Te Rīpoata ā-Tau 2021/2022
o Te Kaunihera o Tāmaki Makaurau

Auckland Council

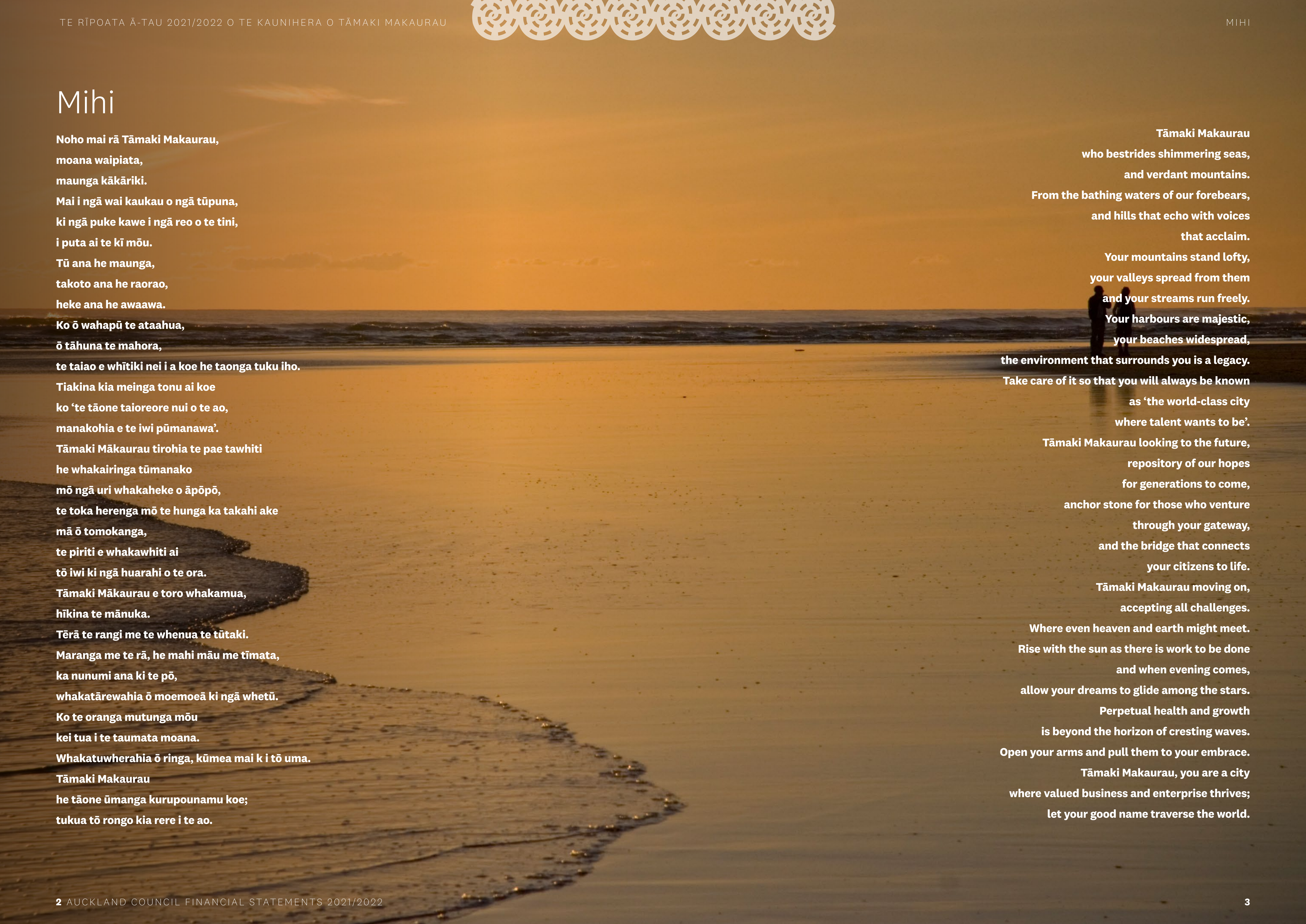
Annual Report 2021/2022

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.**

Te Rārangi Kaupapa

Contents

Nau mai ki ngā kōrero mō mātou

Welcome to our story

Auckland is a beautiful city, with diverse and vibrant communities. The Auckland Council Group's dedicated staff are committed to meeting the needs of Aucklanders by delivering essential and equitable services and investing in the future of our region in a sustainable way.

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 2022 compared to 2021/2022 in Our Recovery Budget 2021-2031 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 2022 compared to 2021/2022 in Our Recovery Budget 2021-2031.

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 2022.

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 29 September 2022.

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 2022, fairly presents the financial performance, financial position, cash flows and service performance of the Auckland Council Group and Auckland Council.

Hon Phil Goff
Mayor of Auckland
29 September 2022

Jim Stabback
Chief Executive
29 September 2022

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 2022.

The group includes the council, its subsidiaries (council-controlled organisations and Ports of Auckland Limited), associates and joint ventures.

The Auckland Council Annual Report 2021/2022 was adopted by Auckland Council on 29 September 2022.

The references to documents and information on the council's and other websites are provided solely for the convenience of the readers who may require more detailed information and are not part of the Auckland Council Annual Report 2021/2022.

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.

SIGNPOSTS	EXPLANATION
	Accounting policy
	Significant judgements and estimates
	Explanation of significant variances against budget
	Local government disclosures
	COVID-19 impact

Ngā tauākī ā-pūtea

Financial statements

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 2022

$Million	NOTE	Group ACTUAL 2022	Group BUDGET 2022	Group ACTUAL 2021	Auckland Council ACTUAL 2022	Auckland Council BUDGET 2022	Auckland Council ACTUAL 2021
Revenue							
Rates		2,122	2,117	1,976	2,133	2,129	1,986
Fees and user charges		1,269	1,468	1,263	315	307	319
Grants and subsidies		793	880	837	35	79	29
Development and financial contributions		236	248	226	236	248	226
Other revenue		662	496	632	242	244	283
Vested assets		582	450	376	297	106	132
Finance revenue measured using effective interest method		11	3	5	36	31	30
Other finance revenue		1	1	-	101	101	89
Total revenue excluding other gains	A1	**5,676**	**5,663**	**5,315**	**3,395**	**3,245**	**3,094**
Expenditure							
Employee benefits expense	A3	1,051	1,021	963	566	586	533
Depreciation and amortisation*	A4	1,073	1,063	1,006	306	301	291
Grants, contributions and sponsorship	A2	219	171	162	1,081	1,127	1,049
Other operating expenses*	A2	1,944	1,971	1,866	729	714	713
Finance costs	A5	438	447	408	424	429	388
Total expenditure excluding other losses		**4,725**	**4,673**	**4,405**	**3,106**	**3,157**	**2,974**
Operating surplus before gains and losses		**951**	**990**	**910**	**289**	**88**	**120**
Net other gains	A6	997	-	998	1,039	-	957
Share of net deficit in associates and joint ventures		(187)	(10)	(28)	(190)	(12)	(30)
Surplus before income tax		**1,761**	**980**	**1,880**	**1,138**	**76**	**1,047**
Income tax expense*	A7	37	66	43	-	-	-
Surplus after income tax		**1,724**	**914**	**1,837**	**1,138**	**76**	**1,047**
Other comprehensive revenue/(expenditure)							
Net gain on revaluation of property, plant and equipment*	B1	8,218	199	3,275	3,108	199	1,732
Tax on revaluation of property, plant and equipment		(298)	-	(263)	-	-	-
Movement in cash flow hedge reserve		6	-	5	-	-	-
Tax on cash flow hedge		(2)	-	-	-	-	-
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure		(22)	-	175	(19)	-	179
Total other comprehensive revenue		**7,902**	**199**	**3,192**	**3,089**	**199**	**1,911**
Total comprehensive revenue		**9,626**	**1,113**	**5,029**	**4,227**	**275**	**2,958**

*The comparative balances have been restated to reflect a change in accounting policy and correction of prior year error. Refer to the Basis of reporting section.

Explanations of significant variances against budget are included within the notes.

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

Te tauākī mō te tūāhua pūtea

Statement of financial position

As at 30 June 2022

$Million	NOTE	Group ACTUAL 2022	Group BUDGET 2022	Group ACTUAL 2021	Auckland Council ACTUAL 2022	Auckland Council BUDGET 2022	Auckland Council ACTUAL 2021
Assets							
Current assets							
Cash and cash equivalents	D1	229	100	300	166	80	257
Receivables and prepayments	D2	665	576	554	437	374	276
Derivative financial instruments	C2	1	3	2	1	3	3
Other financial assets	C3	60	88	77	64	92	81
Inventories		57	61	50	19	14	17
Income tax receivable		2	3	4	-	-	-
Non-current assets held-for-sale	F1	86	106	7	86	106	5
Total current assets		**1,100**	**937**	**994**	**773**	**669**	**639**
Non-current assets							
Receivables and prepayments	D2	51	49	74	20	21	33
Derivative financial instruments	C2	527	429	426	527	429	425
Other financial assets	C3	2,049	1,912	2,075	5,052	4,676	4,873
Property, plant and equipment*	B1	64,273	54,944	54,884	21,142	17,479	18,009
Intangible assets*	B2	486	748	577	219	312	250
Investment property	B3	729	603	704	593	485	562
Investment in subsidiaries^	F3	-	-	-	19,957	19,681	19,693
Investment in associates and joint ventures	F3	1,160	1,437	926	1,158	1,433	926
Other non-current assets		9	8	7	3	4	2
Total non-current assets		**69,284**	**60,130**	**59,673**	**48,671**	**44,520**	**44,773**
Total assets		**70,384**	**61,067**	**60,667**	**49,444**	**45,189**	**45,412**
Liabilities							
Current liabilities							
Bank overdraft	D1	3	-	6	-	-	-
Payables and accruals	D3	1,141	1,032	958	1,123	748	933
Employee benefits	D4	112	130	107	56	70	57
Borrowings	C1	994	1,257	1,413	993	1,263	1,412
Derivative financial instruments	C2	3	33	37	2	31	36
Provisions	D5	208	77	132	187	65	100
Total current liabilities		**2,461**	**2,529**	**2,653**	**2,361**	**2,177**	**2,538**
Non-current liabilities							
Payables and accruals	D3	185	188	176	176	136	163
Employee benefits	D4	5	5	5	1	1	1
Borrowings	C1	10,369	10,488	9,274	9,911	9,977	8,794
Derivative financial instruments	C2	637	1,683	1,678	637	1,678	1,674
Provisions	D5	282	330	399	269	310	380
Deferred tax liabilities*	F2	2,171	1,961	1,834	-	-	-
Total non-current liabilities		**13,649**	**14,655**	**13,366**	**10,994**	**12,102**	**11,012**
Total liabilities		**16,110**	**17,184**	**16,019**	**13,355**	**14,279**	**13,550**
Net assets		**54,274**	**43,883**	**44,648**	**36,089**	**30,910**	**31,862**
Equity							
Contributed equity*	D6	26,693	26,732	26,693	26,539	26,569	26,539
Accumulated funds*	D6	5,812	4,974	4,088	492	(643)	(610)
Reserves*	D6	21,769	12,177	13,867	9,058	4,984	5,933
Total equity		**54,274**	**43,883**	**44,648**	**36,089**	**30,910**	**31,862**

*The comparative balances have been restated to reflect a change in accounting policy and correction of prior year error. Refer to the Basis of reporting section.

^Total investment in council-controlled organisations and entities listed in Local Government Act 2002 section 6(4) of Auckland Council for 2022 is $20 billion (2021: $20 billion).

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

Te tauākī mō ngā panonitanga o te tūtanga

Statement of changes in equity

For the year ended 30 June 2022

Group

$Million	Note	Contributed equity	Accumulated funds	Reserves	Total equity	Budget
1 July 2020 to 30 June 2021						
Restated Balance as at 1 July 2020*		26,693	2,299	10,627	39,619	41,004
Surplus after income tax*		-	1,837	-	1,837	578
Other comprehensive revenue*		-	-	3,192	3,192	2,346
Total comprehensive revenue		**-**	**1,837**	**3,192**	**5,029**	**2,924**
Transfers (from)/to reserves	D6	-	(48)	48	-	-
Balance as at 30 June 2021	**D6**	**26,693**	**4,088**	**13,867**	**44,648**	**43,928**
Balance as at 1 July 2021*		26,693	4,088	13,867	44,648	42,770
Surplus after income tax		-	1,724	-	1,724	914
Other comprehensive revenue		-	-	7,902	7,902	199
Total comprehensive revenue		**-**	**1,724**	**7,902**	**9,626**	**1,113**
Transfers (from)/to reserves^	D6	-	-	-	-	-
Balance as at 30 June 2022	**D6**	**26,693**	**5,812**	**21,769**	**54,274**	**43,883**

Auckland Council

$Million	Note	Contributed equity	Accumulated funds	Reserves	Total equity	Budget
1 July 2020 to 30 June 2021						
Restated Balance as at 1 July 2020*		26,530	(1,601)	3,966	28,895	29,678
Surplus/(deficit) after income tax*		-	1,047	-	1,047	(180)
Other comprehensive revenue*		-	-	1,911	1,911	1,733
Total comprehensive revenue		**-**	**1,047**	**1,911**	**2,958**	**1,553**
Return of equity		9	-	-	9	-
Transfers (from)/to reserves	D6	-	(56)	56	-	-
Balance as at 30 June 2021	**D6**	**26,539**	**(610)**	**5,933**	**31,862**	**31,231**
Balance as at 1 July 2021*		26,539	(610)	5,933	31,862	30,635
Surplus/(deficit) after income tax		-	1,138	-	1,138	76
Other comprehensive revenue		-	-	3,089	3,089	199
Total comprehensive revenue		**-**	**1,138**	**3,089**	**4,227**	**275**
Transfers (from)/to reserves	D6	-	(36)	36	-	-
Balance as at 30 June 2022	**D6**	**26,539**	**492**	**9,058**	**36,089**	**30,910**

*The comparative balances have been restated to reflect a change in accounting policy and correction of prior year. Refer to the Basis of reporting section.

^The transfer of asset revaluation reserves nets off with the transfer of restricted equity for this financial year.

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 2022

$Million	NOTE	Group ACTUAL 2022	Group BUDGET 2022	Group ACTUAL 2021	Auckland Council ACTUAL 2022	Auckland Council BUDGET 2022	Auckland Council ACTUAL 2021
Cash flows from operating activities							
Receipts from rates, grants and other services		5,124	5,205	4,988	2,953	2,992	2,921
Interest received		11	3	9	134	133	130
Dividends received		4	7	4	12	6	9
Payments to suppliers and employees*		(3,213)	(3,119)	(2,866)	(2,352)	(2,399)	(2,079)
Income tax (paid)/refund		(8)	-	9	-	-	-
Interest paid		(459)	(446)	(439)	(440)	(428)	(419)
Net cash inflow from operating activities	**F7**	**1,459**	**1,650**	**1,705**	**307**	**304**	**562**
Cash flows from investing activities							
Repayment of loans to related parties		-	-	-	454	-	459
Advances to related parties		-	-	-	(726)	(276)	(812)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		74	132	170	73	132	60
Proceeds from sale of businesses, net of cash acquired		17	-	-	17	-	-
Acquisition of property, plant and equipment, investment property and intangible assets*		(1,804)	(2,300)	(2,036)	(420)	(692)	(445)
Acquisition of other financial assets		(886)	(7)	(50)	(890)	(7)	(54)
Proceeds from sale of other financial assets		899	-	21	899	-	21
Investment in joint ventures		(428)	(490)	(395)	(428)	(490)	(395)
Advances (to)/from external parties		(2)	-	(21)	(4)	-	1
Proceeds from community loan repayments		-	4	-	-	4	-
Net cash outflow from investing activities		**(2,130)**	**(2,661)**	**(2,311)**	**(1,025)**	**(1,329)**	**(1,165)**
Cash flows from financing activities							
Proceeds from borrowings		3,524	2,355	2,502	2,782	2,187	2,010
Repayment of borrowings		(2,910)	(1,444)	(1,929)	(2,146)	(1,262)	(1,426)
Receipts from derivative financial instruments		1,092	-	76	1,092	-	77
Payments for derivative financial instruments		(1,100)	-	(44)	(1,101)	-	(44)
Repayment of finance lease principal		(3)	-	-	-	-	-
Net cash inflow from financing activities	**F7**	**603**	**911**	**605**	**627**	**925**	**617**
Net (decrease)/increase in cash and cash equivalents and bank overdraft		**(68)**	**(100)**	**(1)**	**(91)**	**(100)**	**14**
Opening cash and cash equivalents and bank overdraft		294	200	295	257	180	243
Closing cash and cash equivalents and bank overdraft	**D1**	**226**	**100**	**294**	**166**	**80**	**257**

*The comparative balances have been restated to reflect a change in accounting policy and correction of prior year. Refer to the Basis of reporting section.

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

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 also included in the related note disclosures.

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 summary of significant subsidiaries (including substantive council-controlled organisations, or CCOs[1]) is provided in the following pages. Other significant entities that are not controlled by the group or the council are listed in Note F3. All 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 2021/2022 of the 10-year Budget 2021-2031 (Our Recovery Budget).

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 understanding the performance of the group and the council are found in the following notes:

Note B1: Property, plant and equipment
Note C2: Derivative financial instruments
Note D5: Provisions
Note F3: Investment in other entities

[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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the council and its CCOs and subsidiaries as at 30 June 2022.

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 presently 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 of subsidiaries with the group's accounting policies. All intra-group balances, transactions, income, expenses, and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

PBE Combinations involving entities under common control

PBE Combinations involving entities under common control are accounted for by applying the modified pooling of interest method. This involves the following:

- the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the resulting entity
- licenses and similar rights granted by one combining operation to another combining operation will not be eliminated and continue to be recognised as an intangible asset
- tax forgiven as part of the terms of an amalgamation, if any, shall be derecognised prior to amalgamation
- employee benefits (or assets, if any) related to the combining shall be recognised in accordance with PBE IPSAS 39 *Employee Benefits*
- no adjustments are made to reflect the fair values on the date of combination or recognise any new assets or liabilities
- no additional goodwill is recognised as a result of the combination
- any difference between the consideration paid/transferred and the equity "acquired" is reflected within the equity as merger reserve
- the statement of comprehensive revenue and expenditure and statement of cash flows reflect the results of the combining entities from the point when the combination took place.

The significant subsidiaries within the group comprise the following:

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage of ownership/ control	
			2022	2021
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*
Tātaki Auckland Unlimited Limited	Manages projects for economic development, tourism and events promotion in the Auckland region.	Yes	100	100
Eke Panuku Development Auckland Limited (formerly 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
Ports of Auckland Limited	Owns and operates Auckland's port which provides container bulk cargo handling, freight hubs, cruise industry facilities, and other services.	No	100	100

Basis of reporting (continued)

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage of ownership/ control 2022	2021
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 (formerly known as Regional Facilities Auckland) 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

Significant restrictions

Despite Auckland Council's ability to control its subsidiaries, there are significant restrictions on accessing the assets of Tātaki Auckland Unlimited Trust (formerly known as Regional Facilities Auckland) 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.

Three Waters Reform Programme

In October 2021, the Government confirmed that it will introduce legislation to create four publicly owned water entities, and that the group's participation in the proposed reform will be mandatory.

These entities will own and operate drinking water, wastewater and stormwater (three waters) services across New Zealand. The Department of Internal Affairs is tasked with the successful implementation of these reforms, and will work with the local government sector, iwi, water industry and other stakeholders to ensure a smooth transition to the new arrangements.

Subsequently, on 2 June 2022, the government introduced the Water Services Entities Bill in the House of Representatives. After the first reading on 9 June 2022 the Bill was referred to the Finance and Expenditure Committee which is to report back to the House of Representatives by 11 November 2022.

The Water Services Entities Bill proposes to create four publicly owned water services entities that would take on responsibility for delivering water services to a specific geographical area, from 1 July 2024.

Further clarification of the transition to the new water services entities is expected to be released in legislation later in 2022 and 2023.

Auckland's stormwater network is currently owned and operated by Auckland Council, and its drinking water and wastewater networks are owned and operated by Watercare Services Limited. High level guidance has been issued that outlines which assets would transfer to the new entity, however there is not yet enough clarity to be able to quantify the financial impacts on asset values, revenue and associated debt with any certainty. As at 30 June 2022, the total stormwater infrastructure assets were $6,845 million (2021: $5,042 million), and Watercare's infrastructure assets were $12,783 million (2021: $11,314 million). Not all of these assets may transfer, particularly assets that are used by other parts of the group. Other non-infrastructure assets may also transfer. The fair values of these assets have not been adjusted to reflect the transfer of assets. Once the transfer has been legislated and details around the mechanism for the transfer of the water assets and any compensation has been established, the values of these assets may require adjustment.

Basis of reporting (continued)

Comparatives

Change in accounting policy

Software-as-a-Service (SaaS) arrangements

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customisation costs incurred in implementing SaaS should be accounted for.

The IFRIC concluded that SaaS arrangements are service contracts providing the customer with the right to access the SaaS provider's application software over the contract period. Costs incurred to configure or customise software in a cloud computing arrangement, can be recognised as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premises systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Costs that do not result in intangible assets are expensed as incurred unless they represent payment for future services to be received. In which case a prepayment is initially recognised and then expensed as those subsequent services are received.

The New Zealand Accounting Standards Board has not issued similar guidance, however, in the absence of a PBE standard dealing with these costs, management considers the IFRIC decision relevant to the accounting for similar types of arrangements of the group in accordance with PBE IPSAS 31 *Intangible assets*.

The group changed its accounting policy from 1 July 2021 to be consistent with the IFRIC agenda decision. The group applied this change retrospectively and has restated comparative balances.

The impact of the change in accounting policy is that some intangible assets that were previously capitalised no longer meet the criteria for capitalisation and have therefore been expensed. Details of the adjustments made are outlined in the 'SaaS' columns of the table below.

Correction of prior period error

During the current and prior year, management identified land assets that were duplicated in Auckland Council's fixed asset register. Some of these assets date as far back as the amalgamation of Auckland's former territorial authorities and the regional council in 2010. These duplicated assets have been derecognised. Opening balances in the statement of financial position as at 1 July 2020, as well as prior year balances were restated to improve year-on-year comparability of the financial statements. Details of the adjustments are outlined in the 'Assets' columns of the tables below.

$Million	Group				Auckland Council			
	Reported	Adjustments SaaS	Adjustments Assets	Restated	Reported	Adjustments SaaS	Adjustments Assets	Restated
1 July 2020								
Statement of financial position								
Property, plant and equipment	50,421	-	(184)	**50,237**	16,151	-	(184)	**15,967**
Intangible assets	684	(55)	-	**629**	286	(7)	-	**279**
Deferred tax liabilities	(1,538)	9	-	**(1,529)**	-	-	-	**-**
Contributed equity	(26,732)	-	39	**(26,693)**	(26,569)	-	39	**(26,530)**
Accumulated funds	(2,451)	46	106	**(2,299)**	1,488	7	106	**1,601**
Reserves	(10,666)	-	39	**(10,627)**	(4,005)	-	39	**(3,966)**

Basis of reporting (continued)

$Million	Group				Auckland Council			
	Reported	Adjustments		Restated	Reported	Adjustments		Restated
		SaaS	Assets			SaaS	Assets	
30 June 2021								
Statement of financial position								
Property, plant and equipment	54,941	-	(57)	**54,884**	18,066	-	(57)	**18,009**
Intangible assets	651	(74)	-	**577**	256	(6)	-	**250**
Deferred tax liabilities	(1,840)	6	-	**(1,834)**	-	-	-	**-**
Contributed equity	(26,732)	-	39	**(26,693)**	(26,578)	-	39	**(26,539)**
Accumulated funds	(4,262)	68	106	**(4,088)**	498	6	106	**610**
Reserves	(13,779)	-	(88)	**(13,867)**	(5,845)	-	(88)	**(5,933)**
Statement of comprehensive revenue and expenditure								
Depreciation and amortisation	1,020	(14)	-	**1,006**	294	(3)	-	**291**
Other operating expenses	1,834	32	-	**1,866**	711	2	-	**713**
Income tax expense	39	4	-	**43**	-	-	-	**-**
Net gain on revaluation of property, plant and equipment	3,148	-	127	**3,275**	1,605	-	127	**1,732**
Statement of cash flows								
Acquisition of property, plant and equipment, investment property and intangible assets	(2,051)	15	-	**(2,036)**	(448)	3	-	**(445)**
Payments to suppliers and employees	(2,851)	(15)	-	**(2,866)**	(2,076)	(3)	-	**(2,079)**

Apart from the above restatements of prior year balances, the reclassification of revenues as outlined in Note A1, and the restatement of prior year remuneration bands as outlined in Note F6, there have been no other changes to balances reported in the prior period.

