,389**	**65,922**	**(1,649)**	**64,273**

*Refer to next page for further details.

B1 Property, plant and equipment (continued)

Group 2022	**Movement**							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Roads and formation	753	-	(295)	-	-	83	3,710	**4,251**
Water and wastewater	278	-	(181)	-	(9)	24	760	**872**
Machinery	127	-	(66)	-	-	(1)	295	**355**
Stormwater	207	-	(56)	-	(3)	-	1,662	**1,810**
Land under roads	172	-	-	-	-	(6)	-	**166**
Work in progress	(1,613)	1,451	-	(4)	-	-	-	**(166)**
Other	76	-	(1)	-	-	(80)	-	**(5)**
	-	**1,451**	**(599)**	**(4)**	**(12)**	**20**	**6,427**	**7,283**
Operational								
Land and buildings	111	-	(84)	-	(66)	(59)	315	**217**
Specialised sporting and cultural venues	70	-	(29)	-	(3)	-	220	**258**
Train stations	86	-	(25)	-	(36)	180	-	**205**
Bus stations and shelters	18	-	(6)	-	-	-	-	**12**
Marinas	12	-	(6)	-	-	(25)	26	**7**
Rolling stock	22	-	(21)	-	-	-	64	**65**
Wharves	125	-	(15)	-	-	(2)	-	**108**
Works of art	2	-	(3)	-	-	-	-	**(1)**
Work in progress	(546)	498	-	(2)	-	-	-	**(50)**
Other	100	-	(107)	(6)	(3)	(39)	-	**(55)**
	-	**498**	**(296)**	**(8)**	**(108)**	**55**	**625**	**766**
Restricted								
Parks, reserves and buildings	49	-	(4)	(2)	(2)	6	1,161	**1,208**
Improvements	124	-	(80)	-	-	32	-	**76**
Specified cultural and heritage	1	-	-	-	-	-	-	**1**
Work in progress	(174)	229	-	-	-	-	-	**55**
	-	**229**	**(84)**	**(2)**	**(2)**	**38**	**1,161**	**1,340**
Group total	**-**	**2,178**	**(979)**	**(14)**	**(122)**	**113**	**8,213**	**9,389**

*Includes transfers between asset classes within property, plant and equipment, as well as between property, plant and equipment, intangible assets, investment property and assets held-for-sale.

B1 Property, plant and equipment (continued)

Auckland Council 2023	Opening balance			Movement	Closing balance		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Movement***	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Stormwater	6,678	-	6,678	105	6,857	(74)	6,783
Work in progress	184	-	184	2	186	-	186
Other	10	-	10	11	21	-	21
	6,872	**-**	**6,872**	**118**	**7,064**	**(74)**	**6,990**
Operational							
Land and buildings	4,005	(2)	4,003	(74)	4,004	(75)	3,929
Wharves	229	(3)	226	(4)	229	(7)	222
Works of art	47	(3)	44	(3)	47	(6)	41
Work in progress	174	-	174	56	230	-	230
Other	699	(426)	273	(8)	725	(460)	265
	5,154	**(434)**	**4,720**	**(33)**	**5,235**	**(548)**	**4,687**
Restricted							
Parks, reserves and buildings	8,058	-	8,058	(855)	7,208	(5)	7,203
Improvements	1,764	(623)	1,141	(2)	1,846	(707)	1,139
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	201	-	201	70	271	-	271
	10,173	**(623)**	**9,550**	**(787)**	**9,475**	**(712)**	**8,763**
Auckland Council total	**22,199**	**(1,057)**	**21,142**	**(702)**	**21,774**	**(1,334)**	**20,440**

*Refer to next page for further details.

B1 Property, plant and equipment (continued)

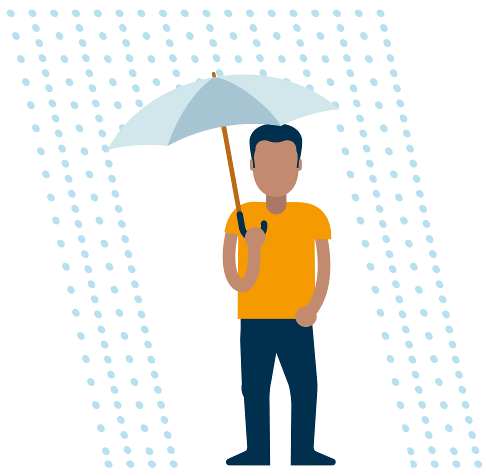
Auckland Council 2023	Movement							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Stormwater	187	-	(74)	(2)	(6)	-	-	**105**
Work in progress	(210)	212	-	-	-	-	-	**2**
Other	23	-	(1)	-	(21)	10	-	**11**
	-	**212**	**(75)**	**(2)**	**(27)**	**10**	**-**	**118**
Operational								
Land and buildings	61	7	(75)	(5)	(58)	(4)	-	**(74)**
Wharves	-	-	(4)	-	-	-	-	**(4)**
Works of art	-	-	(3)	-	-	-	-	**(3)**
Work in progress	(93)	149	-	-	-	-	-	**56**
Other	32	-	(40)	-	-	-	-	**(8)**
	-	**156**	**(122)**	**(5)**	**(58)**	**(4)**	**-**	**(33)**
Restricted								
Parks, reserves and buildings	79	12	(5)	(15)	(8)	(3)	(915)	**(855)**
Improvements	88	-	(83)	(7)	-	-	-	**(2)**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(167)	237	-	-	-	-	-	**70**
	-	**249**	**(88)**	**(22)**	**(8)**	**(3)**	**(915)**	**(787)**
Auckland Council total	**-**	**617**	**(285)**	**(29)**	**(93)**	**3**	**(915)**	**(702)**

*Includes transfers between asset classes within property, plant and equipment, as well as between property, plant and equipment, intangible assets, investment property and assets held-for-sale.

B1 Property, plant and equipment (continued)

Auckland Council 2022	**Opening balance**			**Movement**	**Closing balance**		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Movement***	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Stormwater	5,020	(152)	4,868	1,810	6,678	-	6,678
Work in progress	280	-	280	(96)	184	-	184
Other	15	-	15	(5)	10	-	10
	5,315	**(152)**	**5,163**	**1,709**	**6,872**	**-**	**6,872**
Operational							
Land and buildings	3,912	-	3,912	91	4,005	(2)	4,003
Wharves	227	-	227	(1)	229	(3)	226
Works of art	47	-	47	(3)	47	(3)	44
Work in progress	161	-	161	13	174	-	174
Other	706	(417)	289	(16)	699	(426)	273
	5,053	**(417)**	**4,636**	**84**	**5,154**	**(434)**	**4,720**
Restricted							
Parks, reserves and buildings	6,850	-	6,850	1,208	8,058	-	8,058
Improvements	1,607	(543)	1,064	77	1,764	(623)	1,141
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	146	-	146	55	201	-	201
	8,753	**(543)**	**8,210**	**1,340**	**10,173**	**(623)**	**9,550**
Auckland Council total	**19,121**	**(1,112)**	**18,009**	**3,133**	**22,199**	**(1,057)**	**21,142**

*Refer to next page for further details.



B1 Property, plant and equipment (continued)

Auckland Council 2022	**Movement**							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Stormwater	207	1	(56)	-	(3)	-	1,661	**1,810**
Work in progress	(283)	187	-	-	-	-	-	**(96)**
Other	76	2	(1)	-	(83)	1	-	**(5)**
	-	**190**	**(57)**	**-**	**(86)**	**1**	**1,661**	**1,709**
Operational								
Land and buildings	48	-	(69)	-	(73)	(79)	264	**91**
Wharves	3	-	(4)	-	-	-	-	**(1)**
Works of art	-	-	(3)	-	-	-	-	**(3)**
Work in progress	(88)	101	-	-	-	-	-	**13**
Other	37	-	(42)	-	(1)	(32)	22	**(16)**
	-	**101**	**(118)**	**-**	**(74)**	**(111)**	**286**	**84**
Restricted								
Parks, reserves and buildings	49	2	(4)	(2)	(1)	3	1,161	**1,208**
Improvements	124	7	(79)	-	-	25	-	**77**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(173)	228	-	-	-	-	-	**55**
	-	**237**	**(83)**	**(2)**	**(1)**	**28**	**1,161**	**1,340**
Auckland Council total	**-**	**528**	**(258)**	**(2)**	**(161)**	**(82)**	**3,108**	**3,133**

*Includes transfers between asset classes within property, plant and equipment, as well as between property, plant and equipment, intangible assets, investment property and assets held-for-sale.

B1 Property, plant and equipment (continued)

Work in progress by asset class

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Infrastructure				
Roads and formation	704	604	-	-
Water and wastewater	1,732	1,310	-	-
Stormwater	180	167	180	167
Other	6	17	6	17
	2,622	**2,098**	**186**	**184**
Operational				
Land and buildings	476	169	171	138
Specialised sporting and cultural venues	38	15	-	-
Train stations	-	9	-	-
Rolling stock	52	14	-	-
Wharves	74	41	12	9
Works of art	5	2	4	1
Other	142	117	43	26
	787	**367**	**230**	**174**
Restricted				
Parks, reserves and buildings*	39	35	39	35
Improvements*	232	166	232	166
	271	**201**	**271**	**201**
Work in progress total	**3,680**	**2,666**	**687**	**559**

*The comparative balances for both Group and Auckland Council have been restated to align with current year disclosure. The restatement results in a decrease of $131 million in Parks, reserves and buildings and a corresponding increase of $131 million in Improvements.

Revaluation

Accounting policy

Infrastructure assets (except land under roads), restricted assets (except improvements and specified cultural and heritage assets) and operational assets (except other operational assets) undergo a full revaluation with sufficient regularity, and at least every five years to ensure that their carrying amounts do not differ materially from fair value. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then those asset classes are revalued. Revaluations are accounted for on an asset class basis.

Net revaluation gains are recognised in other comprehensive revenue and expenditure and are accumulated in the asset revaluation reserve in equity for each class of asset. Revaluation losses that result in a debit balance in an asset class's revaluation reserve are recognised in surplus or deficit. Any subsequent gain on revaluation is recognised first in surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expenditure.

Significant judgements and estimates

The group uses the depreciated replacement cost (DRC) method in revaluing most of its property, plant and equipment. Specialised sporting and cultural venues are valued using the optimised depreciated replacement cost method (ODRC) and operational land and buildings, parks and reserves and works of art are mainly valued at market value.

DRC is calculated based on the replacement cost of the property, plant and equipment depreciated over their useful lives. This method takes into account the age and condition of the assets, estimated optimisation rates and estimated remaining useful lives of those assets. The revaluation process involves physical inspection of selected assets to note aspects such as condition, utilisation, replacement timing and asset optimisation.

B1 Property, plant and equipment (continued)

ODRC is calculated based on the replacement cost new of a modern equivalent asset as the starting point and applies optimisation and depreciation to adjust for age, condition, performance and remaining useful life. Replacement cost estimates refer to current construction costs and are adjusted where necessary for fees, lead time, demolition cost and any other necessary changes.

Market value is based on recent equivalent sales, the present value of future cash flows.

It is assumed that all asset classes have no residual value at the end of their useful lives.

The following asset classes have been revalued at an individual asset level as at 30 June 2023: Water and wastewater, machinery, train stations and bus stations and shelters and works of art. The table below summarises the key assumptions adopted by independent valuers in determining the fair value of each class of asset at the date of valuation. Specialised sporting and cultural venues and restricted land and buildings underwent a desktop valuation assessment based on estimated market movements. These assessments indicated significant changes in the carrying value of the asset classes and accordingly a revaluation adjustment was recorded at balance date. The remaining asset classes have been assessed for movement in fair value to ensure that their carrying values do not differ materially from their fair values.

Independent valuer and key assumptions

Infrastructure

Water and wastewater and machinery	Water, wastewater and machinery assets have been revalued as at 30 June 2023. The machinery of the group comprises engines and turbines installed at water and wastewater pump stations. These are revalued together with water and wastewater assets. Independent valuer: Beca Projects NZ Limited. **Key valuation assumptions** • Construction costs based on recent contract-based construction work and the unit rates reflect the costs of replacing assets. • Useful lives of assets are calculated as the lesser of their physical or economic lives.
Stormwater	Stormwater assets were last revalued as at 30 June 2022 and are scheduled to be revalued again as at 30 June 2027. Independent valuer: In-house valuation subject to peer review by AON New Zealand. **Key valuation assumptions** • Unit rates for replacement were applied to the assets based on size, material, depth, asset sub-type and location. • Unit rates were derived from stormwater physical works costs. These were indexed using Statistics NZ CGPI for civil constructions to convert them to current dollar value. • Condition information and age were used to determine remaining useful lives. **Fair value assessment** Management performed an assessment of the change in fair value using the Statistics New Zealand Business Price Index (BPI) to approximate changes in fair value at 30 June 2023. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.
Roads and formation	Roads and formation assets were last revalued as at 30 June 2022 and are scheduled to be revalued again as at 30 June 2027. Independent valuer: PEACS Limited. **Key valuation assumptions** • Unit rates for road construction were based on the most current contracted rates applicable to the group. Where there was no current contracted unit rate information available, the most recent rates were used, indexed for the impact of inflation and adjusted as per Waka Kotahi cost adjustment factors. • Useful lives were determined considering the age, condition information held on these assets and the assets future service potential. These assumptions were affected by local conditions such as ground type, weather patterns and road usage. **Fair value assessment** Management performed an assessment of the change in fair value using the desktop market movement assessment provided by Beca Projects NZ Limited to approximate changes in fair value at 30 June 2023. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.

B1 Property, plant and equipment (continued)

Operational	
Land and buildings	Land and buildings were last revalued as at 30 June 2022 and are scheduled to be revalued as at 30 June 2027. Independent valuers: Bayleys Valuation Limited, Beca Projects NZ Limited, Quotable Value Limited, CBRE Limited, Colliers International. **Key valuation assumptions** • Land and buildings were mainly valued based on recent equivalent sales information and/or market evidence. • Where no market existed for the buildings, ODRC was used with allowance for age, condition and configuration of the building. **Fair value assessment** Management performed an assessment of the change in fair value using the desktop market movement assessment provided by independent valuers to approximate changes in fair value at 30 June 2023. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.
Specialised sporting and cultural venues	Specialised sporting and cultural venues were last independently revalued as at 30 June 2022 and were adjusted based on the results of a desktop valuation as at 30 June 2023. They are scheduled to be revalued again as at 30 June 2027. Independent valuer: Beca Projects NZ Limited. **Key valuation assumptions** • The valuation was based on either market value or ODRC. **Fair value assessment and resulting valuation adjustment** Management performed an assessment of the change in fair value using the desktop market movement assessment provided by Beca Projects NZ Limited to approximate changes in fair value at 30 June 2023. This desktop assessment is not a full revaluation, but rather reflects the movements in market values. It provides an indicative estimate of the degree of market movement but does not contain the depth of analysis or robustness of a comprehensive valuation. The assessment indicated an increase in value of 13%. Due to the significant increase indicated by this assessment the group has used it as a basis for adjusting the carrying value of specialised sporting and cultural venues as at 30 June 2023 and accordingly a revaluation gain of $160 million was recorded at balance date.
Train stations	Train stations were last revalued as at 30 June 2023 and are scheduled to be revalued again as at 30 June 2028. Independent valuer: Beca Projects NZ Ltd and in-house valuation performed by Auckland Transport. **Key valuation assumptions** • The valuation was based on ODRC. • Residual values, asset lives, and condition assessments were considered as part of the revaluation. • Sources of information included inflation indices from Stats NZ and in-house cost building methodologies. • Train shelters were valued using unit rates that were determined for a sample of 6 structures.
Bus stations and shelters	Bus stations and shelters were last revalued as at 30 June 2023 and are scheduled to be revalued again as at 30 June 2028. Independent valuer: Beca Projects NZ Limited. **Key valuation assumptions** • The valuation was based on ODRC. • Residual values, asset lives, and condition assessments were considered as part of the revaluation. • Bus stations and shelters were valued using unit rates that were determined for a sample of 9 common structures.

B1 Property, plant and equipment (continued)

Marinas	Marinas were last revalued as at 30 June 2022 and are scheduled to be revalued again as at 30 June 2027. Independent valuers: Seagar & Partners Limited. **Key valuation assumptions** • The valuation was determined using discounted cash flow calculations using estimates of cash flows able to be generated by the asset, discounted at a market-based rate of return. **Fair value assessment** Management reviewed the valuation model as at 30 June 2023 and there were no material changes to the expected cash flows. A revaluation of the asset class was not required at balance date.
Operational (continued)	
Rolling stock	Rolling stock assets were last revalued as at 30 June 2022 and are scheduled to be revalued again as at 30 June 2027. Independent valuers: KPMG. **Key valuation assumptions** • The valuation was based on ODRC. • Useful lives were based on an expected vehicle replacement programme, which defines the expected economic and/or physical lives of the different vehicle types. **Fair value assessment** Management performed an assessment of the change in fair value using the BPI to approximate changes in fair value at 30 June 2023. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.
Wharves	Wharves were last revalued as at 30 June 2021 and are scheduled to be revalued again as at 30 June 2026. Independent valuer: WSP New Zealand Limited and in-house valuation performed by Auckland Transport, Beca Projects NZ Limited, John Foord (International), industrial valuers and Ortus International, registered quantity surveyors. **Key valuation assumptions** • The valuation was based on ODRC to the extent that optimisation can occur in the normal course of business using commercially available technology. • Useful lives were estimated at 100 years or less at an element level, reflecting the marine environment, rate of change and obsolescence, loadings, and the predominance of concrete and steel structural elements. **Fair value assessment** Port of Auckland and Auckland Transport had external valuations of their wharves which make up 70% or $529 million of the group's value of wharves. Their valuations indicated a 13% or $68 million fair value increase. As this was not material to the group, their revaluations were reversed for group reporting purposes, and no fair value adjustment was recognised for this class of assets.
Works of art	Specific categories of works of art have been revalued as at 30 June 2023. Other categories of artworks are scheduled to be revalued again as at 30 June 2024. Independent valuer: Sotheby's London, Winston Art Group (New York) and Coupland Art (Auckland). **Key valuation assumptions** • The fair values of artworks were determined by reference to market information with regards to the asset's condition. • The Robertson Collection that was transferred to the group during the year was revalued by Winston Art Group (New York) as part of the transfer process. The collection makes up approximately 32% of this asset class. Winston Art Group (New York)'s valuation was based on market information at valuation date. They noted that estimates of value and quality may vary from one appraiser to another, with such variances not necessarily constituting an error on behalf of the appraiser. They did not express an opinion on any future or past values and stated that data contained in the appraisal cannot be considered a guarantee or warranty of value.

B1 Property, plant and equipment (continued)

Restricted

Parks, reserves and buildings

Parks, reserves and buildings were last independently revalued as at 30 June 2022 and were adjusted based on the results of a desktop valuation as at 30 June 2023. They are scheduled to be revalued again as at 30 June 2027.

Independent valuer: Quotable Value Limited.

Key valuation assumptions

- Large reserves were valued based on a rural land value with a locational adjustment taking into consideration active/passive zone differentials which were based on the valuers' professional judgements. The rural land value had historically been based on metropolitan single home land sales. Following recent regulatory and Auckland Plan changes there are less of these sales in the market and the latest valuation as at 30 June 2022 relied more on multi-unit land sales data.
- Buildings were based on DRC determined with reference to recent construction contracts and recent costing obtained from construction details and Property Institute of New Zealand's cost information.

Fair value assessment and resulting valuation adjustment

Management performed an assessment of the change in fair value using the desktop market movement assessment provided by Quotable Value Limited to approximate changes in fair value at 30 June 2023. This desktop assessment is not a full revaluation, but rather reflects the movements in market values. It provides an indicative estimate of the degree of market movement but does not contain the depth of analysis or robustness of a comprehensive valuation. The assessment indicated a decrease value of 11-16%. Due to the significant decrease indicated by this assessment the Group has used it as a basis for adjusting the carrying value of restricted parks, reserves and buildings as at 30 June 2023 and accordingly a revaluation loss of $915 million was recorded at balance date.

Asset class	Last revalued date	Asset revaluation reserve				Net change for the period	
		Group		Auckland Council		Group	Auckland Council
$Million		2023	2022	2023	2022		
Infrastructure							
Water and wastewater	30 June 2023	2,934	2,382	-	-	552	-
Machinery	30 June 2023	409	402	-	-	7	-
Stormwater	30 June 2022	2,455	2,459	2,455	2,459	(4)	(4)
Roads and formation	30 June 2022	7,322	7,324	-	-	(2)	-
Operational							
Land and buildings	30 June 2022	3,149	3,186	1,763	1,806	(37)	(43)
Specialised sporting and cultural venues	30 June 2023*	714	564	-	-	150	-
Train stations	30 June 2023	294	300	-	-	(6)	-
Bus stations and shelters	30 June 2023	27	10	-	-	17	-
Marinas	30 June 2022	95	95	22	22	-	-
Rolling stock	30 June 2022	68	68	-	-	-	-
Wharves	30 June 2021	173	136	18	18	37	-
Works of art	30 June 2023	129	80	36	36	49	-
Restricted							
Parks, reserves and buildings	30 June 2023*	3,004	3,944	3,004	3,944	(940)	(940)
Total		**20,773**	**20,950**	**7,298**	**8,285**	**(177)**	**(987)**

*Last revaluation was a desktop valuation based on market movements. For further details of the basis for the revaluation adjustment refer to 'fair value assessment' comments above.

Spark Arena (previously named Vector Arena)

Spark Arena is included in operational land and buildings and has a carrying value of $129 million (2022: $132 million). The Spark Arena provides Aucklanders with indoor sports and entertainment. It was constructed by and is operated by Quay Park Arena Management Limited (QPAM) under a development agreement with the group. The development agreement granted QPAM legal title to the building improvements. Title will revert to the group on 1 August 2046.

The group and QPAM contributed to the cost of building Spark Arena. The group has recognised the asset since it was constructed as the group retains significant risks and rewards over the assets, including a significant residual interest at the end of QPAM's rights period. The initial contribution of QPAM to build the Spark Arena is recognised as operating lease revenue in advance for the use of the Spark Arena. The group recognises the revenue on a straight-line basis over the rights period (see Note F4 for details on operating lease commitments).

B1 Property, plant and equipment (continued)

Heritage assets

Some assets are designated as heritage assets because of their cultural or historical significance. The heritage assets of the group and the council are classified to specific asset classes according to their nature and are subsequently measured as part of those asset classes. The group and the council have identified the following heritage assets with a net book value of $420 million:

- heritage books valued at $151 million as at 30 June 2023 (2022: $151 million); and
- 346 heritage buildings valued at $269 million as at 30 June 2023 (2022: 347 buildings valued at $279 million).

Restrictions

Various properties held by the group and the council have restrictions on the use of proceeds generated from them including the sales proceeds. These proceeds may only be applied to specified purposes, generally being to benefit the Auckland region. The current carrying value of the classes of property, plant and equipment where restrictions apply follow:

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Land and buildings	622	628	226	230
Parks, reserves and buildings	32	32	32	32
Total	**654**	**660**	**258**	**262**

America's Cup 36 (AC36) Assets

Assets built for AC36 are included in wharves and have a carrying value of $156 million (2022: $159 million). The council has committed to the Ministry of Business, Innovation and Employment (MBIE) that the assets constructed for the event will remain in situ for future America's Cup events until 25 September 2038.

The Robertson Collection of international artworks

American philanthropists, Julian and Josie Robertson, had previously agreed in 2009 to donate a collection of significant 19th century and early 20th century international artworks ("the Robertson Collection") to Auckland Art Gallery Auckland Art Gallery Toi o Tāmaki ('the Gallery"). This donation was recognised as a contingent asset in last year's financial statements. Following the death of Julian Robertson in August 2022, the artwork collection was released by the executors of his estate and ownership transferred to the group, with an acquisition date of March 2023. The Robertson Collection is subject to a donor restriction preventing the deaccessioning, exchange, or disposal of these artworks, which ensures continued access to the artworks by the public in the future.

An independent valuation was used to determine the fair value of the Robertson Collection on acquisition, which was undertaken by Winston Art (New York). Their appraisal was based on fair market values and was inclusive of assumed fees such as buyer's premium. This formed the basis of the value recognised in the financial statements at $178 million. Due to the nature of the artwork included in this donation, the Robertson Collection has been included in the "substantial significance" category of art assets, and going forward will be subject to the valuation methodology applied to all artworks in this category.

Finance leases

Other operational assets include property, plant and equipment subject to finance leases. The value of these assets is $34 million for the group (2022: $35 million) and $31 million for the council (2022: $32 million).

Security over property, plant and equipment

Other than property, plant and equipment subject to finance leases, no other property, plant and equipment is pledged as security for liabilities (2022: $nil) of the group and the council.

Service concession assets

The group's service concession assets are infrastructure assets owned by Watercare Services Limited and operated by Veolia Water Services (ANZ) Pty Limited (Veolia) for the provision of water and wastewater services in the Papakura district.

The franchise agreement stipulates the services Veolia must provide, to whom it must provide them and it also regulates the price. Veolia is responsible for upgrading and maintaining the entire network in Papakura so that at the end of the contract period (initial term of 30 years ending on 30 June 2027 with a 20-year right of renewal), the network shall be in a better overall condition than when the contract began in 1997. The group retains ownership of the assets and the assets will be returned for use by the group after the contract expires.

Service concession asset upgrades by Veolia are recognised by the group as an asset with a corresponding liability. This liability is amortised over the remaining period of the service concession arrangement. The carrying value of the service concession asset was $308 million at 30 June 2023 (2022: $219 million).

No new service concession arrangements were entered into by the group and the council in 2023 (2022: none).

B1 Property, plant and equipment (continued)

Local government disclosures

Core assets

Information about group and the council's core assets as required by the Local Government (Financial Reporting and Prudence) Regulations 2014, is as follows:

$Million	Water supply treatment plants and facilities	Water supply other assets	Sewerage treatment plants and facilities	Sewerage other assets	Storm water drainage	Flood protection and control works	Roads and footpaths
2023							
Assets constructed	36	211	94	426	115	6	492
Assets transferred	-	19	-	57	91	-	76
Closing book value	917	3,709	2,749	4,907	6,748	35	15,454
Estimated replacement cost	1,347	6,899	4,042	9,377	9,047	48	25,228
2022							
Assets constructed	53	197	105	253	110	1	455
Assets transferred	-	18	-	58	76	-	71
Closing book value	617	2,202	2,097	6,557	6,647	31	15,288
Estimated replacement cost	2,040	6,701	2,116	8,715	8,873*	42	24,744

*The comparative balance for Stormwater drainage has been restated to reflect the estimated replacement cost of these assets, rather than the depreciated replacement cost. The restatement results in an increase of $2.1 billion for estimated replacement cost of Stormwater drainage.

Insurance of assets

Information related to the group and the council's assets at 30 June 2023 as required by the LGA 2002 is as follows:

$Million	Book value	Insured value	Replacement value of self-insured assets	Commentary
Roads and formation	16,158	-	25,228	Uninsured. However, subject to meeting defined criteria, the cost associated with the immediate response, reopening and/or restoration of these assets as a result of a short natural event, e.g. earthquake or tsunami, could be subsidised by Waka Kotahi New Zealand Transport Agency.
Water and wastewater and machinery	14,014	25,525	-	Insured value includes both above ground and below ground infrastructure assets for Watercare Services Ltd. Above ground assets include water supply and wastewater treatment plants, pump stations and mobile plant and equipment to a value of $5.3 billion with a maximum insured value of $1 billion per event reducing to $450 million per event for fire. For below ground assets, the group obtains insurance cover up to $1.5 billion per event and in aggregate for loss or damage to the assets due to natural disaster. Currently central government funds 60% of the loss limit for eligible costs.
Stormwater	6,963	11,261	-	Below ground stormwater infrastructure is mainly pipes, culverts and valves. For this, the group obtains insurance cover up to $1.5 billion per event and in aggregate for loss or damage to the assets due to natural disaster. Currently central government funds 60% of the loss limit for eligible costs.
Buildings, wharves, other above ground structures and other operational assets	8,915	20,382	-	Insured value is the total above ground assets insured for the group covering up to $1 billion per event and in the aggregate for the loss or damage to the assets due to natural disaster reducing to $450 million per event and in the annual aggregate for fire.
Rolling stock	623	712	-	Insurance is for the entire network and includes the electric trains. The group has a maximum coverage of $50 million per event.
Land	19,278	-	19,278	All land (including restricted land) held by the group and the council is not insured due to low risk of loss.
Total	**65,951**	**57,880**	**44,506**	

B1 Property, plant and equipment (continued)

Self-insurance fund

During the current year, the group changed the way it insures its risk by implementing a self-insurance fund (SIF) for certain categories of risks. The SIF was established with capital of $20 million, which is invested in unit trusts. The fund pays up to $10 million per policy per event above different deductibles across the group on qualifying claims. Claim amounts over $10 million are referred to external insurers, in terms of a group insurance arrangement. The only weather event that the group had insurance claims for during the year was the Auckland Anniversary storm event. The storm event resulted in claims exceeding $10 million by the group. Watercare Services Limited (Watercare), opted for a $10 million deductible to external insurers. This enabled the other group entities to claim in full from external insurers. As a result, no claims were made against the SIF during the year.

B2 Intangible assets

Accounting policy

Initial recognition and subsequent measurement

Purchased intangible assets are initially recognised at cost. For internally generated intangible assets, the cost includes direct employee costs, a reasonable portion of overhead and other direct costs that are incurred within the development phase of the asset. Intangible assets acquired at no cost are initially recognised at fair value where they can be reliably measured. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Useful lives

The useful lives used to calculate the amortisation of intangible assets are as follows:

Class of intangible asset	Estimated useful life (years)
Community rights	2 to 35
Computer software	3 to 15
Intellectual property	5 to 35
Other intangible assets	1 to 85

Disposals

Gains and losses from the disposal of intangible assets are recognised in surplus or deficit.

Impairment

Intangible assets are assessed annually for impairment. An impairment loss is recognised in surplus or deficit for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows.

For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.

B2 *Intangible assets (continued)*

Group 2023 $Million	Opening balance Cost	Opening balance Accumulated depreciation and impairment	Opening balance Carrying amount	Movement	Closing balance Cost	Closing balance Accumulated depreciation and impairment	Closing balance Carrying amount
Computer software	934	(695)	239	(25)	843	(629)	214
Rights to acquire	11	-	11	-	11	-	11
Intellectual property	135	(66)	69	3	150	(78)	72
Other	156	(45)	111	(4)	159	(52)	107
Work in progress	56	-	56	7	63	-	63
Group total	**1,292**	**(806)**	**486**	**(19)**	**1,226**	**(759)**	**467**
Group 2022 $Million							
Computer software	965	(632)	333	(94)	934	(695)	239
Rights to acquire	11	-	11	-	11	-	11
Intellectual property	148	(82)	66	3	135	(66)	69
Other	153	(39)	114	(3)	156	(45)	111
Work in progress	53	-	53	3	56	-	56
Group total	**1,330**	**(753)**	**577**	**(91)**	**1,292**	**(806)**	**486**

Group 2023 $Million	Movement: Transfers from work in progress	Internally developed	Acquisition	Amortisation (Note A4)	Impairment	Disposals	Transfers*	Total
Computer software	44	-	-	(67)	-	(1)	(1)	**(25)**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	16	-	-	(14)	-	-	1	**3**
Other	4	-	-	(5)	-	(3)	-	**(4)**
Work in progress	(64)	27	44	-	-	-	-	**7**
Group total	**-**	**27**	**44**	**(86)**	**-**	**(4)**	**-**	**(19)**
Group 2022 $Million								
Computer software	43	-	-	(76)	(10)	(4)	(47)	**(94)**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	13	-	-	(11)	-	-	1	**3**
Other	4	-	-	(7)	-	-	-	**(3)**
Work in progress	(60)	-	118	-	(55)	-	-	**3**
Group total	**-**	**-**	**118**	**(94)**	**(65)**	**(4)**	**(46)**	**(91)**

*Includes transfers between classes within intangibles, as well as between intangibles and property, plant and equipment.

