Te Rīpoata ā-Tau 2020/2021 Tirohanga whānui me ngā whakahaere ratonga

Auckland Council

Annual Report 2020/2021

Volume 3

Te Wāhanga 3: Ngā Tauākī Pūtea

Volume 3: Financial Statements

Auckland Council
Te Kaunihera o Tāmaki Makaurau

Mihi

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

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

Te Rārangi Kaupapa

Contents

Nau mai ki ngā kōrero mō mātou

Welcome to our story

Auckland is an amazing city – diverse, vibrant, naturally beautiful and featuring iconic landmarks. Across the Auckland Council Group, we have a team of passionate, dedicated staff working hard to meet your needs through delivering essential services and investing in the future of our city.

This report tells the story of what we did and how we performed across the group (the council, council-controlled organisations (CCOs), subsidiaries, associates, and joint ventures) over the past year. This includes some of the critical infrastructure projects and the services we delivered for Auckland to be the world-class city that New Zealand needs it to be.

It covers the period from 1 July 2020 to 30 June 2021. The report fulfils our obligations under the Local Government Act 2002 to report our past year's highlights, performance results and budget.

The **Funding Impact Statement** section contains a summary of how we funded our services and capital expenditure compared to the Emergency Budget 2020/2021.

The **Financial Statements** and **Notes to the Financial Statements** sections outline our financial performance, financial position and cash flows for the year compared to the Emergency Budget 2020/2021 and the prior year. It also includes details of the accounting policies, judgements and estimates applied in preparing the financial statements.

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

Finding your way around the volumes:

Volume 1

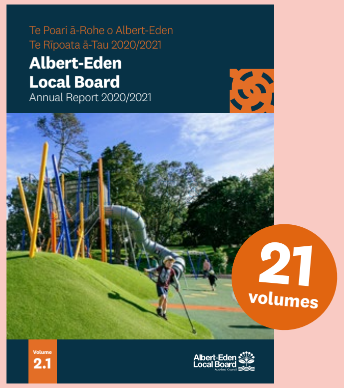
Volume 1: Overview and Service Performance

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

Volume 2

Volume 2: Local Board reports

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



Volume 3

Volume 3: Financial Statements

The financial statements of the Auckland Council Group and Auckland Council for the year ended 30 June 2021.

Volume 4

Volume 4: Climate change risk

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

He kōrero mō tēnei wāhanga

About this volume

This volume of the annual report contains the financial statements of Auckland Council Group (the group) and Auckland Council (the council) for the year ended 30 June 2021. The group includes the council, its subsidiaries (council-controlled organisations and Ports of Auckland Limited), associates and joint ventures.

The Auckland Council Annual Report 2020/2021 was adopted by Auckland Council on 27 September 2021.

The references to documents and information on the council's and other websites are provided solely for the convenience of the readers who may require more detailed information and are not part of the Auckland Council Annual Report 2020/2021.

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

- Group Funding Impact Statement
- Primary Group Financial Statements
- Section A: Results of the year
- Section B: Long-term assets
- Section C: Borrowings and financial instruments
- Section D: Working capital and equity
- Section E: Financial risk management
- Section F: Other disclosures
- Section G: Financial reporting and prudence benchmarks
- Section H: Council-controlled organisations

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

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

New Zealand has been subject to various levels of restriction to combat the spread of COVID-19, including lockdowns and physical distancing requirements. These restrictions negatively impacted our economy, social norms and behaviours and have significantly affected the group's 2020/2021 results and financial position. The impact is disclosed in the commentary that forms part of the notes to the financial statements.

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

He karere nā te Āpiha Tumu Pūtea

From the Group Chief Financial Officer

Auckland Council Group performs beyond initial post COVID-19 expectations

In response to the challenges presented by COVID-19 and the drought, the 2020/2021 Emergency Budget sought to strike a balance between prudent fiscal management and recovery. Although these threats remained with us throughout the year, 2020/2021 saw a year of performance that was above our expectations. Aucklanders proved their resilience, the economy performed stronger than expected, Government support was strong, and internally we adapted well which helped the Auckland Council Group end the year on a positive note.

Tackling the effects of COVID-19, from the lockdowns and supply chain issues, was more difficult because of the disruptions to our front-line services and our capital projects. These all set us back financially. Despite this, our total capital investment for the year was $2.5 billion, just $110 million short of our highest spend ever.

Auckland's economy fared much better than analysts predicted. Increased demand for property resulted in revenue from property development activities increasing beyond our budget expectations. Infrastructure growth charges, development contributions and consenting revenue exceeded the emergency budget 2020/2021 by a total of $270 million.

Unfortunately, border closures and COVID-19 lockdowns, saw fee revenue from events, shows and festivals severely impacted, as was revenue from our cultural venues and community facilities such as the zoo, art gallery, pools and libraries – all which were closed for extended periods. Public transport patronage also remained well below pre-COVID-19 levels, however Waka Kotahi provided a $86 million top-up subsidy to keep the transport network operating, showing the continued importance of our partnerships with government.

In response to the threat imposed by COVID-19, we were able to achieve an unprecedented $126 million worth of savings. Controllable costs such as professional services and outsourced works were $31 million favourable to budget. Employee benefits were marginally over budget as we tried to balance streamlining our operations with the need for additional people to manage the impact of the drought. A final point of note is that legal claims related to weathertightness and associated building defects are a legacy that continue to impact our results.

Overall, we recorded a surplus after tax of $1.9 billion. Our strong operating cashflows during the year meant that we were able to reduce our anticipated reliance on debt to fund our capital investment. Our net debt increased by $474 million, which is a moderate increase considering our overall increase in assets of $4.8 billion. Our prudent approach to managing our finances has helped us maintain our AA and Aa2 credit ratings with S&P Global Ratings and Moody's Investor Services respectively, both with a "stable" outlook.

Looking ahead, whilst the positive 2020/2021 result and debt headroom has set us up well for the year ahead, the outlook for Auckland remains uncertain with COVID-19 and the drought ongoing. The emergence of new variants, the COVID-19 Alert Level 4 lockdown which began on 17 August 2021, continued border restrictions and skill shortages mean we must stay vigilant to risks and maintain our ability to adapt. Increasing implications relating to climate change and planned central government policy changes will see us having to adapt further.

It is important that we continue to pave the way for recovery and invest in the critical infrastructure that our growing city needs. Continued partnerships with central government and other agencies are vital as we identify new ways to fund and deliver this, so that we continue to ensure that Tāmaki Makaurau is a strong and resilient city that we can all remain proud of.

Ngā manaakitanga
(Best wishes)

Peter Gudsell
Tumaki, Take Tahua Pūtea, Group Chief Financial Officer

Te tauākī mō te pānga ā-pūtea a te rōpū o te kaunihera o tāmaki makaurau

Auckland Council Group Funding Impact Statement

Te tauākī mō te pānga ā-pūtea a te rōpū

Group funding impact statement

For the year ended 30 June 2021

$MILLION	ACTUAL 2021	ANNUAL PLAN 2021	ACTUAL 2020	ANNUAL PLAN 2020
Sources of operating funding:				
General rates, uniform annual general charge, rates penalties	1,743	1,744	1,653	1,654
Targeted rates	239	237	230	230
Subsidies and grants for operating purposes	457	411	383	321
Fees and charges	1,215	1,219	1,270	1,411
Interest and dividends from investments	11	9	47	70
Local authorities fuel tax, fines, infringement fees and other receipts	666	436	536	445
Total operating funding	**4,331**	**4,056**	**4,119**	**4,131**
Applications of operating funding:				
Payments to staff and suppliers	2,867	2,940	2,915	2,822
Finance costs	420	452	434	453
Other operating funding applications	1	-	-	-
Total applications of operating funding	**3,288**	**3,392**	**3,349**	**3,275**
Surplus (deficit) of operating funding	**1,043**	**664**	**770**	**856**
Sources of capital funding				
Subsidies and grants for capital expenditure	380	453	438	517
Development and financial contributions	226	137	156	258
Increase (decrease) in debt	579	910	1,165	792
Gross proceeds from sale of assets	170	390	108	255
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding	**1,355**	**1,890**	**1,867**	**1,822**
Applications of capital funding:				
Capital expenditure:				
- to meet additional demand	675	748	665	887
- to improve the level of service	784	926	1,028	824
- to replace existing assets	596	497	609	761
Increase (decrease) in reserves	56	91	50	160
Increase (decrease) in investments	287	292	285	46
Total applications of capital funding	**2,398**	**2,554**	**2,637**	**2,678**
Surplus (deficit) of capital funding	**(1,043)**	**(664)**	**(770)**	**(856)**
Funding balance	**-**	**-**	**-**	**-**

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

Notes to the group funding impact statement

For the year ended 30 June 2021

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

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

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

Basis of preparation

The group funding impact statement has been prepared:

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

Annual plan figures

The annual plan figures presented in the funding impact statements of the group and the council are those included in the Emergency Budget 2020/2021. The accounting policies used to prepare the funding impact statement are consistent with those used to prepare the planned funding impact statements.

Commentary

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

Sources of operating funding

Sources of operating funding were $275 million favourable to plan. This variance is principally made up of a $230 million surplus in funding from local authorities' fuel tax, fines, infringement fees and other receipts and a $46 million surplus in subsidies and grants for operating purposes. Further details of these variances are outlined below.

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

- Watercare Services Limited (Watercare) receives infrastructure growth charges to cover capital investment in bulk infrastructure used to provide services to customers who increase their demand for water services. The plan assumed the economic impact of the pandemic would result in a decrease in property development activity in Auckland, instead there was a substantial increase, leading to a $115 million surplus in funding compared to the plan.
- Rental revenue was $30 million greater than plan due to fewer than anticipated lockdown credits being provided to tenants, unplanned rent increases and lower than expected vacancy rates.
- Regional fuel tax revenue was $11 million higher than plan due to greater fuel usage than expected.

The remaining $74 million of funding surplus comprises several different funding sources, all of which are individually immaterial.

Subsidies and grants for operating purposes

Several one-off subsidies were received from government agencies and private entities to address funding shortfalls caused by the pandemic. The $46 million funding surplus mainly relates to:

- $29 million of unplanned public transport fare top-ups received from Waka Kotahi NZ Transport Agency (Waka Kotahi) to mitigate the impacts of lower patronage and additional cleaning costs.
- The government wage subsidy of $6 million received by Regional Facilities Auckland.
- $4 million of grants from various organisations to assist with tourism in Auckland.

Applications of operating funding

Applications of operating funding were $104 million below plan. $73 million of this expenditure shortfall relates to payments to staff and suppliers and $32 million to a reduction in finance costs. Further details of these variances are outlined below.

Payments to staff and suppliers

- The group implemented tight cost controls to mitigate the effects of COVID-19. Areas of greatest cost reduction were in delayed projects, consulting, legal, professional services and outsourced works, which were $31m million less than planned.
- Utilities and occupancy costs were $20 million favourable to plan largely due to lower cleaning and safety equipment costs associated with COVID-19 and associated lockdowns, as well as cost savings on electricity with conversion to LED for streetlights.
- Costs from updated public transport bus contracts were $16 million lower than plan due to a lower than expected cost indexation increase for bus operator contracts. In addition, costs were lower as trains travelled fewer kilometres than anticipated.
- Costs associated with shows and events were $15 million lower than plan given several planned events were either postponed or cancelled due to COVID-19 restrictions, and more costs were able to be avoided than anticipated.

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

- Employee benefits were $4 million above plan due to Auckland Transport filling staff positions ahead of schedule to support capital projects, and Watercare hiring additional staff to assist in response to the drought.
- Impairment of receivables were $5 million above plan due to more than anticipated outstanding debtors defaulting.

Finance costs

- In light of anticipated cash flow challenges from the effects of the COVID-19 pandemic, the group closed out its basis swaps at a gain of $19 million.
- Borrowings were lower than plan which resulted in interest costs being $11 million less than plan.

Source of capital funding

Sources of capital funding were $535 million below plan. This shortfall reflects the significant surplus of operating funding that helped keep debt lower than planned by $331 million and mitigated the delay in asset sales, which were $220 million below plan. Subsidies and grants for capital expenditure were also $73 million below plan. These shortfalls were partially offset by development contributions which were $89 million above plan. Further details of these variances are outlined below.

Subsidies and grants for capital expenditure

- The Penlink and Mill Road transport projects were transferred to Waka Kotahi for $95 million. The annual plan reflects the $95 million as a capital subsidy, however the actual transfer was accounted for as an asset sale.
- This shortfall was partially offset by a $20 million surplus in unplanned shovel ready funding received for the Ferry Basin and Puhinui Interchange projects.

Development and financial contributions

Development and financial contributions were $89 million more than planned. The favourable variance is mainly attributable to housing built by large scale developers.

Applications of capital funding

Applications of capital funding were $156 million below plan. Most of this shortfall relates to capital expenditure, which was $116 million below plan. Labour and resource shortages caused delays in capital projects, which resulted in a lower spend than anticipated. The increase in reserves was $35 million lower than planned which reflects lower than anticipated settlements of weathertightness and associated building defects claims.

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

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

$MILLION	ACTUAL 2021	ACTUAL 2020
Surplus of operating funding	**1,043**	**770**
Operating surplus items not included in operating funding		
Depreciation and amortisation	(1,020)	(963)
Vested assets	376	494
Development contributions	226	156
Capital grants and subsidies	380	438
Provision for remediation of weathertightness claims expense	(89)	(86)
Other revenue and expense items	23	(17)
Operating funding items not included in operating surplus		
Retrofit your home principal loan repayments	(7)	(6)
Dividends from associates and joint ventures	(4)	(34)
Operating surplus before gains and losses	**928**	**752**

Further variance commentary can be found in the groups of activities funding impact statements in Volume 1 of this annual report. These variances are explained against the 10-year Budget 2018-2028 rather than the Emergency Budget 2020/2021.

Ngā tauākī ā-pūtea
Financial Statements

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

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2021

$MILLION	NOTE	GROUP ACTUAL 2021	GROUP BUDGET 2021	GROUP ACTUAL 2020	AUCKLAND COUNCIL ACTUAL 2021	AUCKLAND COUNCIL BUDGET 2021	AUCKLAND COUNCIL ACTUAL 2020
Revenue							
Rates		1,976	1,976	1,877	1,986	1,988	1,887
Fees and user charges		1,263	1,219	1,316	319	254	299
Grants and subsidies		837	865	821	29	64	58
Development and financial contributions		226	137	156	226	137	156
Other revenue		632	435	494	283	235	259
Vested assets		376	410	494	132	113	158
Finance revenue measured using effective interest method*		5	5	9	30	34	35
Other finance revenue*		-	2	1	89	95	82
Total revenue excluding other gains	A1	**5,315**	**5,049**	**5,168**	**3,094**	**2,920**	**2,934**
Expenditure							
Employee benefits expense	A3	963	959	997	533	545	575
Depreciation and amortisation	A4	1,020	1,051	963	294	302	292
Grants, contributions and sponsorship	A2	162	159	148	1,049	1,160	1,083
Other operating expenses	A2	1,834	1,822	1,864	711	662	782
Finance costs	A5	408	454	444	388	434	422
Total expenditure excluding other losses		**4,387**	**4,445**	**4,416**	**2,975**	**3,103**	**3,154**
Operating surplus/(deficit) before gains and losses		**928**	**604**	**752**	**119**	**(183)**	**(220)**
Net other gains/(losses)	A6	998	-	(628)	957	-	(586)
Share of net (deficit)/surplus in associates and joint ventures		(28)	5	(15)	(30)	3	(17)
Surplus/(deficit) before income tax		**1,898**	**609**	**109**	**1,046**	**(180)**	**(823)**
Income tax expense	A7	39	31	74	-	-	-
Surplus/(deficit) after income tax		**1,859**	**578**	**35**	**1,046**	**(180)**	**(823)**
Other comprehensive revenue/(expenditure)							
Net gain on revaluation of property, plant and equipment	B1	3,148	2,672	731	1,605	1,733	-
Tax on revaluation of property, plant and equipment		(263)	(326)	-	-	-	-
Movement in cash flow hedge reserve		5	-	-	-	-	-
Share of associates and joint ventures reserves		-	-	(146)	-	-	(146)
Reclassification of share of associates reserves		-	-	21	-	-	21
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure		175	-	164	179	-	154
Deferred tax written back to revaluation reserve on asset transfer		-	-	2	-	-	-
Total other comprehensive revenue		**3,065**	**2,346**	**772**	**1,784**	**1,733**	**29**
Total comprehensive revenue/ (expenditure)		**4,924**	**2,924**	**807**	**2,830**	**1,553**	**(794)**

*$9 million has been reclassified from Other finance revenue to Finance revenue measured using effective interest method to align the comparative year ended 30 June 2020 with the current year disclosure.

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

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

Te tauākī mō te tūāhua pūtea

Statement of financial position

As at 30 June 2021

$MILLION	NOTE	GROUP ACTUAL 2021	GROUP BUDGET 2021	GROUP ACTUAL 2020	AUCKLAND COUNCIL ACTUAL 2021	AUCKLAND COUNCIL BUDGET 2021	AUCKLAND COUNCIL ACTUAL 2020
Assets							
Current assets							
Cash and cash equivalents	D1	300	100	298	257	80	243
Receivables and prepayments	D2	554	544	543	276	371	339
Derivative financial instruments	C2	2	3	6	3	9	9
Other financial assets	C3	77	56	88	81	61	92
Inventories		50	50	58	17	14	14
Income tax receivable		4	-	3	-	-	-
Non-current assets held-for-sale	F1	7	132	127	5	132	50
Total current assets		**994**	**885**	**1,123**	**639**	**667**	**747**
Non-current assets							
Receivables and prepayments	D2	74	40	58	33	7	19
Derivative financial instruments	C2	426	441	641	425	441	641
Other financial assets	C3	2,075	146	1,890	4,873	2,979	4,332
Property, plant and equipment	B1	54,941	54,747	50,421	18,066	17,695	16,151
Intangible assets	B2	651	592	684	256	241	286
Investment property	B3	704	629	603	562	498	485
Investment in subsidiaries*	F3	-	-	-	19,693	19,731	19,681
Investment in associates and joint ventures	F3	926	2,519	565	926	2,515	565
Other non-current assets		7	13	6	2	5	2
Total non-current assets		**59,804**	**59,127**	**54,868**	**44,836**	**44,112**	**42,162**
Total assets		**60,798**	**60,012**	**55,991**	**45,475**	**44,779**	**42,909**
Liabilities							
Current liabilities							
Bank overdraft	D1	6	-	3	-	-	-
Payables and accruals	D3	958	795	883	933	720	710
Employee benefits	D4	107	112	127	57	60	69
Borrowings	C1	1,413	1,445	1,093	1,412	1,457	1,092
Derivative financial instruments	C2	37	9	5	36	8	3
Provisions	D5	132	111	99	100	106	87
Total current liabilities		**2,653**	**2,472**	**2,210**	**2,538**	**2,351**	**1,961**
Non-current liabilities							
Payables and accruals	D3	176	149	137	163	152	129
Employee benefits	D4	5	5	5	1	1	1
Borrowings	C1	9,274	9,594	9,121	8,794	9,063	8,630
Derivative financial instruments	C2	1,678	1,840	2,715	1,674	1,830	2,706
Provisions	D5	399	161	416	380	151	396
Deferred tax liabilities	F2	1,840	1,863	1,538	-	-	-
Total non-current liabilities		**13,372**	**13,612**	**13,932**	**11,012**	**11,197**	**11,862**
Total liabilities		**16,025**	**16,084**	**16,142**	**13,550**	**13,548**	**13,823**
Net assets		**44,773**	**43,928**	**39,849**	**31,925**	**31,231**	**29,086**
Equity							
Contributed equity	D6	26,732	26,732	26,732	26,578	26,569	26,569
Accumulated funds	D6	4,262	2,925	2,451	(498)	(1,756)	(1,488)
Reserves	D6	13,779	14,271	10,666	5,845	6,418	4,005
Total equity		**44,773**	**43,928**	**39,849**	**31,925**	**31,231**	**29,086**

*Total investment in council-controlled organisations and entities listed in Local Government Act 2002 section 6(4) of Auckland Council for 2021 is $20 billion (2020: $20 billion).

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

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

Te tauākī mō ngā panonitanga o te tūtanga

Statement of changes in equity

For the year ended 30 June 2021

GROUP $MILLION	NOTE	CONTRIBUTED EQUITY	ACCUMULATED FUNDS	RESERVES	TOTAL EQUITY	BUDGET
Balance as at 1 July 2019		26,732	1,788	10,522	39,042	39,498
Surplus after income tax		-	35	-	35	925
Other comprehensive revenue		-	-	772	772	1,219
Total comprehensive revenue		**-**	**35**	**772**	**807**	**2,144**
Transfers (from)/to reserves	D6	-	628	(628)	-	-
Balance as at 30 June 2020	**D6**	**26,732**	**2,451**	**10,666**	**39,849**	**41,642**
Balance as at 1 July 2020		26,732	2,451	10,666	39,849	41,004
Surplus after income tax		-	1,859	-	1,859	578
Other comprehensive revenue		-	-	3,065	3,065	2,346
Total comprehensive revenue		**-**	**1,859**	**3,065**	**4,924**	**2,924**
Transfers (from)/to reserves	D6	-	(48)	48	-	-
Balance as at 30 June 2021	**D6**	**26,732**	**4,262**	**13,779**	**44,773**	**43,928**

AUCKLAND COUNCIL $MILLION	NOTE	CONTRIBUTED EQUITY	ACCUMULATED FUNDS	RESERVES	TOTAL EQUITY	BUDGET
Balance as at 1 July 2019		26,569	(1,263)	4,574	29,880	29,537
Surplus/(deficit) after income tax		-	(823)	-	(823)	48
Other comprehensive revenue		-	-	29	29	-
Total comprehensive revenue/(expenditure)		**-**	**(823)**	**29**	**(794)**	**48**
Transfers to/(from) reserves	D6	-	598	(598)	-	-
Balance as at 30 June 2020	D6	**26,569**	**(1,488)**	**4,005**	**29,086**	**29,585**
Balance as at 1 July 2020		26,569	(1,488)	4,005	29,086	29,678
Surplus/(deficit) after income tax		-	1,046	-	1,046	(180)
Other comprehensive revenue		-	-	1,784	1,784	1,733
Total comprehensive revenue		**-**	**1,046**	**1,784**	**2,830**	**1,553**
Return of equity		9	-	-	9	-
Transfers to/(from) reserves	D6	-	(56)	56	-	-
Balance as at 30 June 2021	D6	**26,578**	**(498)**	**5,845**	**31,925**	**31,231**

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

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

Statement of cash flows

For the year ended 30 June 2021

$MILLION	NOTE	GROUP ACTUAL 2021	GROUP BUDGET 2021	GROUP ACTUAL 2020	AUCKLAND COUNCIL ACTUAL 2021	AUCKLAND COUNCIL BUDGET 2021	AUCKLAND COUNCIL ACTUAL 2020
Cash flows from operating activities							
Receipts from rates, grants and other services		4,988	4,600	4,667	2,921	2,609	2,667
Interest received*		9	7	14	130	129	196
Dividends received		4	6	34	9	14	35
Payments to suppliers and employees*		(2,851)	(3,052)	(2,908)	(2,076)	(2,553)	(2,459)
Income tax refund		9	-	1	-	-	-
Interest paid		(439)	(452)	(438)	(419)	(431)	(415)
Net cash inflow/(outflow) from operating activities	F6	**1,720**	**1,109**	**1,370**	**565**	**(232)**	**24**
Cash flows from investing activities							
Repayment of loans to related parties*		-	-	-	459	-	360
Advances to related parties*		-	-	-	(812)	(169)	(612)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		170	390	108	60	310	48
Acquisition of property, plant and equipment, investment property and intangible assets		(2,051)	(2,198)	(2,303)	(448)	(552)	(632)
Acquisition of other financial assets		(50)	(4)	(11)	(54)	(4)	(17)
Proceeds from sale of other financial assets		21	-	25	21	-	25
Investment in joint ventures		(395)	(395)	(258)	(395)	(395)	(258)
Advances (to)/from external parties		(21)	(6)	(58)	1	(6)	(38)
Proceeds from community loan repayments		-	5	-	-	5	-
Net cash outflow from investing activities		**(2,326)**	**(2,208)**	**(2,497)**	**(1,168)**	**(811)**	**(1,124)**
Cash flows from financing activities							
Proceeds from borrowings		2,502	2,235	4,129	2,010	2,216	3,160
Repayment of borrowings		(1,929)	(1,325)	(2,966)	(1,426)	(1,335)	(1,990)
Receipts from derivative financial instruments		76	-	7	77	-	7
Payments for derivative financial instruments		(44)	-	(44)	(44)	-	(39)
Repayment of finance lease principal		-	-	5	-	-	-
Net cash inflow from financing activities		**605**	**910**	**1,131**	**617**	**881**	**1,138**
Net increase/(decrease) in cash and cash equivalents and bank overdraft		**(1)**	**(189)**	**4**	**14**	**(162)**	**38**
Opening cash and cash equivalents and bank overdraft		295	289	291	243	242	205
Closing cash and cash equivalents and bank overdraft	D1	**294**	**100**	**295**	**257**	**80**	**243**

*Auckland Council's comparative statement of cash flows have been restated to reflect the effects of the reclassification of $89 million interest received from repayment of loans to related parties, offset by removal of interest capitalised, which is a non-cash item, from advances to related parties to payment to suppliers and employees.

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

He pito kōrero mō ngā tauākī pūtea
Notes to the Financial Statements

Te pūtake o te pūrongo
Basis of reporting

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

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

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

The council is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 (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 subsidiaries, associates and joint ventures. A summary of significant subsidiaries (including substantive council-controlled organisations, or CCOs[1]) is provided in the following pages. Other significant entities that are not controlled by the group or the council are listed in Note F3. All entities are domiciled in New Zealand.

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

Basis of preparation

The financial statements have been prepared:

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

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

The budget figures presented in the financial statements are those included in the Emergency Budget 2020/2021.

Significant judgements and estimates

The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the particular circumstances. Judgements and estimates which are considered material to understanding the performance of the group and the council are found in the following notes:
Note B1: Property, plant and equipment
Note C2: Derivative financial instruments
Note D5: Provisions
Note F3: Investment in other entities

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

Basis of reporting continued

Impact of COVID-19 on the group

The COVID-19 pandemic had a significant impact on the group's finances and operations during the year. This impact was anticipated in the Emergency Budget 2020/2021, however, Auckland's economic resilience meant that the impact was not as severe as originally anticipated.

Note A1 outlines the impact on public transport and parking revenue, which was reduced substantially, however Waka Kotahi topped up the loss of revenue on public transport fares. The increase in demand for property in Auckland positively impacted all revenue types related to property development. Including infrastructure growth charges, development contributions and regulatory revenue. In addition, rental revenue exceeded budget due to lower than anticipated rental concessions.

The group implemented tight cost controls in response to the threat posed by COVID-19. Capital projects were re-prioritised, services that the group provides were reviewed, and group structures required to deliver services and infrastructure were streamlined. Notes A2 and A3 provide detail of how the group implemented cost controls which resulted in utilities, occupancy, consultancy, legal, professional services and outsourced works costs being lower than anticipated in the budget. These cost reductions were partly offset by staff costs from increased annual leave balances due to staff not taking leave during lockdowns, and the costs of restructures.

Due to the strong operating cash flows, the group's net debt was $546 million below budget, and the group's debt to revenue ratio decreased from 264% in 2019/2020 to 258% in the current year.

In the prior year, valuers expressed a valuation uncertainty in relation to revalued assets as there was limited sales activity leading up to 30 June 2020. This was not the case in the current year as there was a significant amount of sales activity leading up to balance date.

For more information on the impact of COVID-19 on Auckland Council and the Group's operations see Volume 1, Section 1 "Overview of our performance" on pages 13 to 19.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the council and its CCOs and subsidiaries as at 30 June 2021.

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

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

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

PBE Combinations involving entities under common control

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

- the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the resulting entity;
- licenses and similar rights granted by one combining operation to another combining operation will not be eliminated and continue to be recognised as an intangible asset;
- tax forgiven as part of the terms of an amalgamation, if any, shall be derecognised prior to amalgamation;
- employee benefits (or assets, if any) related to the combining shall be recognised in accordance with PBE IPSAS 39 *Employee Benefits*;
- no adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities;

Basis of reporting continued

- no additional goodwill is recognised as a result of the combination;
- any difference between the consideration paid/transferred and the equity "acquired" is reflected within the equity as merger reserve; and
- the statement of comprehensive revenue and expenditure and statement of cash flows reflect the results of the combining entities from the point when the combination took place.