Implementation of new and amended accounting standards

Amendments to PBE IPSAS 2 Cash Flow Statements

These amendments require additional disclosures that enable users of financial statements to evaluate cash and non-cash changes in liabilities arising from financial activities. It is effective for reporting periods beginning on or after 1 January 2021. Refer to Note F7 for information on reconciliation of liabilities from financing activities.

Early adoption of PBE FRS 48 Service Performance Reporting

PBE FRS 48 *Service Performance Reporting* replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The group has early adopted PBE FRS 48 in the statement of service performance. The adoption resulted in the disclosure of judgements used in the selection, measurement, and aggregation of service performance information in Volume 1 of the Auckland Council Annual Report 2021/2022.

Standard issued but not yet effective

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

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 assessed and considered the differences between PBE IFRS 9 and PBE IPSAS 41. The adoption will not result in any significant impact on the group financial statements.

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:

- **A1 Revenue**
- **A2 Operating expenses**
- **A3 Employee benefits expense**
- **A4 Depreciation and amortisation**
- **A5 Finance costs**
- **A6 Net other gains and losses**
- **A7 Income tax**

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.
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.

A1 Revenue (continued)

Type	Recognition and measurement
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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Revenue from non-exchange transactions:				
Revenue from rates				
General	1,852	1,732	1,862	1,742
Targeted	249	233	250	233
Penalties	25	21	25	21
Rates remissions	(4)	(9)	(4)	(9)
Discounts		(1)	-	(1)
Total revenue from rates	**2,122**	**1,976**	**2,133**	**1,986**
Revenue from transfers				
Sales of goods and services*	156	233	71	87
Vested assets	582	376	297	132
Fines and infringements	39	49	2	4
Consents, licences and permits	244	229	241	227
Capital grants and subsidies	295	380	8	13
Operating grants and subsidies	498	457	27	16
Regional fuel tax revenue	138	154	138	154
Other transfer revenue	126	133	49	58
Total revenue from transfers	**2,078**	**2,011**	**833**	**691**
Total revenue from non-exchange transactions	**4,200**	**3,987**	**2,966**	**2,677**
Revenue from exchange transactions:				
Water and wastewater	552	500	-	-
Sales of goods and services*	27	39	1	1
Port operations	251	213	-	-
Development and financial contributions	236	226	236	226
Finance revenue	12	5	137	119
Dividends received	2	2	6	5
Infrastructure growth charges	240	197	-	-
Other exchange revenue	156	146	49	66
Total revenue from exchange transactions	**1,476**	**1,328**	**429**	**417**
Total revenue	**5,676**	**5,315**	**3,395**	**3,094**

*Prior year parking fees have been reclassified from non-exchange to exchange revenue.

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 2022 is $2.1 billion (2021: $2.0 billion). Refer to Note F5 for further information on the LGFA guarantees and indemnities.

Refer to Note F8 for further information on Regional Fuel Tax revenue and its use during the year.

A1 Revenue (continued)

Local government disclosures

The council's rating base information relating to the preceding financial year as at 30 June 2021 is as follows:

	2021
Number of rating units	588,899
Total capital value of rating units (in $million)	767,590
Total land value of rating units (in $million)	498,170

The council wrote off the following rates during the year:

$Thousand	2022	2021
Rates written off for Māori freehold land	3,551	396
Total rates written off	**3,551**	**396**

The Local Government (Rating of Whenua Māori) Amendment Act 2021 amended the Local Government (Rating) Act 2002. The effective date of the amendment was 1 July 2021.

Outstanding Māori land rates that cannot be reasonably recovered can now be written off on the Chief Executive's initiative or on application from the ratepayer rather than waiting for them to become statue barred after six years. For the current year, the amount written off is substantially higher than in the prior year as this is the first year that the amended act is in force, and the write-off includes historic arrears plus penalties. In future years, the write-off will only include the rates for more recent years plus penalties at 10% of the outstanding balance.

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Total revenue	5,676	5,663	3,395	3,245

Group

Revenue was higher than budget by $13 million. The most significant reasons for the surplus were as follows:

- The economic uncertainty around the COVID-19 pandemic resulted in our budgets factoring a decrease in all services related to property development. During the year, development in Auckland, particularly intensive housing development, resulted in water infrastructure growth charges and revenue associated with new water supply connections were $159 million higher compared to the budget, and revenue from resource and building consents were $23 million higher than budget.
- Operating subsidies were higher than budgeted mainly from the following contributions:
  - Unbudgeted government grant revenue of $60 million received from the Ministry of Business, Innovation and Employment to support Auckland businesses affected by COVID-19, and to revive economic, social and cultural activities in Auckland.
  - The group received $30 million of unbudgeted funding from Waka Kotahi New Zealand Transport Agency (Waka Kotahi) to subsidise public transport fare revenue forfeited due to COVID-19 and as a result of the half-price public transport fare scheme.
  - Kāinga Ora paid subsidies for water infrastructure development to Auckland Housing Programme were $15 million higher than budget.
- Vested assets were $132 million above budget mainly because of the receipt of the Central Post Office renovations from City Rail Link Limited (CRLL), offset by less than budgeted vested assets from developers due to nature and timing of development.

A1 Revenue (continued)

Explanation of significant variances against budget (continued)

The above favourable results were partly offset by the following items which were lower than budget:

The effects of the COVID-19 restrictions impacted the use of services and facilities and reduced the fees and user charges. Specifically,

- Public transport and parking fees were $113 million lower than budget due to COVID-19 lockdowns and the half price public transport fare scheme
- Water and wastewater revenue were $53 million lower than budget due to water restrictions to manage impact of drought and COVID-19 lockdowns
- The closure of facilities such as leisure centres and venues for hire resulted in community facilities revenue being $19 million below budget
- The postponement and cancellation of shows, events and festivals as well as restrictions on attendance decreased revenue by $23 million.

Capital subsidies were lower than budget mainly due to the group's transport capital delivery programme being behind schedule. This resulted in $146 million less capital subsidies from Waka Kotahi than budgeted. Some of the group's shovel-ready projects including the Auckland Film Studio expansion, Te Whau Pathway development, and the resource recovery centre development, were impacted by delays and shortages of labour and materials, resulting in a $43 million deficit against budget.

The remaining variances against budget were individually insignificant.

Auckland Council

Revenue was higher than budget by $150 million. The largest contributors to this surplus were:

- As explained above, vested asset revenue was $191 million favourable to budget from the receipt of the Central Post Office renovations.
- Revenue from resource and building consents was $23 million favourable to budget due to the effects of Auckland's increasing density.

The above favourable results were partially offset by the following items:

- As mentioned above, grants and subsidies were $43 million lower than budget mainly due to delays in shovel-ready projects.
- Community facilities and customer services were $19 million below budget due to the closure of facilities such as leisure centres and venues for hire.

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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Grants, contributions and sponsorship:				
Funding to CCOs	-	-	925	911
Other grants	219	162	156	138
	219	162	1,081	1,049
Outsourced works and services	308	269	228	200
Goods and services	513	512	13	10
Consultancy and professional services	143	109	45	30
Repairs and maintenance	321	383	198	187
Utilities and occupancy	70	72	35	32
Rental and lease	145	155	20	36
Net impairment of receivables	7	8	5	7
Fees paid to elected members	12	11	12	11
Fees paid to auditors	4	5	2	2

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Other operating expenses	1,944	1,971	729	714

Group

Other operating expenses were lower than budget by $27 million. Several items contributed to this:

- The cost of public transport was $74 million below budget due to lower public transport usage during COVID-19 lockdown.
- Several cancelled and postponed events and projects contributed to $46 million lower costs attributable to these events and projects.

The above results were partially offset by the following items:

- Extension of time cost of $25 million ($6 million relates to prior year) were expensed within other operating expenses. Refer to Note B1.
- Due to inherent uncertainty around the provision for contaminated land and closed landfills and legal provisions, these costs are not budgeted for. The provision for contaminated land and closed landfills increased by $23 million due to additional remedial costs, and legal provisions increased by $23 million mainly due to increase in the amounts of legal claims. Refer to Note D5.

The remaining variances against budget were individually insignificant.

Auckland Council

Other operating expenses were higher than budget by $15 million. As mentioned above, other operating expenses are over budget in relation to the $46 million increase in the provision for contaminated land and closed landfills and legal provisions.

This was partly offset by $30 million in savings against the budget from cancelled or postponed projects and events.

The remaining variances against budget were individually insignificant.

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 2022	Auckland Council 2021
Auckland War Memorial Museum	32	32
Museum of Transport and Technology	16	15
Auckland Regional Amenities Funding Board	15	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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Audit of financial statements	**3,697**	**3,495**	**1,263**	**1,339**
Other assurance-related services:				
Review of interim financial statements	330	302	127	124
Assurance engagement related to foreign borrowings	44	44	44	44
Assurance engagement related to debenture trust deed	16	16	16	16
Required by legislation:				
10-year Budget	-	738	-	738
	390	**1,100**	**187**	**922**
Other services:				
Cyber and cloud security	-	231	-	-
Enterprise model Probity	173	-	-	-
Review of the management plan of the Central Interceptor project	109	100	-	-
Other services	17	53	-	-
	299	**384**	**-**	**-**
Total fees to auditors	**4,386**	**4,979**	**1,450**	**2,261**

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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Salaries and wages	971	891	537	503
Contributions to defined contribution schemes	30	27	15	14
Termination benefits	5	11	1	7
Other	45	34	13	9
Total employee benefits expense	**1,051**	**963**	**566**	**533**

Refer to Note D4 for the employee benefit liability as at 30 June 2022 and 30 June 2021 and Note F6 for further information on the remuneration of key management personnel and elected representatives.

A3 Employee benefits expense (continued)

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Employee benefits expense	1,051	1,021	566	586

Group

Employee benefits were higher than budget by $30 million for several reasons:

- There was an increased spend on overtime to ensure physical distancing of water operations and maintenance teams during the period of COVID-19 restrictions.
- Salary increases reflecting market movements.
- Additional Full Time Equivalents (FTEs) were hired to support the increased regulatory water testing, the establishment of a training centre at Māngere, the Three Waters Reform programme, asset maintenance plans, digital services, and supply chain challenges.

Auckland Council

Employee benefits were lower than budget by $20 million mainly attributable to attrition, difficulties in filling specialist roles and a reduction in training costs during the period of COVID-19 lockdown and restrictions.

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 (Note B1).

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 (Note B2).

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 2022	Group 2021
Roads and footpaths*	299	305
Public transport and travel demand management	108	77
Water supply*	158	101
Wastewater	123	166
Stormwater	67	63
Local council services	3	3
Regionally delivered council services*	255	234
Council controlled services	60	57
Total depreciation and amortisation (Notes B1 and B2)	**1,073**	**1,006**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

A4 Depreciation and amortisation (continued)

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Depreciation and amortisation	1,073	1,063	306	301

Group

The unfavourable variance of $10 million to budget was primarily attributable to the revaluation increase in assets which was higher than budgeted.

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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Interest expense on debt and finance leases using the effective interest method	215	195	197	180
Interest expense on provisions	(36)	(13)	(31)	(14)
Total interest expense	**179**	**182**	**166**	**166**
Interest on derivative financial instruments	253	221	252	217
Other finance costs	6	5	6	5
Total finance costs	**438**	**408**	**424**	**388**

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

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Finance costs	438	447	424	429

Group and Auckland Council

The favourable variance is mainly due to higher discount rates used to calculate the present value of long-term provisions offset by an unfavourable variance on interest on borrowings which arose as a result of increasing floating interest rates.

A6 Net other gains and losses

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Financial instruments				
Net gains/(losses) on change in fair value of derivative financial instruments:				
Net gains/(losses) attributable to foreign exchange movements	54	(102)	56	(105)
Net gains attributable to interest rate movements	1,077	882	1,077	882
	1,131	780	1,133	777
Net foreign exchange (losses)/gains recognised in surplus/(deficit) on financial instruments held at amortised cost	(56)	105	(56)	104
Net (decrease)/increase in financial instruments designated at fair value through surplus/(deficit)	(1)	-	(71)	6
Property, plant and equipment				
Net losses on disposal of property, plant and equipment and intangible assets	(64)	11	(11)	(2)
Impairment of property, plant and equipment and intangible assets	(77)	(6)	(7)	(1)
Investments				
Net increase in fair value of investment property	56	108	42	73
Impairment of investment in subsidiaries, associates and joint ventures	(1)	-	-	-
Other				
Net gains on sale of division (Note F4)	9	-	9	-
Total net other gains	**997**	**998**	**1,039**	**957**

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Net other gains	997	-	1,039	-

Group and Auckland Council

Net other gains for the group of $997 million and $1,039 million for the council were not budgeted.

The net gains mainly related to 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 $1.1 billion unrealised gain from the change in the fair value of our interest rate hedging contracts. Hedging contracts are generally held to maturity.

The gains on interest rate hedging contracts are partly offset by net losses on the disposal of property, plant and equipment and intangible assets of $64 million and impairment of property, plant and equipment and intangible assets of $77 million.

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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Components of income tax expense				
Current tax	(3)	-	-	-
Deferred tax*	40	43	-	-
Total income tax expense	**37**	**43**	**-**	**-**
Relationship between income tax and accounting surplus/(deficit)				
Net surplus before tax*	1,761	1,880	1,138	1,047
Deficit from non-taxable activities*	(1,534)	(1,691)	(1,138)	(1,047)
Taxable surplus	**227**	**189**	**-**	**-**
Prima facie income tax at 28%	64	53	-	-
Tax effect of permanent differences	(22)	(11)	-	-
Associates' income net of tax	(1)	(1)	-	-
Tax credits	-	(1)	-	-
Timing differences	(1)	-	-	-
Other adjustments*	(3)	3	-	-
Total income tax expense	**37**	**43**	**-**	**-**

*The comparative balances have been restated to reflect a change in accounting policy and correction of prior year error. Refer to the Basis of reporting section..

A7 Income tax (continued)

Tax losses and imputation credits

All the group's significant subsidiaries except for Tātaki Auckland Unlimited Trust (formerly Regional Facilities Auckland) 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.

$Million	Group		Auckland Council	
	2022	2021	2022	2021
Imputation credits available for use in subsequent reporting periods	46	34	-	-

Imputation credits available for use by any member of the income tax group are $3 million (2021: $3 million).

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:

- **B1 Property, plant and equipment**
- **B2 Intangible assets**
- **B3 Investment property**

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)	Asset class	Estimated useful life (years)
Infrastructure		**Operational (continued)**	
Land and road formation	Indefinite	Bus stations and shelters	10 to 60
Roads	5 to 100	Marinas	9 to 45
Water and wastewater	10 to 201	Rolling stock	5 to 35
Machinery	3 to 200	Wharves	5 to 100
Stormwater	29 to 110	Works of art	Indefinite
Other infrastructure	3 to 87	Other operational assets	1 to 83
Operational		**Restricted**	
Land	Indefinite	Parks and reserves	Indefinite
Buildings	10 to 100	Buildings	5 to 100
Specialised sporting and cultural venues	3 to 100	Improvements	2 to 50
Train stations	7 to 100	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.

B1 Property, plant and equipment (continued)

Group 2022	Opening balance			Current year	Closing balance		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements***	**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	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.

^The opening balances have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

B1 *Property, plant and equipment (continued)*

Group 2022	Current year movements							
$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**
Storm water	207	-	(56)	-	(3)	-	1,662	**1,810**
Land	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)*

Group 2021	Opening balance			Current year	Closing balance		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements*^**	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Roads and formation	10,873	(18)	10,855	182	11,329	(292)	11,037
Water and wastewater	8,227	(334)	7,893	960	8,853	-	8,853
Machinery	1,261	(131)	1,130	263	1,393	-	1,393
Storm water	4,809	(99)	4,710	158	5,019	(151)	4,868
Land	7,183	-	7,183	107	7,290	-	7,290
Work in progress	1,868	-	1,868	396	2,264	-	2,264
Other	-	-	-	15	15	-	15
	34,221	**(582)**	**33,639**	**2,081**	**36,163**	**(443)**	**35,720**
Operational							
Land and buildings^	5,230	(135)	5,095	1,264	6,372	(13)	6,359
Specialised sporting and cultural venues	967	-	967	59	1,026	-	1,026
Train stations	622	-	622	(7)	644	(29)	615
Bus stations and shelters	109	-	109	3	117	(5)	112
Marina structures	124	(4)	120	32	161	(9)	152
Rolling stock	495	(32)	463	64	578	(51)	527
Wharves^	569	(25)	544	97	645	(4)	641
Works of art	354	(5)	349	13	362	-	362
Work in progress	551	-	551	(134)	417	-	417
Other	1,466	(696)	770	(30)	1,517	(777)	740
	10,487	**(897)**	**9,590**	**1,361**	**11,839**	**(888)**	**10,951**
Restricted							
Parks, reserves and buildings^	5,688	(8)	5,680	1,170	6,850	-	6,850
Improvements	1,511	(470)	1,041	26	1,611	(544)	1,067
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	137	-	137	9	146	-	146
	7,486	**(478)**	**7,008**	**1,205**	**8,757**	**(544)**	**8,213**
Group total	**52,194**	**(1,957)**	**50,237**	**4,647**	**56,759**	**(1,875)**	**54,884**

*Refer to next page for further details.

^The opening balances and current year movements have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

B1 *Property, plant and equipment (continued)*

Group 2021 — **Current year movements**

$Million	Transfers from capital work in progress	Additions	Depreciation (Note A4)	Impairment	Disposals	Transfers*	Revaluations, net of accumulated depreciation	Total
Infrastructure								
Roads and formation	435	-	(275)	-	-	22	-	**182**
Water and wastewater	279	-	(169)	-	(10)	-	860	**960**
Machinery	283	-	(72)	-	-	-	52	**263**
Stormwater	211	-	(53)	-	(2)	2	-	**158**
Land	151	-	-	(16)	-	(28)	-	**107**
Work in progress	(1,378)	1,774	-	-	-	-	-	**396**
Other	19	-	-	-	-	(4)	-	**15**
	-	**1,774**	**(569)**	**(16)**	**(12)**	**(8)**	**912**	**2,081**
Operational								
Land and buildings^	174	11	(72)	(1)	(34)	45	1,141	**1,264**
Specialised sporting and cultural venues	40	-	(29)	-	-	-	48	**59**
Train stations	11	-	(29)	-	-	11	-	**(7)**
Bus stations and shelters	8	-	(5)	-	-	-	-	**3**
Marinas	21	-	(4)	-	-	18	(3)	**32**
Rolling stock	83	-	(19)	-	-	-	-	**64**
Wharves	93	-	(16)	-	-	(35)	55	**97**
Works of art	2	-	(3)	-	-	-	14	**13**
Work in progress	(697)	543	-	-	-	20	-	**(134)**
Other	265	-	(92)	(1)	(2)	(200)	-	**(30)**
	-	**554**	**(269)**	**(2)**	**(36)**	**(141)**	**1,255**	**1,361**
Restricted								
Parks, reserves and buildings^	61	-	(4)	-	(6)	11	1,108	**1,170**
Improvements	97	-	(74)	-	(3)	6	-	**26**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(158)	167	-	-	-	-	-	**9**
	-	**167**	**(78)**	**-**	**(9)**	**17**	**1,108**	**1,205**
Group total	**-**	**2,495**	**(916)**	**(18)**	**(57)**	**(132)**	**3,275**	**4,647**

*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.

^Current year movements have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

B1 *Property, plant and equipment (continued)*

Auckland Council 2022	**Opening balance**			**Current year**	**Closing balance**		
$Million	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount	Current year movements	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount
Infrastructure							
Storm water	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**

^The opening balances have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

Auckland Council 2022 — **Current year movements**

$Million	Transfers from capital work in progress	Additions	Depreciation (Note A4)	Impairment	Disposals	Transfers*	Revaluations, net of accumulated depreciation	Total
Infrastructure								
Storm water	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)

Auckland Council 2021	Opening balance			Current year	Closing balance		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements^**	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Stormwater	4,809	(99)	4,710	158	5,020	(152)	4,868
Work in progress	230	-	230	50	280	-	280
Other	1	-	1	14	15	-	15
	5,040	**(99)**	**4,941**	**222**	**5,315**	**(152)**	**5,163**
Operational							
Land and buildings^	3,321	(107)	3,214	698	3,912	-	3,912
Wharves^	162	(4)	158	69	227	-	227
Works of art	43	(2)	41	6	47	-	47
Work in progress	310	-	310	(149)	161	-	161
Other	680	(382)	298	(9)	706	(417)	289
	4,516	**(495)**	**4,021**	**615**	**5,053**	**(417)**	**4,636**
Restricted							
Parks, reserves and buildings^	5,689	(8)	5,681	1,169	6,850	-	6,850
Improvements	1,507	(470)	1,037	27	1,607	(543)	1,064
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	137	-	137	9	146	-	146
	7,483	**(478)**	**7,005**	**1,205**	**8,753**	**(543)**	**8,210**
Auckland Council total	**17,039**	**(1,072)**	**15,967**	**2,042**	**19,121**	**(1,112)**	**18,009**

^The opening balances and current year movements have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

Auckland Council 2021	Current year movements							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Stormwater	211	-	(53)	-	-	-	-	**158**
Work in progress	(229)	279	-	-	-	-	-	**50**
Other	18	-	-	-	(5)	1	-	**14**
	-	**279**	**(53)**	**-**	**(5)**	**1**	**-**	**222**
Operational								
Land and buildings^	98	36	(63)	(1)	(29)	61	596	**698**
Wharves	92	-	(7)	-	-	(35)	19	**69**
Works of art	-	-	(3)	-	-	(1)	10	**6**
Work in progress	(245)	96	-	-	-	-	-	**(149)**
Other	55	(4)	(39)	-	-	(21)	-	**(9)**
	-	**128**	**(112)**	**(1)**	**(29)**	**4**	**625**	**615**
Restricted								
Parks, reserves and buildings^	69	12	(4)	-	(5)	(10)	1,107	**1,169**
Improvements	97	6	(73)	-	(3)	-	-	**27**
Parks, reserves and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(166)	175	-	-	-	-	-	**9**
	-	**193**	**(77)**	**-**	**(8)**	**(10)**	**1,107**	**1,205**
Auckland Council total	**-**	**600**	**(242)**	**(1)**	**(42)**	**(5)**	**1,732**	**2,042**

*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.

^Current year movements have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

B1 Property, plant and equipment (continued)

Work in progress by asset class

$Million	Group		Auckland Council	
	2022	**2021**	**2022**	**2021**
Infrastructure				
Roads and formation	604	916	-	-
Water and wastewater	1,310	1,068	-	-
Storm water	167	174	167	174
Other	17	106	17	106
	2,098	**2,264**	**184**	**280**
Operational				
Land and buildings	169	155	138	131
Specialised sporting and cultural venues	15	63	-	-
Train stations	9	11	-	-
Rolling stock	14	19	-	-
Wharves	41	26	9	16
Works of art	2	2	1	2
Other	117	141	26	12
	367	**417**	**174**	**161**
Restricted				
Parks, reserves and buildings	166	27	166	27
Improvements	35	119	35	119
	201	**146**	**201**	**146**
Work in progress total	**2,666**	**2,827**	**559**	**587**

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 and works of art are 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.