B2 *Intangible assets (continued)*

Auckland Council 2023 $Million	Opening balance Cost	Opening balance Accumulated depreciation and impairment	Opening balance Carrying amount	Movement	Closing balance Cost	Closing balance Accumulated depreciation and impairment	Closing balance Carrying amount
Computer software	505	(388)	117	(16)	516	(415)	101
Rights to acquire	11	-	11	-	11	-	11
Intellectual property	129	(61)	68	-	142	(74)	68
Other	37	(23)	14	1	41	(26)	15
Work in progress	9	-	9	7	16	-	16
Auckland Council total	**691**	**(472)**	**219**	**(8)**	**726**	**(515)**	**211**
Auckland Council 2022 $Million							
Computer software	506	(362)	144	(27)	505	(388)	117
Rights to acquire	11	-	11	-	11	-	11
Intellectual property	143	(78)	65	3	129	(61)	68
Other	34	(19)	15	(1)	37	(23)	14
Work in progress	15	-	15	(6)	9		9
Auckland Council total	**709**	**(459)**	**250**	**(31)**	**691**	**(472)**	**219**

Auckland Council 2023 $Million	Movement: Transfers from work in progress	Internally developed	Acquisition	Amortisation (Note A4)	Impairment	Disposals	Transfers*	Total
Computer software	11	-	-	(27)	-	-	-	**(16)**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	13	-	-	(13)	-	-	-	**-**
Other	4	-	-	(3)	-	-	-	**1**
Work in progress	(28)	27	8	-	-	-	-	**7**
Auckland Council total	**-**	**27**	**8**	**(43)**	**-**	**-**	**-**	**(8)**
Auckland Council 2022 $Million								
Computer software	13	-	-	(33)	(6)	-	(1)	**(27)**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	13	-	-	(11)	-	-	1	**3**
Other	3	-	-	(4)	-	-	-	**(1)**
Work in progress	(29)	-	23	-	-	-	-	**(6)**
Auckland Council total	**-**	**-**	**23**	**(48)**	**(6)**	**-**	**-**	**(31)**

*Includes transfers between classes within intangibles, as well as between intangibles and property, plant and equipment.

Intellectual property

Intellectual property comprises integrated catchment data and network models that provide local information about the stormwater, water and wastewater network performance in relation to capacity and interaction with the environment. The models are used for long-term management of the network.

Other intangible assets

Other intangible assets of the group include the following:

- Access rights of $63 million (2022: $63 million) which have been recognised at fair value on acquisition and are being amortised over the period of the underlying lease. The underlying lease periods of access rights have a range between 14 years and 85 years; and
- Resource consents valued at $30 million (2022: $31 million) which are essential to long-term programme of future capital works and are being amortised over the period of 1 to 35 years (2022: 1 to 35 years).

Restrictions to title and security over intangible assets

There are no restrictions over the title of intangible assets of the group and the council, nor are any intangible assets pledged as security for liabilities (2022: $nil).

B2 Intangible assets (continued)

Work in progress

Intangible assets under construction are detailed below:

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Computer software	58	50	11	5
Intellectual property	-	-	-	-
Other	5	6	5	4
Work in progress total	**63**	**56**	**16**	**9**

B3 Investment property

Accounting policy

Investment property includes land and commercial buildings held to generate income. Investment property is initially recognised at cost and subsequently measured at fair value. Valuations are undertaken annually by independent registered valuers with appropriate recognised professional qualifications and recent experience in Auckland and in investment properties. Gains or losses arising from changes in fair value are included in surplus or deficit. Investment properties are valued individually and are not depreciated.

Investment property	Valuation method and assumptions used
Land	Independent valuer: CBRE Limited, Colliers International New Zealand, Quotable Value Limited and Seagar & Partners Limited. • Individually considered and valued in accordance with current market-based evidence. • Valued as vacant under freehold or leasehold tenure. • Valuations consider the size, contour, quality, location, zoning, designation, and current and potential use.
Commercial property	Independent valuer: CBRE Limited, Colliers International New Zealand Limited, Quotable Value Limited and Seagar & Partners Limited. • Based on indicative yields derived from current prices of comparable property in an active market taking into account current and forecast lease terms.
Water space licence	Independent valuer: Seagar & Partners Limited. • Based on direct sales comparison, or a direct capitalisation of rental income using capitalisation rates of 6% (2022: 5%), supported by a discounted cash flow approach.

The movement in investment property is as follows:

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Opening balance	729	704	593	562
Net (decrease)/increase in fair value of investment property	(77)	56	(70)	42
Additions from acquisition	50	7	50	6
Disposals	-	(5)	-	(5)
Net transfers to property, plant and equipment and assets held for sale	(47)	(33)	(53)	(12)
Closing balance	**655**	**729**	**520**	**593**

Rental income and expenses relating to investment property are as follows:

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Rental income	19	20	16	16
Expenses	13	10	12	10

The group and the council have no investment property pledged as security for liabilities during the year (2022: $nil).

Te Wehenga C:
Ngā pūtea taurewa me ngā rawa tauhokohoko

Section C: Borrowings and financial instruments

This section provides details of the Auckland Council Group and Auckland Council's borrowings - a major source of financing used to deliver services to the people of Auckland. It also includes information about the group's financial instruments that are used to manage the risks associated with borrowings.

The notes included in this section are as follows:

◀ Te Wānanga public space, city waterfront

C1 Borrowings

Accounting policy

Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Foreign currency borrowings are translated into NZD using the spot rates at balance date. Foreign exchange gains and losses resulting from the settlement of borrowings and from translation are recognised in the surplus or deficit.

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Current				
Secured borrowings	2,403	994	2,402	993
Unsecured borrowings	-	-	-	-
Total current borrowings	**2,403**	**994**	**2,402**	**993**
Non-current				
Secured borrowings	9,884	9,914	9,882	9,911
Unsecured borrowings	170	455	-	-
Total non-current borrowings	**10,054**	**10,369**	**9,882**	**9,911**
Total borrowings	**12,457**	**11,363**	**12,284**	**10,904**
Consisting of:				
Fixed rate borrowings	7,701	7,319	7,528	7,144
Floating rate borrowings	4,756	4,044	4,756	3,760
Total borrowings	**12,457**	**11,363**	**12,284**	**10,904**

The group uses borrowings to fund capital investment in order to help achieve intergenerational equity, a principle promoted in the LGA 2002. Intergenerational equity requires today's ratepayers only to meet the cost of using the group and the council's assets, not the full cost of purchasing or creating long-term assets that will benefit future ratepayers.

Borrowings are sourced through domestic and offshore debt markets and via the Local Government Funding Agency Limited (LGFA). The foreign currency denominated debt of the Auckland Council Group (the group) and Auckland Council (the council) is $6,088 million as at 30 June 2023 (2022: $5,297 million) and is hedged to eliminate foreign exchange risk. Refer to Note E3 for further information.

The council's secured borrowings are secured by a charge over current and future rates revenue.

Port of Auckland Limited's borrowings are included in unsecured borrowings. These are borrowed under negative pledge arrangements which do not grant security over their assets. Certain financial ratios are set as requirements in these arrangements which were in place for both 2023 and 2022.

There were no defaults or breaches by the group or the council on any borrowing arrangement during the year (2022: nil).

Sustainable finance initiatives

The council continued its efforts to drive sustainability action through sustainable finance initiatives. It uses sustainability linked products to financially incentivise the council to meet sustainability performance targets (SPTs). The council's SPTs are designed to be ambitious, beyond business-as-usual activities and are material to the council's operations. The council obtained independent limited assurance to ensure that the SPTs met market principles in all material respects.

Since issuing its first green bond in June 2018, the council has issued $2.2 billion in green bonds in New Zealand and offshore. In October 2022, the council issued two foreign currency green bonds for CHF (Swiss franc) 100 million each (equivalent to NZD358 million in total).

The council has a sustainability linked derivative with a notional value of $120 million and during the year the council converted further existing standby facilities into sustainability linked facilities. At 30 June 2023 the council had $800 million (2022: $800 million) of sustainability linked facilities.

C1 Borrowings (continued)

The borrowing costs under a sustainability-linked facility are adjusted up or down depending on the performance against annual SPTs. A premium or discount may apply to the base line fee of the sustainability-linked loan following each annual measurement period depending on council's performance against the SPTs.

For the sustainability-linked derivative, its floating rate is adjusted up or down depending on the performance against the SPTs. The SPTs are the same as the sustainability-linked facilities.

The first sustainability reference period for the sustainability-linked facility/derivative was for the year ended 30 June 2023. The council is required to provide the SPT compliance certificate within 90 days from this date to confirm achievement of each SPT. In September, the council provided the compliance certificate following completion of the annual independent assurance work.

Interest rates

The weighted average interest rate for the group's borrowings including interest rate hedging instruments as at 30 June 2023, was 4.5% (2022: 4.1%). Refer to Notes A5 and E1 for the net finance costs during the period and the interest rate risk analysis, respectively.

Explanation of significant variances against budget

2023 $Million	Group		Auckland Council	
	Actual	Budget	Actual	Budget
Current borrowings	2,403	1,292	2,402	1,302
Non-current borrowings	10,054	10,784	9,882	10,288
Total borrowings	**12,457**	**12,076**	**12,284**	**11,590**

Group and Auckland Council

During the year, the council's Governing Body engaged in discussions about the possible sale of the council's Auckland International Airport Limited (AIAL) shareholding to pay down debt. In preparation for a potential sale of shares in AIAL, management took a prudent approach by ensuring that new borrowings were short-term in nature. This resulted in current borrowings exceeding the budget by $1.1 billion for the group and the council.

Overall, the group and the councils' borrowings were higher than budget because of working capital movements and foreign exchange movements. At 30 June 2023 borrowings included $252 million of unrealised foreign exchange losses on borrowings that were denominated in foreign currencies. These losses have been hedged using derivative financial instruments, therefore will not result in a loss in economic terms.

Local government disclosures

Internal borrowings

The council borrows on a consolidated level and as such does not use internal borrowing, therefore does not prepare internal borrowing statements. The group and the council always maintain sufficient cash balances.

Credit ratings

The council has a S&P's credit rating of AA (Stable outlook) and Moody's credit rating of Aa2 (Stable outlook). The S&P's rating was reaffirmed in September 2022 and the Moody's rating in October 2022.

C2 Derivative financial instruments

Accounting policy

The group and the council use derivative financial instruments, such as forward foreign currency contracts and interest rate swaps, to mitigate risks associated with foreign currency and interest rate fluctuations. The group and the council do not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges.

C2 *Derivative financial instruments (continued)*

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and derivative liabilities are classified as current when the maturity is 12 months or less from balance date or non-current when the maturity is more than 12 months from balance date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised directly in other comprehensive revenue and expenditure. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit. On derecognition, amounts accumulated in cash flow hedge reserve are transferred to surplus or deficit.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve at that time remains in equity and is recognised when the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss in cash flow hedge reserve is recognised immediately in 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, the associated gains and losses that were recognised in other comprehensive revenue and expenditure are transferred to the initial cost of the carrying amount of the non-financial asset or liability.

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Net derivative asset/(liability)	166	(232)	166	(228)

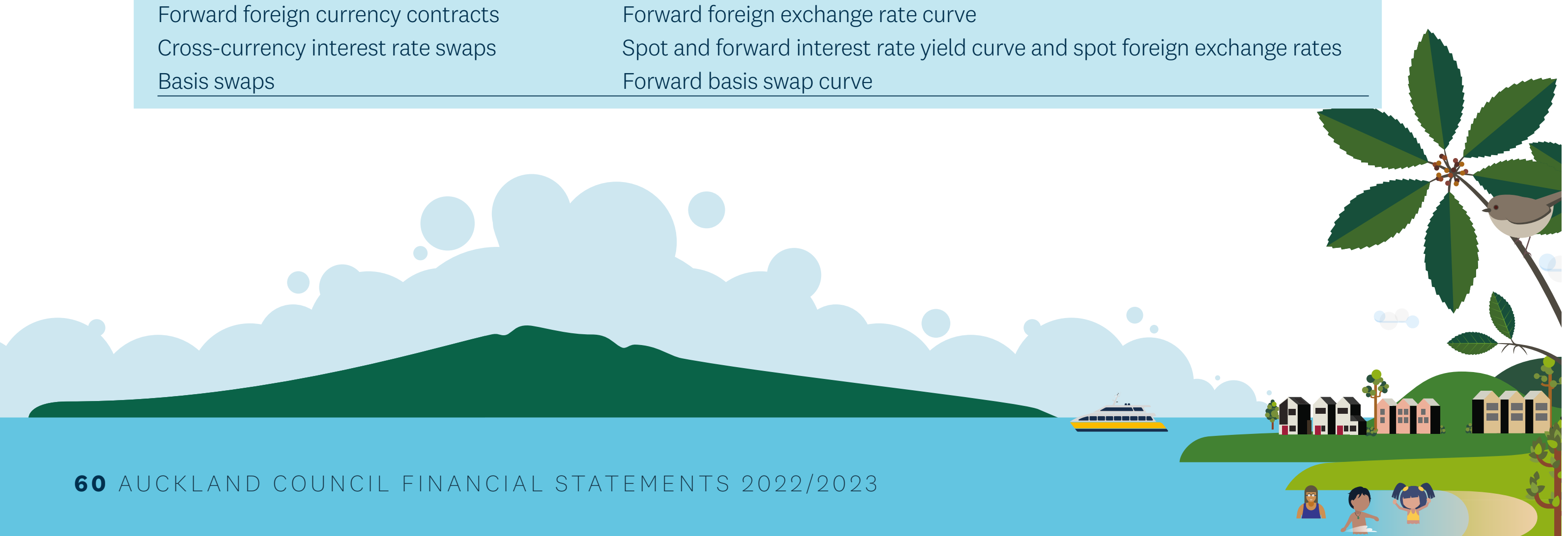
Group and Auckland Council

The group and the council's derivative financial instruments mainly comprise interest rate hedging contracts which were used to hedge interest rate movements. Interest rates moved higher during the year which had a favourable impact on the fair value of our derivatives portfolio, resulting in a net derivatives asset compared to the budgeted liability. For further information on the movement in derivatives, refer to Note A6 Net other gains and losses.

Significant judgements and estimates used in the valuation of derivative financial instruments

The derivatives of the group and the council are all under Level 2 of the fair value hierarchy (see Note C4). The fair values of Level 2 derivatives are determined using discounted cash flow valuation techniques based on the terms and valuation inputs from independently sourced market parameters as summarised below:

Instrument	Valuation input
Interest rate swaps	Spot and forward interest rate yield curve
Forward foreign currency contracts	Forward foreign exchange rate curve
Cross-currency interest rate swaps	Spot and forward interest rate yield curve and spot foreign exchange rates
Basis swaps	Forward basis swap curve



C2 *Derivative financial instruments (continued)*

The notional and fair values of the group and the council's derivative financial instruments are as follows:

Group	2023				2022			
	Assets		Liabilities		Assets		Liabilities	
$Million	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Current								
Interest rate swaps								
- fair value through surplus or deficit	100	2	179	2	50	1	200	2
Forward foreign currency contract								
- cash flow hedge	-	-	-	-	6	-	-	-
- fair value through surplus or deficit	226	3	-	-	1	-	27	1
Cross-currency interest rate swaps								
- fair value through surplus or deficit	256	105	-	-	-	-	-	-
Total current	**582**	**110**	**179**	**2**	**57**	**1**	**227**	**3**
Non-current								
Interest rate swaps								
- cash flow hedge	-	-	-	-	50	1	-	-
- fair value through surplus or deficit	8,864	493	3,000	108	7,055	353	5,039	198
Forward foreign currency contract								
- cash flow hedge	-	-	-	-	-	-	1	-
- fair value through surplus or deficit	88	1	77	-	-	-	210	2
Cross-currency interest rate swaps								
- fair value through surplus or deficit	2,183	125	3,040	460	1,357	171	3,765	437
Basis swaps								
- fair value through surplus or deficit	1,165	7	-	-	808	2	-	-
Total non-current	**12,300**	**626**	**6,117**	**568**	**9,270**	**527**	**9,015**	**637**
Total derivatives	**12,882**	**736**	**6,296**	**570**	**9,327**	**528**	**9,242**	**640**

Auckland Council	2023				2022			
	Assets		Liabilities		Assets		Liabilities	
$Million	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Current								
Interest rate swaps								
- fair value through surplus or deficit	100	2	179	1	50	1	200	2
Forward foreign currency contract								
- fair value through surplus or deficit	226	3	44	1	27	-	27	-
Cross-currency interest rate swaps								
- fair value through surplus or deficit	256	105	-	-	-	-	-	-
Total current	**582**	**110**	**223**	**2**	**77**	**1**	**227**	**2**
Non-current								
Interest rate swaps								
- fair value through surplus or deficit	8,864	493	3,000	107	7,055	352	5,039	198
Forward foreign currency contract								
- fair value through surplus or deficit	165	1	165	1	210	2	210	2
Cross-currency interest rate swaps								
- fair value through surplus or deficit	2,183	125	3,040	460	1,357	171	3,765	437
Basis swaps								
- fair value through surplus or deficit	1,165	7	-	-	808	2	-	-
Total non-current	**12,377**	**626**	**6,205**	**568**	**9,430**	**527**	**9,014**	**637**
Total derivatives	**12,959**	**736**	**6,428**	**570**	**9,507**	**528**	**9,241**	**639**

C3 Other financial assets

Accounting policy

The group's and council's other financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in surplus or deficit.

Other financial assets of the group and the council include loans to related parties, credit support annexures, bonds, borrower notes, community loans and listed and unlisted shares.

The accounting policies on classification of these financial assets for the purpose of measurement are outlined in Note C4.

Impairment of loans to related parties

Impairment of loans to related parties reflect the group and the council's expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group and the council expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Current				
Borrowers notes	6	8	6	8
Investments in managed funds	24	-	24	-
Loans to related parties	-	-	10	8
Short-term deposits	26	13	23	9
Other	54	39	54	39
Total current	**110**	**60**	**117**	**64**
Non-current				
Borrowers notes	58	57	58	57
Investments in managed funds	10	11	-	-
Listed shares	1,434	1,957	1,393	1,910
Loans to related parties	3	3	3,599	3,064
Other	19	21	18	21
Total non-current	**1,524**	**2,049**	**5,068**	**5,052**

Investment in Auckland International Airport Limited

On 8 June 2023, the council adopted an amendment to the 10-year Budget 2021-2031 enabling the sale of some of the council's shares held in Auckland International Airport Limited (AIAL). The amendment provides for the proceeds from this sale to reduce the council's debt.

The Governing Body approved a decision to sell 7% of council's shares in AIAL and therefore, the shares have been classified as Assets held for sale as at 30 June 2023. The remaining 11% of the council's shares is included in Other financial assets – listed shares. Refer to Note F1 Non-current assets held for sale.

The council's objective for managing its investment in AIAL is to maintain at least 10% stake. The council's strategy is to:

- maintain a shareholding in AIAL equivalent to at least 10% of the total shares, and
- consider selling its shares above the intended minimum level where the council would be better off as a result, or worse off by maintaining its holding.

C3 Other financial assets (continued)

Further detail can be found in the Amendment to the 10-year Budget 2021-2031 which sets out the strategy for managing the council's investment in AIAL.

Refer to the Note F4 Subsequent events on the sale of AIAL shares after the balance sheet date.

Borrower notes

Borrower notes are subordinated convertible debt instruments that the council is required to subscribe for when borrowing from the LGFA, currently set at 2.5% of the amount borrowed. The LGFA will redeem borrower notes when the council's related borrowings are repaid or are no longer owed to the LGFA or may convert them to equity under specific circumstances.

The fair value of borrower notes is calculated using the discounted cashflows. The significant input used in the fair value measurement of borrower notes is the forward interest rate yield curve.

Listed shares

Listed shares represent an investment holding of 11.08% in Auckland International Airport Limited (AIAL) (2022: 18.09%) and 19.90% in Marsden Maritime Holdings Limited (MMHL) (2022: 19.90%). At 30 June 2023, the fair value of investments in AIAL and MMHL are $1.39 billion (2022: $1.91 billion) and $41.0 million (2022: $47.0 million).

Marsden Maritime Holdings Limited

The objective of council's investment in MMHL shares is to maintain a strategic stake in important regional assets as well as generating financial returns from the investment.

Loans to related parties

The council has loans to Auckland Transport, Watercare Services Limited (Watercare) and Port of Auckland Limited (POAL). The loan to POAL was set up this year following a decision made between the council and POAL in March 2023 for council to provide treasury services and a funding facility to POAL.

- The fixed rate loans to Auckland Transport were restructured on 21 June 2023. The interest rates on restructured loans were reset to the council's weighted average interest rate forecast for financial year 2024 as per Annual Budget 2023/2024. Interest rates on the loans for the year ended 30 June 2023 range from 4.5% to 6.6% (2022: 5.6% to 6.6%).
- The interest rates on the loans to Watercare and POAL are fixed in advance on an annual basis, using the council's expected cost of borrowing. An annual review of the interest rates is carried out at the end of the financial year when interest charged on the loans for the financial year may need to be adjusted to council's actual cost of borrowings in accordance with the requirements of the relevant loan agreements.
- The interest rate on the loan to Watercare for the year ended 30 June 2023 was 4.5% (2022: 4.2%).

  The interest rate on the loan to POAL for the year ended 30 June 2023 was 4.6% (2022: n/a). The loans to Watercare and POAL are classified as fair value through surplus or deficit.

  The fair values of the loans are calculated using the discounted cashflow method. The significant inputs used in the fair value measurement of the loan are the observable market rates, adjusted for counterparty and credit considerations.
- The balances at year end were assessed for impairment. The financial effects were not material and accordingly, the balances were not adjusted.

Refer to Note A2 for details of other financial contributions provided by the council.

Other financial assets

Significant items included within other financial assets are as follows:

C3 *Other financial assets (continued)*

Credit Support Annex (CSA)

The group and the council are exposed to counterparty credit risk through their derivative contracts.

This risk is mitigated by entering into CSAs with counterparties to collateralise derivative exposures. The group and the council have transactions covered by CSAs with Citibank and Hong Kong and Shanghai Banking Corporation (HSBC).

As at 30 June 2023, the group and the council had an asset for cash collateral pledged to HSBC of $50 million (2022: $35 million). Citibank has pledged cash collateral to the council which has been disclosed under current liabilities.

Unlisted shares

The group and the council have investments of $11 million (2022: $10 million) in LGFA and Civic Financial Services Limited. The fair values are determined by reference to the council's share of net assets in these companies as there is no market information on the value of the organisations' shares.

Other financial assets

The council has an agreement with Eden Park Trust (EPT) to provide a revolving loan facility in the maximum aggregate amount of $54 million. EPT pledged its stadium asset in order to fulfil the collateral requirement for the facility.

As at 30 June 2023, the outstanding balance on the revolving loan facility of $49 million (2022: $49 million) had a carrying value of nil in the financial statements.

The loss allowance remains unchanged as there were no drawdowns during the year. (2022: increased by $4 million due to a net drawdown of the same amount last year). Due to inherent uncertainty around EPT's ability to repay the facility, the council recognised a provision for the full undrawn amount of the loan commitment. The portion of the provision relating to the loan commitment is recognised within provisions. Refer to Note D5.

Explanation of significant variances against budget

2023 $Million	Group		Auckland Council	
	Actual	Budget	Actual	Budget
Other financial assets	1,634	2,157	5,185	5,425

Group and Auckland Council

Other financial assets were lower than budget mainly because 7% of Auckland Council's investment in Auckland International Airport Limited shares was reclassified to Assets held for sale. The sale of the shares will be used to reduce borrowings. This decrease in other financial assets was partly offset by net revaluation gains on listed shares.

C4 Fair value and classification of financial instruments

Accounting policy

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by the group and the council is the bid price at balance date.

Level 2 - Inputs other than quoted prices included within Level 1 using observable market inputs for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

Refer to Note C2 and C3 for the valuation techniques used to value derivative financial instruments and other financial assets, respectively.

The fair value hierarchy for the group and the council are as follows:

$Million	Level	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Financial assets at fair value through surplus or deficit					
Investments in managed funds	1	34	10	24	-
Borrower notes	2	64	65	64	65
Loans to related parties	2	-	-	3,606	2,593
Unlisted shares	3	11	10	11	10
Financial assets at fair value through other comprehensive revenue and expenditure					
Listed shares	1	1,434	1,957	1,393	1,910
Derivative assets	2	736	528	736	529
Total financial assets		**2,279**	**2,570**	**5,834**	**5,107**
Derivative liabilities	2	570	640	570	639
Total financial liabilities		**570**	**640**	**570**	**639**

There were no transfers between the different levels of the fair value hierarchy during the year (2022: $nil).

C4 *Fair value and classification of financial instruments (continued)*

Accounting policy

For the purpose of measurement, the group's and council's financial assets and liabilities are classified into categories according to the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities and recognises these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Fair value through other comprehensive revenue and expenditure	Fair value	Other comprehensive revenue and expenditure
Financial assets at amortised cost	Amortised cost less provision for impairment	Surplus or deficit
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit

Derivatives are, by their nature, categorised as fair value through surplus or deficit unless they are designated into a hedge relationship for which hedge accounting is applied.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenses arising as a result of financial instrument earnings or fair value adjustments are recognised on a net-basis for like items.

C4 *Fair value and classification of financial instruments (continued)*

The carrying amounts and fair values of the group and the council's financial instruments by category are as follows:

$Million	Group			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Financial assets at fair value through surplus or deficit				
Derivative assets	736	736	527	527
Borrower notes	64	64	65	65
Investments in managed funds	34	34	11	11
Unlisted shares	11	11	10	10
	845	**845**	**613**	**613**
Financial assets at fair value through other comprehensive revenue and expenditure				
Listed shares	1,434	1,434	1,957	1,957
	1,434	**1,434**	**1,957**	**1,957**
Financial assets at amortised cost				
Cash and cash equivalents	84	84	229	229
Receivables (excluding GST receivables, prepayment and rates debtors)*	525	531	450	450
Loans to related parties	3	3	3	3
Other financial assets	87	87	63	63
	699	**705**	**745**	**745**
Derivatives in hedge relationships				
Derivative assets	-	-	1	1
Total assets	**2,978**	**2,984**	**3,316**	**3,316**
LIABILITIES				
Financial liabilities at fair value through surplus or deficit				
Derivative liabilities	570	570	640	640
Financial liabilities at amortised cost				
Bank overdraft	4	4	3	3
Borrowings	12,457	11,764	11,363	10,908
Payables and accruals (excluding income received in advance)	1,026	1,024	1,049	1,052
	13,487	**12,792**	**12,415**	**11,963**
Total liabilities	**14,057**	**13,362**	**13,055**	**12,603**

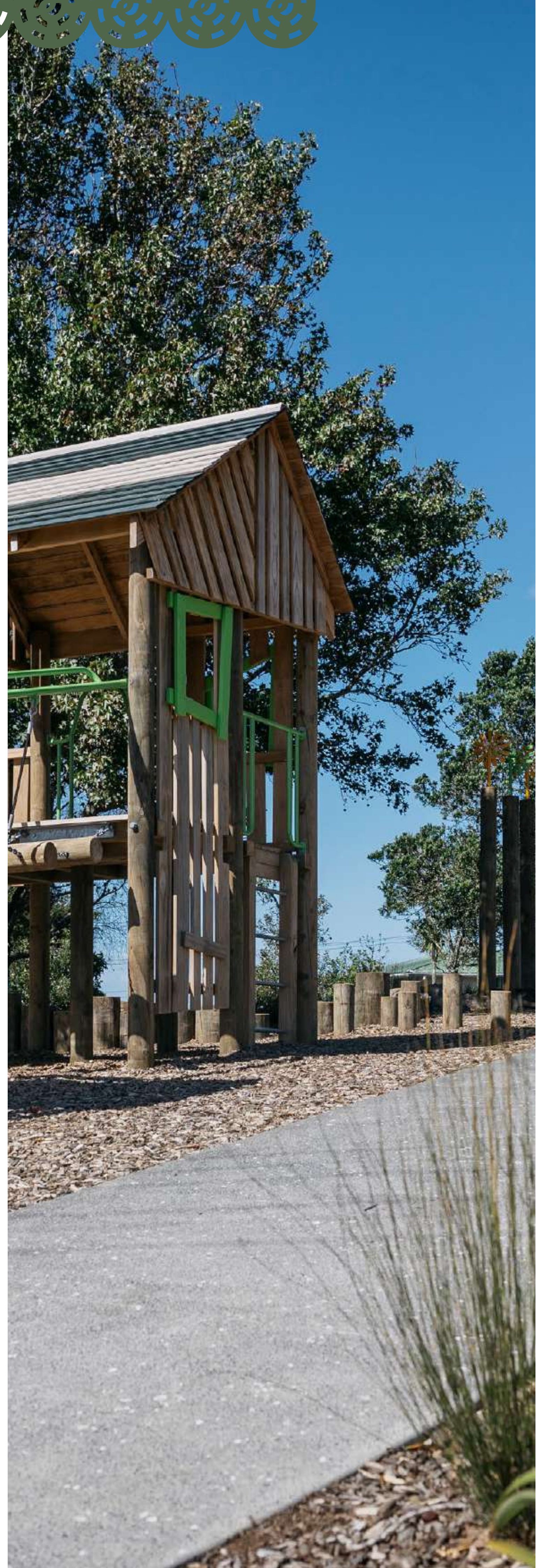
*The Receivables comparative balances have been restated to exclude rates debtors of $100 million.

C4 *Fair value and classification of financial instruments (continued)*

$Million	Auckland Council 2023 Carrying amount	2023 Fair value	2022 Carrying amount	2022 Fair value
ASSETS				
Financial assets at fair value through surplus or deficit				
Loans to related parties^	3,606	3,606	2,593	2,593
Derivative assets	736	736	529	529
Borrower notes	64	64	65	65
Investments in managed funds	24	24	-	-
Unlisted shares	11	11	10	10
	4,441	**4,441**	**3,197**	**3,197**
Financial assets at fair value through other comprehensive revenue and expenditure				
Listed shares	1,393	1,393	1,910	1,910
	1,393	**1,393**	**1,910**	**1,910**
Financial assets at amortised cost				
Cash and cash equivalents	45	45	166	166
Receivables (excluding GST receivables, prepayment and rates debtors)*	185	185	199	199
Loans to related parties^	3	3	479	486
Other financial assets	84	84	59	59
	317	**317**	**903**	**910**
Total assets	**6,151**	**6,151**	**6,010**	**6,017**
LIABILITIES				
Financial liabilities at fair value through surplus or deficit				
Derivative liabilities	570	570	639	639
Financial liabilities at amortised cost				
Borrowings	12,284	11,591	10,904	10,449
Payables and accruals (excluding income received in advance)	992	992	1,078	1,078
	13,276	**12,583**	**11,982**	**11,527**
Total liabilities	**13,846**	**13,153**	**12,621**	**12,166**

^In the prior year, the loans to Auckland Transport were at amortised cost with a carrying amount of $476 million and a fair value of $482 million. At 30 June 2023 the carrying amount and fair value were $461 million. Refer to Note C3.