The significant subsidiaries within the group comprise the following:

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage of ownership/control	
			2021	2020
Auckland Transport	Owns the public transport network and manages the transport infrastructure and services in Auckland. **Auckland Transport is a body corporate with perpetual succession and is treated under the LGACA 2009 as if Auckland Council is its sole shareholder.*	Yes	100*	100*
Auckland Unlimited Limited (AUL)	Manages projects for economic development, tourism and events promotion in the Auckland region. *On 1 December 2020, Auckland Tourism, Events and Economic Development Limited (ATEED)'s operation was amalgamated into Regional Facilities Auckland Limited (RFAL), and renamed Auckland Unlimited Limited.*	Yes	100	-
Auckland Tourism, Events and Economic Development Limited	*ATEED was removed from the Companies Register on 1 December 2020 on amalgamation into AUL.*	No longer	-	100
Panuku Development Auckland Limited	Facilitates the development and rejuvenation of urban locations including the Auckland waterfront. Optimises the council's property portfolio.	Yes	100	100
Ports of Auckland Limited	Owns and operates Auckland's port which provides container bulk cargo handling, freight hubs, cruise industry facilities, and other services.	No	100	100
Regional Facilities Auckland	Supports and promotes the arts, culture, heritage, leisure, sports and entertainment, and owns and manages the venues for these activities. *^Regional Facilities Auckland is a charitable trust of which Auckland Unlimited Limited, a 100% owned subsidiary of Auckland Council, is the sole trustee.*	Yes	100^	100^
Watercare Services Limited	Provides water and wastewater services, and owns and operates the water and wastewater infrastructure. *Watercare Services Limited is restricted by LGACA 2009 section 57(1)(b) from paying any dividend or distributing any surplus directly or indirectly to Auckland Council.*	Yes	100	100

Significant restrictions

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

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

Three waters reform

In July 2020, the Government launched the Three Waters Reform Programme – a three-year programme to reform three waters service delivery arrangements. The reform programme proposes the establishment of four new multi-regional entities who will own and operate drinking water, wastewater and stormwater (three waters) services across New Zealand. On 30 June 2021 the Government announced the proposed regional boundaries of the four water providers, governance arrangements, the role of iwi, and how the providers would be regulated.

The group is proposed to fall within "Entity A", together with Kaipara District Council, Far North District Council and Whangarei District Council.

Basis of reporting continued

Auckland's stormwater network is currently owned and operated by Auckland Council, and drinking water and wastewater are owned and operated by Watercare Services Limited. At the date this report was approved for issue, the reforms were still at early stages, so impacts on the group were unknown.

Change in accounting policy

Change in frequency of revaluations of property, plant and equipment

From 1 July 2020, the group changed its accounting policy to revalue its property, plant and equipment held at fair value, at least every five years. This change in policy provides the group with the flexibility to revalue when it is appropriate, or when there is a material movement in fair value given the need to manage its finances prudently. The policy is applied prospectively from the beginning of this financial year because it was not practicable to estimate the effects of applying the policy either retrospectively or prospectively from any earlier date. Accordingly, the adoption of the new policy has no effect on prior periods.

Implementation of new and amended accounting standards

Early adoption of PBE IPSAS 40 *PBE Combinations*

The group adopted PBE IPSAS 40 early. In accordance with its transitional provisions, the standard was required to be applied prospectively from 1 July 2020. The new standard supersedes PBE IFRS 3 *Business Combinations*. PBE IPSAS 40 has a broader scope than PBE IFRS 3 as it establishes requirements for accounting for both acquisitions and amalgamations. A PBE combination is the bringing together of separate operations into one public benefit entity, which might occur by mutual agreement or by compulsion (for example, by legislation).

Identifying a PBE Combination

PBE IPSAS 40 requires an entity to determine whether a transaction or event is a PBE Combination, which requires that the assets and liabilities constitute an operation. PBE IPSAS 40's definition of an "operation" is similar to the definition of a "business" under PBE IFRS 3, and includes three elements: input, process and output. Similar to PBE IFRS 3, to qualify as an operation, two essential elements are required – inputs and processes applied to those inputs, which together are or will be used to create outputs.

Classification of a PBE Combination

A PBE Combination can be classified as an amalgamation or an acquisition.

An amalgamation is where no party to a PBE combination gains control of one or more operations as a result of the combination or if one party gains control, the economic substance of the PBE combination based on evidence relating to the consideration, the decision-making process and other matters is that of an amalgamation. A "resulting entity" shall account for the amalgamation by applying the modified pooling of interests method.

An acquisition is where one party to a PBE combination gains control of one or more operations as a result of the combination and the economic substance is not that of an amalgamation. The acquisition method of accounting is applied.

The modified pooling of interests method requires recognition and measurement of the assets, liabilities and non-controlling interests at their carrying amounts, recognition and measurement of any other adjustments (e.g. to align accounting policies) within net assets/equity. An amalgamation does not give rise to goodwill.

The acquisition method of accounting is consistent with PBE IFRS 3 and generally requires the recognition and measurement of assets and liabilities at fair value and the recognition of goodwill or gain or loss from acquisition.

The group adopted this standard early to facilitate the merger of ATEED and RFAL in order to apply the modified pooling of interests method for amalgamation. The adoption of PBE IPSAS 40 did not result in any significant impact on the group financial statements.

Standard issued but not yet effective:

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

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the group has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

Basis of reporting continued

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The group believes the application of PBE FRS 48 will not have any significant impact on its statement of performance as the group has well established service performance reporting processes.

Amendments to PBE IPSAS 2 Cash Flow Statements

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

Deferral of compliance with IFRIC agenda decision on configuration and customisation costs for Software-as-a-Service (SaaS) arrangements

In April 2021, the IFRS Interpretations Committee (IFRIC), a committee supporting profit-oriented reporting, published an agenda decision clarifying how configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) should be accounted for. The International Public Sector Accounting Standards Board has not issued similar guidance, however, in the absence of a PBE standard specifically dealing with such costs, management considers the IFRIC decision is relevant to the accounting for intangible assets of the group.

The decision clarifies that certain configuration and customisation activities that are undertaken in implementing SaaS arrangements may give rise to a separate asset where the customer controls that asset. In such instances, these costs are capitalised as per the requirements of PBE IPSAS 31 Intangible Assets. In all other cases, these costs are expensed as the services are received or over the term of the SaaS contract. The clarification requires careful consideration of the nature of costs that are incurred in implementing SaaS arrangements.

Over several years, the group has made certain judgements about most costs related to SaaS arrangements. Accordingly, the group will review these accounting judgements and make any required adjustments retrospectively as a change in accounting policy. As at 30 June 2021, the group has $98.6 million of costs associated with numerous SaaS arrangements. Due to the quantum of the costs involved and the complexity of the work undertaken across multiple workstreams to implement SaaS solutions, the group expects a significant amount of work will be required to review those costs. With the IFRIC agenda decision having been made so close to the financial year end, management is unable to complete the assessment prior to the finalisation of these financial statements. Management will complete the assessment and record any adjustments by 31 December 2021.

Te Wehenga A:
Ngā hua o te tau

Section A: Results of the year

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

The notes in the section are as follows:

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

A1 Revenue

Accounting policy

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

Type	Recognition and measurement
Rates	Rates are set annually by resolution of the council and relate to a particular financial year in accordance with the Local Government (Rating) Act 2002. Rates comprise general and targeted rates and are stated net of rates remissions. Rates revenue is recognised at the date of issuance of ratings notice and is measured at the present value of cash received or receivable.
Grants and subsidies	Grants and subsidies are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grants and subsidies are not met. If there is such an obligation, the grants and subsidies are initially recorded in the statement of financial position when received at fair value as grants and subsidies received in advance. As the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue.
Development contributions	Development contributions are charged for new property developments to contribute to the group's costs of building supporting infrastructure such as stormwater, roads and footpaths. Revenue is recognised at the later of the point when the group is entitled to issue an invoice to developers for the contribution in accordance with milestones set out in the group's development contributions policy, and the point at which the group can provide the service for which the contribution was charged. The timing of recognition is dependent on the type of consent granted and the nature of the development.
Vested assets	Vested asset revenue represents infrastructure received from property developers who construct the infrastructure as a condition of development. Vested asset revenue is recognised when control of the asset is transferred to the group and/or the council and is measured at the fair value of the asset received.
Finance revenue	Finance revenue comprises interest revenue and realised gains from the early close-out of derivatives. Revenue is recognised using the effective interest method.
Dividend revenue	Dividend revenue is recognised when the group and the council's right to receive the dividend is established.
Fees and user charges	
Water and wastewater	Water revenue comprises the amounts received and receivable at balance date for water supplied to customers in the ordinary course of business. Wastewater revenue is a combination of a fixed charge and a volumetric charge based on a percentage of water used. Water and wastewater revenue includes estimated unbilled amounts for unread meters at balance date. As meter reading is cyclical, management applies judgment when estimating the daily average water consumption of customers between meter readings. Unbilled amounts from the last bill reading date to the end of the month are recognised as revenue.
Sale of goods	Sales revenue is recognised when the substantial risks and rewards of ownership have been passed to the buyer.
Port operations	Revenue from port operations includes revenue from marine services, ship exchange, berthage, goods wharfage, and collection and transport of containers. Revenue is recognised when the services are provided, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
Consents	Building consents provide approval for specific building works on a specific site, and resource consents provide approval for projects that impact the environment or others. Consent revenue is recognised when consents are provided at the fair value of the amount receivable.
Licences and permits	Revenue is recognised on receipt of application as they are non-refundable.
Other revenue	
Infrastructure growth charge revenue	Infrastructure growth charge revenue is recognised when payment is received for approved connections.
Regional fuel tax	Regional fuel tax is a tax of 10 cents per litre of fuel (plus GST) which is collected to fund transport projects. Revenue is recognised when the supply of fuel occurs in the Auckland region at the fair value of the amount received or receivable.

A1 Revenue continued

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

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Revenue from non-exchange transactions:				
Revenue from rates				
General	1,732	1,642	1,742	1,650
Targeted	233	224	233	226
Penalties	21	19	21	19
Rates remissions	(9)	(7)	(9)	(7)
Discounts	(1)	(1)	(1)	(1)
Total revenue from rates	**1,976**	**1,877**	**1,986**	**1,887**
Revenue from transfers				
Sales of goods and services	271	308	87	79
Vested assets	376	494	132	158
Fines and infringements	49	46	4	3
Consents, licences and permits	229	219	227	215
Capital grants and subsidies	380	438	13	43
Operating grants and subsidies	457	383	16	15
Regional fuel tax revenue	154	144	154	144
Other transfer revenue	133	135	58	65
Total revenue from transfers	**2,049**	**2,167**	**691**	**722**
Total revenue from non-exchange transactions	**4,025**	**4,044**	**2,677**	**2,609**
Revenue from exchange transactions:				
Water and wastewater	500	524	-	-
Sales of goods and services	1	-	1	2
Port operations	213	219	-	-
Development contributions	226	156	226	156
Finance revenue	5	10	119	117
Dividends received	2	2	5	-
Infrastructure growth charges	197	110	-	-
Other exchange revenue	146	103	66	50
Total revenue from exchange transactions	**1,290**	**1,124**	**417**	**325**
Total revenue	**5,315**	**5,168**	**3,094**	**2,934**

For the purposes of the Local Government Funding Agency Limited (LGFA) Guarantee and Indemnity Deed disclosure, the council's annual rates revenue for the year ended 30 June 2021 is $2.0 billion (2020: $1.9 billion). Refer to Note F4 for further information on the LGFA guarantees and indemnities.

Refer to Note F7 for further information on Regional Fuel Tax revenue and its utilisation during the year.

Local government disclosures

The council's rating base information relating to the preceding financial year as at 30 June 2020 is as follows:

	2020
Number of rating units	577,988
Total capital value of rating units (in $million)	754,204
Total land value of rating units (in $million)	494,515

The council wrote off the following rates during the year:

	2021	2020
Rates written off for Māori freehold land[1]	396	330
Rates written off for general land[2]	-	-
Total rates written off	**396**	**330**

[1] Unpaid rates not recovered in 6 years after the rates became due under section 65 of Local government (Rating) Act 2002.

[2] Rates written off under section 90A and 90B of Local Government (Rating of Whenua Māori) Amendment Act 2021.

A1 Revenue continued

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Total revenue	5,315	5,049	3,094	2,920

Group

Revenue was higher than budget by $266 million. The most significant reasons for the surplus were as follows:

- The economic uncertainty around the COVID-19 pandemic resulted in our budgets factoring a decrease in all services related to property development. During the year there was a significant increase in demand for property in Auckland which positively impacted all revenue types related to development.
  - Watercare receives infrastructure growth charges to cover capital investment in bulk infrastructure used to provide services to either new or existing customers who increase their demand for water services. These charges were $115 million higher than budget.
  - Development contribution were $89 million higher than budget. The favourable variance is mainly attributable to housing built by large scale developers.
  - Revenue received for resource and building consents was $58 million higher than planned as a result of the increase in volume as well as complexity of consents arising from Auckland's increasing density.
- Operating subsidies were $46 million higher than budgeted mainly because of $29 million unbudgeted funding from Waka Kotahi NZ Transport Agency (Waka Kotahi) to top-up public transport fare revenue forfeited due to COVID-19 (see below). $6 million relates to receipt of the Government Wage Subsidy by Regional Facilities Auckland and $4 million relates to grants from various entities to support the tourism sector in Auckland.
- Rent income exceeded budget by $30 million. The budget assumed that there would be a significant number of COVID-19 lockdowns resulting in credits to tenants and vacancies. New Zealand's response to the pandemic enabled an early recovery and this resulted in $15 million favourable variance in rent income. $7 million relates to unbudgeted revenue from the Auckland Film Studios which was leased to produce an international television series and the remaining variance relates to renewals of existing and new leases.
- Unbudgeted revenue of $16 million from a found asset and a donated work of art. Also included is funding from central government to reimburse COVID-19 relief expenditure that was incurred by Auckland Emergency Management.
- Regional fuel tax was $11 million higher than budgeted mainly due higher than anticipated usage of fuel.

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

- Grants for capital works from Waka Kotahi were $74 million below budget. The budget assumed a $95 million subsidy being received for the transfer of the Penlink and Mill Road properties. However, the transaction was accounted for as a sale of assets.
- The group receives vested assets from property developers when new subdivisions are constructed, such as roading, water connections and parks. During the year the group received $34 million fewer assets than budgeted, mainly from developments in Gulf Harbour, Hobsonville, Drury and Flat Bush.
- Public transport fare and parking revenue was $15 million below budget. This was mainly due to the impact of COVID-19 on patronage and disruption caused by KiwiRail train track closures. This was offset by a top-up subsidy from Waka Kotahi (see above).

The remaining variances against budget were individually insignificant.

A1 Revenue continued

Explanation of significant variances against budget

Auckland Council

Revenue was higher than budget by $174 million. The largest contributors to this surplus were:

- As mentioned above, revenue from all services related to property development significantly exceeded budget, including development contributions (by $89 million) and revenue from resource and building consents (by $63 million).
- Vested asset revenue was $19 million favourable to budget mainly because of the receipt of assets constructed by City Rail Link Limited.
- Rent income exceeded budget by $17 million. As mentioned above, rent income was budgeted conservatively with the expectation that a significant number of COVID-19 lockdowns would result in credits to tenants and vacancies. $7 million relates to unbudgeted revenue from Auckland Film Studios and the remaining variance relates to renewals of existing leases and new leases.
- Unbudgeted revenue of $13 million from a found asset and funding from central government to reimburse COVID-19 relief expenditure incurred by Auckland Emergency Management.
- Regional fuel tax was $11 million higher than budgeted mainly due higher than anticipated usage of fuel.

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

- Central Government allocated funds to kickstart shovel ready infrastructure projects across New Zealand in response to economic challenges posed by COVID-19. Auckland Council budgeted for the entire group's shovel-ready funding, however, $30 million of subsidies for the Puhinui Interchange and Ferry Basin were received by Auckland Transport.
- The increase in interest rates resulted in finance revenue earned from loans to CCO's and short-term cash deposits being $10 million above budget.

The remaining variances against budget were individually insignificant.

A2 Operating expenses

Accounting policy

Grants, contributions and sponsorship

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

Operating expenses include the following items.

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Grants, contributions and sponsorship:				
Funding to CCOs	-	-	911	946
Other grants	162	148	138	137
	162	148	1,049	1,083
Outsourced works and services	269	274	200	205
Goods and services	512	509	10	16
Consultancy and professional services	109	116	30	38
Repairs and maintenance	383	348	187	177
Utilities and occupancy	72	73	32	35
Rental and lease	155	149	36	31
Net impairment of receivables	8	10	7	6
Fees paid to elected members	11	11	11	11
Fees paid to auditors	5	4	2	1

A2 Operating expenses continued

Explanation of significant variances against budget

2021 $MILLION	GROUP		AUCKLAND COUNCIL	
	ACTUAL	BUDGET	ACTUAL	BUDGET
Other operating expenses	1,834	1,822	711	662

Group

Other operating expenses were higher than budget by $12 million. Several items contributed to this:

- Due to inherent uncertainty around the provision for remediation of weathertightness and associated building defect claims, these costs are not budgeted for. The provision for remediation of weathertightness claims increased by $89 million because of the high costs associated with multi-unit claims, refer to Note D5.

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

- Utilities and occupancy costs were $20 million favourable to plan largely due to lower than anticipated cleaning and safety equipment costs because of COVID-19 lockdowns, and cost savings on electricity by replacing streetlights with energy efficient LED bulbs.
- Consultancy, legal, professional services and outsourced works were $31 million lower than budget primarily due to tight spending controls in anticipation of the negative impacts of the pandemic.
- The cost of public transport was $15 million below budget due to a lower than anticipated cost indexation increase for bus operator contracts. The group had also anticipated a significant increase in costs to comply with the Employment Relations Amendment Act 2018. However, costs did not increase as much as expected. Further, costs relating to rail usage fell below plan due to fewer kilometres travelled by the trains.
- Several cancelled and postponed events and projects contributed to $13 million lower costs attributable to these events and projects.

The remaining variances against budget were individually insignificant.

Auckland Council

Other operating expenses were higher than budget by $49 million. As mentioned above, other operating expenses are over budget in relation to the $89 million increase in the provision for remediation of weathertightness claims.

This was partly offset by:

- Cancelled or postponed projects and events contributed to associated costs being $18 million less than planned.
- Consultancy, legal, professional services and outsourced works being $14 million lower than budget primarily due to tight spending controls in anticipation of the negative impacts of the pandemic.
- Repairs and maintenance costs being $9 million lower than planned mainly due to disruptions in the maintenance programme caused by COVID-19 lockdowns. In addition, the reduced rainfall and a reduction in the number of requests to fix cracks in stormwater pipes also contributed to the decrease.

The remaining variances against budget were individually insignificant.

Local government disclosures

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

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

$MILLION	AUCKLAND COUNCIL	
	2021	2020
Auckland War Memorial Museum	32	32
MOTAT	15	16
Auckland Regional Amenities Funding Board	15	16

A2 Operating expenses continued

Fees paid to auditors

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

$THOUSAND	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Audit of financial statements	**3,495**	**3,327**	**1,339**	**1,214**
Other assurance-related services:				
Review of interim financial statements	302	292	124	122
Assurance engagement related to foreign borrowings	44	43	44	43
Assurance engagement related to debenture trust deed	16	16	16	16
Required by legislation:				
Review of service performance	-	35	-	35
10-year Budget	738	24	738	24
	1,100	**410**	**922**	**240**
Other services:				
Cyber and cloud security	231	130	-	-
Enterprise model Probity	-	131	-	-
Review of the management plan of the Central Interceptor project	100	126	-	-
Assurance review	-	48	-	-
Other assurance services	53	27	-	-
	384	**462**	**-**	**-**
Total fees to auditors	**4,979**	**4,199**	**2,261**	**1,454**

A3 Employee benefits expense

Accounting policy

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

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Salaries and wages	891	907	503	533
Contributions to defined contribution schemes	27	27	14	15
Termination benefits	11	10	7	7
Other	34	53	9	20
Total employee benefits expense	**963**	**997**	**533**	**575**

Refer to Note D4 for the employee benefit liability as at 30 June 2021 and 30 June 2020 and Note F5 for further information on the remuneration of key management personnel and elected representatives.

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Employee benefits expense	963	959	533	545

Group

Employee benefits were higher than budgeted by $4 million for several reasons:

- There was an increased spend on temporary staff and overtime to cover the workload from unfilled vacancies in specialist areas and to bring new water sources into the water network in response to the drought.
- Annual leave balances exceeded budgeted levels due to staff not taking leave during the COVID-19 lockdown and subsequent travel restrictions.
- Terminations benefits paid as part of organisational restructures were not included in the budget.

A3 Employee benefits expense continued

Auckland Council

Employee benefits include $7 million of unbudgeted termination costs arising from an organisational restructure. Despite this, employee benefits were $12 million lower than budget due to attrition, tight recruitment controls, difficulties in filling specialist roles and a reduction in training costs.

A4 Depreciation and amortisation

Accounting policy

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

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

Local government disclosures

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

GROUP OF ACTIVITY $MILLION	GROUP 2021	GROUP 2020
Roads and footpaths	311	251
Public transport and travel demand management	77	100
Water supply	105	111
Wastewater	166	144
Stormwater	63	60
Local council services	3	2
Regionally delivered council services	238	243
Council controlled services	57	52
Total depreciation and amortisation (Notes B1 and B2)	**1,020**	**963**

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Depreciation and amortisation	1,020	1,051	294	302

Group

The favourable variance of $31 million to budget was primarily due to fewer capital projects being completed than anticipated.

A5 Finance costs

Accounting policy

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

A5 Finance costs continued

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Interest expense on debt and finance leases using the effective interest method	195	220	180	203
Interest expense on provisions	(13)	9	(14)	8
Total interest expense	**182**	**229**	**166**	**211**
Interest on derivative financial instruments	221	209	217	205
Other finance costs	5	6	5	6
Total finance costs	**408**	**444**	**388**	**422**

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

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Finance costs	408	454	388	434

Group and Auckland Council

Finance costs were favourable to budget by $46 million for the group and the council primarily due to lower interest rates and interest savings from the close-out of basis swaps.

A6 Net other gains and losses

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Net gains/(losses) on change in fair value of derivative financial instruments:				
Net gains/(losses) attributable to foreign exchange movements	(102)	90	(105)	86
Net gains/(losses) attributable to interest rate movements	882	(755)	882	(756)
	780	(665)	777	(670)
Net increase/(decrease) in fair value of investment property	108	(55)	73	(58)
Net increase/(decrease) in financial instruments designated at fair value through surplus/(deficit)	-	1	6	19
Net foreign exchange gains/(losses) recognised in surplus/(deficit) on financial instruments held at amortised cost	105	(86)	104	(86)
Impairment of property, plant and equipment and intangible assets	(6)	(44)	(1)	(28)
Impairment of investment in subsidiaries, associates and joint ventures	-	-	-	(2)
Net gains/(losses) on disposal of property, plant and equipment and intangible assets	11	(9)	(2)	9
Gain on discontinuing equity accounting of Auckland International Airport Limited	-	230	-	230
Total net other gains/(losses)	**998**	**(628)**	**957**	**(586)**

A6 Net other gains and losses continued

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Net other gains	998	-	957	-

Group and Auckland Council

Net other gains for the group of $998 million and $957 million for the council were not budgeted. The net gains mainly related to movements in the value of derivative financial instruments used as hedges against interest rate and foreign exchange movements. The group uses foreign exchange hedges to lock in foreign currency rates on our borrowings denominated in foreign currency. The group also uses interest rate hedging contracts to fix interest costs on debt issued at floating rates, which increases certainty of interest costs over multiple time periods to enable us to execute our planned expenditure programmes with confidence. Accounting standards require hedging contracts to be recognised at their fair value at the reporting date. Rising interest rates have resulted in a $882 million gain from the change in the fair value of our interest rate hedging contracts. Hedging contracts are generally held to maturity. The gains also include a net increase in the fair value of investment property of $108 million and several other immaterial balances.

A7 Income tax

Accounting policy

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

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

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

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

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

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

A7 Income tax continued

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Components of income tax expense				
Current tax	-	-	-	-
Deferred tax	39	74	-	-
Total income tax expense	**39**	**74**	**-**	**-**
Relationship between income tax and accounting surplus/(deficit)				
Net surplus/(deficit) before tax	1,898	109	1,046	(823)
Surplus/(deficit) from non-taxable activities	(1,714)	41	(1,046)	823
Taxable surplus/(loss)	**184**	**150**	**-**	**-**
Prima facie income tax at 28%	52	42	-	-
Prior period adjustment	-	57	-	-
Tax effect of permanent differences	(11)	-	-	-
Associates' income net of tax	(1)	-	-	-
De-recognition of deferred tax assets	-	1	-	-
Tax credits	(1)	-	-	-
Timing differences	-	-	-	-
Reversal of tax liability for prior year tax loss offsets	-	(16)	-	-
Other adjustments (including reintroduction of building tax depreciation)	-	(10)	-	-
Total income tax expense	**39**	**74**	**-**	**-**

Tax losses and imputation credits

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Imputation credits available for use in subsequent reporting periods	34	33	-	-

Imputation credits available for use by any member of the income tax group are $3 million (2020: $2 million).

Te Wehenga B:
Ngā rawa ukiuki

Section B: Long-term assets

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

The notes in this section are as follows:

B1 Property, plant and equipment

B2 Intangible assets

B3 Investment property

B1 Property, plant and equipment

Accounting policy

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

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

Initial recognition and subsequent measurement

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

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

Useful lives

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

Asset class	Estimated useful life (years)	Asset class	Estimated useful life (years)
Infrastructure		**Operational (continued)**	
Land and road formation	Indefinite	Bus stations and shelters	10 to 40
Roads	3 to 110	Marinas	9 to 45
Water and wastewater	10 to 201	Rolling stock	5 to 35
Machinery	3 to 200	Wharves	4 to 100
Storm water	15 to 150	Works of art	Indefinite
Other infrastructure	3 to 80	Other operational assets	1 to 60
Operational		**Restricted**	
Land	Indefinite	Parks and reserves	Indefinite
Buildings	10 to 100	Buildings	5 to 100
Specialised sporting and cultural venues	3 to 100	Improvements	2 to 50
Train stations	6 to 60	Specified and cultural heritage assets	Indefinite

Disposals

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

Impairment

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

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

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

B1 Property, plant and equipment continued

GROUP 2021	OPENING BALANCE			CURRENT YEAR	CLOSING BALANCE		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements***	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Roads and formation	10,873	(18)	10,855	182	11,329	(292)	11,037
Roads and wastewater	8,227	(334)	7,893	960	8,853	-	8,853
Machinery	1,261	(131)	1,130	263	1,393	-	1,393
Storm water	4,809	(99)	4,710	158	5,019	(151)	4,868
Land	7,183	-	7,183	107	7,290	-	7,290
Work in progress	1,868	-	1,868	396	2,264	-	2,264
Other	-	-	-	15	15	-	15
	34,221	**(582)**	**33,639**	**2,081**	**36,163**	**(443)**	**35,720**
Operational							
Land and buildings	5,309	(138)	5,171	1,226	6,411	(14)	6,397
Specialised sporting and cultural venues	967	-	967	59	1,026	-	1,026
Train stations	622	-	622	(7)	644	(29)	615
Bus stations and shelters	109	-	109	3	117	(5)	112
Marinas	124	(4)	120	32	161	(9)	152
Rolling stock	495	(32)	463	64	578	(51)	527
Wharves	571	(25)	546	97	647	(4)	643
Works of art	354	(5)	349	13	362	-	362
Work in progress	551	-	551	(134)	417	-	417
Other	1,466	(696)	770	(30)	1,517	(777)	740
	10,568	**(900)**	**9,668**	**1,323**	**11,880**	**(889)**	**10,991**
Restricted							
Parks, reserves and buildings	5,794	(8)	5,786	1,081	6,867	-	6,867
Improvements	1,511	(470)	1,041	26	1,611	(544)	1,067
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	137	-	137	9	146	-	146
	7,592	**(478)**	**7,114**	**1,116**	**8,774**	**(544)**	**8,230**
Group total	**52,381**	**(1,960)**	**50,421**	**4,520**	**56,817**	**(1,876)**	**54,941**

*Refer to next page for further details.

B1 Property, plant and equipment continued

GROUP 2021	CURRENT YEAR MOVEMENTS							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Roads and formation	435	-	(275)	-	-	22	-	**182**
Water and wastewater	279	-	(169)	-	(10)	-	860	**960**
Machinery	283	-	(72)	-	-	-	52	**263**
Storm water	211	-	(53)	-	(2)	2	-	**158**
Land	151	-	-	(16)	-	(28)	-	**107**
Work in progress	(1,378)	1,774	-	-	-	-	-	**396**
Other	19	-	-	-	-	(4)	-	**15**
	-	**1,774**	**(569)**	**(16)**	**(12)**	**(8)**	**912**	**2,081**
Operational								
Land and buildings	174	11	(72)	(1)	(34)	45	1,103	**1,226**
Specialised sporting and cultural venues	40	-	(29)	-	-	-	48	**59**
Train stations	11	-	(29)	-	-	11	-	**(7)**
Bus stations and shelters	8	-	(5)	-	-	-	-	**3**
Marinas	21	-	(4)	-	-	18	(3)	**32**
Rolling stock	83	-	(19)	-	-	-	-	**64**
Wharves	93	-	(16)	-	-	(35)	55	**97**
Works of art	2	-	(3)	-	-	-	14	**13**
Work in progress	(697)	543	-	-	-	20	-	**(134)**
Other	265	-	(92)	(1)	(2)	(200)	-	**(30)**
	-	**554**	**(269)**	**(2)**	**(36)**	**(141)**	**1,217**	**1,323**
Restricted								
Parks, reserves and buildings	61	-	(4)	-	(6)	11	1,019	**1,081**
Improvements	97	-	(74)	-	(3)	6	-	**26**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(158)	167	-	-	-	-	-	**9**
	-	**167**	**(78)**	**-**	**(9)**	**17**	**1,019**	**1,116**
Group total	**-**	**2,495**	**(916)**	**(18)**	**(57)**	**(132)**	**3,148**	**4,520**

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

B1 Property, plant and equipment continued

GROUP 2020	OPENING BALANCE			CURRENT YEAR	CLOSING BALANCE		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements***	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Roads and formation	10,545	(470)	10,075	780	10,873	(18)	10,855
Water and wastewater	8,027	(168)	7,859	34	8,227	(334)	7,893
Machinery	1,203	(68)	1,135	(5)	1,261	(131)	1,130
Storm water	4,630	(49)	4,581	129	4,809	(99)	4,710
Land	7,069	-	7,069	114	7,183	-	7,183
Work in progress	1,182	-	1,182	686	1,868	-	1,868
Other	5	-	5	(5)	-	-	-
	32,661	**(755)**	**31,906**	**1,733**	**34,221**	**(582)**	**33,639**
Operational							
Land and buildings	5,260	(73)	5,187	(16)	5,309	(138)	5,171
Specialised sporting and cultural venues	913	(25)	888	79	967	-	967
Train stations	612	(52)	560	62	622	-	622
Bus stations and shelters	144	(8)	136	(27)	109	-	109
Marina structures	124	-	124	(4)	124	(4)	120
Rolling stock	435	(16)	419	44	495	(32)	463
Wharves	467	(15)	452	94	571	(25)	546
Works of art	328	(2)	326	23	354	(5)	349
Work in progress	482	-	482	69	551	-	551
Other	1,333	(653)	680	90	1,466	(696)	770
	10,098	**(844)**	**9,254**	**414**	**10,568**	**(900)**	**9,668**
Restricted							
Parks, reserves and buildings	5,699	(4)	5,695	91	5,794	(8)	5,786
Improvements	1,408	(402)	1,006	35	1,511	(470)	1,041
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	184	-	184	(47)	137	-	137
	7,441	**(406)**	**7,035**	**79**	**7,592**	**(478)**	**7,114**
Group total	**50,200**	**(2,005)**	**48,195**	**2,226**	**52,381**	**(1,960)**	**50,421**

*Refer to next page for further details.

