TE RIPOATA Ā TAU 2015/2016 Ō TE KAUNIHERA Ō TĀMAKI MAKAURAU

AUCKLAND COUNCIL

ANNUAL REPORT 2015/2016

Volume 3: Financial statements

Auckland Council
Te Kaunihera o Tāmaki Makaurau

HE 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. Tiakina kia meinga tonu ai koe ko 'Te Kāinga Noho Āhuru o 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's Most Liveable City'.
Tāmaki Makaurau tirohia te pae tawhiti he whakairinga tūmanako mō ngā uri whakaheke ō 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 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 e toro whakamua, hikina 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.	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, your dreams to glide among the stars.
Ko te oranga mutunga mōu kei tua i te taumata moana. Tūwherahia ō ringa, kūmea mai ki tō uma.	Perpetual health and growth is beyond the horizon of cresting waves. Open your arms and pull them to your embrace.
Tāmaki Makaurau he tāone ūmanga kurupounamu koe; tukua tō rongo kia rere i te ao.	Tāmaki Makaurau, you are a city where valued business and enterprise thrives; let your good name traverse the world.

Volume 3
Financial statements

KUPU WHAKATAU

Welcome to Auckland Council's Annual Report 2015/2016

Auckland Council's role is to make the region we love even better. We're creating the world's most liveable city, and delivering Aucklanders great value for money. We are here to serve Auckland and build a more prosperous city, one that gives a voice to Aucklanders and makes it a great place to live, visit and invest.

The report covers the performance of Auckland Council Group for the period 1 July 2015 to 30 June 2016. Auckland Council Group includes the council organisation, council-controlled organisations (CCOs), subsidiaries, associates and joint ventures. For more information about the group's operating structure see Volume 1.

Volume 3 contains our financial statements.

The Annual Report 2015/2016 received an unmodified audit report and was adopted by Auckland Council on 29 September 2016.

The Annual Report 2015/2016

This includes detailed disclosure information and is split into:

Volume 1: Overview and service performance

Overview information and performance against financial and non-financial targets for regional groups of activities

Volume 2: Local boards

Performance against financial and non-financial targets for local groups of activities and local boards

Volume 3: Financial statements

Financial statements

Where to find the Summary Annual Report and Annual Report 2015/2016

You can find printed copies of the Summary Annual Report and the three volumes of the Annual Report at all:

- Auckland Council libraries
- council service centres
- local board offices.

You can find the Annual Report and Summary Annual Report on our website: **aucklandcouncil.govt.nz/annualreport**

Auckland Botanic Gardens

RĀRANGI KŌRERO

Contents


Takapuna

Introduction

About this volume

This volume of the annual report contains our financial statements of the Auckland Council Group (the Group) for the year ended 30 June 2016. The Group includes Auckland Council (the council) and its council-controlled organisations (CCOs).

The Annual Report 2015/2016 received an unmodified audit report and was adopted by Auckland Council on 29 September 2016.

The references to documents and information on Auckland Council and other websites are provided solely for the convenience of the readers who may require more detailed information and none of the documents or other information on those websites forms part of the Annual Report 2015/2016.

Auckland Council is continuously evolving the Group's financial reporting. As part of this development, Auckland Council has restructured the consolidated financial statements in order to improve the clarity and usefulness of this report.

The new structure has the following sections:

A. Results of the year
B. Long-term assets
C. Borrowings and financial instruments
D. Working capital and equity
E. Financial risk management
F. Other disclosures
G. Financial reporting and prudence benchmarks
H. Local government mandatory performance measures
I. Council-controlled organisations

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

Additional signposting has been used throughout the annual report to provide readers with a clearer understanding of key information in the financial report.

In addition to signposting, accounting policies are denoted by the box surrounding them and significant judgement and estimates are denoted by green highlights. The following signposts have been used throughout this volume of the annual report:

Signposts	Explanation
	Accounting policy
	Significant judgement and estimates
	Explanation of significant variances against budget
	Local government disclosures

Introduction

Message from the Group Chief Financial Officer

As Group Chief Financial Officer I am proud of the results for the financial year just ended. I appreciate the pressures facing the Auckland region and the challenges council faces as we move forward.

The Auckland Council Group are stewards of a substantial balance sheet with total assets worth $44.7 billion, held on behalf of our Auckland communities. For the June 2016 year end, we have a solid performance result in line with our Long-term Plan (LTP) 2015-2025 projections.

Auckland continues to experience record growth in population, substantially impacting the region's infrastructure. During the year the Group invested $1.4 billion in infrastructure projects to meet both the current and future needs of our communities. This included transport, water supply, wastewater and stormwater infrastructure, as well as community facilities.

These long-term assets are funded by debt in line with our strategy to spread costs over the generations that benefit. At year end our net Group debt (after cash on hand) was $7.5 billion, $323 million below plan. The council continues to diversify its funding sources and during the year we issued debt in both NZD and AUD while at the same time continuing to raise debt through the Local Government Funding Agency. The low interest rate environment has contributed to a lower cost of funds during the course of this financial year.

We maintained our high credit ratings of AA (stable) from Standard and Poor's and Aa2 from Moody's Investor Services, confirming our prudent fiscal management and strong debt servicing capability. These continue to remain among the strongest credit ratings in New Zealand.

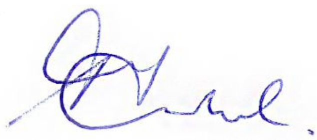
Total revenue was $3.7 billion, ahead of plan by $48 million. This was partly offset by increased expenditure, resulting in an operating surplus before gains and losses of $250 million against a planned surplus of $211 million.

We made further progress in our strategic focus area of making our size work to achieve efficiency gains and provide better value for money. Targeted savings in the LTP of a further $41 million were achieved for the 2015/2016 year on top of the previous gains of $183 million, and this is expected to increase going forward.

In the last year we achieved significant gains across our strategic procurement programme. This included renegotiating our contract with SAP to achieve $33 million of savings over the next 10 years. A review of our information technology area identified $37 million of savings to be achieved by prioritising the number of projects currently underway and stopping under-performing or non-essential projects. The review also identified $11 million of on-going annual savings. Further changes were implemented this year to reduce our reliance on external providers. We are also progressing further opportunities in joint procurement and shared services across the Group and this focus resulted in $70 million of benefits in the 2015/2016 year.

We have also initiated a review of our balance sheet. EY and Cameron Partners were engaged to identify a range of options. These reviews have generated a useful debate on how the council should finance the infrastructure and services necessary to accommodate unprecedented growth as well as what assets we should own. There will be ongoing discussion on these options over the next 12 to 18 months.

Going forward we will continue to operate in a fiscally sound and prudent manner, whilst maintaining our focus on enabling the delivery of the vision for Auckland.



Sue Tindal
Group Chief Financial Officer

Statement of compliance and responsibility

Compliance

The council and management of Auckland Council confirm that all the statutory requirements in relation to this annual report, as outlined in the Local Government Act 2002, have been met.

Responsibility

The council and management of Auckland Council accept responsibility for the preparation and completion of the financial statements and the judgements used in them, and hereby adopt the financial statements as presented.

The council and management of Auckland Council Group accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of Auckland Council the annual report for the year ended 30 June 2016 presents fairly the financial performance, financial position and service performance of Auckland Council Group and Auckland Council.

Len Brown
Mayor
29 September 2016

Stephen Town
Chief Executive
29 September 2016

Statement of comprehensive revenue and expenditure
For the year ended 30 June 2016

$million	Note	Group Actual 2016	Group Budget 2016	Group Actual 2015	Council Actual 2016	Council Budget 2016	Council Actual 2015
Revenue							
Rates		1,564	1,571	1,458	1,574	1,584	1,470
Fees and user charges		1,083	1,143	1,030	243	230	221
Grants and subsidies		404	427	425	22	28	57
Development and financial contributions		131	165	107	131	165	107
Other revenue		260	176	253	179	166	222
Vested assets		247	170	268	64	60	85
Finance revenue		16	5	17	100	103	111
Total revenue excluding other gains	A1	**3,705**	**3,657**	**3,558**	**2,313**	**2,336**	**2,273**
Expenditure							
Employee benefits	A3	803	771	792	484	481	489
Depreciation and amortisation	B1, B2	828	823	778	237	234	220
Grants, contributions and sponsorship	A2	126	128	150	909	971	644
Other operating expenses	A2	1,281	1,283	1,336	516	479	582
Finance costs	A5	417	441	422	360	376	364
Total expenditure excluding other losses		**3,455**	**3,446**	**3,478**	**2,506**	**2,541**	**2,299**
Operating surplus/(deficit) before gains and losses		**250**	**211**	**80**	**(193)**	**(205)**	**(26)**
Net other losses	A6	(552)	-	(230)	(443)	-	(176)
Share of surplus in associates and joint ventures		63	43	54	-	-	1
(Deficit)/surplus before income tax		**(239)**	**254**	**(96)**	**(636)**	**(205)**	**(201)**
Income tax (benefit)/expense	A7	(8)	28	(24)	-	-	-
(Deficit)/surplus after income tax		**(231)**	**226**	**(72)**	**(636)**	**(205)**	**(201)**
(Deficit)/surplus after income tax is attributable to							
Ratepayers of Auckland		(231)	226	(72)	(636)	(205)	(201)
Other comprehensive revenue/ (expenditure)							
Net gain on revaluation of property, plant and equipment		1,626	5	1,031	1,156	-	768
Tax on revaluation of property, plant and equipment		(4)	-	(74)	-	-	-
Movement in cashflow hedge reserve		(9)	-	37	-	-	-
Tax on movement in cash flow hedge reserve		2	-	1	-	-	-
Share of associates and joint ventures' reserves		171	-	16	-	-	-
Net unrealised gain/(loss) on revaluation of financial assets classified as available-for-sale		2	-	(1)	-	-	-
Total other comprehensive revenue		**1,788**	**5**	**1,010**	**1,156**	**-**	**768**
Total comprehensive revenue/ (expenditure)		**1,557**	**231**	**938**	**520**	**(205)**	**567**
Total comprehensive revenue/(expenditure) is attributable to							
Ratepayers of Auckland		1,557	231	938	520	(205)	567

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.

Statement of financial position
As at 30 June 2016

$million	Note	Group Actual 2016	Group Budget 2016	Group Actual 2015	Council Actual 2016	Council Budget 2016	Council Actual 2015
Assets							
Current assets							
Cash and cash equivalents	D1	137	240	345	103	225	282
Receivables and prepayments	D2	275	244	258	181	140	250
Other financial assets	C3	389	366	350	473	501	372
Derivative financial instruments	C2	-	1	2	-	39	1
Inventories		28	23	16	8	5	5
Tax receivable		1	-	14	-	-	-
Non-current assets held-for-sale		43	67	28	32	65	23
Total current assets		**873**	**941**	**1,013**	**797**	**975**	**933**
Non-current assets							
Receivables and prepayments	D2	24	94	25	16	85	18
Other financial assets*	C3	128	133	111	1,653	1,864	1,793
Derivative financial instruments	C2	263	94	200	255	98	198
Property, plant and equipment	B1	41,156	39,766	38,897	13,410	12,077	12,064
Intangible assets	B2	478	486	469	287	248	297
Biological assets		2	2	2	2	2	2
Investment property	B3	681	457	560	121	94	102
Investment in subsidiaries*	F2	-	-	-	21,080	20,622	20,800
Investment in associates and joint ventures	F2	1,074	853	890	14	5	18
Total non-current assets		**43,806**	**41,885**	**41,154**	**36,838**	**35,095**	**35,292**
Total assets		**44,679**	**42,826**	**42,167**	**37,635**	**36,070**	**36,225**
Liabilities							
Current liabilities							
Bank overdraft	D1	9	-	8	-	-	-
Payables and accruals	D3	607	717	649	540	515	596
Employee entitlements	D4	90	82	85	53	49	51
Borrowings	C1	1,447	1,491	1,006	1,169	1,275	666
Derivative financial instruments	C2	7	41	2	2	40	1
Provisions	D5	101	61	88	99	60	82
Other current liabilities		-	-	-	-	21	-
Total current liabilities		**2,261**	**2,392**	**1,838**	**1,863**	**1,960**	**1,396**
Non-current liabilities							
Payables and accruals	D3	45	52	45	22	57	23
Employee entitlements	D4	5	5	5	2	2	2
Borrowings	C1	6,164	6,556	6,328	5,772	5,901	5,890
Derivative financial instruments	C2	1,207	236	485	901	173	327
Provisions	D5	290	259	320	285	258	317
Deferred tax liabilities	F1	1,055	1,112	1,067	-	-	-
Total non-current liabilities		**8,766**	**8,220**	**8,250**	**6,982**	**6,391**	**6,559**
Total liabilities		**11,027**	**10,612**	**10,088**	**8,845**	**8,351**	**7,955**
Net assets		**33,652**	**32,214**	**32,079**	**28,790**	**27,719**	**28,270**
Equity							
Contributed equity	D6	26,728	26,734	26,728	26,569	26,569	26,569
Accumulated funds	D6	290	921	517	(633)	(235)	20
Reserves	D6	6,634	4,559	4,834	2,854	1,385	1,681
Total equity		**33,652**	**32,214**	**32,079**	**28,790**	**27,719**	**28,270**

*Total investments in CCOs and entities listed in Local Government Act (LGA) 2002 section 6(4) for 2016 for the Group is $6 million (2015: $4 million) and for the council is $21 billion (2015: $21 billion). These investments are included in other financial assets and investment in subsidiaries.

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

Statement of changes in equity
For the year ended 30 June 2016

Group

$million	Note	Contributed equity	Accumulated funds	Reserves	Total equity	Budget*
Balance as at 1 July 2014		**26,734**	**586**	**3,825**	**31,145**	**30,055**
Deficit after income tax		-	(72)	-	(72)	(14)
Other comprehensive revenue		-	-	1,010	1,010	661
Total comprehensive (expenditure)/revenue		**-**	**(72)**	**1,010**	**938**	**647**
Deconsolidation of subsidiaries		(6)	(17)	-	(23)	-
Found assets		-	19	-	19	-
Transfers to/(from) reserves	D6	-	1	(1)	-	-
Balance as at 30 June 2015	D6	**26,728**	**517**	**4,834**	**32,079**	**30,702**
Balance as at 1 July 2015		**26,728**	**517**	**4,834**	**32,079**	**31,983**
Deficit after income tax		-	(231)	-	(231)	226
Other comprehensive revenue		-	-	1,788	1,788	5
Total comprehensive (expenditure)/revenue		**-**	**(231)**	**1,788**	**1,557**	**231**
Found assets		-	16	-	16	-
Transfers (from)/to reserves	D6	-	(12)	12	-	-
Balance as at 30 June 2016	D6	**26,728**	**290**	**6,634**	**33,652**	**32,214**

Council

$million	Note	Contributed equity	Accumulated funds	Reserves	Total equity	Budget*
Balance as at 1 July 2014		**26,569**	**228**	**906**	**27,703**	**26,742**
Deficit after income tax		-	(201)	-	(201)	(50)
Other comprehensive revenue		-	-	768	768	360
Total comprehensive (expenditure)/revenue		**-**	**(201)**	**768**	**567**	**310**
Transfers (from)/to reserves	D6	-	(7)	7	-	-
Balance as at 30 June 2015	D6	**26,569**	**20**	**1,681**	**28,270**	**27,052**
Balance as at 1 July 2015		**26,569**	**20**	**1,681**	**28,270**	**27,924**
Deficit after income tax		-	(636)	-	(636)	(205)
Other comprehensive revenue		-	-	1,156	1,156	-
Total comprehensive (expenditure)/revenue		**-**	**(636)**	**1,156**	**520**	**(205)**
Transfers (from)/to reserves	D6	-	(17)	17	-	-
Balance as at 30 June 2016	D6	**26,569**	**(633)**	**2,854**	**28,790**	**27,719**

*The opening balances as at 1 July 2015 were updated in the LTP 2015-2025 based on the most up-to-date forecast information.

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

Statement of cash flows

For the year ended 30 June 2016

		Group			Council		
$million	**Note**	**Actual 2016**	**Budget 2016**	**Actual 2015**	**Actual 2016**	**Budget 2016**	**Actual 2015**
Cash flows from operating activities							
Receipts from customers, rates, grants and other services		3,453	3,448	3,247	2,081	2,066	2,048
Interest received		13	5	19	12	103	95
Dividends received		49	43	63	72	66	101
Payments to suppliers and employees		(2,324)	(2,209)	(2,212)	(1,874)	(1,964)	(1,637)
Income tax paid		-	(12)	-	-	-	-
Interest paid		(420)	(428)	(391)	(366)	(364)	(345)
Net cash inflow/(outflow) from operating activities	F5	**771**	**847**	**726**	**(75)**	**(93)**	**262**
Cash flows from investing activities							
Repayment of loans to related parties		-	-	-	24	-	194
Advances of loans to related parties		-	-	-	(232)	(213)	(379)
Sale of property, plant and equipment, investment property and intangible assets		22	69	33	21	69	28
Purchase of property, plant and equipment, investment property and intangible assets		(1,340)	(1,802)	(1,490)	(377)	(554)	(386)
Equity investment in subsidiaries and associates		-	-	-	-	-	(579)
Acquisition of other financial assets		(76)	(4)	(7)	(64)	(5)	(31)
Proceeds from sale of other financial assets		59	17	23	62	20	37
Advances to external parties		(3)	(9)	(4)	(3)	(9)	(3)
Proceeds from community loan repayments		-	-	-	-	-	-
Net cash outflow from investing activities		**(1,338)**	**(1,729)**	**(1,445)**	**(569)**	**(692)**	**(1,119)**
Cash flows from financing activities							
Proceeds from borrowings		1,994	1,943	2,797	958	1,671	1,937
Repayment of borrowings		(1,635)	(1,069)	(1,943)	(493)	(886)	(955)
Repayment of finance lease principal		(1)	-	-	-	-	-
Net cash inflow from financing activities		**358**	**874**	**854**	**465**	**785**	**982**
Net (decrease)/increase in cash and cash equivalents		**(209)**	**(8)**	**135**	**(179)**	**-**	**125**
Opening cash and cash equivalents		337	248	202	282	225	157
Closing cash and cash equivalents	D1	**128**	**240**	**337**	**103**	**225**	**282**

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

Basis of reporting

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies are also included in the related note disclosures.

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

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

The council is a FMC Reporting Entity under the Financial Market Conducts Act (FMCA) 2013.

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

The Auckland Council Group (the Group) consists of the council, its CCOs, associates and joint ventures. A summary of substantive CCOs[1] is provided on the following page. Other significant entities are listed in Note F2. All entities are domiciled in New Zealand.

The primary objective of the Group 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 financial instruments which have been measured at fair value (Note C2), 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) and are 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 invoiced.

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 are found in the following notes:

Note B1: Property, plant and equipment
Note C2: Derivative financial instruments
Note D5: Provisions

Budget figures

The budget figures presented in the Group's Annual Report are those included in the LTP 2015-2025 adopted by the council on 25 June 2015 and are consistent with the policies used to prepare the financial statements.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items in the Group on a line-by-line basis. Transactions and balances between the council and its CCOs are eliminated on consolidation. Investment in CCOs and other subsidiaries held by the council, as disclosed in Note F2, is carried at cost less any accumulated impairment. Where necessary, adjustments are made to the financial statements of CCOs to bring their accounting policies in line with the Group.

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

Basis of reporting

The substantive CCOs of the Group comprise the following:

Name	Principal activity and nature of relationship where there is no direct ownership	Percentage ownership % 2016	Percentage ownership % 2015
Auckland Council Investments Limited (ACIL)	Holds and manages the Group's major investments, including: • Ports of Auckland Ltd (POAL) (100% owned) • Auckland International Airport Ltd (22.4% owned).	100	100
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 LGA 2002 as if the council is its sole shareholder.*	*	*
Watercare Services Limited (Watercare)	Owns and manages the Auckland region's water and wastewater assets. *Watercare is restricted by LGACA 2009 section 57(1)(b) from paying any dividend or distributing any surplus directly or indirectly to the council.*	100	100
Auckland Tourism, Events and Economic Development Limited	Manages projects for economic development, tourism and events promotion in the Auckland region.	100	100
Regional Facilities Auckland	Supports and promotes the engagement of the Auckland community in arts, culture, heritage, leisure, sports and entertainment activities and develops, owns and manages the venues for these activities. **Regional Facilities Auckland is a charitable trust of which Regional Facilities Auckland Ltd, a 100% owned subsidiary of the council, is the sole trustee.*	*	*
Development Auckland Limited[1] *(trading as Panuku Development Auckland formerly Auckland Waterfront Development)*	Facilitate the redevelopment of urban locations. Contribute to accommodating residential and commercial growth. Optimisation of council's property portfolio. Continue to lead the development of the Auckland waterfront. *[1]From September 2015, Auckland Council Property Limited was merged with Auckland Waterfront Development Agency Limited and renamed to Development Auckland Limited.*	100	100
Auckland Council Property Limited[1]	Manages the council's commercial properties. *[1]From September 2015, Auckland Council Property Limited was merged with Auckland Waterfront Development Agency Limited and renamed Development Auckland Limited (refer to Development Auckland Limited above).*	-	100

Implementation of amended standards
Effective 30 June 2016, the Group has early adopted the disclosure initiatives resulting from the amendments to PBE IPSAS 1 *Presentation of financial statements.* The adoption of the amendments has encouraged Auckland Council to change the structure of the financial statements. Significant accounting policies are also inserted to relevant notes.

There are no new amendments to the existing standards that are expected to have material impact to the Group's financial statements.

Section A: Results of the year

This section focuses on the performance of the Group during the year. This highlights the rates and other revenue earned and how these are applied against our major expenses such as employee benefits and finance costs.

The notes in the section are as follows:

A1 Revenue

A2 Operating expenses

A3 Employee benefits

A4 Depreciation and amortisation

A5 Finance costs

A6 Net other gains and losses

A7 Income tax

Section A: Results of the year

A1 Revenue

Accounting policy

The Group receives its revenue from exchange or non-exchange transactions. Exchange transaction revenue arises when the Group provides goods or services to a third party and directly receives approximately equal value in return. Non-exchange transaction revenue arises when the Group receives value from another party without giving approximately equal value directly in exchange for the value received. Non-exchange revenue comprises rates and transfer revenue. Transfer revenue includes grants and subsidies and fees and user charges derived from activities that are partially funded by rates. Revenue is measured at fair value which is usually the cash value of a transaction.

Type	Recognition & measurement
Rates	In full at point of issuance of the ratings notice and measured at the amount assessed, which is the fair value of the cash received or receivable.
Grants	When they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded at fair value as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
Development contributions	When the council is capable of providing the service for which the contribution was levied.
Financial contributions	When they are expended on the activity for which the contribution was levied.
Vested assets[1]	When control of the asset is transferred to the Group at its fair value.
Fines and infringements	When the infringement notice is issued.
Finance revenue[2]	Using the effective interest method.
Dividend revenue	When the Group's right to receive the dividend is established.
Fees and user charges	
Water and wastewater	When invoiced or accrued in the case of unbilled services at fair value of cash received or receivable.
Sale of goods	When the substantial risks and rewards of ownership have been passed to the buyer.
Sale of services	On a percentage of completion basis over the period of the service supplied.
Port operations	In the period the services are rendered, by reference to the percentage of completion of the specific transaction.
Consents	By reference to the percentage of completion of the transaction at balance date based on the actual service rendered.
Licences and permits	On receipt of application as these are non-refundable.

[1] Arise when property developers undertake development which requires them to build infrastructure in the development area. When the development is complete these are vested to the Group.

[2] Includes interest revenue and realised gains from the early close-out of derivative positions.

Section A: Results of the year

A1 Revenue (continued)

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

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Revenue from non-exchange transactions:				
Revenue from rates				
General	1,391	1,343	1,401	1,355
Targeted	172	105	172	105
Penalties	15	17	15	17
Rates remissions	(11)	(5)	(11)	(5)
Discounts	(3)	(2)	(3)	(2)
Total revenue from rates	**1,564**	**1,458**	**1,574**	**1,470**
Revenue from transfers				
Sales of goods and services	194	166	83	70
Vested assets	247	268	64	85
Fines and infringements	32	35	3	4
Consents, licences and permits	157	138	156	136
Capital grants	153	139	10	7
Operating grants	251	286	12	50
Other transfer revenue	94	61	57	49
Total revenue from transfers	**1,128**	**1,093**	**385**	**401**
Total revenue from non-exchange transactions	**2,692**	**2,551**	**1,959**	**1,871**
Revenue from exchange transactions:				
Water and wastewater	443	418	-	-
Sales of goods and services	51	59	1	13
Port operations	204	213	-	-
Development and financial contributions	131	107	131	107
Finance revenue	16	17	100	111
Dividends received	27	20	94	97
Other exchange revenue	141	173	28	74
Total revenue from exchange transactions	**1,013**	**1,007**	**354**	**402**
Total revenue	**3,705**	**3,558**	**2,313**	**2,273**

The annual rates revenue of the council for the year ended 30 June 2016 for the purposes of the Local Government Funding Agency Ltd (LGFA) Guarantee and Indemnity Deed disclosure is $1.6 billion (2015: $1.5 billion). Refer to note F3 for further information.