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.

B1 Property, plant and equipment (continued)

The following asset classes have been revalued at an individual asset level as at 30 June 2022: water and wastewater, machinery, stormwater, roads and formation, operational land and buildings, specialised sporting and cultural venues, marinas, rolling stock, works of art and parks, reserves and buildings. 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. 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 at 30 June 2022 and are scheduled to be revalued again as at 30 June 2027. 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. • The capital goods price index (CGPI) was used where indexation is appropriate. The CGPI rate represents estimated standard replacement costs for asset components in accordance with the modern equivalent asset (MEA) approach. At the time of valuation, the CGPI was available to the March 2022 quarter and an estimate was made for the June 2022 quarter.
Stormwater	Stormwater assets have been 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.
Roads and formation	Roads and formation assets have been 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.
Operational	
Land and buildings	Land and buildings have been revalued at 30 June 2022. A full revaluation was completed for a sample of properties with a focus on larger or unique assets across various locations. The remaining properties were revalued using a desktop valuation based on either market sales indices or replacement cost indices for those valued using ODRC. Land and buildings are scheduled to be revalued again as at 30 June 2023. 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.

B1 Property, plant and equipment (continued)

Operational	
Specialised sporting and cultural venues	Specialised sporting and cultural venues have been revalued as at 30 June 2022 and 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.
Train stations	Train stations were last revalued as at 30 June 2020 and are scheduled to be revalued again as at 30 June 2025. Independent valuer: WSP New Zealand and in-house valuation performed by Auckland Transport. **Key valuation assumptions** • The valuation was based on ODRC. • Assets with unlimited engineering lives are adjusted to have a typical useful life to reflect the rate of change and obsolescence in the environment for each elemental value. **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 2022. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.
Bus stations and shelters	Bus stations and shelters were last revalued as at 30 June 2020 and are scheduled to be revalued again as at 30 June 2025. Independent valuer: WSP New Zealand Limited, PEACS Limited and in-house valuation performed by Auckland Transport. **Key valuation assumptions** • The valuation was based on ODRC. • Remaining useful life of the asset based on the age, condition, and the asset's future service potential. **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 2022. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.
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.
Rolling stock	Rolling stock assets have been revalued 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.

B1 Property, plant and equipment (continued)

Operational	
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. • Because of the COVID-19 outbreak, the 2021 revaluation report included a limitation statement due to the existence of market uncertainty at the date of the valuation. This was based on the uncertainty around the increase in constructions costs, supply issues of materials and labour forces. **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 2022. The assessment indicated no material movement in the asset value and therefore a revaluation of the asset class was not required at balance date.
Works of art	Specific classes of works of art have been revalued as at 30 June 2022. Other classes of artworks are scheduled to be revalued again as at 30 June 2023. Independent valuer: Auckland Art Gallery in-house curators, and Coupland Art (Auckland). **Key valuation assumptions** • The fair values of artworks were determined by reference to observable prices in an active market and recent transactions on arm's-length terms, with regards to the asset's condition.
Restricted	
Parks, reserves and buildings	Parks, reserves and buildings were last revalued as at 30 June 2022. A full revaluation was completed for a sample of properties with a focus on larger or unique assets across various locations. The remaining land assets in the portfolio have been revalued using a desktop valuation with updated rural base rates and locational adjustments. The improvement assets have been revalued using a desktop valuation based on replacement costs indices. Parks, reserves and buildings are scheduled to be revalued again as at 30 June 2023. 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 valuation has now relies 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.

B1 Property, plant and equipment (continued)

Asset class	Last revalued date	Asset revaluation reserve				Net change for the period	
		Group		Auckland Council		Group	Auckland Council
$Million		2022	2021	2022	2021		
Infrastructure							
Water and wastewater	30 June 2022	2,382	1,833	-	-	549	-
Machinery	30 June 2022	402	189	-	-	213	-
Stormwater	30 June 2022	2,459	798	2,459	798	1,661	1,661
Roads and formation	30 June 2022	7,324	3,614	-	-	3,710	-
Operational							
Land and buildings^	30 June 2022	3,186	2,887	1,806	1,571	299	235
Specialised sporting and cultural venues	30 June 2022	564	343	-	-	221	-
Train stations	30 June 2020	300	331	-	-	(31)	-
Bus stations and shelters	30 June 2020	10	10	-	-	-	-
Marinas	30 June 2022	95	88	22	-	7	22
Rolling stock	30 June 2022	68	4	-	-	64	-
Wharves	30 June 2021	136	138	18	19	(2)	(1)
Works of art	30 June 2022	80	80	36	36	-	-
Restricted							
Parks, reserves and buildings^	30 June 2022	3,944	2,802	3,944	2,802	1,142	1,142
Total		**20,950**	**13,117**	**8,285**	**5,226**	**7,833**	**3,059**

^The comparative balances have been restated to reflect a correction of prior year error. Refer to the Basis of reporting section.

Spark Arena (previously named Vector Arena)

Spark Arena is included in operational land and buildings and has a carrying value of $132 million (2021: $105 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 F5 for details on operating lease commitments).

Heritage assets

Some assets are designated as heritage assets because of their cultural, environmental 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 $430 million:

- heritage books valued at $151 million as at 30 June 2022 (2021: $151 million); and
- 347 constructed heritage sites valued at $279 million as at 30 June 2022 (2021: 343 sites valued at $239 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	
	2022	2021	2022	2021
Land and buildings	628	449	230	212
Parks, reserves and buildings	32	30	32	30
Total	**660**	**479**	**262**	**242**

B1 Property, plant and equipment (continued)

America's Cup 36 (AC36) Assets

Assets built for AC36 are included in wharves and have a carrying value of $159 million (2021: $162 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.

Finance leases

Other operational assets include property, plant and equipment subject to finance leases. The value of these assets is $35 million for the group (2021: $35 million) and $32 million for the council (2021: $30 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 (2021: $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 $219 million at 30 June 2022 (2021: $194 million).

No new service concession arrangements were entered into by the group and the council in 2022 (2021: none).

Extension of time costs

Constructions sites across New Zealand had to be closed during COVID-19 Alert Level 4 lockdowns. Contractors are entitled under the terms of their respective construction contract to recover time and additional costs resulting from the Alert Level 4 lockdowns.

Due to continuing uncertainty around the extent and duration of future lockdowns resulting from new COVID-19 variants, management has reconsidered the accounting for Extension of time costs incurred on capital projects during lockdowns. In prior years, these costs were capitalised in our financial statements. The group has now concluded that the costs relating to Alert Level 4 lockdowns are not directly attributable to the construction of an asset, as the costs do not directly relate to bringing the asset to their working condition and should have been expensed. The change in accounting treatment has been applied prospectively from 1 July 2021 as the financial impact is not considered material to the group. This change resulted in the group expensing $25 million of these costs within the current period's operating expenses ($6 million relates to prior year).

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
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	6,647	31	24,744
2021							
Assets constructed	154	235	93	234	204	4	456
Assets transferred	-	21	1	33	71	-	70
Closing book value	1,050	3,390	1,335	4,471	4,845	23	11,037
Estimated replacement cost	1,633	5,210	1,563	7,047	6,451	116	17,756

Insurance of assets

Information related to the group and the council's assets at 30 June 2022 as required by the LGA 2002 is as follows:

$Million	Book value	Insured value	Replacement value of self-insured assets	Commentary
Roads and formation	15,892	-	24,744	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	12,783	23,183	-	Above ground infrastructure which includes water supply and wastewater treatment plants, pump stations and mobile plant and equipment to a value of $4.8 billion with a maximum insured value of $1 billion per event reducing to $450 million per event for fire. For below ground infrastructure, 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	6,845	7,607	-	Below ground 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	8,139	16,251	-	For any natural disaster, the group has a maximum coverage of $1 billion per event and in the aggregate in the period of insurance, reducing to $450 million per event for fire.
Rolling stock	606	698	-	Insurance is for the entire network and includes the electric trains. The group has a maximum coverage of $100 million per event.
Land	19,826	-	19,826	All land (including restricted land) held by the group and the council is not insured due to low risk of loss.
Total	**64,091**	**47,739**	**44,570**	

During the current and prior years, the group and the council did not maintain a fund for the purpose of self-insurance. From 1 July 2022, the council and all substantive CCOs implemented a self-insurance fund (SIF). An initial $20 million of capital will be provided and $2.8 million will be charged as initial premiums in October 2022. The maximum cover provided by SIF is up to $10 million per event, and insurance coverage above this will be provided by the external insurers. Further details of SIF will be provided in the 2022/2023 annual report.

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	4 to 35
Computer software	3 to 15
Intellectual property	3 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 tested 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.

	Opening balance			Current year	Closing balance		
Group 2022 $Million	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements**	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**
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 2021 $Million							
Computer software*	938	(554)	384	(51)	965	(632)	333
Rights to acquire	10	-	10	1	11	-	11
Intellectual property	137	(73)	64	2	148	(82)	66
Other	127	(34)	93	21	153	(39)	114
Work in progress*	78	-	78	(25)	53	-	53
Group total	**1,290**	**(661)**	**629**	**(52)**	**1,330**	**(753)**	**577**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

B2 Intangible assets (continued)

	Current year movements							
Group 2022 $Million	**Transfers from work in progress**	**Internally developed**	**Acquisition**	**Amortisation (Note A4)**	**Impairment**	**Disposals**	**Transfers^**	**Total**
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)**
Group 2021 $Million								
Computer software*	72	-	-	(75)	-	(23)	(25)	**(51)**
Rights to acquire	-	-	-	-	-	-	1	**1**
Intellectual property	12	-	-	(9)	-	-	(1)	**2**
Other	24	-	-	(6)	-	-	3	**21**
Work in progress*	(108)	12	67	-	-	-	4	**(25)**
Group total	**-**	**12**	**67**	**(90)**	**-**	**(23)**	**(18)**	**(52)**

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

*The comparatives have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

	Opening balance			Current year	Closing balance		
Auckland Council 2022 $Million	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements**	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**
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 2021 $Million							
Computer software*	493	(325)	168	(24)	506	(362)	144
Rights to acquire	11	-	11	-	11	-	11
Intellectual property	130	(69)	61	4	143	(78)	65
Other	31	(16)	15	-	34	(19)	15
Work in progress*	24	-	24	(9)	15	-	15
Auckland Council total	**689**	**(410)**	**279**	**(29)**	**709**	**(459)**	**250**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

B2 Intangible assets (continued)

Current year movements

Auckland Council 2022 $Million	Transfers from work in progress	Internally developed	Acquisition	Amortisation (Note A4)	Impairment	Disposals	Transfers^	Total
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)**
Auckland Council 2021 $Million								
Computer software*	15	-	-	(37)	-	(2)	-	**(24)**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	13	-	-	(9)	-	-	-	**4**
Other	3	-	-	(3)	-	-	-	**-**
Work in progress*	(31)	-	22	-	-	-	-	**(9)**
Auckland Council total	**-**	**-**	**22**	**(49)**	**-**	**(2)**	**-**	**(29)**

^Includes transfers between classes within intangibles, as well as between intangibles and property, plant and equipment.
*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

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 (2021: $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 $31 million (2021: $33 million) which are essential to long-term programme of future capital works and are being amortised over the period of 1 to 35 years (2021: 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 (2021: $nil).

Work in progress

Intangible assets under construction are detailed below:

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Computer software*	50	44	5	11
Intellectual property	-	1	-	1
Other	6	8	4	3
Work in progress total	**56**	**53**	**9**	**15**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

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: CBRE Limited and Seagar & Partners Limited. • Based on direct sales comparison, or a direct capitalisation of rental income using capitalisation rates of 5% (2021: 3.5% to 6.5%), supported by a discounted cash flow approach.

The movement in investment property is as follows:

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Opening balance	704	603	562	485
Net increase in fair value of investment property	56	108	42	73
Additions from acquisition	7	22	6	19
Disposals	(5)	(23)	(5)	(15)
Net transfers to property, plant and equipment and assets held for sale	(33)	(6)	(12)	-
Closing balance	**729**	**704**	**593**	**562**

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

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Rental income	20	20	16	17
Expenses	10	10	10	10

The group and the council have no investment property pledged as security for liabilities during the year (2021: $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:

- **C1 Borrowings**
- **C2 Derivative financial instruments**
- **C3 Other financial assets**
- **C4 Fair value and classification of financial instruments**

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	
	2022	2021	2022	2021
Current				
Secured borrowings	994	1,413	993	1,412
Unsecured borrowings	-	-	-	-
Total current borrowings	**994**	**1,413**	**993**	**1,412**
Non-current				
Secured borrowings	9,914	8,798	9,911	8,794
Unsecured borrowings	455	476	-	-
Total non-current borrowings	**10,369**	**9,274**	**9,911**	**8,794**
Total borrowings	**11,363**	**10,687**	**10,904**	**10,206**
Consisting of:				
Fixed rate borrowings	7,319	6,331	7,144	6,156
Floating rate borrowings	4,044	4,356	3,760	4,050
Total borrowings	**11,363**	**10,687**	**10,904**	**10,206**

Borrowings are sourced through domestic and foreign 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 $5,297 million as at 30 June 2022 (2021: $4,652 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.

Ports 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 2022 and 2021.

There were no defaults or breaches by the group or the council on any borrowing arrangement during the year (2021: $nil).

Sustainable finance initiatives

The council continues its efforts to drive sustainability action through sustainable finance initiatives. Since issuing its first green bond in June 2018, the council has issued $2 billion in green bonds both in New Zealand dollars and Euro. The council issued its first foreign green bond of EUR 500 million in November 2021.

During the year, the council converted $800 million of existing standby facilities into sustainability linked facilities, and it also executed a sustainability linked derivative with a notional value of $120 million, making it the first council in New Zealand to do so.

Sustainability-linked facilities commit the council to key environmental, social and/or governance (ESG) targets. They financially incentivise the council to meet sustainability performance targets (SPTs) by adjusting the facility's borrowing costs depending on the performance of the council against annual SPTs.

The council's sustainability linked facility and derivative are held with ANZ Bank of New Zealand Limited. A premium or discount may apply to the base line fee following each annual measurement period depending on council's performance against the SPTs.

Like the sustainability-linked facility, the sustainability-linked derivative commits the council to key ESG targets. The derivative's floating rate is adjusted up or down depending on the performance against SPTs. The SPTs developed for the sustainability-linked facility are used for the sustainability-linked derivative.

C1 Borrowings (continued)

The SPTs for the council sustainability-linked facility/derivative are structured 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.

The council's SPTs are:

SPT1	Increase in the annual proportion of influenceable spend with identified and/or confirmed Māori and/or Pasifika owned business or social enterprises
SPT2	Increase in the number of operational low emissions buses within the Auckland Transport bus fleet
SPT3	Reduction of the group's greenhouse gas emissions, aligned with reducing emissions by 50% by 2030 and reaching net-zero emissions by 2050

The first sustainability reference period is for the year ended 30 June 2023 and the expected financial impact on the group and council will be during 2023/2024 following the issuance of the first compliance certificate at the end of September 2023. The current arrangements will not have a material impact on our borrowing costs.

The council may convert further bank standby facilities, and/or establish new sustainability-linked facilities in the future. Similarly, the council may convert existing contracts and/or establish new sustainability-linked derivatives contracts, and link its interest rate risk management to its sustainability goals.

Housing Infrastructure Fund

In September 2018, the group was allocated $339 million of the central government's $1 billion Housing Infrastructure Fund. The funds are used for transport, stormwater, water supply and wastewater projects to enable the accelerated development of up to 7,771 new dwellings at Redhills and Whenuapai in Auckland's north-west.

The funds are received in the following manner:

- advanced funding from Waka Kotahi's National Land Transport Programme for public transport of $203 million; and
- interest free loans for stormwater, water supply and wastewater projects of $136 million.

As at 30 June 2022, there were no loans outstanding (2021: $1.7 million). On 30 June 2022, the council repaid $3.0 million of the loans it had drawn under the terms of the loan.

Interest rates

The weighted average interest rate for the group's borrowings including interest rate hedging instruments as at 30 June 2022, was 4.1% (2021: 4.1%). Refer to Notes A5 and E1 for details of finance costs incurred during the period and the interest rate risk analysis, respectively.

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Borrowings	11,363	11,745	10,904	11,240

Group and Auckland Council

The group and the council borrowed less than planned due to stronger operating cash inflows and lower capital expenditure than anticipated.

Local government disclosures

Internal borrowings

In relation to each group of activities, the council has incurred no internal borrowings during the year to 30 June 2022. 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 October 2021 and the Moody's rating in April 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.

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

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Net derivative liability	112	1,284	111	1,277

Group and Auckland Council

The group's and the council's derivative financial instruments were mainly interest rate hedging contracts. Interest rates moved significantly higher during the year which had a favourable impact on the fair value of our derivatives portfolio, resulting in a lower net derivatives liability compared to budget (further explanation is provided in Note A6 Net Other Gains and Losses).

C2 Derivative financial instruments (continued)

Significant judgements 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

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

Group	2022				2021			
	Assets		Liabilities		Assets		Liabilities	
$Million	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE
Current								
Interest rate swaps								
- cash flow hedge	-	-	-	-	-	-	40	1
- fair value through surplus or deficit	50	1	200	2	229	2	-	-
Forward foreign currency contract								
- cash flow hedge	6	-	-	-	-	-	6	-
- fair value through surplus or deficit	1	-	27	1	1	-	5	-
Cross-currency interest rate swaps								
- fair value through surplus or deficit	-	-	-	-	-	-	262	36
Total current	**57**	**1**	**227**	**3**	**230**	**2**	**313**	**37**
Non-current								
Interest rate swaps								
- cash flow hedge	50	1	-	-	-	-	50	3
- fair value through surplus or deficit	7,055	353	5,039	198	1,695	79	9,549	1,559
Forward foreign currency contract								
- cash flow hedge	-	-	1	-	-	-	-	-
- fair value through surplus or deficit	-	-	210	2	1	-	-	-
Cross-currency interest rate swaps								
- fair value through surplus or deficit	1,357	171	3,765	437	2,970	347	1,344	116
Basis swaps								
- fair value through surplus or deficit	808	2	-	-	-	-	-	-
Total non-current	**9,270**	**527**	**9,015**	**637**	**4,666**	**426**	**10,943**	**1,678**
Total derivative	**9,327**	**528**	**9,242**	**640**	**4,896**	**428**	**11,256**	**1,715**

C2 Derivative financial instruments (continued)

Auckland Council	2022				2021			
	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	50	1	200	2	229	2	-	-
Forward foreign currency contract								
- fair value through surplus or deficit	27	-	27	-	6	1	6	1
Cross-currency interest rate swaps								
- fair value through surplus or deficit	-	-	-	-	-	-	262	35
Total current	**77**	**1**	**227**	**2**	**235**	**3**	**268**	**36**
Non-current								
Interest rate swaps								
- fair value through surplus or deficit	7,055	352	5,039	198	1,695	79	9,549	1,559
Forward foreign currency contract								
- fair value through surplus or deficit	210	2	210	2	1	-	1	-
Cross-currency interest rate swaps								
- fair value through surplus or deficit	1,357	171	3,765	437	2,970	346	1,344	115
Basis swaps								
- fair value through surplus or deficit	808	2	-	-	-	-	-	-
Total non-current	**9,430**	**527**	**9,014**	**637**	**4,666**	**425**	**10,894**	**1,674**
Total derivative	**9,507**	**528**	**9,241**	**639**	**4,901**	**428**	**11,162**	**1,710**

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).

C3 Other financial assets (continued)

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Current				
Short-term deposits	13	26	9	24
Loans to related parties	-	-	8	7
Borrowers notes	8	6	8	6
Other	39	45	39	44
Total current	**60**	**77**	**64**	**81**
Non-current				
Loans to related parties	3	5	3,064	2,866
Borrowers notes	57	55	57	55
Listed shares	1,957	1,979	1,910	1,928
Other	32	36	21	24
Total non-current	**2,049**	**2,075**	**5,052**	**4,873**
Total other financial assets	**2,109**	**2,152**	**5,116**	**4,954**

Loans to related parties

The council has loans to Auckland Transport and Watercare Services Limited (Watercare).

- The interest rates on loans to Auckland Transport reflect the cost of borrowing by the council at the time the loans were made. Interest rates on the loans for the year ended 30 June 2022 range from 5.6% to 6.6% (2021: 5.6% to 6.6%).
- The interest rate on the loan to Watercare is fixed in advance on an annual basis, using the council's expected cost of funds. An annual review of the actual interest rate is carried out at the end of the financial year and an adjustment is made if the actual interest rate falls below the expected cost of funds. The interest rate on the loan for the year ended 30 June 2022 was 4.2% (2021: 4.2%). The loan to Watercare is classified as fair value through surplus or deficit.

  The fair value of the Watercare loan is calculated using the discounted cashflow method. The significant inputs used in the fair value measurement of the loan to Watercare 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.

Listed shares

Listed shares represent an investment holding of 18.09% in Auckland International Airport Limited (AIAL) (2021: 18.09%) and 19.90% in Marsden Maritime Holdings Limited (MMHL) (2021: 19.90%). At 30 June 2022, the fair value of AIAL is $1.91 billion (2021: $1.93 billion) and MMHL is $47.0 million (2021: $50.3 million).

The investment objects are to maintain a strategic stake in important national and regional assets as well as generating financial return from these investments. Therefore, the group has elected to designate these investments to be measured at fair value through other comprehensive revenue and expense. The fair value of these securities is based on quoted market prices. The group's listed shares are all categorised as Level 1 of the fair value hierarchy as described in Note C4.

The unrealised gains or losses on the listed shares are recognised in other comprehensive revenue and expenditure. Dividends from listed shares are recognised in surplus or deficit when the group's right to receive payment is established.

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.

C3 Other financial assets (continued)

Other financial assets

Significant items included within other financial assets are as follows:

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 2022, the group and the council had an asset for cash collateral pledged to HSBC of $35 million (2021: $4m to HSBC and $35 million to Citibank). This year 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 $10 million (2021: $9 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 2022, the outstanding balance on the revolving loan facility of $49 million (2021: $45 million) had a carrying value of nil in the financial statements.

In prior years, the council recognised a provision for the full undrawn amount of the loan due to inherent uncertainty around EPT's ability to repay the facility. During the year, the loss allowance increased by $4 million. The portion of the provision relating to the loan commitment is recognised within provisions. Refer to Note D5.

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Other financial assets	2,109	2,000	5,116	4,768

Group and Auckland Council

Other financial assets were favourable to budget due to the value of listed shares, particularly the investment in AIAL, not being as severely impacted by the effects of the COVID-19 as the budget had anticipated.

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.

C4 Fair value and classification of financial instruments (continued)

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

$Million	Level	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Financial assets at fair value through surplus or deficit					
Investment in managed funds	1	10	12	-	-
Borrower notes	2	65	61	65	61
Loans to related party - Watercare	2	-	-	2,593	2,386
Unlisted shares	3	10	9	10	9
Financial assets at fair value through other comprehensive revenue and expenditure					
Listed shares	1	1,957	1,979	1,910	1,928
Derivative assets	2	528	428	529	428
Total financial assets		**2,570**	**2,489**	**5,107**	**4,812**
Derivative liabilities	2	640	1,715	639	1,710
Total financial liabilities		**640**	**1,715**	**639**	**1,710**

There were no transfers between the different levels of the fair value hierarchy during the year (2021: $nil).