B1 Property, plant and equipment continued

GROUP 2020	CURRENT YEAR MOVEMENTS							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Roads and formation	449	-	(247)	(9)	(20)	10	597	**780**
Water and wastewater	210	-	(167)	-	(9)	-	-	**34**
Machinery	60	-	(63)	-	(2)	-	-	**(5)**
Storm water	155	-	(50)	-	(1)	25	-	**129**
Land	206	-	-	-	(16)	(76)	-	**114**
Work in progress	(1,083)	1,769	-	-	-	-	-	**686**
Other	3	-	-	-	-	(8)	-	**(5)**
	-	**1,769**	**(527)**	**(9)**	**(48)**	**(49)**	**597**	**1,733**
Operational								
Land and buildings	200	-	(89)	(1)	(29)	(97)	-	**(16)**
Specialised sporting and cultural venues	14	-	(6)	-	(5)	15	61	**79**
Train stations	10	-	(27)	-	-	21	58	**62**
Bus stations and shelters	3	-	(5)	-	-	(20)	(5)	**(27)**
Marinas	-	-	(4)	-	-	-	-	**(4)**
Rolling stock	60	-	(16)	-	-	-	-	**44**
Wharves	111	-	(13)	-	-	(4)	-	**94**
Works of art	5	-	(2)	-	-	-	20	**23**
Work in progress	(568)	637	-	-	-	-	-	**69**
Other	165	-	(98)	(7)	(6)	36	-	**90**
	-	**637**	**(260)**	**(8)**	**(40)**	**(49)**	**134**	**414**
Restricted								
Parks, reserves and buildings	101	-	(4)	-	(2)	(4)	-	**91**
Improvements	133	-	(69)	-	-	(29)	-	**35**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(234)	187	-	-	-	-	-	**(47)**
	-	**187**	**(73)**	**-**	**(2)**	**(33)**	**-**	**79**
Group total	**-**	**2,593**	**(860)**	**(17)**	**(90)**	**(131)**	**731**	**2,226**

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

B1 Property, plant and equipment continued

AUCKLAND COUNCIL 2021	OPENING BALANCE			CURRENT YEAR	CLOSING BALANCE		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements**	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Storm water	4,809	(99)	4,710	158	5,020	(152)	4,868
Work in progress	230	-	230	50	280	-	280
Other	1	-	1	14	15	-	15
	5,040	**(99)**	**4,941**	**222**	**5,315**	**(152)**	**5,163**
Operational							
Land and buildings	3,399	(109)	3,290	660	3,950	-	3,950
Wharves	164	(4)	160	69	229	-	229
Works of art	43	(2)	41	6	47	-	47
Work in progress	310	-	310	(149)	161	-	161
Other	680	(382)	298	(9)	706	(417)	289
	4,596	**(497)**	**4,099**	**577**	**5,093**	**(417)**	**4,676**
Restricted							
Parks, reserves and buildings	5,795	(8)	5,787	1,080	6,867	-	6,867
Improvements	1,507	(470)	1,037	27	1,607	(543)	1,064
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	137	-	137	9	146	-	146
	7,589	**(478)**	**7,111**	**1,116**	**8,770**	**(543)**	**8,227**
Auckland Council total	**17,225**	**(1,074)**	**16,151**	**1,915**	**19,178**	**(1,112)**	**18,066**

AUCKLAND COUNCIL 2021	CURRENT YEAR MOVEMENTS							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Storm water	211	-	(53)	-	-	-	-	**158**
Work in progress	(229)	279	-	-	-	-	-	**50**
Other	18	-	-	-	(5)	1	-	**14**
	-	**279**	**(53)**	**-**	**(5)**	**1**	**-**	**222**
Operational								
Land and buildings	98	36	(63)	(1)	(29)	61	558	**660**
Wharves	92	-	(7)	-	-	(35)	19	**69**
Works of art	-	-	(3)	-	-	(1)	10	**6**
Work in progress	(245)	96	-	-	-	-	-	**(149)**
Other	55	(4)	(39)	-	-	(21)	-	**(9)**
	-	**128**	**(112)**	**(1)**	**(29)**	**4**	**587**	**577**
Restricted								
Parks, reserves and buildings	69	12	(4)	-	(5)	(10)	1,018	**1,080**
Improvements	97	6	(73)	-	(3)	-	-	**27**
Specified cultural and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(166)	175	-	-	-	-	-	**9**
	-	**193**	**(77)**	**-**	**(8)**	**(10)**	**1,018**	**1,116**
Auckland Council total	**-**	**600**	**(242)**	**(1)**	**(42)**	**(5)**	**1,605**	**1,915**

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

B1 Property, plant and equipment continued

AUCKLAND COUNCIL 2020	OPENING BALANCE			CURRENT YEAR	CLOSING BALANCE		
$Million	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements**	**Cost/ valuation**	**Accumulated depreciation and impairment**	**Carrying amount**
Infrastructure							
Storm water	4,630	(48)	4,582	128	4,809	(99)	4,710
Work in progress	128	-	128	102	230	-	230
Other	5	-	5	(4)	1	-	1
	4,763	**(48)**	**4,715**	**226**	**5,040**	**(99)**	**4,941**
Operational							
Land and buildings	3,370	(55)	3,315	(25)	3,399	(109)	3,290
Wharves	67	-	67	93	164	(4)	160
Works of art	41	(2)	39	2	43	(2)	41
Work in progress	281	-	281	29	310	-	310
Other	605	(339)	266	32	680	(382)	298
	4,364	**(396)**	**3,968**	**131**	**4,596**	**(497)**	**4,099**
Restricted							
Parks, reserves and buildings	5,700	(4)	5,696	91	5,795	(8)	5,787
Improvements	1,405	(401)	1,004	33	1,507	(470)	1,037
Specified cultural and heritage	150	-	150	-	150	-	150
Work in progress	184	-	184	(47)	137	-	137
	7,439	**(405)**	**7,034**	**77**	**7,589**	**(478)**	**7,111**
Auckland Council total	**16,566**	**(849)**	**15,717**	**434**	**17,225**	**(1,074)**	**16,151**

AUCKLAND COUNCIL 2020	CURRENT YEAR MOVEMENTS							
$Million	**Transfers from capital work in progress**	**Additions**	**Depreciation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Revaluations, net of accumulated depreciation**	**Total**
Infrastructure								
Storm water	155	-	(50)	-	(1)	24	-	**128**
Work in progress	(158)	260	-	-	-	-	-	**102**
Other	3	-	-	-	(5)	(2)	-	**(4)**
	-	**260**	**(50)**	**-**	**(6)**	**22**	**-**	**226**
Operational								
Land and buildings	112	54	(59)	(1)	(22)	(109)	-	**(25)**
Wharves	101	-	(4)	-	-	(4)	-	**93**
Works of art	3	-	(1)	-	-	-	-	**2**
Work in progress	(264)	293	**-**	**-**	**-**	**-**	**-**	**29**
Other	48	3	(47)	-	(7)	35	-	**32**
	-	**350**	**(111)**	**(1)**	**(29)**	**(78)**	**-**	**131**
Restricted								
Parks, reserves and buildings	101	1	(4)	-	(2)	(5)	-	**91**
Improvements	133	-	(71)	-	-	(29)	-	**33**
Parks, reserves and heritage	-	-	-	-	-	-	-	**-**
Work in progress	(234)	187	-	-	-	-	-	**(47)**
	-	**188**	**(75)**	**-**	**(2)**	**(34)**	**-**	**77**
Auckland Council total	**-**	**798**	**(236)**	**(1)**	**(37)**	**(90)**	**-**	**434**

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

B1 Property, plant and equipment continued

Work in progress by asset class

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	**2020**	**2021**	**2020**
Infrastructure				
Roads and formation	916	784	-	-
Water and wastewater	1,068	854	-	-
Storm water	174	210	174	210
Other	106	20	106	20
	2,264	**1,868**	**280**	**230**
Operational				
Land and buildings	155	337	131	298
Specialised sporting and cultural venues	63	55	-	-
Train stations	11	25	-	-
Rolling stock	19	61	-	-
Wharves	26	2	16	-
Works of art	2	3	2	3
Other	141	68	12	9
	417	**551**	**161**	**310**
Restricted				
Parks, reserves and buildings	27	41	27	41
Improvements	119	96	119	96
	146	**137**	**146**	**137**
Work in progress total	**2,827**	**2,556**	**587**	**677**

Revaluation

Accounting policy

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

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

Significant judgements and estimates

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

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

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

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

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

The following asset classes have been revalued at an individual asset level as at 30 June 2021: operational land and buildings, wharves, works of art and restricted land and buildings. The table below summarises the key assumptions adopted by independent valuers in determining the fair value of each class of asset at the date of valuation. The remaining asset classes have been assessed for movement in fair value to ensure that their carrying values do not differ materially from their fair values.

B1 Property, plant and equipment continued

Independent valuer and key assumptions *Infrastructure*	
Water and wastewater and machinery	Water, wastewater and machinery assets were last subject to a full revaluation as at 30 June 2018 and were revalued using a desktop assessment as at 30 June 2021. They are scheduled for a full revaluation as at 30 June 2022. The machinery of the group comprises engines and turbines installed at water and wastewater pump stations. These are revalued together with water and wastewater assets. Independent valuer: Beca Projects NZ Limited. **Key valuation assumptions** • Construction costs based on recent contract-based construction work and the unit rates reflect the costs of replacing assets. • Useful lives of assets are calculated as the lesser of their physical or economic lives. • The capital goods price index (CGPI) was used where indexation is appropriate. The CGPI rate represents estimated standard replacement costs for asset components in accordance with the modern equivalent asset (MEA) approach. At the time of the desktop assessment, the CGPI was available to the March 2021 quarter and an estimate was made for the June 2021 quarter. At balance date the movement in the fair value of these assets since 30 June 2018 was determined by desktop assessment provided by Beca Projects NZ Limited. The assessment indicated an increase in asset values of 11%, and accordingly a revaluation gain of $912 million was recorded. Beca Projects NZ Limited's desktop valuation report included a limitation statement due to the existence of market uncertainty at the date of the valuation due to the COVID 19 outbreak in 2020. It is expected that constructions costs will continue to grow in the medium term, due to the supply issues of materials and labour forces. The timeframe and extent of these changes will be largely dependent on international responses to the pandemic and associated recovery time for increasing economic activity and trade.
Stormwater	Stormwater assets were last revalued as at 30 June 2018 and are scheduled to be revalued again as at 30 June 2022. Independent valuer: In-house valuation subject to peer review by AON New Zealand. **Key valuation assumptions** • Unit rates for replacement were applied to the assets based on size, material, depth, asset sub-type and location. • Unit rates were derived from stormwater physical works costs. These were indexed using Statistics NZ Capital Goods Price Index for civil constructions to convert them to current dollar value. • Condition information and age were used to determine remaining useful lives. **Fair value assessment** Management performed an assessment of the change in fair value using the Stats NZ Tatauranga Aotearoa Business Price Indexes (BPI) to approximate changes in fair value at 30 June 2021. The assessment indicated an immaterial increase in the asset value and therefore a revaluation of the asset class was not required at balance date.
Roads and formation	Roads and formation assets were last revalued as at 30 June 2020 and are scheduled to be revalued again as at 30 June 2025. Independent valuer: PEACS Limited **Key valuation assumptions** • Unit rates for road construction were based on the most current contracted rates applicable to the group. Where there was no current contracted unit rate information available, the most recent rates were used, indexed for the impact of inflation and adjusted as per Waka Kotahi cost adjustment factors. • Useful lives were determined considering the age, condition information held on these assets and the assets future service potential. These assumptions were affected by local conditions such as ground type, weather patterns and road usage. **Fair value assessment** Management performed an assessment of the change in fair value using BPI to approximate changes in fair value at 30 June 2021. The assessment indicated an immaterial increase in the asset value and therefore a revaluation of the asset class was not required at balance date.

B1 Property, plant and equipment continued

Operational	
Land and buildings	Land and buildings have been revalued at 30 June 2021 and are scheduled to be revalued again as at 30 June 2026. Independent valuers: Bayleys Valuation Limited, Beca Projects NZ Limited, Quotable Value Limited, CBRE Limited, Colliers International. **Key valuation assumptions** • Land and buildings were mainly valued based on recent equivalent sales information and/or market evidence. • Where no market existed for the buildings, ODRC was used with allowance for age, condition and configuration of the building.
Specialised sporting and cultural venues	Specialised sporting and cultural venues were last subject to a desktop valuation as at 30 June 2020 and were valued using a fair value assessment as at 30 June 2021. These assets are scheduled for a full revaluation as at 30 June 2022. Independent valuer: Beca Projects NZ Limited **Key valuation assumptions** • The valuation was based on either market value or DRC. At balance date the movement in the fair value of these assets since 30 June 2020 was determined by material change assessment provided by Beca Projects NZ Limited. The assessment indicated an increase values of 5%, and accordingly a revaluation gain of $48 million was recorded. Beca Projects NZ Limited's material change assessment report included a limitation statement due to the existence of market uncertainty at the date of the valuation due to the COVID 19 outbreak in 2020. It is expected that constructions costs will continue to grow in the medium term, due to the supply issues of materials and labour forces. The timeframe and extent of these changes will be largely dependent on international responses to the pandemic and associated recovery time for increasing economic activity and trade.
Train stations	Train stations were last revalued as at 30 June 2020 and are scheduled to be revalued again as at 30 June 2025. Independent valuer: WSP New Zealand and in-house valuation carried by Auckland Transport **Key valuation assumptions** • The valuation was based on ODRC. • Assets with unlimited engineering lives are adjusted to have a typical useful life to reflect the rate of change and obsolescence in the environment for each elemental value. **Fair value assessment** Management performed an assessment of the change in fair value using the BPI to approximate changes in fair value at 30 June 2021. The assessment indicated an immaterial increase in the asset value and therefore a revaluation of the asset class was not required at balance date.
Bus stations and shelters	Bus stations and shelters were last revalued as at 30 June 2020 and are scheduled to be revalued again as at 30 June 2025. Independent valuer: WSP New Zealand Limited, PEACS Limited and in-house valuation carried by Auckland Transport **Key valuation assumptions** • The valuation was based on ODRC. • Remaining useful life of the asset based on the age, condition and the asset's future service potential. **Fair value assessment** Management performed an assessment of the change in fair value using the Business Price Indexes published by Statistics New Zealand to approximate changes in fair value at 30 June 2021. The assessment indicated an immaterial increase in the asset value and therefore a revaluation of the asset class was not required at balance date.
Marinas	Marinas were last revalued as at 30 June 2019 and are scheduled to be revalued again as at 30 June 2024. Independent valuers: Seagar & Partners Limited **Key valuation assumptions** • The valuation was determined using discounted cash flow calculations using market estimates of cash flows able to be generated by the asset, discounted at a market-based rate of return. **Fair value assessment** Management reviewed the valuation model as at 30 June 2021 and there were no material changes to the expected cash flows.

B1 Property, plant and equipment continued

Rolling stock

Rolling stock assets were last revalued as at 30 June 2018 and are scheduled to be revalued again as at 30 June 2022.

Independent valuers: KPMG

Key valuation assumptions

- The valuation was based on ODRC.
- Useful lives were based on an expected vehicle replacement programme, which defines the expected economic and/or physical lives of the different vehicle types.

Fair value assessment

Management performed an assessment of the change in fair value using BPI to approximate changes in fair value as at 30 June 2021. The assessment indicated an immaterial increase in the asset value and therefore a revaluation of the asset class was not required at balance date.

Wharves

Wharves were last revalued as at 30 June 2021 and are scheduled to be revalued again as at 30 June 2026.

Independent valuer: WSP New Zealand Limited and in-house valuation carried by Auckland Transport, Beca Projects NZ Limited, John Foord (International), industrial valuers and Ortus International, registered Quantity Surveyors

Key valuation assumptions

- The valuation was based on ODRC to the extent that optimisation can occur in the normal course of business using commercially available technology.
- Useful lives were estimated at 100 years or less at an element level, reflecting the marine environment, rate of change and obsolescence, loadings and the predominance of concrete and steel structural elements.
- Beca Projects NZ Limited's valuation report included a limitation statement due to the existence of market uncertainty at the date of the valuation due to the COVID 19 outbreak in 2020. It is expected that constructions costs will continue to increase in the medium term, due to the supply issues of materials and labour forces. The timeframe and extent of these changes will be largely dependent on international responses to the COVID-19 pandemic and associated recovery time for increasing economic activity and trade.

Works of art

Specific classes of works of art were last revalued as at 30 June 2021. Other classes of artworks are scheduled to be revalued again as at 30 June 2022.

Independent valuer: Auckland Art Gallery in-house curators, and Coupland Art (Auckland)

Key valuation assumptions

- The fair values of artworks were determined by reference to observable prices in an active market and recent transactions on arm's-length terms, with regards to the asset's condition.

Restricted

Parks, reserves and buildings

Parks, reserves and buildings were last revalued as at 30 June 2021 and are scheduled to be revalued again as at 30 June 2026.

Independent valuer: Quotable Value Limited

Key valuation assumptions

- Large reserves were valued based on a rural land value with a locational adjustment taking into consideration active/passive zone differentials which were based on the valuers' professional judgements.
- Buildings were based on DRC determined with reference to recent construction contracts and recent costing obtained from construction details and Property Institute of New Zealand's cost information.
- Quotable Value Limited's valuation report included a valuation uncertainty statement due to the existence of a small degree of uncertainty at the date of the valuation. However, it suggests that as at 30 June 2021 the COVID-19 situation has had limited impact on the fair value of the improvement assets assessed using the ODRC approach.

Impact of COVID-19 on the group

The 30 June 2020 valuations of various classes of property, plant equipment were subject to material uncertainties because COVID-19 meant there were minimal market transactions leading up to the valuation date. No such material valuation uncertainty existed for the current year's valuation.

B1 Property, plant and equipment continued

ASSET CLASS	LAST REVALUED DATE	ASSET REVALUATION RESERVE				NET CHANGE FOR THE PERIOD	
		GROUP		AUCKLAND COUNCIL			
$MILLION		2021	2020	2021	2020	GROUP	AUCKLAND COUNCIL
Infrastructure							
Water and wastewater	30 June 2021	1,833	1,216	-	-	617	-
Machinery	30 June 2021	189	153	-	-	36	-
Stormwater	30 June 2018	798	799	798	799	(1)	(1)
Roads and formation	30 June 2020	3,614	3,614	-	-	-	-
Operational							
Land and buildings	30 June 2021	2,888	1,833	1,572	1,060	1,055	512
Specialised sporting and cultural venues	30 June 2021	343	295	-	-	48	-
Train stations	30 June 2020	331	331	-	-	-	-
Bus stations and shelters	30 June 2020	10	10	-	-	-	-
Marinas	30 June 2019	88	90	-	-	(2)	-
Rolling stock	30 June 2018	4	4	-	-	-	-
Wharves	30 June 2021	138	92	19	-	46	19
Works of art	30 June 2021	80	66	36	26	14	10
Restricted							
Parks, reserves and buildings	30 June 2021	2,713	1,700	2,713	1,700	1,013	1,013
Total		**13,029**	**10,203**	**5,138**	**3,585**	**2,826**	**1,553**

Spark Arena (previously named Vector Arena)

Spark Arena is included in operational land and buildings and has a carrying value of $105 million (2020: $107 million). The Spark Arena provides Aucklanders with indoor sports and entertainment. It was constructed and is operated by Quay Park Arena Management Limited (QPAM) under a development agreement with the group. The development agreement granted QPAM legal title to the building improvements. Title will revert to the group on 1 August 2046.

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

Heritage assets

Some assets are designated as heritage assets because of their cultural, environmental or historical significance. The heritage assets of the group and the council are classified to specific asset classes according to their nature and are subsequently measured as part of those asset classes. The group and the council have identified the following heritage assets with a net book value of $390 million:

- heritage books valued at $151 million as at 30 June 2021 (2020: $150 million); and
- 343 constructed heritage sites valued at $239 million as at 30 June 2021 (2020: 341 sites valued at $249 million).

Restrictions

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Land and buildings	449	348	212	196
Parks, reserves and buildings	30	26	30	26
Total	**479**	**374**	**242**	**222**

B1 Property, plant and equipment continued

America's Cup 36 (AC36) Assets

Assets built for AC36 are included in wharves and have a carrying value of $162 million (2020: $95 million). The council has committed to the Ministry of Business, Innovation and Employment (MBIE) that the assets constructed for the event will remain in situ for future America's Cup events until 25 September 2038.

Finance leases

Other operational assets include property, plant and equipment subject to finance leases. The value of these assets is $35 million for the group (2020: $45 million) and $30 million for the council (2020: $40 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 (2020: $nil) of the group and the council.

Service concession assets

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

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

Service concession asset upgrades by Veolia are recognised by the group as an asset with a corresponding liability. This liability is amortised over the remaining period of the service concession arrangement. The carrying value of the service concession asset was $194 million at 30 June 2021 (2020: $197 million).

No new service concession arrangements were entered into by the group and the council in 2021 (2020: none).

Local government disclosures

Core assets

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

$MILLION	Water supply treatment plants and facilities	Water supply other assets	Sewerage treatment plants and facilities	Sewerage other assets	Storm water drainage	Flood protection and control works	Roads and footpaths
2021							
Assets constructed	154	235	93	234	204	4	456
Assets transferred	-	21	1	33	71	-	70
Closing book value	1,050	3,390	1,335	4,471	4,845	23	11,037
Estimated replacement cost	1,633	5,210	1,563	7,047	6,451	116	17,756
2020							
Assets constructed	22	150	147	202	143	11	536
Assets transferred	-	15	3	44	111	-	95
Closing book value	943	3,119	1,100	3,861	4,699	11	10,855
Estimated replacement cost	1,635	5,216	1,573	7,054	6,250	108	16,273

B1 Property, plant and equipment continued

Insurance of assets

Information related to the group and the council's assets at 30 June 2021 as required by the LGA 2002, is as follows:

$MILLION	BOOK VALUE	INSURED VALUE	REPLACEMENT VALUE OF SELF-INSURED ASSETS	COMMENTARY
Roads and formation	11,953	-	17,756	Uninsured. However, subject to meeting defined criteria, the cost associated with the immediate response, reopening and/or restoration of these assets as a result of a short natural event, e.g. earthquake or tsunami, could be subsidised by Waka Kotahi New Zealand Transport Agency.
Water and wastewater and machinery	11,314	20,483	-	Above ground infrastructure which includes water supply and wastewater treatment plants, pump stations and mobile plant and equipment to a value of $4.2 billion with a maximum insured value of $1 billion per event reducing to $450 million per event for fire. For below ground infrastructure, the group obtains insurance cover up to $1.5 billion per event and in aggregate for loss or damage to the assets due to natural disaster. Currently central government funds 60% of the loss limit for eligible costs.
Stormwater	5,042	6,461	-	Below ground infrastructure is mainly pipes, culverts and valves. For this, the group obtains insurance cover up to $1.5 billion per event and in aggregate for loss or damage to the assets due to natural disaster. Currently central government funds 60% of the loss limit for eligible costs.
Buildings, wharves, other above ground structures and other operational assets	7,401	14,489	-	For any natural disaster, the group has a maximum coverage of $1 billion per event and in the aggregate in the period of insurance, reducing to $450 million per event for fire.
Rolling stock	546	578	-	Insurance is for the entire network and includes the electric trains. The group has a maximum coverage of $100 million per event.
Land	18,414	-	18,414	All land (including restricted land) held by the group and the council is not insured due to low risk of loss.
Total	**54,670**	**42,011**	**36,170**	

The group and the council do not maintain a fund for the purpose of self-insurance.

B2 Intangible assets

Accounting policy

Initial recognition and subsequent measurement

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

Useful lives

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

Class of intangible asset	Estimated useful life (years)
Community rights	4 to 35
Computer software	3 to 15
Intellectual property	3 to 35
Other intangible assets	6 to 63

Disposals

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

Impairment

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

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

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

	OPENING BALANCE			CURRENT YEAR	CLOSING BALANCE		
Group 2021 $Million	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements**	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**
Computer software	1,011	(572)	439	(42)	1,059	(662)	397
Rights to acquire	10	-	10	1	11	-	11
Intellectual property	137	(73)	64	2	148	(82)	66
Other	127	(34)	93	21	153	(39)	114
Work in progress	78	-	78	(15)	63	-	63
Group total	**1,363**	**(679)**	**684**	**(33)**	**1,434**	**(783)**	**651**
Group 2020 $Million							
Computer software	854	(487)	367	72	1,011	(572)	439
Rights to acquire	10	-	10	-	10	-	10
Intellectual property	97	(64)	33	31	137	(73)	64
Other	118	(29)	89	4	127	(34)	93
Work in progress	141	-	141	(63)	78	-	78
Group total	**1,220**	**(580)**	**640**	**44**	**1,363**	**(679)**	**684**

*Refer to next page for further details.

B2 Intangible assets continued

	CURRENT YEAR MOVEMENTS							
Group 2021 $Million	**Transfers from work in progress**	**Internally developed**	**Acquisition**	**Amortisation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Total**
Computer software	72	-	-	(89)	-	-	(25)	**(42)**
Rights to acquire	-	-	-	-	-	-	1	**1**
Intellectual property	12	-	-	(9)	-	-	(1)	**2**
Other	24	-	-	(6)	-	-	3	**21**
Work in progress	(108)	12	77	-	-	-	4	**(15)**
Group total	**-**	**12**	**77**	**(104)**	**-**	**-**	**(18)**	**(33)**
Group 2020 $Million								
Computer software	164	-	-	(89)	(1)	(2)	-	**72**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	40	-	-	(9)	-	-	-	**31**
Other	8	-	-	(5)	-	-	1	**4**
Work in progress	(212)	28	121	-	-	-	-	**(63)**
Group total	**-**	**28**	**121**	**(103)**	**(1)**	**(2)**	**1**	**44**

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

	OPENING BALANCE			CURRENT YEAR	CLOSING BALANCE		
Auckland Council 2021 $Million	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**	**Current year movements**	**Cost**	**Accumulated depreciation and impairment**	**Carrying amount**
Computer software	508	(333)	175	(25)	523	(373)	150
Rights to acquire	11	-	11	-	11	-	11
Intellectual property	130	(69)	61	4	143	(78)	65
Other	31	(16)	15	-	34	(19)	15
Work in progress	24	-	24	(9)	15	-	15
Auckland Council total	**704**	**(418)**	**286**	**(30)**	**726**	**(470)**	**256**
Auckland Council 2020 $Million							
Computer software	480	(290)	190	(15)	508	(333)	175
Rights to acquire	10	-	10	1	11	-	11
Intellectual property	91	(61)	30	31	130	(69)	61
Other	27	(13)	14	1	31	(16)	15
Work in progress	57	-	57	(33)	24	-	24
Auckland Council total	**665**	**(364)**	**301**	**(15)**	**704**	**(418)**	**286**

	CURRENT YEAR MOVEMENTS							
Auckland Council 2021 $Million	**Transfers from work in progress**	**Internally developed**	**Acquisition**	**Amortisation (Note A4)**	**Impairment**	**Disposals**	**Transfers***	**Total**
Computer software	15	-	-	(40)	-	-	-	**(25)**
Rights to acquire	-	-	-	-	-	-	-	**-**
Intellectual property	13	-	-	(9)	-	-	-	**4**
Other	3	-	-	(3)	-	-	-	**-**
Work in progress	(31)	-	22	-	-	-	-	**(9)**
Auckland Council total	**-**	**-**	**22**	**(52)**	**-**	**-**	**-**	**(30)**
Auckland Council 2020 $Million								
Computer software	31	-	-	(46)	-	-	-	**(15)**
Rights to acquire	1	-	-	-	-	-	-	**1**
Intellectual property	39	-	-	(8)	-	-	-	**31**
Other	4	-	-	(3)	-	-	-	**1**
Work in progress	(75)	28	14	-	-	-	-	**(33)**
Auckland Council total	**-**	**28**	**14**	**(57)**	**-**	**-**	**-**	**(15)**

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

B2 Intangible assets continued

Intellectual property

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

Other intangible assets

Other intangible assets of the group include the following:

- Access rights of $63 million (2020: $40 million) which have been recognised at fair value on acquisition and are being amortised over the period of the underlying lease. The underlying lease periods of access rights have a range between 14 years and 85 years; and
- Resource consents valued at $33 million (2020: $34 million) which are essential to long-term programme of future capital works and are being amortised over the period of 1 to 35 years (2020: 1 to 38 years).