Section A: Results of the year

A1 Revenue (continued)

Explanation of significant variances against budget

	Group		Council	
2016 $million	**Actual**	**Budget**	**Actual**	**Budget**
Total revenue	3,705	3,657	2,313	2,336

Group

Total revenue was $48 million above budget primarily driven by:

- vested assets $77 million above budget due to additional developments completed in this financial year which were not expected or fully budgeted for;
- other revenue includes dividends received from investment portfolio $24 million not fully budgeted for;

This is partly offset by:

- development and financial contributions $34 million below budget due to a number of development agreements that remained unfinalised as at 30 June 2016 which will be carried over to the next financial year; and
- grants and subsidies $23 million below budget due to reduced capital funding requirement as a result of lower capital expenditure.

Parent

Total revenue was $23 million below budget primarily driven by:

- lower penalties as a result of more efficient collection and a one off remission of the waste management targeted rate not budgeted in the LTP;
- development and financial contributions down $34 million as a result of development projects that remain unfinalised as at 30 June 2016 and will be carried forward to 2017;
- capital grants down $5 million due to two town centre upgrade projects being funded via sale of assets;

This is partly offset by:

- higher consent revenue $13 million due to growth in number of consents issued and number of inspections carried out.

Local government disclosures

The council's rating base information relating to preceding financial year as at 30 June 2015 follows:

	2015
Number of rating units	536,549
Total capital value of rating units (in $million)	481,131
Total land value of rating units (in $million)	301,517

Section A: Results of the year

A2 Operating expenses

Accounting policies

Grants and subsidies

Where grants and subsidies are discretionary, the expense is recognised when the Group has advised its decision to pay and when conditions, if any, are satisfied. Non-discretionary grants are recognised on receipt of application that meets the specified criteria.

Impairment of property, plant and equipment and intangible assets

The initial measurement on property, plant and equipment and intangible assets are disclosed in Notes B1 and B2.

Intangible assets subsequently measured at cost that have indefinite useful life are tested annually for impairment. Property, plant and equipment and intangible assets subsequently measured at cost that have finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication exists, the Group estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is recognised in surplus or deficit for the amount by which the asset's carrying amount exceeds its recoverable amount.

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.

Property, plant and equipment that is measured at fair value, is not required to be separately tested for impairment.

Operating expenses include:

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Grants, contributions and sponsorship	126	150	909	644
Goods and services	535	539	121	123
Consultancy and professional services	174	161	99	89
Repairs and maintenance	243	236	112	109
Utilities and occupancy	81	85	46	47
Rental and lease	42	33	28	18
Impairment of receivables	2	5	-	4
Fees paid to elected members	10	10	10	10
Audit fees	4	4	1	2

Explanation of significant variances against budget

	Group		Council	
2016 $million	**Actual**	**Budget**	**Actual**	**Budget**
Other operating expenses	1,281	1,283	516	479

Parent

Other operating expense were higher than budget by $37 million primarily driven by:

- higher consultancy costs mainly due to higher consenting volumes and additional work required for the unitary plan.

Section A: Results of the year

A2 Operating expenses (continued)

Fees to auditors
The following fees were charged for the services provided by the auditors of the Group:

	Group		Council	
$000	**2016**	**2015**	**2016**	**2015**
Audit of financial statements	**3,326**	**3,096**	**1,130**	**1,102**
Other assurance-related services:				
Review of half-year financial statements	277	222	111	105
Agreed upon procedures on foreign borrowings	43	50	43	47
Required by legislation:				
Review of service performance	60	160	60	105
Audit of Long-term Plan	-	647	-	647
	381	**1,079**	**214**	**904**
Other services:				
Tax consultancy services	-	4	-	-
Other*	81	15	60	-
Total fees to auditors	**3,788**	**4,194**	**1,404**	**2,006**

*includes $60,000 advisory services for Housing for Older People arrangement and $21,000 other assurance and attestation services relates to ERP systems and negative pledge reporting.

A3 Employee benefits

Accounting policy

Employee entitlements for salaries and wages, annual leave, long service leave and other similar benefit are recognised as an expense and liability when they accrue to employees.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Salaries and wages	741	725	454	456
Contributions to defined contribution schemes	20	19	12	11
Termination benefits	8	9	7	5
Other	34	39	11	17
Total employee benefits	**803**	**792**	**484**	**489**

Refer to Note D4 for employee entitlement liability as at 30 June 2016 and 30 June 2015 and Note F4a for further information on the remuneration of key management personnel and elected representatives.

Explanation of significant variances against budget

	Group		Council	
2016 $million	**Actual**	**Budget**	**Actual**	**Budget**
Employee benefits	803	771	484	481

Group
Employee benefits were $32 million above budget. This was driven by:

- $20 million of budget reclassification resulting in items previously budgeted in other operating expenses and revenue recorded in employee benefits;
- $8 million due to 1% average increase in salary and wages; and
- $4 million due to the increase of FTEs to deliver major initiatives such as the City Rail Link, the World Masters Games and Auckland Conventions, and to meet additional demand for consenting activities.

Section A: Results of the year

A4 Depreciation and amortisation

Accounting policy

Depreciation is provided on all property, plant and equipment except for land and works of art. 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

Under the Local Government (Financial Reporting and Prudence) Regulations 2014, the Group is required to disclose depreciation and amortisation by group of activities.

$million	2016	2015
Regional planning	2	1
Waterfront development	9	9
Economic growth and visitor economy	1	1
Regional facilities	25	26
Regulation	2	2
Solid waste and environmental services	3	3
Stormwater management	56	50
Investment	24	21
Organisational support	94	87
Regional community services	17	19
Local community services	1	1
Regional parks, sport and recreation	54	54
Local parks, sport and recreation	10	3
Public transport and travel demand management	72	58
Roads and footpaths	235	228
Parking and enforcement	8	7
Water supply	96	92
Wastewater treatment and disposal	119	116
Total depreciation and amortisation (Notes B1 and B2)	**828**	**778**

A5 Finance costs

Accounting policy

Finance costs include interest expense, the unwinding of discounts on provisions and financial assets; and net realised losses on the early close-out of derivatives. Interest expense is recognised using the effective interest rate method. Interest expense includes the amortisation of borrowing costs recognised over the borrowing term.

	Group		Council	
$million	2016	2015	2016	2015
Interest	398	388	345	331
Interest expense on provisions measured at amortised cost (refer Note D5)	12	16	12	16
Net loss on early close-out of swaps	5	15	2	15
Other	2	3	1	2
Total finance costs	**417**	**422**	**360**	**364**

Refer to Note E2 about the description of interest rate risk and interest rate risk management.

Section A: Results of the year

A5 Finance costs (continued)

Explanation of significant variances against budget

	Group		Council	
2016 $million	**Actual**	**Budget**	**Actual**	**Budget**
Finance costs	417	441	360	376

Group

Finance costs were $24 million below budget due to favourable interest rate movements and lower debt level as compared to budget.

A6 Net other gains and losses

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Reversal of previously recognised impairment	-	1	-	-
Net increase in fair value of investment property	62	61	17	9
Net decrease in financial instruments designated at fair value through surplus/(deficit)	(15)	-	(15)	-
Net decrease in derivative financial instruments	(661)	(141)	(523)	(52)
Net foreign exchange (losses)/gains recognised in surplus/(deficit) on financial instruments held at amortised cost	122	(138)	121	(138)
Net (losses)/gains on disposal of property, plant and equipment and intangible assets	(49)	(13)	(34)	5
Impairment of property, plant and equipment and intangible assets	(10)	-	(10)	-
Impairment of investment in subsidiaries, associates and joint ventures	(1)	-	-	-
Total net other losses	**(552)**	**(230)**	**(443)**	**(176)**

Explanation of significant variances against budget

2016 $million	**Actual**	**Budget**	**Actual**	**Budget**
Net other losses	(552)	-	(443)	-

Net other losses of the Group of $552 million and of the council of $443 million are mainly driven by the net movement in the fair value of financial assets and financial liabilities, which are non-cash items, as a result of the volatility in interest rates over the financial year.

Section A: Results of the year

A7 Income tax

Accounting policy

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

Income tax comprises current tax and deferred tax calculated using the tax rate that has been enacted or substantively enacted by the reporting 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, in which case, the current and deferred tax are also 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 F1 for information on deferred tax assets and liabilities.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Components of income tax (benefit)/expense				
Current tax	6	(8)	-	-
Deferred tax	(14)	(16)	-	-
Total income tax (benefit)/expense	**(8)**	**(24)**	**-**	**-**
Relationship between income tax and accounting surplus/(deficit)				
Net deficit before tax	(239)	(96)	(636)	(201)
Surplus from non-taxable activities	613	303	636	201
Surplus before tax	**374**	**207**	**-**	**-**
Prima facie income tax at 28% (2015: 28%)	105	58	-	-
Prior period adjustment	-	-	-	-
Tax effect of permanent differences	(91)	(61)	-	-
Associates' income net of tax	(18)	-	-	
Loss offset net of group losses utilised	9	3	-	-
De-recognition of deferred tax assets	1	1	-	-
Tax credits	(14)	(13)	-	-
Timing differences	-	3	-	-
Reversal of tax liability for prior year tax loss offsets	(9)	(8)	-	-
Other adjustments	10	(7)	-	-
Total income tax benefit	**(8)**	**(24)**	**-**	**-**

Imputation credit

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Imputation credits available for use in subsequent reporting periods	105	151	-	-

A consolidated income tax Group was formed from 1 July 2013. Significant entities in the Group are included with the exception of Watercare. The $105 million (2015: $151 million) of imputation credits relates to the consolidated financial Group. The total imputation credit available for use by each of the members of the consolidated income tax Group amount is $75 million (2015: $121 million).

Section B: Long-term assets

This section provides information about the investments the Group has made in long-term assets to provide services and facilities to the people of Auckland. The 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

Section B: Long-term assets

B1 Property, plant and equipment

Accounting policy

The property, plant and equipment of the Group are classified into three categories:

- **Infrastructure assets** include land under roads and systems and networks integral to the city's infrastructure and 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 for administration, as a community service or as a business activity. Other operational assets include landfills, motor vehicles, office equipment, library books and furniture and fittings; and,
- **Restricted assets** include property and improvement where the use or transfer of title outside of the Group is legally restricted.

Initial recognition and subsequent measurement

Property, plant and equipment is recognised initially at cost, unless acquired through a non-exchange transaction, in which case the asset is recognised at fair value at the date of acquisition. 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. Capital work in progress is recognised at cost less impairment 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	Indefinite	Marina structures	40-100
Roads	10-120	Rolling stock	2-35
Water and wastewater	3-200	Wharves	2-100
Machinery	3-200	Works of art	Indefinite
Storm water	10-200	Heritage assets	various
Other infrastructure	10-120	Other operational	1-100
Operational		**Restricted**	
Land	Indefinite	Parks and reserves	Indefinite
Buildings	1-101	Buildings	5-90
Train stations	5-99	Improvements	3-100
Bus stations and shelters	10-99		

Disposals

Gains and losses on 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.

Section B: Long-term assets

B1 Property, plant and equipment (continued)

	Opening balance			Current year movements							Closing balance		
	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount	Transfers from capital work in progress	Additions	Depreciation (Note A4)	Impairment	Disposals	Transfers*	Revaluations, net of accumulated depreciation	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount
Group 2016	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**
Infrastructure													
Roads	8,184	(224)	7,960	302	-	(235)	-	-	10	-	8,496	(459)	8,037
Water and waste water	6,872	(1)	6,871	189	-	(149)	-	(7)	-	-	7,054	(150)	6,904
Machinery	945	(1)	944	37	-	(49)	-	(1)	(3)	-	979	(51)	928
Storm water	4,149	-	4,149	105	-	(45)	-	(2)	-	-	4,253	(46)	4,207
Land	5,889	-	5,889	114	-	-	-	-	296	-	6,299	-	6,299
Work in progress	714	-	714	(760)	896	-	-	-	-	-	850	-	850
Other	3	-	3	13	-	-	-	(2)	(11)	-	3	-	3
	26,756	**(226)**	**26,530**	**-**	**896**	**(478)**	**-**	**(12)**	**292**	**-**	**27,934**	**(706)**	**27,228**
Operational													
Land and buildings	4,679	(93)	4,586	157	-	(75)	-	(45)	(309)	885	5,213	(14)	5,199
Train stations	532	(41)	491	3	-	(22)	-	-	2	51	548	(23)	525
Bus stations and shelters	51	(2)	49	2	-	(3)	-	-	11	-	68	(9)	59
Marina structures	136	(9)	127	3	-	(3)	-	-	(5)	-	135	(13)	122
Rolling stock	434	(22)	412	54	-	(17)	-	(2)	1	-	487	(39)	448
Wharves	340	-	340	27	-	(9)	-	(1)	19	-	385	(9)	376
Works of art	267	-	267	3	-	-	-	(1)	2	-	271	-	271
Specified cultural and heritage	151	-	151	-	-	-	-	-	(1)	-	150	-	150
Work in progress	351	-	351	(348)	376	-	-	-	-	-	379	-	379
Other	826	(333)	493	99	-	(86)	-	(7)	(21)	-	876	(398)	478
	7,767	**(500)**	**7,267**	**-**	**376**	**(215)**	**-**	**(56)**	**(301)**	**936**	**8,512**	**(505)**	**8,007**
Restricted													
Parks, reserves and buildings	4,162	(2)	4,160	115	-	(3)	-	-	-	690	4,962	-	4,962
Improvements	982	(177)	805	117	-	(51)	-	-	2	-	1,099	(226)	873
Work in progress	135	-	135	(232)	183	-	-	-	-	-	86	-	86
	5,279	**(179)**	**5,100**	**-**	**183**	**(54)**	**-**	**-**	**2**	**690**	**6,147**	**(226)**	**5,921**
Total group	**39,802**	**(905)**	**38,897**	**-**	**1,455**	**(747)**	**-**	**(68)**	**(7)**	**1,626**	**42,593**	**(1,437)**	**41,156**

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

Section B: Long-term assets

B1 Property, plant and equipment (continued)

	Opening balance			Current year movements							Closing balance		
	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount	Transfers from capital work in progress	Additions	Depreciation (Note A4)	Impairment	Disposals	Transfers*	Revaluations, net of accumulated depreciation	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount
Group 2015	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Infrastructure													
Roads	7,723	(2)	7,721	455	-	(222)	-	(2)	8	-	8,184	(224)	7,960
Water and waste water	6,651	(141)	6,510	245	-	(135)	-	(4)	(4)	259	6,872	(1)	6,871
Machinery	1,005	(52)	953	58	-	(50)	-	(1)	4	(20)	945	(1)	944
Storm water	3,629	(79)	3,550	97	-	(41)	-	(1)	124	420	4,149	-	4,149
Land	5,821	–	5,821	136	-	-	-	(6)	(62)	-	5,889	-	5,889
Work in progress	896	–	896	(998)	816	-	-	-	-	-	714	-	714
Other	81	(3)	78	7	-	(1)	-	-	(81)	-	3	-	3
	25,806	**(277)**	**25,529**	**-**	**816**	**(449)**	**-**	**(14)**	**(11)**	**659**	**26,756**	**(226)**	**26,530**
Operational													
Land and buildings	4,487	(24)	4,463	186	-	(73)	-	(45)	55	-	4,679	(93)	4,586
Train stations	484	(26)	458	49		(15)	-	-	-	-	532	(41)	491
Bus stations and shelters	46	-	46	4		(2)	-	-	-	-	51	(2)	49
Marina structures	131	(6)	125	5	-	(3)	-	-	-	-	136	(9)	127
Rolling stock	157	(14)	143	288	-	(14)	-	(5)	-	-	434	(22)	412
Wharves	323	(11)	312	10	-	(7)	-	(2)	3	24	340	-	340
Works of art	265	-	265	2	-	-	-	-	-	-	267	-	267
Specified cultural and heritage	151	-	151	-	-	-	-	-	-	-	151	-	151
Work in progress	385	-	385	(724)	690	-	-	-	-	-	351	-	351
Other	664	(255)	409	180	-	(94)	-	6	(8)	-	826	(333)	493
	7,093	**(336)**	**6,757**	**-**	**690**	**(208)**	**-**	**(46)**	**50**	**24**	**7,767**	**(500)**	**7,267**
Restricted													
Parks, reserves and buildings	3,721	-	3,721	58	-	(2)	-	(1)	36	348	4,162	(2)	4,160
Improvements	907	(132)	775	75	-	(45)	-	-	-	-	982	(177)	805
Work in progress	124	-	124	(133)	144	–	-	-	-	-	135	-	135
	4,752	**(132)**	**4,620**	**-**	**144**	**(47)**	**-**	**(1)**	**36**	**348**	**5,279**	**(179)**	**5,100**
Total group	**37,651**	**(745)**	**36,906**	**-**	**1,650**	**(704)**	**-**	**(61)**	**75**	**1,031**	**39,802**	**(905)**	**38,897**

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

Section B: Long-term assets

B1 Property, plant and equipment (continued)

	Opening balance			Current year movements							Closing balance		
	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount	Transfers from capital work in progress	Additions	Depreciation	Impairment	Disposals	Transfers*	Revaluations, net of accumulated depreciation	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount
Council 2016	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**
Infrastructure													
Storm water	4,144	-	4,144	105	-	(46)	-	(2)	-	-	4,247	(46)	4,201
Work in progress	90	-	90	(118)	119	-	-	-	-	-	91	-	91
Other	4	(1)	3	13	-	-	-	(2)	(11)	-	3	-	3
	4,238	**(1)**	**4,237**	**-**	**119**	**(46)**	**-**	**(4)**	**(11)**	**-**	**4,341**	**(46)**	**4,295**
Operational													
Land and buildings	2,308	(45)	2,263	101	-	(46)	-	(43)	8	466	2,750	(1)	2,749
Works of art	6	-	6	2	-	-	-	-	2	-	10	-	10
Specified cultural and heritage	151	-	151	-	-	-	-	-	-	-	151	-	151
Work in progress	160	-	160	(154)	123	-	-	-	-	-	129	-	129
Other	336	(180)	156	51	-	(39)	-	(7)	2	-	380	(217)	163
	2,961	**(225)**	**2,736**	**-**	**123**	**(85)**	**-**	**(50)**	**12**	**466**	**3,420**	**(218)**	**3,202**
Restricted													
Parks, reserves and buildings	4,153	(2)	4,151	115	-	(3)	-	(5)	5	690	4,953	-	4,953
Improvements	982	(177)	805	117	-	(51)	-	-	2	-	1,099	(226)	873
Work in progress	135	-	135	(232)	184	-	-	-	-	-	87	-	87
	5,270	**(179)**	**5,091**	**-**	**184**	**(54)**	**-**	**(5)**	**7**	**690**	**6,139**	**(226)**	**5,913**
Total council	**12,469**	**(405)**	**12,064**	**-**	**426**	**(185)**	**-**	**(59)**	**8**	**1,156**	**13,900**	**(490)**	**13,410**

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

Section B: Long-term assets

B1 Property, plant and equipment (continued)

	Opening balance			Current year movements							Closing balance		
	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount	Transfers from capital work in progress	Additions	Depreciation	Impairment	Disposals	Transfers*	Revaluations, net of accumulated depreciation	Cost/ valuation	Accumulated depreciation and impairment	Carrying amount
Council 2015	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Infrastructure													
Storm water	3,623	(79)	3,544	97	-	(41)	-	-	124	420	4,144	-	4,144
Land	73	-	73	9	-	-	-	-	(82)	-	-	-	-
Work in progress	87	-	87	(113)	116	-	-	-	-	-	90	-	90
Other	81	(3)	78	7	-	(1)	-	-	(81)	-	4	(1)	3
	3,864	**(82)**	**3,782**	**-**	**116**	**(42)**	**-**	**-**	**(39)**	**420**	**4,238**	**(1)**	**4,237**
Operational													
Land and buildings	2,224	(4)	2,220	72	-	(42)	-	(11)	24	-	2,308	(45)	2,263
Works of art	6	-	6	-	-	-	-	-	-	-	6	-	6
Specified cultural and heritage	151	-	151	-	-	-	-	-	-	-	151	-	151
Work in progress	122	-	122	(115)	153	-	-	-	-	-	160	-	160
Other	323	(141)	182	43	-	(45)		(24)	-	-	336	(180)	156
	2,826	**(145)**	**2,681**	**-**	**153**	**(87)**	-	**(35)**	**24**	-	**2,961**	**(225)**	**2,736**
Restricted													
Parks, reserves and buildings	3,712	-	3,712	58	-	(2)	-	(1)	36	348	4,153	(2)	4,151
Improvements	907	(132)	775	75	-	(45)	-	-	-	-	982	(177)	805
Work in progress	124		124	(133)	144	-	-	-	-	-	135	-	135
	4,743	**(132)**	**4,611**	**-**	**144**	**(47)**	-	**(1)**	**36**	**348**	**5,270**	**(179)**	**5,091**
Total council	**11,433**	**(359)**	**11,074**	**-**	**413**	**(176)**	-	**(36)**	**21**	**768**	**12,469**	**(405)**	**12,064**

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

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Work in progress by asset class

	Infrastructure			Operational						Restricted		
$million	Roads	Water and wastewater	Stormwater	Land and buildings	Train stations	Rolling stock	Wharves	Works of art	Others	Parks, reserves and buildings	Improvements	Total
Group												
2016	345	412	93	119	187	3	4	3	63	6	80	1,315
2015	266	358	90	172	102	32	2	2	41	26	109	1,200
Council												
2016	-	-	91	83	-	-	-	3	43	6	81	307
2015	-	-	90	118	-	-	-	1	41	26	109	385

Revaluation

Accounting policy

Infrastructure assets (except land), restricted assets (except improvements) and operational assets (except heritage assets and other operational assets) are revalued with sufficient regularity, and at least every three 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 the off-cycle 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 to the asset revaluation reserve in equity for that class of asset. Revaluation loss that results in a debit balance in the asset revaluation reserve is recognised in surplus or deficit. Any subsequent gain on revaluation is recognised first in the surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expenditure.

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Significant judgements and estimates

The method used by the Group in revaluing its property, plant and equipment, outlined below, is depreciated replacement cost (DRC) method, except for operational land and buildings and works of art.

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 at various sites to note aspects such as condition, utilisation, replacement timing and asset optimisation.

It is assumed that all asset classes have a zero residual value at the end of their useful lives.

Operational land and buildings and works of art are revalued based on available market information relating to these assets.

Asset class	Last revalued date	Asset revaluation reserve (in $ million)				Net change for the period (in $ million)		Independent valuer and key assumptions
		Group		Council				
		2016	2015	2016	2015	Group	Council	
Infrastructure								
Water and wastewater	30 June 2015	657	657	-	-	-	-	Independent valuer: Beca Projects NZ Ltd. The machinery of the Group is composed of engines and turbines installed at the water and wastewater pump stations. These are revalued together with the water and wastewater assets. The key assumptions used are: • construction costs determined with reference to recent construction contracts and the unit rates reflect the costs of replacing assets • useful lives of assets calculated as the lesser of their physical life or the point where the asset is to be replaced for economic reasons • the capital goods price index (CGPI) which has been used where indexation is appropriate. CGPI rates represent 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 2015 quarter extrapolated to June 2015.
Machinery	30 June 2015	87	87	-	-	-	-	
Stormwater	30 June 2015	715	715	711	711	-	-	Independent valuer: GHD Ltd who performed a peer-review of in-house valuation. Key assumptions: • Unit rates for replacement have been applied to the assets based on size, material, depth and location. Unit rates have been derived from stormwater physical works contract costs. These are then indexed using Statistics NZ Capital Goods Price Index for civil constructions to convert them to current dollar value • Condition information and age have been used to determine remaining useful lives.