*The Receivables comparative balances have been restated to exclude rates debtors of $100 million.



Te Wehenga D: Te pūrawa tauhokohoko me te tūtanga

Section D: Working capital and equity

This section provides information about the operating assets and liabilities available for the Auckland Council Group and Auckland Council's day-to-day activities. This section also contains analysis of the net assets of the group and the council, accumulated funds and restricted reserves.

The notes included in the following section are as follows:

◀ Windy Ridge, Glenfield

D1 Cash and cash equivalents

Accounting policy

Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term highly liquid investments, and are net of bank overdraft. The carrying value of cash on hand, on demand bank deposits and short-term deposits with original maturities of less than three months approximates the fair value.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Cash on hand and on-demand bank deposits	82	99	43	36
Short-term deposits	2	130	2	130
Cash and cash equivalents	**84**	**229**	**45**	**166**
Bank overdraft	(4)	(3)	-	-
Net cash and cash equivalents	**80**	**226**	**45**	**166**

The group and the council maintain funds that relate to trusts and bequests received, and other funds with restrictions, where the spending of the funds is closely monitored. Unspent funds subject to restrictions were:

$Million	2023	2022
Group	66	94
Auckland Council	55	61

D2 Receivables and prepayments

Accounting policy

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Current				
Trade receivables	329	312	121	132
Less provision for impairment	(57)	(49)	(25)	(23)
Rates receivables	83	90	83	90
Related party receivables	-	-	45	60
Net receivables	**355**	**353**	**224**	**259**
Accrued income	194	122	27	24
GST receivable	53	39	66	49
Prepayments	75	117	34	103
Other	43	34	4	2
Total current	**720**	**665**	**355**	**437**
Receivables from exchange transactions	339	358	88	164
Receivables from non-exchange transactions	381	307	267	273
Non-current				
Rates receivables	9	10	9	10
Prepayments	29	10	15	6
Other	16	31	13	4
Total non-current	**54**	**51**	**37**	**20**
Receivables from exchange transactions	32	37	15	6
Receivables from non-exchange transactions	22	14	22	14
Total receivables and prepayments	**774**	**716**	**392**	**457**

D2 Receivables and prepayments (continued)

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Receivables and prepayments	774	669	392	366

Group

Receivables were $105 million higher than budget. The increase comprises:

- Accounts receivable was higher than budget because of debtors paying their debts more slowly than anticipated as a result of the cost-of-living crisis, recovery from storm damage to properties, recovery from the impacts of COVID-19 and increasing demurrage and storage revenues of the port which are generally paid later than other receivables.
- Accrued revenue was higher than budget due to increased accruals for Waka Kotahi NZ Transport Agency subsidies and Climate Emergency Response Fund reimbursements.

Most receivables are non-interest bearing and the carrying value approximates the fair value. In relation to rates receivable, ratepayers may apply for payment plan options in special circumstances which may defer the balance to non-current receivables.

Provision for impairment

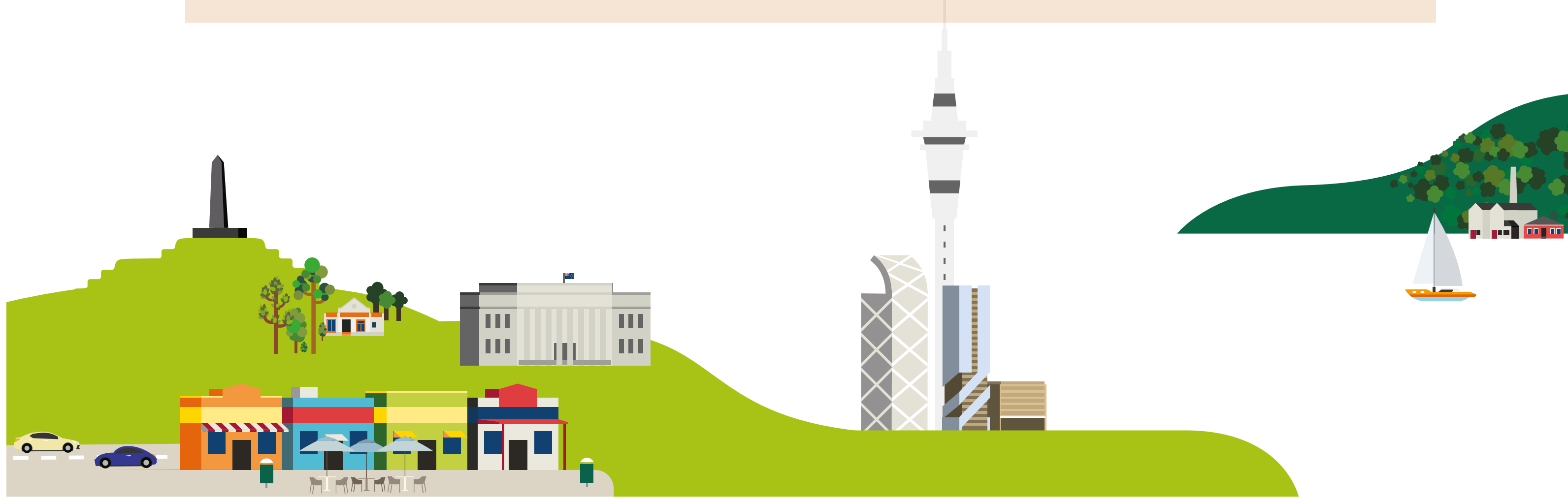
Accounting policy

The provision for impairment of receivables is determined based on an expected credit loss (ECL) model.

In assessing credit losses for receivables, the group and the council apply the simplified approach and record lifetime ECL on receivables. Lifetime ECL result from all possible default events over the expected life of a receivable. The group and the council use a provision matrix based on historical credit loss experience upon initial recognition of a receivable, using reasonable assumptions and any available customer information.

In assessing ECL on receivables the group and the council consider both quantitative and qualitative inputs. Quantitative inputs include past collection rates, ageing of receivables and trading outlook. Qualitative inputs include past trading history with the group and the council.

To measure the ECL, all receivables have been grouped based on shared credit risk characteristics and the days overdue. Expected loss rates are applied based on payment profiles and corresponding historical credit losses experienced within the year. Expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debt.



D2 Receivables and prepayments (continued)

The provision for impairment on receivables for both exchange transactions and non-exchange transactions has been determined as follows:

$Million	2023 Gross carrying amount	2023 Expected loss rate (%)	2023 Provision for impairment	2022 Gross carrying amount	2022 Expected loss rate (%)	2022 Provision for impairment
Group						
Current	155	0.0%	-	92	0.0%	-
Past due 1 to 60 days	87	2.3%	2	120	(1.7%)	(2)
Past due > 60 days	170	32.4%	55	190	(24.7%)	(47)
Total	**412**		**57**	**402**		**(49)**
Auckland Council						
Current	115	(0.1%)	-	83	(0.1%)	-
Past due 1 to 60 days	45	(3.7%)	(2)	82	(2.5%)	(2)
Past due >60 days	89	(26.4%)	(23)	117	(18.1%)	(21)
Total	**249**		**(25)**	**282**		**(23)**

D3 Payables and accruals

Accounting policy

Current payables and accruals represent amounts payable within 12 months of balance date and are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore, the carrying value approximates the fair value.

Non-current payables and accruals represent amounts payable more than 12 months from balance date and are measured at the present value of the estimated future cash outflows.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Current				
Trade payables and accruals	851	854	302	355
Revenue received in advance	97	112	40	49
Deposits and bonds	68	67	66	64
Credit support annex (refer to Note C3)	18	25	18	25
Amounts due to related parties	-	-	532	562
Other	62	83	67	68
Total current	**1,096**	**1,141**	**1,025**	**1,123**
Payables from exchange transactions	930	966	333	387
Payables from non-exchange transactions	166	175	692	736
Non-current				
Revenue received in advance	165	166	172	172
Other	27	19	7	4
Total non-current	**192**	**185**	**179**	**176**
Payables from exchange transactions	188	180	156	152
Payables from non-exchange transactions	4	5	23	24
Total payables and accruals	**1,288**	**1,326**	**1,204**	**1,299**

The council's non-current revenue received in advance includes an obligation to give Watercare Services Limited (Watercare) unrestricted and sole access to land on Puketutu Island until 2066 or until such time Watercare surrenders its lease over the island. The balance of the deferred revenue as at 30 June 2023 amounted to $19.1 million (2022: $19.5 million) and is amortised on a straight-line basis over the lease period of 70 years, being 55 years with a 15-year right of renewal. The lease period is longer than the resource consent period of 35 years as the land will be used beyond the consent period for aftercare.

D4 Employee benefits liability

Accounting policy

Employee benefits to be settled within 12 months of balance date are reported within current liabilities at the amount expected to be paid. All other employee benefits are reported within non-current liabilities and are measured at the present value of estimated future cash outflows.

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Current				
Short-term employee benefits	119	111	58	55
Other	2	1	1	1
Total current	**121**	**112**	**59**	**56**
Non-current				
Other	5	5	1	1
Total non-current	**5**	**5**	**1**	**1**
Total employee entitlements	**126**	**117**	**60**	**57**

D5 Provisions

Accounting policy

Provisions are recognised in the statement of financial position where the group and the council have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in surplus or deficit.

Discount rate

The present value of cash flows is calculated using a discount rate equivalent to the appropriate risk-free rate relevant for the timing of cash flows, published by New Zealand Treasury as the government bond rate ranging from 4.2% to 5.4% (2022: 3.3% to 4.4%). At 30 June 2023, the group and the council determined that risk-free rates, appropriately represented risks specifically related to time value of money.

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Provisions	466	394	433	343

Group and Auckland Council

The group and the council budget for expected payments to settle provisions rather than for increases in provisions because of their uncertain nature. The difference between budgeted and actual provisions mainly relates to the increase in existing provisions during the year, and difference between expected and actual settlements. This was mainly in relation to the provision for remediation of contaminated land.

D5 Provisions (continued)

Group **$Million**	**Weathertightness and associated building defect claims**	**Contaminated land and closed landfills**	**Other**	**Total**
Opening balance	264	155	71	490
Additional provisions and increases to existing provisions	25	12	19	56
Amounts used	(29)	-	(7)	(36)
Reversal of previously recognised provisions	-	-	(35)	(35)
Change in discount rate	(7)	(12)	-	(19)
Discount unwind	4	6	-	10
Balance as at 30 June 2023	**257**	**161**	**48**	**466**
Current	141	16	39	196
Non-current	116	145	9	270
Opening balance	308	154	69	531
Additional provisions and increases to existing provisions	7	32	44	83
Amounts used	(34)	(9)	(17)	(60)
Reversal of previously recognised provisions	-	-	(26)	(26)
Change in discount rate	(18)	(23)	1	(40)
Discount unwind	1	1	-	2
Balance as at 30 June 2022	**264**	**155**	**71**	**490**
Current	140	14	54	208
Non-current	124	141	17	282

Auckland Council **$Million**	**Weathertightness and associated building defect claims**	**Contaminated land and closed landfills**	**Other**	**Total**
Opening balance	264	144	48	456
Additional provisions and increases to existing provisions	25	12	7	44
Amounts used	(29)	-	(4)	(33)
Reversal of previously recognised provisions	-	-	(27)	(27)
Change in discount rate	(7)	(10)	-	(17)
Discount unwind	4	6	-	10
Balance as at 30 June 2023	**257**	**152**	**24**	**433**
Current	141	17	16	174
Non-current	116	135	8	259
Opening balance	308	137	35	480
Additional provisions and increases to existing provisions	7	32	22	61
Amounts used	(34)	(9)	(3)	(46)
Reversal of previously recognised provisions	-	-	(7)	(7)
Change in discount rate	(18)	(16)	1	(33)
Discount unwind	1	-	-	1
Balance as at 30 June 2022	**264**	**144**	**48**	**456**
Current	140	14	33	187
Non-current	124	130	15	269

D5 Provisions (continued)

Provision for weathertightness and associated building defect claims

The group and the council have recognised a provision for weathertightness and associated building defect claims which covers active, reported and unreported claims.

This provision includes uninsured costs for which the council is liable, such as remediation of weathertightness issues, fire and structural engineering defects, and any additional costs associated with managing and resolving these claims. There is a high degree of uncertainty with estimates for the provision. The provision is comprised of:

$Million	**Multi-unit buildings**	**Single buildings**	**Total**
Active provision	158	4	162
Reported provision	16	19	35
Unreported provision	47	13	60
Balance as at 30 June 2023	**221**	**36**	**257**
Active provision	162	4	166
Reported provision	16	19	35
Unreported provision	49	14	63
Balance as at 30 June 2022	**227**	**37**	**264**

Active claims are those lodged with the council and are progressing through the resolution process. They have a loss reserve which represents remediation costs, and a cost reserve, representing the cost of managing and resolving the claim.

The provision for reported and unreported claims is based on statistical analysis performed by independent actuaries. Reported claims are those lodged, but not yet progressing through the resolution process. Unreported claims are those the council may be liable for, but have not yet been reported or identified.

The council may be subject to further liability due to the significant degree of estimation.

Significant judgements and estimates used in calculating provision for weathertightness and associated building defect claims

The significant assumptions used to determine the valuation of claims are based on single units and multi-units dwelling types, as follows:

Reported claims

- There are 415 dwellings currently reported (319 multi-unit and 96 single-unit) with an assumption that 5% of the multi-unit and 30% of the single-unit claims will not proceed to a formal claim.

Unreported claims

- Prevalence rates indicate an estimated 365 dwellings (328 multi-unit and 37 single-unit) will notify in the future, 5% of multi-unit and 30% of the single-unit claims will not proceed to a formal claim.

Reported and unreported claims

- The assessed quantum for repair which differs between multi-unit and single-unit
- Settlement amounts which are expected to be 55% for a multi-unit and 60% for a single-unit of the assessed quantum
- Contribution by the group toward the settlement which is 75% for a multi-unit and 55% for a single-unit
- Timing of claim payments which is assumed to follow historical trends.

Active claims

- The active provision is determined through a combination of case estimates and the relevant cost assumptions used to produce the reported provision. The key assumption that is applied to these case estimates is a certainty weighting, ranging from 10% to 75% depending on the stage of the claim.

D5 Provisions (continued)

The expected discounted cash outflow for the weathertightness provision is as follows:

Settled year ended 30 June ($Million)

2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	**Total**
140	40	12	13	6	7	8	7	6	6	5	4	3	**257**

The significant assumptions above that are most sensitive on surplus or deficit are as follows:

	2023		**2022**	
	10%	**-10%**	**10%**	**-10%**
$Million	**Effect on surplus or deficit**		**Effect on surplus or deficit**	
Amount claimed	(26)	26	(26)	26
Council contribution to settlement	(26)	26	(26)	26
Settlement level award	(26)	26	(26)	26
Discontinuance rate	11	(6)	12	(10)

Provision for remediation of contaminated land and closed landfills

The group and the council have provided for the management and remediation of sites where contamination has been identified and the existing land-use requires remediation. No provision has been made for sites where contamination is not confirmed. The reason is that the level of contamination, if any, is unknown and therefore costs of management and/or remediation cannot be reliably estimated.

The group and the council may be subject to further liability because of the significant degree of estimation included in determining the provision. This liability is reflected in unquantifiable contingencies (refer to Note F4).

Significant judgements and estimates used in calculating provision for remediation of contaminated land and closed landfills

- The provision includes sites where the group and the council hold a resource consent, or a constructive obligation exists. It does not include property with unidentified contamination issues or where the current land-use does not require management or remediation.
- Expected future costs are based on the expected level of work required to meet each resource consent and the current cost of management and/or remediation.
- Expected future costs are inflated using the CPI assumptions provided by New Zealand Treasury.
- Estimated costs are assessed over 30 years, being the average resource consent period.
- The provision assumes there is no change in land-use and discharges complying with consent conditions.
- The provision is adjusted for the time value of money by discounting year one to year 30 costs at the yearly risk-free discount rates provided by New Zealand Treasury.

Other provisions Legal claims

Included within other provisions is a provision for legal claims of $9 million (2022: $29 million). The likelihood of payment of each claim brought against the group and council has been assessed and a provision recognised where it is probable that the group and the council will be found liable, and costs can be reliably estimated. The amounts of provisions are determined by legal counsel, considering claims experience. Material legal claims that are not recognised as provisions are disclosed as contingent liabilities in Note F4 if they meet the criteria for disclosure.

Following a favourable supreme court ruling in May 2023 relating to the Accommodation Provider Targeted Rate, the provision for refunding this targeted rate was reversed.

D6 Ratepayer equity

Accounting policy

Ratepayer equity is the Auckland community's interest in the group and the council. Ratepayer equity has been classified into various components to identify those portions of equity held for specific purposes. Contributed equity is the net asset position excluding restricted reserves, at the time the council was formed.

$Million	**Group**		**Auckland Council**	
	2023	**2022**	**2023**	**2022**
Contributed equity	**26,693**	**26,693**	**26,539**	**26,539**
Accumulated funds	**6,803**	**5,812**	**382**	**492**
Reserves				
Asset revaluation reserves				
Opening balance	20,950	13,117	8,285	5,226
Transferred to accumulated funds	(88)	(87)	(53)	(49)
Change in fair value recognised during the year	(89)	7,920	(934)	3,108
Closing balance	20,773	20,950	7,298	8,285
Restricted equity				
Opening balance	463	376	459	374
Transfer in/(out) during the year	115	87	107	85
Closing balance	578	463	566	459
Financial investments - Fair value through other comprehensive revenue and expense reserve				
Opening balance	347	369	314	333
Gain/(loss) on equity instruments designated at fair value through other comprehensive revenue	357	(22)	363	(19)
Closing balance	704	347	677	314
Cash flow hedge reserve				
Opening balance	9	5	-	-
Transferred to accumulated funds	(8)	-	-	-
Change in fair value recognised during the year	(1)	4	-	-
Closing balance	-	9	-	-
Total reserves	**22,055**	**21,769**	**8,541**	**9,058**
Total ratepayer equity	**55,551**	**54,274**	**35,462**	**36,089**

Capital management

The group and the council's capital is its ratepayer equity, which comprises contributed equity, reserves and accumulated funds. Equity is represented by net assets. The Local Government Act 2002 (the LGA 2002) requires the council to manage the group's revenue, expenses, assets, liabilities and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer equity is largely managed through managing revenue, expenses, assets, liabilities and general financial dealings. The group monitors the prudence in its financial management with the use of the financial reporting and prudence benchmarks as set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. Refer to Section G for the financial reporting and prudence benchmarks of the group for the year ended 30 June 2023

The objective of managing the group and the council's capital is to achieve intergenerational equity which is a principle promoted in the LGA 2002 and applied by the group and the council. Intergenerational equity requires today's ratepayers only to meet the cost of using the group and the council assets, not the full cost of purchasing or creating long-term assets that will benefit future ratepayers.

To achieve this objective, the group and the council have asset management plans in place for major classes of assets detailing renewal and maintenance programmes to ensure that these costs are not deferred.

D6 Ratepayer equity (continued)

An additional objective of capital management is to ensure that the expenditure identified in the 10-year budget and annual budget is spent in the manner set out in these budgets.

Auckland's legacy councils only funded 63 per cent of depreciation and our policy in prior years was to progressively move to 100 per cent by 2025. In 2020/2021 the impacts of COVID-19 disruption on our revenue streams caused us to revisit our policy for funding depreciation and the group's Revenue and Financing Policy was updated to include a commitment to achieve 100 per cent funding of depreciation by 2028.

No changes were made in the objectives, policies or processes for managing capital of the group and the council during the years ended 30 June 2023 and 30 June 2022.

Local government disclosures

Restricted equity includes trusts and bequests, targeted rates and reserves, where use of the funds is specified by statute, trust deed or contract. The reserve funds held by the group and the council during the year are as follows:

$Million	Activity	Opening balance	Transfers to reserve	Transfers from reserve	Closing balance	Purpose
Trusts and bequests						
Leys Institute Trust Capital	Local community services	1	-	-	1	Purchase of library equipment and operation
Targeted Rates						
City Centre Targeted Rate	Local council services	61	28	(14)	75	Development and revitalisation of the city centre
Financial Assistance Targeted Rate	Roads and footpaths, stormwater and wastewater	(1)	-	-	(1)	Financial assistance to the local community
Natural Environment Targeted Rate	Local council services	20	31	(37)	14	Protection of the natural environment
Rodney Local Board Transport Targeted Rate	Roads and footpaths and public transport and travel demand management	4	5	(4)	5	Improvement in transport services in the Rodney area
Targeted Rates Open Spaces/ Volcanic Cones	Regionally delivered council services	3	-	-	3	Purchase of open spaces, and maintenance and enhancement of volcanic cones
Water Quality Targeted Rate	Stormwater	33	47	(24)	56	Create cleaner beaches, streams and harbours
Electricity Network Resilience Targeted Rate	Regionally delivered council services	3	11	(11)	3	Funding tree management programme around the Vector overhead electricity supply network
Climate Action Targeted Rate	Public transport and regionally delivered council services	-	45	(8)	37	Funding of projects have meaningful impact on climate action goals
North Shore Holdings Reserve Fund	Regionally delivered council services	3	-	-	3	Projects approved by Auckland Transition Agency and the legacy North Shore City Council
Total targeted rates		**126**	**167**	**(98)**	**195**	

D6 Ratepayer equity (continued)

$Million	Activity	Opening balance	Transfers to reserve	Transfers from reserve	Closing balance	Purpose
Reserves						
Community Recreation and Sport Fund	Local council services	3	-	-	3	Sports and recreational initiatives
Greenmount Park Development Reserve - ARC	Local council services	4	-	-	4	Conversion of land into a public park and recreation ground
Greenmount Park Development Reserve - AC	Local council services	10	-	-	10	Development of Styak-Lushington Park
Harbourview / Orangihina UAC Reserve	Local council services	1	-	-	1	Development of Harbourview-Orangihina Park
Hobsonville Domain Compensation Reserve	Local council services	2	-	-	2	Hobsonville Domain Replacement project
New Windsor Road Reserve (Whau Local Board)	Local council services	1	-	-	1	Re-investment in local area
Off-street Parking Funds	Public transport and travel demand management	4	-	-	4	Off-street parking initiatives
Papakura Golf Course Reserve	Regionally delivered council services	2	-	-	2	Development of Papakura Golf course
Regional Fuel Tax Reserve	Roads and footpaths	287	152	(111)	328	Funding specified transport projects
Waste Minimisation Reserve	Regionally delivered council services	8	2	(5)	5	Supporting the implementation of waste minimisation initiatives
Civic space and Victoria Street Linear Park project	Local council services	10	-	-	10	Development of a civic space and Victoria Street Linear Park
Total reserves		**332**	**154**	**(116)**	**370**	
Auckland Council total restricted equity		**459**	**321**	**(214)**	**566**	
Trusts and bequests						
Trusts related to art activities	Regionally delivered council services	1	-	-	1	Purchase of works of art for the Auckland Art Gallery
Reserves						
Zoo Conservation Fund	Council controlled services	3	3	(1)	5	Support of conservation efforts in the wild
Major Events Fund	Council controlled services	-	6	-	6	Funding of major events
Council-controlled organisations total restricted equity		**4**	**9**	**(1)**	**12**	
Group total restricted equity		**463**	**330**	**(215)**	**578**	

Te Wehenga E:
Te whakahaere tūraru ā-pūtea

Section E: Financial risk management

This section provides information on how the Auckland Council Group and Auckland Council are exposed to a variety of financial risks and how these risks are managed.

The group's core policies relating to financial risk are contained in the Treasury Management Policy (TMP). The TMP meets the requirements of the LGA 2002 and sets out the group's policies on how it will manage its key financial risks including risks associated with borrowing, interest rates, foreign exchange, counterparty credit, liquidity and investment.

Any changes to the TMP require the approval of the Governing Body. More detailed treasury policies are contained in the Treasury Operating Manual which must be consistent with the TMP and is approved by the Treasury Management Steering Group.

The significant financial risks to the group and the council are set out below. Within each sub-section a definition and explanation of the risk is detailed (risk definition) and then an explanation of how council manages each financial risk (risk management).

The following are the financial risks that are significant to the group and the council:

- **E1 Interest rate risk**
- **E2 Credit risk**
- **E3 Foreign exchange risk**
- **E4 Liquidity risk**

◀ Glenfern Sanctuary

E1 Interest rate risk

Risk definition

Interest rate risk is the risk that the Auckland Council Group (the group) and Auckland Council (the council) are exposed to adverse changes in interest rates which may result in net financing costs exceeding annual budget or 10-year budget forecasts. The group and the council are exposed to interest rate risk on all debt obligations and cash investments including amounts on-lent to council-controlled organisations.

Risk management

The group seeks to limit interest rate risk by:

- actively managing interest rates using a mix of derivatives and fixed rate debt; and
- managing interest rates on both current and forecast debt.

The group manages interest rates on a portfolio basis. Over the long-term, the group's risk management approach aims to:

- minimise volatility and provide certainty of interest costs thereby reducing the likelihood that adverse movements in interest rates will materially impact the operating surplus;
- minimise the cost of borrowings within acceptable risk parameters; and
- manage the divergence between the group's effective interest rate and prevailing market interest rates.

Mechanisms used to manage interest rate risk are:

- interest rate swaps, including forward start swaps to hedge the base rate on anticipated borrowings;
- matching the interest rate risk profile of the group and the council's financial assets and liabilities when appropriate; and
- fixing rates through fixed rate borrowings or interest rate hedging instruments to fix rates on floating rate borrowings.

To identify the exposure to movements in interest rates the group and the council measure and control the risk through sensitivity analysis. This is based on possible movements in the NZD interest rate curve, with all other variables held constant, measured as a basis points movement (where 100 basis points equal 1 per cent). The methods and assumptions used remain the same as those used in the previous period. The impact on potential surplus or deficit and equity (excluding accumulated funds) calculated using the group and the council's financial instrument exposures at balance date are as follows:

Group	2023				2022			
	-100bps/-1%		+100bps/+1%		-100bps/-1%		+100bps/+1%	
$Million	Surplus/ (deficit)	Equity	Surplus/ (deficit)	Equity	Surplus/ (deficit)	Equity	Surplus/ (deficit)	Equity
Cash and cash equivalents and term deposits	(1)	-	1	-	(2)	-	2	-
Derivative financial instruments[1]	(282)	-	261	-	(335)	-	306	-
Fixed rate borrowings (repricing within next 12 months)	2	-	(2)	-	2	-	(2)	-
Floating rate borrowings	48	-	(48)	-	40	-	(40)	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(234)**	**-**	**213**	**-**	**(296)**	**-**	**267**	**-**

[1] The sensitivity for derivatives has been calculated using a derivative valuation model based on a parallel shift in interest rates of plus and minus 100 basis points.

E1 Interest rate risk (continued)

Auckland Council	2023				2022			
	-100bps/-1%		+100bps/+1%		-100bps/-1%		+100bps/+1%	
$Million	Surplus/ (deficit)	Equity	Surplus/ (deficit)	Equity	Surplus/ (deficit)	Equity	Surplus/ (deficit)	Equity
Cash and cash equivalents and term deposits	(1)	-	1	-	(2)	-	2	-
Derivative financial instruments[1]	(282)	-	261	-	(334)	-	306	-
Fixed rate borrowings (repricing within next 12 months)	2	-	(2)	-	2	-	(2)	-
Floating rate borrowings	48	-	(48)	-	38	-	(38)	-
Loans to related parties	(37)	-	37	-	(26)	-	26	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(271)**	**-**	**250**	**-**	**(323)**	**-**	**295**	**-**

[1] The sensitivity for derivatives has been calculated using a derivative valuation model based on a parallel shift in interest rates of plus and minus 100 basis points..

E2 Credit risk

Risk definition

Credit risk is the risk that a third party will default on its obligation to the group and the council, causing the group and the council to incur a loss. Credit risk may arise from cash and cash equivalents, deposits with banks, credit exposures to receivables, related party loans, financial guarantees as well as derivative financial instruments and other financial assets.

The group and the council's maximum credit risk exposure for each class of financial assets is the carrying amount of these financial assets which is presented in Note C4 under the category of financial instruments.

Risk management

The group seeks to limit counterparty exposure by:

- only transacting with counterparties with acceptable credit ratings;
- avoiding concentrations of credit exposure to one counterparty by spreading exposures amongst many counterparties;
- executing Credit Support Annexures (CSAs) with selected counterparties to manage derivative risk; and
- having netting provisions in International Swaps and Derivatives Association (ISDA) arrangements.

Acceptable credit standings are determined with reference to long-term credit ratings published by S&P Global Ratings (or similar international credit rating agency).

The group and the council are not exposed to material concentrations of credit risk around rates and other receivables from non-exchange transactions as there is a large number of ratepayers and customers, and the council has a statutory right to recover outstanding funds under the Local Government (Rating) Act 2002. Refer to Note D2 for the breakdown and ageing profile of receivables.

The council identifies concentration risk in relation to loans to related parties. As at 30 June 2023, the council's related party loans and their respective fair value are: Watercare Services Limited (Watercare) $2,910 million (2022: $2,593 million), Port of Auckland Limited (POAL) $235 million (2022: nil) and Auckland Transport $461 million. In the prior year, the loan to Auckland Transport was accounted for at amortised cost with a face value of $476 million. Refer to Note C3.

Other exposures

In addition to the above credit exposures, the group and the council are exposed to financial guarantees provided to third parties. At 30 June 2023, total financial guarantees for the group and the council were $14.2 billion (2022: $12.1 billion). Refer to Note F4 for further information.

Rated counterparties

At balance date, $1.0 billion (2022: $0.9 billion) of assets with credit risk held by the group and $0.9 billion (2022: $0.8 billion) of assets with credit risk held by the council had a S&P Global Ratings rating (or equivalent) of single A or better.

E2 Credit risk (continued)

There have been no defaults by any of the group or the council's rated counterparties.

Unrated counterparties

Except for certain community loans and a one-off loan provided to a supplier secured against bank bonds, the council did not invest with unrated counterparties. In the year to 30 June 2023 there were no defaults on any of the group and the council's community and supplier loans (2022: nil).

Rates and other receivables

Receivables mainly arise from the group and the council's statutory functions. Therefore, procedures are not required to monitor or report the credit quality of receivables.

Loans to related parties at amortised cost

The group and the council use three categories of internal credit risk ratings for loans to related parties which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information from external credit rating companies, such as S&P Global Ratings, information specific to the counterparty and other external information that could affect the counterparty's behaviour.

The group and the council compute expected credit losses for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the group and the council consider the implied probability of default from external credit rating agencies where available and historical loss rates for each category of counterparty and adjusts for forward looking macroeconomic data such as central bank base rates.

A summary of the group and the council's internal grading categories used in the computation of the group's expected credit loss model for loans to related parties is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision	Basis for calculating interest revenue
Grade I	Borrowers have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected credit losses	Gross carrying amount
Grade II	Loans for which there is a significant increase in credit risk as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected credit losses	Gross carrying amount
Grade III	Interest and/or principal repayments are 60 days past due	Lifetime expected credit losses	Amortised cost of carrying amount (net of credit allowance)

There were no significant changes to estimation techniques or assumptions during the reporting period.

The group and the council assessed the expected credit losses in relation to related parties as at 30 June 2023. The financial effects are not material, and the balances are not adjusted.