Restrictions to title and security over intangible assets

There are no restrictions over the title of intangible assets of the group and the council, nor are any intangible assets pledged as security for liabilities (2020: $nil).

Work in progress

Intangible assets under construction are detailed below:

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Computer software	54	62	11	14
Intellectual property	1	10	1	10
Other	8	6	3	-
Work in progress total	**63**	**78**	**15**	**24**

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. Valuations are undertaken, annually by independent registered valuers with appropriate recognised professional qualifications and recent experience in Auckland and in investment properties. Gains or losses arising from changes in fair value are included in surplus or deficit. Investment properties are valued individually and are not depreciated.

Investment property	Valuation method and assumptions used
Land	Independent valuer: CBRE Limited, Colliers International New Zealand, Darroch Limited, Quotable Value Limited and Seagar & Partners Limited • Individually considered and valued in accordance with current market-based evidence. • Valued as vacant under freehold or leasehold tenure. • Valuations consider the size, contour, quality, location, zoning, designation, and current and potential use.
Commercial property	Independent valuer: CBRE Limited, Colliers International New Zealand Limited, Darroch Limited, Quotable Value Limited and Seagar & Partners Limited • Based on indicative yields derived from current prices of comparable property in an active market.
Water space licence	Independent valuer: CBRE Limited and Seagar & Partners Limited • Based on direct sales comparison, or a direct capitalisation of rental income using market comparisons of capitalisation rates ranging from 3.5% to 6.5% (2020: 4% to 6.5%), supported by a discounted cash flow approach.

B3 Investment property continued

The movement in investment property is as follows:

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Opening balance	603	629	485	498
Net increase/(decrease) in fair value of investment property	108	(55)	73	(58)
Additions from acquisition	22	41	19	37
Disposals	(23)	(56)	(15)	-
Net transfers to property, plant and equipment and assets held for sale	(6)	44	-	8
Closing balance	**704**	**603**	**562**	**485**

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Rental income*	20	22	17	18
Expenses	10	8	10	8

*The group's rental income has been restated to exclude the $5 million of rental income derived from property, plant and equipment in the comparative year.

The group and the council have no investment property pledged as security for liabilities during the year (2020: $nil).

Impact of COVID-19 on the group

The 30 June 2020 valuation was subject to material uncertainties because COVID-19 meant there were minimal market transactions leading up to the valuation date. No such material valuation uncertainty existed for the current year's valuation.

Te Wehenga C:
Ngā pūtea taurewa me ngā rawa tauhokohoko

Section C: Borrowings and financial instruments

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

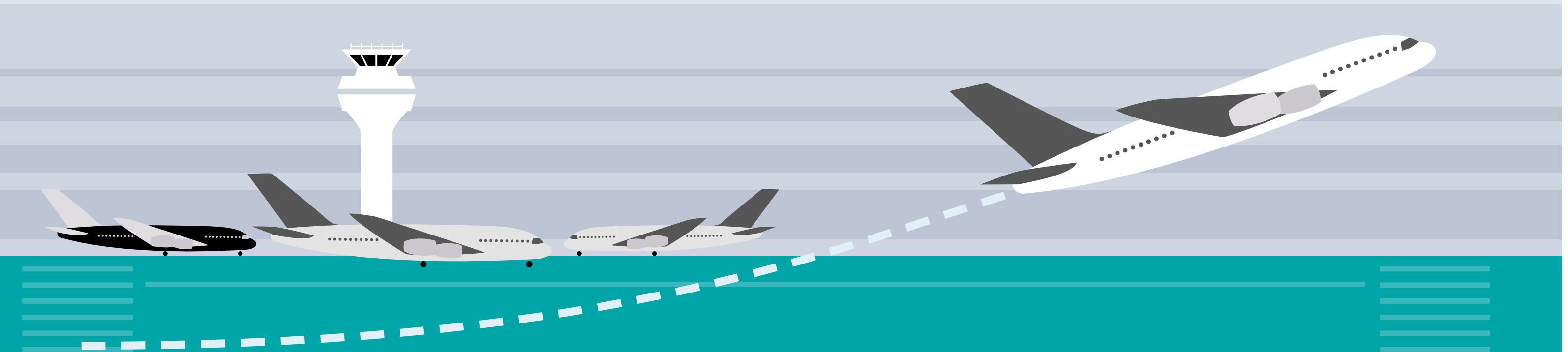
The notes included in this section are as follows:

C1 Borrowings

C2 Derivative financial instruments

C3 Other financial assets

C4 Fair value and classification of financial instruments



C1 Borrowings

Accounting policy

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

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Current				
Secured borrowings	1,413	1,093	1,412	1,092
Unsecured borrowings	-	-	-	-
Total current borrowings	**1,413**	**1,093**	**1,412**	**1,092**
Non-current				
Secured borrowings	8,798	8,634	8,794	8,630
Unsecured borrowings	476	487	-	-
Total non-current borrowings	**9,274**	**9,121**	**8,794**	**8,630**
Total borrowings	**10,687**	**10,214**	**10,206**	**9,722**
Consisting of:				
Fixed rate borrowings*	6,331	6,449	6,156	6,274
Floating rate borrowings*	4,356	3,765	4,050	3,448
Total borrowings	**10,687**	**10,214**	**10,206**	**9,722**

* $4,652 million (2020: $4,757 million) in foreign currency borrowings have been reclassified from floating rate borrowings to fixed rate borrowings due to a change in council's policy. The group and the council will report foreign fixed rate bonds as fixed borrowings to reflect the contractual nature of the bonds. In previous years, foreign fixed rate bonds and the related derivatives hedging the foreign currency exposure were considered together, reflecting an overall floating exposure of the combined position.

Borrowings are sourced through domestic and foreign debt markets and via the Local Government Funding Agency Limited (LGFA). The foreign currency denominated debt of the Auckland Council Group (the group) and Auckland Council (the council) is $4,652 million as at 30 June 2021 (2020: $4,757 million) and is hedged to eliminate foreign exchange risk. Refer to Note E3 for further information.

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

Ports of Auckland Limited's borrowings are included in unsecured borrowings. These are borrowed under negative pledge arrangements which do not grant security over their assets. Certain financial ratios are set as requirements in these arrangements which were in place for both 2021 and 2020.

There were no defaults or breaches by the group or the council on any borrowing arrangement during the year (2020: $nil).

Housing Infrastructure Fund

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

The funds are received in the following manner:

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

As at 30 June 2021, $1.7 million has been drawn down by the group (2020: $nil) for costs incurred in respect of the projects underway at Redhills and Whenuapai. No liability was recognised for the advanced funding from the Waka Kotahi's National Land Transport Programme as there is no requirement to deliver cash or exchange financial instruments to settle the funding.

C1 Borrowings continued

Interest rates

The weighted average cost of funds for the group's borrowings including interest rate hedging instruments as at 30 June 2021, was 4.1% (2020: 4.2%). Refer to Notes A5 and E1 for the net finance costs during the period and the interest rate risk analysis, respectively.

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Borrowings	10,687	11,039	10,206	10,520

Group and Auckland Council

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

Local government disclosures

Internal borrowings

In relation to each group of activities, the council has incurred no internal borrowings during the year to 30 June 2021. The group and the council always maintain sufficient cash balances.

Credit ratings

The council has a S&P's credit rating of AA (Stable outlook) and Moody's credit rating of Aa2 (Stable outlook). The S&P's rating was reaffirmed in September 2020 and the Moody's rating in March 2021.

C2 Derivative financial instruments

Accounting policy

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

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

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

Cash flow hedges

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

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

When a forecast transaction is no longer expected to occur, the cumulative gain or loss in cash flow hedge reserve is recognised immediately in surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognised in other comprehensive revenue and expenditure are transferred to the initial cost of the carrying amount of the non-financial asset or liability.

C2 Derivative financial instruments continued

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Net derivative liability	1,287	1,405	1,282	1,388

Group and Auckland Council

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

Significant judgements estimates used in the valuation of derivative financial instruments

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

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

Close-out of basis swaps

The group's Emergency Budget 2020/2021 included a savings target of $120 million to address funding shortfalls caused by COVID-19. One of the savings initiatives was to close out the group's basis swaps. During the year the group closed out its basis swaps early, realising a gain of $19 million (refer to Note A5). The associated underlying borrowings remain hedged through cross currency interest rates swaps and as a result, there was little effect on the group's exposure to interest rate risk.

GROUP	2021				2020			
	ASSETS		LIABILITIES		ASSETS		LIABILITIES	
$MILLION	NOTIONAL[1]	FAIR VALUE	NOTIONAL[1]	FAIR VALUE	NOTIONAL[1]	FAIR VALUE	NOTIONAL[1]	FAIR VALUE
Current								
Interest rate swaps								
- cash flow hedge	-	-	40	1	-	-	40	2
- fair value through surplus or deficit	229	2	-	-	400	6	25	-
Forward foreign currency contract								
- cash flow hedge	-	-	6	-	2	-	8	-
- fair value through surplus or deficit	1	-	5	-	-	-	53	3
Cross-currency interest rate swaps								
- fair value through surplus or deficit	-	-	262	36	-	-	-	-
Forward rate agreements								
- fair value through surplus or deficit	-	-	-	-	-	-	200	-
Total current	**230**	**2**	**313**	**37**	**402**	**6**	**326**	**5**
Non-current								
Interest rate swaps								
- cash flow hedge	-	-	50	3	-	-	90	9
- fair value through surplus or deficit	1,695	79	9,549	1,559	805	77	10,174	2,636
Forward foreign currency contract								
- cash flow hedge	-	-	-	-	4	-	-	-
- fair value through surplus or deficit	1	-	-	-	-	-	2	-
Cross-currency interest rate swaps								
- fair value through surplus or deficit	2,970	347	1,344	116	2,970	553	1,606	70
Basis swaps								
- fair value through surplus or deficit	-	-	-	-	2,056	11	-	-
Total non-current	**4,666**	**426**	**10,943**	**1,678**	**5,835**	**641**	**11,872**	**2,715**
Total derivative	**4,896**	**428**	**11,256**	**1,715**	**6,237**	**647**	**12,198**	**2,720**

[1] The notional principal amounts presented for the group reflect transactions with third parties. Auckland Council's position includes both external and intra-group derivatives.

C2 Derivative financial instruments continued

AUCKLAND COUNCIL	2021				2020			
	ASSETS		LIABILITIES		ASSETS		LIABILITIES	
$MILLION	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE
Current								
Interest rate swaps								
- fair value through surplus or deficit	229	2	-	-	400	6	25	-
Forward foreign currency contract								
- fair value through surplus or deficit	6	1	6	1	53	3	53	3
Cross-currency interest rate swaps								
- fair value through surplus or deficit	-	-	262	35	-	-	-	-
Forward rate agreements								
- fair value through surplus or deficit	-	-	-	-	-	-	200	-
Total current	**235**	**3**	**268**	**36**	**453**	**9**	**278**	**3**
Non-current								
Interest rate swaps								
- fair value through surplus or deficit	1,695	79	9,549	1,559	805	77	10,174	2,636
Forward foreign currency contract								
- fair value through surplus or deficit	1	-	1	-	2	-	2	-
Cross-currency interest rate swaps								
- fair value through surplus or deficit	2,970	346	1,344	115	2,970	553	1,606	70
Basis swaps								
- fair value through surplus or deficit	-	-	-	-	2,056	11	-	-
Total non-current	**4,666**	**425**	**10,894**	**1,674**	**5,833**	**641**	**11,782**	**2,706**
Total derivative	**4,901**	**428**	**11,162**	**1,710**	**6,286**	**650**	**12,060**	**2,709**

C3 Other financial assets

Accounting policy

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

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

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

Impairment of loans to related parties

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

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

C3 Other financial assets continued

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Current				
Short-term deposits	26	11	24	8
Loans to related parties	-	-	7	7
Borrowers notes	6	6	6	6
Listed shares	-	-	-	-
Other	45	71	44	71
Total current	**77**	**88**	**81**	**92**
Non-current				
Loans to related parties	5	4	2,866	2,511
Borrowers notes	55	39	55	39
Listed shares	1,979	1,803	1,928	1,750
Other	36	44	24	32
Total non-current	**2,075**	**1,890**	**4,873**	**4,332**
Total other financial assets	**2,152**	**1,978**	**4,954**	**4,424**

Loans to related parties

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

- The interest rates on loans to Auckland Transport reflect the cost of borrowing by the council at the time the loans were made. Interest rates on the loans for the year ended 30 June 2021 range from 5.6% to 6.6% (2020: 5.6% to 6.6%).
- The interest rate on the loan to Watercare is fixed in advance on an annual basis, using the council's expected cost of funds. An annual review of the actual interest rate is carried out at the end of the financial year and an adjustment is made if the actual interest rate falls below the expected cost of funds. The interest rate on the loan for the year ended 30 June 2021 was 4.2% (2020: 4.3%). The loan to Watercare is classified as fair value through surplus or deficit.

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

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

Listed shares

Listed shares represent an investment holding of 18.09% in Auckland International Airport Limited (AIAL) (2020: 18.09%) and 19.90% in Marsden Maritime Holdings Limited (MMHL) (2020: 19.90%). At 30 June 2021, the fair value of AIAL and MMHL are $1.93 billion (2020: $1.75 billion) and $50.3 million (2020: $53.4 million), respectively.

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

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

Borrower notes

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

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

C3 Other financial assets continued

Other financial assets

Significant items included within other financial assets are as follows:

Credit Support Annex (CSA)

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

As at 30 June 2021, the group and the council had an asset of $39 million in cash collateral made up of cash collateral pledged to Citibank of $35 million (2020: $66 million) and HSBC of $4 million (2020: a liability of $13 million, refer to Note D3).

Unlisted shares

The group and the council have investments of $9 million (2020: $8 million) in LGFA and Civic Financial Services Limited. The fair values are determined by reference to the council's share of net assets in these companies as there is no market information on the value of the organisations' shares.

Other financial assets

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

As at 30 June 2021, the outstanding balance on the revolving loan facility of $44.5 million (2020: $45 million) had a carrying value of nil in the financial statements.

The loss allowance has reduced by $0.5 million due to a net repayment of the same amount during the year. Due to inherent uncertainty around EPT's ability to repay the facility, the council recognised a provision for the full undrawn loan commitment. The portion of the provision relating to the loan commitment is recognised within other provisions. Refer to Note D5.

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Other financial assets	2,152	202	4,954	3,040

Group and Auckland Council

In the prior year, the group and the council's investment in AIAL was reclassified from an investment in associate to an investment in listed shares, which forms part of Other financial assets. This reclassification happened after the 2020/2021 budget was finalised.

C4 Fair value and classification of financial instruments

Accounting policy

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

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

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

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

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

C4 Fair value and classification of financial instruments continued

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

$MILLION	LEVEL	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Financial assets at fair value through surplus or deficit					
Investment in managed funds	1	12	11	-	-
Borrower notes	2	61	45	61	45
Loans to related party - Watercare	2	-	-	2,386	2,026
Unlisted shares	3	9	8	9	8
Financial assets at fair value through other comprehensive revenue and expenditure					
Listed shares	1	1,979	1,803	1,928	1,750
Derivative assets	2	428	647	428	650
Total financial assets		**2,489**	**2,514**	**4,812**	**4,479**
Derivative liabilities	2	1,715	2,720	1,710	2,709
Total financial liabilities		**1,715**	**2,720**	**1,710**	**2,709**

There were no transfers between the different levels of the fair value hierarchy during the year (2020: $nil).

Accounting policy

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

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Fair value through other comprehensive revenue and expenditure	Fair value	Other comprehensive revenue and expenditure
Financial assets at amortised cost	Amortised cost less provision for impairment	Surplus or deficit
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit
Financial guarantees	Higher of expected credit loss and amount initially recognised less, cumulative amortisation	Surplus or deficit

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

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

C4 Fair value and classification of financial instruments continued

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

$MILLION	GROUP			
	2021		2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets				
Financial assets at fair value through surplus or deficit				
Borrower notes	61	61	45	45
Investments in managed funds	12	12	11	11
Unlisted shares	9	9	8	8
Derivative assets	428	428	647	647
	510	**510**	**711**	**711**
Financial assets at fair value through other comprehensive revenue and expenditure				
Listed shares	1,979	1,979	1,803	1,803
	1,979	**1,979**	**1,803**	**1,803**
Financial assets at amortised cost				
Cash and cash equivalents	300	300	298	298
Receivables (excluding GST receivables and prepayments)	549	549	510	510
Loans to related parties	5	5	4	4
Other financial assets	87	87	106	106
	941	**941**	**918**	**918**
Total assets	**3,430**	**3,430**	**3,432**	**3,432**
Liabilities				
Financial liabilities at amortised cost				
Bank overdraft	6	6	3	3
Borrowings	10,687	11,123	10,214	10,754
Payables and accruals (excluding income received in advance)	860	860	823	823
	11,553	**11,989**	**11,040**	**11,580**
Financial liabilities at fair value through surplus or deficit				
Derivative liabilities	1,710	1,710	2,710	2,710
Derivatives in hedge relationships				
Derivative liabilities	5	5	10	10
Financial guarantees				
Provision for financial guarantees	1	1	1	1
Total liabilities	**13,269**	**13,705**	**13,761**	**14,301**

C4 Fair value and classification of financial instruments continued

$MILLION	AUCKLAND COUNCIL			
	2021		2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets				
Financial assets at fair value through surplus or deficit				
Borrower notes	61	61	45	45
Unlisted shares	9	9	8	8
Loans to related party - Watercare	2,386	2,386	2,026	2,026
Derivative assets	428	428	650	650
	2,884	**2,884**	**2,729**	**2,729**
Financial assets at fair value through other comprehensive revenue and expenditure				
Listed shares	1,928	1,928	1,750	1,750
	1,928	**1,928**	**1,750**	**1,750**
Financial assets at amortised cost				
Cash and cash equivalents	257	257	243	243
Receivables (excluding GST receivables and prepayments)	224	224	266	266
Loans to related parties	487	524	492	552
Other financial assets	84	84	103	103
	1,052	**1,089**	**1,104**	**1,164**
Total assets	**5,864**	**5,901**	**5,583**	**5,643**
Liabilities				
Financial liabilities at amortised cost				
Borrowings	10,206	10,642	9,722	10,261
Payables and accruals (excluding income received in advance)	892	892	691	691
	11,098	**11,534**	**10,413**	**10,952**
Financial liabilities at fair value through surplus or deficit				
Derivative liabilities	1,710	1,710	2,709	2,709
Financial guarantees				
Provision for financial guarantees	1	1	1	1
Total liabilities	**12,809**	**13,245**	**13,123**	**13,662**

Te Wehenga D:
Te pūrawa tauhokohoko me te tūtanga

Section D: Working capital and equity

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

The notes included in the following section are as follows:

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

D1 Cash and cash equivalents

Accounting policy

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Short-term deposits	236	155	235	155
Cash on hand and on-demand bank deposits	64	143	22	88
Cash and cash equivalents	**300**	**298**	**257**	**243**
Bank overdraft	(6)	(3)	-	-
Net cash and cash equivalents	**294**	**295**	**257**	**243**

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

$MILLION	2021	2020
Group	58	75
Auckland Council	43	43

D2 Receivables and prepayments

Accounting policy

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Current				
Trade receivables	259	248	104	112
Less provision for impairment	(47)	(43)	(22)	(18)
Rates receivables	59	81	59	81
Related party receivables	-	-	35	48
Net receivables	**271**	**286**	**176**	**223**
Accrued income	193	155	26	26
GST receivable	22	13	46	32
Prepayments	37	63	24	49
Other	31	26	4	9
Total current	**554**	**543**	**276**	**339**
Receivables from exchange transactions	233	243	66	98
Receivables from non-exchange transactions	321	300	210	241
Non-current				
Rates receivables	11	5	11	5
Prepayments	20	15	15	11
Other	43	38	7	3
Total non-current	**74**	**58**	**33**	**19**
Receivables from exchange transactions	56	49	15	10
Receivables from non-exchange transactions	18	9	18	9
Total receivables and prepayments	**628**	**601**	**309**	**358**

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

D2 Receivables and prepayments continued

Provision for impairment

Accounting policy

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

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

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

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

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

	2021			2020		
$Million	Gross carrying amount	Expected loss rate (%)	Provision for impairment	Gross carrying amount	Expected loss rate (%)	Provision for impairment
Group						
Current	75	0.0%	-	79	(1.3%)	(1)
Past due 1 to 60 days	88	(2.3%)	(2)	109	(2.8%)	(3)
Past due > 60 days	155	(29.0%)	(45)	143	(27.3%)	(39)
Total	**318**		**(47)**	**331**		**(43)**
Auckland Council						
Current	59	(0.1%)	-	70	0.0%	-
Past due 1 to 60 days	51	(3.5%)	(2)	86	(3.5%)	(3)
Past due >60 days	88	(23.3%)	(20)	85	(18.8%)	(16)
Total	**198**		**(22)**	**241**		**(19)**

D3 Payables and accruals

Accounting policy

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

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

D3 Payables and accruals continued

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Current				
Trade payables and accruals	745	708	248	230
Revenue received in advance	114	78	44	25
Deposits and bonds	51	37	49	33
Credit support annexures (refer to Note C3)	-	13	-	13
Amounts due to related parties	-	-	529	350
Other	48	47	63	59
Total current	**958**	**883**	**933**	**710**
Payables from exchange transactions	857	791	267	264
Payables from non-exchange transactions	101	92	666	446
Non-current				
Revenue received in advance	159	119	160	123
Other	17	18	3	6
Total non-current	**176**	**137**	**163**	**129**
Payables from exchange transactions	133	131	139	104
Payables from non-exchange transactions	43	6	24	25
Total payables and accruals	**1,134**	**1,020**	**1,096**	**839**

The council's non-current revenue received in advance includes an obligation to give Watercare unrestricted and sole access to land on Puketutu Island until 2066 or until such time Watercare surrenders its lease over the island. The balance of the deferred revenue as at 30 June 2021 amounted to $20.0 million (2020: $20.4 million) and is amortised on a straight-line basis over the lease period of 70 years, being 55 years with a 15-year right of renewal. The lease period is longer than the resource consent period of 35 years as the land will be used beyond the consent period for aftercare.

D4 Employee benefits liability

Accounting policy

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

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Current				
Short-term employee benefits	105	125	56	67
Other	2	2	1	2
Total current	**107**	**127**	**57**	**69**
Non-current				
Other	5	5	1	1
Total non-current	**5**	**5**	**1**	**1**
Total employee entitlements	**112**	**132**	**58**	**70**

D5 Provisions

Accounting policy

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

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

D5 Provisions continued

Discount rate

The present value of cash flows is calculated using a discount rate equivalent to the appropriate risk-free rate relevant for the timing of cash flows, published by New Zealand Treasury as the government bond rate (0.4% to 4.3%). At 30 June 2021, the group and the council determined risk-free rates, appropriately represented risks specifically related to time value of money (2020: 0.2% to 2.7%).

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Provisions	531	272	480	257

Group and Auckland Council

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

GROUP $MILLION	Weather-tightness and associated building defect claims	Contaminated land and closed landfills	Other	Total
Opening balance	275	177	63	515
Additional provisions and increases to existing provisions	89	-	39	128
Amounts used	(57)	(6)	(30)	(93)
Reversal of previously recognised provisions	-	(3)	(3)	(6)
Change in discount rate	-	(14)	-	(14)
Discount unwind	1	-	-	1
Balance as at 30 June 2021	**308**	**154**	**69**	**531**
Current	64	16	52	132
Non-current	244	138	17	399
Opening balance	238	143	89	470
Additional provisions and increases to existing provisions	86	28	45	159
Amounts used	(51)	(9)	(26)	(86)
Reversal of previously recognised provisions	-	-	(44)	(44)
Change in discount rate	-	14	-	14
Discount unwind	2	1	(1)	2
Balance as at 30 June 2020	**275**	**177**	**63**	**515**
Current	52	6	41	99
Non-current	223	171	22	416

D5 Provisions continued

AUCKLAND COUNCIL $MILLION	Weather-tightness and associated building defect claims	Contaminated land and closed landfills	Other	Total
Opening balance	275	160	48	483
Additional provisions and increases to existing provisions	89	-	9	98
Amounts used	(57)	(7)	(19)	(83)
Reversal of previously recognised provisions	-	(2)	(3)	(5)
Change in discount rate	-	(14)	-	(14)
Discount unwind	1	-	-	1
Balance as at 30 June 2021	**308**	**137**	**35**	**480**
Current	64	16	20	100
Non-current	244	121	15	380
Opening balance	238	136	81	455
Additional provisions and increases to existing provisions	86	26	33	145
Amounts used	(51)	(9)	(22)	(82)
Reversal of previously recognised provisions	-	-	(43)	(43)
Change in discount rate	-	7	-	7
Discount unwind	2	-	(1)	1
Balance as at 30 June 2020	**275**	**160**	**48**	**483**
Current	52	6	29	87
Non-current	223	154	19	396

Provision for weathertightness and associated building defect claims

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

The provision for weathertightness and associated building defect claims includes uninsured costs for which the council is liable, such as remediation of weathertightness issues, fire and structural engineering defects, and any additional costs associated with managing and resolving these claims. The provision is comprised of:

$MILLION	MULTI-UNIT BUILDINGS	SINGLE BUILDINGS	TOTAL
Active provision	197	3	200
Reported provision	18	17	35
Unreported provision	56	17	73
Balance as at 30 June 2021	**271**	**37**	**308**
Active provision	183	5	188
Reported provision	13	15	28
Unreported provision	46	13	59
Balance as at 30 June 2020	**242**	**33**	**275**

Active claims are those lodged with the council and are progressing through the resolution process. They have a loss reserve which represents remediation costs, and a cost reserve, representing the cost of managing and resolving the claim. There is a high degree of uncertainty with estimates for active claims.

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

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

D5 Provisions continued

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

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

Reported claims

- There are 471 dwellings currently reported (370 multi-unit and 101 single-unit) with an assumption that 10% of the multi-unit and 30% of the single-unit claims will not proceed to a formal claim.

Unreported claims

- Prevalence rates indicate an estimated 394 dwellings (351 multi-unit and 43 single-unit) will notify in the future, 10% of multi-unit and 30% of the single-unit will not proceed to a formal claim.

Reported and unreported claims

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

Active claims

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

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

Settled year ended 30 June ($Million)

2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	**Total**
64	130	17	33	7	8	9	8	8	7	6	6	5	**308**

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

	2021		**2020**	
$Million	**10% Effect on surplus or deficit**	**-10% Effect on surplus or deficit**	**10% Effect on surplus or deficit**	**-10% Effect on surplus or deficit**
Amount claimed	(32)	32	(27)	27
Council contribution to settlement	(32)	32	(27)	27
Settlement level award	(32)	32	(27)	27
Discontinuance rate	5	(3)	11	(9)

Provision for remediation of contaminated land and closed landfills

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

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

D5 Provisions continued

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

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

Legal claims

Included within other provisions is a provision for legal claims of $9 million (2020: $8 million). The likelihood of payment of each claim brought against the group and council has been assessed and a provision recognised where it is probable that the group and the council will be found liable, and costs can be reliably estimated. Provisions are determined by legal counsel considering claims experience. Material legal claims that are not recognised as provisions are disclosed as contingent liabilities in Note F4 if they meet the criteria for disclosure.

D6 Ratepayer equity

Accounting policy

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

$MILLION	**GROUP**		**AUCKLAND COUNCIL**	
	2021	**2020**	**2021**	**2020**
Contributed equity	**26,732**	**26,732**	**26,578**	**26,569**
Accumulated funds	**4,262**	**2,451**	**(498)**	**(1,488)**
Reserves				
Asset revaluation reserves				
Opening balance	10,203	9,536	3,585	3,620
Transferred from/(to) accumulated funds	(59)	(66)	(52)	(35)
Change in fair value recognised during the year	2,885	733	1,605	-
Closing balance	13,029	10,203	5,138	3,585
Restricted equity				
Opening balance	269	231	266	229
Transfer in/(out) during the year	107	38	108	37
Closing balance	376	269	374	266
Share of associates' reserves				
Opening balance	-	725	-	725
Increase in investment	-	-	-	-
Other comprehensive revenue and expenditure	-	(146)	-	(146)
Transfer to accumulated funds	-	(600)	-	(600)
Recycled through surplus or deficit	-	21	-	21
Closing balance	-	-	-	-
Financial investments - Fair value through other comprehensive revenue and expense reserve				
Opening balance	194	30	154	-
Gain on equity instruments designated at fair value through other comprehensive revenue	175	164	179	154
Closing balance	369	194	333	154

D6 Ratepayer equity continued

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Cash flow hedge reserve				
Opening balance	-	-	-	-
Change in fair value recognised during the year	5	-	-	-
Closing balance	5	-	-	-
Total reserves	**13,779**	**10,666**	**5,845**	**4,005**
Total ratepayer equity	**44,773**	**39,849**	**31,925**	**29,086**

Capital management

For the purpose of the group and the council's capital management, the group and the council's capital is its ratepayer equity, which comprises contributed equity, reserves and accumulated funds. Equity is represented by net assets. The Local Government Act 2002 (the LGA 2002) requires the council to manage the group's revenue, expenses, assets, liabilities and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities and general financial dealings.

In addition, the Local Government (Financial Reporting and Prudence) Regulations 2014 sets out a number of benchmarks for assessing whether the council is managing the group's 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 2021.

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

To achieve this objective, the group and the council have asset management plans in place for major classes of assets detailing renewal and maintenance programmes to 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 identified in the 10-year budget and annual budget are met in the manner set out in these budgets.