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Asset class	Last revalued date	Asset revaluation reserve (in $ million) Group		Council		Net change for the period (in $ million)		Independent valuer and key assumptions
		2016	2015	2016	2015	Group	Council	
Roads	30 June 2014	1,625	1,625	-	-	-	-	Independent valuer: ANA Group Ltd. Key assumptions: • Unit rate for construction of roading assets based on the most current contracted rates applicable to the Group • Remaining useful life of the asset considering the age of the roads and local conditions such as ground type, weather patterns and road usage.
Operational								
Land and buildings	30 June 2016	1,414	540	794	328	874	466	Independent valuers: Bayleys Valuation Ltd, Beca Projects NZ Ltd, Quotable Value Ltd, Jones Lang LaSalle Ltd and Seager and Partners Key assumptions: • Market value based on recent equivalent sales information • DRC is used where no market exists for operational buildings with allowance for age and condition of building, and configuration.
Train stations	1 July 2015	211	160	-	-	51	-	Independent valuer: Opus International Consultants Ltd. Key assumptions: • Optimised replacement cost to the extent that optimisation can occur in the normal course of business using commercially available technology • Assets with unlimited engineering lives are adjusted to have a typical useful life of 60 years or less reflecting the rate of change and obsolescence in the environment for each elemental value.
Bus stations and shelters	30 June 2014	10	10	-	-	-	-	Independent valuer: ANA Group Ltd. Key assumptions: • Optimised replacement cost to the extent that optimisation can occur in the normal course of business using commercially available technology • Remaining useful life of the asset based on the age, condition and the asset's future service potential.
Marina structures	30 June 2014	26	26	-	-	-	-	Independent valuers: Jones Lang LaSalle Ltd. Key assumptions: • Optimised replacement cost to the extent that optimisation can occur in the normal course of business using commercially available technology.
Rolling stock	n/a	n/a	n/a	n/a	n/a	n/a	n/a	The rolling stock of the Group pertains to the newly acquired electric multiple units (EMU) which will be revalued in 2018.

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Asset class	Last revalued date	Asset revaluation reserve (in $ million)				Net change for the period (in $ million)		Independent valuer and key assumptions
		Group		Council				
		2016	2015	2016	2015	Group	Council	
Wharves	30 June 2015	70	70	-	-	-	-	Independent valuer: Opus International Consultants Ltd, Beca Projects NZ Ltd, Jones Lang Lasalle Ltd and NAI Harcourts Valuations. Key assumptions: • Optimised replacement cost to the extent that optimisation can occur in the normal course of business using commercially available technology • Useful lives are 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.
Works of art	30 June 2014	6	6	-	-	-	-	Independent valuer: Items >$100,000 valued by Christie's (London) and Webb's (Auckland); items < $100,000 valued and peer-reviewed internally. Key assumptions: • Auction results from major international auction houses, auction catalogues and art sales publications. If no direct equivalent exists, value is based on works of a similar nature and scale.
Restricted								
Parks, reserves and Buildings	30 June 2016	1,282	592	1,282	592	690	690	Independent valuer: Quotable Value Ltd. Key assumptions: • Large reserves are valued based on a rural land value plus locational adjustment taken into consideration active/passive zone differentials which are based on the valuers' professional expertise and judgements • Buildings are 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.
Total		**6,103**	**4,488**	**2,787**	**1,631**	**1,615**	**1,156**	

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Vector Arena
Included within operational land and buildings is $89 million (2015:$81 million) being the amortised value for the Vector Arena which was completed in March 2007.

Quay Park Arena Management Limited (QPAM) owns and operates the Vector Arena under a development agreement which commenced on 21 May 2004 and expires on 1 August 2046, when title reverts to the Group's ownership. Under the agreement, QPAM would design and construct a building to provide Aucklanders with an indoor sports and entertainment venue. The development agreement granted QPAM legal title to the building improvements and to operate the Vector Arena following completion.

The Group has no involvement in setting hire fees for the arena or ticket prices as pricing is fundamentally set by QPAM and the hirer of the Vector Arena respectively.

The use of the Vector Arena by QPAM is recognised as an operating lease with QPAM's initial contribution to the building and development cost recorded as deferred revenue and recognised as revenue on a straight line basis over the rights period (see Note F3 for details on operating lease commitments).

Auckland Transport land held for roading purposes
Auckland Transport has set up a new asset class in 2016 being land held for roading purposes. The Group has reclassified the asset class from Operational Land and Buildings to Infrastructural Land.

Heritage assets
Some assets are described as heritage assets because of their cultural, environmental or historical significance. The council and Group have identified 125,528 sites of historical significance accounted as follows:

- 125,000 trees and objects with no value assigned
- 380 community assets sited within Auckland Region out of which 266 are owned by the council with a net book value of $381 million ($151 million in specified cultural and heritage assets and $230 million in other classes of property, plant and equipment).The remaining 114 assets are not owned by the council and not recorded in property, plant and equipment.

Restrictions
Various properties held by the Group have restrictions on the use of proceeds generated from them including the sales proceeds. These proceeds may only be applied to the specified purposes, generally being to benefit the city of Auckland. Certain classes of property, plant and equipment where restrictions apply follow:

$million		Land and buildings	Parks, reserves and buildings	Total
Group				
	2016	332	19	351
	2015	189	19	298
Council				
	2016	191	19	210
	2015	148	19	167

Finance leases
Other operational assets include property, plant and equipment subject to finance leases. The value of which is $31 million for the Group (2015: $32 million) and $31 million for the council (2015: $31 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 (2015: $nil) for the Group and council.

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Third party compensation
No compensation was received from third parties for items of property, plant and equipment that were impaired, lost or transferred and not included in surplus or deficit (2015: nil) for the Group and council.

Service concession assets
Service concession arrangement is a binding arrangement between a grantor and an 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.

The Group has an agreement in place between Veolia Water Services (ANZ) Pty Ltd ('Veolia') (formerly United Water International Pty Ltd) and Watercare (previously entered into with Papakura District Council prior to amalgamation). This agreement gives rise to service concession assets, which are infrastructure assets owned by Watercare and operated by Veolia Water Services (ANZ) Pty Limited for the provision of water and wastewater services in the Papakura district.

Watercare controls or regulates the services Veolia must provide, to whom it must provide them and at what 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 with a 20-year right of renewal), the network shall be in a better overall condition than that which existed at the time the contract was commenced in 1997. The Group retains control of the assets and the assets will be returned for use by the Group after the contract expires. A one-off fee of $13 million was received at the start of the contract.

Where the Group recognises an asset for the upgrades made by Veolia to the existing service concession assets, the Group also recognises a liability at the same amount as the asset. The liability so recognised is reduced over the remaining period of the service concession arrangement. The carrying value of service concession asset under water and wastewater asset class amounted to $157 million as at 30 June 2016 ($157 million as at 30 June 2015).

No new service concession arrangements were entered into by the Group and council in 2016 and 2015.

Section B: Long-term assets

B1 Property, plant and equipment (continued)

Local government disclosures

Core assets

Under the Local Government (Financial Reporting and Prudence) Regulations 2014, the Group is required to disclose information about core assets.

Included within the infrastructure assets are the following core assets:

Group $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
2016							
Assets constructed	16	73	39	69	32	2	302
Assets transferred	-	9	-	22	35	-	9
Closing book value	888	2,581	945	3,418	4,158	49	8,037
Estimated replacement cost	1,406	4,494	1,355	6,162	5,385	61	8,456
2015							
Assets constructed	25	167	33	56	52	-	455
Assets transferred	-	7	4	11	45	-	6
Closing book value	898	2,569	948	3,400	4,096	53	7,960
Estimated replacement cost	1,391	4,397	1,321	6,076	5,342	66	12,700

Insurance of assets

Under the LGA 2002, the Group is required to disclose the following information on insurance of assets as at 30 June 2016:

$million	Book value	Insured value	Replacement value of self-insured assets	Commentary
Roads	8,037	-	8,456	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 such as earthquake, tsunami, could be subsidised by the New Zealand Transport Agency
Water & wastewater & machinery	7,832	3,206	4,084	Above ground infrastructure such as water and wastewater pump stations are insured to a value of $3.2 billion with a maximum coverage of $200 million per event. For below-ground infrastructure, currently central government funds 60% of the cost of replacing water & wastewater networks damaged in a natural disaster. No provision is made for the self-insured portion (40%) of the replacement cost.
Stormwater	4,207	1	2,178	Above ground infrastructure such as pump stations are insured. For below-ground infrastructure, currently central government funds 60% of the cost of replacing stormwater networks damaged in a natural disaster. No provision is made for the self-insured portion (40%) of the replacement cost.
Buildings, wharves, and other above-ground structures	6,489	6,358	131	For any natural disaster the Group has a maximum coverage of $500 million per event.
Rolling stock	448	100	348	Insurance is for entire network and includes the electric trains
Total	**27,013**	**9,665**	**15,197**	

The council does not maintain a fund for the purpose of self-insurance.

Section B: Long-term assets

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 only. Intangible assets acquired at no cost are initially recognised at fair value where that can be reliably measured. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Useful lives

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

Class of intangible asset	Estimated useful life
Computer software	1-15 years
Intellectual property	4-35 years
Other intangible assets	1-63 years

Disposals

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

	Opening balance			Current year movements							Closing balance		
	Cost/ valuation	Accumulated amortisation	Carrying amount	Transfers from work in progress	Internally developed	Acquisition	Amortisation (Note A4)	Impairment loss charged to surplus or deficit/ write-offs	Disposals	Transfer*	Cost/ valuation	Accumulated amortisation	Carrying amount
Group 2016	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Computer software	394	(194)	200	169	-	-	(68)	-	(3)	-	562	(264)	298
Rights to acquire	11	-	11	1	-	-	-	-	-	(1)	11	-	11
Intellectual property	56	(38)	18	16	-	-	(10)	-	-	-	65	(41)	24
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	85	(19)	66	7	-	-	(3)	-	-	-	87	(17)	70
Work in progress	174	-	174	(193)	33	71	-	(10)	-	-	75	-	75
Total group	**720**	**(251)**	**469**	**-**	**33**	**71**	**(81)**	**(10)**	**(3)**	**(1)**	**800**	**(322)**	**478**
Group 2015													
Computer software	318	(134)	184	77	-	-	(59)	-	(2)	-	394	(194)	200
Rights to acquire	83	-	83	-	-	-	-	-	-	(72)	11	-	11
Intellectual property	55	(29)	26	1	-	-	(9)	-	-	-	56	(38)	18
Goodwill	3	-	3	-	-	-	-	-	(3)	-	-	-	-
Other	79	(13)	66	6	-	-	(6)	-	-	-	85	(19)	66
Work in progress	107	-	107	(84)	157	-	-	(6)	-	-	174	-	174
Total group	**645**	**(176)**	**469**	**-**	**157**	**-**	**(74)**	**(6)**	**(5)**	**(72)**	**720**	**(251)**	**469**

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

Section B: Long-term assets

B2 Intangible assets (continued)

	Opening balance			Current year movements							Closing balance		
	Cost/ valuation	Accumulated amortisation	Carrying amount	Transfers from work in progress	Internally developed	Acquisition	Amortisation	Impairment loss charged to surplus or deficit/ write-offs	Disposals	Transfers*	Cost/ valuation	Accumulated amortisation	Carrying amount
Council 2016	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million	$million
Computer software	226	(119)	107	141	-	-	(42)	-	(3)	-	362	(159)	203
Rights to acquire	11	-	11	-	-	-	-	-	-	-	11	-	11
Intellectual property	46	(31)	15	14	-	-	(9)	-	-	-	60	(40)	20
Other	15	(5)	10	-	-	-	-	-	-	-	16	(6)	10
Work in progress	154	-	154	(155)	15	39	-	(10)	-	-	43	-	43
Total council	**452**	**(155)**	**297**	**-**	**15**	**39**	**(51)**	**(10)**	**(3)**	**-**	**492**	**(205)**	**287**
Council 2015													
Computer software	171	(84)	87	55	-	-	(35)	-	-	-	226	(119)	107
Rights to acquire	11	-	11	-	-	-	-	-	-	-	11	-	11
Intellectual property	46	(23)	23	-	-	-	(8)	-	-	-	46	(31)	15
Other	15	(4)	11	-	-	-	(1)	-	-	-	15	(5)	10
Work in progress	94	-	94	(55)	52	69	-	(6)	-	-	154	-	154
Total council	**337**	**(111)**	**226**	**-**	**52**	**69**	**(44)**	**(6)**	**-**	**-**	**452**	**(155)**	**297**

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

Rights to acquire

The rights to acquire Vector Arena amounting to $72 million were reclassified to operational land and buildings under property, plant and equipment in 2015 (Note B1).

Intellectual property

Integrated catchment data and network models are intellectual property that provides local information about the stormwater network performance which identify any problems 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 include the following:

- Community rights being the cost of contracted rights to access facilities that are not owned by the Group. These costs are amortised over the contracted right, ranging from 3 to 20 years (2015: 3 to 20 years).
- A right to occupy has been recognised at its fair value on acquisition and is being amortised over the period of the underlying lease (63 years). The lease is for the land at each of the railway station sites along the Auckland passenger rail network. The right to occupy in the underlying lease is due to expire in 2070.
- Resource consents which are essential to long-term programme of future capital works are being amortised over the period of 1 to 38 years (2015: 1 to 38 years).

Contractual commitments for the acquisition of intangible assets

The Group and council has no contractual commitments for the acquisition of intangible assets (2015: $nil).

Restrictions to title and security over intangible assets

There are no restrictions over the title of intangible assets, nor are any intangible assets pledged as security for liabilities (2015: $nil).

Work in progress

Intangible assets in the course of construction by asset class are detailed below.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Computer software	63	135	32	115
Intellectual property	12	39	11	39
Total work in progress	**75**	**174**	**43**	**154**

Section B: Long-term assets

B3 Investment property

Accounting policy

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

Investment property	Valuation Method and Assumptions Used
Land	• Valued as vacant under freehold or leasehold tenure • Land value rates applied in the valuations are: ▪ city centre properties $415 to $1,755 per square metre ($m^2$) (2015: $325 to $1,551 per m^2) ▪ suburban properties $100 to $991 per m^2 (2015: $73 to $940 per m^2). • Valuations consider the size, contour, quality, location, zoning, designation and current and potential use.
Commercial property	• Based on indicative yields derived from current prices of comparable property in an active market.
Water space licence	• Using the discounted cash flow method based on yields of 6% (2015: 8%) considers the future rental revenue from existing and anticipated new tenants, any residual value of the Group's interest in the investment property less anticipated capital expenditure.

The movement in investment property is as follows:

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Opening balance	560	457	102	94
Net increase in fair value of investment property	62	61	17	9
Additions from acquisition	40	14	-	-
Disposals	-	(1)	-	(1)
Transfers from property, plant and equipment	19	29	2	-
Closing balance	**681**	**560**	**121**	**102**

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

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Rental income from investment property	23	17	5	2
Expenses of investment property	5	4	-	-

There was no investment property pledged as security for liabilities during the year (2015: $nil).

Section C: Borrowings and financial instruments

This section provides details of Group's borrowings, a major source of funding used to deliver the services to the people of Auckland. This section also provides information of financial instruments such as derivatives acquired to mitigate some of the risks arising from the 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

Section C: Borrowings and 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 rate method.

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

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Current				
Secured borrowings	1,148	657	1,148	657
Unsecured borrowings	299	349	21	9
Total current borrowings	**1,447**	**1,006**	**1,169**	**666**
Non-current				
Secured borrowings	5,772	5,890	5,772	5,890
Unsecured borrowings	392	437	-	-
Finance lease liabilities	-	1	-	-
Total non-current borrowings	**6,164**	**6,328**	**5,772**	**5,890**
Total borrowings	**7,611**	**7,334**	**6,941**	**6,556**
Fixed/floating rate split				
Fixed rate borrowings	3,079	4,199	2,973	4,072
Floating rate borrowings	4,532	3,135	3,968	2,484
Total borrowings	**7,611**	**7,334**	**6,941**	**6,556**

Borrowings occur through domestic retail and wholesale debt issuance, LGFA, and via foreign debt markets under a secured medium-term note programme. The council's foreign denominated debt amounting to $1,471 million as at 30 June 2016 ($1,388 million as at 30 June 2015) is hedged to mitigate foreign exchange risk. Refer to Note E1 for further information.

Secured borrowings include Credit Support Annex (CSA) of $38 million for the Group and the council (2015: an asset position of $6 million). Refer to the glossary for the definition of CSA.

The Group had unsecured borrowings of $125 million of redeemable preference shares in 2015, issued by Airport Shares (Manukau) Ltd, a former subsidiary of the ACIL group (refer to note F2) which were redeemed by the council on 21 September 2015.

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

In some cases, entities within the Group also borrow under negative pledge arrangements, being arrangements which do not permit these entities to grant any security interest over their assets. Certain financial ratios are set as requirements in these arrangements which were achieved in 2016 and 2015.

Default or breach of covenants
There were no defaults or breaches by the Group on any borrowing arrangement during the current year (2015: nil).

Interest rates
As at 30 June 2016, interest rates on NZD fixed rate borrowings ranged from 3% to 8% (2015: 4% to 8%) for the Group and for the council.

The weighted average interest rate on floating rate borrowings is 2.6% (2015: 4.3%) for the Group and 2.4% (2015: 4.2%) for the council. The weighted average cost of funds for the Group's borrowings including interest rate hedging instruments as at 30 June 2016 is 5.2% (2015: 5.4%). Refer to notes A5 and E2 for the net finance costs during the period and the interest rate risk analysis, respectively.

Section C: Borrowings and financial instruments

C1 Borrowings (continued)

Continuous disclosure
The Group has retail bonds under secured borrowings issued on the New Zealand Stock Exchange (NZX). A requirement under the listing rules is for the Group to meet the continuous disclosure requirements of the NZX and to ensure compliance with the FMCA 2013.

The Group has adopted a continuous disclosure policy that established a continuous disclosure committee of key staff members including the Chief Executive, Group Chief Financial Officer, Director Legal and Risk, Treasurer and Head of Risk. This committee maintains the disclosure register which is used to record any disclosures made from within council and the CCOs that may be material for the purposes of reporting to the NZX to ensure ongoing compliance with the listing rules.

Local government disclosures

Internal borrowings
In relation to each group of activities, the Auckland Council has incurred no internal borrowings during the financial year to 30 June 2016, as the Group maintains sufficient cash balances at all times.

Credit ratings
Auckland Council has a Standard & Poor's credit rating of AA (stable) and Moody's credit rating of Aa2. Both ratings were reaffirmed in November 2015.

C2 Derivative financial instruments

Accounting policy

The Group does not hold or issue derivative financial instruments for trading purposes. The Group uses derivative financial instruments, such as forward foreign currency contracts and interest rate swaps to mitigate risks associated with foreign currency and interest rate fluctuations. Such 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 taken directly to 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 non-current when the remaining maturity is more than 12 months, or as current when the remaining maturity is less than 12 months.

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 the 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 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 that was reported in cash flow hedge reserve is recognised immediately in the 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 carrying amount of the asset or liability.

Section C: Borrowings and financial instruments

C2 Derivative financial instruments (continued)

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

The derivatives of the Group and 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 flows valuation technique based on the terms and valuation inputs from independently sourced market parameters summarised below:

Item	Valuation input
Interest rate swaps	Forward interest rate yield curve
Forward foreign currency contract	Forward foreign exchange rate curve
Cross-currency interest rate swaps	Forward interest rate and forward foreign exchange rate yield curve

	Group				Council			
	Notional[1]		Fair value		Notional[1]		Fair value	
$million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Assets								
Current								
Interest rate swaps								
-fair value through surplus or deficit	-	55	-	1	-	5	-	-
Forward foreign currency contract								
-cash flow hedge	-	31	-	1	-	-	-	-
-fair value through surplus or deficit	1	3	-	-	6	32	-	1
Total current	**1**	**89**	**-**	**2**	**6**	**37**	**-**	**1**
Non-current								
Interest rate swaps								
-cash flow hedge	-	-	-	-	-	-	-	-
-fair value through surplus or deficit	1,475	1,259	57	23	1,288	1,139	49	21
Forward foreign currency contract								
-fair value through surplus or deficit	-	-	-	-	1	2	-	-
Cross-currency interest rate swaps								
-fair value through surplus or deficit	1,022	821	206	177	1,022	821	206	177
Total non-current	**2,497**	**2,080**	**263**	**200**	**2,311**	**1,962**	**255**	**198**
Total derivative assets	**2,498**	**2,169**	**263**	**202**	**2,317**	**1,999**	**255**	**199**
Liabilities								
Current								
Interest rate swaps								
-cash flow hedge	65	50	1	1	-	-	-	-
-fair value through surplus or deficit	125	160	1	1	10	60	-	-
Forward foreign currency contract								
-cash flow hedge	48	1	3	-	-	-	-	-
-fair value through surplus or deficit	45	-	2	-	46	32	2	1
Total current	**283**	**211**	**7**	**2**	**56**	**92**	**2**	**1**
Non-current								
Interest rate swaps								
-cash flow hedge	160	210	11	6	-	-	-	-
-fair value through surplus or deficit	8,973	7,075	1,162	459	7,328	5,415	867	307
Forward foreign currency contract								
-cash flow hedge	6	2	-	-	-	-	-	-
-fair value through surplus or deficit	-	-	-	-	1	-	-	-
Cross-currency interest rate swaps								
-fair value through surplus or deficit	535	535	34	20	535	535	34	20
Total non-current	**9,674**	**7,822**	**1,207**	**485**	**7,864**	**5,950**	**901**	**327**
Total derivative liabilities	**9,957**	**8,033**	**1,214**	**487**	**7,920**	**6,042**	**903**	**328**

[1]The notional principal amounts presented for the Group reflects only transactions with third parties. The council's position includes both external and intra-group derivatives.

Section C: Borrowings and financial instruments

C3 Other financial assets

Accounting policy

The Group'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 the surplus or deficit.

Other financial assets of the Group include unit trusts, loans to related parties, credit support annex, 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.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Current				
Unit trusts	270	281	270	280
Loans to related parties	-	-	87	24
Other	119	69	116	68
Total current	**389**	**350**	**473**	**372**
Non-current				
Loans to related parties	4	3	1,566	1,719
Other	124	108	88	74
Total non-current	**128**	**111**	**1,653**	**1,793**
Total other financial assets	**517**	**461**	**2,126**	**2,165**

Unit trusts

Unit trusts are recognised at fair value using market information and they are designated as fair value through surplus or deficit. They are classified as current as they are held for liquidity purposes. Refer to note E5 for further information.

Loans to related parties

Loans to related parties are interest bearing at market rates. Interest rates for the year ended 30 June 2016 range from 2.5% to 6.2% (2015: range from 4.2% to 6.2%). Read Note F4b for details of other financial contributions provided by council.

Other

Significant items included within Other are as follows:

Bonds

The bonds held by the Group and Council are carried at amortised cost. These amount to $30 million and $20 million respectively (2015: $31 million and $21 million).

Borrower notes

When borrowing from LGFA, an amount equal to 1.6% of the loan is retained by LGFA, which issues borrower notes to that value. Borrower notes are redeemed when the loan is repaid. Refer to Note F3 for further information on the LGFA.

Community loans

The face value of the Group's loans to community organisations is $10 million (2015: $13 million) and the council is $9 million (2015: $10 million).

Credit Support Annex (CSA)

The CSA balance as at 30 June 2016 for the Group and the council is in a liability position. Refer to C1 for the valuation. (2015: an asset position of $6 million).

Section C: Borrowings and financial instruments

C3 Other financial assets (continued)

Listed shares
The Group has $25 million (2015: $23 million) of listed shares classified as non-current which are designated as available-for-sale financial asset.

In addition, the Group and council have $44 million (2015: $47 million) of listed shares which are designated as fair value through surplus or deficit. They are classified as current as they are held for liquidity purposes. Refer to note E5 for further information. The fair values of listed shares are determined by reference to published current bid price quotations in an active market.

Unlisted shares
The Group has investments in LGFA and New Zealand Local Government Insurance Corporation Ltd. The fair values are determined by reference to the council's share of net asset backing in these companies as there is no market information on the value of the company's shares.

C4 Fair value and classification of financial instruments

Accounting policy

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

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

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

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

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

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

	2016			2015		
Group $million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Financial assets through surplus or deficit						
-Unit trusts	270	-	-	280	-	-
-Listed shares	44	-	-	47	-	-
Available for sale financial assets						
-Listed shares	25	-	-	23	-	-
-Unlisted shares	-	-	6	-	-	5
Derivative assets	-	263	-	-	202	-
Derivative liabilities	-	1,214	-	-	487	-
Council $million						
Assets						
Financial assets through surplus or deficit						
-Unit trusts	270	-	-	280	-	-
-Listed shares	44	-	-	47	-	-
Available for sale financial assets						
-Unlisted shares	-	-	6	-	-	5
Derivative assets	-	255	-	-	199	-
Derivative liabilities	-	903	-	-	328	-

There were no transfers between the different levels of the fair value hierarchy during the year (2015: $nil).

Section C: Borrowings and financial instruments

C4 Fair value and classification of financial instruments (continued)

Accounting policy

For the purpose of measurement, the Group's financial assets and liabilities are classified into categories. The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities and recognised 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
Loans and receivables	Amortised cost less provision for impairment	Surplus or deficit
Available for sale financial assets	Fair value	Other comprehensive revenue and expenditure
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit
Held to maturity financial assets	Amortised cost less provision for impairment	Surplus or deficit

The Group does not have financial assets for purposes of trading. The Group has listed shares and unit trusts that are designated on initial recognition at fair value through surplus or deficit. This is because the performance of these groups of assets are managed, and performance evaluated, on a fair value basis, in accordance with the council's investment management policy. This is consistent with the information about these groups of assets that is provided internally, on that basis, to the Finance and Performance Committee. Derivatives are, by their nature, categorised as held for trading 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 as a net result for like items.