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
Financial guarantees	Higher of expected credit loss and amount initially recognised less, cumulative amortisation	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 2022 Carrying amount	Group 2022 Fair value	Group 2021 Carrying amount	Group 2021 Fair value
Assets				
Financial assets at fair value through surplus or deficit				
Borrower notes	65	65	61	61
Investments in managed funds	11	11	12	12
Unlisted shares	10	10	9	9
Derivative assets	527	527	428	428
	613	**613**	**510**	**510**
Financial assets at fair value through other comprehensive revenue and expenditure				
Listed shares	1,957	1,957	1,979	1,979
	1,957	**1,957**	**1,979**	**1,979**
Financial assets at amortised cost				
Cash and cash equivalents	229	229	300	300
Receivables (excluding GST receivables and prepayments)	550	550	549	549
Loans to related parties	3	3	5	5
Other financial assets	63	63	87	87
	845	**845**	**941**	**941**
Derivatives in hedge relationships				
Derivative assets	1	1	-	-
Total assets	**3,416**	**3,416**	**3,430**	**3,430**
Liabilities				
Financial liabilities at fair value through surplus or deficit				
Derivative liabilities	640	640	1710	1710
Financial liabilities at amortised cost				
Bank overdraft	3	3	6	6
Borrowings	11,363	10,908	10,687	11,123
Payables and accruals (excluding income received in advance)	1,049	1,052	860	860
	12,415	**11,963**	**11,553**	**11,989**
Derivatives in hedge relationships				
Derivative liabilities	-	-	5	5
Financial guarantees				
Provision for financial guarantees	-	-	1	1
Total liabilities	**13,055**	**12,603**	**13,269**	**13,705**

C4 Fair value and classification of financial instruments (continued)

$Million	Auckland Council 2022 Carrying amount	2022 Fair value	2021 Carrying amount	2021 Fair value
Assets				
Financial assets at fair value through surplus or deficit				
Loans to related party - Watercare	2,593	2,593	2,386	2,386
Borrower notes	65	65	61	61
Unlisted shares	10	10	9	9
Derivative assets	529	529	428	428
	3,197	**3,197**	**2,884**	**2,884**
Financial assets at fair value through other comprehensive revenue and expenditure				
Listed shares	1,910	1,910	1,928	1,928
	1,910	**1,910**	**1,928**	**1,928**
Financial assets at amortised cost				
Cash and cash equivalents	166	166	257	257
Receivables (excluding GST receivables and prepayments)	300	300	224	224
Loans to related parties	479	486	487	524
Other financial assets	59	59	84	84
	1,004	**1,011**	**1,052**	**1,089**
Total assets	**6,111**	**6,118**	**5,864**	**5,901**
Liabilities				
Financial liabilities at fair value through surplus or deficit				
Derivative liabilities	639	639	1,710	1,710
Financial liabilities at amortised cost				
Borrowings	10,904	10,449	10,206	10,642
Payables and accruals (excluding income received in advance)	1,077	1,077	892	892
	11,981	**11,526**	**11,098**	**11,534**
Financial guarantees				
Provision for financial guarantees	-	-	1	1
Total liabilities	**12,620**	**12,165**	**12,809**	**13,245**

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:

- **D1 Cash and cash equivalents**
- **D2 Receivables and prepayments**
- **D3 Payables and accruals**
- **D4 Employee benefits liability**
- **D5 Provisions**
- **D6 Ratepayer equity**

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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Short-term deposits	130	236	130	235
Cash on hand and on-demand bank deposits	99	64	36	22
Cash and cash equivalents	**229**	**300**	**166**	**257**
Bank overdraft	(3)	(6)	-	-
Net cash and cash equivalents	**226**	**294**	**166**	**257**

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

$Million	2022	2021
Group	94	58
Auckland Council	61	43

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 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Current				
Trade receivables	312	259	132	104
Less provision for impairment	(49)	(47)	(23)	(22)
Rates receivables	90	59	90	59
Related party receivables	-	-	60	35
Net receivables	**353**	**271**	**259**	**176**
Accrued income	122	193	24	26
GST receivable	39	22	49	46
Prepayments	117	37	103	24
Other	34	31	2	4
Total current	**665**	**554**	**437**	**276**
Receivables from exchange transactions	358	233	164	66
Receivables from non-exchange transactions	307	321	273	210
Non-current				
Rates receivables	10	11	10	11
Prepayments	10	20	6	15
Other	31	43	4	7
Total non-current	**51**	**74**	**20**	**33**
Receivables from exchange transactions	37	56	6	15
Receivables from non-exchange transactions	14	18	14	18
Total receivables and prepayments	**716**	**628**	**457**	**309**

D2 Receivables and prepayments (continued)

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 would 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.

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

$Million	2022 Gross carrying amount	2022 Expected loss rate (%)	2022 Provision for impairment	2021 Gross carrying amount	2021 Expected loss rate (%)	2021 Provision for impairment
Group						
Current	92	0.0%	-	75	0.0%	-
Past due 1 to 60 days	120	(1.7%)	(2)	88	(2.3%)	(2)
Past due > 60 days	190	(24.7%)	(47)	155	(29.0%)	(45)
Total	**402**		**(49)**	**318**		**(47)**
Auckland Council						
Current	83	(0.1%)	-	59	(0.1%)	-
Past due 1 to 60 days	82	(2.5%)	(2)	51	(3.5%)	(2)
Past due >60 days	117	(18.1%)	(21)	88	(23.3%)	(20)
Total	**282**		**(23)**	**198**		**(22)**

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.

D3 Payables and accruals (continued)

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Current				
Trade payables and accruals	854	745	355	248
Revenue received in advance	112	114	49	44
Deposits and bonds	67	51	64	49
Credit support annexures (refer to Note C3)	25	-	25	-
Amounts due to related parties	-	-	562	529
Other	83	48	68	63
Total current	**1,141**	**958**	**1,123**	**933**
Payables from exchange transactions	966	857	387	267
Payables from non-exchange transactions	175	101	736	666
Non-current				
Revenue received in advance	166	159	172	160
Other	19	17	4	3
Total non-current	**185**	**176**	**176**	**163**
Payables from exchange transactions	180	133	152	139
Payables from non-exchange transactions	5	43	24	24
Total payables and accruals	**1,326**	**1,134**	**1,299**	**1,096**

The council's non-current revenue received in advance includes an obligation to give 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 2022 amounted to $19.5 million (2021: $20.0 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.

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Payables and accruals	1,326	1,220	1,299	884

Group

Payables and accruals were higher than budget by $106 million. This is mainly due to timing of grants payment.

Auckland Council

Payables and accruals were higher than budget by $415 million. This is mainly due to timing of grants payment and CCOs funding.

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.

D4 Employee benefits liability (continued)

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Current				
Short-term employee benefits	111	105	55	56
Other	1	2	1	1
Total current	**112**	**107**	**56**	**57**
Non-current				
Other	5	5	1	1
Total non-current	**5**	**5**	**1**	**1**
Total employee entitlements	**117**	**112**	**57**	**58**

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 (3.3% to 4.4%). At 30 June 2022, the group and the council determined risk-free rates, appropriately represented risks specifically related to time value of money (2021: 0.4% to 4.3%).

Explanation of significant variances against budget

2022 $Million	Group Actual	Group Budget	Auckland Council Actual	Auckland Council Budget
Provisions	490	407	456	375

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 relates mainly to the increase in provisions during the year, and difference between expected and actual settlements.

D5 Provisions (continued)

Group $Million	Weather-tightness and associated building defect claims	Contaminated land and closed landfills	Other	Total
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
Opening balance	275	177	63	515
Additional provisions and increases to existing provisions	89	-	39	128
Amounts used	(57)	(6)	(30)	(93)
Reversal of previously recognised provisions	-	(3)	(3)	(6)
Change in discount rate	-	(14)	-	(14)
Discount unwind	1	-	-	1
Balance as at 30 June 2021	**308**	**154**	**69**	**531**
Current	64	16	52	132
Non-current	244	138	17	399

Auckland Council $Million	Weather-tightness and associated building defect claims	Contaminated land and closed landfills	Other	Total
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
Opening balance	275	160	48	483
Additional provisions and increases to existing provisions	89	-	9	98
Amounts used	(57)	(7)	(19)	(83)
Reversal of previously recognised provisions	-	(2)	(3)	(5)
Change in discount rate	-	(14)	-	(14)
Discount unwind	1	-	-	1
Balance as at 30 June 2021	**308**	**137**	**35**	**480**
Current	64	16	20	100
Non-current	244	121	15	380

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.

The provision for weathertightness and associated building defect claims 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. The provision is comprised of:

$Million	Multi-unit buildings	Single buildings	Total
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 provision	197	3	200
Reported provision	18	17	35
Unreported provision	56	17	73
Balance as at 30 June 2021	**271**	**37**	**308**

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. There is a high degree of uncertainty with estimates for active claims.

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 460 dwellings currently reported (357 multi-unit and 103 single-unit) with an assumption that 10% 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 397 dwellings (356 multi-unit and 41 single-unit) will notify in the future, 10% of multi-unit and 30% of the single-unit 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 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 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)

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	**Total**
140	24	33	13	6	7	8	7	6	6	5	5	4	**264**

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

	2022		**2021**	
	10%	**-10%**	**10%**	**-10%**
$Million	**Effect on surplus or deficit**		**Effect on surplus or deficit**	
Amount claimed	(26)	26	(32)	32
Council contribution to settlement	(26)	26	(32)	32
Settlement level award	(26)	26	(32)	32
Discontinuance rate	12	(10)	5	(3)

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 F5).

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 at the yearly risk-free discount rates from year one to year 30 provided by New Zealand Treasury.

Legal claims

Included within other provisions is a provision for legal claims of $29 million (2021: $9 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. 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 F5 if they meet the criteria for disclosure.

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.

D6 Ratepayer equity (continued)

$Million	**Group**		**Auckland Council**	
	2022	**2021**	**2022**	**2021**
Contributed equity*	**26,693**	**26,693**	**26,539**	**26,539**
Accumulated funds*	**5,812**	**4,088**	**492**	**(610)**
Reserves				
Asset revaluation reserves*				
Opening balance	13,117	10,164	5,226	3,546
Transferred from/(to) accumulated funds	(87)	(59)	(49)	(52)
Change in fair value recognised during the year	7,920	3,012	3,108	1,732
Closing balance	20,950	13,117	8,285	5,226
Restricted equity				
Opening balance	376	269	374	266
Transfer in/(out) during the year	87	107	85	108
Closing balance	463	376	459	374
Financial investments - Fair value through other comprehensive revenue and expense reserve				
Opening balance	369	194	333	154
Gain/(loss) on equity instruments designated at fair value through other comprehensive revenue	(22)	175	(19)	179
Closing balance	347	369	314	333
Cash flow hedge reserve				
Opening balance	5	-	-	-
Change in fair value recognised during the year	4	5	-	-
Closing balance	9	5	-	-
Total reserves	**21,769**	**13,867**	**9,058**	**5,933**
Total ratepayer equity	**54,274**	**44,648**	**36,089**	**31,862**

*The comparative balances have been restated to reflect a change in accounting policy and correction of prior year error. Refer to the Basis of reporting section.

Capital management

For the purpose of the group and the council's 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 2022.

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.

An additional objective of capital management is to ensure that the expenditure identified in the 10-year budget and annual budget are met 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. The impacts of COVID-19 disruption on our revenue streams caused us to revisit our policy for funding depreciation. The revenue settings required to achieve 100 per cent funding of depreciation by 2025 would have had an unacceptable impact on the community, and consequently, we amended the policy to take three additional years before we move to fully funding depreciation (i.e., 2028).

No other changes were made in the objectives, policies or processes for managing capital of the group and the council during the years ended 30 June 2022 and 30 June 2021.

D6 Ratepayer equity (continued)

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 planning and development	45	26	(10)	61	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 community services	18	30	(28)	20	Protection of the natural environment
Rodney Local Board Transport Targeted Rate	Roads and footpaths and public transport and travel demand management	7	5	(8)	4	Improvement in transport services in the Rodney area
Targeted Rates Open Spaces/Volcanic Cones	Regional community services	3	-	-	3	Purchase of open spaces, and maintenance and enhancement of volcanic cones
Water Quality Targeted Rate	Stormwater	9	45	(21)	33	Create cleaner beaches, streams and harbours
Targeted rate Electricity network resilience	Regional community services	-	11	(8)	3	Funding tree management programme around the Vector overhead electricity supply network
Total targeted rates		**81**	**117**	**(75)**	**123**	

D6 Ratepayer equity (continued)

$Million	Activity	Opening balance	Transfers to reserve	Transfers from reserve	Closing balance	Purpose
Reserves						
Community Recreation and Sport Fund	Local community services	3	-	-	3	Sports and recreational initiatives
Greenmount Park Development Reserve - ARC	Local community services	4	-	-	4	Conversion of land into a public park and recreation ground
Greenmount Park Development Reserve - AC	Local community services	9	1	-	10	Development of Styak-Lushington Park
Harbourview / Orangihina UAC Reserve	Local community services	1	-	-	1	Development of Harbourview-Orangihina Park
Hobsonville Domain Compensation Reserve	Local community services	2	-	-	2	Hobsonville Domain Replacement project
New Windsor Rd Reserve (Whau Local Board)	Local planning and development	1	-	-	1	Re-investment in local area
North Shore Holdings Reserve Fund	Regional community services and local planning and development	3	-	-	3	Projects approved by Auckland Transition Agency and the legacy North Shore City Council
Off-street Parking Funds	Parking and enforcement	4	-	-	4	Off-street parking initiatives
Papakura Golf Course Reserve	Regional community services	2	-	-	2	Development of Papakura Golf course
Regional Fuel Tax Reserve	Roads and footpaths	255	138	(106)	287	Funding specified transport projects
Waste Minimisation Reserve	Waste and environmental services	8	1	(1)	8	Supporting the implementation of waste minimisation initiatives
Civic space and Victoria Street Linear Park project	Local community services	-	10	-	10	Development of a civic space and Victoria Street Linear Park
Total reserves		**292**	**150**	**(107)**	**335**	
Auckland Council total restricted equity		**374**	**267**	**(182)**	**459**	
Trusts and bequests						
Trusts related to art activities	Regional community services	-	1	-	1	Purchase of works of art for the Auckland Art Gallery
Reserves						
Zoo Conservation Fund	Regional facilities	2	3	(2)	3	Support of conservation efforts in the wild
Group total restricted equity		**376**	**271**	**(184)**	**463**	

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 council'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 council'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.

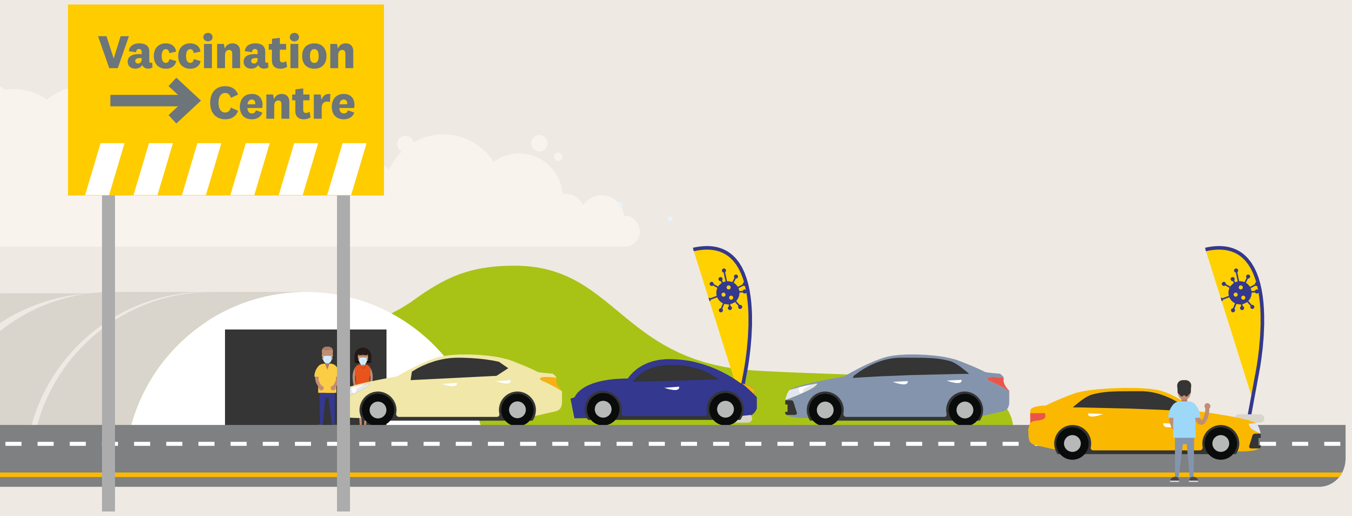
Any changes to the TMP require the approval of the Governing Body or the Financial Performance and Risk committee. More detailed treasury policies are contained in the Treasury Operating Manual which must be consistent with the TMP and is approved by the Treasury Management Steering Group.

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 council manages these risks for all group entities, except for Ports of Auckland Limited which manages its own risks in accordance with its policies.

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**



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 equals 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	2022				2021			
	-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	(2)	-	2	-	(3)	-	3	-
Derivative financial instruments[1]	(335)	-	306	-	(541)	(2)	490	2
Fixed rate borrowings (repricing within next 12 months)	2	-	(2)	-	2	-	(2)	-
Floating rate borrowings	40	-	(40)	-	37	-	(37)	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(296)**	**-**	**267**	**-**	**(506)**	**(2)**	**455**	**2**

[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	2022				2021			
	-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	(2)	-	2	-	(3)	-	3	-
Derivative financial instruments[1]	(334)	-	306	-	(540)	-	489	-
Fixed rate borrowings (repricing within next 12 months)	2	-	(2)	-	2	-	(2)	-
Floating rate borrowings	38	-	(38)	-	40	-	(40)	-
Loans to related parties	(26)	-	26	-	(24)	-	24	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(323)**	**-**	**295**	**-**	**(526)**	**-**	**475**	**-**

[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 2022, the council has loans to Watercare of $2,593 million (2021: $2,386 million) and to Auckland Transport of $476 million (2021: $483 million).

Other exposures

provided to third parties. At 30 June 2022, total financial guarantees for the group and the council are $12.1 billion (2021: $10.0 billion). Refer to Note F5 for further information.

In addition to the above credit exposures, the group and the council are exposed to financial guarantees.

Rated counterparties

At balance date, $0.9 billion (2021: $0.9 billion) of assets with credit risk held by the group and $0.8 billion (2021: $0.8 billion) of assets with credit risk held by the council have a S&P Global Ratings rating (or equivalent) of single A or better.

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

E2 Credit risk (continued)

Unrated counterparties

With the exception of certain community loans, the council cannot invest with unrated counterparties. In the year to 30 June 2022 the group and the council have no community loan counterparties that defaulted (2021: $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 2022. 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 2022 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 2022 and the results are disclosed in Note F5.

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 $5,297 million at 30 June 2022 (30 June 2021: $4,652 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	Total
2022	12%	12%	69%	7%	100%
2021	17%	12%	62%	9%	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 2022, the group and the council do not have remaining material exposure to foreign exchange risk since all foreign currency denominated borrowings and material purchases are hedged (2021: 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;
- 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);
- maintaining an AA/Aa2 credit rating;
- complying with borrowing covenants imposed by the LGFA; 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 have undrawn standby facilities of $1.3 billion (2021: $1.3 billion) that can be drawn at any time and overdraft facilities of $22 million (2021: $16 million). The undrawn bank facilities will mature between June 2023 and December 2025. This includes the council's syndicated committed cash advance facilities of $800 million (2021: $800 million), LGFA standby facility of $300 million (2021: $300 million) and a bank revolving credit facility that fluctuates between $100 million and $200 million (2021: $100 million-$200 million).

At 30 June 2022, the council had converted the $800 million of its committed bank facilities, mentioned above, into sustainability linked facilities. The facilities incentivise the council to meet sustainability performance targets, as lower line fees apply if the council reaches those targets.

The tables on the following pages summarise the group and the council's maturity profile of financial liabilities and financial assets, which are 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.

E4 *Liquidity risk (continued)*

Group

$Million	**Carrying amount**	**On demand**	**<1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total contractual cash flows**
	2022							
Non-derivative financial assets								
Cash and cash equivalents	229	91	138	-	-	-	-	229
Receivables (excluding GST receivables and prepayments)	550	40	495	14	-	-	-	549
Other financial assets	142	1	65	8	30	47	15	166
Total non-derivative financial assets	**921**	**132**	**698**	**22**	**30**	**47**	**15**	**944**
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	**1,449**	**132**	**695**	**127**	**240**	**201**	**36**	**1,431**
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)**	**(1,806)**	**(1,386)**	**(5,082)**	**(4,644)**	**(1,272)**	**(26,140)**

[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 F5. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

E4 *Liquidity risk (continued)*

Group

$Million	**Carrying amount**	**On demand**	**<1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total contractual cash flows**
	2021							
Non-derivative financial assets								
Cash and cash equivalents	300	61	239	-	-	-	-	300
Receivables (excluding GST receivables and prepayments)	549	31	463	51	4	-	-	549
Other financial assets	165	2	41	16	61	40	15	175
Total non-derivative financial assets	**1,014**	**94**	**743**	**67**	**65**	**40**	**15**	**1,024**
Derivative financial assets								
Derivative financial assets net settled	81	-	17	13	31	21	11	93
Derivative financial assets gross settled[1]	347							
Inflows		-	48	48	1,881	1,171	334	3,482
Outflows		-	(49)	(65)	(1,852)	(1,097)	(336)	(3,399)
		-	**(1)**	**(17)**	**29**	**74**	**(2)**	**83**
Total derivative financial assets	**428**	**-**	**16**	**(4)**	**60**	**95**	**9**	**176**
Total financial assets	**1,442**	**94**	**759**	**63**	**125**	**135**	**24**	**1,200**
Non-derivative financial liabilities								
Bank overdraft	6	6	-	-	-	-	-	6
Payables and accruals (excluding income received in advance)	860	61	784	15	-	-	-	860
Secured borrowings[2]	10,211	-	1,587	875	3,690	4,012	1,434	11,598
Unsecured borrowings	476	-	39	126	211	146	62	584
Financial guarantees[3]	1	10,009	-	-	-	-	-	10,009
Total non-derivative financial liabilities	**11,554**	**10,076**	**2,410**	**1,016**	**3,901**	**4,158**	**1,496**	**23,057**
Derivative financial liabilities								
Derivative financial liabilities net settled	1,563	-	275	250	588	507	50	1,670
Derivative financial liabilities gross settled[1]	152							
Inflows		-	(257)	(14)	(42)	(1,132)	(170)	(1,615)
Outflows		-	298	29	116	1,326	174	1,943
		-	**41**	**15**	**74**	**194**	**4**	**328**
Total derivative financial liabilities	**1,715**	**-**	**316**	**265**	**662**	**701**	**54**	**1,998**
Total financial liabilities	**13,269**	**10,076**	**2,726**	**1,281**	**4,563**	**4,859**	**1,550**	**25,055**
Net contractual cash flows		**(9,982)**	**(1,967)**	**(1,218)**	**(4,438)**	**(4,724)**	**(1,526)**	**(23,855)**

[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 F5. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

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 and prepayments)	300	-	285	14	-	-	-	299
Other financial assets	3,196	-	94	2,881	138	228	613	3,954
Total non-derivative financial assets	**3,662**	**36**	**510**	**2,895**	**138**	**228**	**613**	**4,420**
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
Outflow		-	(91)	(371)	(1,395)	-	-	(1,857)
		-	**(43)**	**30**	**68**	**-**	**-**	**55**
Total derivative financial assets	**528**	**-**	**(2)**	**107**	**223**	**154**	**21**	**503**
Total financial assets	**4,190**	**36**	**508**	**3,002**	**361**	**382**	**634**	**4,923**
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)**	**(2,012)**	**1,634**	**(4,819)**	**(4,349)**	**(618)**	**(22,207)**

[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 F5. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

E4 Liquidity risk (continued)

Auckland Council

$Million (2021)	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	257	22	236	-	-	-	-	258
Receivables (excluding GST receivables and prepayments)	224	-	206	18	-	-	-	224
Other financial assets	3,018	-	72	2,367	170	223	649	3,481
Total non-derivative financial assets	**3,499**	**22**	**514**	**2,385**	**170**	**223**	**649**	**3,963**
Derivative financial assets								
Derivative financial assets net settled	81	-	17	13	31	21	11	93
Derivative financial assets gross settled[1]	347							
Inflows		-	53	48	1,881	1,171	334	3,487
Outflow		-	(53)	(65)	(1,852)	(1,097)	(336)	(3,403)
		-	**-**	**(17)**	**29**	**74**	**(2)**	**84**
Total derivative financial assets	**428**	**-**	**17**	**(4)**	**60**	**95**	**9**	**177**
Total financial assets	**3,927**	**22**	**531**	**2,381**	**230**	**318**	**658**	**4,140**
Non-derivative financial liabilities								
Payables and accruals (excluding income received in advance)	892	-	889	3	-	-	-	892
Secured borrowings[2]	10,206	-	1,586	874	3,687	4,012	1,434	11,593
Financial guarantees[3]	1	10,009	-	-	-	-	-	10,009
Total non-derivative financial liabilities	**11,099**	**10,009**	**2,475**	**877**	**3,687**	**4,012**	**1,434**	**22,494**
Derivative financial liabilities								
Derivative financial liabilities net settled	1,559	-	273	249	587	507	50	1,666
Derivative financial liabilities gross settled[1]	151							
Inflows		-	(252)	(14)	(42)	(1,132)	(170)	(1,610)
Outflows		-	293	29	116	1,326	174	1,938
		-	**41**	**15**	**74**	**194**	**4**	**328**
Total derivative financial liabilities	**1,710**	**-**	**314**	**264**	**661**	**701**	**54**	**1,994**
Total financial liabilities	**12,809**	**10,009**	**2,789**	**1,141**	**4,348**	**4,713**	**1,488**	**24,488**
Net contractual cash flows		**(9,987)**	**(2,258)**	**1,240**	**(4,118)**	**(4,395)**	**(830)**	**(20,348)**

[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 F5. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

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 Sale of Amenities and Infrastructure Maintenance Services (AIM Services)**
- **F5 Contingencies, commitments and subsequent events**
- **F6 Related party transactions**
- **F7 Note to statement of cash flows**
- **F8 Regional fuel tax**

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. They 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.