The LGA 2002 sets out factors that the group and the council is required to consider when determining the most appropriate sources of funding for each of the group and the council's activities. The sources and levels of funding are set out in the funding and financial policies of the 10-year budget.

The LGA 2002 also requires the group and the council to ensure each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses, and may set projected operating revenues at a different level if it resolves that it is financially prudent to do so.

The group's and council's revenue and financing policy, set through its 10-year budget, includes a progressive movement towards the full funding of its depreciation expense from operating sources. As a consequence, the group and the council resolved that it would not balance its budget for the first three years of the plan (2018/2019 – 2020/2021). The policy set a minimum level of depreciation funding for 2020/2021 of 85 per cent. The projected impacts of COVID-19 disruption on 2020/2021 revenue streams of the group were such that an attempt to balance the budget by offsetting them with reductions in operating spend would have been impossible without extreme impacts on core council service delivery. This meant the depreciation funded in 2020/2021 was projected to be 54 per cent. These impacts were, however, expected to be temporary in nature and revenue levels were projected to return to previous levels in the following year. It is expected the council will return to a balanced position from 2021/2022. Given this, the group and the council resolved on 16 July 2020 that it considered it financially prudent to agree to a budget that did not balance for the 2020/2021 year.

No other changes were made in the objectives, policies or processes for managing capital of the group and the council during the years ended 30 June 2021 and 30 June 2020.

D6 Ratepayer equity continued

Local government disclosures

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

$MILLION	ACTIVITY	OPENING BALANCE	TRANSFERS TO RESERVE	TRANSFERS FROM RESERVE	CLOSING BALANCE	PURPOSE
Trusts and bequests						
Leys Institute Trust Capital	Local community services	1	-	-	1	Purchases of library 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**	
Targeted Rates						
City Centre Targeted Rate	Local planning and development	53	26	(34)	45	Development and revitalisation of the city centre
Financial Assistance Targeted Rate	Roads and footpaths, stormwater and wastewater	(1)	-	-	(1)	Financial assistance to the local community
Natural Environment Targeted Rate	Local community services	13	30	(25)	18	Protection of the natural environment
Rodney Local Board Transport Targeted Rate	Roads and footpaths and public transport and travel demand management	5	5	(3)	7	Improvement in transport services in the Rodney area
Targeted Rates Open Spaces/ Volcanic Cones	Regional community services	3	-	-	3	Purchase of open spaces, and maintenance and enhancement of volcanic cones
Water Quality Targeted Rate	Stormwater	12	42	(46)	8	Create cleaner beaches, streams and harbours
Total targeted rates		**85**	**103**	**(108)**	**80**	
Reserves						
Community Recreation and Sport Fund	Local community services	3	-	-	3	Sports and recreational initiatives
Greenmount Park Development Reserve - ARC	Local community services	3	-	-	3	Conversion of land into a public park and recreation ground
Greenmount Park Development Reserve - AC	Local community services	9	-	-	9	Development of the Styak-Lushington Park
Harbourview / Orangihina UAC Reserve	Local community services	1	-	-	1	Development of the Harbourview-Orangihina Park
Hobsonville Domain Compensation Reserve	Local community services	2	-	-	2	Hobsonville Domain Replacement project
New Windsor Rd Reserve (Whau Local Board)	Local planning and development	1	-	-	1	Re-investment in local area

D6 Ratepayer equity continued

$MILLION	ACTIVITY	OPENING BALANCE	TRANSFERS TO RESERVE	TRANSFERS FROM RESERVE	CLOSING BALANCE	PURPOSE
North Shore Holdings Reserve Fund	Regional community services and local planning and development	3	-	-	3	Projects approved by Auckland Transition Agency and the legacy North Shore City Council
Off-street Parking Funds	Parking and enforcement	6	-	(2)	4	Off-street parking initiatives
Papakura Golf Course Reserve	Regional community services	2	-	-	2	Development of Papakura Golf course
Queen Elizabeth II Square Reserve	Local planning and development	11	-	(11)	-	Development and revitalisation of the city centre
Regional Fuel Tax Reserve	Roads and footpaths	132	154	(31)	255	Fund specified transport projects
Waste Minimisation Reserve	Waste and environmental services	8	6	(6)	8	Support the implementation of waste minimisation initiatives
Zoo Conservation Fund	Regional facilities	1	2	-	3	Support of conservation efforts in the wild
Total reserves		**182**	**162**	**(50)**	**294**	
Total restricted equity		**269**	**265**	**(158)**	**376**	

Te Wehenga E:
Te whakahaere tūraru ā-pūtea

Section E: Financial risk management

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

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

Any changes to the TMP require the approval of the Governing Body or the Financial Performance and Risk committee. More detailed treasury policies are contained in the Treasury Operating Manual which must not be inconsistent with the TMP and is approved by the Treasury Management Steering Group.

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

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

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

E1 Interest rate risk

E2 Credit risk

E3 Foreign exchange risk

E4 Liquidity risk

E1 Interest rate risk

Risk definition

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

Risk management

The group seeks to limit interest rate risk by:

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

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

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

Mechanisms used to manage interest rate risk are:

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

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

$MILLION	2021				2020			
	-100bps/-1%		+100bps/+1%		-100bps/-1%		+100bps/+1%	
GROUP	SURPLUS/ (DEFICIT)	EQUITY	SURPLUS/ (DEFICIT)	EQUITY	SURPLUS/ (DEFICIT)	EQUITY	SURPLUS/ (DEFICIT)	EQUITY
Cash and cash equivalents and term deposits	(3)	-	3	-	(3)	-	3	-
Derivative financial instruments[1]	(541)	(2)	490	2	(666)	(3)	574	3
Fixed rate borrowings (repricing within next 12 months)	2	-	(2)	-	5	-	(5)	-
Floating rate borrowings	37	-	(37)	-	38	-	(38)	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(506)**	**(2)**	**455**	**2**	**(627)**	**(3)**	**535**	**3**

[1] The sensitivity for derivatives (excluding basis swaps in 2020) has been calculated using a derivative valuation model based on a parallel shift in interest rates of plus and minus 100 basis points.

$MILLION	2021				2020			
	-100bps/-1%		+100bps/+1%		-100bps/-1%		+100bps/+1%	
AUCKLAND COUNCIL	SURPLUS/ (DEFICIT)	EQUITY	SURPLUS/ (DEFICIT)	EQUITY	SURPLUS/ (DEFICIT)	EQUITY	SURPLUS/ (DEFICIT)	EQUITY
Cash and cash equivalents and term deposits	(3)	-	3	-	(2)	-	2	-
Derivative financial instruments[1]	(540)	-	489	-	(665)	-	573	-
Fixed rate borrowings (repricing within next 12 months)	2	-	(2)	-	5	-	(5)	-
Floating rate borrowings	40	-	(40)	-	35	-	(35)	-
Loans to related parties	(24)	-	24	-	(20)	-	20	-
Other financial assets	(1)	-	1	-	(1)	-	1	-
Total sensitivity to interest rate risk	**(526)**	**-**	**475**	**-**	**(648)**	**-**	**556**	**-**

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

E2 Credit risk

Risk definition

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

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

Risk management

The group seeks to limit counterparty exposure by:

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

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

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

The council identifies concentration risk in relation to loans to related parties. Loans to Auckland Transport and Watercare amounted to $483 million and $2,386 million, respectively (2020: $490 million and $2,026 million, respectively).

Other exposures

In addition to the above credit exposures, the group and the council are exposed to financial guarantees provided to third parties. At 30 June 2021, total financial guarantees for the group and the council are $10.0 billion (2020: $9.1 billion). Refer to Note F4 for further information.

Rated counterparties

At balance date, $0.9 billion (2020: $1.1 billion) of assets with credit risk held by the group and $0.8 billion (2020: $1.0 billion) of assets with credit risk held by the council have a S&P Global Ratings rating (or equivalent) of single A or better.

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

Unrated counterparties

With the exception of certain community loans, the council cannot invest with unrated counterparties. In the year to 30 June 2021 the group and the council have no community loan counterparties that defaulted (2020: $nil).

Rates and other receivables

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

Loans to related parties at amortised cost

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

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

E2 Credit risk continued

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

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

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

The group and the council assessed the expected credit losses in relation to related parties as at 30 June 2021. The financial effects are not material, and the balances are not adjusted.

The gross carrying amount of loans to related parties measured at amortised cost as at 30 June 2021 are disclosed in Note C4.

Financial guarantees

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

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

The group and the council have assessed expected credit loss for financial guarantees as at 30 June 2021 and the results are disclosed in Note F4.

E3 Foreign exchange risk

Risk definition

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

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

Risk management

The group seeks to limit foreign exchange risk by:

- hedging exposures on material foreign currency denominated capital and operating expenditure (foreign exchange exposure is recognised when the expenditure has been approved and a contract is expected to follow); and
- hedging all foreign currency exposure on borrowings denominated in a foreign currency at the time of execution of the borrowing.

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

E3 Foreign exchange risk continued

Exposure

The group and the council has foreign currency denominated borrowings of $4,652 million at 30 June 2021 (30 June 2020: $4,757 million) that are exposed to foreign exchange risk. The percentage of foreign currency denominated borrowings for each currency is shown below (note: the foreign currency borrowings are translated into New Zealand dollars using the spot rates at 30 June):

	AUSTRALIAN DOLLAR	SWISS FRANC	EURO	NORWEGIAN KRONE	TOTAL
2021	17%	12%	62%	9%	100%
2020	17%	13%	62%	8%	100%

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

At 30 June 2021, the group and the council do not have remaining material exposure to foreign exchange risk since all foreign currency denominated borrowings and material purchases are hedged (2020: none).

E4 Liquidity risk

Risk definition

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

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

Risk management

The group seeks to limit liquidity risk by:

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

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

- spreading financing over a range of maturities, to minimise the risk of large concentrations of debt having to be refinanced in periods where credit margins are high for reasons beyond the group's control. This includes the spreading of short-term debt where practical and economic to do so;
- avoiding concentrations of exposure to any single borrowing market by having financing options across a range of markets;
- maintaining a mixture of short-term facilities (which generally have lower credit margins and flexibility) and long-term facilities to achieve an effective funding mix, balancing the requirements of cost minimisation and limiting re-financing risk;
- not giving financial covenants in respect of any borrowing except for a most favoured lender clause and those already given to the Local Government Funding Agency Limited (LGFA);
- maintaining an AA/Aa2 credit rating;
- complying with borrowing covenants imposed by the LGFA; and
- reviewing the funding principles in the revenue and finance policy every three years as part of the long-term plan process.

The group and the council have undrawn standby facilities of $1.3 billion (2020: $1.3 billion) that can be drawn at any time and overdraft facilities of $16 million (2020: $19 million). The undrawn bank facilities will mature between May 2022 and July 2024. This includes the council's syndicated committed cash advance facilities of $0.8 billion (2020: $1.2 billion), LGFA standby facility of $300 million (2020: $nil) and a bank revolving credit facility that fluctuates between $100 million and $200 million (2020: $100 million - $200 million).

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

E4 Liquidity risk continued

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

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

E4 Liquidity risk continued

$MILLION GROUP	Carrying amount	On demand	<1 year	1-2 years	2-5 years	5-10 years	>10 years	Total contractual cash flows
	2020							
Non-derivative financial assets								
Cash and cash equivalents	298	143	155	-	-	-	-	298
Receivables (excluding GST receivables and prepayments)	510	31	445	21	13	-	-	510
Other financial assets	166	2	92	9	34	22	13	172
Total non-derivative financial assets	**974**	**176**	**692**	**30**	**47**	**22**	**13**	**980**
Derivative financial assets								
Derivative financial assets net settled	94	-	32	24	41	8	-	105
Derivative financial assets gross settled[1]	553							
Inflows		-	76	297	1,380	2,115	519	4,387
Outflows		-	(56)	(316)	(1,249)	(1,992)	(512)	(4,125)
		-	**20**	**(19)**	**131**	**123**	**7**	**262**
Total derivative financial assets	**647**	**-**	**52**	**5**	**172**	**131**	**7**	**367**
Total financial assets	**1,621**	**176**	**744**	**35**	**219**	**153**	**20**	**1,347**
Non-derivative financial liabilities								
Bank overdraft	3	3	-	-	-	-	-	3
Payables and accruals (excluding income received in advance)	823	78	743	3	-	-	-	824
Secured borrowings[2]	9,727	-	1,262	1,305	3,452	3,978	599	10,596
Unsecured borrowings	487	-	30	62	291	151	65	599
Financial guarantees[3]	1	9,146	-	-	-	-	-	9,146
Total non-derivative financial liabilities	**11,041**	**9,227**	**2,035**	**1,370**	**3,743**	**4,129**	**664**	**21,168**
Derivative financial liabilities								
Derivative financial liabilities net settled	2,647	-	286	305	949	1,038	150	2,728
Derivative financial liabilities gross settled[1]	73							
Inflows		-	(58)	(3)	(3)	(880)	-	(944)
Outflows		-	72	12	38	956	-	1,078
		-	14	9	35	76	-	134
Total derivative financial liabilities	**2,720**	**-**	**300**	**314**	**984**	**1,114**	**150**	**2,862**
Total financial liabilities	**13,761**	**9,227**	**2,335**	**1,684**	**4,727**	**5,243**	**814**	**24,030**
Net contractual cash flows		**(9,051)**	**(1,591)**	**(1,649)**	**(4,508)**	**(5,090)**	**(794)**	**(22,683)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

E4 Liquidity risk continued

$MILLION	2021							
AUCKLAND COUNCIL	**Carrying amount**	**On demand**	**<1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total contractual cash flows**
Non-derivative financial assets								
Cash and cash equivalents	257	22	236	-	-	-	-	258
Receivables (excluding GST receivables and prepayments)	224	-	206	18	-	-	-	224
Other financial assets	3,018	-	72	2,367	170	223	649	3,481
Total non-derivative financial assets	**3,499**	**22**	**514**	**2,385**	**170**	**223**	**649**	**3,963**
Derivative financial assets								
Derivative financial assets net settled	81	-	17	13	31	21	11	93
Derivative financial assets gross settled[1]	347							
Inflows		-	53	48	1,881	1,171	334	3,487
Outflow		-	(53)	(65)	(1,852)	(1,097)	(336)	(3,403)
		-	**-**	**(17)**	**29**	**74**	**(2)**	**84**
Total derivative financial assets	**428**	**-**	**17**	**(4)**	**60**	**95**	**9**	**177**
Total financial assets	**3,927**	**22**	**531**	**2,381**	**230**	**318**	**658**	**4,140**
Non-derivative financial liabilities								
Payables and accruals (excluding income received in advance)	892	-	889	3	-	-	-	892
Secured borrowings[2]	10,206	-	1,586	874	3,687	4,012	1,434	11,593
Financial guarantees[3]	1	10,009	-	-	-	-	-	10,009
Total non-derivative financial liabilities	**11,099**	**10,009**	**2,475**	**877**	**3,687**	**4,012**	**1,434**	**22,494**
Derivative financial liabilities								
Derivative financial liabilities net settled	1,559	-	273	249	587	507	50	1,666
Derivative financial liabilities gross settled[1]	151							
Inflows		-	(252)	(14)	(42)	(1,132)	(170)	(1,610)
Outflows		-	293	29	116	1,326	174	1,938
		-	**41**	**15**	**74**	**194**	**4**	**328**
Total derivative financial liabilities	**1,710**	**-**	**314**	**264**	**661**	**701**	**54**	**1,994**
Total financial liabilities	**12,809**	**10,009**	**2,789**	**1,141**	**4,348**	**4,713**	**1,488**	**24,488**
Net contractual cash flows		**(9,987)**	**(2,258)**	**1,240**	**(4,118)**	**(4,395)**	**(830)**	**(20,348)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

E4 Liquidity risk continued

$MILLION	2020							
AUCKLAND COUNCIL	**Carrying amount**	**On demand**	**<1 year**	**1-2 years**	**2-5 years**	**5-10 years**	**>10 years**	**Total contractual cash flows**
Non-derivative financial assets								
Cash and cash equivalents	243	88	155	-	-	-	-	243
Receivables (excluding GST receivables and prepayments)	266	-	267	-	-	-	-	267
Other financial assets	2,666	-	124	2,007	143	203	683	3,160
Total non-derivative financial assets	**3,175**	**88**	**546**	**2,007**	**143**	**203**	**683**	**3,670**
Derivative financial assets								
Derivative financial assets net settled	94	-	32	24	41	8	-	105
Derivative financial assets gross settled[1]	556							
Inflows		-	126	295	1,380	2,115	519	4,435
Outflow		-	(104)	(314)	(1,249)	(1,992)	(512)	(4,171)
		-	**22**	**(19)**	**131**	**123**	**7**	**264**
Total derivative financial assets	**650**	**-**	**54**	**5**	**172**	**131**	**7**	**369**
Total financial assets	**3,825**	**88**	**600**	**2,012**	**315**	**334**	**690**	**4,039**
Non-derivative financial liabilities								
Payables and accruals (excluding income received in advance)	691	-	689	-	-	-	-	689
Secured borrowings[2]	9,722	-	1,261	1,304	3,449	3,978	599	10,591
Financial guarantees[3]	1	9,146	-	-	-	-	-	9,146
Total non-derivative financial liabilities	**10,414**	**9,146**	**1,950**	**1,304**	**3,449**	**3,978**	**599**	**20,426**
Derivative financial liabilities								
Derivative financial liabilities net settled	2,636	-	282	302	946	1,038	150	2,718
Derivative financial liabilities gross settled[1]	73							
Inflows		-	(51)	(3)	(3)	(880)	-	(937)
Outflows		-	64	12	38	956	-	1,070
		-	**13**	**9**	**35**	**76**	**-**	**133**
Total derivative financial liabilities	**2,709**	**-**	**295**	**311**	**981**	**1,114**	**150**	**2,851**
Total financial liabilities	**13,123**	**9,146**	**2,245**	**1,615**	**4,430**	**5,092**	**749**	**23,277**
Net contractual cash flows		**(9,058)**	**(1,645)**	**397**	**(4,115)**	**(4,758)**	**(59)**	**(19,238)**

[1] Includes both forward foreign exchange contracts and cross-currency interest rate swaps; cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[2] Cash flows denominated in foreign currencies are translated at the spot rates as at 30 June.

[3] Based on the maturity profiles above, the council is also exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. The information on the LGFA borrowings is disclosed in Note F4. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. However, this is not considered a significant risk and it is not anticipated that the guarantee will become payable.

Te Wehenga F:
He whākinga atu anō

Section F: Other disclosures

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

The notes included in this section are as follows:

F1 Non-current assets held for sale

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses, if any, are recognised in the surplus or deficit.

Increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Land and buildings	7	127	5	50
Non-current assets held for sale	**7**	**127**	**5**	**50**

F2 Deferred tax assets and liabilities

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

GROUP $MILLION	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	OTHER	TAX LOSSES CARRIED FORWARD	TOTAL
Opening balance	(1,789)	(3)	(17)	271	(1,538)
Credited/(charged) to surplus/(deficit)	(24)	(1)	(9)	(5)	(39)
Credited/(charged) to other comprehensive revenue	(262)	-	(1)	-	(263)
Balance at 30 June 2021	**(2,075)**	**(4)**	**(27)**	**266**	**(1,840)**
Opening balance	(1,767)	(3)	(12)	316	(1,466)
Credited/(charged) to surplus/(deficit)	(22)	-	(5)	(45)	(72)
Credited/(charged) to other comprehensive revenue	-	-	-	-	-
Balance at 30 June 2020	**(1,789)**	**(3)**	**(17)**	**271**	**(1,538)**

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Deferred tax assets	10	9	-	-
Deferred tax liabilities	(1,850)	(1,547)	-	-
Net deferred tax liabilities	**(1,840)**	**(1,538)**	**-**	**-**

F3 Investment in other entities

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Investment in subsidiaries	-	-	19,693	19,681
Investment in joint ventures	926	565	926	565
Total Investment in other entities	**926**	**565**	**20,619**	**20,246**

Investment in subsidiaries

Investment in subsidiaries includes the investment in CCOs (refer to Section H for list of CCOs) and Ports of Auckland Limited. These investments are carried at cost less any accumulated impairment.

F3 Investment in other entities continued

Investment in joint ventures and associates

Accounting policy

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

Significant judgements and estimates used in classifying joint arrangements

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

The group and the council hold investments in the following joint ventures and associates as at 30 June 2021:

				Interest		
Entity	**Held by**	**Entity type**	**Relationship**	**2021**	**2020**	**Nature**
City Rail Link Limited	Council	Limited company	Joint venture	50.00%	50.00%	Design and construction of CRL
North Tugz Limited	Group	Limited company	Joint venture	50.00%	50.00%	Towage and pilotage services
PortConnect Limited	Group	Limited company	Joint venture	50.00%	50.00%	Online cargo management system
Waste Disposal Services	Council	Partnership	Joint venture	50.00%	50.00%	Landfill business
Haumaru Housing Limited Partnership	Council	Limited partnership	Joint venture	49.00%	49.00%	Social rental housing for older people in Auckland
Longburn Intermodal Freight Hub Limited	Group	Limited company	Associate	33.30%	33.30%	Inland freight distribution hub
Tamaki Redevelopment Company Limited	Council	Limited company	Associate	41.00%	41.00%	Property development

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

City Rail Link Limited

City Rail Link Limited (CRLL) is a Crown entity co-funded by the Crown and the council (the sponsors). It was created for the purpose of designing and constructing an underground rail line linking Britomart and the city centre with the existing western line near Mt. Eden. The council is committed to funding 50% of this $4.4 billion project. Constructed assets will be owned by the sponsors and related entities such as KiwiRail and Auckland Transport. However, the split of assets is yet to be decided. CRLL's key financial information is as follows:

F3 Investment in other entities continued

$MILLION	2021	2020
Current assets:		
Cash and cash equivalents	18	42
Other current assets	18	21
	36	63
Non-current assets	1,846	1,095
Current liabilities	74	61
Equity	1,808	1,097
Net assets of joint venture (100%)	1,808	1,097
Group's share of net assets (50%)	904	548
Carrying amount of interest in joint venture	**904**	**548**
Revenue	3	2
Expenses:		
Depreciation and amortisation expenses	6	4
Other expenses	75	111
	81	115
Deficit for the year	(78)	(113)
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(78)	(113)
Group's share of results for the year	**(39)**	**(57)**

The council's remaining share of commitment to fund the CRL project is $1.4 billion (2020: $1.8 billion).

Explanation of significant variances against budget

2021 $MILLION	GROUP ACTUAL	GROUP BUDGET	AUCKLAND COUNCIL ACTUAL	AUCKLAND COUNCIL BUDGET
Investments in other entities	926	2,519	20,619	22,246

Group

Investment in other entities was $1,593 million below budget. This was mainly due to the prior year change in accounting treatment which reclassified the council's investment in Auckland International Airport Limited from an investment in associate to an investment in an equity instrument. The budget was prepared prior to the finalisation of this change in accounting treatment.

Auckland Council

As mentioned above, investment in other entities was $1,627 million below budget. This was mainly due to the prior year change in accounting treatment which reclassified the council's investment in Auckland International Airport Limited from an investment in associate to an investment in an equity instrument.

Investments in other joint ventures

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

$MILLION	2021	2020
Current assets	21	19
Non-current assets	186	72
Current liabilities	19	20
Non-current liabilities	21	33
Equity	168	38
Total revenue	57	68
Total expense	35	51
Surplus after income tax	22	17
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	22	13
Group's share of results for the year	**11**	**8**

F3 Investment in other entities continued

Except as disclosed in relation to CRLL in Note F4, the joint ventures had no other contingent liabilities or capital commitments as at 30 June 2021 (2020: $nil).

Haumaru Housing Limited Partnership

The council has a funding agreement with Haumaru Housing Limited Partnership (Haumaru), to provide total funding of $30 million over the period from 1 July 2017 to 30 June 2025. The funding provided may solely be used by Haumaru for capital renewals of the Housing for Older People property portfolio.

Contingent liabilities of associates and joint ventures

The group's and council's associates and joint ventures did not have any significant contingent liabilities at 30 June 2021 (2020: $nil).

F4 Contingencies, commitments and subsequent events

CONTINGENT ASSETS AND LIABILITIES

Accounting policy

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

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

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

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

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

Quantifiable contingent liabilities

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Guarantees and indemnities	10,009	9,146	10,009	9,146
Uncalled capital	2	2	2	2
Legal proceedings and disputes	45	38	45	38
Total quantifiable contingent liabilities	**10,056**	**9,186**	**10,056**	**9,186**

Guarantees and indemnities

New Zealand Local Government Funding Agency (LGFA)

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

As a guarantor

The council is one of 63 local authority guarantors of the LGFA. The LGFA's loans to local authorities total $13.6 billion (2020: $11.9 billion), of which the group and the council have borrowed $3.6 billion (2020: $2.8 billion). As a result, the group and the council's cross-guarantee on LGFA's loans to other local authorities is $10.0 billion (2020: $9.1 billion). The financial guarantee is accounted for in accordance with the group's policy in Note C4. The estimated 12-month expected credit losses are immaterial due to the extremely low probability of default by the LGFA in the next 12 months, and therefore, the group and the council have not recognised a liability.

F4 Contingencies, commitments and subsequent events continued

Uncalled capital

LGFA

The council is one of 31 shareholders of the LGFA. In that regard it has uncalled capital of $2 million (2020: $2 million). When aggregated with the uncalled capital of other shareholders, $20 million is available in the event that an imminent default is identified.

Unquantifiable contingent liabilities

Legal proceedings and disputes

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

Contaminated land

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

Homeowners and Carter Holt Harvey (CHH)

In 2018 a multimillion-dollar class action claim was filed by residential homeowners in respect of building products manufactured and supplied by CHH. CHH joined 29 councils as third parties to the claim, including Auckland Council. However, in June 2021, the plaintiff homeowners discontinued their claim against CHH and CHH discontinued its claim against the councils on 11th of August 2021.

Accommodation Provider Targeted Rate Judicial Review

In May 2018, the council was served with legal proceedings challenging its 29 June 2017 decision to set a targeted rate for commercial accommodation providers. The High Court delivered judgment in March 2020 in the council's favour and the matter has subsequently been appealed by the applicants. The matter was heard by the Court of Appeal on 13 and 14 April 2021, and the council is waiting on the decision. The council's maximum exposure is the total targeted rate levied after remissions, being $37 million, plus an unquantifiable amount to cover legal costs.

Contingent and future assets

Repurchase of heritage buildings

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

Entrust (previously named Auckland Energy Consumer Trust)

- The council is currently a capital beneficiary of Entrust when it terminates on 27 August 2073.
- As at 30 June 2021, the group and the council are not able to reliably estimate the value of any future benefit that may result from this arrangement.

F4 Contingencies, commitments and subsequent events continued

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

COMMITMENTS

Capital commitments

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

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Property, plant and equipment				
Roading networks	346	612	-	-
Water and wastewater	942	963	-	-
Operational land and buildings	194	290	82	103
Other operational assets	36	42	12	9
Rolling stock	6	58	-	-
Restricted improvements	44	25	44	26
Stormwater	62	127	76	136
Restricted parks, reserves and buildings	2	1	2	1
Wharves	8	5	5	3
Total property, plant and equipment	**1,640**	**2,123**	**221**	**278**
Intangible assets	27	35	4	4
Share of capital commitments from joint venture (CRLL)	827	783	827	783
Total capital commitments	**2,494**	**2,941**	**1,052**	**1,065**

Operating lease commitments

The group and the council as lessee

Accounting policy

The group and the council lease property, plant and equipment from third parties in the normal course of business with lease terms varying from 1 month to 71 years (2020: 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:

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Minimum operating lease payments payable				
Not later than one year	133	134	13	16
Later than one year and not later than five years	440	472	23	16
Later than five years	268	350	10	8
Total minimum operating lease payments payable	**841**	**956**	**46**	**40**

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

No contingent rent has been recognised during the year by the group and the council (2020: $3 million). The total future sublease payments expected to be received under non-cancellable subleases at balance date is $1 million for the group and the council (2020: $3 million).

F4 Contingencies, commitments and subsequent events continued

The group and the council as lessor

Accounting policy

The group and the council lease certain property, plant and equipment to third parties including land and buildings and some commercial and residential property. The leases have non-cancellable periods ranging from 1 month to 99 years (2020: 1 month to 72 years) with subsequent renewals negotiated with the lessee. Rental revenue (net of any incentives given to lessees) is recognised as revenue on a straight-line basis over the lease term.

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

$MILLION	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Minimum operating lease payments receivable				
Not later than one year	64	56	23	20
Later than one year and not later than five years	195	162	74	47
Later than five years	220	202	142	119
Total minimum operating lease payments receivable	**479**	**420**	**239**	**186**

Contingent rent of $0.4 million (2020: $0.7 million) was recognised during the year by the group and the council.

Termination of film studio leases

On 13 August 2021, GSR Productions Limited, a production company based in New Zealand has served Auckland Unlimited Limited a 12-month notice to terminate all lease arrangements following Amazon Studios' decision to shift the production of Lord of the Rings television series out of New Zealand. In the absence of securing new tenants, this is expected to result in a decrease in future lease payments of approximately $41 million in total over seven accounting periods and future lease receipts by about $120 million for the group and the council.

The group and the council have initiated a project to implement the upcoming lease accounting standards for public sector entities. The project will review the accounting treatment for arrangements similar to leases which are not explicitly covered by the current accounting standard. This work has commenced with a review at the council and to date, the following arrangements have been identified:

Concessionary leases

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

Community leases without a lease arrangement in place

The council has several historical arrangements with community and recreational service providers that do not have formal lease agreements in place. The council records income from these leases at the consideration received. During the year, there were 6 arrangements without lease contracts in place (2020: 6 arrangements).