The category and the comparison of carrying amount and fair value of the Group's and Council's financial instruments are as follows:

	Group				Council			
	Carrying amount		Fair value		Carrying amount		Fair value	
$million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Assets								
Financial assets through surplus or deficit								
- Unit trusts	270	280	270	280	270	280	270	280
- Listed shares	44	47	44	47	44	47	44	47
- Derivative assets	263	201	263	201	255	199	255	199
Total	**577**	**528**	**577**	**528**	**569**	**526**	**569**	**526**
Available for sale financial assets								
- Listed shares	25	23	25	23	-	-	-	-
- Unlisted shares	6	5	6	5	6	5	6	5
Total	**31**	**28**	**31**	**28**	**6**	**5**	**6**	**5**
Loans and receivables								
- Cash and cash equivalents	137	345	137	345	103	282	103	282
- Receivables (exclude prepayments)	279	266	279	266	186	260	186	260
- Loans to related parties	3	3	3	3	1,652	1,743	1,750	1,892
- Other financial assets	138	72	142	72	134	69	138	70
Total	**557**	**686**	**561**	**686**	**2,076**	**2,354**	**2,177**	**2,504**

Section C: Borrowings and financial instruments

C4 Fair value and classification of financial instruments (continued)

	Group				Council			
	Carrying amount		Fair value		Carrying amount		Fair value	
$million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Held to maturity financial assets								
- Other financial assets	30	31	30	32	20	21	20	22
Derivative in hedge relationships								
- Derivative assets	-	1	-	1	-	-	-	-
Total assets	**1,195**	**1,274**	**1,199**	**1,275**	**2,671**	**2,906**	**2,772**	**3,057**
Liabilities								
Financial liabilities through surplus or deficit								
- Derivative liabilities	1,199	480	1,199	480	903	328	903	328
Financial liabilities at amortised cost								
- Bank overdraft	9	8	9	8	-	-	-	-
- Borrowings	7,611	7,334	8,231	7,767	6,941	6,556	7,551	6,971
- Payables and accruals (exclude income received in advance)	573	632	573	632	519	583	519	583
Total	**8,193**	**7,974**	**8,814**	**8,407**	**7,460**	**7,139**	**8,070**	**7,554**
Derivative in hedge relationships								
- Derivative liabilities	15	7	12	7	-	-	-	-
Total liabilities	**9,407**	**8,461**	**10,025**	**8,894**	**8,363**	**7,467**	**8,973**	**7,882**

Section D: Working capital and equity

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

The notes included in the following section are as follows:

Section D: Working capital and 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. The carrying value of cash at bank and short-term deposits with original maturities less than three months approximates their fair value.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Short-term deposits	94	247	90	246
Cash on hand and on-demand bank deposits	43	98	13	36
Bank overdraft	(9)	(8)	-	-
Total cash and cash equivalents	**128**	**337**	**103**	**282**

Unspent funds held by the Group and council that are subject to restrictions were:

$million	**2016**	**2015**
Group	18	28
Council	5	3

These unspent funds relate to trusts and bequests received, and other funds received with restrictions where the spending of the funds is separately monitored.

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 provision for impairment.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Current				
Trade Receivables	176	160	65	63
Less provision for impairment	(33)	(35)	(18)	(19)
Rates receivables	42	48	41	48
Related party receivables	-	-	59	117
Net receivables	**185**	**173**	**147**	**209**
Accrued income	70	52	6	5
GST receivable	-	16	16	27
Insurance recoveries	1	1	1	1
Prepayments	18	15	11	8
Other	1	1	-	-
Total current	**275**	**258**	**181**	**250**
Receivables from exchange transactions	147	133	50	45
Receivables from non-exchange transactions	128	125	131	205

Section D: Working capital and equity

D2 Receivables and prepayments (continued)

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Non-current				
Rates	2	1	2	1
Insurance recoveries	2	3	2	3
Prepayments	3	2	-	-
Other	17	19	12	14
Total non-current	**24**	**25**	**16**	**18**
Receivables from exchange transactions	21	19	14	13
Receivables from non-exchange transactions	3	6	2	5
Total receivables and prepayments	**299**	**283**	**197**	**268**

Most receivables are non-interest bearing and the carrying value approximates fair value. Ratepayers can apply for payment plan options in special circumstances.

Provision for impairment of receivables

Accounting policy

The provision for impairment of receivables is calculated by a review of large specific overdue receivables and a collective assessment of smaller receivables. Assessment is done on an ongoing basis. For the collective assessment, expected losses were determined by a historical analysis of previously incurred losses. Individual debts which are known to be uncollectible are written off.

The carrying amount of receivables that would otherwise be past due or impaired and whose terms have been renegotiated is $9.8 million (2015: $14.3 million).

Council does not hold any security for past due impaired receivables.

The ageing profile of net receivables is as follows:

	2016			2015		
Group	**Gross $million**	**Impaired $million**	**Net $million**	**Gross $million**	**Impaired $million**	**Net $million**
Not past due	101	-	101	57	-	57
Past due 1 to 60 days	46	-	46	53	-	53
Past due >60 days	71	(33)	38	98	(35)	63
Total	**218**	**(33)**	**185**	**208**	**(35)**	**173**
Council						
Not past due	100	-	100	127	-	127
Past due 1 to 60 days	30	-	30	36	-	36
Past due >60 days	35	(18)	17	65	(19)	46
Total	**165**	**(18)**	**147**	**228**	**(19)**	**209**

See Note E4 for information on credit risk.

Section D: Working capital and equity

D3 Payables and accruals

Accounting policy

Current payables and accruals are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore the carrying value approximates fair value. Non-current payables and accruals are measured at the present value of the estimated future cash outflows.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Current				
Trade payables and accruals	485	535	191	240
Revenue received in advance	43	30	21	13
Deposits and bonds	30	31	28	30
Amounts due to related parties	-	-	250	279
Other	49	53	50	34
Total current	**607**	**649**	**540**	**596**
Payables from exchange transactions	560	615	290	334
Payables from non-exchange transactions	47	34	250	262
Non-current				
Revenue received in advance	36	32	22	23
Other	9	13	-	-
Total non-current	**45**	**45**	**22**	**23**
Payables from exchange transactions	45	44	22	23
Payables from non-exchange transactions	-	1	-	-
Total payables and accruals	**652**	**694**	**562**	**619**

The council's non-current payables and accruals balance includes an obligation for council to give Watercare unrestricted and sole access to land on Puketutu Island until the earlier of 2066 or until such time that Watercare surrenders its lease over the island. The balance of the deferred revenue as at 30 June 2016 amounted to $22.2 million (2015: $23.6 million) and is amortised on a straight-line basis over the remaining life of Watecare's lease over the island.

D4 Employee entitlements

Accounting policy

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported at the present value of estimated future cash outflows.

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Current				
Short-term employee benefits	86	80	50	47
Other	4	5	3	4
Total current	**90**	**85**	**53**	**51**
Non-current				
Other	5	5	2	2
Total non-current	**5**	**5**	**2**	**2**
Total employee entitlements	**95**	**90**	**55**	**53**

Section D: Working capital and equity

D5 Provisions

Accounting policy

Provisions are recognised in the statement of financial position only where the Group has a present legal or constructive obligation as a result of past event, 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 finance cost in surplus or deficit.

Significant judgements and estimates

The present value of these cash flows is calculated using a discount rate of 5.7% (2015: 5.7%).

Group $million	Weather tightness	Contaminated land and closed landfills	Other*	Total
Opening balance	276	85	47	408
Additional provisions and increases to existing provisions	15	7	13	35
Amounts used	(46)	(4)	(13)	(63)
Reversal of previously recognised provisions	-	-	(1)	(1)
Discount unwind	12	-	-	12
Balance as at 30 June 2016	**257**	**88**	**46**	**391**
Current	73	8	20	101
Non-current	184	80	26	290
Opening balance	263	71	36	370
Additional provisions and increases to existing provisions	62	16	28	106
Amounts used	(44)	(1)	(11)	(56)
Reversal of previously recognised provisions	(16)	(2)	(10)	(28)
Discount unwind	11	1	4	16
Balance as at 30 June 2015	**276**	**85**	**47**	**408**
Current	64	8	16	88
Non-current	212	77	31	320

Council $million	Weather tightness	Contaminated land and closed landfills	Other*	Total
Opening balance	276	81	42	399
Additional provisions and increases to existing provisions	15	6	10	31
Amounts used	(46)	(3)	(8)	(57)
Reversal of previously recognised provisions	-	-	(1)	(1)
Discount unwind	12	-	-	12
Balance as at 30 June 2016	**257**	**84**	**43**	**384**
Current	73	8	18	99
Non-current	184	76	25	285
Opening balance	263	70	34	367
Additional provisions and increases to existing provisions	62	13	24	99
Amounts used	(44)	(1)	(10)	(55)
Reversal of previously recognised provisions	(16)	(2)	(10)	(28)
Discount unwind	11	1	4	16
Balance as at 30 June 2015	**276**	**81**	**42**	**399**
Current	64	7	11	82
Non-current	212	74	31	317

*Included in other (non-current) are provisions for financial guarantees of $15.7 million (2015: $15.7 million) for the Group and council.

Section D: Working capital and equity

D5 Provisions (continued)

Provision for weathertightness
This provision represents the council's and group's estimated liability relating to weather tightness issues of homes in Auckland. The provision comprises of:
- active claims of $146 million (2015: $115 million); and
- reported and unreported claims of $109 million (2015: $157 million).

Active claims are those which have been lodged with the Council or the Weathertight Homes Resolution service (WHRS), have a loss and a cost reserve, and are progressing through the resolution process. The WHRS is a central government service established under the Weathertight Homes Resolution Services Act 2006. It offered a Financial Assistance Package (FAP) to eligible leaky homeowners and central government contributing 25% toward the cost of repairing eligible leaky homes with the possibility of an additional 25% contribution by the relevant council. Under this scheme the relevant council's contribution was capped at 25% of eligible costs and was dependent on its involvement in the consent process. While the council has opted for this scheme it does not preclude eligible homeowners not registered with the WHRS from seeking compensation from the council directly. The Financial Assistance Package is no longer available after 23 July 2016.

There is a higher degree of certainty over estimates for active claims as they are currently progressing in the resolution process.

Reported claims are those that have been lodged but are not yet progressing through the resolution process.

Unreported claims are those which the council may be liable for but have not yet been reported or identified. The provision is based on calculations provided by independent actuaries and is net of insurance recoveries.

Due to the significant degree of estimation included, the Group may be subject to further liability that is considered as unquantifiable contingencies (refer to Note F3).

Significant judgements and estimates[1] used in calculating provision for weathertightness are:

Reported and unreported claims

The significant assumptions used to determine the reported and unreported claims are based on single units and multi-units dwelling types, as follows:
- Participation in the WHRS scheme based on claim size, settlement amounts relative to the current scheme and suburb data.
- Amount claimed which is derived from the claims value and claims settled to date.
- Timing of claim payments.
- The percentage of dwellings built in the last 10 years which may experience a weathertightness problem likely to result in a successful claim.
- Expected settlement award from the resolution process for those claims not assumed to fall under the WHRS.
- Council contribution both overall and in the per cent of claims for which the council meet 100% of the settlement cost.
- Possible reimbursement from Riskpool, a mutual liability fund created by New Zealand local authorities to provide professional indemnity and public liability protection for the council and CCOs. An insurance recovery asset of $2 million (2015: $4 million) has been recognised (Note D2). There is no insurance cover available for claims received after 1 July 2009.

[1]These key inputs are provided by the independent actuaries who performed calculations as the basis of the reported provisions.

Section D: Working capital and equity

D5 Provisions (continued)

The expected cash outflow of weathertightness provision is as follows:

	Settled year ended 30 June								
	2017	2018	2019	2020	2021	2022	2023	2024	**Total**
$million	73	61	60	20	15	14	12	2	**257**

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

$million	**2016**		**2015**	
	10%	**-10%**	**10%**	**-10%**
	Effect on surplus or deficit		**Effect on surplus or deficit**	
Participation in the WHRS scheme	10	(10)	13	(13)
Amount claimed	(25)	25	(27)	27
Settlement level award	(25)	25	(27)	27
Council contribution to settlement	(25)	25	(27)	27

Provision for contaminated land and closed landfills
The Group has provided for sites only where contamination has actually been identified and the existing land-use requires remediation. No provision has been made for sites where contamination is not confirmed. This is on the basis that the level of contamination, if any, is unknown and costs cannot be reliably estimated.

Due to the significant degree of estimation included, the Group may be subject to further liability that is considered as unquantifiable contingencies (refer to Note F3).

Significant judgements and estimates[1] used in calculating provision for contaminated land and closed landfills are:

- Identified sites where the Group holds resource consent. The provision does not include property with unidentified contamination issues or where the current land-use does not require monitoring or remediation.
- Expected future costs based on the expected level of work required to meet each issued resource consent and the current cost of identified monitoring remediation work.
- Estimated costs are assessed over 30 years, being the average of the resource consent periods.
- The provision assumes there is no change in land use and discharges complying with consent conditions.

[1] These key inputs are provided to the independent actuaries who performed calculations as the basis of the reported provision.

Other provisions

Financial guarantees
The council has provided guarantees for the Eden Park Trust Board and certain Watercare borrowings with further information disclosed in Note F3.

The council is listed as a guarantor to loan arrangements of a number of community organisations. In the event the community organisation defaults the council is obligated to make loan payments. The risk of default has been assessed and is dependent on the financial stability of each community organisation.

Legal claims
The Group is subject to certain legal claims. For each claim the likelihood of payment has been assessed and provision recognised where it is probable that the Group will be found liable and costs can be reliably estimated.

Provisions are based on assessed costs by legal counsel taking into account claims experience.

Legal claims that are not recognised as provisions are disclosed as contingent liabilities in Note F3.

Section D: Working capital and equity

D6 Ratepayer equity

Accounting policy

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

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Contributed equity	**26,728**	**26,728**	**26,569**	**26,569**
Accumulated funds	**290**	**517**	**(633)**	**20**
Reserves				
-Asset revaluation reserves				
Opening balance	4,488	3,539	1,631	863
Transferred from/(to) accumulated funds	(7)	(8)	-	-
Change in fair value recognised during the year	1,622	957	1,156	768
Closing balance	6,103	4,488	2,787	1,631
-Restricted equity and targeted rates				
Opening balance	52	45	50	43
Transfer in/(out) during the year	19	7	17	7
Closing balance	71	52	67	50
-Share of associates' reserves				
Opening balance	280	265	-	-
Change in fair value recognised during the year	171	15	-	-
Closing balance	451	280	-	-
-Available for sale investment revaluation reserve				
Opening balance	10	11	-	-
Change in fair value recognised during the year	2	(1)	-	-
Closing balance	12	10	-	-
-Cash flow hedge reserve				
Opening balance	4	(35)	-	-
Recycled through surplus or deficit	(6)	(4)	-	-
Change in fair value recognised during the year	(1)	43	-	-
Closing balance	(3)	4	-	-
Total reserves	**6,634**	**4,834**	**2,854**	**1,681**
Total ratepayer equity	**33,652**	**32,079**	**28,790**	**28,270**

Section D: Working capital and equity

D6 Ratepayer equity (continued)

Capital management
For the purpose of the Group’s capital management, the council's capital is its ratepayer equity, which comprises contributed equity, reserves and accumulated funds. Equity is represented by net assets. The LGA 2002 (the Act) requires the council to manage its 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 as a by-product of managing revenue, expenses, assets, liabilities and general financial dealings.

In addition, the Local Government (Financial Reporting and Prudence) Regulation 2014 sets out a number of benchmarks for assessing whether the Council is managing its revenue, expenses, assets and liabilities prudently. Refer to Section G for the financial reporting and prudence benchmarks of the Group for the year ended 30 June 2016.

The objective of managing the Group’s capital management is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the cost of using the council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations.

In order to achieve this objective, the council also has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to minimise the likelihood of ratepayers in future generations being required to meet the costs of deferred renewals and maintenance.

An additional objective of capital management is to ensure that the expenditure needs identified in the Group’s LTP and Annual Plan are met in the manner set out in these plans. The Act requires the council to make adequate and effective provision in its LTP and in its annual plan to meet the expenditure needs identified in those plans. The Act sets out factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities.

The sources and levels of funding are set out in the funding and financial policies of the LTP. The Group monitors actual expenditure incurred against the LTP and annual plan.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2016 and 30 June 2015.

Section D: Working capital and equity

Local government disclosures

Restricted equity includes targeted rates and reserves, where use of the funds is specified by statute, trust deed or contract. The reserves funds held by the Group 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	Libraries equipment and operation
Trusts related to art activities	Regional community services	1	-	-	1	Purchase of works of art for the Auckland Art Gallery
Total trusts and bequests		**2**	**-**	**-**	**2**	
Reserves and targeted rates						
Araparera Forest Reserve	Roads and footpaths	3	-	-	3	Roading development in the Rodney area
Central City Targeted Rate	Local planning and development	22	21	(17)	26	Development and revitalisation of the city centre
Community Recreation and Sport Fund	Local parks, sports and recreation	1	2	-	3	Sport and recreational group initiatives
Fairhaven Walk Targeted Rate	Roads and footpaths	(1)	-	-	(1)	Assistance to local community for the construction of local road access
Greenmount Park Development Reserve - ARC	Local parks, sports and recreation	3	-	-	3	Conversion of land into a public park and recreation ground
Greenmount Park Development Reserve - AC	Local parks, sports and recreation	-	9	-	9	Development of the Styak-Lushington park
Harbourview / Orangihina UAC reserve	Local parks, sports and recreation	1	-	-	1	Develop the Harbourview-Orangihina Park
Hobsonville Domain Compensation Reserve	Local parks, sports and recreation	2	-	-	2	Hobsonville Domain Replacement project
Manukau Harbour Related Recreational Facilities	Local parks, sports and recreation	2	-	-	2	Improvement of costal recreation opportunities
North Shore Holdings Reserve Fund	Regional parks, sports and recreation and local planning and development	5	-	(1)	4	Projects approved by Auckland Transition Agency and the legacy North Shore City Council
Off Street Parking Funds	Parking and enforcement	9	1	-	10	Off- street parking initiatives
Targeted Rates Open Spaces/Volcanic Cones	Regional parks, sports and recreation	3	-	-	3	Purchase of open spaces and maintenance and enhancement of volcanic cones
Waste Minimisation Reserve	Solid waste and environmental services	-	4	-	4	Ministry for the Environment levies for waste minimisation initiatives
Total reserves and targeted rates		**50**	**37**	**(18)**	**69**	
Total reserve funds		**52**	**37**	**(18)**	**71**	

Section E: Financial risk management

This section provides information on how the Group is exposed to a variety of financial risks (market risk, credit risk and liquidity risk) and how these risks are managed under the Treasury Management Policy approved by the council which incorporates a liability management policy and investment policy.

The Group's risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The following are the financial risks significant to the Group:

E1 Foreign exchange risk

E2 Interest rate risk

E3 Equity price risk

E4 Credit risk

E5 Liquidity risk

Section E: Financial risk management

E1 Foreign exchange risk

Risk exposure
Foreign exchange risk arises as a result of the Group's transactions such as borrowings that are denominated in a currency other than NZD. The NZD may deteriorate against the relevant foreign currency from the period between when the transaction was entered and when payment is actually made.

The council has two offshore borrowing programmes - secured medium-term note programme and Australian dollar debt issuance programme. Of the total foreign denominated borrowings under these programmes, approximately 30% is in Australian dollar (30 June 2015: 19%), 32% is in Swiss franc (30 June 2015: 37%), 19% is in Norwegian krone (30 June 2015: 22%) and 19% is in Euro (30 June 2015: 22%). Refer to Note C1 for the total foreign currency denominated borrowings of the Group and council.

Risk management
The council manages foreign currency risk of the Group apart from Watercare and Ports of Auckland (POAL). Foreign exchange risk of all entities under the Group is managed through derivative financial instruments. The risk is mitigated by entering into forward foreign currency exchange contracts where threshold is set by the treasury management policies. The risk on offshore borrowings is mitigated by cross-currency interest rate swaps over the life of the borrowings. Refer to Note C3 for the derivative financial instruments.

Measurement of risk
At 30 June 2016 and 30 June 2015, the Group does not have remaining material exposure to foreign exchange risk since all foreign currency denominated borrowings and material purchases are hedged.

E2 Interest rate risk

Risk exposure
Interest rate risk is the risk that the actual interest expense will be significantly different to the projected interest expense in the Group's Annual Plan and LTP 2015-2025. Interest rate risk refers to the impact that interest rate changes have on an organisation's financial performance. The Group and council prefer predictable finance revenue and costs to minimise the risk of adverse movements impacting the surplus or deficit.

Risk management
Interest rate risk is managed on behalf of the Group. The Group's Treasury Management Policy contains the interest rate exposure policy which provides the objectives and processes for managing these risks and how compliance with the policy is measured.

The main objective of interest rate risk management is to reduce uncertainty around net finance costs as interest rates change. Mechanisms used to reduce this uncertainty are:

- matching the interest rate profile of the Group's financial assets and liabilities;
- fixing rates through fixed rate borrowings;
- interest rate hedging instruments to fix rates on floating rate borrowings; and
- forward-starting interest rate swaps to hedge the base rate on anticipated borrowings.

Section E: Financial risk management

E2 Interest rate risk (continued)

As at 30 June 2016, the Group and council have the following forward start swaps:

Group								
$million				**Financial year**				
Effective start date	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Term								
3 years	20	-	-	-	-	-	-	-
4 years	10	-	-	-	-	-	-	-
5 years	90	-	10	-	-	-	-	-
6 years	190	55	-	-	-	-	-	-
7 years	18	-	-	-	-	-	-	-
8 years	405	-	-	-	-	-	-	-
9 years	-	500	-	150	-	-	-	-
10 years	-	40	325	-	15	-	-	-
11 years	350	-	-	50	-	50	-	-
12 years	250	300	-	-	150	-	50	-
13 years	-	-	115	-	-	250	-	205
14 years	30	-	-	100	-	-	450	-
15 years	30	-	-	-	50	70	-	100
Total	**1,393**	**895**	**450**	**300**	**215**	**370**	**500**	**305**
Average rate	4.96%	4.98%	4.41%	4.20%	4.36%	4.25%	3.59%	3.90%
Council								
Term								
7 years	18	-	-	-	-	-	-	-
8 years	325	-	-	-	-	-	-	-
9 years	-	500	-	150	-	-	-	-
10 years	-	-	325	-	-	-	-	-
11 years	350	-	-	50	-	50	-	-
12 years	250	300	-	-	150	-	50	-
13 years	-	-	75	-	-	250	-	205
14 years	-	-	-	100	-	-	450	-
15 years	-	-	-	-	50	-	-	100
Total	**943**	**800**	**400**	**300**	**200**	**300**	**500**	**305**
Average rate	5.31%	4.93%	4.25%	4.20%	3.91%	4.09%	3.59%	3.90%

The tables above outline the notional values of forward-start swaps the Group entered into and the financial years they will become effective. The terms are the durations for which the forward-start swaps will be effective when they commence at a future date. For example, in the Group's table, forward-start swaps with notional values of $250 million will be effective from 2017 for duration of 12 years. The council's table excludes notional forward-start swaps of $18 million which the council has entered into on behalf of Auckland Transport (2015: $35 million).

Measurement of risk

The Group measures the risk through sensitivity analysis which is based on a reasonably possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. The impact on potential surplus or deficit and equity (excluding accumulated funds) calculated using the Group's financial instrument exposures at balance date are as follows:

Section E: Financial risk management

E2 Interest rate risk (continued)

Interest rate risk sensitivity	Group				Council			
	-100bps/-1%		+100bps/+1%		-100bps/-1%		+100bps/+1%	
$million	**Surplus/ (deficit)**	**Equity**	**Surplus/ (deficit)**	**Equity**	**Surplus/ (deficit)**	**Equity**	**Surplus/ (deficit)**	**Equity**
2016								
Cash and cash equivalents and term deposits	(1)	-	1	-	(1)	-	1	-
Derivative financial instruments	(390)	6	352	(6)	(290)	-	261	-
Loans to related parties	-	-	-	-	(10)	-	10	-
Fixed rate borrowings (repricing within next 12 months)	5	-	(5)	-	2	-	(2)	-
Floating rate borrowings	28	-	(28)	-	25	-	(25)	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(359)**	**6**	**321**	**(6)**	**(275)**	**-**	**246**	**-**
2015								
Cash and cash equivalents and term deposits	(3)	-	3	-	(3)	-	3	-
Derivative financial instruments	(271)	6	249	(6)	(186)	-	172	-
Loans to related parties	-	-	-	-	(7)	-	7	-
Fixed rate borrowings (repricing within next 12 months)	3	-	(3)	-	3	-	(3)	-
Floating rate borrowings	25	-	(25)	-	21	-	(21)	-
Other financial assets	-	-	-	-	-	-	-	-
Total sensitivity to interest rate risk	**(246)**	**6**	**224**	**(6)**	**(172)**	**-**	**158**	**-**

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of +/-100bps. The interest rate risk on bond assets, bank debt and community loans are not disclosed in the table above as these risks are not material at balance date.