The gross carrying amount of loans to related parties measured at amortised cost as at 30 June 2023 are disclosed in Note C4.

Financial guarantees

The group and the council compute expected credit losses for financial guarantees using the probability of default approach. In determining expected credit losses for financial guarantees, the group and the council consider events such as breach of loan covenants and default on instalment payments and determine that significant increase in credit risk occurs when there are changes in the risk that the specified borrower will default on the contract.

In calculating the expected credit loss rates, the group and the council consider implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty and adjusts for forward looking macroeconomic data such as central bank base rates.

The group and the council have assessed expected credit loss for financial guarantees as at 30 June 2023 and the results are disclosed in Note F4.

E3 Foreign exchange risk

Risk definition

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 borrowings denominated in a foreign currency.

Risk management

The group seeks to limit foreign exchange risk by:

- hedging exposures on 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); and
- hedging all foreign currency exposure on borrowings denominated in a foreign currency at the time of execution of the borrowing.

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

Exposure

The group and the council have foreign currency denominated borrowings of $6,088 million at 30 June 2023 (30 June 2022: $5,297 million) that are exposed to foreign exchange risk. The percentage of foreign currency denominated borrowings for each currency is shown below (note: the foreign currency borrowings are translated into New Zealand dollars using the spot rates at 30 June):

	Australian Dollar	Swiss Franc	Euro	Norwegian Krone	United States Dollar	Total
2023	10%	17%	65%	6%	2%	100%
2022	12%	12%	69%	7%	0%	100%

Refer to Note C1 for the total foreign currency denominated borrowings of the group and the council. Refer to Note C2 for the derivative financial instruments that hedge the foreign exchange risk on these borrowings.

At 30 June 2023, the group and the council did not have remaining material exposure to foreign exchange risk since all foreign currency denominated borrowings and material purchases were hedged (2022: none).

E4 Liquidity risk

Risk definition

Liquidity risk is the risk that the group is unable to meet its funding obligations as they fall due.

The group is exposed to liquidity risk whenever it refinances existing debt or when it is contractually committed to make cash payments.

Risk management

The group seeks to limit liquidity risk by:

- maintaining sufficient unutilised committed funding facilities;
- ensuring investments are short-term and liquid in nature; and
- maintaining longer term cash flow forecasts to recognise potential future financing pressures early, allowing time for a financing strategy to be planned and implemented.

In addition, the group seeks to limit financing risk by:

- spreading financing over a range of maturities to minimise the risk of large concentrations of debt having to be refinanced in periods where credit margins are high for reasons beyond the group's control. This includes the spreading of short-term debt where practical and economic to do so;
- avoiding concentrations of exposure to any single borrowing market by having financing options across a range of markets;

E4 Liquidity risk (continued)

- maintaining a mixture of short-term facilities (which generally have lower credit margins and flexibility) and long-term facilities to achieve an effective funding mix, balancing the requirements of cost minimisation and limiting re-financing risk;
- not giving financial covenants in respect of any borrowing except for a most favoured lender clause and those already given to the Local Government Funding Agency Limited (LGFA);
- complying with borrowing covenants imposed by the LGFA;
- maintaining an AA/Aa2 credit rating; and
- reviewing the funding principles in the revenue and finance policy every three years as part of the long-term plan process.

The group and the council had standby facilities of $1.5 billion (2022: $1.2-$1.3 billion[1]) that could be drawn at any time. The standby facilities were undrawn at 30 June 2023 and will mature between March 2024 and December 2024. This included the council's committed bank facilities of $1.2 billion (2022: $900 million to $1 billion[2]) and a LGFA standby facility of $300 million (2022: $300 million). The group also has overdraft facilities of $22 million (2022: $22 million).

The following tables summarise the group and the council maturity profile of financial liabilities and financial assets, which were readily saleable or expected to generate cash inflows to meet the cash outflows of the financial liabilities. The amounts disclosed are undiscounted contractual cash flows which include interest payable.

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[1] In the prior year the standby facilities were disclosed as $1.3 billion.
[2] In the prior year council's standby facilities included the syndicated committed cash advance facilities of $800 million and a bank revolving credit facility that fluctuated between $100 million and $200 million.

E4 *Liquidity risk (continued)*

Group **$Million**	**2023** Carrying amount	On demand	<1 year	1-2 years	2-5 years	5-10 years	>10 years	Total contractual cash flows
Non-derivative financial assets								
Cash and cash equivalents	84	78	6	-	-	-	-	84
Receivables (excluding GST receivables, prepayment and rates debtors)	525	-	514	16	-	-	-	530
Other financial assets	153	-	37	65	25	52	2	181
Total non-derivative financial assets	**762**	**78**	**557**	**81**	**25**	**52**	**2**	**795**
Derivative financial assets								
Derivative financial assets net settled	502	-	197	146	148	122	11	624
Derivative financial assets gross settled[1]	234							
Inflows		-	666	1,152	1,449	201	-	3,468
Outflows		-	(691)	(1,193)	(1,308)	(221)	-	(3,413)
		-	**(25)**	**(41)**	**141**	**(20)**	**-**	**55**
Total derivative financial assets	**736**	**-**	**172**	**105**	**289**	**102**	**11**	**679**
Total financial assets	**1,498**	**78**	**729**	**186**	**314**	**154**	**13**	**1,474**
Non-derivative financial liabilities								
Bank overdraft	4	4	-	-	-	-	-	4
Payables and accruals (excluding income received in advance)	1,026	-	1,020	6	-	-	-	1,026
Secured borrowings[2]	12,287	-	2,757	1,825	4,232	4,094	1,156	14,064
Unsecured borrowings	170	-	-	-	58	112	-	170
Financial guarantees[3]	-	14,162	-	-	-	-	-	14,162
Total non-derivative financial liabilities	**13,487**	**14,166**	**3,777**	**1,831**	**4,290**	**4,206**	**1,156**	**29,426**
Derivative financial liabilities								
Derivative financial liabilities net settled	108	-	12	15	55	39	(1)	120
Derivative financial liabilities gross settled[1]	462							
Inflows		-	(86)	(250)	(723)	(2,214)	(337)	(3,610)
Outflows		-	251	399	1,034	2,469	317	4,470
		-	**165**	**149**	**311**	**255**	**(20)**	**860**
Total derivative financial liabilities	**570**	**-**	**177**	**164**	**366**	**294**	**(21)**	**980**
Total financial liabilities	**14,057**	**14,166**	**3,954**	**1,995**	**4,656**	**4,500**	**1,135**	**30,406**
Net contractual cash flows		**(14,088)**	**(3,225)**	**(1,809)**	**(4,342)**	**(4,346)**	**(1,122)**	**(28,932)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. It is highly unlikely that the guarantee will be called upon therefore it has not been included in the table above.

E4 *Liquidity risk (continued)*

Group **$Million**	**2022** Carrying amount	On demand	<1 year	1-2 years	2-5 years	5-10 years	>10 years	Total contractual cash flows
Non-derivative financial assets								
Cash and cash equivalents	229	91	138	-	-	-	-	229
Receivables (excluding GST receivables, prepayment and rates debtors)[4]	450	40	405	4	-	-	-	449
Other financial assets	142	1	65	8	30	47	15	166
Total non-derivative financial assets	**821**	**132**	**608**	**12**	**30**	**47**	**15**	**844**
Derivative financial assets								
Derivative financial assets net settled	356	-	41	78	156	154	21	450
Derivative financial assets gross settled[1]	172							
Inflows		-	27	356	1,297	-	-	1,680
Outflows		-	(71)	(329)	(1,243)	-	-	(1,643)
		-	**(44)**	**27**	**54**	**-**	**-**	**37**
Total derivative financial assets	**528**	**-**	**(3)**	**105**	**210**	**154**	**21**	**487**
Total financial assets	**1,349**	**132**	**605**	**117**	**240**	**201**	**36**	**1,331**
Non-derivative financial liabilities								
Bank overdraft	3	3	-	-	-	-	-	3
Payables and accruals (excluding income received in advance)	1,048	-	1,053	4	-	-	-	1,057
Secured borrowings[2]	10,908	-	1,263	1,177	4,743	4,261	1,239	12,683
Unsecured borrowings	455	-	-	145	140	114	56	455
Financial guarantees[3]	-	12,079	-	-	-	-	-	12,079
Total non-derivative financial liabilities	**12,414**	**12,082**	**2,316**	**1,326**	**4,883**	**4,375**	**1,295**	**26,277**
Derivative financial liabilities								
Derivative financial liabilities net settled	200	-	51	28	88	58	5	230
Derivative financial liabilities gross settled[1]	440							
Inflows		-	(68)	(85)	(1,312)	(2,432)	(324)	(4,221)
Outflows		-	202	244	1,663	2,844	332	5,285
		-	**134**	**159**	**351**	**412**	**8**	**1,064**
Total derivative financial liabilities	**640**	**-**	**185**	**187**	**439**	**470**	**13**	**1,294**
Total financial liabilities	**13,054**	**12,082**	**2,501**	**1,513**	**5,322**	**4,845**	**1,308**	**27,571**
Net contractual cash flows		**(11,950)**	**(1,896)**	**(1,396)**	**(5,082)**	**(4,644)**	**(1,272)**	**(26,240)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. It is highly unlikely that the guarantee will be called upon therefore it has not been included in the table above.
[4] The Receivables comparative balances have been restated to exclude rates debtors of $100 million.

E4 Liquidity risk (continued)

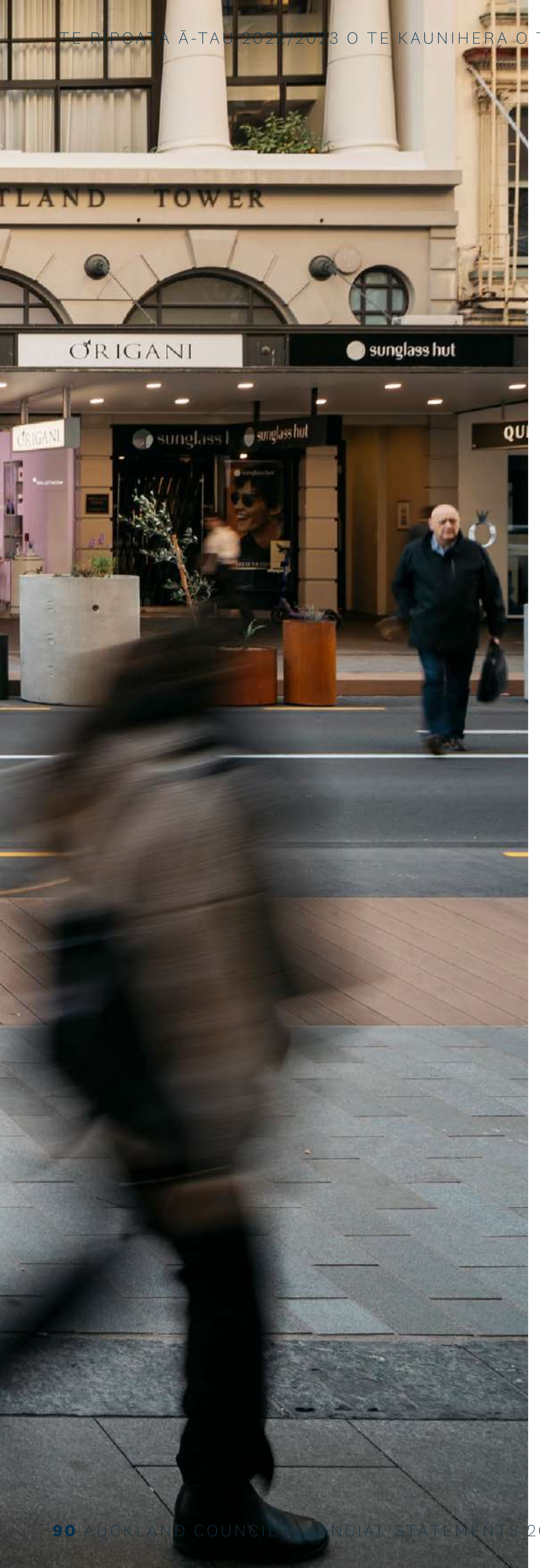
Auckland Council $Million	2023 Carrying amount	On demand	<1 year	1-2 years	2-5 years	5-10 years	>10 years	Total contractual cash flows
Non-derivative financial assets								
Cash and cash equivalents	45	43	2	-	-	-	-	45
Receivables (excluding GST receivables, prepayment and rates debtors)	185	-	172	13	-	-	-	185
Other financial assets	3,756	-	65	3,222	393	208	494	4,382
Total non-derivative financial assets	**3,986**	**43**	**239**	**3,235**	**393**	**208**	**494**	**4,612**
Derivative financial assets								
Derivative financial assets net settled	503	-	196	146	148	122	11	623
Derivative financial assets gross settled[1]	233							
Inflows		-	622	1,066	1,449	201	-	3,338
Outflows		-	(646)	(1,104)	(1,308)	(221)	-	(3,279)
		-	**(24)**	**(38)**	**141**	**(20)**	**-**	**59**
Total derivative financial assets	**736**	**-**	**172**	**108**	**289**	**102**	**11**	**682**
Total financial assets	**4,722**	**43**	**411**	**3,343**	**682**	**310**	**505**	**5,294**
Non-derivative financial liabilities								
Payables and accruals (excluding income received in advance)	992	-	985	7	-	-	-	992
Secured borrowings[2]	12,284	-	2,756	1,824	4,231	4,094	1,156	14,061
Financial guarantees[3]	-	14,162	-	-	-	-	-	14,162
Total non-derivative financial liabilities	**13,276**	**14,162**	**3,741**	**1,831**	**4,231**	**4,094**	**1,156**	**29,215**
Derivative financial liabilities								
Derivative financial liabilities net settled	109	-	12	15	55	39	(1)	120
Derivative financial liabilities gross settled[1]	461							
Inflows		-	(86)	(190)	(710)	(2,214)	(337)	(3,537)
Outflows		-	251	336	1,019	2,469	317	4,392
		-	**165**	**146**	**309**	**255**	**(20)**	**855**
Total derivative financial liabilities	**570**	**-**	**177**	**161**	**364**	**294**	**(21)**	**975**
Total financial liabilities	**13,846**	**14,162**	**3,918**	**1,992**	**4,595**	**4,388**	**1,135**	**30,190**
Net contractual cash flows		**(14,119)**	**(3,507)**	**1,351**	**(3,913)**	**(4,078)**	**(630)**	**(24,896)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. It is highly unlikely that the guarantee will be called upon therefore it has not been included in the table above.

E4 Liquidity risk (continued)

Auckland Council $Million	2022 Carrying amount	On demand	<1 year	1-2 years	2-5 years	5-10 years	>10 years	Total contractual cash flows
Non-derivative financial assets								
Cash and cash equivalents	166	36	131	-	-	-	-	167
Receivables (excluding GST receivables, prepayment and rates debtors)[4]	199	-	195	4	-	-	-	199
Other financial assets	3,196	-	94	2,881	138	228	613	3,954
Total non-derivative financial assets	**3,561**	**36**	**420**	**2,885**	**138**	**228**	**613**	**4,320**
Derivative financial assets								
Derivative financial assets net settled	355	-	41	77	155	154	21	448
Derivative financial assets gross settled[1]	173							
Inflows		-	48	401	1,463	-	-	1,912
Outflows		-	(91)	(371)	(1,395)	-	-	(1,857)
		-	**(43)**	**30**	**68**	**-**	**-**	**55**
Total derivative financial assets	**528**	**-**	**(2)**	**107**	**223**	**154**	**21**	**503**
Total financial assets	**4,089**	**36**	**418**	**2,992**	**361**	**382**	**634**	**4,823**
Non-derivative financial liabilities								
Payables and accruals (excluding income received in advance)	1,077	-	1,073	5	-	-	-	1,078
Secured borrowings[2]	10,904	-	1,262	1,176	4,741	4,261	1,239	12,679
Financial guarantees[3]	-	12,079	-	-	-	-	-	12,079
Total non-derivative financial liabilities	**11,981**	**12,079**	**2,335**	**1,181**	**4,741**	**4,261**	**1,239**	**25,836**
Derivative financial liabilities								
Derivative financial liabilities net settled	200	-	51	28	88	58	5	230
Derivative financial liabilities gross settled[1]	439							
Inflows		-	(69)	(85)	(1,312)	(2,432)	(324)	(4,222)
Outflows		-	203	244	1,663	2,844	332	5,286
		-	**134**	**159**	**351**	**412**	**8**	**1,064**
Total derivative financial liabilities	**639**	**-**	**185**	**187**	**439**	**470**	**13**	**1,294**
Total financial liabilities	**12,620**	**12,079**	**2,520**	**1,368**	**5,180**	**4,731**	**1,252**	**27,130**
Net contractual cash flows		**(12,043)**	**(2,102)**	**1,624**	**(4,819)**	**(4,349)**	**(618)**	**(22,307)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.
[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. It is highly unlikely that the guarantee will be called upon therefore it has not been included in the table above.
[4] The Receivables comparative balances have been restated to exclude rates debtors of $100 million.



Te Wehenga F:
He whākinga atu anō

Section F: Other disclosures

This section provides other information that enhances the clarity of this financial report. Disclosures of the remuneration of Auckland's mayor, councillors and local board members are presented under related party transactions.

The notes included in this section are as follows:

- **F1 Non-current assets held for sale**
- **F2 Deferred tax assets and liabilities**
- **F3 Investment in other entities**
- **F4 Contingencies, commitments and subsequent events**
- **F5 Related party transactions**
- **F6 Note to statement of cash flows**
- **F7 Regional fuel tax**

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F1 Non-current assets held for sale

Accounting policy

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

Non-current tangible and intangible assets

Non-current tangible and intangible assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses, if any, are recognised in the surplus or deficit. Increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. They are not depreciated or amortised while they are classified as held for sale.

Financial assets

Financial assets held for sale are measured at fair value, determined according to the following hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by the group and the council is the bid price at balance date.
- Level 2 - Inputs other than quoted prices included within Level 1 using observable market inputs for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

Fair value movements are recognised in surplus or deficit except for the investments in listed shares, which are measured at fair value through other comprehensive revenue and expenses.

Significant judgements and estimates

Following a resolution by the council's governing body, the council and the group classified 7% of Auckland International Airport shares as held for sale. The shares will continue to be held at fair value, based on quoted market prices, which is Level 1 of the fair value hierarchy outlined in Note C4. Refer to Note C3 for further details about these shares and the decision to sell them.

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Land and buildings	108	86	108	86
Other assets	1	-	-	-
Auckland International Airport Limited shares	880	-	880	-
Non-current assets held for sale	**989**	**86**	**988**	**86**

The accumulated reserves for assets held for sale were:

- An asset revaluation reserve related to property, plant and equipment of $14.5 million (2022: $47.4 million).
- A fair value through other comprehensive revenue and expenditure reserve related to listed shares $262.4 million (2022: n/a because there were no listed shares held for sale in prior year).

Our financial strategy includes asset recycling programme whereby the group identifies assets that are surplus to requirements in providing council services. This will help match funding with investment demand over the next 10 years. At 30 June 2023, there were 32 land and buildings assets held for disposal including houses held as part of the Own-your-own home scheme, a shared equity home ownership plan for older people. These assets had carrying values that were individually immaterial. They were expected to be disposed within the next 12 months.

F1 Non-current assets held for sale (continued)

Further, part of the group's mandate is to support the development of Auckland's economy. To this end, the group developed the Auckland Film studios, adding two new sound stages in December 2022. Now that development is complete, the group plans to divest the film studios, and has recognised the fair value of the facility within non-current assets held for sale.

Refer to the Note F4 Subsequent events on the sale of AIAL shares after the balance sheet date.

F2 Deferred tax assets and liabilities

The movement in the group's deferred tax assets/liabilities is as follows:

$Million	Property, plant and equipment	Intangible assets	Other	Tax losses carried forward	Total
Opening balance	(2,400)	(4)	(32)	265	(2,171)
Prior period adjustment	-				-
Credited/(charged) to surplus/(deficit)	(47)	-	19	(34)	(62)
Charged to other comprehensive revenue	(258)	-	-	-	(258)
Balance at 30 June 2023	**(2,705)**	**(4)**	**(13)**	**231**	**(2,491)**
Opening balance	(2,075)	(32)	7	266	(1,834)
Prior period adjustment	4	28	(33)	-	(1)
Charged to surplus/(deficit)	(36)	-	(3)	(1)	(40)
Charged to other comprehensive revenue	(293)	-	(3)	-	(296)
Balance at 30 June 2022	**(2,400)**	**(4)**	**(32)**	**265**	**(2,171)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Deferred tax assets	24	22	-	-
Deferred tax liabilities	(2,515)	(2,193)	-	-
Net deferred tax liabilities	**(2,491)**	**(2,171)**	**-**	**-**

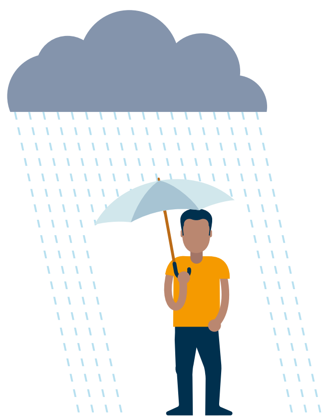
F3 Investment in other entities

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Investment in subsidiaries	-	-	20,008	19,957
Investment in joint ventures	1,490	1,160	1,487	1,158
Total Investment in other entities	**1,490**	**1,160**	**21,495**	**21,115**

Investment in subsidiaries

The Basis of Reporting provides information about the council's significant subsidiaries. In addition, the council is the sole shareholder/owner of several other council-controlled organisations (CCOs), and other entities exempted from CCO status, which together represent less than 0.1% of the group's total assets. They include:

- Arts Regional Trust*
- Community Education Trust Auckland
- Contemporary Art Foundation
- Māngere Mountain Education Trust*
- Manukau Beautification Charitable Trust
- Mount Albert Grammar School Community Swimming Pool Trust*
- Te Motu a Hiaroa (Puketutu Island) Management Trust*
- Te Puru Community Charitable Trust*
- Westhaven Marina Limited*.



*Entities exempted from CCO status under s 7(3) of LGA 2002.

F3 Investment in other entities (continued)

Investment in joint ventures and associates

Accounting policy

Investments in associates and joint ventures are accounted for using the equity method in both the group and parent financial statements. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the share of the surplus or deficit of the associate or joint venture after the date of acquisition. Distributions received reduce the carrying amount of the investment. Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with the group.

Significant judgements and estimates used in classifying joint arrangements

For all joint arrangements structured in separate vehicles, management must assess the substance of each joint arrangement to determine whether it is classified as a joint venture or joint operation. This assessment requires management to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, revenues and expenses (in which case it is classified as a joint operation). Management must consider factors including structure, legal form, contractual agreements and other facts and circumstances. On consideration of these factors, management has determined that all its joint arrangements structured through separate vehicles give it rights to the net assets and has therefore classified them as joint ventures.

The group and the council hold investments in the following joint ventures and associates as at 30 June 2023:

Entity	Held by	Entity type	Relationship	Interest 2023	Interest 2022	Nature
City Rail Link Limited	Council	Limited company	Joint venture	50.00%	50.00%	Design and construction of CRL
North Tugz Limited	Group	Limited company	Joint venture	50.00%	50.00%	Towage and pilotage services
PortConnect Limited	Group	Limited company	Joint venture	50.00%	50.00%	Online cargo management system
Waste Disposal Services	Council	Partnership	Joint venture	50.00%	50.00%	Landfill business
Haumaru Housing Limited Partnership	Council	Limited partnership	Joint venture	49.00%	49.00%	Social rental housing for older people in Auckland
Longburn Intermodal Freight Hub Limited	Group	Limited company	Associate	-	33.30%	Inland freight distribution hub
Tāmaki Redevelopment Company Limited	Council	Limited company	Associate	41.00%	41.00%	Property development

All entities are incorporated, domiciled and operate in New Zealand.

City Rail Link Limited

City Rail Link Limited (CRLL) is a Crown entity co-funded by the central government and the council (the sponsors). It was created for the purpose of designing and constructing an underground rail line linking Britomart and the city centre with the existing western line near Mount Eden. The council is committed to funding 50% of this $5.5 billion project. Constructed assets will be owned by the sponsors and related entities such as KiwiRail and Auckland Transport, however, the split of assets is yet to be decided.

F3 Investment in other entities (continued)

CRLL's key financial information was as follows:

$Million	2023	2022
Current assets:		
Cash and cash equivalents	73	38
Other current assets	20	20
	93	58
Non-current assets	2,899	2,282
Current liabilities	72	73
Equity	2,920	2,267
Net assets of joint venture (100%)	2,920	2,267
Group's share of net assets (50%)	1,460	1,134
Carrying amount of interest in joint venture	**1,460**	**1,134**
Revenue	6	1
Expenses:		
Depreciation and amortisation expenses	-	-
Other expenses	262	397
	262	397
Deficit for the year	(256)	(396)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(256)	(396)
Group's share of results for the year	**(128)**	**(198)**

During the year, the sponsors approved additional funding of $1.1 billion for CRLL. The additional funding relates to:

- settlement of claims relating to circumstances surrounding COVID-19
- increased costs to support the project
- cost and scope updates for three major contracts; and
- property development and claim costs related to two stations.

The council's remaining share of commitment to fund the CRL project is $0.8 billion (2022*: $0.7 billion).

*The comparative balance of the outstanding commitment has been restated to deduct the assets that the group has already transferred to the CRL project during the initial set up of the company. The restatement results in a decrease of $0.2 billion for the council's remaining share of commitment.

Investments in other joint ventures and associates

Aggregate financial information of the group's investments in other joint ventures and associates are as follows:

$Million	2023	2022
Current assets	34	28
Non-current assets	214	202
Current liabilities	17	26
Non-current liabilities	21	19
Equity	210	185
Total revenue	79	67
Total expense	52	44
Surplus after income tax	27	23
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	27	23
Group's share of results for the year	**14**	**12**

Haumaru Housing Limited Partnership

The council has a funding agreement with Haumaru Housing Limited Partnership (Haumaru) to provide total funding of $30 million over the period from 1 July 2017 to 30 June 2025. The funding provided may solely be used by Haumaru for capital renewals of the Housing for Older People property portfolio. As at 30 June 2023, the council's remaining funding commitment for Haumaru was $8 million (2022: $14 million).

F3 Investment in other entities (continued)

Explanation of significant variances against budget

2023 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Investments in other entities	1,490	1,838	21,495	21,527

Group

The difference between the actual and budgeted investment mainly relates to the council's investment in City Rail Link Limited (CRLL). The budgeted opening balance at 1 July 2022 was higher than the actual opening balance, less capital was provided during the year than was budgeted and the council's share of 50% CRLL's losses was greater than budget. This is mainly because CRLL transferred a significant number of assets to their sponsors during the year, which it recognised as a vested asset expense within their financial statements.

F4 Contingencies, commitments and subsequent events

CONTINGENT ASSETS AND LIABILITIES

Accounting policy

A contingent liability is a possible or present obligation that arises from past events but is not recognised because an outflow of resources is not probable or inability to measure reliably.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by one or more uncertain future events not wholly within the control of the entity.

The group and the council do not recognise contingent liabilities and contingent assets in the financial statements due to their uncertainty or because they cannot be reliably measured. However, they are disclosed as follows:

- contingent liabilities are disclosed unless the possibility that these will crystallise is remote; and
- contingent assets are only disclosed when it is probable that they will crystallise.

Contingent liabilities and assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

Quantifiable contingent liabilities

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Guarantees and indemnities	14,162	12,079	14,162	12,079
Uncalled capital	2	2	2	2
Legal proceedings and disputes	88	101	88	101
Total quantifiable contingent liabilities	**14,252**	**12,182**	**14,252**	**12,182**

F4 Contingencies, commitments and subsequent events

Guarantees and indemnities

New Zealand Local Government Funding Agency (LGFA)

The council is a shareholder and guarantor of the LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. It has a current credit rating from S&P Global Ratings of AAA (Stable).

As a guarantor

The council is one of 71 local authority guarantors of the LGFA. The LGFA's loans to local authorities total $17.7 billion (2022: $15.8 billion), of which the group and the council have borrowed $3.5 billion (2022: $3.7 billion). As a result, the group and the council's cross-guarantee on LGFA's loans to other local authorities is $14.2 billion (2022: $12.0 billion).

Accounting Standards require the group and the council to initially recognise the guarantee liability by applying the 12-month expected credit loss model (as fair value could not be reliably measured) and subsequently at the higher of the provision for impairment at balance date determined by the expected credit loss model and the amount initially recognised. At the end of the financial year, the group and the council have assessed the 12-month expected credit losses of the guarantee liability, based on market information of the underlying assets held by the LGFA. The estimated 12-month expected credit losses are immaterial due to the extremely low probability of default by the LGFA in the next 12 months, and therefore, the group and the council have not recognised a liability.

Uncalled capital

LGFA

The council is one of 31 shareholders of the LGFA. In that regard it has uncalled capital of $2 million (2022: $2 million). When aggregated with the uncalled capital of other shareholders, $20 million is available in the event that an imminent default is identified.

Legal proceedings and disputes

Legal proceedings and disputes

- Legal claims against the group and the council exist for contract challenges, building defects, land issues, consents, flooding damage, valuations and other sundry disputes.
- The group and the council have recognised a provision for legal claims that meet the recognition criteria as disclosed in Note D5, however, where the likelihood of having to make a payment under the claim is more than remote, the group and the council have shown the amount claimed or the maximum potential cost as a quantifiable contingent liability.
- Disclosing a contingent liability does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the group and the council. Amounts shown do not include any interest or costs that may be claimed if these cases were decided against the group and the council.

Unquantifiable contingent liabilities

Contaminated land

- A significant degree of estimation has been involved to calculate the provision for remediation of contaminated land. As a result, the group and the council may be subject to further liability that is not currently recognised.
- Further sites are likely to be identified in the future and should testing confirm contamination, the group and the council will be obliged to undertake remedial action.
- Details of provision for contaminated land is provided in Note D5.

New Zealand Mutual Liability Riskpool (Riskpool) scheme

Auckland Council was previously a member of the 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.

F4 Contingencies, commitments and subsequent events

New Zealand Mutual Liability Riskpool (Riskpool) scheme (continued)

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 respect of the non-weathertight defects. Riskpool has advised it is working through the implications of the Supreme Court decision. There is a hearing set down in the High Court on 11 December 2023 to resolve the issue. At this point any potential liability is unable to be quantified.

Contingent and future assets

Repurchase of heritage buildings

- In June 2004, one of the former councils sold several heritage buildings that form part of the Britomart precinct.
- The council has a right to repurchase these buildings for $1 after 150 years (June 2168). No estimate has been made of the financial effect of this transaction due to the long period involved. The council anticipates an estimate will be established 20 years before this repurchase occurs.

Entrust (previously named Auckland Energy Consumer Trust)

- The council is currently a capital beneficiary of Entrust when it terminates on 27 August 2073.
- As at 30 June 2023, the group and the council were not able to reliably estimate the value of any future benefit that may result from this arrangement.

Shared Responsibility Scheme assets

- The council's Shared Responsibility Scheme was created to assist clubs with the construction of facilities on council-owned land.
- Under the scheme, the clubs will control the use of the asset constructed and the council will gain control of the asset if the club vacates the facility.
- The group is currently unable to determine the likelihood that clubs might vacate their facilities, and consequently the amount of an asset that might vest with the council.

Refer to Note A8 for the contingent assets that relate to insurance proceeds receivable as a result of weather events.