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

$Million	Group		Auckland Council	
	2022	2021	2022	2021
Land and buildings	86	7	86	5
Non-current assets held for sale	**86**	**7**	**86**	**5**

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 2022, there are 61 assets held for disposal with carrying values that were individually immaterial. These assets are expected to be disposed within the next 12 months.

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	(2,075)	(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)**
Opening balance*	(1,789)	(18)	8	271	(1,528)
Charged to surplus/(deficit)*	(24)	(14)	-	(5)	(43)
Charged to other comprehensive revenue	(262)	-	(1)	-	(263)
Balance at 30 June 2021	**(2,075)**	**(32)**	**7**	**266**	**(1,834)**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

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	
	2022	2021	2022	2021
Deferred tax assets	22	10	-	-
Deferred tax liabilities*	(2,193)	(1,844)	-	-
Net deferred tax liabilities	**(2,171)**	**(1,834)**	**-**	**-**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

F3 Investment in other entities

$Million	Group		Auckland Council	
	2022	2021	2022	2021
Investment in subsidiaries	-	-	19,957	19,693
Investment in joint ventures	1,160	926	1,158	926
Total Investment in other entities	**1,160**	**926**	**21,115**	**20,619**

Investment in subsidiaries

These investments are carried at cost less any accumulated impairment. Refer to Basis of reporting for investment in 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. These include:

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

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

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 of its joint arrangements structured through separate vehicles give it rights to the net assets and has therefore classified them as joint ventures.

F3 Investment in other entities (continued)

Explanation of significant variances against budget

2022 $Million	Group		Auckland Council	
	Actual	Budget	Actual	Budget
Investments in other entities	1,160	1,437	21,115	21,114

Group

Investment in other entities was $277 million below budget mainly due to CRLL's transfer of certain assets to its sponsors.

The group and the council hold investments in the following joint ventures and associates as at 30 June 2022:

Entity	Held by	Entity type	Relationship	Interest 2022	Interest 2021	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%	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 Mt. Eden. The council is committed to funding 50% of this $4.4 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. CRLL's key financial information is as follows:

F3 Investment in other entities (continued)

$Million	2022	2021
Current assets:		
Cash and cash equivalents	38	18
Other current assets	20	18
	58	36
Non-current assets	2,282	1,846
Current liabilities	73	74
Equity	2,267	1,808
Net assets of joint venture (100%)	2,267	1,808
Group's share of net assets (50%)	1,134	904
Carrying amount of interest in joint venture	**1,134**	**904**
Revenue	1	3
Expenses:		
Depreciation and amortisation expenses	-	6
Other expenses	397	75
	397	81
Deficit for the year	(396)	(78)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(396)	(78)
Group's share of results for the year	**(198)**	**(39)**

The council's remaining share of commitment to fund the CRL project is $961 million (2021: $1,389 million). During the year CRL received additional claims from Link Alliance for COVID-19 costs and this may require additional funding from the council. For further details, refer to contingent liabilities of associates and joint ventures note below.

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	2022	2021
Current assets	28	21
Non-current assets	202	186
Current liabilities	26	19
Non-current liabilities	19	21
Equity	185	168
Total revenue	67	57
Total expense	44	35
Surplus after income tax	23	22
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	23	22
Group's share of results for the year	**12**	**11**

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 2022, the council's remaining funding commitment for Haumaru was $14 million.

F3 Investment in other entities (continued)

Contingent liabilities of associates and joint ventures

CRLL has received additional claims from the Link Alliance for COVID-19 costs. These claims cover the period 20 June 2020 to 30 June 2022 and are currently being reviewed by an independent estimator appointed by the Link Alliance participants. The claims are material and complex, and until CRLL and the other Link Alliance participants have received and considered the work of the independent estimator, it is not possible to provide a reliable estimate or robust guidance on the likely outcome of such claims or the quantum of any settlement.

CRLL anticipates settlement of the claims will occur in the following financial year 2022/2023. CRLL has indicated they will seek funding for the settlement of any claims from its sponsors.

Except as disclosed above, the group's and council's associates and joint ventures did not have any other significant contingent liabilities at 30 June 2022 (2021: $nil).

F4 Sale of Amenities and Infrastructure Maintenance Services (AIM Services)

AIM Services was a division of the council. It provided services to the council and other organisations from Manukau, through central Auckland, to west Auckland with teams also on Waiheke and Great Barrier Islands. Services provided included arboriculture, cleaning, landscaping, stormwater maintenance, litter control and maintenance.

On 4 April 2022, the assets and contracts of AIM Services were sold to Programmed Facility Management NZ Limited (Programmed). The council recognised a net gain on sale of the division of $9 million which was included in net other gains and losses. As AIM Services did not constitute a major line of business for the group, it has not been classified as a discontinued operation.

F5 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		Auckland Council	
	2022	2021	2022	2021
Guarantees and indemnities	12,079	10,009	12,079	10,009
Uncalled capital	2	2	2	2
Legal proceedings and disputes	101	45	101	45
Total quantifiable contingent liabilities	**12,182**	**10,056**	**12,182**	**10,056**

F5 Contingencies, commitments and subsequent events (continued)

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 68 local authority guarantors of the LGFA. The LGFA's loans to local authorities total $15.8 billion (2021: $13.6 billion), of which the group and the council have borrowed $3.7 billion (2021: $3.6 billion). As a result, the group and the council's cross-guarantee on LGFA's loans to other local authorities is $12.0 billion (2021: $10.0 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 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 (2021: $2 million). When aggregated with the uncalled capital of other shareholders, $20 million is available in the event that an imminent default is identified.

Unquantifiable contingent liabilities

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.
- Where it is assessed that 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. It 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.
- A provision is provided on legal claims that meet the recognition criteria as disclosed in Note D5.

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.

F5 Contingencies, commitments and subsequent events (continued)

Judicial Review challenging Waka Kotahi New Zealand Transport Agency's (Waka Kotahi) approval of the 2021-24 National Land Transport Programme (NLTP)

The plaintiff, Movement, has lodged a Statement of Claim for a Judicial Review challenging Waka Kotahi's approval of the 2021-2024 NLTP for failure to give effect to Government Policy Statement on land transport. The hearing will take place on 3-5 October 2022 in the Wellington High Court. Movement is seeking to have the NLTP quashed, and a direction issued for Waka Kotahi to reconsider the NLTP.

If the challenge is successful, there may be an impact on the approval of new funding applications and payments for already approved projects and programmes. Although considered unlikely, Auckland Transport may need to re-prioritise activities based on available funding until a new NLTP is developed, or alternative sources of funding are made available.

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. Auckland 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 2022, the group and the council are 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 of clubs that might vacate their facility, and consequently the amount of asset that might vest with the council.

COMMITMENTS

Capital commitments

Capital commitments relate to obligations which the group and the council have committed to. This specifically relates 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		Auckland Council	
	2022	2021	2022	2021
Property, plant and equipment				
Roads and formation	538	346	-	-
Water and wastewater	953	942	-	-
Stormwater	109	62	112	76
Operational land and buildings	145	194	63	82
Rolling stock	239	6	-	-
Marinas	3	-	3	-
Wharves	43	8	2	5
Other operational assets	51	36	21	12
Restricted parks, reserves and buildings	6	2	6	2
Restricted improvements	84	44	84	44
Total property, plant and equipment	**2,171**	**1,640**	**291**	**221**
Intangible assets	35	27	6	4
Share of capital commitments from joint venture (CRLL)	461	827	461	827
Total capital commitments	**2,667**	**2,494**	**758**	**1,052**

F5 Contingencies, commitments and subsequent events (continued)

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 (2021: 1 month to 71 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 future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

$Million	Group		Auckland Council	
	2022	2021	2022	2021
Minimum operating lease payments payable				
Not later than one year	137	133	12	13
Later than one year and not later than five years	401	440	31	23
Later than five years	215	268	16	10
Total minimum operating lease payments payable	**753**	**841**	**59**	**46**

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 (2021: nil). The total future sublease payments expected to be received under non-cancellable subleases at balance date is $4.9 million for the group and the council (2021: $1 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 (2021: 1 month to 99 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	
	2022	2021	2022	2021
Minimum operating lease payments receivable				
Not later than one year	55	64	23	23
Later than one year and not later than five years	120	195	49	74
Later than five years	168	220	133	142
Total minimum operating lease payments receivable	**343**	**479**	**205**	**239**

Contingent rent of $0.6 million (2021: $0.4 million) was recognised during the year by the group and the council.

F5 Contingencies, commitments and subsequent events (continued)

In the prior year the International Public Sector Accounting Standards Board (IPSASB) issued ED 75, and in the current year it issued IPSAS 43 to replace IPSAS 13 Leases. If the standard was issued by the NZ Accounting Standards Board in its current form, it would bring about a significant change in lessee accounting for the PBE sector in New Zealand. In response to the exposure draft and IPSAS 43, the group initiated a project to implement the requirements of the new lease accounting standards. The project will review the accounting treatment of leases and arrangements similar to leases which are not explicitly covered by the current accounting standard. The review to date has identified the following arrangements:

Concessionary leases

The council leases property to community groups at below-market terms as part of delivery of community services to the Auckland region. These leases generally have terms ranging from 1 month to 179 years.

Community leases without a lease arrangement in place

The council has several historical arrangements with community and recreational service providers that do not have formal lease agreements in place. The council records income from these leases at the consideration received. During the year, there were six arrangements without lease contracts in place (2021: six arrangements).

Access rights

The Local Government Act 2002 has provisions that allow the council to enter private land and inspect, alter, renew, repair or clean its water infrastructure. Such easements over private land have no consideration attached and are not recognised as assets.

The group awaits adoption of an equivalent standard and local interpretations by the NZ Accounting Standards Board to finalise its reviews.

Due to complexity of the requirements within the international standard, and the high number of leases within the group, the group is unable at this time to determine the likely financial impact of adopting an equivalent to the international standard.

Finance lease commitments

The group and the council as lessee

The group and the council have 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 is $35 million for the group (2021: $35 million) and $32 million for the council (2021: $30 million). At 30 June 2022, the present value of minimum lease payments related to finance lease agreements is $4 million for the group (2021: $5 million).

SUBSEQUENT EVENT

The group acknowledges the passing of Mr Julian Robertson in late August 2022. Mr Robertson was a significant supporter of the Auckland Art Gallery (the Gallery) and on 24 March 2009 signed an agreement to contribute works of art to the Gallery in which a selection of works of art from the Robertson collection were to be donated to the Gallery on the event of Mr Robertson's death. While Mr Roberson's donation is substantial, the works of art have not been received by the Gallery and the current value is yet to be determined.

F6 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.

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			
	2022 $	2021 $	2022 FTE	2021 FTE
Mayor and councillors				
Remuneration	2,962,189	2,785,081		
Total mayor and councillors	**2,962,189**	**2,785,081**	**21**	**21**
Payments during the year to the chief executive				
Salary and other short-term employee benefits	624,577	580,628		
Post-employment benefit (KiwiSaver contributions)	18,208	17,419		
Total chief executive remuneration	**642,785**	**598,047**	**1**	**1**
Executive leadership team				
Salary and other short-term employee benefits	3,214,386	3,211,006		
Post-employment benefit (KiwiSaver contributions)	106,062	93,708		
Total executive leadership team remuneration	**3,320,448**	**3,304,714**	**8**	**8**
Total key management personnel remuneration	**6,925,422**	**6,687,842**	**30**	**30**

Employee numbers and remuneration bands

Full-time equivalent	Group		Auckland Council	
	2022	2021	2022	2021
Full-time employees	10,082	9,726	5,413	5,384
Part time employees (full-time equivalent)	1,099	1,203	840	878
Total full-time equivalent	**11,181**	**10,929**	**6,253**	**6,262**

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 less than six employees in a band, they are combined upwards with the next banding as stipulated in the LGA 2002.

During the prior year, one of the measures taken by the group and the council to mitigate the negative financial impact of the COVID-19 pandemic was a voluntary salary reduction of executive leadership team members, CCO board chairs and directors, and senior employees. These temporary salary reductions have affected the categorisation of employees into remuneration bands, as the number of employees in each remuneration band is identified as a snapshot at 30 June. Although not required by the LGA 2002, we have also shown employees in remuneration bands excluding the voluntary salary reductions which indicates what they would have received were if not for the voluntary salary reductions. This will help provide comparability between financial years.

Further to the above, the prior year groupings of upper salary bands have been updated to comply with clause 32A(3) of schedule 10 of LGA 2002.

F6 Related party transactions (continued)

Group Number of employees	2022	Number of employees	Including voluntary salary reductions 2021	Number of employees	Excluding voluntary salary reductions 2021
<$60,000	3,915	<$60,000	4,265	<$60,000	4,242
$60,000-$79,999	2,521	$60,000-$79,999	2,572	$60,000-$79,999	2,545
$80,000-$99,999	2,330	$80,000-$99,999	2,334	$80,000-$99,999	2,317
$100,000-$119,999	1,538	$100,000-$119,999	1,443	$100,000-$119,999	1,392
$120,000-$139,999	1,066	$120,000-$139,999	824	$120,000-$139,999	851
$140,000-$159,999	501	$140,000-$159,999	382	$140,000-$159,999	442
$160,000-$179,999	246	$160,000-$179,999	202	$160,000-$179,999	208
$180,000-$199,999	134	$180,000-$199,999	106	$180,000-$199,999	109
$200,000-$219,999	85	$200,000-$219,999	55	$200,000-$219,999	64
$220,000-$239,999	43	$220,000-$239,999	31	$220,000-$239,999	35
$240,000-$259,999	38	$240,000-$259,999	34	$240,000-$259,999	37
$260,000-$279,999	15	$260,000-$279,999	19	$260,000-$279,999	18
$280,000-$299,999	20	$280,000-$299,999	13	$280,000-$299,999	13
$300,000-$319,999	12	$300,000-$319,999	9	$300,000-$319,999	12
$320,000-$339,999	9	$320,000-$339,999	9	$320,000-$339,999	9
$340,000-$359,999	6	$340,000-$359,999	11	$340,000-$359,999	9
$360,000-$399,999	10	$360,000-$379,999	6	$360,000-$379,999	8
$400,000-$439,999	7	$380,000-$499,999	7	$380,000-$439,999	8
$440,000-$519,999	8			$440,000-$599,999	6
$520,000-$659,999	4	$500,000-$1,139,999	6	$600,000-$1,139,999	3
Total number of employees	**12,508**		**12,328**		**12,328**

Auckland Council Number of employees	2022	Number of employees	Including voluntary salary reductions 2021	Number of employees	Excluding voluntary salary reductions 2021
<$60,000	2,282	<$60,000	2,634	<$60,000	2,634
$60,000 $79,999	1,477	$60,000 $79,999	1,457	$60,000 $79,999	1,457
$80,000 $99,999	1,437	$80,000 $99,999	1,397	$80,000 $99,999	1,395
$100,000 $119,999	817	$100,000 $119,999	747	$100,000 $119,999	732
$120,000 $139,999	520	$120,000 $139,999	415	$120,000 $139,999	423
$140,000 $159,999	227	$140,000 $159,999	175	$140,000 $159,999	177
$160,000 $179,999	115	$160,000 $179,999	106	$160,000 $179,999	109
$180,000 $199,999	60	$180,000 $199,999	54	$180,000 $199,999	50
$200,000 $219,999	37	$200,000 $219,999	23	$200,000 $219,999	29
$220,000 $239,999	12	$220,000 $239,999	9	$220,000 $239,999	9
$240,000 $259,999	17	$240,000 $259,999	14	$240,000 $259,999	14
$260,000 $299,999	14	$260,000-$279,999	9	$260,000-$279,999	8
$300,000-$339,999	7	$280,000-$319,999	8	$280,000-$299,999	6
$340,000-$439,999	7	$320,000-$379,999	6	$300,000-$339,999	7
				$340,000-$439,999	7
$440,000-$659,999	4	$380,000-$619,999	5	$440,000-$619,999	2
Total number of employees	**7,033**		**7,059**		**7,059**

F6 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 2022, Auckland Council made 23 severance payments to employees totalling $660,749 (30 June 2021: 27 payments totalling $559,360).

The values of each of these severance payments were $159,655, $74,719, $40,570, $35,598, $32,103, $28,220, $26,698, $25,481, $24,967, $23,297, $22,543, $19,509, $18,800, $18,800, $16,842, $16,810, $15,932, $15,858, $15,846, $14,924, $9,265, $2,352, and $1,960.

For the year ended 30 June 2022, other members of the group made 22 severance payments to employees totalling $795,060 (30 June 2021: 30 payments totalling $755,786).

The values of each of these severance payments were $145,000, $86,826, $86,741, $86,598, $77,970, $52,022, $52,000, $37,500, $25,000, $20,608, $18,820, $16,538, $16,400, $12,000, $11,518, $10,000, $10,000, $10,000, $8,518, $5,000, $5,000, and $1,001.

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 (2021/22) (Local Authorities) Determination 2021 detailed the rates which apply from 1 July 2021 to 30 June 2022.

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

$	Auckland Council 2022	2021
Mayor		
Hon Phil Goff, CNZM, JP	307,385	281,314
Councillors		
Josephine Bartley	130,309	122,370
Dr Cathy Casey	130,309	123,362
Bill Cashmore	171,951	161,474
Fa'anānā Efeso Collins	127,985	120,679
Pippa Coom	130,309	122,370
Linda Cooper, JP	144,255	135,466
Angela Dalton	122,175	115,724
Chris Darby	144,255	136,538
Alf Filipaina	144,255	135,962
Hon Christine Fletcher, QSO	122,175	114,732
Shane Henderson	130,309	122,370
Richard Hills	144,255	137,598
Tracy Mulholland	122,175	115,292
Daniel Newman, JP	122,175	114,732
Greg Sayers	127,985	120,188
Desley Simpson, JP	144,255	137,947
Sharon Stewart, QSM	127,985	120,188
Wayne Walker	122,175	114,732
John Watson	127,985	121,676
Paul Young	117,527	110,367
Total mayor and councillor remuneration	**2,962,189**	**2,785,081**

F6 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:

$	2022	2021
Albert-Eden		
Lee Corrick	89,923	57,117
Graeme Easte	47,987	45,900
Rachel Langton	47,987	45,900
Benjamin Lee	-	31,071
Julia Maskill	47,987	45,900
Will McKenzie	47,987	2,295
Christina Robertson	47,987	45,900
Kendyl Smith	49,018	45,900
Margi Watson	62,416	89,583
Total	**441,292**	**409,566**
Devonport- Takapuna		
Aidan Bennett, QSM	44,809	79,614
Trish Deans	44,809	43,149
Ruth Jackson	89,114	48,635
Jan O'Connor, QSM	53,471	44,189
Toni van Tonder	44,809	43,149
George Wood, CNZM	44,809	50,060
Total	**321,821**	**308,796**
Henderson-Massey		
Brenda Brady, JP	62,006	50,695
Chris Carter	51,671	92,340
Peter Chan, JP	51,671	49,400
Dr Will Flavell	51,671	58,005
Matt Grey	51,671	49,400
Brooke Loader	51,671	49,400
Vanessa Neeson, JP	103,341	55,860
Ingrid Papau	51,671	49,400
Total	**475,373**	**454,500**
Howick		
Katrina Bungard	51,092	49,200
Bo Burns	51,092	49,200
David Collings	51,092	49,200
Bruce Kendall	51,092	49,200
John Spiller	61,373	59,100
Mike Turinsky	51,092	49,200
Adele White	102,265	98,477
Bob Wichman	51,092	49,200
Peter Young, JP	51,092	49,200
Total	**521,282**	**501,977**
Māngere-Ōtāhuhu		
Tauanu'u Nanai Nick Bakulich	66,426	50,757
Makalita Kolo	51,775	49,500
Anae Dr Neru Leavasa	-	19,990
Christine O'Brien	52,800	49,500
Papaliitele Lafulafu Peo	51,775	15,231
Lemauga Lydia Sosene	88,203	99,000
Togiatolu Walter Togiamua	51,775	58,143
Harry Fatu Toleafoa	51,775	49,500
Total	**414,529**	**391,621**

$	2022	2021
Aotea Great Barrier		
Luke Coles	35,960	34,200
Susan Daly	29,967	28,500
Izzy Fordham	59,934	57,000
Patrick O'Shea	29,967	28,500
Valmaine Toki	29,967	28,500
Total	**185,795**	**176,700**
Franklin		
Andrew Baker	94,203	93,276
Malcolm Bell	47,101	45,000
Alan Cole	47,101	45,000
Sharlene Druyven	47,101	45,000
Angela Fulljames	56,522	54,000
Lance Gedge	15,164	45,000
Amanda Kinzett	47,101	45,000
Matthew Murphy	47,101	45,000
Logan Soole	47,101	45,000
Total	**448,495**	**462,276**
Hibiscus and Bays		
Gary Brown	94,826	90,600
Andy Dunn	47,413	45,300
Janet Fitzgerald, JP	47,413	45,300
Gary Holmes	47,413	45,300
Julia Parfitt, JP	47,413	45,300
Alexis Poppelbaum	47,413	45,300
Victoria Short	56,898	54,400
Leanne Willis	47,413	45,300
Total	**436,202**	**416,800**
Kaipātiki		
John Gillon	93,995	89,800
Paula Gillon	46,998	44,900
Danielle Grant, JP	56,398	53,900
Ann Hartley, JP	41,251	44,900
Melanie Kenrick	46,998	44,900
Cindy Schmidt	46,998	44,900
Andrew Shaw	46,998	44,900
Adrian Tyler	46,998	44,900
Total	**426,634**	**413,100**
Manurewa		
Joseph Allan	102,718	98,200
Anne Candy	51,359	49,100
Tabetha Gorrie	51,359	49,100
Rangi McLean	51,359	42,875
Melissa Moore	61,630	58,900
Glenn Murphy	51,359	49,100
Ken Penney	51,359	49,100
Dave Pizzini	51,359	49,100
Total	**472,502**	**445,475**

F6 Related party transactions (continued)