E3 Equity price risk

Risk exposure
Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity price risk arises on investments in unit trusts and listed share investments, which are classified as fair value through surplus or deficit and available for sale investments.

Risk management
The Group manages equity price risk through diversification and by placing limits on individual and total investments in unit trusts and listed shares. Reports on this investment portfolio are reviewed by the Group's Treasury team on a regular basis. The Finance and Performance Committee reviews and approves all investment policies of the Group, excluding Watercare, which is managed and approved by their own board.

Measurement of risk
The Group measures the risk through sensitivity analysis which is calculated based on a reasonably possible movement in the relevant unit price or listed share price of the unit trusts and listed share investments held by the entity.

Section E: Financial risk management

E3 Equity price risk (continued)

The impact on potential surplus or deficit and equity (excluding accumulated funds) calculated using the Group's exposures at balance date are as follows:

	Group				Council			
	-5%		5%		-5%		5%	
$million	**Surplus/ (deficit)**	**Equity**	**Surplus/ (deficit)**	**Equity**	**Surplus/ (deficit)**	**Equity**	**Surplus/ (deficit)**	**Equity**
2016								
Other financial assets	(16)	(1)	16	1	(16)	-	16	-
Total sensitivity to equity price risk	**(16)**	**(1)**	**16**	**1**	**(16)**	**-**	**16**	**-**
2015								
Other financial assets	(16)	(1)	16	1	(16)	-	16	-
Total sensitivity to equity price risk	**(16)**	**(1)**	**16**	**1**	**(16)**	**-**	**16**	**-**

E4 Credit risk

Risk exposure

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. Credit risk arises 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.

Maximum exposure to credit risk

The Group and 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.

In addition to the above credit exposures, the Group is exposed to financial guarantees issued to related parties and various other organisations. At 30 June 2016, total financial guarantees for the Group are $4.4 billion (2015: $3.3 billion) and $4.8 billion for the council (2015: $3.7 billion). Certain guarantees have been provided for in the provisions note. Refer to Notes D5 and F3 for further information.

Risk management

The Group's investment policy includes parameters for investing in financial institutions and other organisations including where applicable entities that have the required Standard & Poor's credit ratings.

To safeguard against loss through poor credit quality, limits are applied to the Group's aggregate exposure to counterparties (and groups of counterparties) within specified credit rating bands, as determined by an international credit rating agency. Where Standard & Poor's ratings are available for assets with credit risk, the Group aims to hold assets with a credit rating of single A or better. The only unrated counterparties that the Group may invest in are other New Zealand local government bodies. There have been no defaults by any of the council's counterparties.

In addition to above, the council has entered into a collateral agreement (CSA) to mitigate credit risk on two interest rate derivatives. By paying or receiving collateral, the council has reduced the credit exposure associated with these derivative transactions. Refer to Notes C1 and C3 for the valuation of CSA.

Credit quality of financial assets

Rated counterparties

At balance date, $514 million (2015: $606 million) of assets with credit risk held by the Group have a Standard & Poor's rating of single A or better and $1.6 billion (2015: $2.0 billion) for the council.

Unrated counterparties

All counterparties without credit ratings have not defaulted in the past with the exception of certain community loans within other financial assets. Community loans for the counterparty with previous defaults at 30 June 2016 were nil% of total community loan balances (2015: nil%).

Section E: Financial risk management

E4 Credit risk (continued)

The council holds unit trust assets of $270 million (2015: $280 million). These unit trusts comprised of portfolios of debt and equity investments managed by fund managers on behalf of the council. They do not have credit ratings at a portfolio level; however, the management of the unit trust assets are subject to an internal operational investment policies and objectives document. This document details the investment strategy, liquidity rules, performance goals and responsibilities of participants. Together with the Group's statement of investment policies and objectives, the Group ensures prudent management of a well-diversified portfolio of assets. Receivables mainly arise from the council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of receivables with reference to internal and external credit ratings.

Concentration of credit risk

The Group and council are not exposed to material concentration 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. Refer to Note D2 for the breakdown and ageing profile of receivables.

The council identifies concentration risk in relation to loans to related parties based on the capital programme of the related parties driven by the LTP. Loans to Auckland Transport and Watercare amounted to $496 million and $1,133 million, respectively (2015: $484 million and $1,062 million).

E5 Liquidity risk

Risk exposure

Liquidity risk is the risk that the Group will encounter difficulty raising funds to meet commitments as they fall due.

Risk management

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through diversified sources and an adequate amount of committed credit facilities. To ensure the Group has sufficient liquidity (cash available) at all times, the total of the Group's unutilised committed borrowing facilities and its liquid investments must exceed forecast net cash outflow over the next six months.

Borrowings are maintained in accordance with the Group's funding and financial policies including a liability management policy. In meeting its liquidity requirements, the Group maintains a portfolio of investments, grouped as "other financial assets" in the contractual maturity table, which can be liquidated if required. This includes the unit trusts and listed shares held by the Group.

Further, the diversification of borrowings coupled with limits on the level of debt maturing at any point in time mitigates exposure to both concentration and refinancing risks.

The council also uses committed bank facilities to manage its liquidity risk. The council has its main overdraft facility against a group of accounts in a set-off arrangement. The facility limit for this set-off arrangement is $10 million (2015: $10 million). The interest charged is the bank's cost of fund plus a margin. This rate is adjusted from time to time as advised by the bank. The Group has additional overdraft facilities in place totalling $27 million (2015: $27 million).

In addition, the Group has undrawn bank facilities of $1.1 billion (2015: $1.1 billion) which includes the council's undrawn syndicated committed cash advance facility of $800 million (2015: $1.0 billion) which can be drawn at any time. The facilities mature between July 2017 and June 2019.

Contractual maturity analysis

The tables on the following pages summarise the maturity profile of the Group's financial liabilities which shows the timing of the cash outflows and the maturity analysis of financial assets held by the Group which are readily saleable or expected to generate cash inflows to meet the cash outflows of the financial liabilities. The amounts disclosed are contractual undiscounted cash flows which include interest payable. As noted above, to ensure the Group has sufficient liquidity (cash available) at all times, the total of the

Group's unutilised committed borrowing facilities and its liquid investments must exceed forecast net cash outflow over the next six months.

Section E: Financial risk management

E5 Liquidity risk (continued)

Group	2016							2015						
$ million	Carrying amount	On demand	<1 year	1-2 years	2-5 years	>5 years	Total contractual cash flows	Carrying amount	On demand	<1 year	1-2 years	2-5 years	>5 years	Total contractual cash flows
Non-derivative financial assets														
Cash and cash equivalents	137	132	5	-	-	-	137	345	342	3	-	-	-	345
Receivables (excluding prepayments)	279	21	237	21	-	-	279	266	-	243	23	-	-	266
Other financial assets	517	349	87	18	46	29	529	461	360	24	16	40	31	471
Total Non-derivative financial assets	**933**	**502**	**329**	**39**	**46**	**29**	**945**	**1,072**	**702**	**270**	**39**	**40**	**31**	**1,082**
Derivative financial assets														
Derivative financial assets net settled	57	-	14	16	31	9	70	24	-	3	2	2	27	34
Derivative financial assets gross settled[1]	206	-	(10)	(10)	(34)	(93)	(147)	178	-	(19)	(20)	(101)	(104)	(244)
Inflows		-	25	24	73	1,127	1,249	178	-	50	15	62	1,036	1,163
Outflow		-	(35)	(34)	(107)	(1,220)	(1,396)		-	(69)	(35)	(163)	(1,140)	(1,407)
Total derivative financial assets	**263**	-	**4**	**6**	**(3)**	**(84)**	**(77)**	**202**	**-**	**(16)**	**(18)**	**(99)**	**(77)**	**(210)**
Total financial assets	**1,196**	**502**	**333**	**45**	**43**	**(55)**	**868**	**1,274**	**702**	**254**	**21**	**(59)**	**(46)**	**872**
Non-derivative financial liabilities														
Bank overdraft	9	9	-	-	-	-	9	8	8	-	-	-	-	8
Payables and accruals (excluding income received in advance)	573	40	532	1	-	-	573	632	-	619	13	–	-	632
Secured borrowings	6,919	-	1,389	883	2,625	3,294	8,191	6,547	-	924	623	2,396	4,924	8,867
Unsecured borrowings	691	-	318	64	347	-	729	661	-	258	278	171	-	707
Finance lease liabilities	-	-	-	-	-	-	-	1	-	-	-	-	1	1
Financial guarantees[2]	16	4,369	-	-	-	-	4,369	16	3,271	-	-	-	-	3,271
Redeemable preference shares	-	-	-	-	-	-	-	125	-	126	-	-	-	126
Total non-derivative financial liabilities	**8,208**	**4,418**	**2,239**	**948**	**2,972**	**3,294**	**13,871**	**7,990**	**3,279**	**1,927**	**914**	**2,567**	**4,925**	**13,612**
Derivative financial liabilities														
Derivative financial liabilities net settled	1,175	1	119	165	500	608	1,393	467	-	63	72	207	172	514
Derivative financial liabilities gross settled[1]	40	2	5	(1)	(7)	(146)	(147)	20	-	-	1	20	107	128
Inflows		33	95	25	58	642	853	-	-	(24)	(24)	(91)	(565)	(704)
Outflows		(31)	(90)	(26)	(65)	(788)	(1,000)	-	-	24	25	111	672	832
Total derivative financial liabilities	**1,215**	**3**	**124**	**164**	**493**	**462**	**1,246**	**487**	**-**	**63**	**73**	**227**	**279**	**642**
Total financial liabilities	**9,423**	**4,421**	**2,363**	**1,112**	**3,465**	**3,756**	**15,117**	**8,477**	**3,279**	**1,990**	**987**	**2,794**	**5,204**	**14,254**
Net contractual cash flows	**(8,227)**	**(3,919)**	**(2,030)**	**(1,067)**	**(3,422)**	**(3,811)**	**(14,249)**	**(7,203)**	**(2,577)**	**(1,736)**	**(966)**	**(2,853)**	**(5,250)**	**(13,382)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; the foreign currency leg of the cash flows is translated at the spot rate as at 30 June.
[2] 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 F3. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered as a significant risk as it is not anticipated that the guarantee will become payable.

Section E: Financial risk management

E5 Liquidity Risk (continued)

Council	2016							2015						
$ million	Carrying amount	On demand	<1 year	1-2 years	2-5 years	>5 years	Total contractual cash flows	Carrying amount	On demand	<1 year	1-2 years	2-5 years	>5 years	Total contractual cash flows
Non-derivative financial assets														
Cash and cash equivalents	103	103	-	-	-	-	103	282	282	-	-	-	-	282
Receivables (excluding prepayments)	186	-	170	16	-	-	186	260	-	242	18	-	-	260
Other financial assets	2,126	320	249	165	640	2,027	3,401	2,165	333	136	369	620	1,762	3,220
Total Non-derivative financial assets	**2,415**	**423**	**419**	**181**	**640**	**2,027**	**3,690**	**2,707**	**615**	**378**	**387**	**620**	**1,762**	**3,762**
Derivative financial assets														
Derivative financial assets net settled	49	-	12	14	28	6	60	21	-	1	2	2	26	31
Derivative financial assets gross settled[1]	206	-	(9)	(9)	(34)	(93)	(145)	178	-	(18)	(20)	(101)	(104)	(243)
Inflows		-	31	25	73	1,127	1,256	-	-	48	16	63	1,036	1,163
Outflow		-	(40)	(34)	(107)	(1,220)	(1,401)	-	-	(66)	(36)	(164)	(1,140)	(1,406)
Total derivative financial assets	**255**	**-**	**3**	**5**	**(6)**	**(87)**	**(85)**	**199**	**-**	**(17)**	**(18)**	**(99)**	**(78)**	**(212)**
Total financial assets	**2,670**	**423**	**422**	**186**	**634**	**1,940**	**3,605**	**2,906**	**615**	**361**	**369**	**521**	**1,684**	**3,550**
Non-derivative financial liabilities														
Payables and accruals (excluding income received in advance)	519	-	519	-	-	-	519	583	-	583	-	-	-	583
Secured borrowings	6,919	-	1,389	883	2,625	3,294	8,191	6,547	-	924	623	2,396	4,924	8,867
Unsecured borrowings	21	-	21	-	-	-	21	9	-	9	-	-	-	9
Financial guarantees[2]	16	4,813	-	-	-	-	4,813	16	3,726	-	-	-	-	3,726
Total non-derivative financial liabilities	**7,475**	**4,813**	**1,929**	**883**	**2,625**	**3,294**	**13,544**	**7,155**	**3,726**	**1,516**	**623**	**2,396**	**4,924**	**13,185**
Derivative financial liabilities														
Derivative financial liabilities net settled	867	-	83	121	371	421	996	308	-	38	51	162	104	355
Derivative financial liabilities gross settled[1]	36	-	(8)	(1)	(7)	(146)	(162)	20	-	2	1	20	107	130
Inflows		-	120	20	58	642	840	-	-	(54)	(24)	(91)	(565)	(734)
Outflows		-	(128)	(21)	(65)	(788)	(1,002)	-	-	56	25	111	672	864
Total derivative financial liabilities	**903**	**-**	**75**	**120**	**364**	**275**	**834**	**328**	**-**	**40**	**52**	**182**	**211**	**485**
Total financial liabilities	**8,378**	**4,813**	**2,004**	**1,003**	**2,989**	**3,569**	**14,378**	**7,483**	**3,726**	**1,556**	**675**	**2,578**	**5,135**	**13,670**
Net contractual cash flows	**(5,708)**	**(4,390)**	**(1,582)**	**(817)**	**(2,355)**	**(1,629)**	**(10,773)**	**(4,577)**	**(3,111)**	**(1,195)**	**(306)**	**(2,057)**	**(3,451)**	**(10,120)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; the foreign currency leg of the cash flows is translated at the spot rate as at 30 June.
[2] 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 F3. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered as a significant risk as it is not anticipated that the guarantee will become payable.

Section F: Other disclosures

This section provides other financial information that will enhance clarity and understanding of this financial report. Required disclosures such as the remuneration of Auckland's mayor, councillors and local board members are presented under "related parties' transactions".

The notes included in this section are as follows:

F1 Deferred tax assets and liabilities

F2 Investment in other entities

F3 Contingencies, commitments and subsequent events

F4 Related parties transactions

F5 Reconciliation of surplus/ (deficit) after income tax to net cash inflow from operating activities

Section F: Other disclosures

F1 Deferred tax assets and liabilities

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:

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Deferred tax assets				
-to be recovered >12 months	8	8	-	-
-to be recovered within 12 months	3	4	-	-
Deferred tax liabilities				
-to be recovered >12 months	(1,066)	(1,079)	-	-
-to be recovered within 12 months	-	-	-	-
Net deferred tax assets/ (liabilities)	**(1,055)**	**(1,067)**	**-**	**-**

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	(1,323)	-	41	215	(1,067)
Acquisition of subsidiary	-	-	-	-	-
Credited/(charged) to surplus/(deficit)	(43)	(2)	33	26	14
Credited/(charged) to other comprehensive revenue	(4)	-	2	-	(2)
Balance at 30 June 2016	**(1,370)**	**(2)**	**76**	**241**	**(1,055)**
Opening balance	(1,212)	-	18	185	(1,009)
Acquisition of subsidiary	(2)	-	-	-	(2)
Credited/(charged) to surplus/(deficit)	(35)	-	22	30	17
Credited/(charged) to other comprehensive revenue	(74)	-	1	-	(73)
Balance at 30 June 2015	**(1,323)**	**-**	**41**	**215**	**(1,067)**

F2 Investment in other entities

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Investment in subsidiaries	0	-	21,080	20,800
Investment in associates	1,056	870	1	4
Investment in joint ventures	18	20	13	14
Total Investment in other entities	**1,074**	**890**	**21,094**	**20,818**

Other subsidiaries (excluding CCOs, refer to Section I for list of CCOs) of the Group include the following:

		Percentage ownership	
Name	**Principal activity and nature of relationship where there is no direct ownership**	**2016**	**2015**
Airport Shares (Auckland) Ltd	Holds a significant investment in Auckland International Airport Ltd	0*	100
Airport Shares (Manukau) Ltd	Holds a significant investment in Auckland International Airport Ltd	0*	100
Ports of Auckland Ltd	Port owner & operator	100	100

***Airport Shares (Auckland) Limited and Airport Shares (Manukau) Limited were amalgamated into Auckland Council Investments Limited (ACIL) on 31 May 2016. ACIL now holds the investment in Auckland International Airport Ltd directly to reduce on-going compliance and administrative costs.

Control of entities gained during the year

On 21 December 2015, one of the subsidiaries of the Group formed a 100% controlled company, Waikato Freight Hub Limited.

Section F: Other disclosures

F2 Investment in other entities (Continued)

Investment in joint ventures and associates

Accounting policy

Investment in associates and joint ventures, held by the Group and council, is accounted for using the equity method. 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.

The Group holds investment in the following joint ventures and associates as at 30 June 2016:

Entity	Held by	Relationship	Interest 2016	Interest 2015	Nature
Nexus Logistics Limited	Group	Joint venture	50.00%	50.00%	Intermodal supply chain business
North Tugz Ltd	Group	Joint venture	50.00%	50.00%	Towage and pilotage services
PortConnect Ltd	Group	Joint venture	50.00%	50.00%	Online Cargo management system
Longburn Intermodal Freight Hub Ltd	Group	Associate	33.30%	33.30%	Inland Freight distribution hub
Auckland International Airport Ltd (AIAL)	Group	Associate	22.40%	22.40%	Airport
Waste Disposal Services Ltd	Council	Joint venture	50.00%	50.00%	Landfill business
New Zealand Food Innovation Auckland Ltd	Council	Joint venture	33.30%	33.30%	Science and Technology Resources centre
New Lynn Central Ltd Partnership	Council	Associate	42.00%	42.00%	Property development
Tamaki Redevelopment Company Ltd	Council	Associate	41.00%	41.00%	Property development

All associates and joint ventures have a balance date of 30 June and are resident in New Zealand.

The Group's significant associate is AIAL and its key financial information is as follows:

$million	Total assets	Total liabilities	Gross revenue	Net profit after tax	Percentage of interest held
As at 30 June 2016					
Auckland International Airport Ltd	6,142	2,261	574	262	22.4%
As at 30 June 2015					
Auckland International Airport Ltd	5,102	2,059	509	224	22.4%

The fair value of the Group's investment in AIAL is $1.7 billion (2015: $1.3 billion).

The amounts presented are gross amounts taken directly from AIAL's financial statements. No adjustments have been made for differences in accounting policies adopted by the Group.

Contingent liabilities of associates and joint ventures
Contingent liabilities of the Group's associates and joint ventures are not significant to the Group.

Section F: Other disclosures

F3 Contingencies, commitments and subsequent events

CONTINGENCIES

Accounting policy

The Group does not recognise contingent liabilities and contingent assets in the financial statements due to their uncertainty or the fact that they cannot be reliably measured. Disclosures are provided for as follows:

- Contingent liabilities are disclosed unless the possibility that these will crystallise is remote.
- Contingent assets are only disclosed when the possibility that these will crystallise is probable.

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

Quantifiable contingent liabilities

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Guarantees and indemnities	4,353	3,255	4,797	3,710
Uncalled capital	2	2	2	2
Legal proceedings and disputes	8	7	8	7
Redeemable preference shares	-	-	-	125
Total quantifiable contingent liabilities	**4,363**	**3,264**	**4,807**	**3,844**

a. 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 and it has a current credit rating from Standard & Poor's of AA+ (stable).

As a guarantor

The council is one of 43 local authority guarantors of the LGFA. The LGFA's debt is $6.5 billion (2015: $5.0 billion), of which the council has borrowed $2.1 billion (2015: $1.7 billion). As a result, the council's cross-guarantee on LGFA's other borrowings is $4.4 billion (2015: $3.3 billion).

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

- the council is not aware of any local authority debt default events in New Zealand
- local government legislation would enable local authorities to levy rate reserve to recover sufficient funds to meet any debt obligations if further funds were required.

Section F: Other disclosures

F3 Contingencies, commitments and subsequent events (continued)

Quantifiable contingent liabilities (continued)

	Eden Park Trust Board	The council is listed as the sole guarantor for certain Eden Park Trust Board bank loans. The council is obligated under the guarantee to make payment in the event of default to a maximum of $40 million (2015: $40 million). The exercising of the guarantee will be dependent on the financial stability of the Eden Park Trust Board, which will vary over time. The trust Board is required to comply with certain covenants, which are monitored regularly by the council and the lender. In the past, and in the year to 30 June 2016, the Board has complied with all covenants under the terms of the underlying loan. The council has shared security with the lender over the trust's assets which council has taken into account in valuing the guarantee for reporting purposes.
	Watercare Services Ltd	The council has provided a guarantee for certain Watercare borrowings. At 30 June 2016, the borrowings for which this guarantee is provided totalled $444 million (2015: $455 million).
	Other	Council has provided guarantees to various community organisations for borrowings totalling $1 million (2015: $1 million). During the year there has been no default by any of the principals.
b.	**Uncalled capital**	**LGFA** The council is one of 31 local authority shareholders of the LGFA. In that regard it has uncalled capital of $2 million (2015: $2 million). When aggregated with the uncalled capital of other shareholders, $20 million is available in the event that an imminent default is identified
c.	**Legal proceedings and disputes**	**Development Auckland Limited (trading as Panuku Development Auckland)** Development Auckland Limited took court action against a former tenant to enforce their remediation obligations under their lease. In February 2014, the High Court ruled in favour of the former tenant and ordered Development Auckland Limited to pay costs of $930,000 to the former tenant. Development Auckland Limited appealed the decision in August 2015 the Court of Appeal reversed the ruling, awarding a $10 million judgement to Development Auckland Limited which was paid by the former tenant in October 2015 along with costs of $1.1 million. After a hearing in April 2016, the Supreme Court overturned the earlier judgement of the Court of Appeal and awarded, including court costs, in favour of the former tenant. A total of $11.5 million was accrued as at 30 June 2016 and was paid in July 2016 to the former tenant. **Others** • Legal claims against the Group 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 council has 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. • Amounts shown do not include any interest or costs that may be claimed if these cases were decided against the Group • A provision is provided on legal claims that meet the recognition criteria as disclosed in Note D5.

Section F: Other disclosures

F3 Contingencies, commitments and subsequent events (continued)

Unquantifiable contingent liabilities

Contaminated land	• It is likely that further sites will be identified over time and should testing confirm contamination, the council will be obliged to undertake remedial action. • A significant degree of estimation has been involved to calculate the provision; as a result the Group may be subject to further liability that is not currently recognised • Provision on contaminated land is provided in Note D5.
Weathertightness	• A significant degree of estimation has been involved to calculate the provision. As a result the Group may be subject to further liability that is not currently recognised • Provision on weathertightness is provided in Note D5.
Legal proceedings and disputes	• Auckland Transport has received a claim in relation to the Northern Busway and the associated changes to the roading network. Auckland Transport is working to resolve this claim with its solicitors. Part of this claim has been settled, no further liability has been recognised in relation to this claim as any further amount is uncertain. • Auckland Transport has been advised of a potential claim by Snapper Services Ltd against Auckland Transport in relation to the Auckland Integrated Fare System. Auckland Transport has prepared a claim against Snapper. Legal proceedings have not been issued by either party.

Contingent and future assets

Repurchase of heritage buildings	• In June 2004, one of the former councils sold a number of heritage buildings that form part of the Britomart precinct. • The council has a right to repurchase these buildings for $1 after 150 years (June 2154). No estimate has been made of the financial effect of this transaction due to the long period involved. The council anticipates that an estimate will be established 20 years before this repurchase occurs.
Entrust (previously named Auckland Energy Consumer Trust)	• The council is currently Capital Beneficiary of the Auckland Energy Consumer Trust (AECT) when the Trust terminates on 27 August 2073. • As at 30 June 2016 the council is not able to reliably estimate the value of any future benefit that may result from this arrangement.
Robertson art donation	• A binding agreement was established in 2009 by Julian and Josie Robertson (the donors) to donate certain works of art owned by them to the Group for display in the Auckland Art Gallery. The donors currently hold the works of art for their own and others' enjoyment, therefore the Group will only gain possession of the artworks on the contribution date specified in the agreement. At this point, the Group is unable to measure the right to receive assets reliably due to the uncertainty in the timing of the donation and certain restrictions set out in the agreement.
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.