COMMITMENTS

Capital commitments

Capital commitments are obligations which the group and the council have committed to. They specifically relate to work that is yet to commence and the expenditure that is yet to be incurred.

The group's and the council's capital commitments are as follows:

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Property, plant and equipment				
Roads and formation	1,613	538	-	-
Water and wastewater	577	953	-	-
Stormwater	65	109	68	112
Operational land and buildings	138	145	61	63
Rolling stock	221	239	-	-
Marinas	1	3	1	3
Wharves	45	43	8	2
Other operational assets	106	51	16	21
Restricted parks, reserves and buildings	2	6	2	6
Restricted improvements	88	84	88	84
Total property, plant and equipment	**2,856**	**2,171**	**244**	**291**
Intangible assets	19	35	2	6
Share of capital commitments from joint venture (CRLL)	333	461	333	461
Total capital commitments	**3,208**	**2,667**	**579**	**758**

F4 Contingencies, commitments and subsequent events

Operating lease commitments

The group and the council as lessee

Accounting policy

The group and the council lease property, plant and equipment from third parties in the normal course of business with lease terms varying from 1 month to 150 years (2022: 1 month to 150 years). Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term.

The majority of operating lease payments for group relate to bus peak vehicle requirements within public transport operator contracts. There are no restrictions placed on Auckland Transport by any of the leasing arrangements.

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Minimum operating lease payments payable				
Not later than one year	144	137	15	12
Later than one year and not later than five years	402	401	46	31
Later than five years	227	215	57	16
Total minimum operating lease payments payable	**773**	**753**	**118**	**59**

Leases may be renewed at the group's and the council's discretion with rents set by reference to current market rates for items of equivalent age and condition. In some circumstances, the group and the council have the option to purchase the asset at the end of the lease term.

No contingent rent has been recognised during the year by the group and the council (2022: nil). The total future sublease payments expected to be received under non-cancellable subleases at balance date was $1.4 million for the group and the council (2022: $4.9 million).

The group and the council as lessor

Accounting policy

The group and the council lease certain property, plant and equipment to third parties including land and buildings and some commercial and residential property. The leases have non-cancellable periods ranging from 1 month to 100 years (2022: 1 month to 100 years) with subsequent renewals negotiated with the lessee. Rental revenue (net of any incentives given to lessees) is recognised as revenue on a straight-line basis over the lease term.

Future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

$Million	Group		Auckland Council	
	2023	2022	2023	2022
Minimum operating lease payments receivable				
Not later than one year	53	55	26	23
Later than one year and not later than five years	130	120	53	49
Later than five years	158	168	108	133
Total minimum operating lease payments receivable	**341**	**343**	**187**	**205**

Contingent rent of $0.6 million (2022: $0.6 million) was recognised during the year by the group and the council.

F4 Contingencies, commitments and subsequent events

Finance lease commitments

The group and the council as lessee

The group and the council entered into finance leases to purchase various items of plant and equipment. The net carrying amount of the plant and equipment held under finance leases was $34 million for the group (2022: $35 million) and $31 million for the council (2022: $32 million). At 30 June 2023, the present value of minimum lease payments related to finance lease agreements was $3 million for the group (2022: $4 million).

SUBSEQUENT EVENTS

Central government assistance with weather event recovery and building resilience

The council has agreed to consult with residents on a cost-sharing arrangement with the central government that, if approved, will involve co-funding the costs of recovery from the early 2023 weather events and increasing the resilience of the region's infrastructure. This arrangement would see council and central government fund on a 50/50 basis the estimated buy-out costs of residential properties where there is an intolerable risk to life, and it is not feasible to mitigate this risk. It would also provide incremental funding for the costs of recovering our transport networks and investment in wider flood mitigation and resilience work. Across these areas central government would be contributing around $1 billion. The council would be required to contribute a similar amount. Further detail of the scheme (including valuation and acquisition methodology) continues to be worked through.

While all parties wish to advance the buy-out process at pace, this arrangement is in-principle and subject to public consultation. While any short-term costs to the council (in the 2023/2024 financial year) would need to be met through borrowing, the sources of funding for the council's share of the investment will be considered through the Long-term Plan 2024-2034, with several options available including debt, reducing or deferring other capital spending, the sale of assets, service reductions and rates increases. These decisions may also be impacted by the outcomes of the government's water reform process.

Sale of Auckland International Airport Limited shares

On 31 August the council sold 7% of Auckland International Airport Limited shares for $833 million, net of any fees. This was $32 million (4%) below the budgeted proceeds of $865 million. The funds will be used to reduce the council's debt.

Apart from the matters above, there are no events occurring after balance date that require disclosure.

F5 Related party transactions

Accounting policy

Related parties include subsidiaries, associates, joint ventures, key management personnel, the elected representatives of the council and their close family members and entities controlled by them. Close family members include spouses or domestic partners, children and dependants.

Apart from the disclosure of key management personnel remuneration, transactions with related parties that are on an arm's length basis are not disclosed.

All transactions with related parties were made on an arm's length basis in the current and prior financial years.

F5 *Related party transactions (continued)*

Local government disclosures

Key management personnel remuneration

Key management remuneration comprises of the total remuneration paid to the mayor, councillors, chief executive and executive leadership team, and excludes non-financial remuneration that is less than $1,000 or carparking as the council considers it immaterial and not practical to include this information.

	Auckland Council			
	2023 $	2022 $	2023 FTE	2022 FTE
Mayor and councillors				
Remuneration	2,847,436	2,962,189		
Total mayor and councillors	**2,847,436**	**2,962,189**	**21**	**21**
Payments during the year to the chief executive				
Salary and other short-term employee benefits	630,000	624,577		
Post-employment benefit (KiwiSaver contributions)	18,900	18,208		
Total chief executive remuneration	**648,900**	**642,785**	**1**	**1**
Executive leadership team				
Salary and other short-term employee benefits	3,673,060	3,214,386		
Post-employment benefit (KiwiSaver contributions)	117,205	106,062		
Total executive leadership team remuneration	**3,790,265**	**3,320,448**	**9**	**8**
Total key management personnel remuneration	**7,286,601**	**6,925,422**	**31**	**30**

Employee numbers and remuneration bands

Full-time equivalent	Group		Auckland Council	
	2023	2022	2023	2022
Full-time employees	10,095	10,082	5,341	5,413
Part time employees (full-time equivalent)	1,128	1,099	862	840
Total full-time equivalent	**11,223**	**11,181**	**6,203**	**6,253**

F5 *Related party transactions (continued)*

The numbers of employees who were employed at 30 June are detailed below. Those receiving remuneration of $60,000 or more are grouped into $20,000 bands. If there are fewer than six employees in a band, they are combined upwards with the next banding as stipulated in the LGA 2002.

Group Number of employees	2023	Number of employees	2022
<$60,000	3,216	<$60,000	3,915
$60,000-$79,999	2,643	$60,000-$79,999	2,521
$80,000-$99,999	2,201	$80,000-$99,999	2,330
$100,000-$119,999	1,905	$100,000-$119,999	1,538
$120,000-$139,999	1,180	$120,000-$139,999	1,066
$140,000-$159,999	652	$140,000-$159,999	501
$160,000-$179,999	331	$160,000-$179,999	246
$180,000-$199,999	168	$180,000-$199,999	134
$200,000-$219,999	101	$200,000-$219,999	85
$220,000-$239,999	42	$220,000-$239,999	43
$240,000-$259,999	36	$240,000-$259,999	38
$260,000-$279,999	29	$260,000-$279,999	15
$280,000-$299,999	18	$280,000-$299,999	20
$300,000-$319,999	17	$300,000-$319,999	12
$320,000-$339,999	17	$320,000-$339,999	9
$340,000-$359,999	7	$340,000-$359,999	6
$360,000-$399,999	7	$360,000-$399,999	10
$400,000-$419,999	6	$400,000-$439,999	7
$420,000-$459,999	8	$440,000-$519,999	8
$460,000-$639,999	7		
$640,000-$959,999	2	$520,000-$659,999	4
Total number of employees	**12,593**		**12,508**

Auckland Council Number of employees	2023	Number of employees	2022
<$60,000	1,844	<$60,000	2,282
$60,000-$79,999	1,521	$60,000-$79,999	1,477
$80,000-$99,999	1,253	$80,000-$99,999	1,437
$100,000-$119,999	1,174	$100,000-$119,999	817
$120,000-$139,999	578	$120,000-$139,999	520
$140,000-$159,999	284	$140,000-$159,999	227
$160,000-$179,999	138	$160,000-$179,999	115
$180,000-$199,999	80	$180,000-$199,999	60
$200,000-$219,999	50	$200,000-$219,999	37
$220,000-$239,999	16	$220,000-$239,999	12
$240,000-$259,999	13	$240,000-$259,999	17
$260,000-$279,999	10	$260,000-$299,999	14
$280,000-$299,999	6		
$300,000-$319,999	10	$300,000-$339,999	7
$320,000-$379,000	6		
$380,000-$459,999	6	$340,000-$439,999	7
$460,000-$659,999	4	$440,000-$659,999	4
Total number of employees	**6,993**		**7,033**

◀ Te Kori Scott Point

F5 Related party transactions (continued)

Severance payments

Severance payments relate to the termination of employment whether monetary in nature or otherwise. These payments are additional to any final payment of salary, holiday pay or superannuation contributions.

For the year ended 30 June 2023, Auckland Council made 21 severance payments to employees totalling $492,475 (30 June 2022: 23 payments totalling $660,749).

The values of each of these severance payments were $49,274, $47,200, $44,602, $39,000, $37,544, $35,091, $32,656, $25,000, $23,830, $20,068, $18,452, $18,101, $18,077, $15,842, $15,582, $15,543, $14,913, $10,000, $6,622, $3,000, and $2,078.

For the year ended 30 June 2023, other members of the group made 17 severance payments to employees totalling $354,480 (30 June 2022: 22 payments totalling $795,060).

The values of each of these severance payments were $103,161, $45,874, $44,744, $35,000, $23,499, $15,000, $14,751, $12,000, $10,000, $10,000, $10,000, $10,000, $5,000, $4,708, $4,337, $3,598, and $2,808.

Mayor, councillor and local board members' remuneration

The Remuneration Authority determines the remuneration to be paid to the mayor, councillors and local board members. The Local Government Members (2022/23) (Local Authorities) Determination 2022 detailed the rates which apply from 1 July 2022 to 30 June 2023.

Remuneration to mayor and councillors as per the LGA 2002 is as follows:

$	Auckland Council 2023	2022
Mayor		
Wayne Brown	204,923	-
Hon Phil Goff, CNZM, JP	91,077	307,385
Councillors		
Andrew Baker	74,627	-
Josephine Bartley	127,550	130,309
Dr Cathy Casey	39,124	130,309
Bill Cashmore	51,626	171,951
Fa'anānā Efeso Collins	38,426	127,985
Pippa Coom	39,124	130,309
Linda Cooper, JP	43,310	144,255
Angela Dalton	125,108	122,175
Chris Darby	131,137	144,255
Julie Fairey	86,627	-
Alf Filipaina, MNZM	123,937	144,255
Hon Christine Fletcher, QSO	125,108	122,175
Lotu Fuli	86,627	-
Shane Henderson	126,950	130,309
Richard Hills	136,954	144,255
Mike Lee	74,627	-
Kerrin Leoni	86,627	-
Tracy Mulholland	36,681	122,175
Daniel Newman, JP	125,108	122,175
Greg Sayers	126,252	127,985
Desley Simpson, JP	150,937	144,255
Sharon Stewart, QSO	126,252	127,985
Ken Turner	87,827	-
Wayne Walker	125,108	122,175
John Watson	132,069	127,985
Maurice Williamson	88,427	-
Paul Young	35,286	117,527
Total mayor and councillor remuneration	**2,847,436**	**2,962,189**

F5 Related party transactions (continued)

Local board members' remuneration

Under the LGA 2002, the council is required to disclose remuneration to local board members as follows:

	2023	2022
Albert-Eden		
Lee Corrick	14,412	89,923
Graeme Easte	14,412	47,987
José Fowler	33,600	-
Rachel Langton	14,412	47,987
Julia Maskill	48,013	47,987
Will McKenzie	14,412	47,987
Christina Robertson	48,013	47,987
Liv Roe	33,600	-
Kendyl Smith	57,354	49,018
Rex Smith	33,600	-
Jack Tan	33,600	-
Margi Watson	94,719	62,416
Total	**440,147**	**441,292**
Devonport-Takapuna		
Peter Allen	31,620	-
Aidan Bennett, QSM	13,387	44,809
Gavin Busch	31,620	-
Trish Deans	13,387	44,809
Terence Harpur	37,664	-
Ruth Jackson	26,767	89,114
Jan O'Connor, QSM	16,060	53,471
Melissa Powell	31,620	-
Toni van Tonder	75,222	44,809
George Wood, CNZM	45,007	44,809
Total	**322,354**	**321,821**
Henderson-Massey		
Brenda Brady, JP	55,634	62,006
Hon Chris Carter,JP	87,280	51,671
Peter Chan, JP	52,530	51,671
Dan Collins	37,011	-
Dr Will Flavell	52,530	51,671
Matt Grey	15,519	51,671
Oscar Kightley	37,011	-
Brooke Loader	59,480	51,671
Vanessa Neeson, JP	31,038	103,341
Ingrid Papau	52,530	51,671
Total	**480,563**	**475,373**
Howick		
Katrina Bungard	50,743	51,092
Bo Burns	57,429	51,092
David Collings	50,743	51,092
Bruce Kendall, MBE	50,743	51,092
Damian Light	68,818	-
John Spiller	53,814	61,373
Mike Turinsky	50,743	51,092
Adele White	66,096	102,265
Bob Wichman	15,351	51,092
Peter Young, JP	50,743	51,092
Total	**515,223**	**521,282**

$	2023	2022
Aotea Great Barrier		
Laura Caine	9,818	-
Luke Coles	10,803	35,960
Susan Daly	9,003	29,967
Izzy Fordham	58,662	59,934
Chris Ollivier	20,790	-
Patrick O'Shea	33,766	29,967
Neil Sanderson	20,790	-
Valmaine Toki	9,349	29,967
Total	**172,981**	**185,795**
Franklin		
Andrew Baker	28,295	94,203
Malcolm Bell, JP	47,194	47,101
Alan Cole	53,399	47,101
Sharlene Druyven	47,194	47,101
Angela Fulljames	81,050	56,522
Lance Gedge	-	15,164
Gary Holmes	33,047	-
Amanda Hopkins	33,047	-
Andrew Kay	33,047	-
Amanda Kinzett	47,194	47,101
Matthew Murphy	14,147	47,101
Logan Soole	47,194	47,101
Total	**464,808**	**448,495**
Hibiscus and Bays		
Gary Brown	94,763	94,826
Andy Dunn	14,241	47,413
Janet Fitzgerald, JP	14,241	47,413
Gary Holmes	14,241	47,413
Jake Law	33,798	-
Sam Mills	33,798	-
Julia Parfitt, JP	54,536	47,413
Alexis Poppelbaum, JP	48,039	47,413
Victoria Short	50,887	56,898
Gregg Walden	33,798	-
Leanne Willis	48,039	47,413
Total	**440,381**	**436,202**
Kaipātiki		
John Gillon	93,990	93,995
Paula Gillon	47,647	46,998
Danielle Grant, JP	56,915	56,398
Erica Hannam	33,531	-
Ann Hartley, QSO	-	41,251
Melanie Kenrick	47,647	46,998
Cindy Schmidt	14,116	46,998
Andrew Shaw	14,116	46,998
Tim Spring	33,531	-
Dr Janet Tupou	33,531	-
Adrian Tyler	47,647	46,998
Total	**422,671**	**426,634**

F5 Related party transactions (continued)

$	2023	2022
Māngere-Ōtāhuhu		
Tauanu'u Nanai Nick Bakulich	104,172	66,426
Joe Glassie-Rasmussen	37,260	-
Makalita Kolo	52,810	51,775
Christine O'Brien	55,913	52,800
Papaliitele Lafulafu Peo	52,810	51,775
Lemauga Lydia Sosene	-	88,203
Togiatolu Walter Togiamua	52,810	51,775
Harry Fatu Toleafoa	59,441	51,775
Total	**415,216**	**414,529**
Maungakiekie-Tāmaki		
Don Allan	49,669	49,129
Debbie Burrows	56,226	49,129
Nerissa Henry	49,669	49,129
Chris Makoare	52,620	58,950
Peter McGlashan	49,669	49,129
Maria Meredith	97,205	98,253
Tony Woodcock	49,669	49,129
Total	**404,727**	**402,848**
Ōtara-Papatoetoe		
Apulu Reece Autagavaia	102,835	102,822
Dr Ashraf Choudhary, QSO, JP	52,551	51,414
Dr Ofa Dewes, MNZM	59,519	51,414
Topou Folau	37,110	-
Lotu Fuli	15,441	51,414
Vi Hausia	37,110	-
Albert Lim	37,110	-
Swanie Nelson	39,150	51,414
Ross Robertson, QSO, JP	15,441	51,414
Dawn Trenberth	18,529	61,694
Total	**414,796**	**421,586**
Puketāpapa		
Harry Doig	14,007	46,637
Julie Fairey	28,014	93,268
Ella Kumar, JP	77,328	46,637
Roseanne Hay	32,380	-
Fiona Lai	52,575	46,637
Mark Pervan	32,380	-
Bobby Shen	46,387	46,637
Jon Turner	49,188	55,963
Total	**332,259**	**335,779**

$	2023	2022
Manurewa		
Joseph Allan	67,650	102,718
Heather Andrew	36,799	-
Anne Candy, QSO, JP	52,224	51,359
Angela Cunningham-Marino	36,799	-
Tabetha Gorrie	15,426	51,359
Andrew Lesa, JP	36,799	-
Rangi McLean, JP	52,224	51,359
Melissa Moore	18,511	61,630
Glenn Murphy	89,024	51,359
Ken Penney	15,426	51,359
Dave Pizzini	15,426	51,359
Matt Winiata	43,627	-
Total	**479,935**	**472,502**
Orākei		
Troy Churton	46,571	46,167
Colin Davis, JP	13,867	46,167
Troy Elliott	16,640	55,399
Angus McPhee	32,705	-
Scott Milne, JP	91,688	92,334
Sarah Powrie	52,822	46,167
Penny Tucker	32,705	-
Margaret Voyce	46,571	46,167
David Wong, JP	46,571	46,167
Total	**380,140**	**378,568**
Papakura		
Felicity Auva'a	48,391	48,036
Brent Catchpole	95,461	96,072
Hon George Hawkins, QSO	48,391	48,036
Kelvin Hieatt	33,963	-
Keven Mealamu	14,428	48,036
Jan Robinson, JP	57,805	57,644
Sue Smurthwaite	14,428	48,036
Andrew Webster	33,963	-
Total	**346,830**	**345,860**
Rodney		
Brent Bailey	76,522	45,544
Michelle Carmichael	32,412	-
Mark Dennis	32,412	-
Steve Garmer	13,680	45,544
Danielle Hancock	13,680	45,544
Tim Holdgate	46,091	45,544
Beth Houlbrooke	16,415	54,653
Louise Johnston	52,177	45,544
Vicki Kenny	13,680	45,544
Phelan Pirrie	27,359	91,088
Colin Smith	46,091	45,544
Geoff Upson	32,412	-
Ivan Wagstaff	32,412	-
Guy Wishart	32,412	-
Total	**467,755**	**464,549**

Earthworks Compliance Monitoring Officers

F5 Related party transactions (continued)

$	2023	2022
Upper Harbour		
Anna Atkinson	75,114	44,769
Uzra Casuri Balouch, JP	51,371	44,769
Callum Blair	31,989	-
Nicholas Mayne	13,446	44,769
John McLean	31,989	-
Margaret Miles, QSM,JP	16,135	53,718
Brian Neeson, JP	13,446	44,769
Kyle Parker	31,989	-
Lisa Whyte	26,892	89,530
Sylvia Yang	31,989	-
Total	**324,360**	**322,324**
Waitākere Ranges		
Mark Allen	45,289	45,336
Michelle Clayton	51,166	45,336
Sandra Coney, QSO	45,289	45,336
Liz Manley	31,672	-
Linda Potauaine	31,672	-
Greg Presland	77,397	54,405
Saffron Toms	27,234	90,672
Ken Turner	13,617	45,336
Total	**323,336**	**326,421**
Whau		
Fasitua Amosa	58,005	57,145
Ross Clow	34,417	-
Catherine Farmer	48,715	47,250
Ulalemamae Te'eva Matafai	14,303	47,621
Sarah Paterson-Hamlin	34,417	-
Warren Piper	48,721	47,621
Jessica Rose	14,303	47,621
Kay Thomas	95,146	95,241
Susan Zhu	48,721	47,621
Total	**396,748**	**390,120**

$	2023	2022
Waiheke		
Cath Handley	68,839	72,084
Kylee Matthews	37,469	43,249
Bianca Ranson	29,018	-
Robin Tucker	35,303	36,044
Bob Upchurch	10,827	36,044
Paul Walden	35,303	36,044
Total	**216,759**	**223,465**
Waitematā		
Alexandra Bonham	53,418	60,636
Adriana Avendario Christie	-	36,113
Glenda Fryer	19,142	30,406
Graeme Gunthorp	15,176	50,528
Kerrin Leoni	15,176	50,528
Allan Matson	35,207	-
Greg Moyle, JP, ED	41,818	-
Richard Northey, ONZM	65,559	101,057
Anahera Rawiri	35,207	-
Genevieve Sage	83,236	5,387
Julie Sandilands	3,370	50,528
Sarah Trotman, ONZM	35,207	15,894
Total	**402,516**	**401,077**

The total local board remuneration as at 30 June 2023 is $8,164,505 (2022: $8,156,522).

F6 Note to statement of cash flows

Reconciliation of surplus/ (deficit) after income tax to net cash flow from operating activities

$Million	Group 2023	Group 2022	Auckland Council 2023	Auckland Council 2022
Surplus/(deficit) after income tax	**1,010**	**1,724**	**(56)**	**1,138**
Add/(less) non-cash items	**760**	**(316)**	**459**	**(859)**
Movements in statement of financial position items				
Vested assets	(616)	(582)	(173)	(297)
Donated artwork (Note B1)	(184)	-	-	-
Net decrease/(increase) in fair value of investment property	108	(56)	100	(42)
Net loss on disposal of property, plant and equipment and intangible assets	72	64	47	11
Impairment of property, plant and equipment, receivables and other assets	43	116	16	14
Net gain on disposal of other assets	(1)	(9)	-	(9)
	(578)	**(467)**	**(10)**	**(323)**
Depreciation and amortisation				
Depreciation and amortisation	1,268	1,073	328	306
Amortisation of borrowing costs	-	(1)	(2)	(1)
	1,268	**1,072**	**326**	**305**
Other non-cash items				
Share of surplus in associates and jointly-controlled entities (net of dividends received)	117	190	118	196
Net change in fair value of financial instruments	(31)	(1,074)	40	(1,006)
Change in discount rates for long-term provisions	(9)	(37)	(8)	(31)
Other non-cash revenue	(7)	-	(7)	-
	70	**(921)**	**143**	**(841)**
Add/(less) items classified as investing or financing activities	**(2)**	**-**	**15**	**14**
Add/(less) movements in working capital items	**44**	**51**	**7**	**14**
Net cash inflow from operating activities	**1,812**	**1,459**	**425**	**307**

Reconciliation of liabilities arising from financing activities

Group 2023 $Million	Cash movements	Non-cash movement	Total
Borrowings			
Opening balance			11,363
Proceeds from borrowings	3,421	-	3,421
Repayment of borrowings	(2,603)	-	(2,603)
Net foreign exchange gains recognised in surplus/(deficit) on financial instruments held at amortised cost	-	251	251
Amortisation of bond discounts/premiums and debt costs	-	26	26
Repayment of finance lease principal	(1)	-	(1)
Balance as at 30 June 2023	**817**	**277**	**12,457**
Derivatives			
Opening balance			112
Receipts from derivative financial instruments	358	-	358
Payments for derivative financial instruments	(358)	-	(358)
Net losses on change in fair value of derivative financial instruments	-	(278)	(278)
Balance as at 30 June 2023	**-**	**(278)**	**(166)**
Credit Support Annex			
Opening balance			(10)
Collateral receipts	38	-	38
Collateral payments	(60)	-	(60)
Balance as at 30 June 2023	**(22)**	**-**	**(32)**

F6 Note to statement of cash flows (continued)

Group 2022 $Million	Cash movements	Non-cash movement	Total
Borrowings			
Opening balance			10,687
Proceeds from borrowings	3,524	-	3,524
Repayment of borrowings	(2,910)	-	(2,910)
Net foreign exchange gains recognised in surplus/(deficit) on financial instruments held at amortised cost	-	56	56
Amortisation of bond discounts/premiums and debt costs	-	6	6
Balance as at 30 June 2022	**614**	**62**	**11,363**
Derivatives			
Opening balance			1,287
Receipts from derivative financial instruments	1,033	-	1,033
Payments for derivative financial instruments	(1,070)	-	(1,070)
Net losses on change in fair value of derivative financial instruments	-	(1,136)	(1,136)
Movements in cash flow hedge reserve	-	(2)	(2)
Balance as at 30 June 2022	**(37)**	**(1,138)**	**112**
Credit Support Annex			
Opening balance			(39)
Collateral receipts	60	-	60
Collateral payments	(31)	-	(31)
Balance as at 30 June 2022	**29**	**-**	**(10)**
Other			
Opening balance			-
Repayment of finance lease principal	(3)	-	(3)
Balance as at 30 June 2022	**(3)**	**-**	**(3)**

Auckland Council 2023 $Million	Cash movements	Non-cash movement	Total
Borrowings			
Opening balance			10,904
Proceeds from borrowings	3,295	-	3,295
Repayment of borrowings	(2,191)	-	(2,191)
Net foreign exchange gains recognised in surplus/(deficit) on financial instruments held at amortised cost	-	251	251
Amortisation of bond discounts/premiums and debt costs	-	25	25
Balance as at 30 June 2023	**1,104**	**276**	**12,284**
Derivatives			
Opening balance			111
Receipts from derivative financial instruments	358	-	358
Payments for derivative financial instruments	(358)	-	(358)
Net losses on change in fair value of derivative financial instruments	-	(277)	(277)
Balance as at 30 June 2023	**-**	**(277)**	**(166)**
Credit Support Annex			
Opening balance			(10)
Collateral receipts	38	-	38
Collateral payments	(59)	-	(59)
Capitalised interest on collateral deposit	-	(2)	(2)
Balance as at 30 June 2023	**(21)**	**(2)**	**(33)**

F6 Note to statement of cash flows (continued)

Auckland Council 2022 $Million	Cash movements	Non-cash movement	Total
Borrowings			
Opening balance			10,206
Proceeds from borrowings	2,782	-	2,782
Repayment of borrowings	(2,146)	-	(2,146)
Net foreign exchange gains recognised in surplus/(deficit) on financial instruments held at amortised cost	-	56	56
Amortisation of bond discounts/premiums and debt costs	-	6	6
Balance as at 30 June 2022	**636**	**62**	**10,904**
Derivatives			
Opening balance			1,282
Receipts from derivative financial instruments	1,032	-	1,032
Payments for derivative financial instruments	(1,070)	-	(1,070)
Net losses on change in fair value of derivative financial instruments	-	(1,133)	(1,133)
Balance as at 30 June 2022	**(38)**	**(1,133)**	**111**
Credit Support Annex			
Opening balance			(39)
Collateral receipts	60	-	60
Collateral payments	(31)	-	(31)
Balance as at 30 June 2022	**29**	**-**	**(10)**

F7 Regional fuel tax

Local government disclosures

Regional fuel tax

Pursuant to the Land Transport Management (Regional Fuel Tax) Amendment Act 2018, the Auckland Regional Fuel Tax scheme (RFT) came into effect from 1 July 2018, at a rate of 10 cents per litre (plus GST) on petrol and diesel and their bio-variants. The RFT replaced the Interim Transport Levy which was a targeted rate until 30 June 2018.

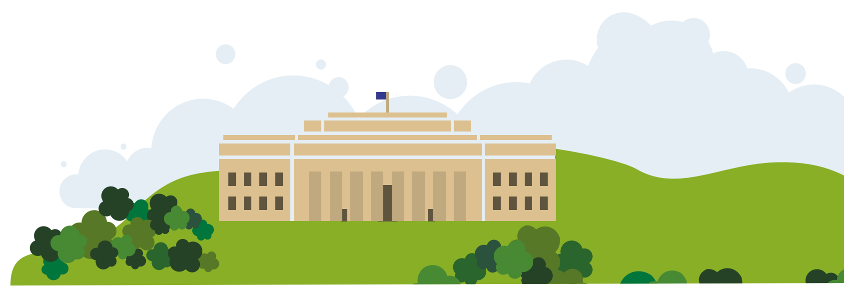
The Land Transport Management (Regional Fuel Tax Scheme—Auckland) Amendment Order 2023 came into effect from 11 May 2023 and amended the Land Transport Management (Regional Fuel Tax Scheme—Auckland) Order 2018. The amendment made changes to the descriptions, initiatives and benefits of the projects within the scheme. It also changed the projected expenditure, fuel tax contributions and timings of these projects. The changes were incorporated in the regional fuel tax reporting below.

Under the RFT legislation, Waka Kotahi New Zealand Transport Agency (Waka Kotahi) is responsible for the collection of RFT with administrative, monitoring and enforcement powers. The proceeds, net of administrative charges, are disbursed to the council on a monthly basis. The RFT can only be spent on projects set out by regulation and any unspent amounts at the end of a reporting period are transferred and accounted for through a restricted reserve. The movement in the restricted reserve is disclosed in Note D6 Ratepayer Equity.

Waka Kotahi made payments of $151 million of RFT revenue to the group during the year under the RFT scheme (2022: $140 million). The revenue was applied towards capital and operating expenditure on the projects shown below.

F7 Regional fuel tax (continued)

Projects	2023 $Million	2022 $Million	Progress
Project 1: Bus priority improvements	14	6	**Northwest Rapid Transit Network** Design work was 98% complete for the corridor works between Redhills North and Kumeū-Huapai. Te Atatū South and North main works reached practical completion and improvements to the bus shelter designs were ongoing. Lincoln North and South works (except Bus Stops E and F) were complete. Due to bringing bus stops E & F back into the scope, Lincoln South main works were expected to be finished in October 2023. State Highway 16 bus shoulders between Westgate and Newton Road were completed and reached practical completion in May 2023. Westgate Station detailed design was completed in February 2023. In June 2023, the Project Control Group (PCG) endorsed a memo to amend the design to enable settlement of the Public Works Act (PWA) objection by the owner of leasehold interests in the land and to enable support for the consents required for construction of the Station. This extended the design completion milestone from May 2023 to May 2024. Additional budget was required for this redesign work, but it led to resolution of all objections to the Westgate Station. The Westgate temporary bus stops construction commenced in June 2023 and was anticipated to be completed by end of September 2023. The new network bus go-live date for the North-West services was confirmed to be 12 November 2023.
Project 2: City centre bus infrastructure	-	1	**Downtown (Lower Albert Street Bus Interchange)** The project has been completed. Installation of bus shelters reached practical completion in November 2022. All defects were remedied. The final completion certificate was issued.
Project 3: Improving airport access	7	3	**Short-term Airport Access** **Puhinui Station Interchange** This project is complete. **Puhinui Bus Priority and Māngere Cycling** The Puhinui Road East Shared-use path achieved practical completion in February 2023 and the remaining works were completed. A few sites required design adjustments which were completed in July 2023. Wayfinding signage installation had been completed. A few sites required design adjustments which were to be completed by end July 2023.