$	2022	2021
Maungakiekie-Tāmaki		
Don Allan	49,129	47,000
Debbie Burrows	49,129	55,120
Nerissa Henry	49,129	47,000
Chris Makoare	58,950	89,128
Peter McGlashan	49,129	47,000
Maria Meredith	98,253	52,953
Tony Woodcock	49,129	47,000
Total	**402,848**	**385,201**
Ōtara-Papatoetoe		
Apulu Reece Autagavaia	102,822	54,865
Dr Ashraf Choudhary, QSO, JP	51,414	57,869
Dr Ofa Dewes	51,414	50,915
Lotu Fuli	51,414	92,635
Swanie Nelson	51,414	49,200
Ross Robertson, QSO, JP	51,414	49,200
Dawn Trenberth	61,694	50,331
Total	**421,586**	**405,015**
Puketāpapa		
Harry Doig	46,637	52,610
Julie Fairey	93,268	87,457
Ella Kumar, JP	46,637	44,600
Fiona Lai	46,637	44,600
Bobby Shen	46,637	44,600
Jon Turner	55,963	46,722
Total	**335,779**	**320,589**
Upper Harbour		
Anna Atkinson	44,769	42,839
Uzra Casuri Balouch, JP	44,769	42,839
Nicholas Mayne	44,769	42,839
Margaret Miles, QSM,JP	53,718	84,606
Brian Neeson, JP	44,769	42,839
Lisa Whyte	89,530	58,229
Total	**322,324**	**314,191**
Waitākere Ranges		
Mark Allen	45,336	43,300
Michelle Clayton	45,336	43,300
Sandra Coney, QSO	45,336	43,300
Greg Presland	54,405	82,342
Saffron Toms	90,672	56,258
Ken Turner	45,336	43,300
Total	**326,421**	**311,800**
Whau		
Fasitua Amosa	57,145	46,655
Catherine Farmer	47,250	45,500
Ulalemamae Te'eva Matafai	47,621	45,500
Warren Piper	47,621	45,500
Jessica Rose	47,621	45,500
Kay Thomas	95,241	91,000
Susan Zhu	47,621	52,745
Total	**390,120**	**372,400**

$	2022	2021
Orākei		
Troy Churton	46,167	44,100
Colin Davis, JP	46,167	44,100
Troy Elliott	55,399	45,115
Scott Milne, JP	92,334	88,200
Sarah Powrie	46,167	51,885
Margaret Voyce	46,167	44,100
David Wong, JP	46,167	44,100
Total	**378,568**	**361,600**
Papakura		
Felicity Auva'a	48,036	45,900
Brent Catchpole	96,072	91,800
Hon George Hawkins, QSO	48,036	45,900
Keven Mealamu	48,036	45,900
Jan Robinson	57,644	55,100
Sue Smurthwaite	48,036	45,900
Total	**345,860**	**330,500**
Rodney		
Brent Bailey	45,544	43,500
Steve Garmer	45,544	43,500
Danielle Hancock	45,544	43,500
Tim Holdgate	45,544	43,500
Beth Houlbrooke	54,653	52,200
Louise Johnston	45,544	43,500
Vicki Kenny	45,544	43,500
Phelan Pirrie	91,088	87,000
Colin Smith	45,544	43,500
Total	**464,549**	**443,700**
Waiheke		
Cath Handley	72,084	68,700
Kylee Matthews	43,249	35,394
Robin Tucker	36,044	34,400
Bob Upchurch	36,044	40,206
Paul Walden	36,044	34,400
		35,930
Total	**223,465**	**213,100**
Waitematā		
Alexandra Bonham	60,636	49,531
Adriana Avendario Christie	36,113	48,300
Graeme Gunthorp	50,528	48,300
Kerrin Leoni	50,528	56,769
Richard Northey, ONZM	101,057	96,600
Julie Sandilands	50,528	48,300
Sarah Trotman, ONZM	15,894	48,300
Glenda Fryer	30,406	-
Genevieve Sage	5,387	-
Total	**401,077**	**396,100**

The total local board remuneration as at 30 June 2022 is $8,156,522 (2021: $7,835,007).

F7 Note to statement of cash flows

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

$Million	Group 2022	Group 2021	Auckland Council 2022	Auckland Council 2021
Surplus/(deficit) after income tax*	**1,724**	**1,837**	**1,138**	**1,047**
Add/(less) non-cash items				
Depreciation and amortisation*	1,073	1,006	306	291
Vested assets	(582)	(376)	(297)	(132)
Net change in fair value of financial instruments	(1,074)	(883)	(1,006)	(888)
Net increase in fair value of investment property	(56)	(108)	(42)	(73)
Change in discount rates for long-term provisions	(37)	(14)	(31)	(14)
Impairment of property, plant and equipment, receivables and other assets	116	31	14	9
Net loss/(gain) on disposal of property, plant and equipment and intangible assets	64	(11)	11	2
Net gain on disposal of other assets	(9)	-	(9)	-
Share of surplus in associates and jointly-controlled entities (net of dividends received)	190	30	196	34
Amortisation of borrowing costs	(1)	-	(1)	-
Other non-cash revenue	-	(11)	-	(10)
Add/(less) items classified as investing or financing activities*	**-**	**-**	**14**	**(8)**
Add/(less) movements in working capital items*	**51**	**204**	**14**	**304**
Net cash inflow from operating activities	**1,459**	**1,705**	**307**	**562**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

Reconciliation of liabilities arising from financing activities

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)**

F7 Note to statement of cash flows (continued)

Group 2021 $Million	Cash movements	Non-cash movement	Total
Borrowings			
Opening balance			10,214
Proceeds from borrowings	2,502	-	2,502
Repayment of borrowings	(1,929)	-	(1,929)
Net foreign exchange gains recognised in surplus/(deficit) on financial instruments held at amortised cost	-	(100)	(100)
Balance as at 30 June 2021	**573**	**(100)**	**10,687**
Derivatives			
Opening balance			2,073
Net losses on change in fair value of derivative financial instruments	-	(780)	(780)
Movements in cash flow hedge reserve	-	(6)	(6)
Other	18	(18)	-
Balance as at 30 June 2021	**18**	**(804)**	**1,287**
Credit Support Annex			
Opening balance			(53)
Collateral receipts	58	-	58
Collateral payments	(44)	-	(44)
Balance as at 30 June 2021	**14**	**-**	**(39)**

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 Note to statement of cash flows (continued)

Auckland Council 2021 $Million	Cash movements	Non-cash movement	Total
Borrowings			
Opening balance			9,722
Proceeds from borrowings	2,010	-	2,010
Repayment of borrowings	(1,426)	-	(1,426)
Net foreign exchange gains recognised in surplus/(deficit) on financial instruments held at amortised cost	-	(100)	(100)
Balance as at 30 June 2021	**584**	**(100)**	**10,206**
Derivatives			
Opening balance			2,059
Net losses on change in fair value of derivative financial instruments	-	(777)	(777)
Other	19	(19)	-
Balance as at 30 June 2021	**19**	**(796)**	**1,282**
Credit Support Annex			
Opening balance			(53)
Collateral receipts	58	-	58
Collateral payments	(44)	-	(44)
Balance as at 30 June 2021	**14**	**-**	**(39)**

F8 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.

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 $140 million of RFT revenue to the group during the year under the RFT scheme (2021: $149 million). The revenue was applied towards capital and operating expenditure on the projects shown below. In the current year, two projects received alternate source of funding retrospectively, so the surplus RFT funding was returned to the RFT revenue. This return to the reserve is shown as a negative value.

Projects	2022 $Million	2021 $Million	Progress
Project 1: Bus priority improvements	6	3	**Northwest Rapid Transit Network** The corridors main works design package to be completed in early 2022/2023. Construction works are progressing well at Te Atatū North and Te Atatū South which will be completed in August 2022 and November 2022, respectively. State Highway 16 works are scheduled to start in September 2022. Lincoln Road is scheduled to start in July 2022 and all construction works are planned for completion in April 2023. Westgate Station detailed design is progressing well, and the 50% detailed design milestone is due to be completed in July 2022. The current programme has land acquisition completing in December 2023, and construction starting in February 2024 with completion expected in January 2025.
Project 2: City centre bus infrastructure	1	4	**Downtown (Lower Albert Street Bus Interchange)** The project has been completed. A contract variation has been processed which adds the installation of bus shelters to the scope. These bus shelters will be completed in November 2022.

F8 Regional fuel tax (continued)

Projects	2022 $Million	2021 $Million	Progress
Project 3: Improving airport access	3	(2)	**Short-term Airport Access** **Puhinui Station Interchange** Practical Completion has been issued and physical works completed in April 2022. All mana whenua items expected were completed and installed for the sod returning ceremony in June 2022. **Puhinui Bus Priority and Mangere Cycling** The contractor has submitted the baseline programme for the Puhinui Road East Shared-use path works. The start and completion dates for this final phase of work are now set on July 2022 and November 2022, respectively.
Project 4: Eastern Busway	38	14	**Eastern Busway Stage one (Panmure to Pakuranga)** The project team continues to close out the final Engineering Plan Approval, consent requirements, quality assurance/compliance requirements and work associated with property agreements. The team is also working through to close out existing agreements, boundary survey and land legalisation. Final closure and certainty of cost will not occur until court hearings finish mid to late 2022. Contract one also contains work packages outside the Panmure Busway and Bridge contract and will now be progressed as separate contracts. This includes the Heritage Swing Bridge which is under tender evaluation with construction planned for mid-2022; removal of old Watercare pipes from Panmure Bridge which is planned for completion early 2023 and Mokoia Pa Park concept design and iwi engagement which is underway with detailed design and planned for completion by early 2023. **Eastern Busway Alliance** The Eastern Busway Detailed Business Case for the preferred Ultimate Outcome Scheme and funding application for the recommended staged approach to address the funding shortfall was presented to Waka Kotahi at its July 2022 board session for approval. Execution of the Project Alliance Agreement contract with the Eastern Busway Alliance at the reconciled price has begun under an extension of the Interim Project Alliance Agreement. Confirmation of funding approval by Waka Kotahi, central government and Auckland Council will enable the Post-approval Amendment final sign off. Further community engagements were undertaken during June 2022.
Project 5: Park-and-ride facilities	-	-	A park and ride programme was scheduled for implementation later in the 10-year Budget 2021-2031 period.
Project 6: Electric trains and stabling	5	-	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. The follow-on order with Spanish rolling stock manufacturer Construcciones y Auxiliar de Ferrocarriles (CAF) will add to the existing fleet of 72 'AM Class' Electric Multiple Units.
Project 7: Downtown ferry terminal and redevelopment	(12)	(12)	**Ferry Basin Redevelopment** The project was completed and operational.
Project 9: Active transport	9	1	A walking and cycling programme was scheduled for implementation later in the 10-year Budget 2021-2031 period. **Walking and cycling 10-year programme** For Upper Harbour Drive (3.7km), works are temporarily on hold pending the outcome from a public meeting to be held in July 2022. Grafton Road is completed while Clark Street works are underway. Ian McKinnon Drive works are proposed to start in July. Remaining carryover sites will be progressed to construction in 2022/2023. A few sites will be completed during 2022/2023.

Project 10: Penlink and Project 11: Mill Road corridor are now being delivered by Waka Kotahi.

F8 Regional fuel tax (continued)

Projects	2022 $Million	2021 $Million	Progress
Project 12: Road corridor improvements	7	-	**Warkworth Matakana Link Road** The building up of the road pavement on Matakana Link Road was progressing well as was the tie-in of Matakana Rd with night closures and stop/go during the day. Illness was still affecting resource numbers. The resource issue and the rainy weather delayed the project. Utility services continued to be installed. The team was working with two adjacent developers on development tie-ins. This has pushed the completion date into December 2022. **Seal extensions** Completion of Ahuroa Road Stage 2A which includes the additional length was slightly delayed due to rainy weather, with completion expected in late July. The construction activity continued into 2022/2023, with final extent of works determined by available budget.
Project 13: Network capacity and performance improvement	8	3	There are approximately 35 ongoing projects at various stages. There were two projects with the sponsor team and 33 with the delivery team. Overall, the programme forecast had been done to suit the project status. Six projects were completed for construction, seven were at construction stage, six are at design stage, 10 at consultation stage, and four at scheme design. Public consultation for the Maioro street Dynamic lanes was completed in May 2022. There had been delays at few sites due to the COVID-19 cases among the crew and supply chain shortage issues.
Project 14: Growth-related transport infrastructure	(3)	3	One plot of land was acquired in during the year for the Milldale, Wainui East Improvements project.
Total	**62**	**14**	

The RFT also provides funding towards the 2018-2028 accelerated road safety infrastructure programme (Project 8). During the year, $42 million was applied to capital and operating expenditure incurred on this programme (2021: $18 million). The current year delivery is summarised as follows:

- **Corridor and intersection safety programme** A number of urban projects, such as Atkinson Avenue, Ash Street and Rata Street, are delayed by consultation with stakeholders. COVID-19 lockdown restrictions further affected delivery of this programme. Several projects, such as Swanson Road corridor improvements and rural corridor, were fast-tracked to construction. The Glen Eden town centre works were completed.
- **Speed management programme** Safe Speeds phase two speed limit changes are well underway with rural Franklin completed on 30 June 2022. The remaining school and urban areas will be completed in July 2022. Construction on Mission Bay town centre and Manurewa-Coxhead area will be completed in later 2022. Public consultation on Glen Innes closed on 3 July 2022 and Devonport town centre project is planned to open on 15 July 2022. Signage design of phase three speed limit changes will be done between November 2022 and March 2023.
- **Vulnerable road users programme** Construction of six projects were completed in June 2022. There are eight other projects under construction which will be completed in July 2022. The total number of completed projects for this programme at the end of June stands at 39. There are five projects planned to start construction in July 2022 and due to complete in July/August 2022. Currently, there are 16 projects at construction phase, 14 at design phase, nine in consultation phase and 20 in parallel design and consultation phase planned for completion by 2022/2023.
- **Minor improvements programme** There are approximately 99 projects ongoing in the programme with projects are various stages. Most of the projects in the 2021/2022 programme are completed or in the last stages of completion. Currently, 27 projects are completed for construction, three projects are at construction stage, 21 are at design stage, 26 at investigation stage, and 22 at consultation stage. There are some delays on project delivery due to material shortage and delay with utilities providers such as Vector, Chorus and First Gas.
- **Community safety programme** There are approximately 38 ongoing projects at various stages. Currently, 26 projects are completed for construction, eight are at construction stage and two projects are at design stage. For overall programme, a few projects have been cancelled and new ones have been added, and these will be carried over to 2022/2023.

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

Section G: Financial reporting and prudence benchmarks

Annual report disclosure statement for the year ended 30 June 2022

What is the purpose of this statement?

The purpose of this statement is to disclose the Auckland Council Group's (the group) financial performance in relation to various benchmarks and assess 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). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

The benchmarks have been prepared for the entire group.

Unless prescribed by the regulations, the quantified limit for current year benchmark is calculated using financial information disclosed in the 10-year Budget 2021-2031. The prior years have not been restated.

Rates affordability benchmark

The group meets the rates affordability benchmark if its actual rates increase equals or is less than each quantified limit on rates increases.

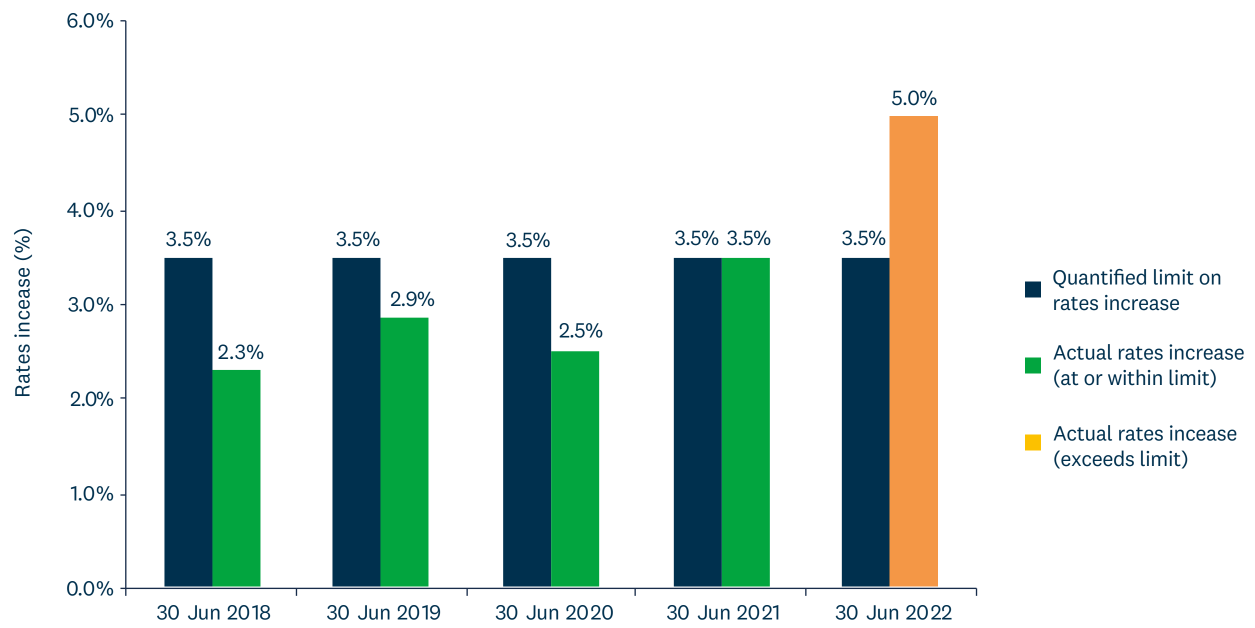
Rates (income) affordability

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 from 1 July 2018 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%.



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:

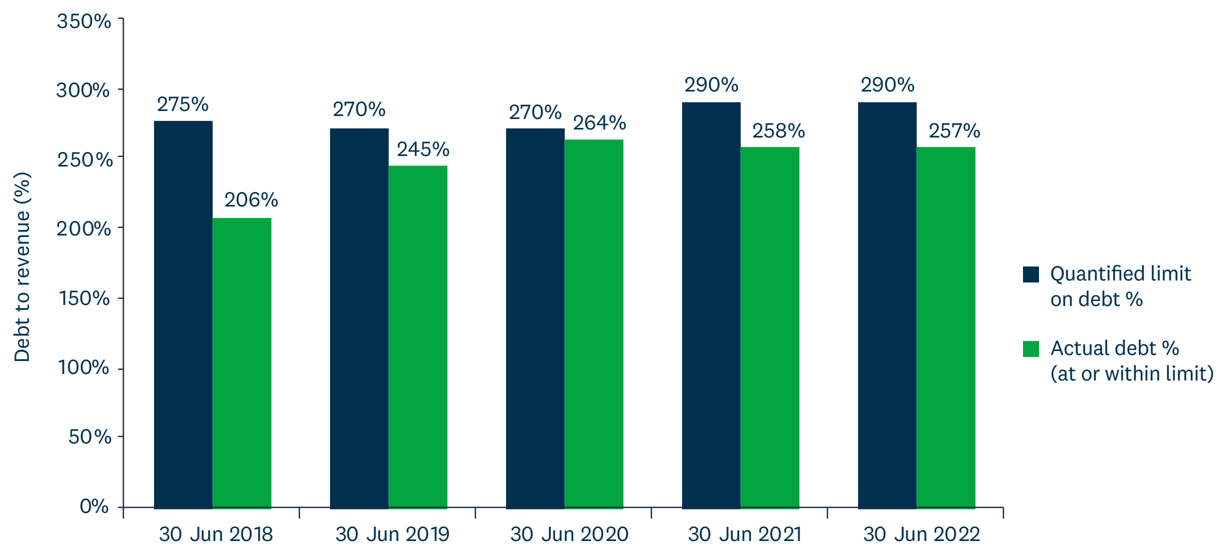
- **Revenue:** Cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes capital contributions and sale of assets or pass-through items (e.g. developer contributions and vested assets).
- **Debt:** Long- and short-term financial 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 10-year Budget 2021-2031 and the council's treasury management policy.

The quantified limit of debt is 290% of revenue. Debt as a percentage of revenue for 30 June 2022 is 257% compared to 258% at 30 June 2021. The debt ratio is lower than the quantified limit mainly due to lower adjusted borrowings than budgeted.

In prior years, the quantified limits excluded revenue or expenses, assets or liabilities relating to Watercare and total revenue and net debt were used to calculate the ratios. From 1 July 2018, pursuant to adoption of 10-year budget 2018-2028, the council adopted a new financial strategy with revised methodology and definition of underlying components (as explained above). The current year calculation includes the results and debt of Watercare. Had the same methodology been applied to the historical ratios, the revised actual net debt as a percentage of revenue for 2018 would have been 260%.

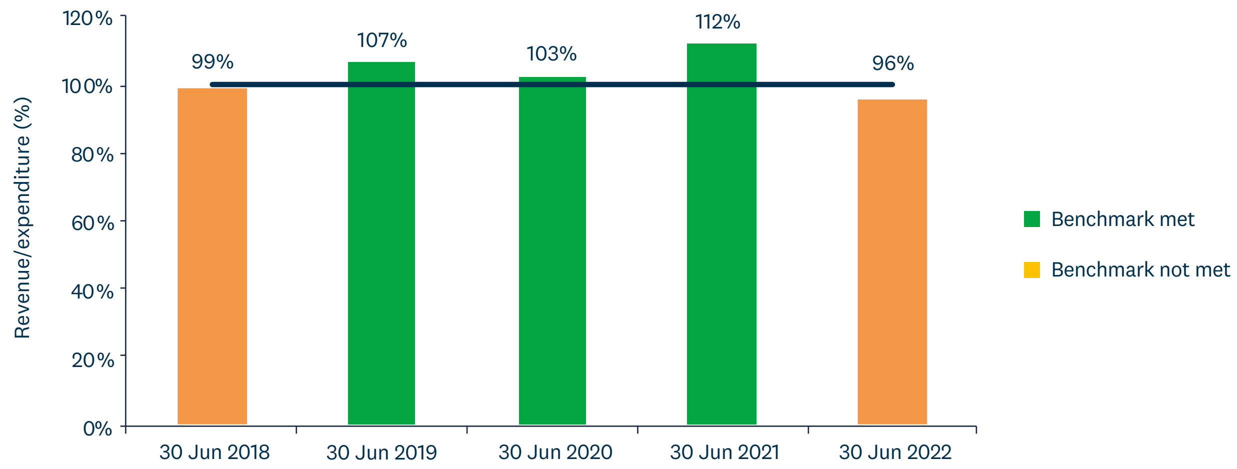


Balanced budget benchmark

The graph below displays the group's revenue (excluding development and financial contributions, vested assets, net gains on derivative financial instruments, and upward revaluations of property, plant, and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and downward revaluations of property, plant, and equipment). The group meets this benchmark if its revenue equals or is greater than its operating expenses.