Section F: Other disclosures

F3 Contingencies, commitments and subsequent events (continued)

COMMITMENTS

Capital commitments

Capital commitments relate to obligations which the Group and 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 and council capital commitments are as follows:

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Property, plant and equipment				
Roading networks	414	492	-	-
Water and wastewater	221	152	-	-
Operational land and buildings	70	55	44	47
Other operational assets	265	57	29	52
Rolling stock	15	44	-	-
Restricted improvements	33	33	33	33
Stormwater	47	27	50	29
Restricted parks, reserves and buildings	6	5	6	5
Wharves	1	14	-	-
Marina structures	1	5	-	-
Total property, plant and equipment	1,073	884	162	166
Intangible assets	36	45	11	31
Total capital commitments	**1,109**	**929**	**173**	**197**

135 Albert Street

Negotiations are currently underway to finalise the arrangements to remedy the cladding issues with this building, including confirmation of the materials, best methodology to fix and expected costs.

Operating lease commitments

The Group as a lessee

Accounting policy

The Group leases property, plant and equipment from third parties in the normal course of business with lease terms varying from 1 month to 70 years (2015: 1 month to 70 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:

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Minimum operating lease payments payable				
Not later than one year	24	21	10	10
Later than one year and not later than five years	65	69	29	30
Later than five years	36	43	3	8
Total minimum operating lease payments payable	**125**	**133**	**42**	**48**

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

Contingent rents of $2 million have been recognised during the year (2015: $2 million). The total future sublease payments expected to be received under non-cancellable subleases at balance date is $5 million (2015: $6 million).

Section F: Other disclosures

F3 Contingencies, commitments and subsequent events (continued)

The Group as a lessor

Accounting policy

The Group leases 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 (2015: 1 month to 100 years) with subsequent renewals negotiated with the lessee. Rental revenue (net of any incentives given to lessees) is recognised as revenue on a straight-line basis over the lease term.

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

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Minimum operating lease payments receivable				
Not later than one year	43	41	17	16
Later than one year and not later than five years	100	100	39	38
Later than five years	247	294	190	197
Total minimum operating lease payments receivable	**390**	**435**	**246**	**251**

No contingent rents have been recognised during the year (2015: $nil).

SUBSEQUENT EVENTS

On 14 September 2016, Council and the Crown entered into a Heads of Agreement for the equal co-funding and delivery of the City Rail Link. The total cost of the project is estimated to be between $2.8 billion and $3.4 billion. Specific implementation details will be agreed in a “Sponsors Agreement” to establish a separate legal entity to manage the project and will be jointly owned by the council and the Crown. Establishment of the new entity is expected in early 2017.

There were no other material events after reporting date that would require adjustment or disclosure for the council or the Group.

Section F: Other disclosures

F4 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.

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.

Transactions were entered into and year end balances arose from transactions with related parties include key management remuneration and financial contributions to the Auckland War Memorial Museum, MOTAT and the Auckland Regional Amenities Funding Board.

a. Key management personnel remuneration

Key management remuneration comprises of the total remuneration paid to the mayor, councillors, chief executive and executive leadership team.

	Council	
$	**2016**	**2015**
Mayor and councillors		
Remuneration	2,537,190	2,484,235
Total Mayor and councillors	**2,537,190**	**2,484,235**
Payments during the year to the chief executive		
-Salary and other short-term employee benefits	636,744	611,650
-Post-employment benefit (Kiwi saver contributions)	19,102	18,350
Total chief executive remuneration	**655,846**	**630,000**
Executive leadership team		
-Salary and other short-term employee benefits	3,731,878	3,495,298
-Post-employment benefit (Kiwi saver contributions)	93,081	78,638
Total executive leadership team remuneration	**3,824,959**	**3,573,936**
Total key management personnel remuneration	**7,017,995**	**6,688,171**

Key management personnel comprise 34 individuals: 21 full-time equivalents elected members and 13 full-time equivalents executive leaders with one individual leaving during the financial year.

Local government disclosures

Employee numbers and remuneration bands

	Group		Council	
Full time equivalent	**2016**	**2015**	**2016**	**2015**
Full-time employees	8,743	8,538	5,302	5,309
Part time employees (full-time equivalent)	1,127	1,140	800	779
Total full-time equivalent	**9,870**	**9,678**	**6,102**	**6,088**

Section F: Other disclosures

F4 Related party transactions (continued)

Local government disclosures (continued)

Employee numbers and remuneration bands (continued)

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

Group

Number of employees	2016	Number of employees	2015
<$60,000	5,279	<$60,000	5,341
$60,000-$79,999	2,474	$60,000-$79,999	2,392
$80,000-$99,999	1,790	$80,000-$99,999	1,735
$100,000-$119,999	965	$100,000-$119,999	909
$120,000-$139,999	484	$120,000-$139,999	451
$140,000-$159,999	242	$140,000-$159,999	234
$160,000-$179,999	121	$160,000-$179,999	100
$180,000-$199,999	81	$180,000-$199,999	72
$200,000-$219,999	43	$200,000-$219,999	37
$220,000-$239,999	24	$220,000-$239,999	30
$240,000-$259,999	19	$240,000-$259,999	16
$260,000-$279,999	14	$260,000-$279,999	8
$280,000-$299,999	19	$280,000-$299,999	19
$300,000-$319,999	10	$300,000-$319,999	12
$320,000-$339,999	8	$320,000-$359,999	8
$340,000-$399,999	6	$360,000-$419,999	7
$400,000-$459,999	6	$420,000-$599,999	6
$460,000 - $819,999	6	$600,000-$819,999	3
Total number of employees	**11,591**		**11,380**

Council

Number of employees	2016	Number of employees	2015
<$60,000	3,394	<$60,000	3,389
$60,000-$79,999	1,601	$60,000-$79,999	1,615
$80,000-$99,999	1,134	$80,000-$99,999	1,114
$100,000-$119,999	550	$100,000-$119,999	523
$120,000-$139,999	231	$120,000-$139,999	237
$140,000-$159,999	120	$140,000-$159,999	105
$160,000-$179,999	65	$160,000-$179,999	57
$180,000-$199,999	34	$180,000-$199,999	31
$200,000-$219,999	16	$200,000-$219,999	16
$220,000-$239,999	10	$220,000-$239,999	11
$240,000-$259,999	6	$240,000-$279,999	6
$260,000-$299,999	11	$280,000-$299,999	7
$300,000-$339,999	6	$300,000-$339,999	7
$340,000-$699,999	6	$400,000-$639,999	5
Total number of employees	**7,184**		**7,123**

Section F: Other disclosures

F4 Related party transactions (continued)

Local government disclosures (continued)

Severance payments
For the year ended 30 June 2016, the council made 17 severance payments to employees totalling $726,910 (year ended 30 June 2015: 27 payments totalling $516,166).

The values of each severance payment were $212,588; $139,271; $114,167; $30,898; $28,866; $27,515; $26,442; $25,000; $24,703; $24,500; $20,494; $19,258; $10,000; $8,339; $7,061; $5,870; $1,938.

In addition to the above, for the year ended 30 June 2016, other members of the Group made 8 severance payments to employees totalling $229,581 (year ended 30 June 2015: 7 payments totalling $157,639).

The values of each of the severance payments made by other members of the Group were $83,000; $50,000; $45,000; $30,000; $10,224; $6,886; $3,471; $1,000.

Refer to schedule 10 clause 33 of the LGA 2002 for the definition of severance payments.

Mayor, councillor and local board members' remuneration
Remuneration Authority determines the remuneration to be paid to the Mayor, councillors and Local Board members. The Local Government Elected Members (2015/16) (Auckland Council and Local Boards) Determination 2015 detailed the rates which apply from 1 July 2015 to 30 June 2016.

Section F: Other disclosures

F4 Related parties transactions (continued)

Local government disclosures (continued)

Mayor and councillor remuneration

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

$	Council 2016	2015
Mayor		
Len Brown	265,339	259,304
Councillors		
Alf Filipaina	104,187	101,825
Arthur Anae	104,187	101,825
Bill Cashmore	104,187	101,825
Calum Penrose	104,187	101,825
Cameron Brewer	104,187	101,825
Cathy Casey	104,187	101,825
Chris Darby	104,187	101,825
Christine Fletcher*	157,487	155,125
Denise Krum	101,900	101,825
Dick Quax	104,187	101,825
George Wood	123,425	120,609
John Walker	104,187	101,825
John Watson	104,187	101,825
Linda Cooper	104,187	101,825
Mike Lee*	157,487	155,125
Penny Hulse	149,509	146,088
Penny Webster	123,425	120,609
Ross Clow	104,187	101,825
Sharon Stewart	104,187	101,825
Wayne Walker	104,187	101,825
Total mayor and councillor remuneration	**2,537,190**	**2,484,235**

*Christine Fletcher and Mike Lee were paid $104,187 each by the council as elected member (2015: $101,825 each) and $53,300 each by Auckland Transport as directors (2015: $53,300).

Local board members' remuneration

Under the LGA 2002, the Group is required to disclose remuneration to members of local boards as follows:

$	2016	2015	$	2016	2015
Albert-Eden			**Devonport- Takapuna**		
Glenda Fryer	51,754	45,734	Allison Roe, MBE	39,831	39,180
Graeme Easte	44,214	40,379	Dianne Hale, QSO, JP	41,146	39,180
Helga Arlington	42,054	40,379	Grant Gillon	41,146	39,180
Lee Corrick	42,054	40,379	Jan O'Connor	41,146	39,180
Margi Watson	42,054	40,379	Joseph Bergin	76,620	43,340
Peter Haynes	86,606	83,146	Mike Cohen, QSM, JP	41,146	68,794
Rachel Langton	42,054	40,379			
Tim Woolfield	42,054	40,379			
Total	**392,844**	**371,154**	**Total**	**281,035**	**268,854**

Section F: Other disclosures

F4 Related parties transactions (continued)

Local government disclosures (continued)

Local board members' remuneration (continued)

$	2016	2015	$	2016	2015
Franklin			**Great Barrier**		
Alan Cole	40,441	38,280	Christina Spence	22,979	22,189
Andrew Baker	121,138	116,096	Izzy Fordham	52,581	50,671
Angela Fulljames	40,441	38,280	Jeff Cleave	22,979	22,189
Brendon Crompton	40,441	38,280	Judy Gilbert	22,979	22,189
Jill Naysmith	40,441	38,280	Susan Daly	22,979	22,189
Lyn Murphy	40,441	38,280			
Malcolm Bell	40,441	38,280			
Murray Kay	47,401	38,280			
Sarah Higgins	40,441	38,280			
Total	**451,626**	**422,336**	**Total**	**144,497**	**139,427**
Henderson-Massey			**Hibiscus and Bays**		
Brenda Brady, JP	47,490	44,277	David Cooper	41,751	39,978
Luke Wilson	42,560	41,077	Gary Holmes	41,751	41,624
Peter Chan, JP	42,560	41,077	Gaye Harding-Kirikiri	41,751	39,978
Shane Henderson	42,560	41,077	Greg Sayers	41,751	39,978
Tracy Kirkley	43,848	43,551	Janet Fitzgerald	46,371	39,978
Vanessa Neeson, JP	89,675	86,545	Julia Parfitt, JP	84,022	80,449
Warren Flaunty, QSM	42,560	41,077	Lisa Whyte	41,751	39,978
Will Flavell	42,560	41,077	Lovisa Rasmussen	41,751	39,978
Total	**393,813**	**379,758**	**Total**	**380,899**	**361,941**
Howick			**Kaipatiki**		
Adele White	42,760	41,278	Ann Hartley	41,552	39,779
Bob Wichman	42,760	41,278	Danielle Grant	41,552	39,779
David Collings	93,901	90,643	Grant Gillon	41,552	39,779
Garry Boles	42,760	41,278	John Gillon	41,552	39,779
Jim Donald	42,760	41,278	Kay McIntyre	83,203	79,648
John Spiller	42,760	41,278	Lindsay Waugh	41,552	39,779
Katrina Bungard	42,760	41,278	Lorene Pigg	41,552	39,779
Lucy Schwaner	42,760	41,278	Richard Hills	41,552	39,779
Steve Udy	51,120	41,278			
Total	**444,341**	**420,867**	**Total**	**374,067**	**358,101**
Mangere-Otahuhu			**Manurewa**		
Carrol Elliot, JP	41,652	39,878	Angela Cunningham-Marino	41,652	39,878
Christine O'Brien	41,652	39,878	Angela Dalton	83,723	80,149
Leau Peter Skelton	41,652	39,878	Danella McCormick	41,652	39,878
Lemauga Lydia Sosene	81,315	77,849	Daryl Wrightson	41,652	39,878
Nick Bakulich	41,652	39,878	Hon. George Hawkins	41,652	39,878
Tafafuna'i Tasi Lauese, JP	41,652	39,878	Ken Penney	41,652	39,878
Togiatolu Walter Togiamua	41,652	39,878	Michael Bailey	41,652	39,878
			Simeon Brown	41,652	39,878
Total	**331,227**	**317,117**	**Total**	**375,287**	**359,295**
Maungakiekie-Tamaki			**Orakei**		
Alan Verrall	41,449	39,580	Colin Davis, JP	41,852	40,079
Brett Clark	41,449	39,580	Desley Simpson	82,764	79,249
Bridget Graham, QSM	41,449	39,580	Kate Cooke	41,852	40,079
Chris Makoare	41,449	39,580	Ken Baguley	41,852	43,239
Josephine Bartley	41,449	39,580	Kit Parkinson	41,852	40,079
Obed Unasa	41,449	39,580	Mark Thomas	41,852	40,079
Simon Randall	80,600	76,950	Troy Churton	41,852	40,194
Total	**329,294**	**314,430**	**Total**	**333,876**	**322,998**

Section F: Other disclosures

F4 Related parties transactions (continued)

Local government disclosures (continued)

Local board members' remuneration (continued)

$	2016	2015	$	2016	2015
Otara-Papatoetoe			**Papakura**		
Donna Lee	41,852	40,079	Bill McEntee	73,288	69,554
Fa'anānā Efeso Collins	82,454	78,948	Brent Catchpole	42,158	42,359
John McCracken	41,852	40,079	Graham Purdy	40,544	38,479
Lotu Fuli	41,852	40,079	Katrina Winn	40,544	38,479
Mary Gush	41,852	40,079	Michael Turner	40,544	38,479
Ross Robertson, QSO	41,852	40,079	Stuart Britnell	40,544	38,479
Stephen Grey	41,852	40,079			
Total	**333,566**	**319,422**	**Total**	**277,622**	**265,829**
Puketapapa			**Rodney**		
David Holm	41,146	39,178	Beth Houlbrooke	40,038	37,781
Ella Kumar, JP	41,146	39,178	Brenda Steele	74,884	70,656
Harry Doig	41,146	39,178	Greg Sayers	40,038	37,781
Julie Fairey	76,410	72,753	James Colville	40,038	37,781
Michael Wood	41,146	39,178	John McLean	40,038	39,821
Nigel Turnbull	41,146	39,178	Phelan Pirrie	42,518	37,781
			Steven Garner	40,038	37,781
			Thomas Grace	40,038	37,781
			Warren Flaunty, QSM	40,038	37,781
Total	**282,140**	**268,643**	**Total**	**397,668**	**374,944**
Upper Harbour			**Waiheke**		
Brian Neeson	43,190	69,360	Beatle Treadwell	24,568	23,388
Callum Blair	39,616	38,779	Becs Ballard	24,568	23,388
Christine Rankin-MacIntyre	40,844	38,779	John Meeuwsen	24,568	23,388
John McLean	40,844	39,399	Paul Walden	58,483	55,665
Lisa Whyte	74,632	42,977	Shirin Brown	24,568	23,388
Margaret Miles, JP	72,651	76,179			
Total	**311,777**	**305,473**	**Total**	**156,755**	**149,217**
Waitakere Ranges			**Waitemata**		
Denise Yates, JP	40,743	38,679	Christopher Dempsey	42,009	39,379
Greg Presland	40,743	38,679	Deborah Yates	41,249	39,379
Neil Henderson	40,743	38,679	Greg Moyle	41,249	39,379
Saffron Toms	40,743	38,679	Pippa Coom	41,249	39,379
Sandra Coney, QSO	74,437	70,654	Rob Thomas	41,249	39,379
Steve Tollestrup	40,743	38,679	Shale Chambers	79,461	75,851
			Vernon Tava	41,249	39,379
Total	**278,152**	**264,049**	**Total**	**327,715**	**312,125**
Whau					
Ami Chand	41,652	39,878			
Catherine Farmer	81,315	77,849			
Derek Battersby, QSM, JP	41,652	39,878			
Duncan Macdonald, JP	41,652	39,878			
Ruby Manukia-Schaumkel	41,652	39,878			
Simon Matafai	41,652	39,878			
Susan Zhu	41,652	39,878			
Total	**331,227**	**317,117**			

The total local board remuneration as at 30 June 2016 is $6,929,428 (2015: $6,613,096).

Section F: Other disclosures

F4 Related parties transactions (continued)

b. Other financial contributions

The council provided the following financial contributions to the Auckland War Memorial Museum, MOTAT and the Auckland Regional Amenities Funding Board.

	Council	
$million	**2016**	**2015**
Auckland war memorial museum	29	28
MOTAT	12	12
Auckland regional amenities funding board	15	14

F5 Reconciliation of surplus/ (deficit) after income tax to net cash inflow from operating activities

	Group		Council	
$million	**2016**	**2015**	**2016**	**2015**
Deficit after income tax	**(231)**	**(72)**	**(636)**	**(201)**
Add/(less) non-cash items				
Depreciation and amortisation	829	778	237	220
Reversal of previously recognised impairment	-	(1)	-	-
Net increase in fair value of investment property	(62)	(61)	(17)	(9)
Net unrealised decrease in financial assets held at fair value through surplus/ (deficit)	554	278	416	190
Time value adjustments	13	16	13	16
Net loss on disposal of property, plant and equipment and intangible assets	49	14	34	-
Impairment of property, plant and equipment, receivables and other assets	28	26	11	15
Vested assets	(247)	(276)	(64)	(90)
Other non-cash revenue	(22)	-	(22)	-
Share of surplus in associates and jointly-controlled entities (net of dividends received)	(18)	(14)	-	(1)
Less items classified as investing or financing activities	(58)	(52)	(60)	(68)
Add/(less) movements in working capital items	**(64)**	**90**	13	**190**
Net cash inflow from operating activities	**771**	**726**	**(75)**	**262**

Section G: Financial reporting and prudence benchmarks

Annual report disclosure statement for the year ended 30 June 2016

What is the purpose of this statement?

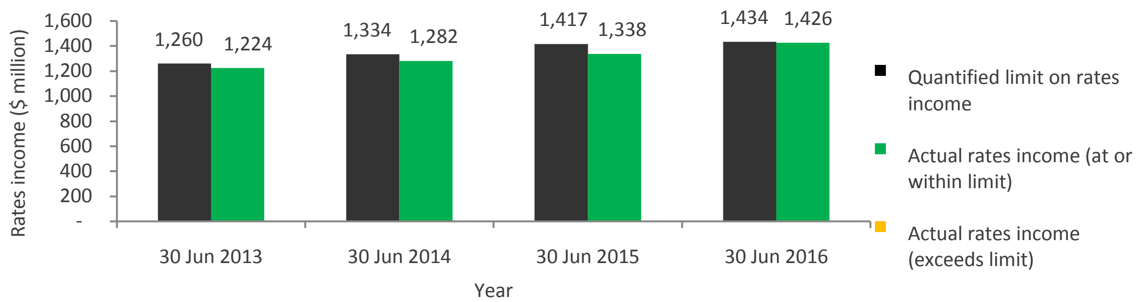
The purpose of this statement is to disclose the Group's financial performance in relation to various benchmarks to enable the assessment of whether the Group is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Group 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 full Auckland Council Group including Watercare Services Ltd, Auckland Transport and Ports of Auckland Ltd with the exception of the debt affordability section which excludes Watercare Services Ltd and other specified debt. Watercare is excluded from the calculation of prudential ratios as it is not reliant on Auckland Council to fund its operation.

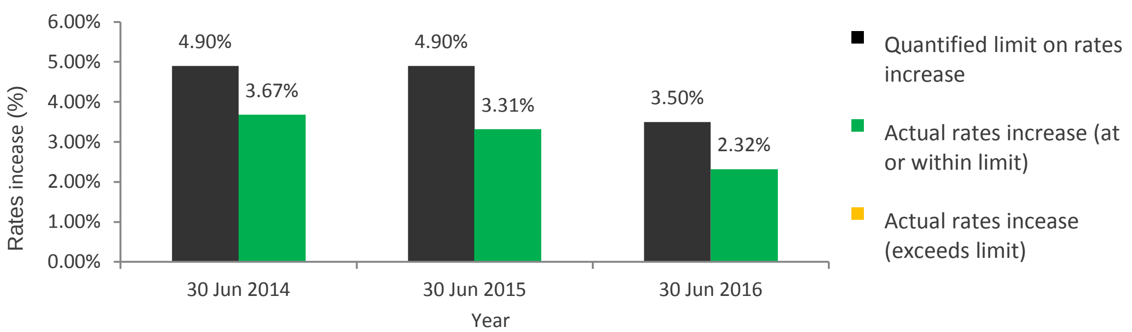
Unless prescribed by the regulations, the quantified limit for each benchmark is calculated using financial information disclosed in the LTP 2015-2025 including the prospective financial statements.

Rates affordability benchmark
The Group meets the rates affordability benchmark if its actual rates income equals or is less than each quantified limit on rates, and its actual rates increases equal or is less than each quantified limit on rates increases.

Rates (income) affordability
The graph compares the Group's actual rates income with a quantified limit on rates contained in the financial strategy included in the Group's LTP. The quantified limit is the Group's general rates income including remissions and growth in the rating base, less any internal rate charges. This does not include revenue arising from water and wastewater charges and targeted rates. Due to amalgamation, 2011-2012 rates income was comprised of a single transition rate (combining both targeted and general rates) and a wastewater charge. It is therefore impossible to determine the general rates component for the 2011/2012 year and this figure has not been disclosed.



Rate (increases) affordability
The graph compares the Group's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Group's LTP. The quantified limit is calculated using the increase in general rates income, exclusive of growth in the rating base. Due to the unavailability of the actual general rates figure for the 2011/2012 year, the percentage increase for the June 2013 year has not been disclosed.



Section G: Financial reporting and prudence benchmarks

Debt affordability benchmark
The Group meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. There are three quantified limits described in the LTP:

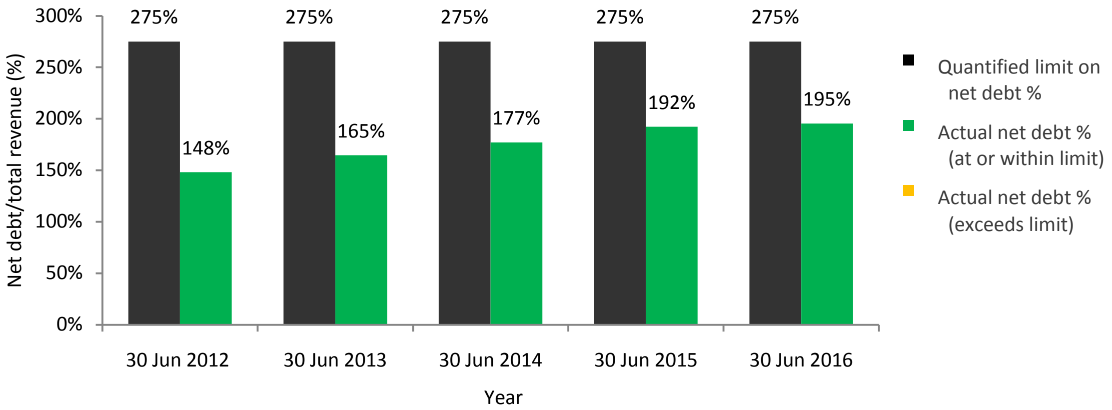
- net debt as a percentage of total revenue
- net interest as a percentage of total revenue
- net interest as a percentage of annual rates income

For the purposes of this section as prescribed in the LTP, the limits exclude any revenue or expenses, asset or liability relating to Watercare, including revenue, debt, investments, interest revenue and interest expense.