F7 Regional fuel tax (continued)

Projects	2023 $Million	2022 $Million	Progress
Project 4: Eastern Busway	24	38	**Eastern Busway Stage one (Panmure to Pakuranga)** The main Busway/ Bridge contract achieved final completion except for some minor issues and a final completion certificate was being issued. The Eastern Busway 1 programme contains work packages outside of the Panmure Busway and Bridge contract which were progressing as separate contracts. These works include: i) Panmure Swing Bridge Span Conservation and Viewing Deck - Conservation of the heritage structure was completed and the viewing platform with associated board walk was under construction. Completion was scheduled for October 2023. ii) Removal of old Watercare pipes from Panmure Bridge and grouting of old pipes in the ground. This was subject to discussion with Watercare and was on hold pending Watercare's decision to proceed or not subject to funding. iii) Mokoia Pa Park – A detailed design was completed and reviewed by AT Design Review Panel, and feedback was being incorporated. Preparation of Heritage New Zealand General Authority application was in progress. The Project Team expected to submit a final information package and resolve a submission in July. The procurement plan was in the approval process and the works were expected to be tendered in September 2023. Construction was planned from January 2024 to April 2024. **Eastern Busway Alliance** A Project Alliance Agreement was signed in September 2022 for delivery of the next stage of the Eastern Busway from Pakuranga Town Centre towards Botany, including the new Reeves Road Flyover. Property acquisition to enable construction was progressing well. AT Board approval to delegate authority to approve the Target Out-turn Cost2 variation was received in June 2023 which brings the full scope of work into contract. Early works have commenced to shift the Howick Loop Main for Watercare and to construct William Roberts Road to enable diversion of traffic once Reeves Road is closed for construction of the flyover.
Project 5: Park-and-ride facilities	-	-	A park and ride programme was scheduled for implementation later in the 10-year Budget 2021-2031 period. The preparation of an updated 10-year Regional Land Transport Plan and 10-year Budget is underway which will inform the next steps in this programme.
Project 6: Electric trains and stabling	15	5	**EMU (Electric Multiple-Unit train) Rolling Stock** In February 2022, Auckland Transport announced the purchase of an additional 23 electric trains for its rail network with the first arriving in Auckland in mid-2024. Batch 2 (15 EMUs) final milestone of Fleet Acceptance was formally issued to the manufacturer in April 2023. A critical design review milestone achieved for both Batch 3 (23 EMUs) and Retrofit Program (Batch 1 and Batch 2) in January 2023. Overall, the rolling stock programme is making good progress. **City Rail Link Day One - Level Crossing Removal** Church Street East Single Stage Business Case (SSBC) is in progress. The Level Crossing Programme SSBC is continuing and is due to be completed by early 2024. The pedestrian level crossing is in a design and review stage. **City Rail Link roadside projects** The project team leading the Karanga-a-Hape Neighbourhood Network Improvements (Project K) are taking three options through various political and governance forums to seek feedback and approval. The three options vary in scope, quality and cost and allow corresponding budget allocation and prioritisation options. A final decision on the project scope and design to be delivered is still several weeks away.

F7 Regional fuel tax (continued)

Projects	2023 $Million	2022 $Million	Progress
Project 7: Ferry network improvements	-	(12)	**Ferry Basin Redevelopment** The project has been completed and is operational.
Project 9: Active transport	5	9	**Ongoing cycling programme** A 10-year programme in which a number of projects have been delayed due to a need for further engagement with elected representatives and some community stakeholders. This has now been completed. **Minor Cycling (Pop-up Cycleways)** The works on the 3.7km section of Upper Harbour Drive to replace the concrete with rubber separators was completed in February 2023. External consultation is ongoing. Great South Road cycleway, originally planned for construction in 2022/2023 has been deferred to 2023/2024 due to the need for corridor resealing work to take place first. Construction of Noel Burnside Road and Cavendish Drive cycleways started in June 2023. Noel Burnside Road construction was completed in July 2023. These are due for completion in September 2023. Cavendish Drive construction was completed in August 2023.
Project 10: Penlink and Project 11: Mill Road corridor are now being delivered by Waka Kotahi.			
Project 12: Road corridor improvements	3	7	**Warkworth Matakana Link Road** Matakana Link Road was officially opened with the Pūhoi to Warkworth motorway in June 2023. The project team is closing out defects and reviewing the Road Safety Audit findings for stage 4. **Lincoln Road Corridor Improvements** The project has no budget for the next three years; hence the project will be closed off for 2023/2024. All tasks that are currently in progress to bring the project to a logical closure will be completed. Handover notes are being prepared to commence the detailed design once the budget becomes available.
Project 13: Network capacity and performance improvement	10	8	All the projects in the programme progressed to meet the project targets. A mix of design and construction projects will take place in 2023/2024. The pipeline of works for 2023/2024 was largely confirmed and delivery planning was underway.
Project 14: Growth-related transport infrastructure	1	(3)	**Te Tupu Ngātahi Supporting Growth Alliance** Takanini Level Crossings Detailed Business Case was approved by the Auckland Transport Board in May 2023, excluding Walters Road which was being independently reviewed with stakeholders. All remaining detailed business cases were scheduled to be taken to the Auckland Transport Board in August 2023 including Walters Road, Takanini Frequent Transit Network, North and Pukekohe. Landowner engagement was ongoing in Pukekohe, North and Takanini. Overall, the programme was tracking under budget and was delayed by approximately six months due to the COVID-19 pandemic.
Total	**79**	**62**	

F7 Regional fuel tax (continued)

The RFT also provides funding towards the 2018-2028 accelerated road safety infrastructure programme (Project 8). During the year, $32 million was applied to capital and operating expenditure incurred on this programme (2022: $42 million). The current year delivery is summarised as follows:

- **Corridor and intersection safety programme:** The Bends programme was completed in June 2023. Construction on Ash Street and Rata Street commenced in April 2023, with Ash Street almost 75% complete. Construction at Neilson Road/Alfred Road intersection was completed in June 2023. Glenfield Road/Coronation Road was encountering delays due to poor weather, but approximately 90% of works were completed by end of 2023. Several projects were in scheme design or detailed design. These were awaiting confirmation to progress works in 2023/2024 by the Project Sponsor, whose decisions will be based on budget availability and DSI prioritisation.
- **Speed management programme**:
  Implementation of phase two speed limit changes was completed in July 2022. Mission Bay Town Centre construction was completed in October 2022.

  Implementation of safety improvements on 11 marae projects was completed in November 2022.

  Phase 3 speed limit changes were successfully completed in March 2023 with over 3,000 speed limit signs installed.

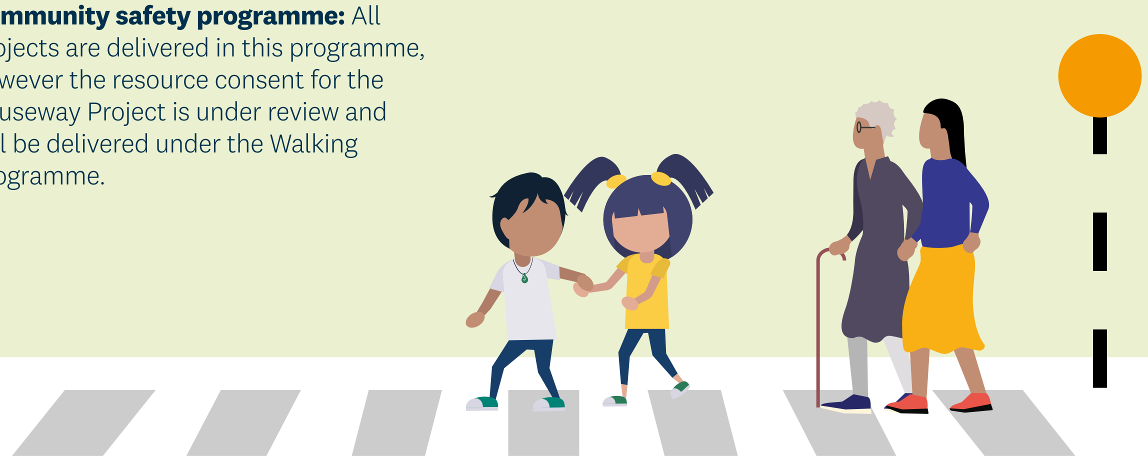
  11 driver feedback signs were installed in March 2023 for speed monitoring.

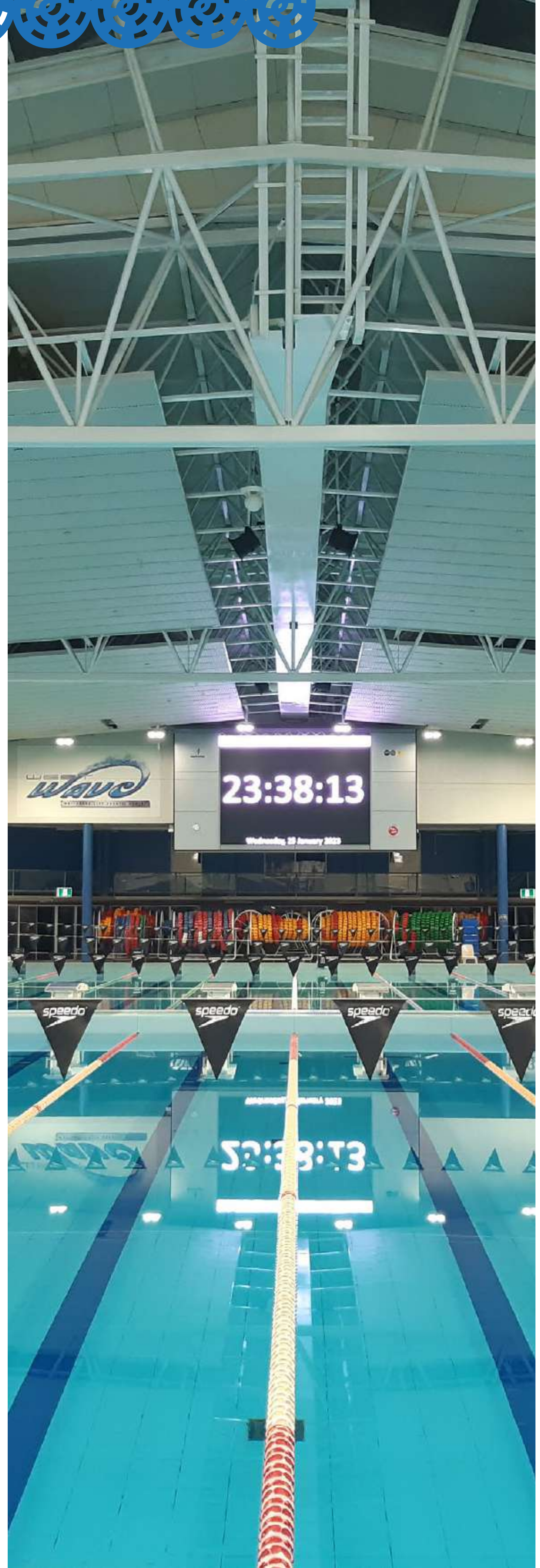
  Construction of Papatoetoe Residential Speed Management stage 1 was 70% complete with completion expected in July 2023.

  After extensive consultation with local business, construction of Devonport Town Centre Safety Improvements started in June 2023.

  Design for Nelson/Fanshawe/Hobson Streets safety improvements stage 1A was finalised with the physical works contract awarded.

  Takapuna Town Centre Safety Improvements were put on hold due to the budget uncertainty.
- **Vulnerable road users programme:** There were a total of 75 projects; 63 projects for design and construction and 12 for design only. Out of these 75 projects, 7 projects were under construction, 12 projects were in design, 12 projects were in investigation and 3 projects were in design procurement. Total number of completed projects for this programme at the end of June 2023 is 41.
- **Minor improvements programme:** The programme had 108 projects with 29 in scheme plan stage, 45 in the detailed design stage, 18 in the construction stage, a few were in closure stages, and 21 were completed (construction / design). A mix of projects in design and construction stage will be carried over to 2023/2024.
- **Community safety programme:** All projects are delivered in this programme, however the resource consent for the Causeway Project is under review and will be delivered under the Walking Programme.





Te Wehenga G:
Te pūrongo ā-pūtea me
ngā pae whakamoamoa

Section G: Financial reporting and prudence benchmarks

◀ West Wave Pool and Leisure Centre, Henderson

Annual report disclosure statement for the year ended 30 June 2023

What is the purpose of this statement?

The purpose of this statement is to disclose the Auckland Council Group (the group)'s financial performance in relation to various benchmarks to enable the assessment of whether the group and Auckland Council (the council) are prudently managing their 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).

The benchmarks have been prepared for the group.

Unless prescribed by the regulations, the quantified limit for the current year benchmark is calculated using financial information disclosed in the 10-year Budget 2021-2031.

Rates affordability benchmark

The group meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates, and
- its actual rates increase equals or is less than each quantified limit on rates increases.

Rates (income) affordability

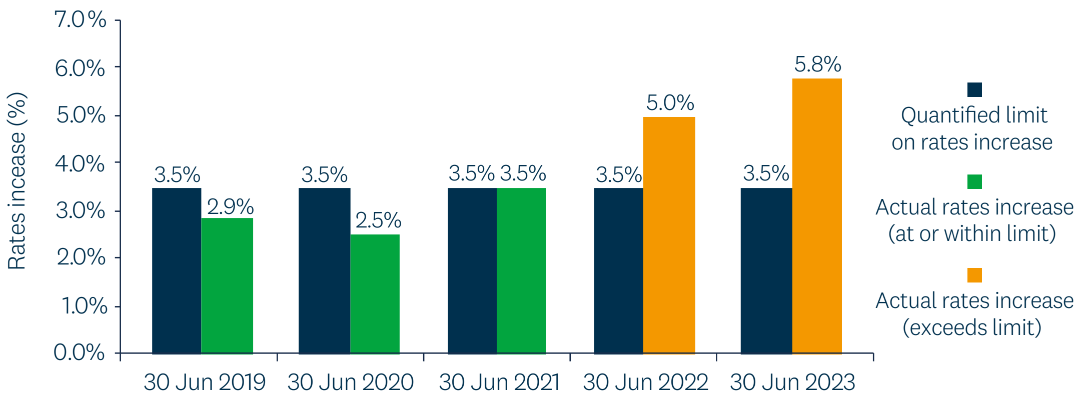
Following an amendment to the Local Government Act 2002 in 2019, the council has not included a quantified limit on rates in the financial strategy for the 10-year Budget 2021-2031.

Rate (increases) affordability

The graph below compares the year-on-year actual increase in group's rates income, exclusive of growth in the rating base, with the quantified limit on rates increase as defined in the financial strategy for the 10-year Budget 2021-2031. It includes targeted rates that apply generally across Auckland and refers to the overall average increase across all ratepayers. Targeted rates that apply to specific groups of ratepayers are excluded.

The quantified limit is to maintain average rates increases for existing ratepayers at 3.5% per annum. Due to the impacts of COVID-19 on the group's revenue streams, in order to ensure the group was able to continue to invest in critical infrastructure, a one-off increase in average general rates of 5% was approved for 30 June 2022 and it exceeded the quantified limit of 3.5%.

The benchmark is not met in the year ending 30 June 2023 due to the introduction of the Climate Action Targeted Rate.



Debt affordability benchmark

The group meets the debt affordability benchmark if its actual borrowings are within a quantified limit. The group uses debt as a percentage of total revenue for this benchmark. The methodology for determining this benchmark is described in the 10-year Budget 2021-2031.

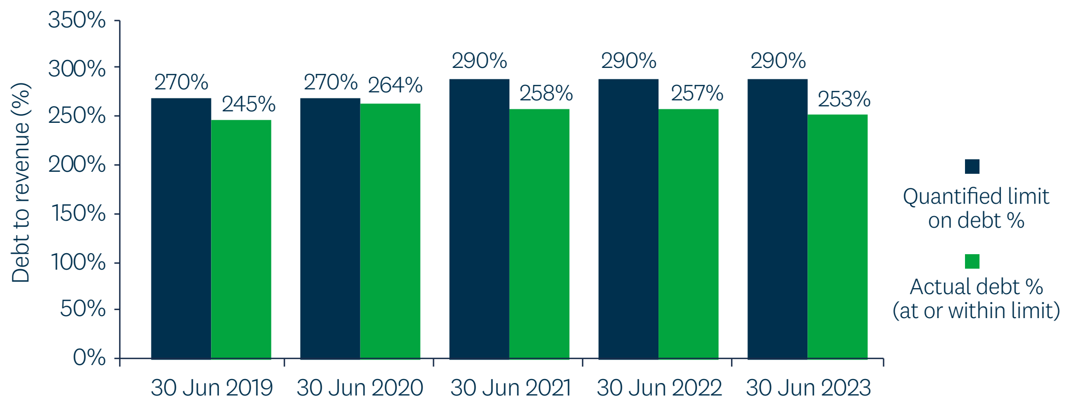
The components used in the debt affordability benchmarks are defined as follows:

- **Revenue:** Cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue excluding capital contributions and sale of assets or pass-through items (e.g. developer contributions and vested assets).
- **Debt:** Long and short term financial debt assumed directly by the group and capitalised lease obligations to pay to another entity in accordance with an express agreement or for other legally binding reasons.

Debt as a percentage of revenue

The graph below compares the group's actual debt to revenue percentage, against the quantified limit contained in the financial strategy included in the 10-year Budget 2021-2031 and the council's treasury management policy.

The quantified limit of debt is set to 290% of revenue. Debt as a percentage of revenue for 30 June 2023 was 253% compared to 257% at 30 June 2022. The actual debt ratio was lower than the quantified limit.

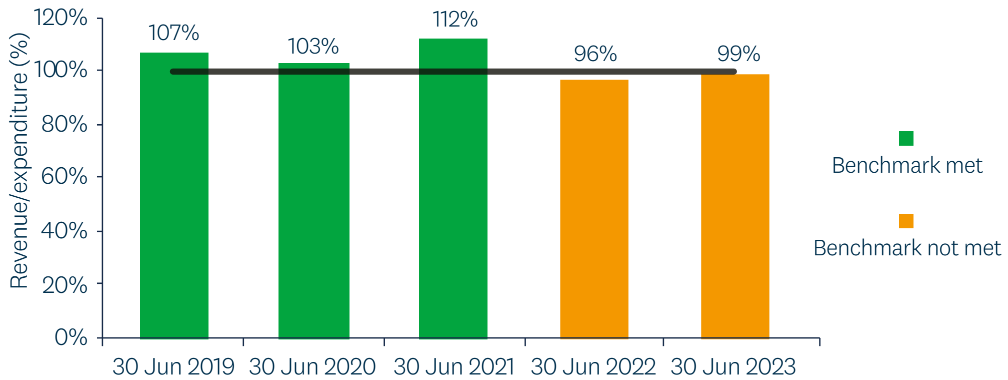


Balanced budget benchmark

The graph below displays the group'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 group meets this benchmark if its revenue equals or is greater than its operating expenses.

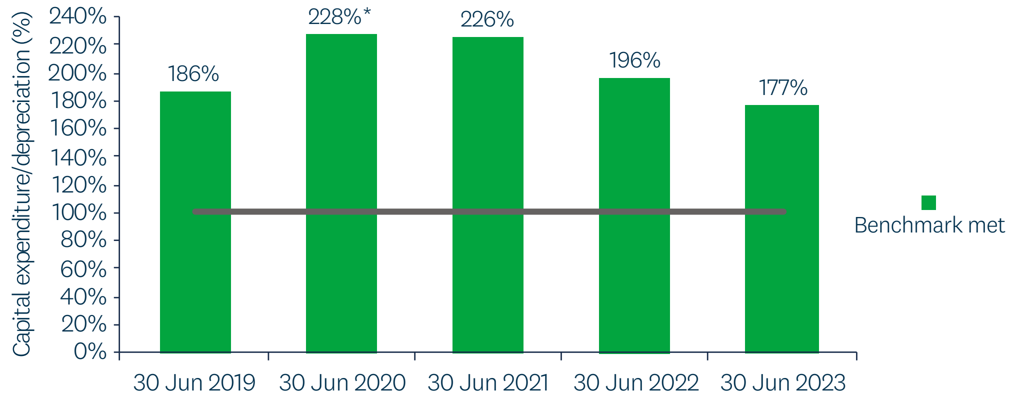
The group incurs foreign exchange gains and losses on foreign denominated borrowings. These foreign exchange gains or losses are included in revenue and expenses. The group enters into derivative transactions to mitigate that foreign currency exposure as required by its risk management policies. The foreign exchange movements derivative financial instruments are excluded from revenue and expenses. In 2023, $251 million of foreign exchange losses were included in this benchmark even though it has been fully offset by derivatives, and so to this extent, the benchmark ratio does not reflect the full economic substance of revenue and expenses. Refer to Note E3 for further details of the council's risk management policies on foreign exchange risk.

In both years 2022 and 2023, the adjusted revenue (excluding vested assets) was lower than budget, and the foreign exchange losses mentioned above increased expenses. This resulted in adjusted revenue being lower than the adjusted operating expenses. Refer to Section A 'Results of year' for analysis of operating revenues and expenses.



Essential services benchmark

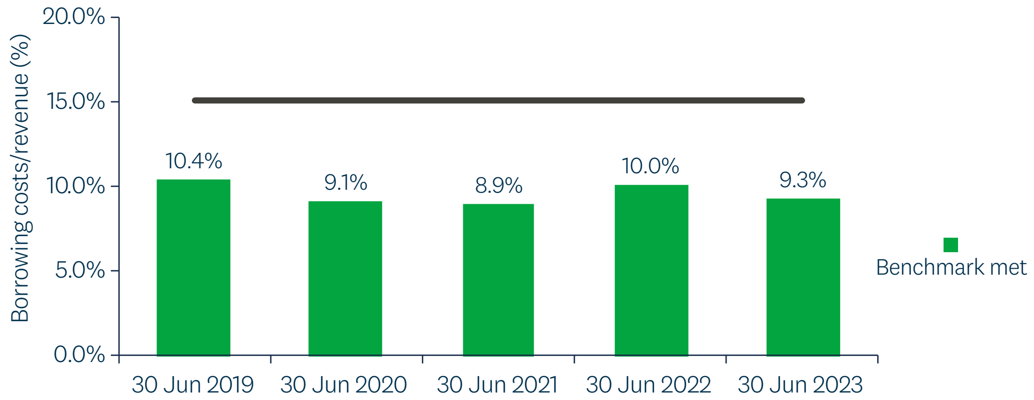
The graph below displays the group's capital expenditure on network services as a proportion of depreciation on network services. The group meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



*Group capital expenditure as a proportion of depreciation for 30 June 2020 has been restated, taking into account $108 million less roads and footpaths capital expenditure, resulting in decrease of the ratio from 249% to 228%.

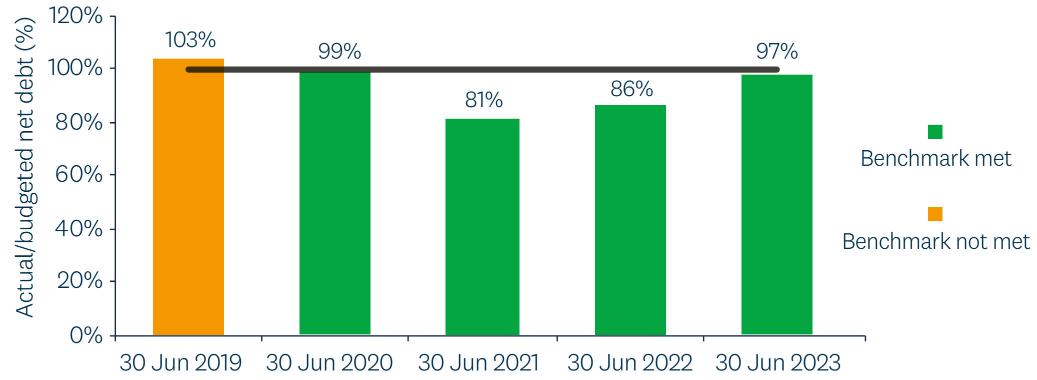
Debt servicing benchmark

The graph below displays the group's borrowing costs as a proportion of revenue (excluding financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects Auckland's population will grow as fast as, or faster than, the national population growth rate, the group meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



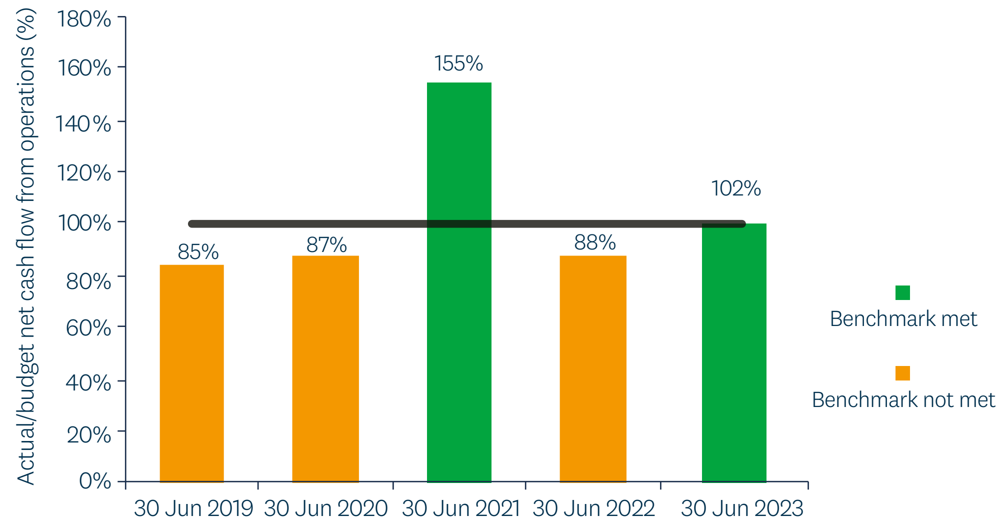
Debt control benchmark

The graph below displays the group'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 group meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. The 2019 net debt was adversely impacted by derivatives which were higher than planned as a result of the unbudgeted volatility in interest rates during the financial year.



Operations control benchmark

This graph below displays the group's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The group 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. 2023 actual cash flows were higher than 2022 and higher than planned due to due to higher receipts from customers, rates, grants, and other services and higher Interest received.



Te tauākī mō te pānga ā-pūtea a te rōpū o te kaunihera o Tāmaki Makaurau

Auckland Council Group funding impact statement

Te tauākī mō te pānga ā-pūtea a te rōpū

Group funding impact statement

For the year ended 30 June 2023

$Million	Actual 2023	Annual plan 2023	Actual 2022	Annual plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties	1,972	1,970	1,873	1,868
Targeted rates	311	311	255	254
Subsidies and grants for operating purposes	671	595	498	406
Fees and charges	1,420	1,477	1,231	1,468
Interest and dividends from investments	23	5	23	6
Local authorities fuel tax, fines, infringement fees and other receipts	730	688	697	496
Total operating funding	**5,127**	**5,046**	**4,577**	**4,498**
Applications of operating funding:				
Payments to staff and suppliers	3,498	3,464	3,202	3,162
Finance costs	531	503	473	446
Other operating funding applications	-	-	-	-
Total applications of operating funding	**4,029**	**3,967**	**3,675**	**3,608**
Surplus (deficit) of operating funding	**1,098**	**1,079**	**902**	**890**
Sources of capital funding:				
Subsidies and grants for capital expenditure	506	502	295	474
Development and financial contributions	241	265	236	248
Increase (decrease) in debt	843	843	575	911
Gross proceeds from sale of assets	46	106	74	132
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	**1,636**	**1,716**	**1,180**	**1,765**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	615	740	601	679
- to improve the level of service	829	821	524	799
- to replace existing assets	810	725	730	903
Increase (decrease) in reserves	33	109	51	25
Increase (decrease) in investments	447	400	176	249
Total applications of capital funding	**2,734**	**2,795**	**2,082**	**2,655**
Surplus (deficit) of capital funding	**(1,098)**	**(1,079)**	**(902)**	**(890)**
Funding balance	**-**	**-**	**-**	**-**

He pito kōrero e hāngai ana ki te tauākī mō te pānga ā-pūtea a te rōpū

Notes to the group funding impact statement

For the year ended 30 June 2023

Auckland Council (the council) is a local authority domiciled in New Zealand and governed by the following legislation:

- Local Government Act 2002 (LGA 2002);
- Local Government (Auckland Council) Act 2009 (LGACA 2009); and
- Local Government (Rating) Act 2002.

The Auckland Council Group (the group) consists of the council, its subsidiaries, associates and joint ventures. A summary of subsidiaries is provided in the basis of reporting section of the notes to the group financial statements.

Basis of preparation

The group funding impact statement has been prepared:

- in accordance with the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014;
- on a historical cost basis using accrual accounting; and
- in New Zealand dollars (NZD) and are rounded to the nearest million dollars, unless otherwise stated.

Annual plan figures

The annual plan figures presented in the funding impact statement of the group are those included in the Annual Budget 2022/2023. The accounting policies used to prepare the funding impact statement are consistent with those used to prepare the planned funding impact statements.

Long-term plan figures

The long-term plan figures presented in the groups of activity funding impact statements are those included in 2021/2022 and 2022/2023 of the 10-year budget 2021-2031 (Our Recovery Budget).

Commentary

The following commentary provides detail of the most significant variances between actual and budgeted sources and applications of funding during the year for the group funding impact statement.

Sources of operating funding

Sources of operating funding were $81 million favourable to plan. This variance is principally made up of a $42 million surplus in funding from local authorities' fuel tax, fines and infringements and other receipts and $76 million surplus in subsidies and grants for operating purposes. This was partly offset by a $57 million shortfall in fees and charges. Further details of these variances are outlined below.

Local authorities fuel tax, fines, infringement fees and other receipts

Local authorities fuel tax, fines, infringement fees and other receipts were $42 million favourable to plan mainly due to rental income from the commercial portfolio and film studio that was not included in the budget, higher travel than expected post COVID-19 contributing to higher regional fuel tax and better than expected event activity.

Subsidies and grants for operating purposes

Overall subsidies and grants for operating purposes were $76 million favourable to plan. Several one-off operating subsidies were received from Waka Kotahi NZ Transport Agency (Waka Kotahi) including $77 million for public transport and roading which included the extension of the half price fares and $28 million for repairs following weather events. In addition, there was $18 million from central government for project Activate/Reactivate.

These were partly offset by the delay in receiving $27 million of the Affordable Waters Better-off funding from central government and $19 million from Waka Kotahi due to delays in delivering planned projects

Fees and charges

The $57 million unfavourable to plan was due to the extension of half price public transport fares to the end of June 2023 of $22 million, lower parking occupancy of $9 million and $26 million less infringement and fine revenue due to compliant behaviour and delays in the implementation of special vehicle lanes.

Applications of operating funding

Applications of operating funding were $62 million above plan. $34 million related to payments to staff and suppliers and $28 million to finance costs. Further details of these variances are outlined below.

Payments to staff and suppliers

- Outsourced works and services were $45 million unfavourable mainly due to unexpected storm clean-up costs and assistance engaged to clear consenting backlogs.
- The budget overestimated the amount of staff time that could be capitalised against projects by $26 million, particularly for Watercare Services Limited (Watercare).
- Organisational restructures resulted in $15 million of redundancy costs. Redundancy costs were not budgeted for.
- These were partly offset by saving from efficiencies, controls over discretionary spend and postponement of a number of projects resulting in other direct expenses being $50 million lower than budget, and consultancy and professional services expenses being $17 million lower than budget.