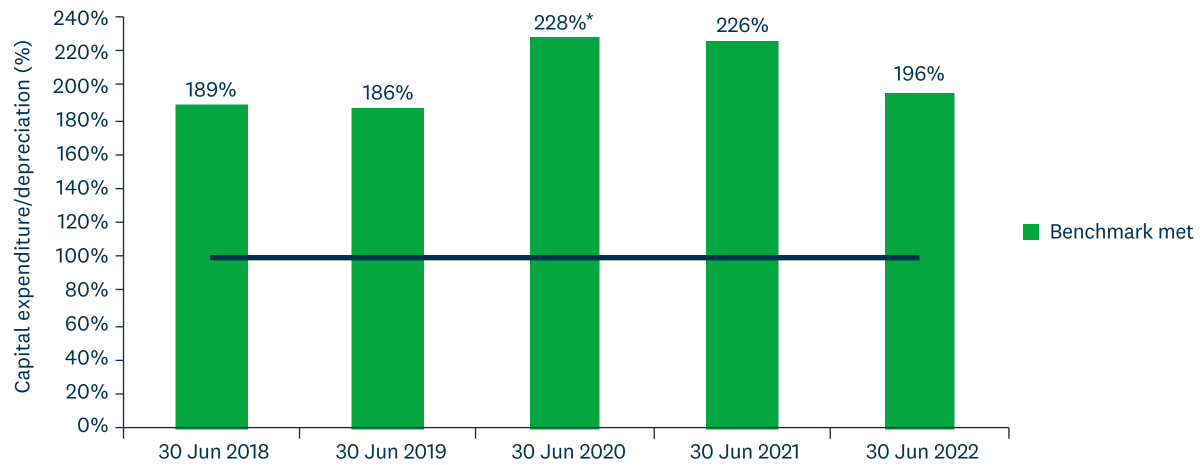
The group incurs foreign exchange gains and losses on foreign denominated borrowings. These foreign exchange gains or losses are included in revenue and expenses. The group enters into derivative transactions to mitigate that foreign currency exposure as required by its risk management policies. The foreign exchange movements derivative financial instruments are excluded from revenue and expenses. In 2022, $56 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 2018 the adjusted revenue was lower than the adjusted operating expenses, mainly due to expenses incurred being greater than budget. In 2022 the significant impacts of COVID-19 on revenue resulted in adjusted revenue (excluding vested assets) being 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

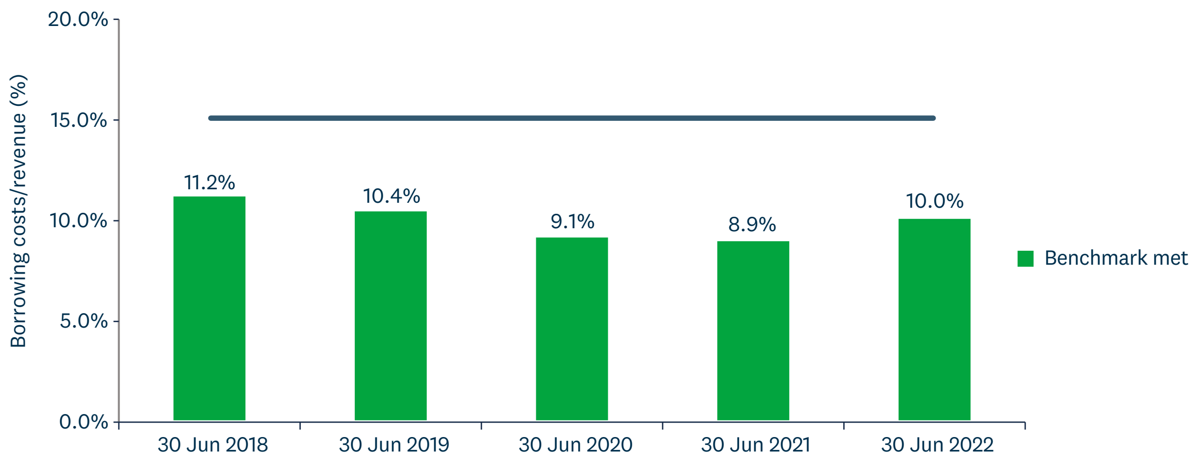
The graph below displays the group's capital expenditure on network services as a proportion of depreciation on network services. The group meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



*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%.

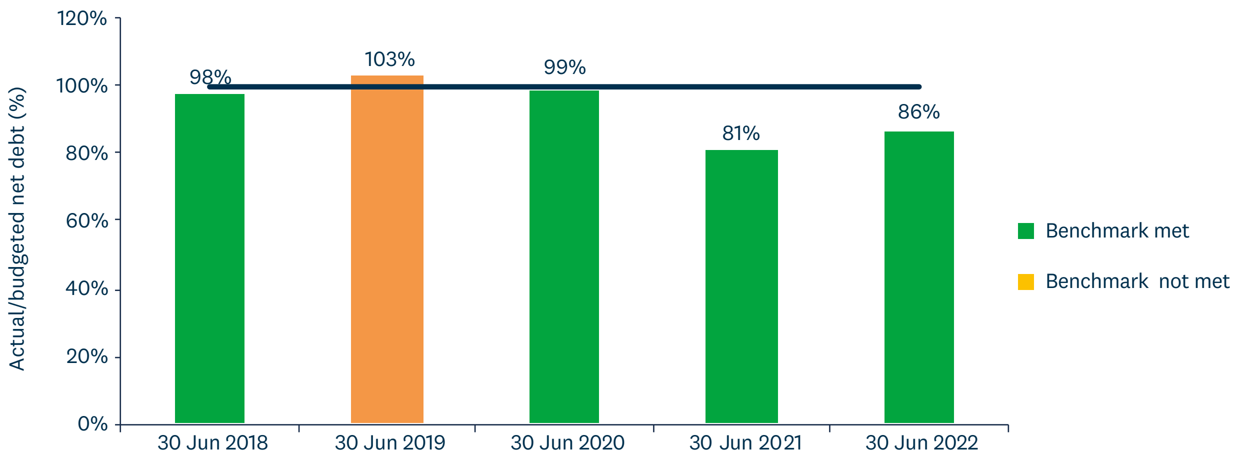
Debt servicing benchmark

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, and equipment). Because Statistics New Zealand projects that Auckland's population will grow as fast as, or faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



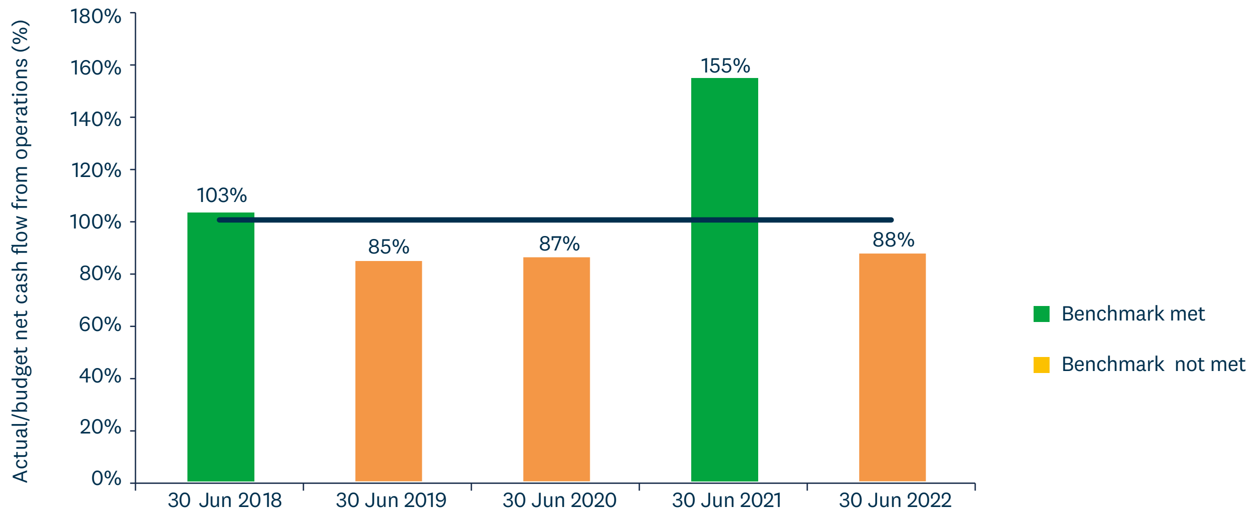
Debt control benchmark

The graph below displays the group's actual net debt as a proportion of planned net debt. For the purposes of this benchmark, 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 that financial year.



Operations control benchmark

The 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. 2022 actual cash flows were lower than 2021 and lower than planned due to lower receipts from customers, rates, grants, and other services and higher payments to suppliers and employees.



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 period ended 30 June 2022

$Million	Actual 2022	Annual Plan 2022	Actual 2021	Annual Plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties	1,873	1,868	1,743	1,744
Targeted rates	255	254	239	237
Subsidies and grants for operating purposes	498	406	457	411
Fees and charges	1,231	1,468	1,215	1,219
Interest and dividends from investments	23	6	11	9
Local authorities fuel tax, fines, infringement fees and other receipts	697	496	666	436
Total operating funding	**4,577**	**4,498**	**4,331**	**4,056**
Applications of operating funding:				
Payments to staff and suppliers	3,202	3,162	2,867	2,940
Finance costs	473	446	420	452
Other operating funding applications	-	-	1	-
Total applications of operating funding	**3,675**	**3,608**	**3,288**	**3,392**
Surplus (deficit) of operating funding	**902**	**890**	**1,043**	**664**
Sources of capital funding:				
Subsidies and grants for capital expenditure	295	474	380	453
Development and financial contributions	236	248	226	137
Increase (decrease) in debt	575	911	579	910
Gross proceeds from sale of assets	74	132	170	390
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	**1,180**	**1,765**	**1,355**	**1,890**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	601	679	675	748
- to improve the level of service	524	799	784	926
- to replace existing assets	730	903	596	497
Increase (decrease) in reserves	51	25	56	91
Increase (decrease) in investments	176	249	287	292
Total applications of capital funding	**2,082**	**2,655**	**2,398**	**2,554**
Surplus (deficit) of capital funding	**(902)**	**(890)**	**(1,043)**	**(664)**
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 2022

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 New Zealand Generally Accepted Accounting Practice (NZ GAAP), 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 statements of the group and the council are those included in 2021/2022 of the 10-year Budget 2021-2031 (Our Recovery Budget). 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 Our Recovery Budget for 2022 financial year, and in the amended 10-year Budget 2018-2028 for 2021 financial year.

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 $79 million favourable to plan. This variance is principally made up of a $201 million surplus in funding from local authorities' fuel tax, fines, infringement fees and other receipts and a $92 million surplus in subsidies and grants for operating purposes. This was partly offset by a $237 million shortfall in fees and charges. Further details of these variances are outlined below.

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

- Watercare Services Limited (Watercare) receives infrastructure growth charges to cover capital investment in bulk infrastructure used to provide services to customers who increase their demand for water services. During the year, development in Auckland, particularly intensive housing development increased associated revenues such as water infrastructure development charges by $159 million.

The remaining $42 million of funding surplus comprises several different funding sources, all of which are individually immaterial.

Subsidies and grants for operating purposes

Several one-off operating subsidies were received from government agencies and private entities to address funding shortfalls caused by COVID-19. The biggest contributions to this $92 million surplus were:

- $60 million government grant revenue received from the Ministry of Business, Innovation and Employment to support Auckland businesses affected by COVID-19, and to revive economic, social and cultural activities in Auckland.
- $30 million funding from Waka Kotahi to subsidise public transport fare revenue forfeited due to COVID-19 and as a result of the half-price public transport fare scheme.

Fees and charges

The $237 million shortfall against plan in fees and charges was mainly contributed by the following:

- Public transport and parking fees due to COVID-19 lockdowns and the half-price public transport fare scheme resulted in a $113 million decrease.
- Infringements and fines were down by $24 million due to COVID-19 restrictions and delays in the implementation of special vehicle lanes.
- Water restrictions to manage the impact of the drought and COVID-19 lockdowns had a $53 million impact on water and wastewater revenues.
- The closure of community facilities such as leisure centres and venues for hire resulted in community facilities accounted for a $19 million shortfall.
- COVID-19 restrictions resulted in cancelled, postponed shows and events, as well as low attendance, decreasing revenue by $23 million.

Applications of operating funding

Applications of operating funding were $67 million above plan. $40 million of this expenditure shortfall relates to payments to staff and suppliers and $27 million to a reduction in finance costs. Further details of these variances are outlined below.

Payments to staff and suppliers

- Extension of time costs incurred on capital projects during COVID-19 Alert Level 4 of $25 million ($6 million relates to prior year) were expensed during the year, refer to Note B1 for further details.
- Staff costs were $30 million unfavourable to plan as water operations and maintenance teams had to work shifts to ensure physical distancing during the period of COVID-19 restrictions, as well as salary increases reflecting market movements and additional FTEs to support the increased regulatory water testing, the establishment of a training centre at Māngere, the Three Waters Reform programme, asset maintenance plans and digital services. Further, stevedores and operational staff were hired to handle supply chain challenges.
- Consultancy and professional services were $18 million unfavourable to plan due to supporting the increase in consenting volumes, environmental projects, and legal cases including judicial reviews and progressing the Three Waters Reform Programme.

The above unfavourable results were partly offset by public transport costs that were $41 million favourable to plan due to COVID-19 restrictions resulting in lower patronage.

Finance costs

Finance costs were $27 million unfavourable to plan due to interest rates increasing faster than anticipated, which resulted in the cost of funds being higher than budget.

Source of capital funding

Sources of capital funding were $585 million below plan. This shortfall reflects a lower requirement for debt to fund capital expenditure, which was significantly below budget. The significant surplus of operating funding that helped keep debt lower than planned by $336 million was partially offset by the delay in planned asset sales, which were $58 million below plan. Subsidies and grants for capital expenditure were also $180 million below plan. Further details of these variances are outlined below.

Subsidies and grants for capital expenditure

- Capital subsidies were $180 million lower than plan mainly due to the group's transport capital delivery programme being behind schedule, resulting in $146 million less capital subsidies from Waka Kotahi New Zealand Transport Agency (Waka Kotahi) than budgeted. Some of the group's shovel-ready projects including the Auckland Film Studio expansion, Te Whau Pathway development and the resource recovery centre development were impacted by delays and shortages of labour and materials, resulting in a $43 million deficit against budget.

Applications of capital funding

Applications of capital funding were $572 million below plan. Most of this shortfall relates to capital expenditure, which was $526 million below plan.

- Effects of COVID-19 lockdown and restrictions, labour and materials shortages as well as illness and isolation of staff and contractors caused delays in capital projects, which resulted in a lower spend than anticipated.
- The increase in investments was less than planned as the group maintained a lower level of cash and working capital than planned. Further, investment in CRLL is lower than planned due to CRLL's transfer of certain assets to its sponsors

The above was partly offset as increase in reserves were $26 million higher than planned which reflects higher than anticipated settlements of weathertightness and associated building defects claims.

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 2022	Actual 2021
Surplus of operating funding	**902**	**1,043**
Operating surplus items not included in operating funding		
Depreciation and amortisation*	(1,073)	(1,006)
Vested assets	582	376
Development contributions	236	226
Capital grants and subsidies	295	380
Provision for remediation of weathertightness claims expense	(7)	(89)
Other revenue and expense items*	31	(9)
Operating funding items not included in operating surplus		
Retrofit your home principal loan repayments	(6)	(7)
Dividends from associates and joint ventures	(9)	(4)
Operating surplus before gains and losses	**951**	**910**

*The comparative balances have been restated to reflect a change in accounting policy. Refer to the Basis of reporting section.

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.

HOMES AND PLACES

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

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.

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.

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

Group of activities funding impact statement

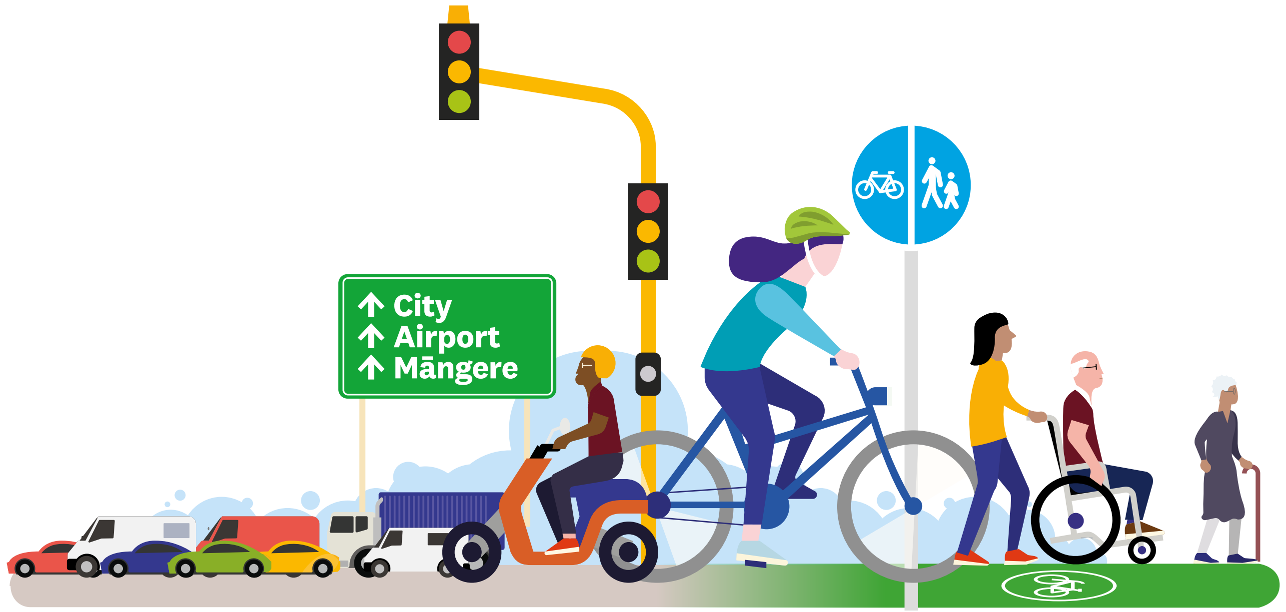
Ngā Huarahi me ngā Ara Hīkoi

Roads and footpaths

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		284	283	251
Targeted rates		2	1	2
Subsidies and grants for operating purposes		56	58	54
Fees and charges		3	-	4
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees		87	104	94
Total operating funding		**432**	**446**	**405**
Applications of operating funding:				
Payments to staff and suppliers		155	162	167
Finance costs		61	56	82
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		216	**218**	**249**
Surplus (deficit) of operating funding		**216**	**228**	**156**
Sources of capital funding:				
Subsidies and grants for capital expenditure	1	152	228	385
Development and financial contributions		43	36	72
Increase (decrease) in debt	2	71	32	9
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**266**	**296**	**466**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		55	86	85
- to improve the level of service		188	227	341
- to replace existing assets		239	211	196
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	3	**482**	**524**	**622**
Surplus (deficit) of capital funding		**(216)**	**(228)**	**(156)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Capital delivery was behind plan as noted in point 3 below. As a result, less funding was received from Waka Kotahi than anticipated resulting in subsidies and grants for capital expenditure being below plan.
2. Subsidies and grants for capital expenditure were below plan which resulted in a funding deficit compared to Long-term plan. The funding deficit meant that more debt funding was required than expected.
3. Capital expenditure was below plan for the following reasons:
   - A change in accounting policy related to software-as-a-service (SaaS) products resulted in associated costs being expensed rather than capitalised as planned, refer to 'Software-as-a-service (SaaS) Arrangements' in the Basis of reporting section
   - There were delays in public consultation relating to the parking programme aimed at facilitating new parking zones and off-street delivery facilities
   - The Kumeū/Huapai and Scott's Point improvement projects experienced delays due to COVID-19 restrictions
   - Stages 2-4 of the Eastern Busway project experienced delays due to prolonged landowner consultation processes.



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

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		387	387	355
Targeted rates		3	3	3
Subsidies and grants for operating purposes	1	331	311	234
Fees and charges	2	99	269	293
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		133	110	103
Total operating funding	3	**953**	**1,080**	**988**
Applications of operating funding:				
Payments to staff and suppliers	4	795	877	731
Finance costs		147	136	173
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**942**	**1,013**	**904**
Surplus (deficit) of operating funding		**11**	**67**	**84**
Sources of capital funding:				
Subsidies and grants for capital expenditure	5	126	189	90
Development and financial contributions		42	58	33
Increase (decrease) in debt	6	423	472	435
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**591**	**719**	**558**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	7	24	17	37
- to improve the level of service	7	105	256	228
- to replace existing assets	7	45	23	19
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments	8	428	490	358
Total applications of capital funding		**602**	**786**	**642**
Surplus (deficit) of capital funding		**(11)**	**(67)**	**(84)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Subsidies and grants for operating purposes were higher than planned due to the fare subsidies received from Waka Kotahi as a result of reduced patronage experienced during the period of COVID-19 restrictions, and the half-price public transport scheme.
2. Fees and charges were below plan due to lower public transport and parking revenue, a direct result of lower public transport patronage during COVID-19 restrictions, as well as less demand for parking. Further, infringements revenue of $60 million was budgeted in fees and charges, but the actual revenue was reported in Local authorities fuel tax, fines, infringement fees and other receipts. Refer to point 3 below.
3. Local authorities fuel tax, fines, infringement fees and other receipts were above plan mainly due to $36 million of infringements revenue being reported here but planned for in fees and charges. Compared to its budget included in point 2 above, infringements were below plan due to the COVID-19 lockdowns and a delay in the implementation of the next tranche of special vehicle lanes.
4. Payments to staff and suppliers were below plan mainly resulting from less public transport contract costs due to COVID-19 restrictions which lowered demand for the service. Fewer kilometres were travelled by trains, buses and ferries with associated utilities costs being lower. Further, staff expenses were lower than planned due to higher vacancies experienced as a result of the tight labour market.
5. Capital delivery was behind schedule as noted in point 7 below. As a result, less funding was received.
6. Applications of capital funding and surplus of operating funding were significantly less than planned which resulted in a lower requirement for debt funding than anticipated. This was partly offset by lower than planned development and financial contributions as well as subsidies and grants for capital expenditure.
7. Capital expenditure was below plan due to:
   - the North-western Bus Improvements project's works being carried out under budget; the project's timing is tracking in line with plan
   - the Wellesley Street Bus Improvement and Double Decker mitigation works were delayed due to COVID-19 restrictions.
8. Increase in investments was below plan due to lower funding provided to CRLL than anticipated.

Ngā Putunga Wai
Water supply

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
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	169	217	173
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	2	107	76	64
Total operating funding		**275**	**292**	**236**
Applications of operating funding:				
Payments to staff and suppliers		126	139	87
Finance costs		37	25	18
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**163**	**164**	**105**
Surplus (deficit) of operating funding		**112**	**128**	**131**
Sources of capital funding:				
Subsidies and grants for capital expenditure		5	-	-
Development and financial contributions		-	-	-
Increase (decrease) in debt	3	175	70	(6)
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**180**	**70**	**(6)**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		174	81	58
- to improve the level of service		15	4	2
- to replace existing assets		103	113	65
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	4	**292**	**198**	**125**
Surplus (deficit) of capital funding		**(112)**	**(128)**	**(131)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Fees and charges were below plan as water restrictions, that were introduced in the prior year to manage demand during the drought, remained in place for the earlier months of the current financial year. Further, COVID-19 restrictions resulted in lower commercial water usage.
2. Local authorities fuel tax, fines, infringement fees and other receipts were above plan because of strong construction activities which led to increased infrastructure growth charges and revenue associated with new water supply connections. Further, other receipts were above plan due to additional revenue from the Waikato District Council partnership agreement, as well as consultancy revenue generated from assisting Tauranga City Council with implementing their new enterprise resource planning system.
3. Capital expenditure was more than planned which resulted in a funding deficit compared to Long-term Plan. The funding deficit meant that more debt funding was required than expected.
4. Capital expenditure was above plan due to:
   - the Hays Creek Source Treatment Plant requiring design changes which resulted in cost escalations of both materials and labour. Further, the prolonging of the project increased outsourced contractors' costs
   - the Waikato River 50 million litres per day project incurring additional spend because of COVID-19 restrictions delaying contractors work and supply of material, resulting in increased labour costs. Further, cost escalations of both materials and labour also contributed. This project reached practical completion during the financial year and is now in service
   - greater than planned spend on the water asset renewal programme to take a proactive approach in maintaining the quality of water assets.