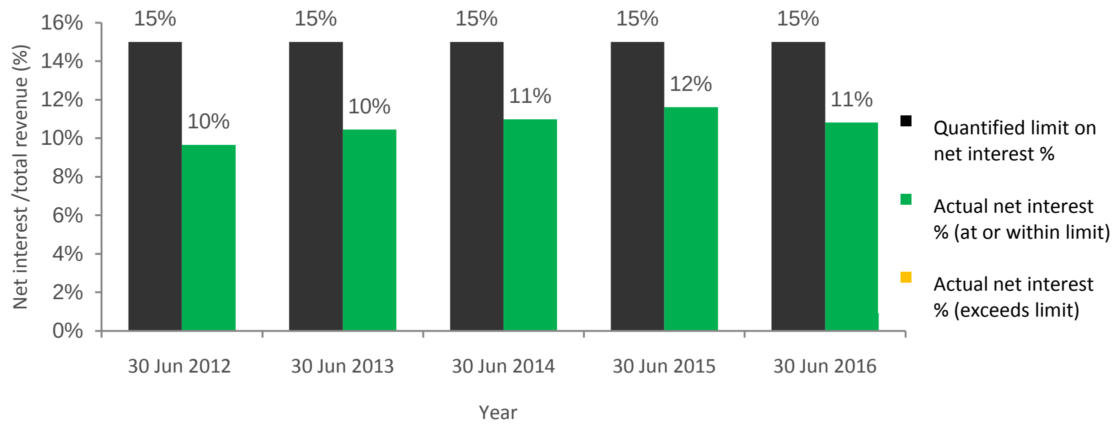
The components used in the debt affordability benchmarks are defined as follows:

- **Total revenue**: earnings from rates, government operating grants and operating subsidies, user charges, interest, dividends, development contributions received to service the borrowing cost relating to growth related capital works, financial and other revenue.
- **Net debt**: total borrowings less cash and cash equivalents, unit trusts and listed shares. Net debt excludes guarantees to related or third parties.
- **Net interest**: net finance expense.
- **Annual rates income**: general and targeted rates.

Net debt as a percentage of total revenue
The graph compares the Group's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the LTP. The quantified limit is net debt as a percentage of total revenue. A value less than the quantified limit of 275% indicates compliance with the prudential limit.

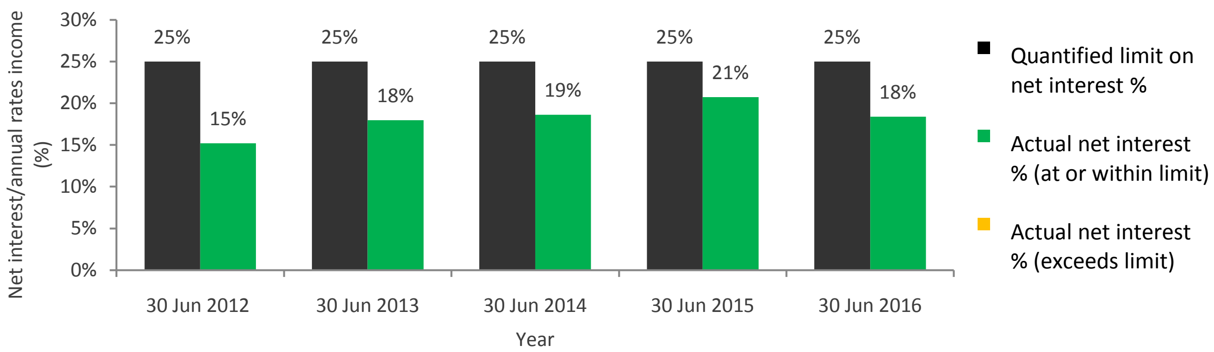


Net interest as a percentage of total revenue
The graph compares the Group's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the LTP. The quantified limit is net interest as a percentage of total revenue. A value less than the quantified limit of 15% indicates compliance with the prudential limit.



Section G: Financial reporting and prudence benchmarks

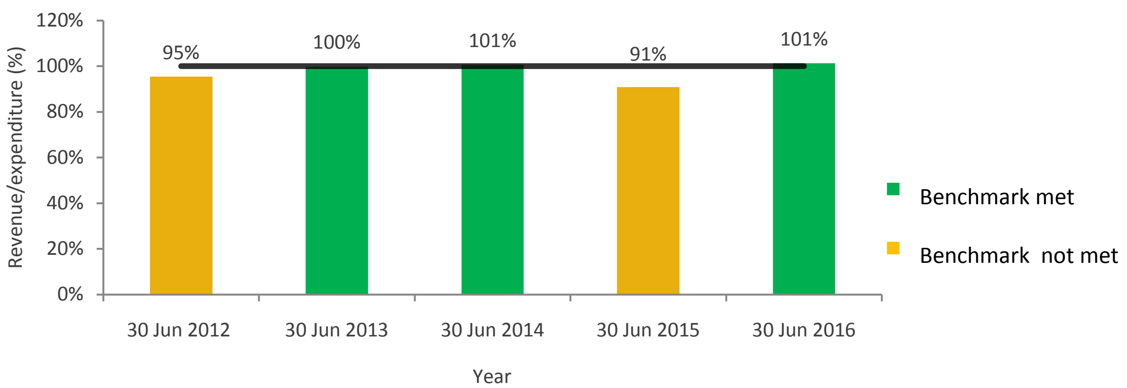
Debt affordability benchmark (continued)
Net interest as a percentage of annual rates income
The graph compares the Group's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Group's LTP. The quantified limit is net interest as a percentage of annual rates income. A value less than the quantified limit of 25% indicates compliance with the prudential limit.



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

For the purpose of the balanced budget benchmark, movements in derivative financial instruments have been excluded in accordance with the disclosure requirement. The Group has entered into derivative transactions to mitigate any foreign currency exposure from its offshore borrowings as required by its risk management policies, therefore FX volatility has been included in this benchmark even though it has been fully mitigated. The results do not reflect the full economic substance of the transaction. Refer to note E1 for further details of the council's risk management policies on foreign exchange risk.

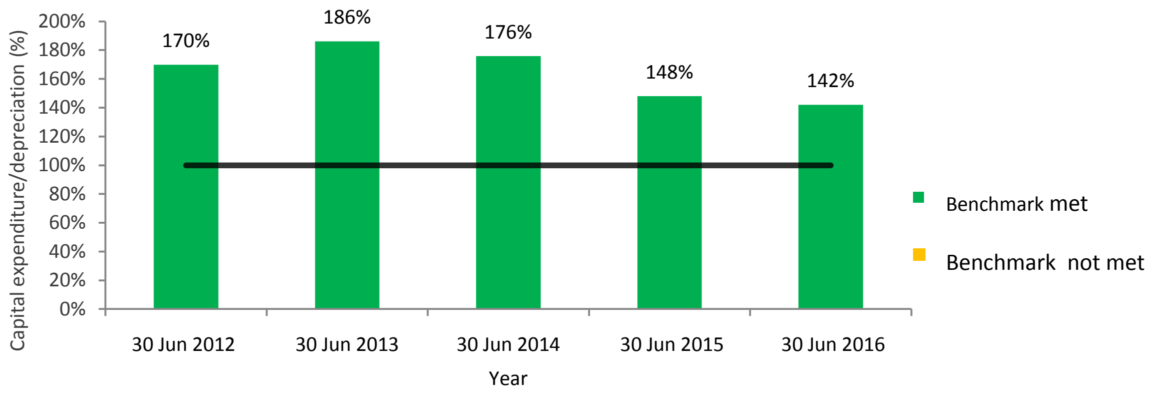
The adjusted revenue was lower than the adjusted operating expenses in 2012 and 2015, mainly due to expenses incurred being greater than budget.



Section G: Financial reporting and prudence benchmarks

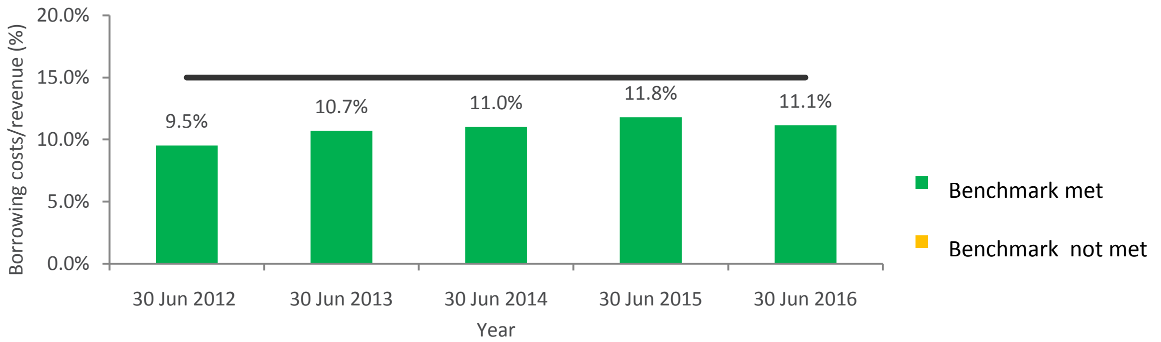
Essential services benchmark

The graph 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.



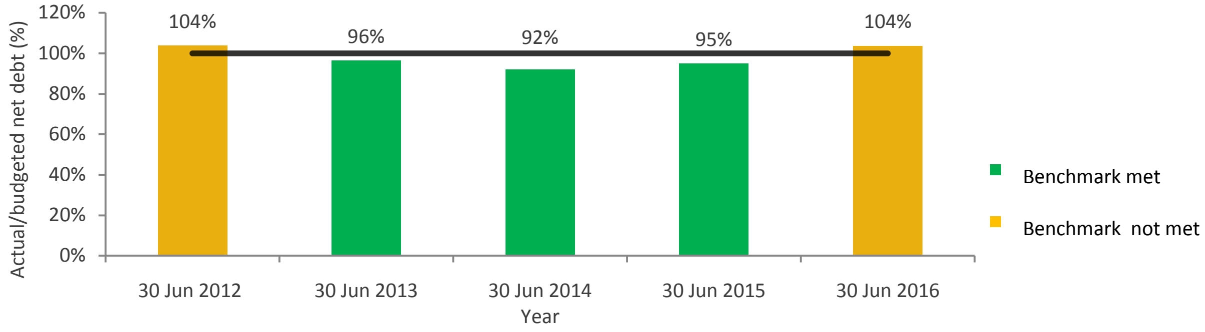
Debt servicing benchmark

The graph displays the Group's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the council's population will grow as fast as, 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

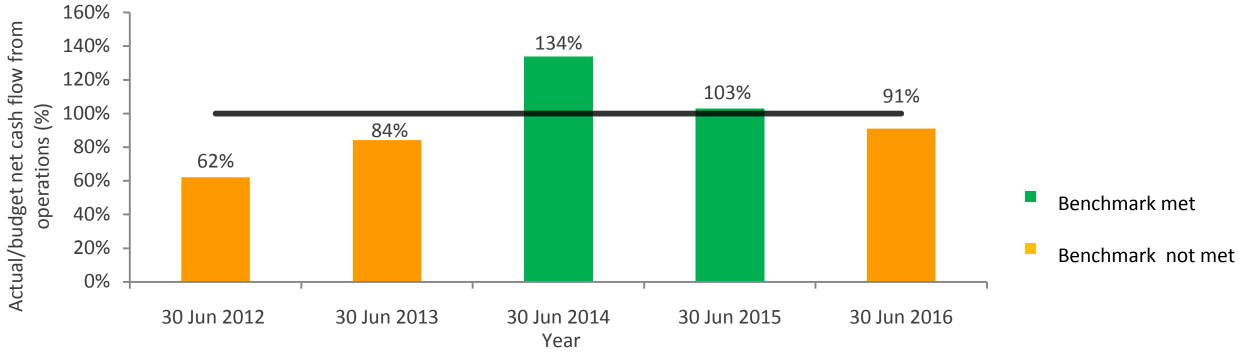
The graph displays the Group's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Group meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. The 2012 net debt was higher than planned due to taking on debt for the purchase of electric trains in 2012, earlier than the planned 2013. The 2016 net debt was adversely impacted by derivatives which were higher than planned as a result of the volatility in interest rates during the financial year which was not budgeted (refer to note C2). Also included in net debt is borrowings that were lower than planned (refer to note C1).



Section G: Financial reporting and prudence benchmarks

Operations control benchmark

This graph 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. The 2012 actual cash flow was lower than planned primarily due to higher than expected costs for the delivery of council services, maintenance of council assets and temporary staff expenses. The 2013 actual cash flow was less than planned due to lower than expected cash receipts from rates and other fees. The 2016 actual cashflows was less than planned due to higher than expected cash outflows for delivery of council services and maintenance of council assets.



Section H: Local government mandatory performance measures

Following public consultation by the Department of Internal Affairs (DIA), and in accordance with section 261B of the Local Government Act 2002, the “Non-financial performance measures rules 2013” were established and came into force on 30 July 2014. Local authorities across New Zealand are required to incorporate these performance measures in their 2015-2025 LTP and report against them for the first time in 2015/2016 annual reports.

The measures are intended to ensure that members of the public can compare the level of service provided by different councils. The intended level of service and individual performance measure targets are determined by each individual local authority.

The non-financial performance measures, as required by the DIA, are included Volume 2 of our LTP 2015-2025, “Our detailed budgets, strategies and policies”.

The results for these measures, alongside variance explanations, are provided in Volume 1 of this annual report, “Overview and service performance”, under the relevant theme and group of activities.

The table below summarises all the results and indicates the themes and group of activities where the detailed information can be found.

Volume 1 reference	Performance measure	Status	2016 actual	2016 target	2015 actual
Theme Environmental management and regulation **Group of activities** Stormwater management	The number of flooding events that occur and the associated number of habitable floors affected per 1000 properties connected to Auckland Council’s stormwater network		**0.1 per 1000 properties**	1 per 1000 properties	New measure
	The median response time to attend a flooding event, measured from the time that Auckland Council receives notification to the time that service personnel reach the site		**2.5 hours**	2 hours	New measure
	The number of complaints received about the performance of the stormwater system per 1000 properties connected to Auckland Council’s stormwater system		**0.39 per 1000 properties**	3 per 1000 properties	New measure
	Auckland Council Stormwater compliance with resource consents for discharge from its stormwater system, measured by the number of: a) abatement notices; b) infringement notices; c) enforcement orders; and d) successful prosecutions, received in relation those resource consents		**0**	0	New measure

Section H: Local government mandatory performance measures

Volume 1 reference	Performance measure	Status	2016 actual	2016 target	2015 actual
Theme Water supply and wastewater treatment and disposal. **Group of activities** Water supply	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	✓	**100%**	100%	New measure
	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	✓	**100%**	100%	New measure
	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	✓	**44 mins**	<=60 mins	New measure
	Median response time for resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	✓	**3.1 hours**	<=5 hours	New measure
	Median response time for attendance for non-urgent call-outs: from the times that the local authority receives notification to the time that service personnel reach the site	✓	**3 days**	<=3 days	New measure
	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	✓	**4.3 days**	<=6 days	New measure
	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	✓	**5.6**	<=10	New measure
	The percentage of real water loss from the local authority's networked reticulation system	✓	**12.94%**	13%	New measure
	The average consumption of drinking water per day per resident within the territorial authority district	✓	**272.05**	272+-2.5%	New measure

Section H: Local government mandatory performance measures

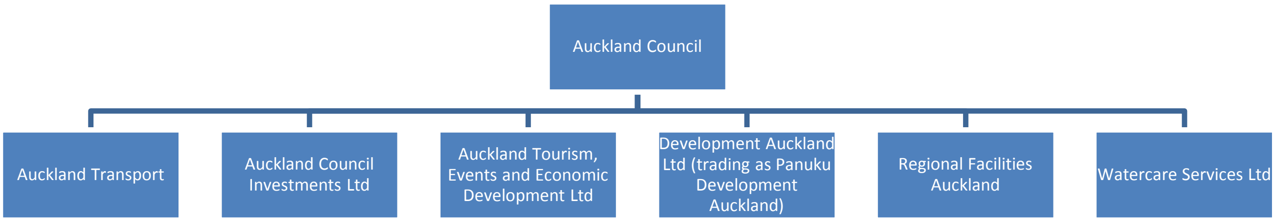
Volume 1 reference	Performance measure	Status	2016 actual	2016 target	2015 actual
Theme Water supply and wastewater treatment and disposal **Group of activities** Wastewater treatment and disposal	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	✓	**0.45**	<=10	New measure
	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	✓	**a) 0** **b) 0** **c) 0** **d) 0**	a) ≤2 b) ≤2 c) ≤2 d) 0	New measure
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	✓	**46 mins**	<=60 mins	New measure
	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	✓	**2.9 hours**	<=5 hours	New measure
	The total number of complaints received by the local authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the local authority's response to issues with its sewerage system expressed per 1000 connections to the local authority's sewerage system	✓	**20.8**	<=50	New measure
Theme Transport **Group of activities** Roads and footpaths	The change from the previous financial year in the number of deaths and serious injuries on the local road network, expressed as a number	✗	**538**	Reduce by at least 9 (390)	399
	Road maintenance standards (ride quality) as measured by smooth travel exposure (STE) for all urban and rural roads	✓ ✓	**Rural 96%** **Urban 87%**	Rural 93% Urban 83%	Rural 95% Urban 85%
	Percentage of the sealed local road network that is resurfaced	✓	**8.1%**	8%	New measure
	Percentage of footpaths in acceptable condition	✓	**99.5%**	99%	New measure
	Percentage of customer service requests relating to roads and footpaths which receive a response within specified timeframes	✓	**88%**	85%	New measure

Section I: Council-controlled organisations

Overview

Council-controlled organisations (CCOs) are organisations in which the council controls 50 per cent or more of the votes or has the right to appoint 50 per cent (or more) of the directors or trustees.
A substantive CCO is a CCO that is either 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.

Auckland Council has six substantive CCOs – all of which it is the sole shareholder of:



In addition to the substantive CCOs, Auckland Council has a number of other CCOs which together represent less than 0.1% of the Group's total assets. These include:

- Community Education Trust (COMET) Auckland
- Contemporary Art Foundation
- Arts Regional Trust (ART)
- Highbrook Park 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

While each CCO has its own specific objectives, the Local Government Act 2002 identifies the principal objective of all CCOs. In summary, this is to:

- achieve the objectives of its shareholders, both commercial and non-commercial as specified in the statement of intent;
- be a good employer;
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- conduct its affairs in accordance with sound business practice.

The council's vision is for Auckland to be the world's most liveable city. The CCOs have a key role to play in this vision. The council expects CCOs to contribute to achieving the following outcomes from the LTP:

- A fair, safe and healthy Auckland;
- A green Auckland;
- An Auckland of prosperity and opportunity;
- A well connected and accessible Auckland;
- A beautiful Auckland that is loved by its people;
- A culturally rich and creative Auckland; and
- A Maori identity that is Auckland's point of difference in the world.

The key performance targets and other measures of the CCOs, together with the nature and scope of activities provided were consistent with the information set out in the LTP.

No issues arose with regard to ownership or control of CCOs this financial year.

Section I: Council-controlled organisations

Overview

Auckland Transport is responsible for managing the region's transport system. It provides all of Auckland's transport requirements (except state highways and Auckland motorways) ranging from roads and footpaths to traffic signals, and managing bus and train services and street parking.

Auckland Transport was legally constituted under part 4 of the Local Government (Auckland Council) Act 2009 on 1 November 2010. Auckland Transport is a body corporate with perpetual succession. For the purposes of the Local Government Act 2002, the council must be treated as if it were the sole shareholder of Auckland Transport.

Objectives and contribution to LTP

Auckland Transport is to contribute to an efficient, sustainable, energy saving and cost effective land transport system to support Auckland's social, economic, environmental and cultural well-being.

Auckland Transport is to create better connections and accessibility within Auckland by:

- Managing Auckland's transport as a single system;
- Integrating transport planning with land use development;
- Prioritising and optimising investment across transport modes;
- Implementing new transport funding mechanisms.

Auckland Transport is to deliver infrastructure and services to support a transformational shift towards greater use of passenger transport.

Auckland Transport should have regards to:

- Building resilience to natural hazards;
- Auckland Plan urban design principles;
- Realising a quality compact city.

Activities

The activities of Auckland Transport are centred on delivering transport services, such as:

- Construction and maintenance of roads, footpaths, and streetscape amenities;
- Providing public transport facilities and services, including bus, rail and ferry services, and their associated infrastructure;
- Operating traffic signal networks;
- Providing parking facilities and enforcement;
- Establishing and promoting road safety and school travel initiatives.

For information on the above activities, actual performance, key performance targets and other measures set out in the LTP see Transport theme in volume 1 of this annual report.

Directors

- Dr Lester Levy (Chairperson)
- Dr Ian Parton
- Christine Fletcher
- Paul Lockey (Deputy Chairperson)
- Mark Gilbert
- Dame Paula Rebstock
- Ernst Zőllner
- Rabin Rabindran
- Mike Lee

Section I: Council-controlled organisations

Auckland Council Investments
An Auckland Council Organisation

Overview

Auckland Council Investments Ltd (ACIL) owns Ports of Auckland Ltd (POAL), Auckland Film Studios Ltd (AFSL), and a large equity holding in Auckland International Airport Ltd (AIAL).

The purpose of ACIL is to support the council's vision and to bring a strong commercial and strategic focus to the ownership and management of the council's investments in POAL, AIAL and AFSL. ACIL's role is to maximise the contribution of these assets to the Auckland economy and provide substantial financial returns, which are financially sustainable in the long run.

Objectives and contribution to LTP

ACIL holds equity interests in POAL, AIAL, AFSL. These assets contribute to the council's delivery of Auckland Plan outcomes by:

- Providing strong governance and commercial focus to the ownership of the council's major equity investments;
- Keeping strategic assets in public ownership;
- Managing assets including POAL and AIAL shares strategically and prudently to optimise their long-term benefit for the region.

Activities

ACIL's activities include:

- Commercial focus on the ownership and management of Council's investments;
- Maximise contribution to Auckland economy and provide substantial financial returns, which are sustainable in the long term.

For information on the above activities, actual performance, key performance targets and other measures set out in the LTP see Governance and support theme in volume 1 of this annual report.

Directors

- Keith Taylor (Chairperson)
- Linda Robertson
- Hinerangi Raumati

Section I: Council-controlled organisations

Auckland Tourism, Events and Economic Development

An Auckland Council Organisation

Overview

Auckland Tourism, Events and Economic Development Ltd's (ATEED's) role is to support the Council's vision of creating the world's most liveable city and deliver great value for money by supporting the growth of a vibrant and competitive economy, with a particular focus on facilitating new smart money and high value jobs for Auckland.

Objectives and contribution to LTP

ATEED is to contribute to the following priorities from the Auckland Plan and the Auckland Council Economic Development Strategy:

- Develop an 'innovation hub of the Asia-Pacific region';
- An 'internationally connected and export driven city';
- Develop 'a business friendly and well-functioning city';
- Invest in 'people to grow skills and local workforce';
- Creating 'a vibrant, creative international city'.

ATEED is to help support and enhance the performance of the Auckland region as a growth engine in the New Zealand economy.
ATEED is to recognise the Government as a strategic partner and align with policy and funding for economic development, events and tourism that is targeted at the regional level.

Activities

ATEED's activities focus on economic growth, growing the visitor economy, and include the following:

- Grow the Auckland economy by creating an environment that attracts both new residents, visitors, new business and investment;
- Working with the private sector and government partners:
  - to stimulate innovation and entrepreneurship;
  - to attract new business investment;
  - to grow a skilled workforce;
  - to enable education and talent;
  - to grow the visitor economy;
  - to build Auckland's brand and identity;
- Continuing to expand Auckland as a world-leading events city through attracting, delivering and/or supporting an annual portfolio of more than 30 major events, including the World Masters Game 2017;
- Developing the potential of the region's Māori economy, particularly in tourism, innovation and information communications technology;
- Delivering the Aroha Auckland programme that provides post-investment support for multi-national companies and international investors;
- Developing GridAKL and The FoodBowl to stimulate innovation;
- Develop export markets for Auckland companies.

For information on the above activities, actual performance, key performance targets and other measures set out in the LTP see Economic and cultural development theme in volume 1 of this annual report.

Directors

- David McConnell (Chairperson)
- Richard Jeffery
- Norman Thompson (Deputy Chairperson)
- Franceska Banga
- Helen Robinson
- Danny Chan
- Professor Stuart McCutcheon

Section I: Council-controlled organisations

Panuku Development Auckland
An Auckland Council Organisation

Overview

Development Auckland, trading as Panuku Development Auckland, contributes to the implementation of the Auckland Plan and encourages economic development by facilitating urban redevelopment that optimises and integrates good public transport outcomes, efficient and sustainable infrastructure and quality public services and amenities. Panuku Development Auckland manages council's non-service property portfolio and provide strategic advice on council's other property portfolios. It recycles or redevelops sub-optimal or underutilised council assets with the aim to achieve an overall balance of commercial and strategic outcomes.

Objectives and contribution to LTP

The objectives of Panuku Development Auckland are to:

- Facilitate redevelopment of urban locations agreed to by council;
- Accommodate residential and/or commercial growth in those locations;
- Redevelopment of Auckland's waterfront;
- Optimisation of council's property portfolio;
- Contribute to the management of council owned properties which are currently not used for the delivery of council services.

Activities

Panuku Development Auckland's activities cover four broad areas:

- Redevelopment of urban locations and council owned land within the rural urban boundary;
- Redevelopment of council non-service property and where appropriate, review of council service property;
- Management of council non-service property and a range of other council owned commercial assets;
- Other property related services such as property advice, acquisition and disposals.