Finance costs

Finance costs were $28 million unfavourable to plan due to higher than budgeted weighted average interest rates. The annual plan had assumed a rate of 4.4 per cent, whereas the actual rate was 4.5 per cent.

Source of capital funding

Sources of capital funding were $80 million below plan. Reduced development contributions and sale proceeds contributed to this shortfall. Further details of these variances are outlined below.

Development and financial contributions

- This funding was $24 million below plan due to the general slowdown in the property development activity driven by the current economic climate.

Gross proceeds from sale of assets

- Proceeds were $60 million unfavourable to plan due to the general slowdown in the property market, resulting in properties taking longer to sell and the actual sales proceeds lower than anticipated.

Applications of capital funding

Applications of capital funding were $61 million below plan. Most of this shortfall relates to an increase in reserves of $76 million. Further details of the contributors to the variances are outlined below.

- Capital expenditure was $32 million unfavourable to plan due to delays in advancement of projects because of labour and supply shortages.
- Increase in reserves were $76 million unfavourable to plan as weathertightness and associated building defects payments were lower than anticipated largely due to the timing of payments being different than anticipated in the Annual Plan.
- A $47 million favourable increase in investments to plan was due to the group maintaining a higher level of cash and working capital than planned.

Reconciliation of surplus of operating funding to operating surplus before gains and losses

The following reconciliation bridges the difference between the funding impact statement and the statement of comprehensive revenue and expenditure.

$Million	Actual 2023	Actual 2022
Surplus of operating funding	**1,098**	**902**
Operating surplus items not included in operating funding		
Depreciation and amortisation	(1,268)	(1,073)
Vested assets	616	582
Development contributions	240	236
Capital grants and subsidies	506	295
Provision for remediation of weathertightness claims expense	(25)	(7)
Donated Artwork (Refer to Note B1)	184	-
Other revenue and expense items	6	31
Operating funding items not included in operating surplus		
Retrofit your home principal loan repayments	(5)	(6)
Dividends from associates and joint ventures	(3)	(9)
Operating surplus before gains and losses	**1,349**	**951**

Measuring our progress to long-term outcomes set in the Auckland Plan 2050

The Auckland Plan 2050 is our long-term spatial plan to ensure Tāmaki Makaurau grows in a way that will meet the opportunities and challenges of the future. Key challenges that are addressed include high population growth, environmental degradation and how we can ensure shared prosperity and wellbeing for all Aucklanders.

The Auckland Plan outcomes align to the four well-beings in the Local Government Act 2002.

The Wellbeings Environmental Social Cultural Economic

BELONGING AND PARTICIPATION

All Aucklanders will be part of and contribute to society, access opportunities, and have the chance to develop to their full potential.

MĀORI IDENTITY AND WELLBEING

A thriving Māori identity is Auckland's point of difference in the world – it advances prosperity for Māori and benefits all Aucklanders.

TRANSPORT AND ACCESS

Aucklanders will be able to get where they want to go more easily, safely and sustainably.

ENVIRONMENT AND CULTURAL HERITAGE

Aucklanders preserve, protect and care for the natural environment as our shared cultural heritage, for its intrinsic value and for the benefit of present and future generations.

HOMES AND PLACES

Aucklanders live in secure, healthy, and affordable homes, and have access to a range of inclusive public spaces.

OPPORTUNITY AND PROSPERITY

Auckland is prosperous with many opportunities and delivers a better standard of living for everyone.

Each of Auckland Council's group of activities contributes to one or more of these outcomes. The financial impacts of these activities are outlined in the following funding impact statements.

Basis of preparation

The groups of activities funding impact statement have been prepared:

- in accordance with the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014;
- on a historical cost basis using accrual accounting; and
- in New Zealand dollars (NZD) and are rounded to the nearest million dollars, unless otherwise stated.

For cost allocations between the groups of activities, where costs are not directly attributable to the group of activity, they have been allocated proportionate to the budgeted cost allocation. The budgeted cost allocation is based on costs that are most likely attributable to each group of activity.

Te tauākī mō te pānga ā-pūtea ki ngā huinga ngohe

Group of activities funding impact statement

Ngā Huarahi me ngā Ara Hīkoi

Roads and footpaths

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		288	305	283
Targeted rates		2	2	1
Subsidies and grants for operating purposes	1	86	59	58
Fees and charges		4	-	-
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		97	104	104
Total operating funding		**477**	**470**	**446**
Applications of operating funding:				
Payments to staff and suppliers	2	206	168	162
Finance costs		49	57	56
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**255**	**225**	**218**
Surplus (deficit) of operating funding		**222**	**245**	**228**
Sources of capital funding:				
Subsidies and grants for capital expenditure		230	213	227
Development and financial contributions		43	43	36
Increase (decrease) in debt	3	9	67	31
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**282**	**323**	**294**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		59	74	86
- to improve the level of service		224	266	225
- to replace existing assets		221	228	211
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	**4**	**504**	**568**	**522**
Surplus (deficit) of capital funding		**(222)**	**(245)**	**(228)**
Funding balance		**-**	**-**	**-**

▶ Orakei walk and cycleway

Comparison of results to the Long-term Plan 2022/2023

1. Subsidies and grants for operating purposes were above plan due to Waka Kotahi funding received in response to weather events.
2. Payments to staff and suppliers were above plan due to unbudgeted staff restructuring costs, higher average staff earnings due to a tight labour market and costs to respond to weather events.
3. Capital expenditure was less than planned which resulted in a funding surplus compared to the Long-term Plan. The funding surplus meant that less debt funding was required than expected.
4. Capital expenditure was below plan due to:
   - Inner west cycling projects (Point Chevalier to Westmere, Waitematā Safe Routes and Great North Road) being put on hold in November 2022, while the newly formed council and AT board reviewed costs and consulted again.
   - Point England, Stonefields and St Johns links to Glen Innes and Glen Innes to Tāmaki Section 4 had not started construction due to the capital reprioritisation review that was underway.

Ngā Tikanga Kawe Pāhihi/Ngā Tikanga Aro Hāereere
Public transport and travel demand management

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		358	371	387
Targeted rates	1	47	3	3
Subsidies and grants for operating purposes	2	425	311	311
Fees and charges	3	126	296	269
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	4	162	111	110
Total operating funding		**1,118**	**1,092**	**1,080**
Applications of operating funding:				
Payments to staff and suppliers	5	914	885	877
Finance costs		139	154	136
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**1,053**	**1,039**	**1,013**
Surplus (deficit) of operating funding		**65**	**53**	**67**
Sources of capital funding:				
Subsidies and grants for capital expenditure	6	204	299	189
Development and financial contributions		46	61	58
Increase (decrease) in debt		482	469	474
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**732**	**829**	**721**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	7	44	40	17
- to improve the level of service	7	274	361	258
- to replace existing assets	7	25	25	23
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		454	456	490
Total applications of capital funding		**797**	**882**	**788**
Surplus (deficit) of capital funding		**(65)**	**(53)**	**(67)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2022/2023

1. Targeted rates were above plan mainly due to the introduction of Climate Action Targeted Rate, which was not anticipated in the Long-term Plan 2022/2023.
2. Subsidies and grants for operating purposes were higher than plan due to the fare top up received from Waka Kotahi for half-price public transport fares.
3. Fees and charges were below plan due to lower public transport revenue driven by the extension of the 50% fare discount and parking revenue due to lower occupancy.
4. Local authorities fuel tax, fines, infringement fees and other receipts were above plan mainly due to the budget relating to infringement fees and fines being included in Fees and charges.
5. Payments to staff and suppliers were above plan due to unbudgeted staff restructuring costs, higher average staff earnings due to a tight labour market and response costs associated with weather events.
6. Subsidies and grants for capital expenditure were below plan due to delays in obtaining resource consent approvals in the Urban Cycling Programme. As a result, the budgeted associated subsidies from Waka Kotahi were not received.
7. Capital expenditure was below plan due to:
   - The design and investigation for an extension to Wiri Depot, a maintenance and stabling facility for trains, was behind schedule, as there has been revision of cost estimates and approaches.
   - Eastern busway 1: Panmure to Pakuranga was partially delayed. Whilst the main works have been completed, the close-out activities were ongoing.
   - The Urban Cycling Programme was behind plan due to delays in resource consent.

▶ Northern Busway, Albany

Ngā Putunga Wai

Water supply

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		(1)	(1)	(1)
Targeted rates		-	-	-
Subsidies and grants for operating purposes		-	-	-
Fees and charges	1	183	236	217
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		93	81	76
Total operating funding		**275**	**316**	**292**
Applications of operating funding:				
Payments to staff and suppliers	2	115	141	139
Finance costs		45	28	25
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**160**	**169**	**164**
Surplus (deficit) of operating funding		**115**	**147**	**128**
Sources of capital funding:				
Subsidies and grants for capital expenditure		9	-	-
Development and financial contributions		-	-	-
Increase (decrease) in debt	3	85	(29)	70
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**94**	**(29)**	**70**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		108	43	81
- to improve the level of service		13	4	4
- to replace existing assets		88	71	113
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	**4**	**209**	**118**	**198**
Surplus (deficit) of capital funding		**(115)**	**(147)**	**(128)**
Funding balance		**-**	**-**	**-**

▶ Watercare facility, Helensville

Comparison of results to the Long-term Plan 2022/2023

1. Fees and charges were below plan due to higher-than-average rainfall during the year and weather events resulting in lower than planned water usage. Average annual rainfall was 91% above historic averages for the financial year.
2. Payments to staff and suppliers were below plan mainly due to the reallocation of costs from Water Supply to Wastewater. Across the two activities there was a net increase in staff costs driven by an increase in contract labour and temporary staff to backfill vacancies because of a tight labour market. Supplier costs were above plan mainly driven by inflation, supply chain disruptions and materials shortages. The variance was further exacerbated by the unusually wet weather and significant weather events requiring unplanned repairs and maintenance on the network.
3. Capital expenditure was more than planned which resulted in a funding deficit compared to the Long-term Plan. The funding deficit meant that more debt funding was required than expected.
4. Capital expenditure was above plan because of work associated with securing an additional 150 million litres per day on the Waikato River project and a catch up of a prior year backlog of connections and water meter installations.

Ngā Tikanga Tiaki me te Tuku Wai Para
Wastewater treatment and disposal

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		(2)	(2)	(2)
Targeted rates		-	-	-
Subsidies and grants for operating purposes		-	-	-
Fees and charges		418	438	398
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	1	213	80	74
Total operating funding		**629**	**516**	**470**
Applications of operating funding:				
Payments to staff and suppliers	2	265	168	167
Finance costs		78	86	75
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**343**	**254**	**242**
Surplus (deficit) of operating funding		**286**	**262**	**228**
Sources of capital funding:				
Subsidies and grants for capital expenditure	3	21	-	-
Development and financial contributions		-	-	-
Increase (decrease) in debt	4	271	335	320
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**292**	**335**	**320**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		259	299	262
- to improve the level of service		154	119	98
- to replace existing assets		165	179	188
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding		**578**	**597**	**548**
Surplus (deficit) of capital funding		**(286)**	**(262)**	**(228)**
Funding balance		**-**	**-**	**-**

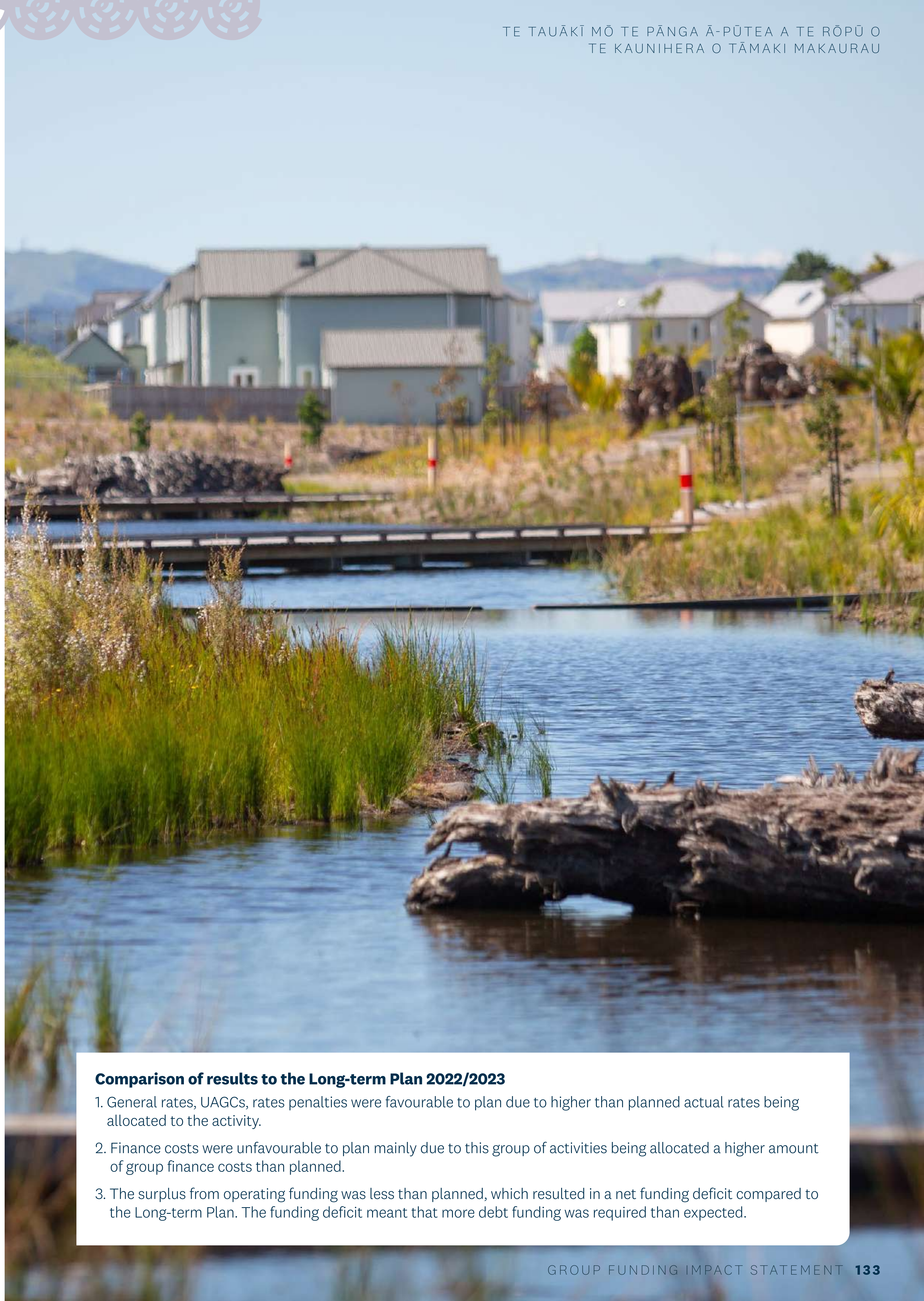
▶ Watercare board chair Margaret Devlin and Waikato Tainui executive chair Tukoroirangi Morgan at the Pukekohe Wastewater Treatment Plant dawn blessing ceremony

Comparison of results to the Long-term Plan 2022/2023

1. Higher than expected construction activities compared to what was expected in the Long-term Plan led to increased infrastructure growth charges and revenue associated with new water supply connections. Further, revenue from the Waikato District Council partnership agreement exceeded plan.
2. Payments to staff and suppliers were above plan mainly due to the reallocation of payments from Water Supply to Wastewater. Across the two activities there was a net increase in staff costs driven by an increase in contract labour and temporary staff to back fill vacancies because of a tight labour market. Supplier costs were above plan mainly driven by inflation, supply chain disruptions and materials shortages. The variance was further exacerbated by the unusually wet weather and significant weather events requiring unplanned repairs and maintenance on the network.
3. Subsidies and grants for capital expenditure were above plan due to unbudgeted revenue received from Kāinga Ora contracts.
4. Local authorities fuel tax, fines, infringement fees and other receipts were higher than plan, resulting in a funding surplus compared to the Long-term Plan. The funding surplus meant that less debt funding was required than expected.

Te Whakahaere Wai Āwhā
Stormwater management

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties	1	167	140	128
Targeted rates		47	48	45
Subsidies and grants for operating purposes		2	-	-
Fees and charges		1	-	-
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		1	2	2
Total operating funding		**218**	**190**	**175**
Applications of operating funding:				
Payments to staff and suppliers		67	53	50
Finance costs	2	55	15	16
Internal charges and overheads applied		15	13	14
Other operating funding applications		-	-	-
Total applications of operating funding		**137**	**81**	**80**
Surplus (deficit) of operating funding		**81**	**109**	**95**
Sources of capital funding:				
Subsidies and grants for capital expenditure		3	-	-
Development and financial contributions		29	37	35
Increase (decrease) in debt	3	18	(14)	-
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**50**	**23**	**35**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		18	32	28
- to improve the level of service		43	56	43
- to replace existing assets		70	44	59
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding		**131**	**132**	**130**
Surplus (deficit) of capital funding		**(81)**	**(109)**	**(95)**
Funding balance		**-**	**-**	**-**



▶ Awakere Wetlands, Papakura

Comparison of results to the Long-term Plan 2022/2023

1. General rates, UAGCs, rates penalties were favourable to plan due to higher than planned actual rates being allocated to the activity.
2. Finance costs were unfavourable to plan mainly due to this group of activities being allocated a higher amount of group finance costs than planned.
3. The surplus from operating funding was less than planned, which resulted in a net funding deficit compared to the Long-term Plan. The funding deficit meant that more debt funding was required than expected.

Ngā Ratonga Kaunihera ā-Rohe
Local council services

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties	1	380	370	358
Targeted rates		20	21	21
Subsidies and grants for operating purposes		5	5	4
Fees and charges		31	35	33
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		6	7	7
Total operating funding		**442**	**438**	**423**
Applications of operating funding:				
Payments to staff and suppliers		346	346	335
Finance costs		46	39	36
Internal charges and overheads applied		54	56	57
Other operating funding applications		-	-	-
Total applications of operating funding		**446**	**441**	**428**
Surplus (deficit) of operating funding		**(4)**	**(3)**	**(5)**
Sources of capital funding:				
Subsidies and grants for capital expenditure		-	-	-
Development and financial contributions	2	50	78	75
Increase (decrease) in debt		89	80	81
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**139**	**158**	**156**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		21	33	31
- to improve the level of service		18	8	13
- to replace existing assets		96	114	107
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	**3**	**135**	**155**	**151**
Surplus (deficit) of capital funding		**4**	**3**	**5**
Funding balance		**-**	**-**	**-**

▶ Wesley Market, Puketāpapa.

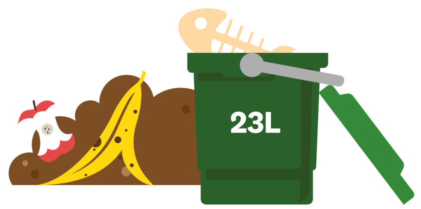
Comparison of results to the Long-term Plan 2022/2023

1. General rates, UAGCs, rates penalties were favourable to plan due to higher than planned actual rates being allocated to the activity.
2. Development and financial contributions were lower than planned due to the general slowdown in the property development activity driven by the current economic climate.
3. Capital expenditure was below plan mainly due to delays experienced on a range a of projects across the local boards, because of the cumulative impact of staff shortages, supply chain pressures and the impact of weather events.

Ngā Ratonga Kaunihera ka Tukuna e ngā Rohe

Regionally delivered council services

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties	1	594	614	548
Targeted rates		195	193	183
Subsidies and grants for operating purposes	2	115	11	16
Fees and charges	3	603	546	512
Internal charges and overheads recovered		224	224	225
Local authorities fuel tax, fines, infringement fees and other receipts		92	73	47
Total operating funding		**1,823**	**1,661**	**1,531**
Applications of operating funding:				
Payments to staff and suppliers	4	1,305	1,204	1,187
Finance costs	5	105	79	85
Internal charges and overheads applied		155	155	155
Other operating funding applications		-	-	-
Total applications of operating funding		**1,565**	**1,438**	**1,427**
Surplus (deficit) of operating funding		**258**	**223**	**104**
Sources of capital funding:				
Subsidies and grants for capital expenditure		18	17	28
Development and financial contributions	6	65	43	40
Increase (decrease) in debt	7	(103)	93	(118)
Gross proceeds from sale of assets	8	18	70	80
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**(2)**	**223**	**30**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	9	56	132	113
- to improve the level of service	9	75	72	112
- to replace existing assets	9	99	150	125
Increase (decrease) in reserves	10	33	108	25
Increase (decrease) in investments		(7)	(16)	(241)
Total applications of capital funding		**256**	**446**	**134**
Surplus (deficit) of capital funding		**(258)**	**(223)**	**(104)**
Funding balance		**-**	**-**	**-**



▶ Payton Nellie Rhodes at Dunkirk Reserve

Comparison of results to the Long-term Plan 2022/2023

1. General rates, UAGCs, rates penalties were unfavourable to plan due to lower than planned actual rates being allocated to the activity.
2. Subsidies and grants for operating purposes were favourable due to Affordable Waters Better-off funding from central government which were not budgeted.
3. Fees and charges were favourable to plan largely due to the Port receiving higher than planned demurrage and storage revenue.
4. Payments to staff and suppliers were unfavourable to plan due to higher staff inflation, use of outsourced works and services to clear consenting backlogs, unbudgeted staff restructuring costs and higher cost pressures because of inflation and supply chain constraints.
5. Finance costs were unfavourable to plan mainly due to this group of activities being allocated a higher amount of group finance costs than planned.
6. Higher development contributions were applied to Regionally Delivered Council Services than plan due to a change in the funding mix for the specific projects delivered in the year.
7. Lower capital expenditure and higher than planned surplus from operating funding resulted in a funding surplus compared to the Long-term Plan. The funding surplus meant that less debt funding was required.
8. Gross proceeds from the sale of assets were less than planned due to the general slowdown in the property market, resulting in properties taking longer to sell and the actual sales proceeds being lower than anticipated.
9. Capital expenditure was unfavourable to plan mainly due to:
   - Cemetery land acquisitions being delayed due to timing of negotiations and settlements
   - Te Whau Pathway being deferred due to funding shortfall resulting in a review of additional funding and alternative design options and design specifications
   - Resilient land and Coastal Renewal Projects experiencing prolonged negotiation with landowners, staff turnover and existing staff being re-deployed to support Auckland Anniversary flooding event
   - Delays in the development of Waitākere Community Recycling Centre due to changes in the design and scope
   - Delays in Manukau and Albany hub projects and additional workplace technology spend as a result of the impact of the weather events
   - Cost escalations, design issues and delays affecting Development Programme Office projects
   - Information communication and technology resourcing constraints and supply chain delays.
10. Increase in reserves was less than planned as weathertightness and associated building defects payments were lower than anticipated largely due to the timing of settlement payments being different than anticipated in the Long-term Plan.

Ngā Ratonga i Raro i te Mana o te Kaunihera
Council controlled services

$Million	Note	Actual 2023	Long-term Plan 2023	Long-term Plan 2022
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		188	174	167
Targeted rates		-	15	-
Subsidies and grants for operating purposes	1	38	17	17
Fees and charges		54	51	39
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		89	81	82
Total operating funding		**369**	**338**	**305**
Applications of operating funding:				
Payments to staff and suppliers	2	280	259	244
Finance costs		14	19	16
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**294**	**278**	**260**
Surplus (deficit) of operating funding		**75**	**60**	**45**
Sources of capital funding:				
Subsidies and grants for capital expenditure	3	21	-	30
Development and financial contributions		8	3	3
Increase (decrease) in debt	4	(8)	38	53
Gross proceeds from sale of assets		28	36	53
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**49**	**77**	**139**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		50	71	62
- to improve the level of service		28	8	44
- to replace existing assets		46	58	78
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding		**124**	**137**	**184**
Surplus (deficit) of capital funding		**(75)**	**(60)**	**(45)**
Funding balance		**-**	**-**	**-**

▶ '1001 Spheres' by Chiara Corbelletto, Monte Cecilia Park

Comparison of results to the Long-term Plan 2022/2023

1. Subsidies and grants were favourable to plan due to unbudgeted revenue from MBIE for project Activate/ Reactivate.
2. Payments to staff and suppliers were unfavourable to plan due to costs associated with MBIE funded Activate/ Reactivate events, the timing of major events costs (including FIFA Woman's World Cup), write-off of design work for the Aotea Studios development and additional costs to progress the Single Operator Stadiums Auckland proposal.
3. Subsidies and grants for capital expenditure were above plan due to central government funding being contingent on completion of the Auckland Film Studio (AFS) extension, which was delayed in prior year.
4. Surplus from operating funding and subsidies, grants for capital expenditure were above plan and capital expenditure was less than planned which resulted in a funding surplus compared to the Long-term Plan. The funding surplus meant that less debt funding was required than expected.

Te Pūrongo a te Kaitātari Motuhake mō te Kaute

Independent auditor's report

To the readers of Auckland Council's annual report for the year ended 30 June 2023

◀ La Rosa Reserve Walkway, Whau

CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Independent Auditor's Report

To the readers of Auckland Council's annual report for the year ended 30 June 2023

I am the auditor of Auckland Council and its subsidiaries and controlled entities (together referred to as the Group). I have used my staff and resources, and appointed auditors and their staff to report on the information in Auckland Council's annual report that I am required to audit under the Local Government Act 2002 (the Act). I refer to this information as "the audited information" in my report.

I am also required to report on:

- whether Auckland Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of Auckland Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

I refer to this information as "the disclosure requirements" in my report.

Opinion on the audited information

In my opinion:

- the financial statements in Volume 3 on pages 12 to 112 present fairly, in all material respects, the financial position of Auckland Council and Group as at 30 June 2023, and their financial performance and cash flows for the year ended on that date, in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement in Volume 3 on page 120, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Auckland Council and Group's annual plan;
- the service performance information in Volume 1 on pages 14 to 17, 56 to 161 and 170 to 172:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2023 in accordance with Public Benefit Entity Reporting Standards, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service;
- the statement about capital expenditure for each group of activities in Volume 3 on pages 124 to 139, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in Auckland Council and Group's annual plan;

- the funding impact statement for each group of activities in Volume 3 on pages 124 to 139, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Auckland Council and Group's long-term plan; and

- the service performance information, referred to as "Our performance report", for local activities for each local board in Volumes 2.1 to 2.21 present fairly, in all material respects, the local activities for each local board area for the year ended 30 June 2023 in accordance with Public Benefit Entity Reporting Standards, including:

    - the level of service achieved for the activities compared with the performance target or targets for those activities as set out in the local board agreement for the year; and

    - the reasons for any significant variation between the level of service achieved and the intended level of service.

Report on the disclosure requirements

I report that Auckland Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and

- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 in Volume 3 on pages 114 to 117, which represent a complete list of required disclosures and accurately reflects the information drawn from Auckland Council and Group's audited information and, where applicable, Auckland Council and Group's long-term plan and annual plans.

Basis for my opinion on the audited information

I carried out my audit in accordance with the Auditor-General's Auditing Standards, which incorporate the *Professional and Ethical Standards* and the *International Standards on Auditing (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board. My responsibilities under those standards are further described in the "Responsibilities of the auditor for the audited information" section of this report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the audited information.

I am independent of Auckland Council and Group in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, my staff and appointed auditors and their staff have carried out a range of assurance engagements, which are compatible with those independence requirements. These matters have not impaired my independence as auditor of Auckland Council and Group. Other than these engagements, and in exercising my functions and powers under the Public Audit Act 2001, I have no relationship with or interests in Auckland Council and Group.

Emphasis of matters

Without modifying my opinion, I draw attention to the following disclosures.

Uncertainty over the water service reform programme

The Basis of reporting on pages 20 to 22 of Volume 3, outlines developments in the Government's water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. The Water Services Entities Act 2022 (as amended) establishes Northland and Auckland water services entity on 1 July 2024.

The financial impact of the water services reform on Auckland Council and Group, as outlined in the basis of reporting on pages 20 to 22 of Volume 3, remains uncertain until the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

The Government and Auckland Council severe weather event cost-sharing arrangements

Note F4 on page 99 of Volume 3, outlines that subsequent to 30 June 2023, the Council agreed to consult publicly on a cost-sharing arrangement with the Government that, if approved, will involve co-funding the costs of recovery from the early 2023 severe weather events. The financial impact of the cost-sharing arrangement is uncertain as details are being worked through and could be significant.

Inherent uncertainties in the measurement of greenhouse gas emissions

The Council has chosen to include measures of greenhouse gas (GHG) emissions in its performance information. In considering the public interest in climate change related information, I draw attention to pages 114 to 116 of Volume 1, which outline the inherent uncertainties in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes used to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the audited information of Auckland Council and Group for the current period. In applying my professional judgement to determine key audit matters, I considered those matters that are complex, have a high degree of uncertainty, or are important to the public because of their size or nature.

These key audit matters were addressed in the context of my audit of the audited information as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Description of key audit matter	How we addressed this matter
Valuation of property, plant and equipment	
Auckland Council and Group owns a large portfolio of infrastructure assets, operational assets and restricted assets. As outlined in note B1, the Group had infrastructure assets of $45.0 billion, operational assets of $12.3 billion and restricted assets of $8.8 billion as at 30 June 2023. A number of the infrastructure assets, operational assets and restricted assets are carried at fair value, with revaluations performed on a regular basis, or when the fair value is materially different to the carrying value. The accuracy of the valuations depends on the completeness and accuracy of the underlying asset information, judgements of remaining useful lives to determine depreciation and the appropriateness of the assumptions used in the revaluations. Some valuations are inherently more complex and involve the use of complex valuation methodologies and significant assumptions derived from numerous data sources. Because of the large value of the assets held by Auckland Council and Group movements in the valuation or expected useful life of some components can have a significant impact on the depreciation expense recognised in the financial statements.	For property, plant and equipment carried at fair value, but not subject to a revaluation this financial year, we made enquiries of Auckland Council and Group as to how it had been determined that an item or asset class carried at valuation was not materially different from its fair value. We assessed the reasonableness of the Auckland Council and Group's assertions. This included: • Considering whether the assessment methods and assumptions applied to each asset class are appropriate. • Assessing the application of these methodologies, including testing calculations and considering the sensitivity of changes to key assumptions. • Where price indices were used, confirming that the indices are appropriate, and confirming movements to published indices. • Where an analysis of the market movements was undertaken by an independent valuer, assessing the valuer's expertise for the work and their objectivity, and discussing the assessment of the market movements with the valuer. • Comparing assessed market movements against other sources of market data. • Engaging a real estate valuation specialist to assist us with our assessment of the market movement analysis for operational land and buildings. We assessed the specialist's expertise and objectivity, and we considered the appropriateness of using the specialist's work as audit evidence.