Access rights

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

Finance lease commitments

The group and the council as lessee

The group and the council have entered into finance leases to purchase various items of plant and equipment. The net carrying amount of the plant and equipment held under finance leases is $35 million for the group (2020: $45 million) and $30 million for the council (2020: $40 million). At 30 June 2021 the present value of minimum lease payments related to finance lease agreements is $5 million for the group (2020: $5 million).

F4 Contingencies, commitments and subsequent events continued

SUBSEQUENT EVENTS

COVID-19 Alert Level 4

At 11:59pm on Tuesday 17 August 2021 Auckland entered COVID-19 Alert Level 4 which locked down all but essential services. All the group's construction sites and community facilities were closed with minor exceptions. The largest impact is on public transport and parking. As in prior years, the group expects to receive capital project extension-of-time variation claims from contractors, however the quantum is dependent on the length and extent of the lockdown. Although the financial impact is expected to be non-trivial, the Recovery Budget 2022-2032 anticipated ongoing COVID-19 disruption for the next three years, allowances were made for the expected financial impact and there is sufficient debt headroom to manage this event. This change had no impact on the financial statements at 30 June 2021.

F5 Related party transactions

Accounting policy

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

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

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

Local government disclosures

Key management personnel remuneration

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

	AUCKLAND COUNCIL			
	2021 $	2020 $	2021 FTE	2020 FTE
Mayor and councillors				
Remuneration	2,785,081	2,742,831		
Total mayor and councillors	**2,785,081**	**2,742,831**	**21**	**25**
Payments during the year to the chief executive				
Salary and other short-term employee benefits	580,628	768,373		
Post-employment benefit (Kiwi Saver contributions)	17,419	23,051		
Total chief executive remuneration	**598,047**	**791,424**	**1**	**1**
Executive leadership team				
Salary and other short-term employee benefits	3,211,006	3,403,387		
Post-employment benefit (Kiwi Saver contributions)	93,708	91,168		
Total executive leadership team remuneration	**3,304,714**	**3,494,555**	**8**	**9**
Total key management personnel remuneration	**6,687,842**	**7,028,810**	**30**	**35**

F5 Related party transactions continued

Voluntary salary reduction

During the current and prior years, one of the measures taken by the group and the council to mitigate the negative financial impact of the pandemic was a voluntary salary reduction of executive leadership team members, CCO board chairs and directors, and senior employees. Further details can be found in Note A3 Employee benefits. These temporary salary reductions have affected the categorisation of employees into remuneration bands, as the number of employees in each remuneration band is identified as a snapshot at 30 June. Although not required by the LGA 2002, we have also shown employees in remuneration bands excluding the voluntary salary reductions indicating what they would have received. This will help provide comparability between financial years.

Employee numbers and remuneration bands

FULL-TIME EQUIVALENT	GROUP		AUCKLAND COUNCIL	
	2021	2020	2021	2020
Full-time employees	9,726	9,726	5,384	5,554
Part time employees (full-time equivalent)	1,203	1,357	878	916
Total full-time equivalent	**10,929**	**11,083**	**6,262**	**6,470**

In 2019/2020, the group and the council implemented voluntary salary reductions for six months to recover from the financial impact of the COVID-19 pandemic. Deductions commenced from May 2020 to January 2021. Salary reduction were on a graduated scale:

- Executive leadership team – a 10% reduction
- Salaries from $100,000 to $175,000 – a 5% reduction
- Salaries from $175,001 to $275,000 – a 7.5% reduction; and
- Salaries above $275,000 – a 10% reduction

Not every employee took a salary reduction, and some took reductions at higher or lower percentages.

The numbers of employees who were employed at 30 June are detailed below. Those receiving remuneration of $60,000 or more are grouped into $20,000 bands. If there are less than six employees in a band, they are combined upwards with the next banding as stipulated in the LGA 2002. For comparative purposes we have presented this information both including and excluding voluntary salary reductions.

GROUP NUMBER OF EMPLOYEES	INCLUDING VOLUNTARY SALARY REDUCTIONS 2021	GROUP NUMBER OF EMPLOYEES	EXCLUDING VOLUNTARY SALARY REDUCTIONS 2021
<$60,000	4,265	<$60,000	4,242
$60,000-$79,999	2,572	$60,000-$79,999	2,545
$80,000-$99,999	2,334	$80,000-$99,999	2,317
$100,000-$119,999	1,443	$100,000-$119,999	1,392
$120,000-$139,999	824	$120,000-$139,999	851
$140,000-$159,999	382	$140,000-$159,999	442
$160,000-$179,999	202	$160,000-$179,999	208
$180,000-$199,999	106	$180,000-$199,999	109
$200,000-$219,999	55	$200,000-$219,999	64
$220,000-$239,999	31	$220,000-$239,999	35
$240,000-$259,999	34	$240,000-$259,999	37
$260,000-$279,999	19	$260,000-$279,999	18
$280,000-$299,999	13	$280,000-$299,999	13
$300,000-$319,999	9	$300,000-$319,999	12
$320,000-$339,999	9	$320,000-$339,999	9
$340,000-$359,999	11	$340,000-$359,999	9
$360,000-$419,999	7	$360,000-$379,999	8
		$380,000-$419,999	5
$420,000-$499,999	6	$420,000-$559,999	7
$500,000-$1,139,999	6	$560,000-$1,139,999	5
Total number of employees	**12,328**		**12,328**

F5 Related party transactions continued

GROUP NUMBER OF EMPLOYEES	INCLUDING VOLUNTARY SALARY REDUCTIONS 2020	GROUP NUMBER OF EMPLOYEES	EXCLUDING VOLUNTARY SALARY REDUCTIONS 2020
<$60,000	4,584	<$60,000	4,583
$60,000-$79,999	2,603	$60,000-$79,999	2,603
$80,000-$99,999	2,386	$80,000-$99,999	2,360
$100,000-$119,999	1,433	$100,000-$119,999	1,362
$120,000-$139,999	824	$120,000-$139,999	827
$140,000-$159,999	383	$140,000-$159,999	440
$160,000-$179,999	200	$160,000-$179,999	212
$180,000-$199,999	101	$180,000-$199,999	111
$200,000-$219,999	55	$200,000-$219,999	56
$220,000-$239,999	42	$220,000-$239,999	41
$240,000-$259,999	39	$240,000-$259,999	43
$260,000-$279,999	23	$260,000-$279,999	24
$280,000-$299,999	8	$280,000-$299,999	12
$300,000-$319,999	10	$300,000-$319,999	11
$320,000-$339,999	12	$320,000-$339,999	14
$340,000-$379,999	17	$340,000-$359,999	9
		$360,000-$379,999	8
$380,000-$459,999	8	$380,000-$399,999	8
		$400,000-$479,999	5
$460,000-$839,999	6	$480,000-$839,999	5
Total number of employees	**12,734**		**12,734**

AUCKLAND COUNCIL NUMBER OF EMPLOYEES	INCLUDING VOLUNTARY SALARY REDUCTIONS 2021	AUCKLAND COUNCIL NUMBER OF EMPLOYEES	EXCLUDING VOLUNTARY SALARY REDUCTIONS 2021
<$60,000	2,634	<$60,000	2,634
$60,000-$79,999	1,457	$60,000-$79,999	1,457
$80,000-$99,999	1,397	$80,000-$99,999	1,395
$100,000-$119,999	747	$100,000-$119,999	732
$120,000-$139,999	415	$120,000-$139,999	423
$140,000-$159,999	175	$140,000-$159,999	177
$160,000-$179,999	106	$160,000-$179,999	109
$180,000-$199,999	54	$180,000-$199,999	50
$200,000-$219,999	23	$200,000-$219,999	29
$220,000-$239,999	9	$220,000-$239,999	9
$240,000-$259,999	14	$240,000-$259,999	14
$260,000-$279,999	9	$260,000-$279,999	8
$280,000-$319,999	8	$280,000-$299,999	6
		$300,000-$319,999	5
$320,000-$399,999	6	$320,000-$399,999	6
$400,000-$619,999	5	$400,000-$619,999	5
Total number of employees	**7,059**		**7,059**

F5 Related party transactions continued

AUCKLAND COUNCIL NUMBER OF EMPLOYEES	INCLUDING VOLUNTARY SALARY REDUCTIONS 2020	AUCKLAND COUNCIL NUMBER OF EMPLOYEES	EXCLUDING VOLUNTARY SALARY REDUCTIONS 2020
<$60,000	2,761	<$60,000	2,760
$60,000-$79,999	1,526	$60,000-$79,999	1,526
$80,000-$99,999	1,508	$80,000-$99,999	1,482
$100,000-$119,999	774	$100,000-$119,999	758
$120,000-$139,999	416	$120,000-$139,999	418
$140,000-$159,999	168	$140,000-$159,999	183
$160,000-$179,999	103	$160,000-$179,999	115
$180,000-$199,999	49	$180,000-$199,999	56
$200,000-$219,999	27	$200,000-$219,999	29
$220,000-$239,999	15	$220,000-$239,999	12
$240,000-$259,999	12	$240,000-$259,999	13
$260,000-$279,999	12	$260,000-$279,999	12
$280,000-$319,999	5	$280,000-$299,999	7
$320,000-$339,999	6	$300,000-$339,999	10
$340,000-$479,999	5	$340,000-$439,999	6
Total number of employees	**7,387**		**7,387**

Severance payments

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

For the year ended 30 June 2021 Auckland Council made 27 severance payments to employees totalling $559,360 (30 June 2020: 23 payments totalling $441,533).

The values of each of these severance payments were $109,463, $96,500, $48,977, $38,931, $27,273, $25,559, $24,487, $23,924, $19,229, $16,820, $12,479, $12,248, $11,816, $11,542, $11,426, $10,682, $10,468, $8,000, $7,178, $6,301, $4,902, $4,769, $4,217, $3,885, $3,347, $2,937, and $2,000.

For the year ended 30 June 2021, other members of the group made 30 severance payments to employees totalling $755,786 (30 June 2020: 17 payments totalling $309,380).

The values of each of these severance payments were $113,221, $78,625, $65,656, $57,796, $55,278, $43,357, $40,600, $38,333, $25,943, $20,833, $20,000, $17,934, $17,420, $17,046, $15,708, $15,000, $14,000, $13,000, $12,000, $11,668, $10,330, $10,000, $10,000, $8,213, $6,122, $5,948, $4,419, $3,536, $2,000, and $1,800.

F5 Related party transactions continued

Mayor, councillor and local board members' remuneration

The Remuneration Authority determines the remuneration to be paid to the mayor, councillors and local board members. The Local Government Members (2020/21) (Local Authorities) Determination 2020 detailed the rates which apply from 1 July 2020 to 30 June 2021.

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

$	AUCKLAND COUNCIL 2021	2020
Mayor		
Hon Phil Goff, CNZM, JP	281,314	291,954
Councillors		
Josephine Bartley	122,370	119,288
Dr Cathy Casey	123,362	119,288
Bill Cashmore	161,474	158,354
Ross Clow	-	46,305
Fa'anānā Efeso Collins	120,679	118,057
Pippa Coom	122,370	80,552
Linda Cooper, JP	135,466	126,674
Angela Dalton	115,724	75,898
Chris Darby	136,538	133,896
Alf Filipaina	135,962	126,674
Hon Christine Fletcher, QSO	114,732	114,980
Shane Henderson	122,370	80,206
Richard Hills	137,598	126,674
Penny Hulse	-	46,305
Mike Lee	-	39,083
Tracy Mulholland	115,292	76,237
Daniel Newman, JP	114,732	114,980
Greg Sayers	120,188	118,057
Desley Simpson, JP	137,947	126,674
Sharon Stewart, QSM	120,188	118,057
Sir John Walker, KNZM, CBE	-	39,083
Wayne Walker	114,732	114,980
John Watson	121,676	118,057
Paul Young	110,367	112,518
Total mayor and councillor remuneration	**2,785,081**	**2,742,831**

Local Government Members (Temporary Reduction—COVID-19) Determination 2020

During the year the remuneration paid to the mayor and councillors was reduced to mitigate the financial impact of the pandemic. The Local Government Members (Temporary Reduction—COVID-19) Determination 2020 was in place between 9 July 2020 and expired on 6 January 2021.

Local board members' remuneration

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

$	2021	2020
Albert-Eden		
Lee Corrick	57,117	50,631
Graeme Easte	45,900	45,556
Glenda Fryer	-	23,081
Peter Haynes	-	31,928
Rachel Langton	45,900	45,556
Benjamin Lee	31,071	45,556
Julia Maskill	45,900	29,835
Will McKenzie	2,295	-
Christina Robertson	45,900	29,835
Jessica Rose	-	15,721
Kendyl Smith	45,900	29,835
Margi Watson	89,583	71,098
Total	**409,566**	**418,632**

$	2021	2020
Aotea Great Barrier		
Jeff Cleave	-	11,043
Luke Coles	34,200	33,828
Susan Daly	28,500	27,646
Izzy Fordham	57,000	55,868
Shirley Johnson	-	9,121
Patrick O'Shea	28,500	18,525
Valmaine Toki	28,500	18,525
Total	**176,700**	**174,556**

F5 Related party transactions continued

$	2021	2020
Devonport- Takapuna		
Aidan Bennett, QSM	79,614	54,508
Mike Cohen, QSM, JP	-	15,102
Trish Deans	43,149	28,047
Dr Grant Gillon	-	17,325
Ruth Jackson	48,635	28,047
Jennifer McKenzie	-	15,102
Jan O'Connor, QSM	44,189	43,149
Michael Sheehy	-	15,102
Toni van Tonder	43,149	28,047
George Wood, CNZM	50,060	61,927
Total	**308,796**	**306,356**

$	2021	2020
Franklin		
Andrew Baker	93,276	136,282
Malcolm Bell	45,000	44,500
Alan Cole	45,000	44,500
Sharlene Druyven	45,000	44,500
Angela Fulljames	54,000	64,735
Lance Gedge	45,000	29,250
Amanda Hopkins	-	15,250
Murray Kay	-	15,250
Amanda Kinzett	45,000	29,250
Niko Kloeten	-	15,250
Matthew Murphy	45,000	29,250
Logan Soole	45,000	29,250
Total	**462,276**	**497,267**

$	2021	2020
Henderson-Massey		
Paula Bold-Wilson	-	16,367
Brenda Brady, JP	50,695	48,477
Chris Carter	92,340	62,320
Peter Chan, JP	49,400	52,306
Warren Flaunty, QSM	-	16,367
Dr Will Flavell	58,005	54,531
Matt Grey	49,400	48,477
Shane Henderson	-	33,655
Brooke Loader	49,400	32,110
Vanessa Neeson, JP	55,860	48,477
Ingrid Papau	49,400	32,110
Total	**454,500**	**445,197**

$	2021	2020
Hibiscus and Bays		
Christina Bettany	-	15,568
Gary Brown	90,600	57,845
David Cooper	-	15,568
Andy Dunn	45,300	29,445
Janet Fitzgerald, JP	45,300	48,193
Gary Holmes	45,300	45,013
Julia Parfitt, JP	45,300	60,680
Alexis Poppelbaum	45,300	29,445
Victoria Short	54,400	35,150
Caitlin Watson	-	15,568
Vicki Watson	-	15,568
Mike Williamson	-	18,824
Leanne Willis	45,300	29,445
Total	**416,800**	**416,312**

$	2021	2020
Howick		
Garry Boles	-	16,710
Katrina Bungard	49,200	52,665
Bo Burns	49,200	31,980
David Collings	49,200	66,447
Jim Donald, JP	-	16,710
Bruce Kendall	49,200	31,980
John Spiller	59,100	53,831
Mike Turinsky	49,200	48,690
Adele White	98,477	79,014
Bob Wichman	49,200	48,690
Peter Young, JP	49,200	48,690
Total	**501,977**	**495,407**

$	2021	2020
Kaipātiki		
John Gillon	89,800	88,274
Paula Gillon	44,900	44,640
Danielle Grant, JP	53,900	53,394
Ann Hartley, JP	44,900	44,640
Melanie Kenrick	44,900	29,185
Kay McIntyre, QSM	-	15,455
Cindy Schmidt	44,900	29,185
Andrew Shaw	44,900	29,185
Anne-Elise Smithson	-	15,455
Adrian Tyler	44,900	44,640
Lindsay Waugh	-	15,455
Total	**413,100**	**409,508**

$	2021	2020
Māngere-Ōtāhuhu		
Tauanu'u Nanai Nick Bakulich	50,757	48,377
Carrol Elliot, JP	-	16,202
Makalita Kolo	49,500	48,377
Tafafuna'i Tasi Lauese, JP	-	16,202
Anae Dr Neru Leavasa	19,990	32,175
Christine O'Brien	49,500	48,377
Papaliitele Lafulafu Peo	15,231	-
Lemauga Lydia Sosene	99,000	95,200
Togiatolu Walter Togiamua	58,143	57,577
Harry Fatu Toleafoa	49,500	32,175
Total	**391,621**	**394,662**

$	2021	2020
Manurewa		
Joseph Allan	98,200	78,647
Anne Candy	49,100	31,915
Stella Cattle	-	19,412
Sarah Colcord	-	16,139
Angela Cunningham-Marino	-	16,139
Angela Dalton	-	32,359
Tabetha Gorrie	49,100	31,915
Rangi McLean	42,875	54,279
Melissa Moore	58,900	38,021
Glenn Murphy	49,100	31,915
Ken Penney	49,100	48,054
Dave Pizzini	49,100	48,054
Total	**445,475**	**446,849**

F5 Related party transactions continued

$	2021	2020
Maungakiekie-Tāmaki		
Don Allan	47,000	46,312
Debbie Burrows	55,120	55,038
Bernie Diver	-	15,762
Nerissa Henry	47,000	46,312
Chris Makoare	89,128	91,180
Peter McGlashan	47,000	30,550
Maria Meredith	52,953	46,312
Alan Verrall	-	17,328
Tony Woodcock	47,000	30,550
Total	**385,201**	**379,344**
Ōtara-Papatoetoe		
Apulu Reece Autagavaia	54,865	50,381
Dr Ashraf Choudhary, QSO, JP	57,869	54,168
Dr Ofa Dewes	50,915	30,265
Lotu Fuli	92,635	94,120
Mary Gush	-	16,195
Donna Lee	-	16,195
Swanie Nelson	49,200	31,980
Ross Robertson, QSO, JP	49,200	51,251
Dawn Trenberth	50,331	48,175
Total	**405,015**	**392,730**
Puketāpapa		
Anne-Marie Coury	-	15,328
Harry Doig	52,610	86,145
Julie Fairey	87,457	52,191
David Holm	-	15,328
Shail Kaushal	-	15,328
Ella Kumar, JP	44,600	44,318
Fiona Lai	44,600	28,990
Bobby Shen	44,600	28,990
Jon Turner	46,722	28,990
Total	**320,589**	**315,608**
Upper Harbour		
Anna Atkinson	42,839	27,845
Uzra Casuri Balouch, JP	42,839	42,839
Nicholas Mayne	42,839	42,839
John McLean	-	14,994
Margaret Miles, QSM,JP	84,606	136,644
Brian Neeson, JP	42,839	42,839
Lisa Whyte	58,229	50,233
Total	**314,191**	**358,233**
Waitākere Ranges		
Mark Allen	43,300	28,145
Michelle Clayton	43,300	28,145
Sandra Coney, QSO	43,300	43,190
Neil Henderson	-	15,045
Greg Presland	82,342	83,781
Steve Tollestrup	-	15,045
Saffron Toms	56,258	50,766
Ken Turner	43,300	43,190
Total	**311,800**	**307,307**

$	2021	2020
Orākei		
Troy Churton	44,100	44,065
Carmel Claridge	-	18,357
Colin Davis, JP	44,100	44,065
Troy Elliott	45,115	28,665
Toni Millar, QSM, JP	-	15,400
Scott Milne, JP	88,200	55,804
Kit Parkinson	-	30,601
Sarah Powrie	51,885	34,080
Ros Rundle	-	15,400
Margaret Voyce	44,100	28,665
David Wong, JP	44,100	44,065
Total	**361,600**	**359,167**
Papakura		
Felicity Auva'a	45,900	47,380
Brent Catchpole	91,800	86,965
Hon George Hawkins, QSO	45,900	45,245
Bill McEntee	-	15,410
Keven Mealamu	45,900	29,835
Jan Robinson	55,100	35,426
Sue Smurthwaite	45,900	29,835
Michael Turner	-	15,410
Katrina Winn	-	15,410
Total	**330,500**	**320,916**
Rodney		
Brent Bailey	43,500	43,211
Tessa Berger	-	14,880
Cameron Brewer	-	14,936
Steve Garmer	43,500	28,275
Danielle Hancock	43,500	28,275
Tim Holdgate	43,500	28,275
Beth Houlbrooke	52,200	62,405
Louise Johnston	43,500	43,211
Vicki Kenny	43,500	28,275
Phelan Pirrie	87,000	72,163
Allison Roe, MBE	-	14,936
Colin Smith	43,500	43,211
Brenda Steele	-	14,936
Total	**443,700**	**436,989**
Waiheke		
Shirin Brown	-	10,361
Cath Handley	68,700	66,089
Kylee Matthews	35,394	22,360
John Meeuwsen	-	10,361
Robin Tucker	34,400	22,360
Bob Upchurch	40,206	36,906
Paul Walden	34,400	35,930
Total	**213,100**	**204,367**
Waitematā		
Alexandra Bonham	49,531	31,395
Shale Chambers	-	18,749
Adriana Avendario Christie	48,300	47,319
Pippa Coom	-	30,891
Graeme Gunthorp	48,300	31,395
Kerrin Leoni	56,769	37,418
Richard Northey, ONZM	96,600	77,600
Denise Roche	-	15,925
Julie Sandilands	48,300	31,395
Vernon Tava	-	15,925
Rob Thomas	-	15,925
Sarah Trotman, ONZM	48,300	31,395
Total	**396,100**	**385,332**

F5 Related party transactions continued

$	2021	2020
Whau		
Fasitua Amosa	46,655	29,575
Derek Battersby, QSM, JP	-	15,578
Catherine Farmer	45,500	45,153
Duncan Macdonald, JP	-	3,054
Ulalemamae Te'eva Matafai	45,500	45,153
Tracy Mulholland	-	30,407
Warren Piper	45,500	29,575
Jessica Rose	45,500	29,575
Kay Thomas	91,000	58,100
David Whitley	-	15,578
Susan Zhu	52,745	53,728
Total	**372,400**	**355,476**

$	2021	2020

The total local board remuneration as at 30 June 2021 is $7,835,007 (2020: $7,820,215).

F6 Reconciliation of surplus/ (deficit) after income tax to net cash flow from operating activities

$MILLION	GROUP 2021	GROUP 2020	AUCKLAND COUNCIL 2021	AUCKLAND COUNCIL 2020
Surplus/(deficit) after income tax	**1,859**	**35**	**1,046**	**(823)**
Add/(less) non-cash items				
Depreciation and amortisation	1,020	963	294	292
Vested assets	(376)	(494)	(132)	(158)
Net change in fair value of financial instruments	(883)	756	(888)	737
Net (increase)/decrease in fair value of investment property	(108)	55	(73)	58
Time value adjustments	(14)	9	(14)	8
Impairment of property, plant and equipment, receivables and other assets	31	86	9	36
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	(11)	9	2	(9)
Gain on discontinuing equity accounting of Auckland International Airport Limited	-	(230)	-	(230)
Share of surplus in associates and jointly-controlled entities (net of dividends received)	30	47	34	52
Other non-cash revenue	(11)	-	(10)	-
Add/(less) items classified as investing or financing activities	**(18)**	**32**	**(7)**	**8**
Add/(less) movements in working capital items	**201**	**102**	**304**	**53**
Net cash inflow from operating activities	**1,720**	**1,370**	**565**	**24**

F7 Regional fuel tax

Local government disclosures

Regional fuel tax

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

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

Waka Kotahi made payments of $149 million of RFT revenue to the group during the year under the RFT scheme (2020: $148 million). The revenue was applied towards capital expenditure on the projects in the table below. During the year two projects received shovel ready funding for prior year expenditure that had been funded by RFT, so the surplus funding was returned to the RFT revenue. This return to the revenue is shown as a negative value.

F7 Regional fuel tax continued

PROJECTS	2021 $MILLION	2020 $MILLION	PROGRESS
Bus priority improvements	3	3	**Northwest Rapid Transit Network** The overall scope of work across three packages is being developed. Package one - Early Works design was 50% completed. The Early Contractor Involvement (ECI) physical works tender evaluation had been completed but contractor negotiation was suspended until the revised funding agreement was signed with Crown Infrastructure Partners (CIP). It was behind schedule by one month but was not expected to impact the overall delivery schedule. Package two - Westgate Station tender documents were completed and were awaiting issue to the market. The release of the documents was put on hold pending the signing of the funding agreement with CIP, This has been signed and the design tender can be released. The project team met with Stride Property to discuss their NorthWest development. Package three - The Brigham Creek business case was completed in June 2021.
City centre bus infrastructure	4	1	**Downtown (Lower Albert Street Bus Interchange)** All works completed except for remedial works which are progressing. Works were progressing for interim and longer-term seating and shelter options for Lower Albert Street which was delayed due to affordability concerns.
Improving airport access	(2)	8	**Short-term Airport Access** **Puhinui Station Interchange** All finishing works on the station were progressing as planned and the contractor was working with Auckland Council inspectors to issue the Certificate of Public use. The station was handed over to Auckland Transport on 12 July 2021 and was opened for public use on 24 July 2021. **Puhinui Bus Priority and Mangere Cycling** Drainage, road widening, shared user paths and crossing upgrades were complete. Works on traffic signals, intersection and bus lanes are progressing. Property access issues will impact the project completion timeline.
Eastern Busway	14	3	**Eastern Busway Stage one (Panmure to Pakuranga)** Expanded polystyrene blockwork abutment was complete and settlement monitoring has commenced. Hunua 2 watermain cutover was due to commence during the July 2021 school holidays. All construction was planned for completion by September 2021. **Eastern Busway Alliance** The Interim Project Alliance Agreement phase extended timeframe was being assessed. Future works planned in the Project Alliance Agreement phase were being rescheduled. Ground investigation had commenced and approval for the preferred option was being sought from Auckland Transport's board.
Downtown ferry terminal and redevelopment	(12)	23	**Ferry Basin Redevelopment** The project was complete and operational. The team is in the process of formally closing out the project and collation of all final documentation has commenced. This was expected to be completed by the end of July 2021.
Road corridor improvements	-	4	**Warkworth Matakana Link Road** Bridge piling work completed. Earthworks, pier installation, stormwater installation and utility services are progressing. Meeting with developers on future proofing bus stops is progressing. Ground condition and pilling issues delayed the bridge works. **Seal extensions** Physical works on Ahuroa Rd Stage were completed.

F7 Regional fuel tax continued

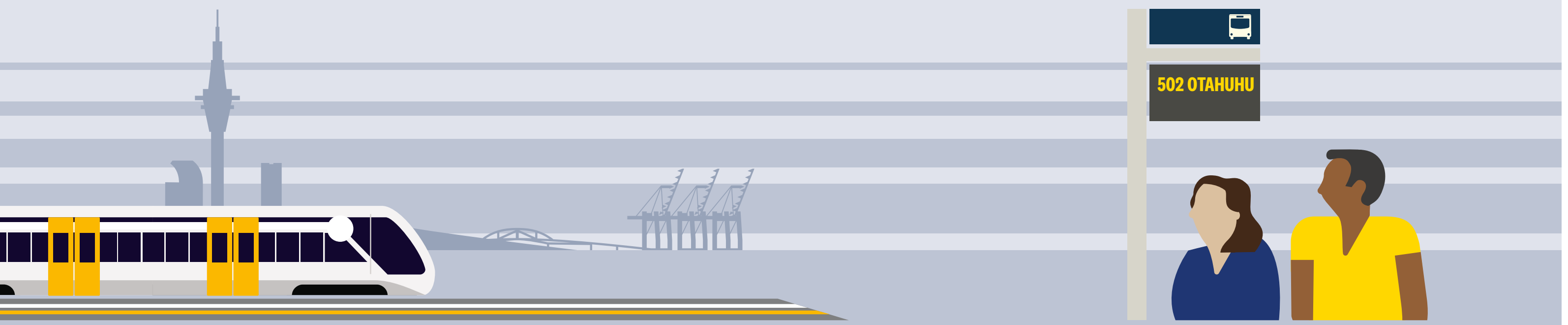
PROJECTS	2021 $MILLION	2020 $MILLION	PROGRESS
Network capacity and performance improvement	3	10	Five projects were completed during the year: Three intersection and pedestrian improvement projects were in a detailed design stage and the construction was expected to be completed by June 2022.
Growth-related transport infrastructure	3	7	Two plots of land were acquired in during the year for the Northwest Fred Taylor Drive and Wainui Improvements projects.
Other projects	1	3	A walking and cycling programme, park and ride programme and the future purchase of additional electric trains and stabling were scheduled for implementation later in the 10-year Budget 2018-2028 period. **Walking and Cycling 10 Year programme** The business cases for Henderson, City Centre, Central Isthmus, Manukau and Mangere East projects were being finalised.
Total	**14**	**62**	

The RFT also provides funding towards the 2018-2028 accelerated road safety infrastructure programme. During the year, $18 million was applied to capital and operating expenditure incurred on this programme (2020: $17 million). The current year delivery is summarised as follows:

- **Road safety programme (urban and rural)** Mahurangi East pedestrian crossing and Great South Road/ Portage Road intersection improvements are in construction. The Rata Street/Rimu Street intersection, Kaipatiki Road/Easton Park Parade intersection and Oteha Valley Road pedestrian signals, six vulnerable road user projects and a third of May Road safety improvements were completed.
- **Safer communities programme** Mount Roskill, Mangere Bridge and six safe school projects were completed. 11 school projects were in detailed design and expected to be ready for construction in August and September 2021.
- **Community safety programme** Majority of the design projects were completed and were ready for construction from August 2021. The Flatbush Pedestrian Bridge design was expected to be complete by mid-July 2021. Approximately $5 million worth of projects will be ready for construction from August/ September 2021.
- **Speed management programme** Speed limit changes were implemented at Mission Bay, Saint Heliers and West Lynn town centres. Construction of Saint Heliers town centre improvements Stage-one were underway. This stage includes construction of 200 metres of new shared path and a raised crossing facility between The Parade and Goldie Street and upgrade of the Polygon Road roundabout.