For information on the above activities, actual performance, key performance targets and other measures set out in the LTP see Auckland development theme in volume 1 of this annual report.

Directors

- Richard Aitken (Chairperson)
- Evan Davies
- Martin Udale
- Sir John Wells (Deputy Chairperson)
- Richard Leggart
- Paul Majurey
- Anne Blackburn
- Dr Susan Macken
- Mike Pohio

Section I: Council-controlled organisations

Regional Facilities Auckland
An Auckland Council Organisation

Overview

Regional Facilities Auckland (RFA) is responsible for providing a regional approach to running and developing Auckland's arts, culture, heritage, leisure, sport and entertainment venues including ANZ Viaduct Events Centre, Aotea Centre, Aotea Square, Auckland Art Gallery Toi o Tāmaki, Auckland Town Hall, Auckland Zoo, Bruce Mason Centre, Mt Smart Stadium, The Civic, QBE Stadium and Western Springs Stadium.

Objectives and contribution to LTP

The objectives of RFA include:

- To offer experiences to improve the cultural, environmental and social wellbeing of residents and visitors;
- To contribute to the economic wellbeing of businesses and residents;
- To operate as a successful business utilising sound business practice and commercial acumen to make sure Aucklanders receive value for investment in regional facilities.

These objectives shall be facilitated through RFA's management of assets and the funding decisions. RFA is to recognise Government as a strategic partner and align with policy and funding for arts, culture, heritage and cultural institutions that is targeted at the regional level.

Activities

RFA's activities include the following:

- Acts as a regional voice for arts, culture, heritage, leisure, sports and entertainment issues;
- Advocates, co-ordinates and leads strategic thinking for investing in new collections and arts, cultural, heritage, leisure, sport and entertainment facilities for Auckland;
- Develops, with a regional perspective, a range of fit-for-purpose arts, cultural, heritage, leisure, sport, entertainment and events venues that are attractive to the residents and businesses of the region, and to its visitors;
- Plans for and implements regionally identified projects;
- Nurtures region-wide arts, cultural and heritage activities and organisations;
- Secures Auckland-exclusive international musicals, rock concerts, sporting events and art exhibitions to drive out of town visitation and investment in Auckland's economy.

For information on the above activities, actual performance, key performance targets and other measures set out in the LTP see Economic and cultural development theme in volume 1 of this annual report.

Directors

- Rt. Hon. Sir Don McKinnon (Chairperson)
- Lisa Bates
- Rukumoana Schaafhausen
- Dame Jenny Gibbs (Deputy Chairperson)
- Geoff Clews
- Andrew Collow
- John Avery
- John Robertson
- Gary Troup

Section I: Council-controlled organisations

Watercare
An Auckland Council Organisation

Overview

Watercare Services Ltd (Watercare) is responsible for delivering outstanding water services for the people of Auckland, now and in the future.

On 1 November 2010, the company absorbed the ownership and management of local networks and the retail functions from the previous local councils. The exception is Veolia Water Services (ANZ) Pty Ltd which manages the local networks and retailing of water and wastewater in the Papakura area under a franchise agreement while Watercare owns the assets.

Objectives and contribution to LTP

Watercare is to manage water resources and waste water systems to contribute to:

- Building resilience to natural hazards;
- Realising a compact city;
- Optimize, integrate and align water service provision and planning;
- Treasuring our coastline, harbours, islands and marine areas;
- Sustainably managing natural resources;
- Supporting rural settlements, living and communities;
- Improving the education, health and safety of Aucklanders;
- Growing a business friendly and well-functioning city;
- Enabling iwi to participate in the co-management of natural resources;
- Tackling climate change and increasing energy resilience.

Activities

Watercare's activities include:

- Collection, treatment and distribution of drinking water to the people of Auckland;
- Collection, treatment and disposal of wastewater for the people of Auckland;
- Transfer, treatment and disposal of trade waste;
- Provision of laboratory services in support of Watercare's business activities and the business community.

For information on the above activities, actual performance, key performance targets and other measures set out in the LTP see Water supply and wastewater treatment and disposal theme in volume 1 of this annual report.

Directors

- David Clarke (Chairperson)
- Catherine Harland
- David Thomas
- Mike Allen (Deputy Chairperson)
- Julia Hoare
- Dr Nicki Crauford
- Peter Drummond
- Tony Lanigan

Independent Auditor's Report

To the readers of Auckland Council and group's annual report for the year ended 30 June 2016

I am the auditor of Auckland Council and group. I have used my staff and resources, and appointed auditors and their staff, to:

- audit the information included in the Auckland Council and group's annual report that I am required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the Auckland Council Group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In my opinion:

- the financial statements In Volume 3 on pages 11 to 82:
  - present fairly, in all material respects:
    - Auckland Council and group's financial position as at 30 June 2016;
    - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Accounting Standards;
- the funding impact statement in Volume 1 on page 71, 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 Group's Long-term plan;
- the statement of service performance of the Auckland Council Group in Volume 1 on pages 72 to 197 and in Volume 2 on pages 20 to 45:
  - presents fairly, in all material respects, Auckland Council Group's levels of service for each group of activities for the year ended 30 June 2016, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - 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 1 on pages 72 to 197 and in Volume 2 on pages 20 to 45, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Auckland Council Group's Long-term plan;

- the funding impact statement for each group of activities on in Volume 1 on pages 72 to 197 and in Volume 2 on pages 20 to 45, 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 Group's Long-term plan;

- the statements of service provision for local activities for each local board in Volume 2 on pages 65 to 284, presents fairly, in all material respects:

    - the activities for each local board area for the year ended 30 June 2016, 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.

Compliance with requirements

The Auckland Council Group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and

- made the disclosures in Volume 1 on pages 71 to 197, Volume 2 on pages 20 to 45, and Volume 3 on pages 11 to 87 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the Auckland Council Group's audited information.

My audit was completed on 29 September 2016. This is the date at which my opinion is expressed.

The basis of my opinion is explained below. In addition, I outline the responsibilities of the Council and my responsibilities, and explain my independence.

Basis of opinion

Using my staff and appointed auditors and their staff, I have carried out my audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that I comply with ethical requirements and plan and carry out my audit to obtain reasonable assurance about whether the information I audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in my judgement, are likely to influence readers' overall understanding of the audited information. If

I had found material misstatements that were not corrected, I would have referred to them in my opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information I audited. The procedures selected depend on the judgements of my staff and appointed auditors and their staff, including my assessment of risks of material misstatement of the information I audited, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the Auckland Council and group's preparation of the information I audited in order to design 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information I audited;
- determining the appropriateness of the reported statements of non-financial performance and local board statements of service provision within the Council's framework for reporting performance; and
- the overall presentation of the information I audited.

My staff and appointed auditors and their staff did not examine every transaction, nor do I guarantee complete accuracy of the information I audited.

When reporting on whether the Auckland Council Group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, my procedures were limited to making sure the annual report included the required information and identified material inconsistencies, if any, with the information I audited. This work was carried out in accordance with the International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

I did not evaluate the security and controls over the electronic publication of the information I am required to audit and report on. I believe I have obtained sufficient and appropriate audit evidence to provide a basis for my audit opinion.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

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.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The

Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

I am responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. My responsibility arises from the Public Audit Act 2001.

Independence

When carrying out this audit my staff and my appointed auditors and their staff followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition to this audit I have carried out a range of other assurance and tax consultancy assignments.

Other than this audit and the other assurance and tax assignments, I have no relationship with or interests in Auckland Council or any of its subsidiaries.

Lyn Provost
Auditor-General
Wellington, New Zealand

NZX and other exchange listing requirements

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

Summary of waivers granted by NZX

For the purposes of NZX Listing Rule 10.4.5(f), Auckland Council (the council) discloses that NZX has granted it various waivers, being waivers related to:

- Listing Rule 5.1.2(j) (decision published by NZX on 26 August 2010)
- Listing Rule 6.3.2 and 11.1.1 (decision published by NZX on 10 December 2012)
- Listing Rule 10.4.1(b) and 10.4.4 (decision published by NZX on 3 October 2014)
- Listing Rule 3.2.1(d) (decision published by NZX on 3 March 2015)
- Listing Rule 5.2.3 (decision published by NZX on 21 March 2016)

Listing Rule 5.1.2(j)

Listing Rule 5.1.2(j) requires the directors of an issuer to provide NZX with an acknowledgement that they will use their best endeavours to ensure compliance by the issuer with the Listing Rules. NZX granted the council a waiver from Listing Rule 5.1.2(j) to allow two councillors of the council who have been approved by NZX, to provide the required acknowledgement rather than all of the councillors of the council. NZX considered the waiver appropriate given the difference in the governance framework and application of the principle of collective responsibility applying to the council.

Listing Rule 6.3.2

NZX granted a waiver from Listing Rule 6.3.2 in respect of an offer of new bonds under the bond programme, to increase the period after which a notice sent to a bondholder (who is overseas and who has no address for service in New Zealand) is deemed to be received by that bondholder, from 24 hours to one business day after the time of posting. This one business day period is consistent with the provisions of the trust deed governing the bonds. NZX considered the waiver appropriate as it did not disadvantage bondholders.

Listing Rule 11.1.1

NZX granted the Group a waiver from Listing Rule 11.1.1, in respect of an offer of new bonds under the bond programme to enable the Group to:

- decline to accept or register a transfer of bonds if such transfer would result in the transferor holding or continuing to hold bonds with a principal amount of less than $5,000 (which is the minimum holding for the bonds).
- restrict the transfer of bonds to minimum amounts of $1,000 and multiples thereof.

The terms of the bonds define the minimum holding and the restrictions on the transfer of the bonds.

Listing Rules 10.4.1(b) and 10.4.4

Listing Rules 10.4.1(b) and 10.4.4 require an issuer to make available to security holders an annual report or half-year report by sending to security holders a copy of the annual report or a notice containing the statements referred to in section 209(3) of the Companies Act 1993. NZX granted the Group a waiver from Listing Rules 10.4.1(b) and 10.4.4 to the extent that these Rules require the Group to send to security holders a copy, or a notice that they can request a copy, of its annual report. The waiver was granted on the condition that:

- security holders may request copies of the Group's audited consolidated financial statements (which must include certain other prescribed information under Listing Rule 10.4.5).
- the Group's most recent annual report and half-year report are available in electronic format on the Group's website and the annual report continues to be made available in hard copy at specific public locations.

NZX considered the waiver appropriate given the different reporting obligations imposed on the Group under the Local Government Act 2002, which exceed those required under the Rules.

Listing Rule 3.2.1(d)

Listing Rule 3.2.1(d) requires that every trust deed governing debt securities shall provide that a meeting of security holders shall be called on a requisition in writing signed by holders of not less than 10% of the amount of the securities for the time being outstanding. NZX granted the Group a waiver from Listing Rule 3.2.1(d) on the basis that the Group's trust deed governing the issue of debt securities under the bond programme shall be called on a requisition in writing signed by holders of not less than 5% of the nominal value of the securities for the time being outstanding. NZX considered the waiver appropriate given the 5% threshold affords a greater level of protection to investors and aligns with the requirements of the Financial Markets Conduct Act 2013.

Listing Rule 5.2.3

Listing Rule 5.2.3 requires a Class of Debt Securities to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued, with each

NZX and other exchange listing requirements

member of the public holding at least a minimum holding.

In March 2016, NZX granted the Group a waiver from Listing Rule 5.2.3 with respect to its bonds quoted under ticker AKC090 to allow the Group to have fewer than 100 bondholders who are Members of the Public holding at least 25% of the number of securities for a period of six months from the quotation date of its initial offer of new bonds (which are part of a series of bond offers under its bond programme). NZX considered the waiver appropriate given the waiver decision and its implications will be disclosed in the offer documentation and that debt securities are not subject to the same degree of trading activity as equity securities.

Spread of public bondholders at 1 August 2016

Holding range	Number of bondholders	Value held ($)	Percentage of bonds held
5,000 to 9,999	224	1,307,000	0.10
10,000 to 49,999	1,664	36,248,000	2.68
50,000 to 99,999	423	24,760,000	1.83
100,000 to 499,999	325	56,590,000	4.18
500,000 to 999,999	41	24,388,000	1.80
1,000,000 +	120	1,211,707,000	89.41
Total	**2,797**	**1,355,000,000**	**100.00**

Net tangible asset
Net tangible asset per $1,000 of listed bonds at 30 June 2016 is $28,233 (2015: $30,966).

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 to be provided. The key differences are highlighted on the following pages.

Main differences between IFRS and PBE Accounting Standards

Introduction
Under the New Zealand Accounting Standards Framework, public sector public benefit entities (PBEs) 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. 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 Group has transitioned to the PBE Accounting Standards for periods beginning on or after 1 July 2014 with comparative information restated as if the Group had always applied PBE Accounting Standards. Prior to the transition, the financial statements of the Group were prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (IFRS) as applicable to PBEs (NZ IFRS PBE). NZ IFRS PBE were based on IRFS with modifications and exemptions from certain requirements of IFRS.

The PBE Accounting Standards are mainly based on International Public Sector Accounting Standards (IPSAS). IPSAS are based on IFRS but adapted to a public sector context where appropriate by using more appropriate terminology and additional explanation 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.

Set out below are 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 2015). Differences that impact only on presentation and disclosure have not been identified.

PBE Accounting Standards with comparable IFRS equivalent

	PBE	IFRS	Impact
Formation of Auckland Council Group	PBE IFRS 3 *Business Combinations* contains a scope exemption for business combinations arising from local authority reorganisations. This scope exemption is carried forward in 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.	Without the scope exemption, the dissolution 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 of the acquired predecessor local authorities assumed by the acquirer would have been recognised at fair value as at the date of acquisition.	The impact of the above accounting treatment of the 2010 local authority reorganisation is that the carrying value of the assets and liabilities received as part of the reorganisation were not re-measured to fair value and no additional assets and liabilities such as goodwill and contingent liabilities were recognised as would have been required if the transaction is accounted for as a business combination under IFRS 3.

Main differences between IFRS and PBE Accounting Standards (continued)

PBE Accounting Standards with comparable IFRS equivalent (continued)

	PBE	IFRS	Impact
Property, Plant and Equipment	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 requires asset revaluation decreases to be recognised in operating surplus except to the extent there is sufficient asset revaluation reserves surplus relating to the same asset.	This could result in lower operating results under IFRS 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 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 on qualifying assets are expensed and are not built into the original costs or revaluations of physical assets.	IAS 23 Borrowing Costs requires capitalisation of borrowing costs incurred in relation to a qualifying asset. The definition of a qualifying asset is identical to that definition in PBE IPSAS 5.	This difference between the Group's accounting policy to expense all borrowing costs under PBE IPSAS 5 and the IAS 23 requirement to capitalise all borrowing costs results in the Group's property, plant and equipment value, and subsequent depreciation expense, being lower than those would be under IFRS. In addition, there is higher interest expense in the periods in which construction costs on qualifying assets are incurred.
Impairment of Assets	To determine whether a non-financial asset is impaired, PBEs apply PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* or PBE IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate. 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. Under the PBE Accounting Standards property, plant and equipment measured at fair value is not required to be reviewed and tested for impairment.	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. The guidance in IAS 36 Impairment of Assets applies to all property, plant and equipment, including those measured at fair value	Assets whose future economic benefits are not primarily dependent on the asset's ability to generate cash and which might not be impaired under PBE Accounting Standards might be impaired under IFRS due to limited generation of cash flows. The Group asset values may therefore be higher than under IFRS because some impairment may not be required under PBE Accounting Standards when impairment would be recognised under IFRS. The use of different methods may result in differences in the amount of value in use. The fact that property, plant and equipment measured at fair value is not required to be reviewed and tested for impairment under the PBE Accounting Standards has no significant impact because these assets are subject to sufficiently regular revaluations to ensure that their carrying amount does not differ materially from fair value.

Main differences between IFRS and PBE Accounting Standards (continued)

PBE Accounting Standards that have no IFRS equivalent

	PBE	IFRS	Impact
Revenue from non-exchange transactions	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 and grants and subsidies received. 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 does not contain 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.	Compared to IAS 20, the Group's accounting policy may lead to earlier recognition of revenue from non-exchange transactions; and may also result in differences in asset values in relation to grants related to assets. As a result of adopting PBE IPSAS 23, the timing of recognising the group's rates revenue has changed to recognise annual general rates revenue as at the date of issuing the rating notices for the annual general rate charge resulting in the entire rates revenue being recognised in the interim financial statements of the group. This is contrary to the group's previous accounting policy under NZ IFRS PBE to recognise general rates revenue throughout the annual period. The impact of this difference increases the reported general rates revenue and net assets in the interim financial statements of the group however it has minimal impact on the recognition of revenue and net assets reported in the group's annual financial statements.
Service Concession Arrangements (also known as Public Private Partnership Arrangements)	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 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) and NZ practice has been for the grantor (public entity) to 'mirror' the accounting treatment of the private entity.	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, 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.

Main differences between IFRS and PBE Accounting Standards (continued)

PBE Accounting Standards where the IFRS equivalent is not comparable
The following standards provide guidance on the same topic but are not directly comparable. The comparison below identifies the key recognition and measurement differences.

	PBE	IFRS	Impact
Consolidated Financial Statements	PBE IPSAS 6 *Consolidated and Separate Financial Statements* includes guidance on assessing control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and specifies the accounting treatment for interests in other entities in the separate parent financial statements.	IFRS 10 *Consolidated Financial Statements* contains guidance on assessing control based on principles similar to those in PBE IPSAS 6 and provides additional guidance to assist in the determination of control where this is difficult to assess. IAS 27 *Separate Financial Statements* specifies the accounting treatment for interests in other entities in the separate parent financial statements.	The Group does not believe that the application of IFRS 10 would result in more or fewer entities being consolidated than under PBE IPSAS 6.
Joint Arrangements	PBE IPSAS 8 *Joint Ventures* defines three types of joint ventures: jointly controlled assets, jointly controlled operations and joint ventures.	IFRS 11 *Joint Arrangements* focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures.	The Group does not believe that the application of IFRS 11 would result in a material change to the Group's results and net assets.
Fair Value Measurement	There is no specific standard in the PBE Accounting Standards, however a number of PBE Accounting Standards contain guidance on the measurement of fair value in specific context (for example PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*).	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 IFRSs.	The application of IFRS 13 may result in differences in the measurement of certain property, plant and equipment compared to PBE IPSAS 17 and financial assets and liabilities compared to PBE IPSAS 29.
Employee Benefits	PBE IPSAS 25 *Employee Benefits* is based on IPSAS 25. IPSAS 25 is based on IAS 19 *Employee Benefits* (2004).	IAS 19 *Employee Benefits* (2011) introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits compared to IAS 19 (2004). The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year.	The Group has no defined benefit obligations and therefore there is no impact on its financial performance and financial position.

Glossary

activity	the goods or services the council provides.
advisory panels	Nine advisory panels provide the council with input on relevant issues and support for engaging with the groups and communities they represent. • Auckland City Centre Advisory Panel • Disability Advisory Panel • Ethnic Peoples Advisory Panel • Heritage Advisory Panel • Pacific Peoples Advisory Panel • Rainbow Communities Advisory Panel • Rural Advisory Panel • Seniors Advisory Panel • Youth Advisory Panel.
amortisation	the systematic allocation of the value of an intangible asset over its useful life.
annual plan	the plan that sets out what 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 council's yearly performance and reports against the relevant annual plan.
associates	entities that the council or Group has significant influence. Our share of the associates' surplus/deficit and net assets is recorded in the Group financial statements.
Auckland Council	the local government of Auckland established on 1 November 2010. The council is made up of the governing body, 21 local boards and the council organisation (operational staff).
Auckland Council Group	the Group consists of the council, and its subsidiaries, 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 the world's most liveable city.
budget	the itemised estimate of expected revenue and expenditure for a given period.
capital expenditure (capex)	spending on buying or building new assets and renewing existing assets.
capitalised interest	the borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are capital projects that span more than one financial year and require funding of more than $2 million, added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Glossary (continued)

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.
COMET Auckland	One of the council's smaller CCOs. Formerly the City of Manukau Education Trust and now a region-wide charitable trust.
community outcomes	the things the community thinks are important for its current or future social, economic, environmental or cultural well-being. These outcomes are used to help set priorities in the council's 10-year plan
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.
deferred capital projects	capital projects originally planned in previous years, but which have been delayed.
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 to help fund new infrastructure required by growth, as set out in the Local Government Act 2002.
effective interest rate method	the effective interest rate method is 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	essentially reflects the market value of assets or liabilities.
governing body	the governing body is made up of the mayor 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 council provides.
gross operating expenditure	total expenditure without deductions of depreciation and finance costs.
Independent Māori Statutory Board (IMSB)	an independent board established by legislation to promote and advise Auckland Council on cultural, economic, environmental and social issues of significance for mana whenua groups and mataawaka of Tāmaki Makaurau. It also ensures that the council acts in accordance with statutory provisions referring to the Treaty of Waitangi.

Glossary (continued)

joint ventures	contractual arrangements whereby the council or Group 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, 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 board agreement	an annual agreement between the governing body and each local board outlining its priorities and preferences in its local board plan for the year.
local board plan	a plan that reflects the priorities and preferences of the communities within the local board area in respect of the level and nature of local activities to be provided by the council over the following three years.
Local Government Act 2002 (LGA 2002)	the act that defines the powers and responsibilities of territorial local authorities such as the council.
Local Government (Financial Reporting and Prudence) Regulations 2014	the act 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 (Auckland Council) Act 2009 (LGACA 2009)	the act establishes the 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 (Rating) Act 2002 (LGRA)	defines how territorial local authorities such as Auckland Council can assess and apply their rating policy.
Local Government Commission	an independent statutory body whose main role is to make decisions on the structure and representation requirements of local government in New Zealand.
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.

Glossary (continued)

long-term plan	also commonly referred to as the LTP and the 10-year plan. This sets out the council's vision, activities, projects, policies, and budgets for a 10-year period.
operating expenses	expenditure resulting from normal business operations
performance measures	methods for gauging progress towards the meeting of objectives. Measures usually relate to agreed levels of performance and types of services provided.
rates	a charge against the property to help fund services and assets the council provides.
The Southern Initiative (TSI)	a plan that identifies stable housing, job growth, skills development and environmental enhancement in south Auckland.
spatial plan	known as the Auckland Spatial Plan, or simply as the Auckland Plan.
subsidiaries	entities over which the council and group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.
Unitary Plan	replaces the existing Regional Policy Statement and 13 district and regional plans.
ward	an administrative and electoral area of the council. There are 13 in the council's area.

PEHEA TE WHAKAPĀ MAI

How to contact the council

Customer service centres allow Aucklanders to interact with us in person. We have over 25 customer service centres operating around Auckland. Currently, there are a variety of different services delivered to different levels across the centres, but overall they deliver:

- general information on all council services, products and events
- property information
- payments for dog registration rates and other services
- lodgement of building and resource consents
- dog registration renewal
- lodgement of licences and LIM applications
- copies of publications and reports
- payment of parking infringements
- specialist advice.

Customer service centres

Albany	30 Kell Drive, Albany
Birkenhead	Nell Fisher Reserve - Hinemoa Street, Birkenhead
Browns Bay	Corner of Bute and Glen Roads, Browns Bay
Central city	Bledisloe House, 24 Wellesley Street, Auckland Central Graham Street, 35 Graham Street, Auckland
Devonport	3 Victoria Road, Devonport
Glen Eden	39 Glenmall Place, Glen Eden
Glenfield	90 Bentley Avenue, Glenfield
Great Barrier Island	Hector Sanderson Road, Claris
Helensville	49 Commercial Road, Helensville
Henderson	6 Henderson Valley Road, Henderson
Huapai	296 Main Road (SH16) Huapai
Manukau	Ground Floor, Kotuku House, 4 Osterley Way, Manukau City Centre
New Lynn	31 Totara Avenue, New Lynn
Ōrewa	50 Centreway Road, Ōrewa
Papakura	35 Coles Crescent, Papakura
Pukekohe	82 Manukau Road, Pukekohe
Takapuna	1 The Strand, Takapuna
Waiheke Island	10 Belgium Street, Ostend
Waiuku	Corner of King Street and Constable Road, Waiuku
Warkworth	1 Baxter Street, Warkworth
Whangaparāoa	9 Main Street, Whangaparāoa

Visit **aucklandcouncil.govt.nz** for information about Auckland Council, including our services, facilities, plans, news and events.

Contact us:

Telephone:
09 301 0101
(toll-free)

In person:
At our customer service centres

Via our website:
Using our online form at **aucklandcouncil.govt.nz**

Fax:
09 301 0100

Write to us at:
Auckland Council
Private Bag 92300
Auckland 1142

To find out what services are offered from your local service centre, please visit **aucklandcouncil.govt.nz.** Information can be found under: Contact us > Customer service centres

ISSN: 2253-1335 (Print)
ISSN: 2253-1343 (Online, PDF)

Auckland Council
Te Kaunihera o Tāmaki Makaurau