Description of key audit matter	How we addressed this matter
For all asset classes carried at fair value Auckland Council and Group assess annually whether there is a material difference between the fair value and carrying value of each asset class, which would trigger the need for a full revaluation. At 30 June 2023 the following significant classes of assets were revalued: • water and wastewater; and • restricted land and buildings. The water and wastewater valuations were carried out by independent valuers. Auckland Council engaged an independent valuer to complete a market movement analysis of the restricted land and buildings asset class resulting in an adjustment based on the indicative market movement analysis. I considered the valuation of property, plant, and equipment a key audit matter because of the significance of the amounts involved and the judgements applied.	For property, plant and equipment that have been revalued this year, we read the valuation reports and discussed the approach to the valuation with the valuer. We obtained representations that the valuation approach was in keeping with accepted professional valuation standards. We assessed the valuers' expertise for the work and their objectivity. This included considering whether they had other engagements or relationships with Auckland Council and Group. We confirmed our understanding of the valuation methodologies and key assumptions and evaluated their reasonableness. We did this based on our experience and knowledge of other specialised operational and infrastructure valuations in the public sector. We engaged a real estate valuation specialist to assist with the assessment of the methodologies and key assumptions used by the valuers of restricted land and buildings. We assessed the specialist's expertise and objectivity, and we considered the appropriateness of using the specialist's work as audit evidence. We assessed the reasonableness of unit rates and estimated useful lives used to revalue water and wastewater. We obtained an understanding of the source data used for the valuations. We reviewed the data for errors or omissions. We assessed the overall valuation changes and sought explanations from the valuers for any significant or unusual changes in value. We evaluated whether Auckland Council and Group have appropriately applied the requirements of the applicable financial reporting framework, including whether the disclosures in the financial statements were appropriate. I am satisfied that the value of property, plant and equipment held at fair value in Auckland Council and Group's financial statements is reasonable and supportable.

Description of key audit matter	How we addressed this matter
Valuation of the weathertightness and associated building defect claims provision	
Auckland Council recognises its estimated liability towards the cost of repairing Auckland homes impacted by weathertightness issues. Auckland Council's obligation extends to multi-unit dwellings as well as single homes. As discussed in Note D5 to the financial statements, in Volume 3 on pages 73 to 76, Auckland Council and Group recognised a provision of $257 million for the year ended 30 June 2023, a decrease of $7 million since 30 June 2022. Multi-unit claims make up 86% of this provision. There are three different types of claims: • active claims ($162 million): those which have been lodged and are progressing through the resolution process; • reported claims ($35 million): those which have been lodged but are not yet progressing through the resolution process; and • unreported claims ($60 million): those which might be made but that have yet to be lodged with, or identified by, Auckland Council and Group. I considered the valuation of the weathertightness and associated building defect claims provision a key audit matter because the valuation of the provision, by an actuary, is complex and subject to a high degree of judgement and estimation. There is also inherent uncertainty about how many claims might be made and what they might cost.	We read the actuary's valuation report and met with the actuary to understand: • the valuation methodology and any changes from last year; • the key inputs and assumptions and any changes from last year; and • the reasons for valuation changes from last year. We assessed the actuary's expertise for completing the work and their objectivity, including whether they had any other engagements or relationships with Auckland Council and Group. We assessed the valuation methodology and assumptions for compliance with the requirements of the applicable financial reporting standard, and for reasonableness. We did this based on our accumulated knowledge and experience of weathertightness issues relating to Auckland Council. We reassessed the reasonableness of last year's estimates considering the current year valuation, as well as claim activity and settlements during the year. We agreed active claims data to representations from Auckland Council's external legal advisers and reconciled the legal advisers' loss reserve estimates to the actuary's provision calculation. We made enquiries of Auckland Council's in-house legal team and the actuary about any recent claims, court decisions, or any changes in legislation that could significantly affect Auckland Council and Group's liabilities. I am satisfied that the provision recognised in Note D5 to the financial statements, in Volume 3 on pages 73 to 76 of the Group's financial statements for weathertightness and associated building defect claims is reasonable and supportable.

Description of key audit matter	How we addressed this matter
Valuation of derivatives	
Auckland Council and Group use a number of different types of derivative financial instruments to mitigate risks associated with foreign currency and interest rate fluctuations that affect the Auckland Council and Group's debt. Auckland Council and Group has in place a Treasury Management Policy that sets the parameters within which Auckland Council and Group must operate when entering into derivatives. Auckland Council and Group's derivatives are recognised at fair value and are measured using discounted cash flow valuation techniques based on inputs from independently sourced market information. As discussed in Note C2 to the financial statements, in Volume 3 on pages 59 to 61, Auckland Council and Group reported derivative assets with a fair value of $736 million, and derivative liabilities with a fair value of $570 million at 30 June 2023. For the year ended 30 June 2023, as discussed in Note A6 to the financial statements, in Volume 3 on page 32, there was a net gain on derivatives of $279 million recognised by Auckland Council and Group compared to a net gain of $1,131 million in the prior year. This is the result of changes in the long-term interest rate swap curve this year. I considered derivatives a key audit matter because there is judgement needed in their valuation, the values rely on assumptions, and the values are sensitive to small movements in market interest rates and foreign exchange rates. These can have a significant effect on the value of the derivatives and the consequential gain or loss that is recognised in the financial statements.	We obtained independent confirmation that all the derivatives existed and were recorded, and that their terms and conditions were accurately recorded. We carried out audit procedures that were appropriate to the nature of the derivatives and the uncertainties associated with determining their fair value. These audit procedures included a mix of the following: • we estimated the fair value of a sample of derivatives using our internal valuation model; • for more complex derivative valuations, we engaged financial instrument valuation specialists to estimate the fair value of a sample of derivatives; • we assessed the specialists' expertise and objectivity, and we considered the appropriateness of using the specialists' work as audit evidence; and • we compared our estimate of fair value to Auckland Council and Group's fair value and assessed whether Auckland Council and Group's fair value was within an acceptable valuation range. We also considered the interest rate risk disclosures in Note E1 to the financial statements, in Volume 3 on pages 81 to 82, and disclosures explaining the gain on derivatives in Note A6 to the financial statements, in Volume 3 on page 32. We assessed whether the information provided in the financial statements, would enable a reader to understand the impact on the fair value of interest rate swaps as a result of the movements in the interest rates during the financial year. I am satisfied that the derivative valuations, and supporting information about derivatives, in Auckland Council and Group's financial statements are reasonable, supportable, and appropriately disclosed.

Description of key audit matter	How we addressed this matter
Reporting performance information about the Council's stormwater network	
Given the significance of the rainfall events across the region during the year, it is particularly important that Auckland Council is clear, accurate and informative in reporting information about the performance of Auckland Council's stormwater network in its annual report. In addition to clearly articulating the events that impacted the region, the reported performance information should enable a reader to understand how the events impacted on the performance of Auckland Council's stormwater network. Information about the performance of Auckland Council's stormwater network is included on page 84 to 89 of Volume 1. Pages 30 to 33 of Volume 1 provide other information that describe the weather events and Auckland Council and Group's response. I considered this a key audit matter because of the judgement and estimation involved in reporting stormwater network performance in the context of the extreme weather events this year.	We identified the aspects of performance that we consider to be material to readers of Auckland Council and Group's annual report and focused our work on these aspects. This included material performance measures relevant to the stormwater network in the performance by groups of activities in Volume 1 on page 84 to 89. Our work included: • confirming reported performance for material measures against underlying records on a sample basis, where appropriate; • evaluating the reasonableness of the method, data and key assumptions used by the Council to estimate the number of habitable floors affected by flooding events and assessing the adequacy of Auckland Council's disclosures about these; and • reviewing source data for errors or omissions. We assessed whether the performance reported fairly reflected the performance of Auckland Council's stormwater network. In addition, where information about the stormwater network's performance was included in the annual report but outside the performance by groups of activities, we read the information for consistency with the audited financial statements and the performance by groups of activities, and knowledge obtained in our audit of the Auckland Council and Group. This knowledge included information from: • reviewing meeting minutes and other supporting audit evidence; and • discussions with those charged with governance and management of the Auckland Council and Group. I am satisfied that the information reported about the performance of Auckland Council's stormwater network is reasonable.

Other information

The Council is responsible for the other information included in the annual report. The other information comprises the information included in Volume 1 on pages 1 to 13, 18 to 55, 162 to 169 and 173 to 182, Volumes 2.1 to 2.21, other than the section referred to as "Our performance report", Volume 3 on pages 1 to 11, 113, 118 to 119, 121 to 123 and 152 to 163 and Volume 4 but does not include the audited information and the disclosure requirements.

My opinion on the audited information and my report on the disclosure requirements do not cover the other information, and I do not express any form of audit opinion or assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or the knowledge obtained during my work, or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report. The Council's responsibilities include the preparation and fair presentation of the financial statements of the Auckland Council and Group in accordance with Public Benefit Entity Reporting Standards.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information for audit, the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of Auckland Council and the Group or there is no realistic alternative but to do so.

The Council's responsibilities arise under the Local Government Act 2002, the Local Government (Financial Reporting and Prudence) Regulations 2014 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audited information

My objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, my procedures were limited to checking that the budget information agreed to Auckland Council and Group's annual plan.

I did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. Also, I:

- Identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Auckland Council and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

- Determine the appropriateness of the reported intended levels of service in the performance by groups of activities of Auckland Council and Group and the performance reports for local activities for each local board, as a reasonable basis for assessing the levels of service achieved and reported by Auckland Council and Group.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on Auckland Council and Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Auckland Council and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. I am responsible for the direction, supervision and performance of the audit of the Group. I remain solely responsible for my audit opinion.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Council with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Council, I determine those matters that were of most significance in my audit and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

My responsibilities arise from the Public Audit Act 2001.

Andrew McConnell
Deputy Controller and Auditor-General
Wellington, New Zealand
28 September 2023

Ngā herenga mō NZX me ētahi rārangi tauhokohoko

NZX and other exchange listing requirements

This section provides information on waivers granted by NZX and requirements of other exchange listings

◀ Food scraps launch 2023

Summary of waivers granted by NZX

For the purposes of NZX Listing Rule 3.7.1(g), the council discloses that, in the 12-month period preceding 30 June 2023, the council has relied on:

- a waiver from NZX Listing Rules 3.6.1(b)(ii) and 3.6.3 dated 23 January 2020.

This waiver was granted from NZX Listing Rules 3.6.1(b)(ii) and 3.6.3 to the extent that these rules require the council to send to Security Holders a hard copy, or a notice that they can request a hard copy, of its annual report. The effect of the waiver is that the council must send (on request), instead of its annual report, its audited consolidated financial statements, together with the information required by the Listing Rules in relation to the annual report. It must ensure its most recent annual reports are available in hard copy at council-designated public locations.

Spread of public bondholders at 4 August 2023

Holding range	Number of bondholders	Value held ($)	Percentage of bonds held
5,000 to 9,999	60	367,000	0.03
10,000 to 49,999	570	13,168,000	0.99
50,000 to 99,999	157	10,065,000	0.76
100,000 to 499,999	128	23,826,000	1.79
500,000 to 999,999	27	17,873,000	1.34
1,000,000 +	60	1,264,701,000	95.09
Total	**1,002**	**1,330,000,000**	**100.00**

The top 20 NZX listed bondholders of the group as at 4 August 2023 were:

Entity	Holding ($)
Accident Compensation Corporation	219,202,000
BNP Paribas Nominees (NZ) Limited - BPSS40	139,492,000
Westpac New Zealand Limited	113,000,000
HSBC Nominees (New Zealand) Limited O/A Euroclear Bank	87,005,000
HSBC Nominees (New Zealand) Limited	69,248,000
Kiwibank Limited	48,000,000
Tea Custodians Limited Client Property Trust Account	45,412,000
Custodial Services Limited	38,591,000
Citibank Nominees (New Zealand) Limited	37,827,000
FNZ Custodians Limited	30,314,000
Pin Twenty Limited	29,302,000
BNP Paribas Nominees (NZ) Limited - COGN40	28,714,000
Public Trust (American Income Life Insurance Company)	28,500,000
ANZ Custodial Services New Zealand Limited	27,938,000
National Nominees Limited	25,735,000
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	24,000,000
ANZ Fixed Interest Fund	22,442,000
Industrial and Commercial Bank of China (New Zealand) Limited	20,000,000
Hong Kong and Shanghai Banking Corporation Limited	17,157,000
Forsyth Barr Custodians Limited	16,921,000
	1,068,800,000

Other exchange listings

In addition to NZX, Auckland Council Group also has foreign bonds listed on Swiss Exchange and Singapore Stock Exchange.

The Swiss Exchange requires a summary of main differences between IFRS and PBE Accounting Standards. These are highlighted on the following pages.

Ngā rerekētanga matua i waenga i ngā Paerewa Kaute o IFRS me PBE

Main differences between IFRS and PBE Accounting Standards

Introduction

Under the New Zealand Accounting Standards Framework, public sector public benefit entities apply PBE Accounting Standards. The New Zealand Accounting Standards Framework defines public benefit entities (PBEs) as reporting entities 'whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders'. Many public sector entities are classified as PBEs. The Auckland Council Group (the group) is classified as a public sector PBE for financial reporting purposes and therefore the financial statements of the group have been prepared in accordance with PBE Accounting Standards.

The PBE Accounting Standards are primarily based on International Public Sector Accounting Standards (IPSAS). IPSAS are based on International Financial Reporting Standards (IFRS) but are adapted to a public sector context where appropriate by using more appropriate terminology and additional explanations where required. For example, IPSAS introduces the concept of service potential in addition to economic benefits in the asset recognition rules, and provides more public sector specific guidance where appropriate. This is in contrast with IFRS that are written for the for-profit sector with capital markets in mind.

The key differences in recognition and measurement between PBE Accounting Standards applicable to the group and IFRS (applicable to annual periods beginning on or after 1 July 2022) are set out below. Differences that impact only on presentation and disclosure have not been identified.

PBE Accounting Standards with comparable IFRS equivalent

Formation of Auckland Council Group

PBE

PBE IFRS 3 *Business Combinations* contains a scope exemption for business combinations arising from local authority reorganisations. This scope exemption is carried forward from NZ IFRS 3 (PBE) *Business Combinations*, the standard that was applicable to the group at the time it was formed on 1 November 2010 as a result of the amalgamation of eight predecessor Auckland local authorities.

Under the exemption, all assets and liabilities of the predecessor local authorities were recognised by the group using the predecessor values of those assets and liabilities. The initial value at which those assets and liabilities were recognised by the group is deemed to be their cost for accounting purposes.

IFRS

Without the scope exemption, the amalgamation of the predecessor local authorities into the group would have been accounted for as a business combination under IFRS 3 applying the acquisition method. Under the acquisition method, an acquirer would have been identified and all of the identifiable assets and liabilities acquired would have been recognised at fair value at the date of acquisition.

Impact

The impact of the above accounting treatment is that the carrying value of the assets and liabilities received were not remeasured to fair value and no additional assets and liabilities such as goodwill and contingent liabilities, or a discount on acquisition were recognised as would have been required if the transaction was accounted for as a business combination under IFRS 3.

Business combinations

PBE

PBE IPSAS 40 PBE *Combinations* has a broader scope compared to IFRS 3 *Business Combinations*. The scope of PBE IPSAS 40 includes combinations that are acquisitions and combinations that are amalgamations, such as combinations under common control.

Acquisitions are accounted for using the acquisition method consistent with the requirements of IFRS 3.

PBE IPSAS 40 contains additional guidance on the accounting for amalgamations. Amalgamations are accounted for using the modified pooling of interest method, where the resulting entity recognises the combining operations' assets, liabilities at their historical values as at the amalgamation date.

IFRS

All transactions in the scope of IFRS 3 are accounted for applying the acquisition method.

IFRS 3 does not contain guidance on the accounting for amalgamations. Therefore, under IFRS, an entity would need to adopt a policy on accounting for combinations under common control, either applying acquisition accounting or predecessor accounting.

Impact

Accounting for acquisitions is similar under both IFRS 3 and PBE IPSAS 40.

The accounting for amalgamations is also similar under PBE IPSAS 40 and IFRS, if, under IFRS, the entity's accounting policy for such transactions is to apply predecessor accounting.

Property, plant and equipment

PBE

In accordance with PBE IPSAS 17 *Property, Plant and Equipment*, PBEs are required to account for revaluation increases and decreases on an asset class basis rather than on an asset-by-asset basis.

IFRS

IFRS requires asset revaluations to be accounted for on an asset-by-asset basis.

Impact

Decreases on revaluation will be recognised in operating surplus except to the extent there is sufficient asset revaluation reserves surplus relating to the same class of assets under PBE Accounting Standards and relating to the same asset under IFRS. This difference could result in higher operating results under PBE Accounting Standards where there is a decrease in the carrying value of an asset. This is because, to the extent that there is sufficient revaluation surplus in respect of the same asset class (as opposed to the same asset), the group recognises a revaluation decrease in asset revaluation reserves.

Borrowing costs

PBE

PBE IPSAS 5 *Borrowing Costs* permits PBEs to either capitalise or expense borrowing costs incurred in relation to qualifying assets. A qualifying asset is defined in PBE IPSAS 5 'as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. The group's accounting policy is to expense all borrowing costs. As a consequence, borrowing costs are not included in the original cost or revaluations of qualifying assets.

IFRS

IAS 23 *Borrowing Costs* requires capitalisation of borrowing costs incurred in relation to qualifying assets. The definition of a qualifying asset is identical to that definition in PBE IPSAS 5.

Impact

This difference results in the group's property, plant and equipment value, and subsequent depreciation expense, being lower than they would be under IFRS. In addition, there is higher interest expense in the periods in which qualifying assets are constructed.

Impairment of Assets

PBE

PBEs apply PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* or PBE IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate to determine whether a non-financial asset is impaired. PBEs are therefore required to designate non-financial assets as either cash-generating or non-cash-generating. Cash-generating assets are those that are held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The PBE Accounting Standards require the value in use of non-cash-generating assets to be determined as the present value of the remaining service potential using one of the following: the depreciated replacement cost approach; the restoration cost approach; or the service units approach.

IFRS

IFRS does not provide specific guidance for the impairment of non-cash-generating assets. The value in use of an asset or a cash generating unit is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Impact

Assets with future economic benefits that are not primarily dependent on the asset's ability to generate cash and may not be impaired under PBE Accounting Standards because of the asset's ability to generate service potential might be impaired under IFRS due to limited generation of cash flows. The group's asset values may therefore be higher under PBE Accounting Standards because some impairment may not be required to be recognised, that would be required to be recognised under IFRS. Further, the value in use of an asset may be different under PBE Accounting Standards due to differences in calculation methods.

PBE Accounting Standards that have no IFRS equivalent / IFRS equivalent is not comparable

The following standards provide guidance on the same or similar topics but are not directly comparable. The comparison below identifies the key recognition and measurement difference.

Revenue from non-exchange transactions

PBE

The PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Non-exchange transactions are transactions that are not exchange transactions.

PBE IPSAS 23 *Revenue from Non-Exchange* Transactions deals with revenue from non-exchange transactions. The group's non-exchange revenue includes revenue from general rates, fuel tax, grants and subsidies.

Fees and user charges derived from activities that are partially funded by general rates are also considered to be revenue arising from non-exchange transactions.

The group recognises an inflow of resources from a non-exchange transaction as revenue except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when a condition is attached to the revenue that requires that revenue to be returned unless it is consumed in the specified way. As the conditions are satisfied, the liability is reduced and revenue is recognised.

IFRS

IFRS does not have a specific standard that deals with revenue from non-exchange transactions. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* contains guidance relating to the accounting for government grants. Under IAS 20, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. In the case of grants related to assets, IAS 20 results in setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Impact

The group's accounting policy may lead to earlier recognition of revenue from non-exchange transactions than if it was recognised under IAS 20. It may also result in differences in asset values in relation to grants related to assets.

Revenue from exchange transactions

PBE

As discussed above, the PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions.

PBE IPSAS 9 *Revenue from Exchange Transactions* deals with revenue from exchange transactions. The group's exchange revenue includes revenue from fees and user charges (water and wastewater charges, development contributions, infrastructure charges, port operations, consents, licences and permits) and revenue from sales of goods.

The group recognises revenue related to services on a percentage of completion basis over the period of the service supplied. Revenue from sale of goods is recognised when the substantial risks and rewards of ownership have been passed to the buyer.

IFRS

IFRS 15 *Revenue from Contracts with Customers* introduces a single revenue model for contracts with customers. It does not distinguish between sales of goods and services. It defines transactions based on performance obligations, which are promises to transfer goods or services in a contract with a customer.

The core principle of the standard is that revenue is recognised as a result of the entity satisfying performance obligations or promises to transfer goods or services at an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. These may be satisfied over time versus at a point in time based on when control of the good or service transfers to a customer.

Impact

The group's accounting policy may result in a different timing of recognition of revenue from exchange transactions compared to IFRS 15.

For example, IFRS 15 contains more detailed guidance on identifying distinct performance obligations in a contract and allocating the consideration to these based on the standalone selling price of the performance obligations. This may result in some revenue recognised earlier or later than under PBE IPSAS 9.

Further, IFRS 15 contains detailed guidance on the accounting treatment of variable consideration which may result in change in timing of recognising revenue related to items such as rebates and price concessions.

The impact of these differences may result in revenue recognised earlier/later in the contract period however it should not impact on the total revenue recognised during the contract term.

Service Concession Arrangement (also known as Public Private Partnership Arrangements)

PBE

PBE IPSAS 32 *Service Concession Arrangements* deals with the accounting for service concession arrangements from the grantor's perspective. Service concession arrangements are more commonly known as Public Private Partnership (PPP) arrangements. Broadly, service concession arrangements are arrangements between the public and private sectors whereby public services are provided by the private sector using public infrastructure (service concession asset).

PBE IPSAS 32 requires the grantor (public entity) to recognise the service concession asset and a corresponding liability on its statement of financial position. The liability can be a financial or other liability or a combination of the two depending on the nature of the compensation of the operator.

A financial liability is recognised if the grantor compensates the operator by the delivery of cash or another financial asset. A non-financial liability is recognised if a right is granted to the operator to charge the users of the public service related to the service concession asset (liability for unearned revenue).

IFRS

IFRS contains no specific guidance addressing the accounting by the grantor (public entity) in a service concession arrangement. However, IFRS contains guidance for the operator's accounting (private entity).

Impact

Applying IFRS to service concession arrangements would not result in a significant impact on the group's financial position or financial performance as, in absence of specific guidance in NZ IFRS, prior to the adoption of PBE Accounting Standards, NZ practice has been to 'mirror' the accounting treatment of the private entity under IFRS which is consistent with the requirements of the PBE Accounting Standards.

Fair Value Measurement

PBE

There is no specific standard in the PBE Accounting Standards, however a number of PBE Accounting Standards contain guidance on the measurement of fair value in specific context (for example PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 41 *Financial Instruments*).

IFRS

IFRS 13 *Fair Value Measurement* does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

Impact

The application of IFRS 13 may result in differences in the measurement of certain property, plant and equipment compared to PBE IPSAS 17 and financial assets and liabilities compared to PBE IPSAS 41.

Lease accounting

PBE

Under PBE IPSAS 13 *Leases*, the group's current accounting policy is to make a distinction between finance leases and operating leases.

Finance leases are recognised on the statement of financial position.

Operating leases are not recognised on the statement of financial position, instead, payments are recognised in the statement of financial performance on a straight-line basis or another systematic basis that is more representative of the pattern of the lessee's benefit.

IFRS

IFRS 16 *Leases* requires the lessee to recognise almost all lease contracts on the statement of financial position; the only optional exemptions are for certain short-term leases and leases of low-value assets.

There is no significant difference in respect of the accounting treatment applicable to lessors, or for lessees in contracts classified as finance leases under PBE IPSAS 13.

Impact

Where the group is the lessee in contracts classified as operating leases under its current accounting policy, applying IFRS 16 would result in the group having to recognise a 'right-of-use' asset (that is, the asset that reflects the right to use the leased asset) and a corresponding lease liability (obligation to make lease payments) on its statement of financial position.

Further, applying IFRS 16 would result in the group having to recognise interest expense on the lease liability and depreciation on the 'right-of-use' asset. Due to this, for lease contracts currently classified as operating leases, the total amount of expenses at the beginning of the lease period would be higher than under the current accounting policy of the group.

There is no significant difference where the group is a lessor in the lease arrangement or a lessee in contracts classified as a finance lease under PBE IPSAS 13.

Te papakupu whāiti

Glossary of terms

Activity or service
The services the council provides to the community. This includes things like running buses, collecting rubbish and maintaining parks.

Amortisation
The systematic allocation of the value of an intangible asset over its useful life.

Annual Plan/Annual Budget
The plan that sets out what the council seeks to achieve in a financial year, the services we will provide, how much money will be spent and where that money will come from.

Annual report
A document that tracks the group and the council's annual performance and reports against the relevant annual budget.

Associates
Entities that the group and/or the council have significant influence over. Our share of the associates' surplus/deficit and net assets is recorded in the group and the council financial statements.

Auckland Council
The local government of Auckland established on 1 November 2010. Auckland Council is made up of the Governing Body, 21 local boards and Auckland Council organisation (operational staff).

Auckland Council Group
The group consists of the council, and its subsidiaries (council-controlled organisations and Port of Auckland Limited), associates and joint ventures.

Auckland plan
A 30-year plan for Auckland. Required by the legislation that established Auckland Council, it is a comprehensive long-term strategy for Auckland's growth and development, and includes social, economic, environmental and cultural goals that support the vision for Auckland to become a world-class city.

Budget
The itemised formally adopted estimate of expected revenue and expenditure through 10-year budget/annual budget for a given period.

Capital expenditure
Spending on buying or building new assets and renewing existing assets.

City Rail Link (CRL)
A rail project in central Auckland designed to connect the Britomart Transport Centre with the Western Line at Mount Eden Railway Station. The project is delivered by City Rail Link Limited (CRLL). Refer to note F3.

Council-controlled organisation (CCO)
A company or other entity under the control of local authorities through their shareholding of 50 per cent or more, voting rights of 50 per cent or more, or right to appoint 50 per cent or more of the directors. Some organisations may meet this definition but are exempted as CCOs.

Credit Support Annex (CSA)
An agreement which provides collateral for derivative transactions. The purpose is to reduce credit risk to a counterparty by providing security.

Depreciation
This represents the reduction in the value of assets over time. When applied on intangible assets, such as IT programmes, it is known as amortisation.

Development contributions
A charge paid by developers to the council when they build or subdivide property. The council uses this money to help pay for the new assets such as roads, pipes and parks that are needed to support the new households or businesses that will occupy the new properties that have been developed.

Effective interest method
A method of calculating the amortised cost of a financial instrument and of allocating the interest revenue or expense over the relevant period by using the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Fair value
Amount which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial Markets Conduct Act 2013 (FMCA 2013)
The Financial Markets Authority regulates capital markets and financial services in New Zealand. It is governed by the Financial Markets Conduct Act 2013, which promotes confident and informed participation of businesses, investors, and consumers in the financial markets; and promotes and facilitates the development of fair, efficient, and transparent financial markets.

Governing Body
The Governing Body is made up of the mayor (elected city wide) and 20 councillors (elected on a ward basis). It shares its responsibility for decision-making with the local boards. It focuses on the big picture and on region-wide strategic decisions. Because each ward may vary in population, some wards have more than one councillor.

Grants and subsidies
Money that someone pays to the council to cover (or help cover) the cost of providing a service to Aucklanders. Sometimes grants also refers to money the council pays to a community organisation to provide services to Aucklanders, rather than council providing those services directly.

Green bonds
Bonds issued to finance projects or assets that deliver positive environmental outcomes or refinance corporate debt that supports these projects or assets.

Green bond framework
The document which outlines how the council proposes to issue and manage its green bonds on an ongoing basis.

Group of activities
One or more related activities provided by, or on behalf of the group and the council.

Infrastructure growth charge
Amount collected by Watercare Services Limited from property owners or developers applying for new connections to help fund new infrastructure required by growth.

Joint ventures
Contractual arrangements whereby the group or the council undertakes an economic activity that is subject to joint control or an interest in an entity with an external party.

Legacy councils
The eight former territorial authorities in the Auckland region that were disestablished on 31 October 2010. They comprise Auckland City Council, Auckland Regional Council, Franklin District Council, Manukau City Council, North Shore City Council, Papakura District Council, Rodney District Council and Waitakere City Council.

Local boards
There are 21 local boards which share responsibility for decision-making with the Governing Body. They represent their local communities and make decisions on local issues, activities, and facilities.

Local Government Act 2002 (LGA 2002)
Legislation that defines the powers and responsibilities of territorial local authorities, such as Auckland Council.

Local Government (Auckland Council) Act 2009 (LGACA 2009)
The act establishes Auckland Council as a unitary authority for Auckland; and sets out its structure, functions, duties, and powers that differ from the general provisions applying to local authorities under the Local Government Act 2002 and certain other enactments. Also determines the management of transport and water supply and wastewater services for Auckland and sets out requirements relating to substantive council-controlled organisations.

Local Government (Financial Reporting and Prudence) Regulations 2014
Regulations promoting prudent financial management by local authorities requiring disclosure of performance in relation to benchmarks as a single entity and not including subsidiaries. Auckland Council must disclose, in its disclosure statements, its performance and that of its subsidiaries as a single entity.

Local Government (Rating) Act 2002 (LGRA)
Defines how territorial local authorities such as Auckland Council can set, assess and collect rates.

Local Government Funding Agency (LGFA)
An organisation jointly owned by most local authorities in New Zealand and the central government to borrow on behalf of the sector.

Long-term plan
Also commonly referred to as the LTP and the 10-year Budget. This sets out the council's activities, projects, policies, and budgets for a 10-year period.

Operating expenditure
Money that the council spends on providing services in the current financial year, as opposed to building things that will provide services for years to come. It also includes paying grants spending money on staff and contractors to do process building consents, open libraries, run buses and maintain parks. It also includes things liking paying grants to community organisations and paying interest on money the council has borrowed.

Optimised replacement cost
A valuation method used to estimate the price of constructing or buying a modern equivalent asset.

Rates
A tax against the property to help fund services and assets that the council provides.

Service concession arrangement
A binding arrangement between grantor and operator in which,
- the operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

Service concession assets
Assets used to provide public services in a service concession arrangement.

Shovel-ready funding
In 2020, in order to stimulate recovery of the New Zealand economy in response to COVID-19, the central government announced $2.5 billion funding for 150 projects across New Zealand. Infrastructure and environmental restoration projects were targeted where physical works were able to start within a year.

Subsidiaries
Entities over which the group and the council have the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Ward
An administrative and electoral area of Auckland Council. There are 13 in Auckland Council's area.

Water space licence
Water space around Wynyard Quarter subject to a coastal permit which is held by the group for rental return and/or capital growth.

Te huarahi whakapā mai ki te kaunihera

How to contact us

Online
aucklandcouncil.govt.nz/contactus

Phone
09 301 0101

Post
Auckland Council, Private Bag 92300, Auckland 1142

Locations that offer council services

Aotea / Great Barrier Island
75 Hector Sanderson Road, Claris, Great Barrier Island

City Centre Library
44-46 Lorne Street, CBD

Helensville
49 Commercial Road, Helensville

Waitākere Central Library (Henderson)
3 Ratanui Street, Henderson

Kumeū Library
296 Main Road (SH16), Kumeū

Manukau Library
3 Osterley Way, Manukau

Ōrewa Library
12 Moana Avenue, Orewa

Papakura Sir Edmund Hillary Library
1/209 Great South Road, Papakura

Pukekohe Library, Franklin: The Centre
12 Massey Avenue, Pukekohe

Takapuna Library
9 The Strand, Takapuna

Te Manawa
11 Kohuhu Lane, Westgate

Waiheke Library
131-133 Oceanview Road, Oneroa, Waiheke Island

Warkworth Library
2 Baxter Street, Warkworth

For opening hours and a list of services available at each service centre, visit **https://www.aucklandcouncil.govt.nz/report-problem/visit-us/Pages/default.aspx**

▲ Flood and Cyclone Damage, Marawhara Stream, Piha

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Auckland Council
Te Kaunihera o Tāmaki Makaurau