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

Section G: Financial reporting and prudence benchmarks



Annual report disclosure statement for the year ended 30 June 2021

What is the purpose of this statement?

The purpose of this statement is to disclose the Auckland Council Group (the group)'s financial performance in relation to various benchmarks and assess whether the group and Auckland Council (the council) are prudently managing their revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

The benchmarks have been prepared for the entire group.

Unless prescribed by the regulations, the quantified limit for current year benchmark is calculated using financial information disclosed in the 10-year Budget 2018-2028. The prior years have not been restated.

Rates affordability benchmark

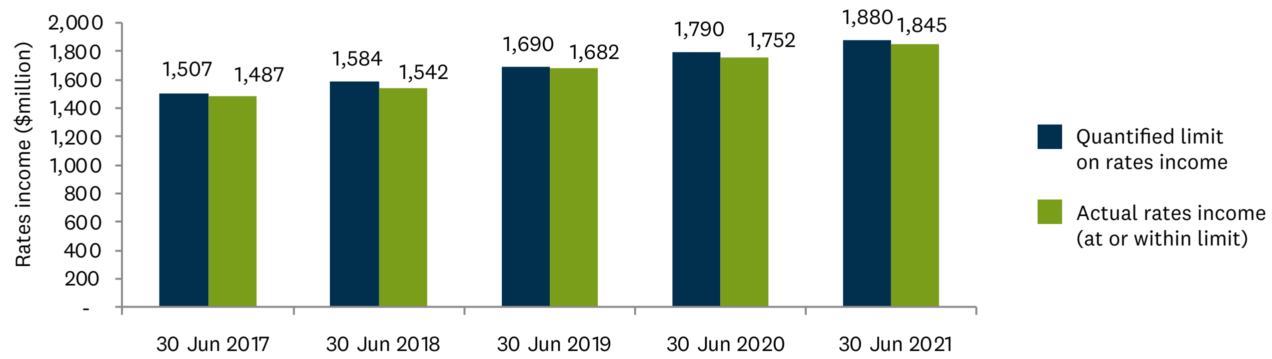
The group meets the rates affordability benchmark if:

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

Rates (income) affordability

The graph below compares the council's rates income including growth in the rating base with the quantified limit contained in the council's financial strategies for years 2017-2018. This measure included only general rates. However, from 1 July 2018, the council updated its financial strategies to include all rates that apply generally across Auckland.

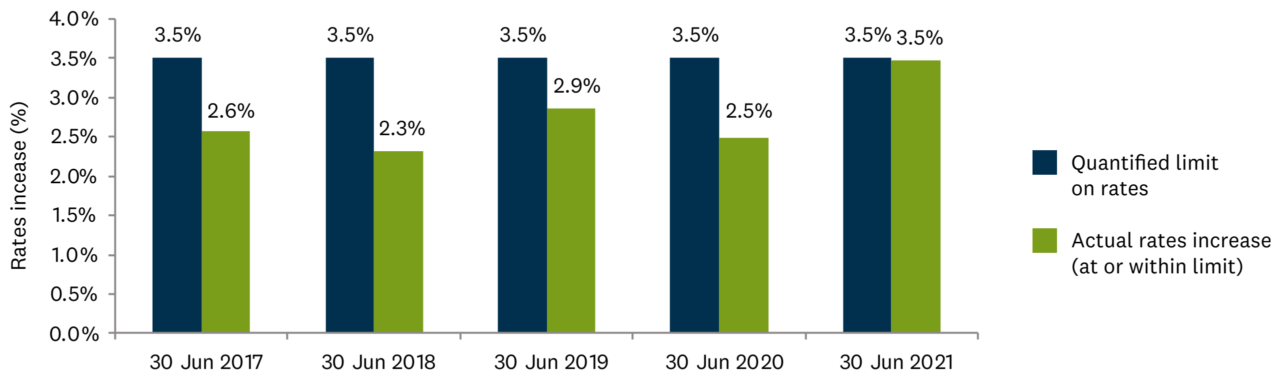
The quantified limit is the amount of income from rates, in millions of dollars, represented by the black bars in the graph. This limit includes targeted rates that apply generally across Auckland and refers to the overall average increase across all ratepayers.



Rate (increases) affordability

The graph below compares the year-on-year actual and the 10-year Budget 2018-2028 percentage increase in the group's general rates income. It includes targeted rates from 1 July 2018 that apply generally across Auckland and refers to the overall average increase across all ratepayers. From years 2017-2018 rates increase was calculated based on general rates income only.

The quantified limit is calculated using the increase in income, exclusive of growth in the rating base. The quantified limit is to maintain average rates increases for existing ratepayers.



Debt affordability benchmark

The group meets the debt affordability benchmark if its actual borrowing is within quantified limit on borrowings. Debt as a percentage of total revenue is described in the 10-year Budget 2018-2028.

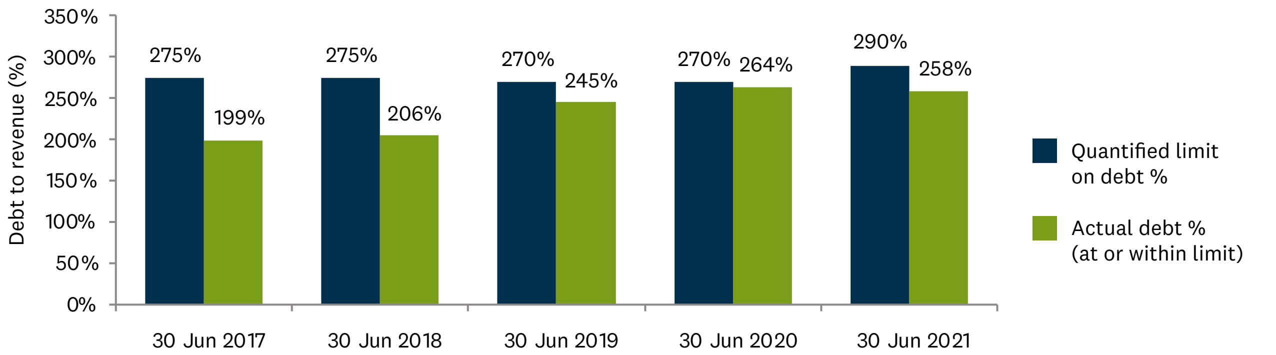
The components used in the debt affordability benchmarks are defined as follows:

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

Debt as a percentage of revenue

The graph below compares the group's actual debt with the quantified limit on borrowing contained in the financial strategy included in the 10-year Budget 2018-2028 and the council's treasury management policy. The quantified limit of debt is set to 270% of revenue. However, the primary financial impact for the group of the COVID-19 pandemic is a projected revenue shortfall of $450 million compared with updated projections pre-COVID. This has a direct impact on the group's debt as a percentage of revenue ratio through lower revenue and indirect impact through increased borrowing to cover the shortfall. To attempt to maintain a ratio below 270% would require cuts to services and investments in Auckland. In response to this impact, the quantified limit of debt as a percentage of revenue ratio is temporarily elevated to 290% in 2021, returning to 270% in the following year. (2019-2020: 270% and 2017-2018: 275%).

In prior years, the quantified limits excluded revenue or expenses, assets or liabilities relating to Watercare and total revenue and net debt were used to calculate the ratios. From 1 July 2018, pursuant to adoption of 10-year Budget 2018-2028, the council adopted a new financial strategy with revised methodology and definition of underlying components (as explained above). The current year calculation includes the results and debt of Watercare. Had the same method been applied to the historical ratios, the revised actual net debt as a percentage of revenue from 2017 to 2018 would have been 254% and 260%, respectively.

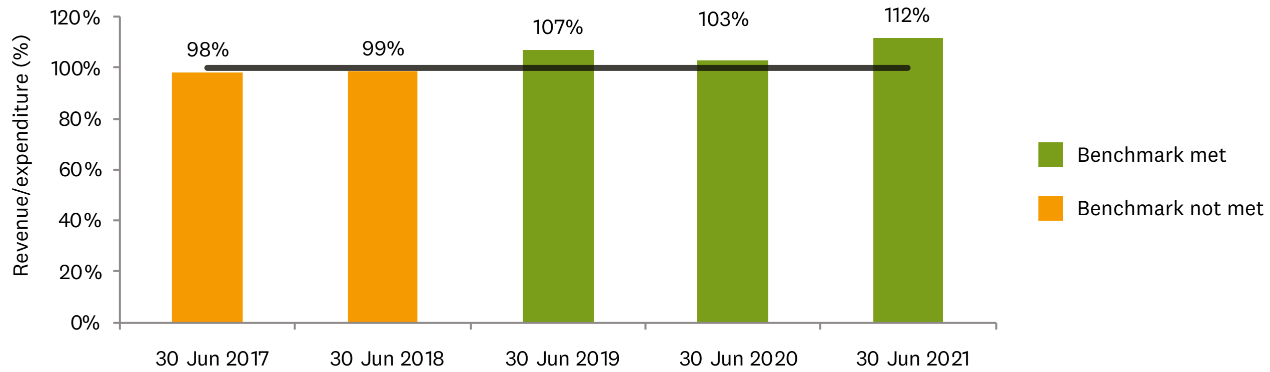


Balanced budget benchmark

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

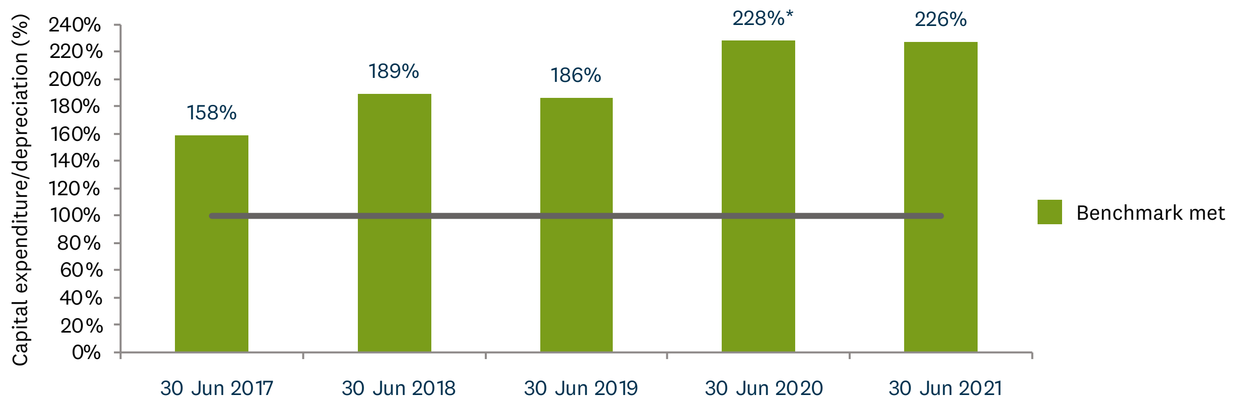
For the purpose of the balanced budget benchmark, movements in derivative financial instruments have been excluded in accordance with the disclosure requirement. The group has entered into derivative transactions to mitigate any foreign currency exposure from its offshore borrowings as required by its risk management policies. Foreign exchange volatility is included in this benchmark despite being fully mitigated. The results do not reflect the full economic substance of the transaction. Refer to Note E3 for further details of the council's risk management policies on foreign exchange risk.

The council continues to move toward full funding of depreciation by 2028, in line with our Financial Strategy. The adjusted revenue was lower than the adjusted operating expenses in 2017 and 2018, mainly due to expenses incurred being greater than budget. Refer to Section A of this volume for the variance analysis on the "Results of Operations".



Essential services benchmark

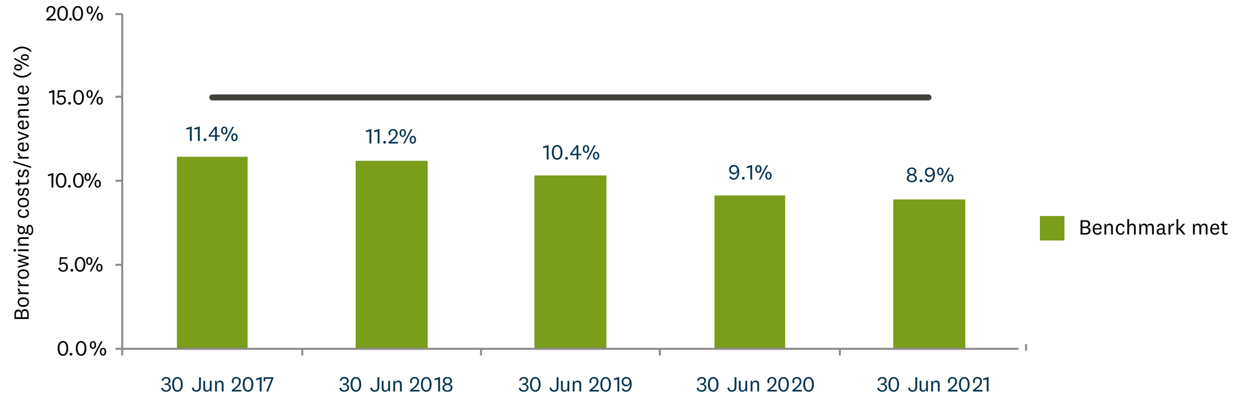
The graph below displays the group's capital expenditure on network services as a proportion of depreciation on network services. The group meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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

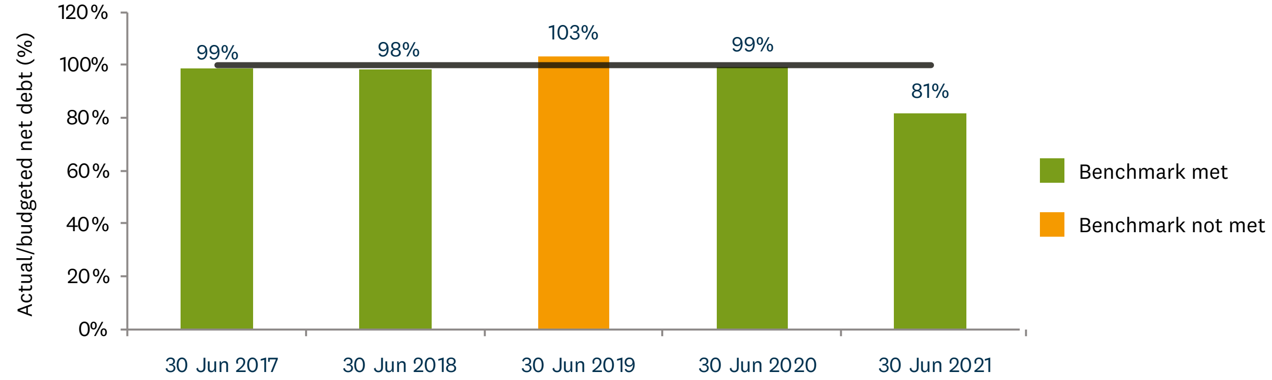
Debt servicing benchmark

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



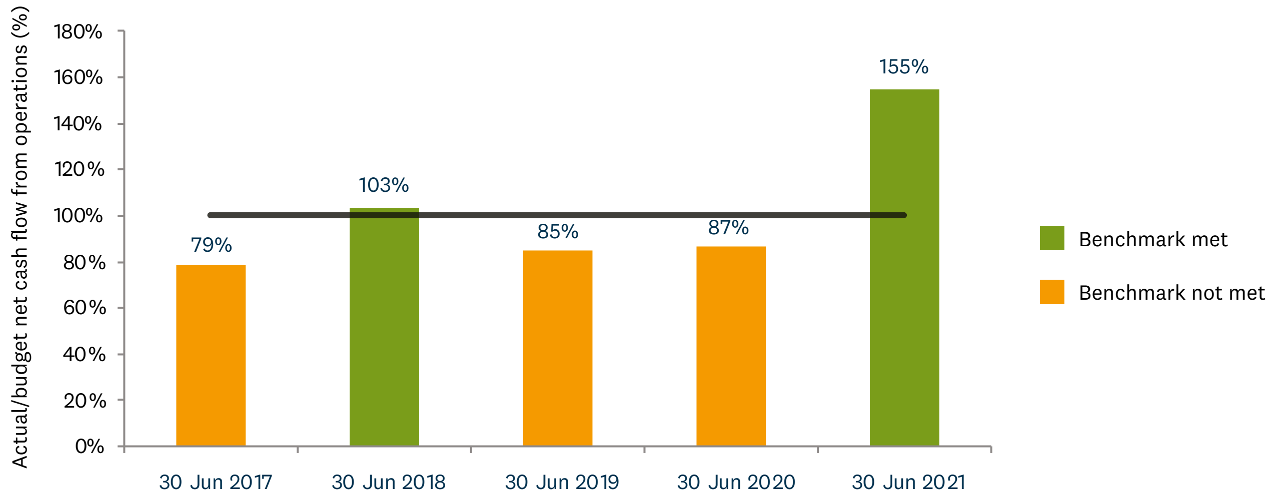
Debt control benchmark

The graph below displays the group's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The group meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. The 2019 net debt was adversely impacted by derivatives which were higher than planned as a result of the unbudgeted volatility in interest rates during the financial year.



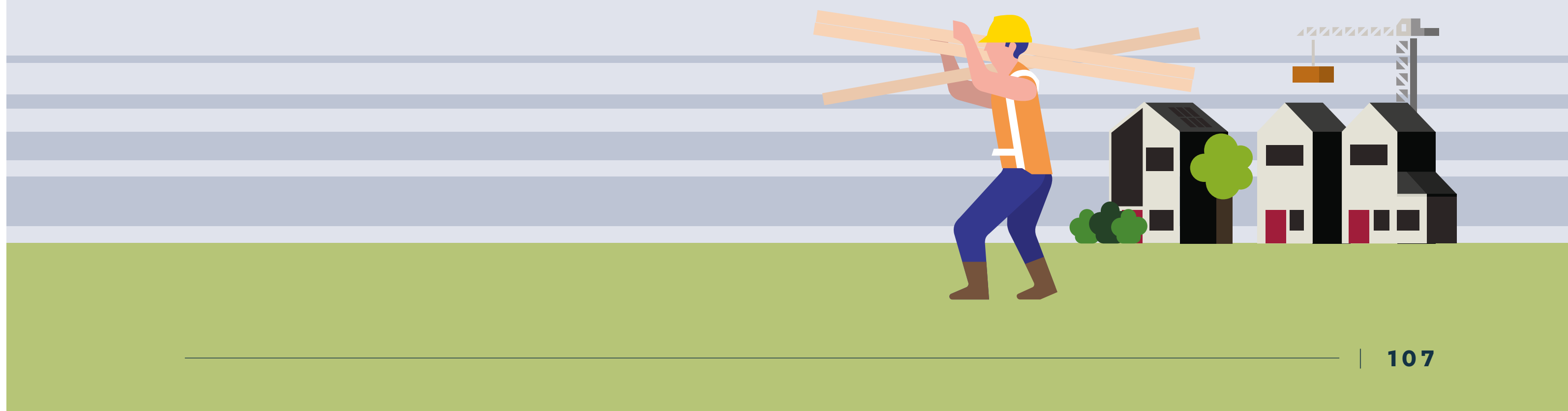
Operations control benchmark

The graph below displays the group's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The group meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations. The 2017 actual cash flows were less than planned due to higher payments to suppliers and employees driven by the higher operating expenses. Operating cash flows for 2018 were higher than 2017 and slightly above plan. 2019 and 2020 cash flows were higher than their respective preceeding years but less than planned due to lower receipts from customers, rates, grants, other services and dividends and higher payments to suppliers and employees driven by the higher operating expenses. 2021 actual cash flows were higher than 2020 and higher than planned due to higher receipts from customers, rates, grants, and other services, and lower payments to suppliers and employees.



Te Wehenga H:
Ngā whakahaere i raro i te mana o Te Kaunihera

Section H: Council-controlled organisations



Overview

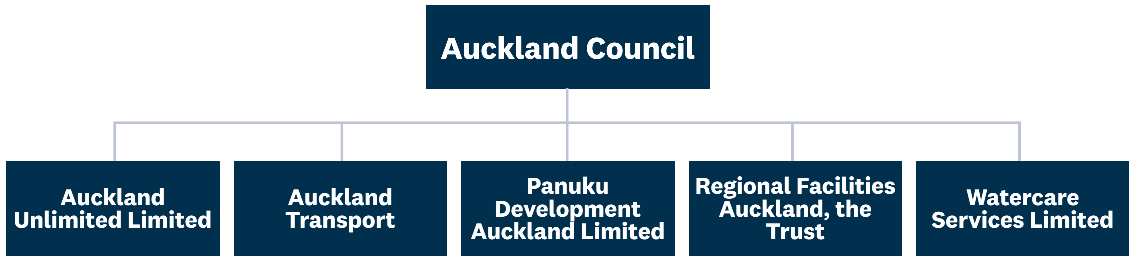
Council-controlled organisations (CCOs) are organisations in which Auckland Council (the council) controls 50 per cent or more of the votes or has the right to appoint 50 per cent (or more) of the directors or trustees.

A substantive CCO is a CCO that is either wholly owned or wholly controlled by the council and is either 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, excluding entities exempted from CCO status.

In August 2020, an independent panel reviewed Auckland Council's CCOs and recommended that two of the CCOs, Regional Facilities Auckland Limited (RFAL) and Auckland Tourism, Events and Economic Development Limited (ATEED), be merged. The Auckland Council Governing Body met on 27 August 2020 and approved this recommendation to be effective 1 December 2020. Regional Facilities Auckland Limited, as the continuing entity, changed its name to Auckland Unlimited Limited effective from 1 December 2020.

Auckland Unlimited Limited, a 100% owned subsidiary of Auckland Council, continues to be the sole trustee of Regional Facilities Auckland, a charitable trust.

The council has five substantive CCOs – and is the sole shareholder/owner for all five:



In addition to the substantive CCOs, the council has several other CCOs, and other entities exempted from CCO status, which together represent less than 0.1% of the group's total assets. These include:

- Community Education Trust (COMET) Auckland
- Contemporary Art Foundation
- Lutra Limited
- 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
- if the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.

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

The council's vision is for Auckland to be a world-class city where talent wants to live. The CCOs have a key role to play in this vision. The council expects CCOs to contribute to achieving the following outcomes from the 10-year Budget 2018-2028:

- 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 Māori 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 10-year Budget 2018-2028.

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

Auckland Unlimited
An Auckland Council Organisation

Overview

Auckland Unlimited Limited's (AUL's) role is to support the council's vision of creating a world-class city and deliver great value for money by supporting the growth of a vibrant and competitive economy, with a particular focus on supporting business and investment attraction, business growth, innovation and skills as well as supporting sustainable growth of the visitor economy.

Objectives and contribution to 10-year budget

AUL is to give effect to the objectives and priorities of Auckland Council in the 10-year budget, and the Auckland Economic Development Strategy, and in particular by:

Opportunities and prosperity

- Creating the conditions for a resilient economy, innovation, and employment growth, and raising productivity.
- Attracting and retaining skills, talent and investment.
- Developing skills and talent for the changing nature of work and life-long achievement.

Māori identity and wellbeing

- Promoting Māori success, innovation and enterprise.
- Showcasing Auckland's Māori identity and vibrant Māori culture.

AUL is to contribute to other relevant outcomes in the 10-year budget, including:

- belonging and participation

In doing so, AUL is to:

- advance Māori employment and create the environment for Māori business and iwi organisations to be a powerhouse in Auckland's economy
- leverage Auckland's position to support growth in exports and a competitive New Zealand economy
- increase ongoing learning and training in new and emerging areas, with a focus on those most in need.

Activities

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

- sustainably growing the value of Auckland's visitor economy by partnering to implement the Destination Auckland 2025 strategy with a focus on destination marketing and management, major events, business events (meetings and conventions) and international student attraction and retention.
- working with central government, corporates, education providers, and the Auckland Council Group to support local economic and employment outcomes across Auckland, including a focus on less prosperous areas of Auckland.
- supporting Auckland businesses to grow by connecting them to support, such as the Regional Business Partner Programme, that builds their capability, enhances export performance and helps them prepare for technological change and disruption.
- supporting jobs and skills matching initiatives to assist Aucklanders who are not currently in the workforce or who are underemployed.
- working with partners to develop and deliver initiatives that promote Māori Economic Development, with a focus on building an eco-system of support for Māori businesses.
- continuing the development and implementation of the Wynyard Quarter Innovation Precinct, focusing on the management and strategic leasing of the GridAKL buildings, with the objective of growing businesses, creating jobs and building Auckland's culture of innovation and entrepreneurship.
- promoting Auckland as a global destination for business and investment with a focus on target places and sectors of interest.

For information on the above activities, actual performance, key performance targets and other measures set out in the 10-year Budget 2018-2028 see the Group of Activities section in Volume 1 of the Auckland Council Annual Report 2020/2021.

Directors

Mark Franklin (Chairperson) / Jennah Wootten (Deputy Chairperson) /
Hongyu (Carol) Cheng / Evan Davies / Fabian Partigliani / Jennifer Rolfe / Daniel Te Whenua Walker

Auckland Transport
An Auckland Council Organisation

Overview

Auckland Transport is responsible for managing the region's transport system. It provides transport services to Auckland's residents and visitors and is guardian of more than $22 billion worth of publicly held assets including roads and footpaths and delivering public transport 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, Auckland Council must be treated as if it were the sole shareholder of Auckland Transport.

Objectives and contribution to 10-year budget

Auckland Transport's objectives and contribution to the 10-year budget are aligned with the Transport and Access Outcome of the 10-year budget, the Government Policy Statement on land transport, and the recommendations of the 2018 Auckland Transport Alignment Project.

Auckland Transport's approach to contribute to the Auckland Plan outcomes is to:

- help people travel safely
- improve access to frequent and attractive public transport
- encourage walking and cycling
- make best use of existing networks
- support growth, urban redevelopment and regeneration
- manage the impacts of the transport system on the environment
- ensure value for money.

Auckland Transport also has a key focus on its customers, and work to improve the customer experience of the transport system. It will supplement this with a major focus on how it engages with Auckland's communities, especially when making major investments which can entail disruption to networks while work is done.

To make the most of the available funding and resources, Auckland Transport is committed to continuous review and improvement of its operations and will work with the Waka Kotahi NZ Transport Agency to seek to optimise the funding of its programme, both capital and operating.

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 10-year Budget 2018-2028 see the Group of Activities section in Volume 1 of the Auckland Council Annual Report 2020/2021.

Directors

Adrienne Young-Cooper (Chairperson) / Wayne Donnelly (Deputy Chairperson) / Kylie Clegg / Mary-Jane Daly /
Darren Linton / Dr Jim Mather / Thomas Parker / Abbie Reynolds / Nicole Rosie (Waka Kotahi Representative)

Eke Panuku Development Auckland
An Auckland Council Organisation

Overview

Panuku Development Auckland Limited (Eke Panuku) purposes include facilitating urban redevelopment that optimises and integrates good public transport outcomes, efficient and sustainable infrastructure and quality public services and amenities. Eke Panuku also manages council's non-service property portfolio and provides strategic advice on council's other property portfolios.

Objectives and contribution to 10-year budget

Homes and places

- Provide sufficient public places and spaces that are inclusive, accessible and contribute to urban living.
- Accelerate the construction of homes that meet Aucklanders' changing needs and preferences.
- Develop a quality compact urban form to accommodate Auckland's growth.

Belonging and participation

- Create safe opportunities for people to meet, connect, participate in, and enjoy community and civic life.

Opportunity and prosperity

- Advance Māori employment and support Māori business and iwi organisations to be significant drivers of Auckland's economy.

Māori identity and wellbeing

- Showcase Auckland's Māori identity and vibrant Māori culture.
- Celebrate Māori culture and support te reo Māori to flourish.
- Reflect mana whenua mātauranga and Māori design principles throughout Auckland.

Environment and cultural heritage

- Use green infrastructure to deliver greater resilience, long-term cost savings and quality environmental outcomes.

Activities

Eke Panuku activities cover five broad areas:

- Place-led regeneration and development of the council's agreed urban locations by making the most of Auckland Council owned land and working with the council, other council-controlled organisations, the crown and infrastructure providers to facilitate urban regeneration.
- Selling Auckland Council's surplus property, and where appropriate, reviewing council's service property for optimisation and redevelopment opportunities.
- Managing council's assets/property including commercial, residential and marina infrastructure, or redevelopment incorporating a service delivery function.
- Undertaking other property-related services such as strategic property advice, acquisitions and disposals.
- Ensuring that its capital and operating expenditure, policies and plans (including locally-specific development plans) are directed towards achieving these objectives and priorities.

For information on the above activities, actual performance, key performance targets and other measures set out in the 10-year Budget 2018-2028 see the Groups of Activities section in Volume 1 of the Auckland Council Annual Report 2020/2021.