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

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
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		382	398	382
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	1	236	74	63
Total operating funding		**616**	**470**	**443**
Applications of operating funding:				
Payments to staff and suppliers	2	261	167	146
Finance costs		63	75	95
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**324**	**242**	**241**
Surplus (deficit) of operating funding		**292**	**228**	**202**
Sources of capital funding:				
Subsidies and grants for capital expenditure		10	-	-
Development and financial contributions		-	-	-
Increase (decrease) in debt	3	96	320	268
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**106**	**320**	**268**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		180	262	297
- to improve the level of service		104	98	85
- to replace existing assets		114	188	88
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	4	**398**	**548**	**470**
Surplus (deficit) of capital funding		**(292)**	**(228)**	**(202)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Local authorities fuel tax, fines, infringement fees and other receipts were above plan because of strong construction activities which led to increased infrastructure growth charges and revenue associated with new water supply connections. Further, other receipts were above plan due to additional revenue from the Waikato District Council partnership agreement, as well as consultancy revenue generated from assisting Tauranga City Council with implementing their new enterprise resource planning system.
2. Payments to staff and suppliers were above plan for several reasons including:
   - The COVID-19 restrictions resulted in increased overtime payments as teams were required to work in shifts to ensure physical distancing.
   - A tight labour market resulted in vacant positions, leading to increased reliance on contractors and temporary staff.
   - Staff that were hired during the year received higher salaries in line with increasing market rates, and some existing staff received salary increases in line with the market.
   - Employee annual leave balances increased reflecting the impact of COVID-19 restrictions on holiday and travel plans.
   - COVID-19 Alert Level 4 extension of time costs were written off to operating expenses during the year, refer to Note B1.
3. Capital expenditure was less than planned, and the surplus of operating funding was higher than anticipated. This resulted in a funding surplus compared to Long-term Plan. The funding surplus meant that less debt funding was required than expected.
4. Capital expenditure was below plan due to:
   - high value works on the Central Interceptor project being deferred due to COVID-19 restrictions
   - the Warkworth to Snells Transfer Pipeline project experiencing delays resulting from consent issues, as well as delays due to COVID-19 restrictions.

Te Whakahaere Wai Āwhā
Stormwater management

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		128	128	120
Targeted rates		45	45	43
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		**177**	**175**	**165**
Applications of operating funding:				
Payments to staff and suppliers	1	58	50	38
Finance costs		17	16	15
Internal charges and overheads applied		14	14	12
Other operating funding applications		-	-	-
Total applications of operating funding		**89**	**80**	**65**
Surplus (deficit) of operating funding		**88**	**95**	**100**
Sources of capital funding:				
Subsidies and grants for capital expenditure		-	-	-
Development and financial contributions		33	35	64
Increase (decrease) in debt	2	5	-	(35)
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**38**	**35**	**29**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		42	28	48
- to improve the level of service		37	43	52
- to replace existing assets		47	59	29
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	3	**126**	**130**	**129**
Surplus (deficit) of capital funding		**(88)**	**(95)**	**(100)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Payments to staff and suppliers were above plan due to increased payments to staff as the tight labour market also resulted in vacant positions, leading to increased reliance on contractors and temporary staff, further the staff that were hired during the financial year demanded higher salaries in line with increasing market rates. Employee annual leave balances also grew reflecting COVID-19 restrictions impact on holiday and travel plans. In additions, extension of time costs were written off to operating expenses during the year, refer to Note B1.
2. Capital expenditure was less than planned, and payments to staff and suppliers were greater than planned which resulted in a net funding deficit compared to Long-term Plan. The funding deficit meant that more debt funding was required than expected.
3. Capital expenditure was below plan due to delays in physical works caused by COVID-19 restrictions. Major physical works which commenced during the financial year, however, were delayed including the Waitaro Stream and Corban Reserve culvert upgrade, the stormwater pipeline for Clinker Place and the new pipeline and outlet within the Ports of Auckland Outfall.

Ngā Ratonga Kaunihera ā-Rohe
Local council services

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		358	358	343
Targeted rates		20	21	19
Subsidies and grants for operating purposes		4	4	5
Fees and charges		17	33	34
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts		5	7	4
Total operating funding		**404**	**423**	**405**
Applications of operating funding:				
Payments to staff and suppliers	1	288	335	284
Finance costs		39	36	70
Internal charges and overheads applied		56	57	41
Other operating funding applications		-	-	-
Total applications of operating funding		**383**	**428**	**395**
Surplus (deficit) of operating funding		**21**	**(5)**	**10**
Sources of capital funding:				
Subsidies and grants for capital expenditure		-	-	-
Development and financial contributions	2	47	75	50
Increase (decrease) in debt	3	50	81	146
Gross proceeds from sale of assets		-	-	-
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**97**	**156**	**196**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		17	31	62
- to improve the level of service		12	13	58
- to replace existing assets		89	107	86
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	4	**118**	**151**	**206**
Surplus (deficit) of capital funding		**(21)**	**5**	**(10)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Payments to staff and suppliers were below plan due to less maintenance work undertaken throughout the year as a result of COVID-19 restrictions. Further, staff costs were less than anticipated as a result of vacancies experienced due to a tight labour market.
2. Development and financial contributions were lower than planned due to fewer construction projects being completed than expected during the COVID-19 lockdowns.
3. Capital expenditure was less than planned, and the surplus of operating funding was higher than anticipated. This resulted in a funding surplus compared to Long-term Plan. The funding surplus meant that less debt funding was required than expected.
4. Capital expenditure was below plan mainly due to delays experienced on a range of projects across the local boards such as sports and local park development and facility redevelopment because of COVID-19 restrictions.

Ngā Ratonga Kaunihera ka Tukuna e ngā Rohe
Regionally delivered council services

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		552	548	543
Targeted rates		185	183	140
Subsidies and grants for operating purposes		20	16	11
Fees and charges	1	542	512	586
Internal charges and overheads recovered		225	225	201
Local authorities fuel tax, fines, infringement fees and other receipts	2	88	47	84
Total operating funding		**1,612**	**1,531**	**1,565**
Applications of operating funding:				
Payments to staff and suppliers	3	1,249	1,187	1,068
Finance costs		92	85	93
Internal charges and overheads applied		154	155	148
Other operating funding applications		-	-	-
Total applications of operating funding		**1,495**	**1,427**	**1,309**
Surplus (deficit) of operating funding		**117**	**104**	**256**
Sources of capital funding:				
Subsidies and grants for capital expenditure	4	2	28	-
Development and financial contributions	5	63	40	86
Increase (decrease) in debt	6	(264)	(118)	16
Gross proceeds from sale of assets	7	39	80	24
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**(160)**	**30**	**126**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	8	62	113	139
- to improve the level of service	8	46	112	62
- to replace existing assets	8	50	125	78
Increase (decrease) in reserves	9	51	25	79
Increase (decrease) in investments		(252)	(241)	24
Total applications of capital funding		**(43)**	**134**	**382**
Surplus (deficit) of capital funding		**(117)**	**(104)**	**(256)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Fees and charges were above plan largely due to increased regulatory revenue driven by both higher consenting volumes and complexity with an increase in multi-unit dwellings per application. Further, port operations were above plan due to higher than planned demurrage revenue as import and export dwell (ship docking) times have increased, along with increased breakbulk revenue. This was partly offset by other port operations lower than budget, mainly for container and car volumes.
2. Local authorities fuel tax, fines and infringement fees and other receipts were above plan as interest income increased due to higher interest rates than planned. The higher revenue was also due to funding received for Three Waters reform costs and increased revenue from both Private Plan Changes and Notice of Requirements.
3. Payments to staff and suppliers were above plan due to extension of time costs being written off to operating expenses during the year. Additionally, increased scheduled maintenance and repairs occurred given decreased public patronage of regional community centres and parks due to COVID-19 restrictions.
4. Subsidies and grants for capital expenditure were below plan due to projects including the Te Whau Pathway and other Shovel Ready projects being delayed due to COVID-19 restrictions, and therefore associated fundings were not received.
5. Higher development contributions were applied to Regionally Delivered Council Services due to a change in the funding mix for the specific projects delivered in the year.
6. Capital expenditure was lower. This resulted in a funding surplus compared to the Long-term Plan. The funding surplus meant that less debt funding was required than expected.
7. Gross proceeds from sale of assets were less than planned due to delays in planned asset sales, losses on sale of assets, asset write offs and demolition of assets.
8. Capital expenditure was below plan mainly due to:
   - land acquisitions being delayed due to timing of negotiations and settlements
   - Te Whau Pathway, regional sustainability projects, local and regional asset renewals, the seismic programme (addressing at-risk community facilities buildings), and sports development programmes being delayed due to the impact of COVID-19 restrictions and challenges with importing materials and securing contractors
   - Corporate Property Worksmart programme being significantly behind schedule due to delays in the Manukau Hub extension project and workplace technology spend because of COVID-19 restrictions
   - Development Programme Office was underspent due to COVID-19 restrictions resulting in vacancies and delays
   - Information and communication technology projects being delayed due to both staffing and supply constraints, again, resulting from COVID-19 restrictions.
9. Increase in reserves were more than planned as weathertightness and associated building defects payments were higher than anticipated largely due to the timing of payments.

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

$Million	Note	Actual 2022	Long-term plan 2022	Long-term plan 2021
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties		167	167	175
Targeted rates		-	-	14
Subsidies and grants for operating purposes	1	86	17	2
Fees and charges	2	17	39	58
Internal charges and overheads recovered		-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	3	62	82	97
Total operating funding		**332**	**305**	**346**
Applications of operating funding:				
Payments to staff and suppliers	4	270	244	224
Finance costs		16	16	50
Internal charges and overheads applied		-	-	-
Other operating funding applications		-	-	-
Total applications of operating funding		**286**	**260**	**274**
Surplus (deficit) of operating funding		**46**	**45**	**72**
Sources of capital funding:				
Subsidies and grants for capital expenditure	5	1	30	-
Development and financial contributions		8	3	3
Increase (decrease) in debt	6	17	53	(2)
Gross proceeds from sale of assets		35	52	47
Lump sum contributions		-	-	-
Other dedicated capital funding		-	-	-
Total sources of capital funding		**61**	**138**	**48**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand		47	61	51
- to improve the level of service		17	44	31
- to replace existing assets		43	78	38
Increase (decrease) in reserves		-	-	-
Increase (decrease) in investments		-	-	-
Total applications of capital funding	7	**107**	**183**	**120**
Surplus (deficit) of capital funding		**(46)**	**(45)**	**(72)**
Funding balance		**-**	**-**	**-**

Comparison of results to the Long-term Plan 2021/2022

1. Subsidies and grants for operating purposes were above plan due to government grant revenue received to stimulate growth and recovery in Tāmaki Makaurau including Project Activate and Reactivate Auckland, as well as the government wage subsidies. This was partially offset by lost sponsorship and grant revenue for funding of events that were cancelled such as the World Choir Games, and grants from the Regional Events Fund as events were delayed or did not go ahead because of COVID-19 restrictions.
2. Fees and charges were below plan due to lower revenue from events, festivals, business facilities, shows and concerts from cancellations, delays and lower attendance due to COVID-19 restrictions.
3. Other receipts were below plan mainly due to less rent income received than anticipated. Silo Marinas were particularly impacted with less international boats berthing due to COVID-19 restrictions. Further, upgrade work on the Auckland Film Studio was delayed and Amazon terminated their contract for the rental of film studio facilities in Auckland during the year.
4. Payments to staff and suppliers were above plan due to an increased spend on consultancy services and projects such as the Stadium Single Operator Review and Downtown Sport and Entertainment Precinct. Further, staff expenses and outsourced works and services were higher than planned due to an increased number of temporary staff required to fill vacant positions as a result of the tight labour market.
5. Subsidies and grants for capital expenditure were below plan due to not receiving grants from central government as the upgrade work on the Auckland Film Studio was delayed due to COVID-19 restrictions and Amazon terminating their contract for the rental of film studio facilities in Auckland during the year.
6. Capital expenditure was less than planned which resulted in less debt funding being required than was expected.
7. Capital expenditure was below plan due to delays on the upgrade of the Auckland Film Studios due to both COVID-19 restrictions and the termination of the Amazon contract. Various smaller projects also experienced delays because of COVID-19 restrictions.

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 2022

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 2022

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 the 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 105 present fairly, in all material respects, the financial position of the Auckland Council and Group as at 30 June 2022, 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 114, 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 the Auckland Council and Group's annual plan;
- the performance by groups of activities, in Volume 1 on pages 55 to 139 and 148 to 150:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2022, 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; and
  - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities in Volume 3 on pages 118 to 133, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Auckland Council and Group's annual plan;

- the funding impact statement for each group of activities in Volume 3 on pages 118 to 133, 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 the Auckland Council and Group's long-term plan; and

- the statements of service performance, 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 2022, 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 the 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 106 to 111, which represent a complete list of required disclosures and accurately reflects the information drawn from the Auckland Council and Group's audited information and, where applicable, the 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 am independent of the Auckland Council and Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

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 the 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.

The Government's three waters reform programme

The Basis of reporting on page 20 of Volume 3, outlines that, in June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the Auckland Council and Group will no longer deliver three waters services or own the assets required to deliver these services. The bill is currently before Parliament and as such, the impacts of the proposed reforms are currently unclear. Additional legislation is expected later in 2022 that will provide detail on the transfer of assets and liabilities to the water services entities.

City Rail Link project - additional cost claims for the impact of Covid-19

Note F3 on page 91 of Volume 3, outlines that City Rail Link Limited has received claims from the Link Alliance for additional costs due to Covid-19 related matters. City Rail Link Limited is unable to reliably estimate the quantum of the claims settlement because the outcome of the claims is uncertain at this stage. However, the amount may be significant and may require additional funding from the Sponsors.

Inherent uncertainties in the measurement of greenhouse gas emissions

The Council has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. In considering the public interest in climate change related information, I draw attention to pages 101 and 102 of Volume 1, which outlines the inherent uncertainties in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainties 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 the 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.

I have determined there are four key audit matters:

- valuation of property, plant and equipment;

- valuation of the weathertightness and associated building defect claims provision;

- valuation of derivatives; and
- reporting performance on the three waters, transport and housing in response to population growth.

Description of key audit matter	How we addressed this matter
Valuation of property, plant and equipment	
The 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 $43 billion, operational assets of $11.7 billion and restricted assets of $9.5 billion as at 30 June 2022. 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 the Auckland Council and Group a small movement 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 all asset classes carried at fair value the 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 2022 the following significant classes of assets were revalued: • roads and formation; • water and wastewater; • stormwater; • operational land and buildings; • restricted land and buildings; and • specialised sporting and cultural venues. Apart from stormwater, these valuations were carried out by independent valuers. Stormwater assets have been valued by Auckland Council's in-house experts and peer-reviewed by an independent valuer. 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, 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 the 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 valuation and real estate specialist to assist us with our assessment of the methodologies and key assumptions applied by the valuers of operational and restricted land and buildings. We assessed the reasonableness of unit rates and estimated useful lives used to revalue roads and formation, water and wastewater and stormwater and specialised sporting and cultural venues assets. 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 the 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 the Auckland Council and Group's financial statements is reasonable and supportable.
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 69 to 72, the Auckland Council and Group recognised a provision of $264 million for the year ended 30 June 2022, a decrease of $44 million since 30 June 2021. Multi-unit claims make up 86% of this provision. There are three different types of claims: • active claims ($166 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 ($63 million): those which might be made but that have yet to be lodged with, or identified by, the 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 the 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 and other councils. We re-assessed 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 the Auckland Council's external legal advisers and reconciled the legal advisers' loss reserve estimates to the actuary's provision calculation. We made enquiries of the Auckland Council's in-house legal team and the actuary about any recent claims, court decisions, or any changes in legislation that significantly affect the Auckland Council and Group's liabilities.

Description of key audit matter	How we addressed this matter
	I am satisfied that the provision recognised in Note D5 to the financial statements, in Volume 3 on pages 69 to 72 of the Group's financial statements for weathertightness and associated building defect claims is reasonable and supportable.
Valuation of derivatives	
The 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. The Auckland Council and Group has in place a Treasury Management Policy that sets the parameters within which the Auckland Council and Group must operate when entering into derivatives. The 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 57 to 59, the Auckland Council and Group reported derivative assets with a fair value of $528 million, and derivative liabilities with a fair value of $640 million at 30 June 2022. For the year ended 30 June 2022, as discussed in Note A6 to the financial statements, in Volume 3 on page 32 , there was a net gain on derivatives of $1,131 million recognised by the Auckland Council and Group compared to a net gain of $780 million in the prior year. This is primarily the result of favourable 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 external valuers to estimate the fair value of a sample of derivatives; • we assessed the valuers' expertise and objectivity, and we considered the appropriateness of using the external valuers' work as audit evidence; and • we compared our estimate of fair value to the Auckland Council and Group's fair value and assessed whether the 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 77 to 78, 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.

Description of key audit matter	How we addressed this matter
	I am satisfied that the derivative valuations, and supporting information about derivatives, in the Auckland Council and Group's financial statements are reasonable, supportable, and appropriately disclosed.
Reporting performance on the three waters, transport and housing in response to population growth	
Auckland's population is continuing to grow. This requires the Auckland Council and Group to respond to a number of growth-related issues, including the continuity and security of water supply, capacity of the wastewater and stormwater systems and roading network, and availability of public transport and housing. The Council has a key role in housing through: • establishing the rules for development under the Unitary Plan; • its role as a building consent authority responsible for issuing building consents and code of compliance certificates; • its role in making resource management decisions, and providing resource consents; and • giving effect to the national policy statements on urban development. The Council also has a role in planning for, and providing sufficient infrastructure to meet, the future demand for housing. As part of this, several key projects are underway or planned. These include the replacement and expansion of water treatment plants, upgrade of wastewater treatment plants and pipes, improvements to stormwater systems and projects to increase the capacity of the public transport system, including the City Rail Link (which is being built by City Rail Link Limited on behalf of the Crown and Auckland Council). Given the significance of the growth-related issues it is particularly important that Auckland Council is clear, accurate and informative in reporting performance against expectations in the annual report.	We identified the aspects of performance that we consider to be material to readers of the Council's annual report and focused our work on these aspects. This included material performance measures relevant to water supply, wastewater, stormwater, transport, and housing in the performance by groups of activities and the Auckland Plan annual monitoring report in Volume 1 on pages 144 to 147. Our work included: • confirming reported performance for material measures to underlying records on a sample basis; and • where appropriate, obtaining third-party confirmation of performance. We assessed whether the performance reported fairly reflected the Auckland Council and Group's performance in these important areas. In addition to these audit procedures on material performance measures, we carried out the following procedures: • obtained an understanding of the key growth-related issues facing the Auckland Council and Group, and the strategic initiatives and projects to address these issues as well as the progress being made to deliver them; and • considered whether the reported performance information about water supply, wastewater, stormwater, transport and housing (including key growth projects) is sufficient to enable a reader of the annual report to have a good understanding of the progress being made by the Auckland Council and Group towards addressing the growth-related issues identified.

Description of key audit matter	How we addressed this matter
In addition to clearly articulating the Auckland Council and Group's role the reported performance information should enable a reader to understand the: • key growth-related issues; • strategic initiatives and projects to address the growth-related issues; • progress being made on these strategic initiatives and projects (including timeframes and costs); • key measures being used to assess Auckland Council's performance in responding to growth-related issues; and • ongoing challenges that are yet to be addressed (if any). The Auckland Council and Group's response to these issues is described in the performance by groups of activities in Volume 1 on pages 55 to 139 as well as in pages 40 to 42 of Volume 1. I considered this a key audit matter because of the complexity of these growth-related issues and the need for innovative solutions, and collaboration between the Council, its Council Controlled Organisations, key local stakeholders, and the Government.	This included assessing the information reported about key growth-related projects, including the City Rail Link project, for consistency with the audited information of the Council, Council Controlled Organisations and City Rail Link Limited (CRLL), and knowledge obtained during our audits of both CRLL and the Auckland Council and Group. Where information on these activities 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: • relevant group reports, meeting minutes, and supporting evidence; • discussions with governing bodies and management of the Auckland Council and Group; and • discussions with other public sector agencies involved in Auckland matters. I am satisfied that the performance information reported about the three waters, transport and housing is reasonable, and reflects both the role and performance of the Auckland Council and Group in the areas of the three waters, transport and housing.

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 54 and 140 to 147, 151 to 160, Volumes 2.1 to 2.21, other than the section referred to as "our performance report", Volume 3 on pages 1 to 11, 112, 113, 115 to 117 and 145 to 154 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 of the audited information and my report on the disclosure requirements, 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 the information I audit that is free from material misstatement, whether due to fraud or error.

In preparing the information I 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 the 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 the 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 the 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 the 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 the 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 the 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 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.

Greg Schollum
Deputy Auditor-General
Wellington, New Zealand
29 September 2022

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.

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 2022, 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 9 August 2022

Holding range	Number of bondholders	Value held ($)	Percentage of bonds held
5,000 to 9,999	64	393,000	0.03
10,000 to 49,999	571	13,094,000	0.86
50,000 to 99,999	159	10,287,000	0.67
100,000 to 499,999	114	22,132,000	1.45
500,000 to 999,999	17	12,003,000	0.77
1,000,000 +	56	1,472,091,000	96.22
Total	**981**	**1,530,000,000**	**100.00**

The top 20 NZX listed bondholders of the group as at 9 August 2022 were:

Entity	Holding ($)
HSBC Nominees (New Zealand) Limited 1	198,462,000
Accident Compensation Corporation	172,500,000
Westpac New Zealand Limited	161,000,000
Citibank Nominees (New Zealand) Limited	88,141,000
HSBC Nominees (New Zealand) Limited 2	81,309,000
BNP Paribas Nominees (NZ) Limited 1	74,308,000
JPMorgan Chase Bank N.A. NZ Branch-Segregated Clients Account	71,350,000
BNP Paribas Nominees (NZ) Limited 2	67,970,000
Bank of New Zealand	46,474,000
National Nominees Limited	44,476,000
ANZ Fixed Interest Fund	39,101,000
TEA Custodians Limited Client Property Trust Account	38,333,000
Public Trust	28,500,000
Custodial Services Limited	28,480,000
ANZ Wholesale NZ Fixed Interest Fund	24,821,000
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	24,000,000
ASB Bank Limited	22,000,000
ANZ Custodial Services New Zealand Limited	21,125,000
FNZ Custodials Limited	20,042,000
Industrial and Commercial Bank of China (New Zealand) Limited	20,000,000
	1,272,392,000

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 2021) 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 IFRS 9 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 IFRS 9.

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.

Papakupu kupu

Glossary of terms

Activity
A good or service provided by, or on behalf of the group and the council.

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

Annual budget
The budget that sets out what the group and the council will be working to achieve in a financial year, how it will spend its money, the level of service to be provided, and the level of rates and other revenue required to fund that spending.

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 Ports 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
The charge representing consumption or use of an asset, assessed by spreading the asset's value over its estimated economic life. Depreciation includes amortisation of intangible assets unless otherwise stated.

Development contributions
Contributions from developers, collected by Auckland Council to help fund new infrastructure required by growth, as set out in the Local Government Act 2002.

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
Revenue received from an external agency to help fund an activity or service that the group and/or the council provide.

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
Local boards represent their local communities and make decisions on local issues, activities and facilities. There are 21 local boards which share responsibility for decision-making with the Governing Body. Each board comprises between five and nine elected members. They make decisions on local matters, provide local leadership and build strong local communities.

Local Government Act 2002 (LGA 2002)
The act 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 Crown 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 Auckland Council's vision, activities, projects, policies, and budgets for a 10-year period.

Operating expenses
Expenditure resulting from normal business operations.

Optimised replacement cost
A valuation method used to estimate the price of constructing or buying a modern equivalent asset.

Rates
A charge against the property to help fund services and assets Auckland 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.

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

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81 Hector Sanderson Road, Claris, Great Barrier Island

Helensville
49 Commercial Road, Helensville

Henderson
6 Henderson Valley Road, Henderson

Huapai
296 Main Road (SH16), Huapai

Kumeū Library
296 Main Road, Kumeū

Manukau
Ground floor, Kotuku House, 4 Osterley Way, Manukau

Orewa
50 Centreway Road, 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 Island
10 Belgium Street, Ostend, Waiheke Island

Warkworth
1 Baxter Street, Warkworth

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Auckland Council
Te Kaunihera o Tāmaki Makaurau