Directors

Paul Majurey (Chairperson) / John Coop / Kenina Court / Steve Evans / Susan Huria / David Kennedy / Jennifer Kerr / Richard Leggat

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 Aotea Centre, Aotea Square, Auckland Art Gallery Toi o Tāmaki, Auckland Town Hall, Auckland Zoo, Bruce Mason Centre, The Civic, Mt Smart Stadium, North Harbour Stadium, Queens Wharf, Western Springs Stadium and New Zealand Maritime Museum.

Objectives and contribution to 10-year budget

The objectives of RFA include:

- engage Auckland's communities through programmes, events and exhibitions
- reach Auckland's communities, by providing events all Aucklanders can attend
- provide for future generations of Aucklanders by ensuring collections and infrastructure support rich experiences.

These objectives shall be facilitated through RFA's management of assets and the funding decisions and ensuring that as an organisation it is sustainable.

Activities

RFA's activities include the following:

- act as a regional voice for arts, culture, heritage, leisure, sports and entertainment issues
- advocate, co-ordinate and contribute to council's strategic thinking for investing in new collections and arts, cultural, heritage, leisure, sport and entertainment facilities for Auckland
- develop, 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
- plan for and implement regionally identified projects
- Nurture region-wide arts, cultural and heritage activities and organisations
- secure 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 10-year Budget 2018-2028 see the Groups of Activities section in Volume 1 of the Auckland Council Annual Report 2020/2021.

Trustee

Auckland Unlimited Limited is the trustee of Regional Facilities Auckland.

Watercare
An Auckland Council Organisation

Overview

Watercare Services Limited (Watercare) is a lifeline utility providing water and wastewater services to 1.7 million people in Auckland. These services are vital for life, keep people safe and help communities to flourish.

Watercare supplies reliable, high-quality drinking water to homes and businesses in the Auckland region and collects, treats and discharges their wastewater in environmentally responsible ways.

Watercare manages water and wastewater assets worth more than $10 billion and plans and builds infrastructure to ensure it supports growth today and into the future.

Its activities and programmes are funded though user charges.

Objectives and contribution to 10-year budget

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

- building resilience to natural hazards
- realising a compact city
- optimising, integrating and aligning 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.

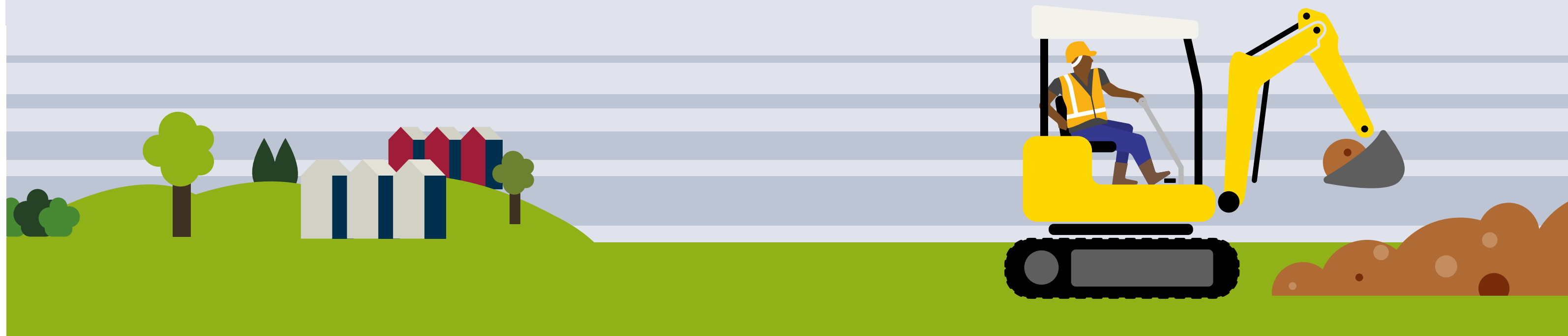
For information on the above activities, actual performance, key performance targets and other measures set out in the 10-year Budget 2018-2028 see the Groups of Activities section in Volume 1 of the Auckland Council Annual Report 2020/2021.

Directors

Margaret Devlin (Chairperson) / Dave Chambers / Dr Nicola Crauford / Graham Darlow / Brendon Green / Hinerangi Raumati-Tu'ua / Frances Valintine

Te Pūrongo a te Kaitātari
Motuhake mō te Kaute

Independent auditor's report



Independent Auditor's Report

To the readers of Auckland Council's annual report for the year ended 30 June 2021

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

I am also required to report on:

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

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

Opinion on the audited information

In my opinion:

- the financial statements in Volume 3 on pages 14 to 101 present fairly, in all material respects, the financial position of the Auckland Council and Group as at 30 June 2021, and their financial performance and cash flows for the year ended on that date, in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement in Volume 3 on page 9, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Auckland Council and Group's annual plan;
- the statement of service performance in Volume 1 on pages 66 to 155:
    - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, including:
        - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
        - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
    - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities in Volume 1 on pages 66 to 155, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Auckland Council and Group's annual plan;
- the funding impact statement for each group of activities in Volume 1 on pages 66 to 155, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Auckland Council and Group's Long-term plan; and
- the statements of service performance for local activities in Volume 2, section 2.1 to 2.21 on pages 8 to 11 for each local board present fairly, in all material respects, the local activities for each local board area for the year ended 30 June 2021, including:
    - the level of service achieved for the activities compared with the performance target or targets for those activities as set out in the local board agreement for the year; and
    - the reasons for any significant variation between the level of service achieved and the intended level of service.

Report on the disclosure requirements

I report that the Auckland Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) in Volume 3 on pages 103 to 106, which represent a complete list of required disclosures and accurately reflects the information drawn from the Auckland Council and Group's audited information and, where applicable, the Auckland Council and Group's Long-term plan and annual plans.

Basis for my opinion on the audited information

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

I am independent of the Auckland Council and Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters

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

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

I have determined there are four key audit matters:

- valuation of property, plant and equipment;
- valuation of the weathertightness and associated building defect claims provision;
- valuation of derivatives; and
- reporting performance on the three waters, transport and housing in response to population growth.

Description of key audit matter	How we addressed this matter
Valuation of property, plant and equipment	
The Auckland Council and Group owns a large portfolio of operational assets, restricted assets and infrastructure assets. As outlined in note B1, the Group had infrastructure assets of $33.451 billion, operational assets of $10.569 billion and restricted assets of $8.084 billion as at 30 June 2021. A number of the operational assets, restricted assets and infrastructure assets, are carried at fair value, with revaluations performed on a regular basis, or when the fair value is materially different to the carrying value. The accuracy of the valuation of material classes of assets depends on the completeness and accuracy of the underlying information, judgements of remaining useful lives to determine depreciation and the appropriateness of the assumptions used in the revaluations. Some valuations are inherently more complex and involve the use of numerous data sources from several different parties. Because of the large value of the assets held by the Auckland Council and Group a small movement in the valuation or expected useful life of some components can have a significant impact on the depreciation expense recognised in the financial statements.	For property, plant and equipment carried at fair value, but not subject to a revaluation this financial year, we made enquiries of the Auckland Council and Group as to how it had been determined that an item or asset class carried at valuation was not materially different from its fair value. We assessed the reasonableness of the Council and Group's assertions. This included: • Considering whether the assessment methods and assumptions applied to each asset class are appropriate. • Assessing the application of these methodologies, including testing calculations and considering the sensitivity of changes to key assumptions. • Where price indices were used, confirming that the indices are appropriate, and confirming movements to published indices. • Where an analysis of the market movements was undertaken through the use of an independent valuer, we assessed the valuer's expertise for the work and their objectivity. We discussed the assessment of the market movements with the valuer and assessed these movements against other sources of market data.

Description of key audit matter	How we addressed this matter
For all asset classes carried at fair value the Auckland Council and Group assess annually whether there is a material difference between the fair value and carrying value of each asset class, which would trigger the need for a full revaluation. At 30 June 2021 the following significant classes of assets were revalued: • operational land and buildings; • restricted land and buildings; and • water and wastewater. These valuations were carried out by independent valuers. In addition to the matters above, page 21 of Volume 3 outlines the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided and the related assets is currently uncertain because no decisions have been made. Future decisions may result in significant changes. There is uncertainty as to whether Council and Group will continue to provide these services and own the related assets beyond 2024. I considered the valuation of property, plant and equipment a key audit matter because of the significance of the amounts involved and the judgements applied.	For those assets that have been revalued, we read the valuation reports and discussed the approach to the valuation with the valuer. We obtained representations that the valuation approach was in keeping with accepted professional valuation standards. We assessed the valuer's expertise for the work and their objectivity. This included considering whether they had other engagements or relationships with the Auckland Council and Group. We confirmed our understanding of the valuation methodology and key assumptions and evaluated their reasonableness. We did this based on our experience and knowledge of other specialised operational and infrastructure valuations in the public sector. We engaged a valuation and real estate specialist to assist with the assessment of the methodologies and to critique and challenge the key assumptions used by the valuers of operational and restricted land and buildings. We reviewed the valuation methodology and reasonableness of indices used to revalue water and wastewater assets which were revalued based on price movement indices. We obtained an understanding of the source data used for the valuations. We reviewed the data for errors or omissions. We assessed the overall valuation changes and sought explanations from the valuers for any significant or unusual changes in value. We evaluated whether the Auckland Council and Group have appropriately applied the requirements of the applicable financial reporting framework, including whether the disclosures in the financial statements were appropriate. I am satisfied that the value of operational assets, restricted assets and infrastructure assets in the Auckland Council and Group's financial statements are reasonable and supportable.

Description of key audit matter	How we addressed this matter
Valuation of the weathertightness and associated building defect claims provision	
Auckland Council recognises its estimated liability towards the cost of repairing Auckland homes impacted by weathertightness issues. Auckland Council's obligation extends to multi-unit dwellings as well as single homes. As discussed in Note D5 to the financial statements, in Volume 3 on pages 67 to 70, the Auckland Council and Group recognised a provision of $308 million for the year ended 30 June 2021, an increase of $33 million since 30 June 2020. Multi-unit claims make up 88% of this provision. There are three different types of claims: • active claims ($200 million): those which have been lodged and are progressing through the resolution process; • reported claims ($35 million): those which have been lodged but are not yet progressing through the resolution process; and • unreported claims ($73 million): those which might be made but that have yet to be lodged with, or identified by the Auckland Council and Group. I considered the valuation of the weathertightness and associated building defect claims provision a key audit matter because the valuation of the provision, by an actuary, is complex and subject to a high degree of judgement and estimation. There is also inherent uncertainty about how many claims might be made and what they might cost.	We read the actuary's valuation report and met with the actuary to understand: • the valuation methodology and any changes from last year; • the key inputs and assumptions and any changes from last year; and • the reasons for valuation changes from last year. We assessed the actuary's expertise for completing the work and their objectivity, including whether they had any other engagements or relationships with the Auckland Council and Group. We assessed the valuation methodology and assumptions for compliance with the requirements of the applicable financial reporting standard, and for reasonableness. We did this based on our accumulated knowledge and experience of weathertightness issues relating to Auckland Council and other councils. We also engaged valuation experts to assist with our review of the appropriateness of key judgements and assumptions in the valuations. We re-assessed the reasonableness of last year's estimates considering the current year valuation, as well as claim activity and settlements during the year. We agreed active claims data to representations from the Auckland Council's external legal advisers and reconciled the legal advisers' loss reserve estimates to the actuary's provision calculation. We made enquiries of the Auckland Council's in-house legal team and the actuary about any recent claims, court decisions, or changes in legislation that significantly affect the Auckland Council and Group's liabilities. I am satisfied that the provision recognised in Note D5 to the financial statements, in Volume 3 on pages 67 to 70 of the Group's financial statements for weathertightness and associated building defect claims is reasonable and supportable.

Description of key audit matter	How we addressed this matter
Valuation of derivatives	
The Auckland Council and Group uses a number of different types of derivative financial instruments to mitigate risks associated with foreign currency and interest rate fluctuations that affect the Auckland Council and Group's debt. The Auckland Council and Group has in place a Treasury Management Policy that sets the parameters within which the Auckland Council and Group must operate when entering into derivatives. The Auckland Council and Group's derivatives are recognised at fair value and are measured using discounted cash flow valuation techniques based on inputs from independently sourced market information. As discussed in Note C2 to the financial statements, in Volume 3 on pages 56 to 58, the Auckland Council and Group reported derivative assets with a fair value of $428 million, and derivative liabilities with a fair value of $1,710 million at 30 June 2021. For the year ended 30 June 2021, as discussed in Note A6 to the financial statements, in Volume 3 on pages 32 and 33, there was a net gain on derivatives of $780 million recognised by the Auckland Council and Group compared to a net loss of $665 million in the prior year. This is primarily the result of favourable changes in the long-term interest rate swap curve this year. I considered derivatives a key audit matter because there is judgement needed in their valuation, the values rely on assumptions, and the values are sensitive to small movements in market interest rates and foreign exchange rates. These can have a significant effect on the value of the derivatives and the consequential gain or loss that is recognised in the financial statements.	We obtained an understanding of the Auckland Council and Group's Treasury Management Policy. We assessed whether derivative treasury controls operated effectively during the year. We assessed the Auckland Council and Group's processes to record all derivatives, including their terms and conditions. We obtained independent confirmation that all the derivatives existed and were recorded, and that their terms and conditions were accurately recorded. We carried out audit procedures that were appropriate to the nature of the derivatives and the uncertainties associated with determining their fair value. These audit procedures included a mix of the following: • we estimated the fair value of a sample of derivatives using our internal valuation model; • for more complex derivative valuations, we engaged external valuers to estimate the fair value of a sample of derivatives; • we assessed the valuers' expertise and objectivity, and we considered the appropriateness of using the external valuers' work as audit evidence; and • we compared our estimate of fair value to the Auckland Council and Group's fair value and assessed whether the Auckland Council and Group's fair value was within an acceptable valuation range. We also considered the interest rate risk disclosures in Note E1 to the financial statements, in Volume 3 on page 76, and disclosures explaining the gain on derivatives in Note A6 to the financial statements, in Volume 3 on pages 32 and 33. We assessed whether the information provided in the financial statements, and in the other information sections of the annual report, would enable a reader to understand the impact on the fair value of interest rate swaps as a result of the movements in the interest rates during the financial year.

Description of key audit matter	How we addressed this matter
	I am satisfied that the derivative valuations, and supporting information about derivatives, in the Auckland Council and Group's financial statements are reasonable, supportable and appropriately disclosed.
Reporting performance on the three waters, transport and housing in response to population growth	
Auckland's population is continuing to grow. This requires the Auckland Council and Group to respond to a number of growth-related issues, including the continuity and security of water supply, capacity of the wastewater and stormwater systems and roading network, and availability of public transport and housing. The Council has a key role in housing through: • establishing the rules for development under the Unitary Plan; • its role as a building consent authority responsible for issuing building consents and code of compliance certificates; • its role in making resource management decisions, and providing resource consents; and • giving effect to the national policy statements on urban development. The Council also has a role in planning for, and providing sufficient infrastructure to meet, the future demand for housing. As part of this, several key projects are underway or planned. These include the replacement and expansion of water treatment plants, upgrade of wastewater treatment plants and pipes, improvements to stormwater systems and projects to increase the capacity of the public transport system, including the City Rail Link (which is being built by City Rail Link Limited on behalf of the Crown and Auckland Council). Given the significance of the growth-related issues it is particularly important that Auckland Council is clear, accurate and informative in reporting performance against expectations in the annual report. Council's response to these issues is described in the statement of service performance Volume 1 on pages 66 to 155 as well as in pages 38 to 43 of Volume 1.	We identified the aspects of performance that we consider to be material to readers of the Council's annual report and focused our work on these aspects. This included material performance measures relevant to water supply, wastewater and stormwater, transport, and housing in the statement of service performance and the Auckland Plan annual monitoring report in Volume 1 on pages 158 to 160. Our work included: • testing the effectiveness of relevant internal controls; • confirming reported performance for material measures to underlying records on a sample basis; and • where appropriate, obtaining third-party confirmation of performance. We assessed whether the performance reported fairly reflected the Auckland Council and Group's performance in these important areas. In addition to these audit procedures on material performance measures, we carried out the following procedures: • obtained an understanding of the key growth-related issues facing the Auckland Council and Group, and the strategic initiatives and projects to address these issues as well as the progress being made to deliver them; and • considered whether the reported performance information about water supply, wastewater and stormwater, transport and housing (including key growth projects) is sufficient to enable a reader of the annual report to have a good understanding of the progress being made by the Auckland Council and Group towards addressing the growth-related issues identified.

Description of key audit matter	How we addressed this matter
In addition to clearly articulating the Auckland Council and Group's role the reported performance information should enable a reader to understand the: • key growth-related issues; • strategic initiatives and projects to address the growth-related issues; • progress being made on these strategic initiatives and projects (including timeframes and costs); • key measures being used to assess Auckland Council's performance in responding to growth-related issues; and • ongoing challenges that are yet to be addressed (if any). In addition, and as mentioned under *Valuation of property, plant and equipment* above the Government intends to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. Future decisions may result in significant changes. There is uncertainty as to whether the Auckland Council and Group will continue to provide these services beyond 2024. I considered this a key audit matter because of the complexity of these growth-related issues and the need for innovative solutions, and collaboration between the Council, its Council Controlled Organisations, key local stakeholders, and the Government.	This included assessing the information reported about the City Rail Link project for consistency with the audited financial statements and performance information of City Rail Link Limited (CRLL), and knowledge obtained in our audits of both CRLL and the Auckland Council and Group. Where information on these activities was included in the annual report but outside the statement of service performance, we read the information for consistency with the audited financial statements and statement of service performance, and knowledge obtained in our audit of the Auckland Council and Group. This knowledge included information from: • relevant group reports, meeting minutes, and supporting evidence; • discussions with governing bodies and management of the Auckland Council and Group; and • discussions with other public sector agencies involved in Auckland matters. I am satisfied that the performance information reported about the three waters, transport and housing is reasonable, and reflects both the role and performance of the Auckland Council and Group in the areas of the three waters, transport and housing.

Other information

The Council is responsible for the other information included in the annual report. The other information comprises the information included in Volume 1 on pages 1 to 65 and 156 to 166, Volume 2 sections 2.1 to 2.21 on pages 1 to 7 and 12 to 15, Volume 3 on pages 1 to 8, 10 to 13, 107 to 114, and 126 to 137 and Volume 4 but does not include the audited information and the disclosure requirements.

My opinion on the audited information and my report on the disclosure requirements do not cover the other information.

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

Responsibilities of the Council

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

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

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

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

Responsibilities of the auditor for the audited information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

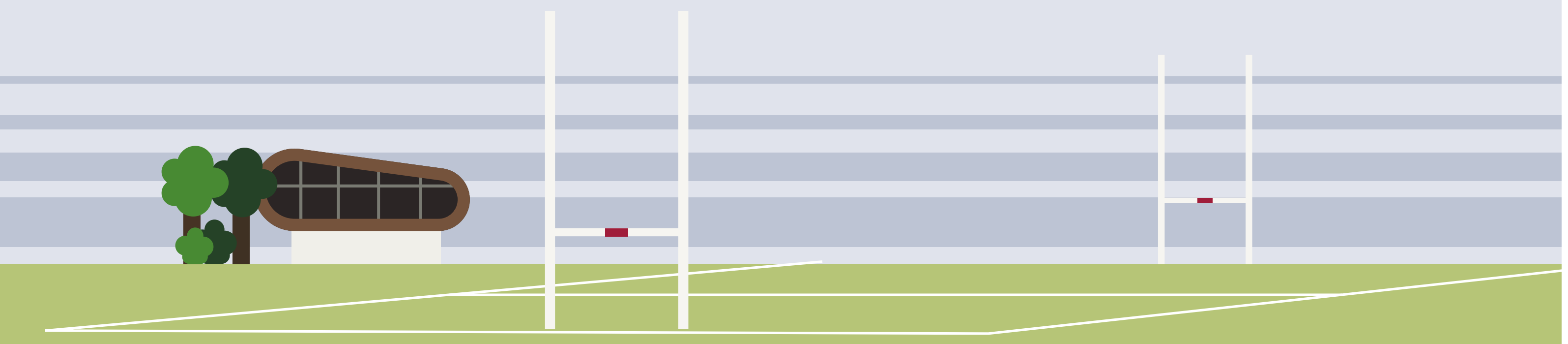
My responsibilities arise from the Public Audit Act 2001.

Greg Schollum
Deputy Auditor-General
Wellington, New Zealand
27 September 2021

Ngā herenga mō NZX me ētahi rārangi tauhokohoko

NZX and other exchange listing requirements

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



Summary of waivers granted by NZX

For the purposes of NZX Listing Rule 3.7.1(g), the council discloses that, in the 12-month period preceding 30 June 2021, NZX has granted and published, or the council has relied on the following waivers:

- a waiver from NZX Listing Rules 3.6.1(b)(ii) and 3.6.3 dated 23 January 2020; and
- a class waiver from NZX Listing Rules 3.5.1, 3.5.3, 3.6.1 and 3.12.1 dated 3 April 2020.

Listing Rules 3.6.1(b)(ii) and 3.6.3

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

Listing Rules 3.5.1 and 3.6.1

The council relied on the waiver from NZX Listing Rule 3.5.1. The effect of the waiver is that the timeframe for the council to release its Results Announcement through MAP was increased from no later than 60 days to 90 days after the end of its financial year ending 30 June 2020.

The council relied on the waiver from NZX Listing Rule 3.6.1. The effect of the waiver is that the timeframe for the council to make available its annual report was increased from within three months to five months after the end of its financial year ending 30 June 2020.

Spread of public bondholders at 16 August 2021

HOLDING RANGE	NUMBER OF BONDHOLDERS	VALUE HELD ($)	PERCENTAGE OF BONDS HELD
5,000 to 9,999	55	341,000	0.03
10,000 to 49,999	504	11,557,000	0.94
50,000 to 99,999	129	8,357,000	0.68
100,000 to 499,999	113	21,603,000	1.76
500,000 to 999,999	14	10,028,000	0.81
1,000,000 +	50	1,178,114,000	95.78
Total	**865**	**1,230,000,000**	**100.00**

The top 20 NZX listed bondholders of the group as at 16 August 2021 were:

ENTITY	HOLDING ($)
Accident Compensation Corporation	278,500,000
Citibank Nominees (New Zealand) Limited	104,855,000
BNP Paribas Nominees (NZ) Limited 1	95,784,000
HSBC Nominees (New Zealand) Limited	76,161,000
Westpac New Zealand Limited	71,000,000
JPMorgan Chase Bank N.A. NZ Branch-Segregated Clients Account	58,000,000
BNP Paribas Nominees (NZ) Limited 2	45,501,000
ANZ Fixed Interest Fund	34,901,000
TEA Custodians Limited Client Property Trust Account	31,013,000
Public Trust	28,500,000
ANZ Custodial Services New Zealand Limited	27,193,000
Bank of New Zealand - Treasury Support	24,312,000
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	24,000,000
HSBC Nominees (New Zealand) Limited O/A Euroclear Bank	23,226,000
ASB Bank Limited - Treasury Division	22,000,000
ANZ Bank New Zealand Limited	21,347,000
Industrial and Commercial Bank of China (New Zealand) Limited	20,000,000
Custodial Services Limited	15,352,000
Hong Kong and Shanghai Banking Corporation Limited	14,500,000
HSBC Nominees (New Zealand) Limited A/C State Street	14,100,000
	1,030,245,000

Other exchange listings

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

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

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

Main differences between IFRS and PBE Accounting Standards

Introduction

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

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

The key differences in recognition and measurement between PBE Accounting Standards applicable to the group and IFRS (applicable to annual periods beginning on or after 1 July 2020) are set out below. Differences that impact only on presentation and disclosure have not been identified.

PBE Accounting Standards with comparable IFRS equivalent

Formation of Auckland Council Group

PBE

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

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

IFRS

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

Impact

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

Business combinations

PBE

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

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

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

IFRS

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

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

Impact

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

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

Property, plant and equipment

PBE

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

IFRS

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

Impact

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

Borrowing costs

PBE

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

IFRS

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

Impact

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

Impairment of Assets

PBE

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

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

IFRS

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

Impact

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

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

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

Revenue from non-exchange transactions

PBE

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

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

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

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

IFRS

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

Impact

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

Under PBE IPSAS 23, the timing of recognising the group's rates revenue is 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 likely to be an earlier recognition than if this revenue was accounted for under IFRS.

Revenue from exchange transactions

PBE

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

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

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

IFRS

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

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

Impact

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

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

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

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

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

PBE

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

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

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

IFRS

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

Impact

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

Fair Value Measurement

PBE

There is no specific standard in the PBE Accounting Standards, however a number of PBE Accounting Standards contain guidance on the measurement of fair value in specific context (for example PBE IPSAS 17 *Property, Plant and Equipment* and PBE IFRS 9 *Financial Instruments*).

IFRS

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

Impact

The application of IFRS 13 may result in differences in the measurement of certain property, plant and equipment compared to PBE IPSAS 17 and financial assets and liabilities compared to PBE IFRS 9.

Lease accounting

PBE

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

Finance leases are recognised on the statement of financial position.

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

IFRS

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

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

Impact

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

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

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

Papakupu kupu

Glossary of terms

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

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

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

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

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

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

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

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

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

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

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

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

Credit Support Annex (CSA)
An agreement which provides collateral for derivative transactions. The purpose is to reduce credit risk to a counterparty by providing security.

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

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

Effective interest method
A method of calculating the amortised cost of a financial instrument and of allocating the interest revenue or expense over the relevant period by using the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Fair value
Amount which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial Markets Conduct Act 2013 (FMCA 2013)
The Financial Markets Authority regulates capital markets and financial services in New Zealand. It is governed by the Financial Markets Conduct Act 2013, which promotes confident and informed participation of businesses, investors, and consumers in the financial markets; and promotes and facilitates the development of fair, efficient, and transparent financial markets.

Governing Body
The Governing Body is made up of the mayor (elected city wide) and 20 councillors (elected on a ward basis). It shares its responsibility for decision-making with the local boards. It focuses on the big picture and on region-wide strategic decisions. Because each ward may vary in population, some wards have more than one councillor.

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

Green bonds
Bonds issued to finance projects or assets that deliver positive environmental outcomes or refinance corporate debt that supports these projects or assets.

Green bond framework
The document which outlines how the council proposes to issue and manage its green bonds on an ongoing basis.

Group of activities
One or more related activities provided by, or on behalf of the group and the council.

Infrastructure growth charge
Amount collected by Watercare Services Limited from property owners or developers applying for new connections to help fund new infrastructure required by growth.

Joint ventures
Contractual arrangements whereby the group or the council undertakes an economic activity that is subject to joint control or an interest in an entity with an external party.

Legacy councils
The eight former territorial authorities in the Auckland region that were disestablished on 31 October 2010. They comprise Auckland City Council, Auckland Regional Council, Franklin District Council, Manukau City Council, North Shore City Council, Papakura District Council, Rodney District Council and Waitakere City Council.

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

Local Government Act 2002 (LGA 2002)
The act that defines the powers and responsibilities of territorial local authorities such as Auckland Council.

Local Government (Auckland Council) Act 2009 (LGACA 2009)
The act establishes Auckland Council as a unitary authority for Auckland; and sets out its structure, functions, duties, and powers that differ from the general provisions applying to local authorities under the Local Government Act 2002 and certain other enactments. Also determines the management of transport and water supply and wastewater services for Auckland and sets out requirements relating to substantive council-controlled organisations.

Local Government (Financial Reporting and Prudence) Regulations 2014
Regulations promoting prudent financial management by local authorities requiring disclosure of performance in relation to benchmarks as a single entity and not including subsidiaries. Auckland Council must disclose, in its disclosure statements, its performance and that of its subsidiaries as a single entity.

Local Government (Rating) Act 2002 (LGRA)
Defines how territorial local authorities such as Auckland Council can set, assess and collect rates.

Local Government Funding Agency (LGFA)
An organisation jointly owned by most local authorities in New Zealand and the Crown to borrow on behalf of the sector.

Long-term plan
Also commonly referred to as the LTP and the 10-year Budget. This sets out Auckland Council's vision, activities, projects, policies, and budgets for a 10-year period.

Operating expenses
Expenditure resulting from normal business operations.

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

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

Service concession arrangement
A binding arrangement between grantor and operator in which,

- the operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

Service concession assets
Assets used to provide public services in a service concession arrangement.

Subsidiaries
Entities over which the group and the council have the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Ward
An administrative and electoral area of Auckland Council. There are 13 in Auckland Council's area.

Water space licence
Water space around Wynyard Quarter subject to a coastal permit which is held by the group for rental return and/or capital growth.

Te huarahi whakapā mai ki te kaunihera

How to contact the council

Online	aucklandcouncil.govt.nz/contactus
Phone	09 301 0101
Post	Auckland Council, Private Bag 92300, Auckland 1142

Locations that offer council services

Bledisloe Lane (CBD)
Bledisloe House, Ground Floor,
24 Wellesley Street, Auckland CBD

Aotea / Great Barrier Island
81 Hector Sanderson Road,
Claris, Great Barrier Island

Helensville
49 Commercial Road, Helensville

Henderson
6 Henderson Valley Road, Henderson

Huapai
296 Main Road (SH16), Huapai

Kumeū Library
296 Main Road, Kumeū

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

Orewa
50 Centreway Road, Orewa

Papakura Sir Edmund Hillary Library
1/209 Great South Road, Papakura

Pukekohe Library,
Franklin: The Centre
12 Massey Avenue, Pukekohe

Takapuna Library
9 The Strand, Takapuna

Te Manawa
11 Kohuhu Lane, Westgate

Waiheke Island
10 Belgium Street, Ostend,
Waiheke Island

Warkworth
1 Baxter Street, Warkworth

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

Auckland Council
Te Kaunihera o Tāmaki Makaurau